



PNG's sovereign bond debut

Bank of China part of syndicate

PAPUA New Guinea, internationally dubbed as one of the most corrupt countries in the world with one of the poorest records for government transparency, is intending to drum up investor interest for a debut sovereign bond.

Representatives of PNG Government led by Treasury Secretary Dairi Vele and Bank of Papua New Guinea Governor Loi Bakani have flown last week to meet fixed income investors at several road shows in London, UK and New York and Boston in the US.

The outcome of the road show is yet to be made public otherwise it may also be done in complete secrecy as government decision in endorsing the sovereign bond issuance was done out of public knowledge.

This week Chief Secretary to the Government Isaac Lupari said the road show was budgeted in the deficit budget by the government, Loop PNG reported.

Lupari reportedly brushed aside rumours that they are visiting international financial hubs hoping to raise money on the offshore bond market.

Both Lupari and Prime Minister Peter O'Neill have also brushed aside these claims saying they are not true.

Then what kind of financial road shows are they attending in international capital markets?

International financial analysts say the B2/B+ rated nation has hired a syndicate of banks including ANZ, Bank of China, JP Morgan and Societe Generale for a dollar-denominated transaction.

According to *Bloomberg Business Week*, Mr Bakani and Mr Vele led presentations in London on June 21, followed by Boston on June 22 and New York on June 23.

Some investors who attended the road show noted that PNG is

also likely to be a draw thanks to its rich reserves of crude oil and natural gas and what they called "new borrower" curiosity.

Country Profile vs Creditor Minds

However, the sovereign does not have a colourful country profile that would at least add a substantial value to convince the minds of the international creditors.

Sources close to Bank of Papua New Guinea advised that the government team is very mindful of recent happenings in the country such as the recent El-Nino induced severe drought, the shortage of foreign exchange, global oil price recession and downturn in other major export earners such as gold and nickel.

Also of noteworthy concern on creditor mind is the level of government corruption perceived to be committed in the country as the former Australian colony is ranked 139 out of 167 in the Transparency International's 2015 corruption perception index.

Two weeks ago, Port Moresby police had opened fire on University of PNG student protesters marching against Prime Minister Peter O'Neill's continued grip of power despite his integrity being tainted by several high profile cases he has to answer in Court over corruption allegations and prevention from police arrest and questioning.

The agency also highlighted how the country ranks a lowly 155 out of 188 on the UN's Human Development Index.

According to *Financial Times*, global credit agencies have repeatedly pointed to persistent corruption as a drag on the country's creditworthiness and earlier this year, global credit agency Moody's downgraded PNG's rating.

In April, Standard & Poor's reconfirmed its negative outlook on the country, noting the effect of low global energy prices on export receipts and government revenues.

Last year, government revenues came in 20 per cent below expectations and although the government has cut spending to address the shortfall, the budget deficit is forecast at 4.6 per cent of GDP this year.

S&P also noted that the economy faced external and fiscal imbalances linked to the recent completion of a K43 billion (US\$19bn) PNG LNG Project which is expected to begin contributing to government revenues at a slower than projected rate due to weakness in global energy prices.

The ExxonMobil-led gas project, which is now operational and has the potential to help transform the country over the longer-term, is a key variable which may act in PNG's favour this time round, as the project revenue is tipped to account for 118% of GDP despite been hit by falling oil prices.

As a result, the government has had to rein in spending by 17% so far this year. Standard & Poor's believes it will be successful and achieve a budget deficit of 4.6% compared to 5.6% in 2015, according to *Finance Asia*.

In terms of pricing a new bond deal, there are a number of Asian nations with ratings close to PNG including Sri Lanka with its B+/B1 rating, Pakistan on B3/B-/B- and Mongolia on B2/B.

Sri Lanka and Pakistan both have 2019 bonds outstanding, which yield 5.1% to 5.2%. However, it seems far more likely that Mongolia will provide a better comp given it is also struggling with an economy that has been hit by declining commodity

prices.

Its 2021 bonds are currently trading at the 10.2% level and it seems highly unlikely PNG will be able to better this given Mongolia already has an established track record.

Finance Asia reported that PNG's credit ratings are also heading in the wrong direction. Earlier this year it was downgraded by Moody's from B1 to B2 and is now on stable outlook.

However, it has been on negative outlook with S&P since 2007.

In its most recent ratings release, S&P said low global energy prices are "weighing on the economy, export receipts and government revenues". It added that this is coinciding with large increases in external and fiscal imbalances but noted the government is responding "forcibly" to deal with them.

However, investor interest in the bond is tempered by the fact that PNG has publicly contemplated selling dollar-denominated bonds before, according to *Financial Times*.

Previous Attempt

PNG's first attempt occurred in early 1999 when the then B1/B+ rated sovereign awarded JP Morgan and UBS a mandate to bring a \$250 million five-year bond.

But its plans rapidly fell apart when the leads discovered proceeds might end up being used for re-payment of mercenaries.

The previous government had hired one such group, Sandline International, to deal with a crisis in Bougainville where protests relating to environmental damage by a Rio Tinto copper project had provoked an attempt at secession.

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YOUR SAY...

by Joshias Ururu Kana

CURRENTLY there is an intense conflict going on between our state universities, the Prime Minister and the government agencies. What is your opinion and why?



Name: **Jerome Wambun/ student**
Age: **20**

Opinion: I support the cause of the movement but I do not support the actions taken to achieve that cause. They were wrong to burn the government facilities and insitutional properties that will to us all in the future. I believe it is a foolish thing to do.



Name: **Xavier Nambok/ Student**
Age: **21**

Opinion: I stand for peace. I think it is good for the students to speak for the silent majority who are in remote places in the country and cannot be heard. But in doing so, they had to sacrifice their studies which will in turn affect them and us in the future. So why not the Prime Minister take this into consideration and step down for the sake of peace and normalcy.



Name: **Kathrene Daniel/ home maker**
Age: **17**

Opinion: I stand on the Word of God. Therefore, I believe it is not right to go against our leaders. The Bible says that we must submit to them, even if we know they are wrong and we are right. God can judge them and remove them in his own time.



Name: **Sammy Breezy**
Age: **22**

Opinion: I stand on neither sides. I believe both sides are wrong because at first the police was at fault as the issue took the nation's attention but now the students are wrong because they have now lost the peoples' support by burning the government and school properties.



Tehillah Ben-Oba Vocal Fusion Season 3 winner

by Josiah Ururu Kana.

SHE never went to a music school but the shower room was her stage.

Comming from a very humble and christian background, the 24 year old Tehillah Ben-Oba was the peoples choice to be the next grand finalist in this year's EMTV Vocal Fusion, a popular music and vocal competition in PNG.

Tehillah is from a mixed parentage of Oro and Central and was raised and is now living in Lae City, Morobe Province, where she lives with her missionary parents and where her passion for singing was born and developed.

Since the first auditions in Lae, she never gave up in her journey and kept the fight till the grand finals where she surprised judges and viewers with her best performance which was saved for last.

Tehillah started singing at the age of 12, where she would usually sing with passion in the shower and around the house, but as time passed, she began to discover that she had a natural talent in singing.

Thus, she built her confidence and also acknowledged the good Lord by participating as a singer in her local church.

She was later inspired by the previews vocal fusion finalists like Nimrod Nadila and Didi Maru in Season 2 of the Vocal Fusion, and decided that it was time for her to shine.

Wantok: How does it feel to win the grand final?



Tehillah Ben-Oba, winner of EMTV Vocal Fusion Season 3 belting out the last and the best of her winning number at Cosmopolitan, Port Moresby on Sunday 19th June.

Photo: Nicky Bernard.

Tehillah: "It feels awesome to win. I am still trying to get used to it. I wasn't really expecting to win because there were others who were very good in the competiton, but I just gave my best and enjoyed myself."

Wantok: how does it feel for a Christian believer like you to take part in such worldly competitons such as Vocal Fusion?

Tehillah: "I just got in and try as best I can to be myself. Jesus said in the gospel to go out into the world and preach the the Good News and make disciples. I beleive the 'world' is the market place which Jesus wants us to go into and witness to people with our gifts and talents that he gave us. For me, God gave me a voice so I use it to touch peoples lives."

Wantok: What encouragement would you give to any young Christian girls in church who may aspire to be like you or to take part in such competition?

Tehillah: "To those young ones, I want to say, not to be confined to church surroundings and bathrooms and all those hidden places, but share your talents with PNG! Most of all, follow your dream!"

About pursuing a career in music, Tehillah said, "Now that I have started, there is no turning back."

Tehillah received the Vocal Fusion Trophy, an Ashton acoustic guitar from Keynote Music and K50,000 cash prize which she said



Tehillah Ben-Oba with co-competitors and the interviewer. L-R Tehillah, Josiah, Isaiah and Fidelish during the interview. Photo: Frieda Kana

Review of Olympic Day celebrations

LAST week was a week of fun activities held in Port Moresby, from June 20 to 26, as part of the worldwide Olympic Day festivities.

The Olympic Day fell on June 23, however, the days lead up to it and after were filled with activities which involved schools, communities, sports teams and clubs as well as the general public.

The goal of the Olympic Day was based on the three pillars of "Move", "Learn", and "Discover." Other groups were also encouraged to organize sports, cultural and educational activities for all regardless of age, gender, social background or sporting ability.

Coincidentally, this year's Trukai Fun Run was held the same week and celebrated on Sunday, June 26, to cap off a long week of activities.

The veteran player to North Queensland Cowboys, Matt Bowen, was flown to PNG as the official guest for the annual Trukai Fun Run event last Sunday.

Bowen said he loves coming to PNG and appreciates the support shown by the people. "It is a great experience and privilege to be here in PNG and be part of the Trukai Fun Ran event," Bowen said.

Bowen came along with North QLD Cowboys Community Manager, Jeff Reibel, during the visit.

Various sports involved in live demonstrations with students include Athletics, Archery, Football (Soccer), Basketball, Karate, Handball, Netball and others.

While coordinating the activities, the PNG Olympic Committee which was organizing the program was also sharing the message of Olympic values of Respect, Friendship and Excellence as well as other important values that are promoted in sports.

Fortunately, students had an opportunity to learn about the Olympic



Students of Lahara Birdwing Primary School show off the 'T' shirt printed with the signs of Olympic Day at the first day of the PNGOC's week-long activities.



PNG Olympians (L-R), John D'siguria (athletics), Judith Meauri (Swimming), Mae Koime (athletics), Dika Toua (weightlifting), Iamo Launa (athletics), Graham Numa (Sailing) and Takale Tuna (Athletics).



Students from the Kila Kila Primary School were among other schools who participated at the event.

Movement and the history of the Games through a series of questions and answers during the week-long activities.

The public also studied these facts through a similar quiz online via Facebook and Twitter as well as the PNG Olympic Committee website.

It was a fun-filled week with lots of activities and many people met each other during the participation of the program.

The PNG Olympic Committee ended its first day of activities for the Olympic week with visits to a couple of schools in Port Moresby on Monday and Tuesday including Badihagwa Technical Secondary School and Lahara Birdwing Primary School.

Learners from both schools were taken through different activities, includes a quiz on the Olympic Movement and also given educational awareness on the

Olympic Values and the importance of sports and education, and the lessons that can be learned.

The students also had a chance to hear from PNG men's Hockey team captain, Milton Kisapai, PNG Powerlifting world record holder, Linda Pulsan and former PNG Barramundis captain, Chris Amini who shared their experiences with them.

The programs for the week continued to the next day with school visits to Port Moresby Grammer School and the Port Moresby International School.

A very eventful and exciting day fell on the Olympic Day with a number of activities at the Taurama Indoor Aquatic Centre in Port Moresby on Thursday. Kilakila Primary School students and staff were present during the demonstration program.

The program involved various sporting codes

and CHM.

"You are all partners in the Olympic Movement, but I would like to make a special mention to Coca Cola, ExxonMobil and Paradise Foods for their support in making our Olympic Week activities possible. And, ExxonMobil in particular is an education partner which supports the PNGOC's Olympic Values Education Program," said Sir John.

Meanwhile, a special recognition was made to PNG's Olympians in which seven were present at the Olympic Day luncheon.

"Most importantly, I would like to extend a special welcome to our Olympians. Thank you for joining us in celebrating the movement in which you hold a special position as athletes who have competed at the Olympic Games," Sir John said to the Olympians.

PNGOC supports the Olympians to establish an Olympian Association which will recognize, support and honor all those who have represented the country at the Olympic Games.

"Later this year, our 59 Olympians will be joined by new PNG Olympians as the world will come together to watch the Rio 2016 Olympics. We have some members of the contingent who will be travelling to Rio and I'm sure you join me in wishing the team all the best," said Sir John.

The forth Olympic week ended on Friday with a visit to Vabukori village.

The committee addressed the villagers on the subject of the significance of sports and also, organized to participate in the mini coaching clinics and a game of cricket.

Few PNG athletes escorted the Committee during the visit. The latest Pacific Game's flag carrier and PNG's Power lifter, Linda Pulsan, also fortified the youths to start participating in sporting activities and also, explained the values of the Olympic day.

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London-based Sandline had a legally binding contract with the government and had been awarded costs of K45 million (\$18 million) by an international tribunal after the government failed to pay its fees in full.

PNG similarly failed in its efforts to get a bond deal off the ground in 2013 after mandating Barclays, BNP Paribas and JP Morgan.

The government hired the three investment banks for a possible offering and in November 2015 it again raised the possibility of issuing debt.

"We've been here before with PNG," said an investor at a large European-based emerging market fund. "But low global interest rates mean this time it could be different."

ANZ, Bank of China, JPMorgan and Société Générale have been hired to arrange investor meetings.

Role of China

One new addition to the mix is the presence of Bank of China on the syndicate.

Its inclusion underscores a new stage in the internationalisation of Chinese banks as they become more active in the global capital markets. Historically, they have only been able to win mandates from their own credits before, with the exception of ICBC, which was joint global co-ordinator on a deal for the Republic of Angola due to oil-related ties between the two countries.

Bank of China's inclusion also reflects the greater role Chinese companies are playing in PNG too. Over the past few years, Chinese companies have started to build up their presence in the country, particularly in the mining sector; something that was not the case when the sovereign last tried to access the market in 2013.

That year state-owned Guangdong Rising Assets Management purchased a K10 billion (\$3.6bn) copper project from Glencore (PanAust), which it is still seeking approval for, while Zijin Mining purchased Barrick Gold's Porgera gold mine in 2015. China Metallurgical Group also has a K7 billion (\$2.1 bn) nickel-cobalt project.

As such, Chinese investors may well provide some form of backstop for the deal, especially given they have a reputation for being far less bothered about political risk than the emerging and frontier market investors PNG will still need to win over.

Ramu NiCo – more than a mining company



Ramu NiCo-MCC fixed the Iguruwe portion of the road along Madang-Ramu highway during its deteriorating stage



Ramu NiCo-MCC built the longest Ramu Bridge connecting Bundi LLG and Usino LLG today serves thousands of people. In the past, locals use dug-out canoes to cross the dangerous Ramu River

By Mathew Yakai
MY Media & News Agency

THE phrase *bian chang mo ji* (beyond the reach of the whip) captures the opportunities and the challenges faced by Chinese entrepreneurs and companies operating in countries such as PNG, well beyond the effective reach of the Chinese state.

It is tempting to draw the better-known phrase *tian gao huangdi yuan* (the emperor is as far away as the sky), but this implies that Chinese businesses are up to nefarious activities in PNG, which is not universally the case. Ramu NiCo Management (MCC) Ltd (Ramu NiCo) is a genuine investor by law and norm.

Ramu NiCo, the subsidiary of Chinese state owned enterprise, MCC-Group, proudly flies both PNG and China's flag promoting both economic and bilateral relationship. It is the single largest mining investment by any Chinese state owned enterprises outside China and based in Madang province.

But the reality on the ground faced by Ramu NiCo management could be one that was not anticipated. After signing all necessary documents and meeting the legal requirements, the developer thought the road through construction phase and current operational phase would be smooth.

Legal license is easily acquired, just like any investors but the "social license" is so complicated and difficult to fully acquire. That's normal in PNG where human needs and aspiration are univer-

sally common. Ramu NiCo eventually realizes this and accommodates now.

In the "land of unexpected", this is inevitable. The Ministry of Foreign Trade and Economic Corporation (FTEC) and State Economic and Commerce Commission (EACC) in China may not have been aware of landowner gambling and the tough topography faced in the land so rich with gas, oil, gold, copper and now nickel and cobalt with the list still growing.

Where the role of the state was more crucial in the case of China when it involves state owned enterprises, they consider traditional foreign direct investment determinant such as resource seeking, market seeking and efficiency seeking, but also by the pressure of globalization and regionalisation. China as the peaceful rising giant in this century, its presence in the Pacific is long overdue in the traditionally strong-hold of post World War II superpowers.

Furthermore, the "boomerang diplomacy" can be debased while a third world economy foreign direct investment (FDI) is directed towards another third world (PNG), changing the international norms of FDI goal-post when developed economies used to invest in developing countries or in one of their own clubs during the post WWI.

More importantly, political and strategic considerations often underlie China's decision to invest overseas like PNG, particularly, the contest with Taiwan to win diplomatic recognition. Conclusively,

PNG is on China's must invest list.

But the investment playing field in PNG is turned upside-down and the rules for the game is abnormal with common sense used mostly. Pathetically, you have to play on a running flood but up stream, against the current. This is unique, yet a major hindrance in development and the harbinger of a scenario creating "dependency syndrome" for PNG.

Imagine someone of authority or rank, operating in a place where rank matters, say a government agency or large cooperation. The "carrot and stick" game between the government and investors or large corporation is fair "rules".

Why then do people and the host government expect investors who are committed under their respective MoU and legal bindings to step out of their budget to spend on social and economic infrastructures like bridges, roads, hospitals, schools etc? To secure "social license"? This is a lame excuse because Waigani fails to deliver basic goods and services to serve its Vision 2050, and people are always impacting on investors.

Many investors expect the government to take lead in providing every avenue conducive for its investment without any disruption. Currently when the metal price is low and mining industries are seriously affected, social disturbance to mining operations is a double dip and pain staking, let alone the current El Nino.

Major investors including Ramu NiCo do face "reality shows" when it comes to investment debacle in PNG, let alone other projects.

While faced with ever decreasing world price in nickel and cobalt, the Chinese investor yet delivers huge public infrastructures to the province it operates in where mostly the general public benefit. Is this the responsibility of the state? Of course!

Some of the road and bridge works done by Ramu NiCo recently include; Kawawar landslip repair and maintenance, Iguruwe culvert repair and upgrade work, Wasigo bridge emergency work, Naru bridge work and others that cost Ramu NiCo substantial amount of money, manpower and resources. Madang-Ramu highway is the lifeline of Madang province and Ramu NiCo's investment is timely at the time when responsible authorities are completely incapable.

Bettlenut buyers from the highlands move down to Madang with hard cash to secure their golden nuts, pumping in thousands of Kina into the hands of growers. Cabbage, broccoli, ball onion, carrot and other fresh vegetables are transported from the Highlands to Madang that families and hotels provide meals on the dining table.

The lifeline of any development is road, electricity, water and telecommunication. It's undeniable. Above all, road is paramount for a geographically challenging PNG and the government MUST seriously invest to see SME grow!

Under the government's Public-Private-Partnership program (PPP), cooperation between the Works Dept and Ramu NiCo can be expected but at most times, one would live up to see the prime

institutions set up to serve the development agendas of the country is taking stage and playing its essential role in delivering goods and service.

Ramu NiCo's investment in the country also produced huge demand in goods and services as well. In the first quarter of this year, the Company spent more than K155 million in local procurements, more than K30 million spent on landowner companies, and K110,500. spent on agriculture activities in the Projects' impacted areas. Business houses in Madang and landowners benefit from these.

After 41 years of Independence, PNG cannot keep relying on foreign investors or foreign aid. The country's system and mechanism must be fully utilized and functional with competent people who have the dream for the country's development. The more PNG relies on investors and foreign aid; it is prone to vulnerability where its diplomatic bargaining chips are weakened.

Consider a turkey that is fed every day. Every single feeding will firm up the birds' belief that it is the general rule of life to be fed every day by the friendly members of the human race "looking out for its best interest," as a politician would say. On the afternoon of the Wednesday before Thanksgiving, something unexpected will happen to the turkey.

It will incur a revision of belief. Does PNG expect that?

Note: The article represents MY Media & News Agency view. For comments, text the writer on mobile: 70747450.