The World Bank Group conducted face-to-face interviews with top managers and business owners of 65 enterprises in Papua New Guinea from August 2015 through June 2016. The Enterprise Survey (ES) sample is representative of Papua New Guinea’s formal private sector. The ES covers several aspects of business environment along with measures of firm performance. Below are the main highlights from the survey.

**Papua New Guinean firms underperform comparator economies in both annual sales and employment growth**

Papua New Guinea (PNG)’s private sector and its comparator countries all experienced negative or anemic sales growth but PNG firms fared much worse. Real annual sales growth in PNG was -9.8% compared to a sales growth rate of -0.5% in East Asia and Pacific (EAP) and sluggish sales growth in lower middle income economies (1%). PNG also performed worse than its comparators in employment growth, with a 2.5% annual growth rate compared to 4.6% and 4.5% in the EAP region and in lower middle income economies, respectively.

**PNG firms use bank financing for investments much more than firms in comparator economies**

Bank financing used for investments, both in terms of the incidence of bank use (percentage of firms using banks to finance investment) and of the intensity of bank use (proportion of investments financed by banks), is significantly higher in PNG than its comparators. In PNG, 37% of firms used banks to finance investments, substantially outperforming the average in EAP (21%) and lower middle income economies (22%). Likewise, the intensity of bank use is 27%, more than twice the average in EAP (10%) and in lower middle income economies (12%).

**Losses due to crime and security concerns are higher than the average for lower middle income economies**

More firms pay for security in PNG and they pay more compared to the average in EAP and in lower middle income economies. In PNG, 87% of firms pay for security services compared to 49% and 56% respectively for EAP and lower middle income economies. Additionally, 62% of firms experience losses due to theft and vandalism, compared to the average of 17% in EAP and 18% in lower middle income economies. Also, security expenses are higher than in comparator economies (2.7% of annual sales compared to 1.8% and 2.3% respectively in EAP and in lower middle income economies).
In two measures of gender equality - percentage of firms with majority female ownership and percentage of firms with a female top manager - PNG lags behind its comparators. The percentage of firms with majority female ownership is only 12%, substantially lower than the regional average for EAP (29%) and also below the average for lower middle income economies (17%). The gender disparity in top management is even more pronounced: while in EAP an average of 33% of firms have a female top manager, this is only 14% in PNG. The average for lower middle income economies (19%) is also higher than in PNG.

Electricity supply in PNG is worse than in lower middle income economies and regional comparators

The power supply in PNG is extremely unreliable and significantly underperforms its comparators. Inadequate power supply can negatively impact firms’ profitability through an increase in business costs and disruptions in production. Papua New Guinean firms experience approximately 42 electrical outages in a typical month, compared to 5 and 9 outages per month respectively in EAP and in lower middle income economies. Further, approximately 87% of firms indicate they own or share a generator, more than twice the average for lower middle income economies (36%) and higher than for the EAP region (33%).

Firms consider corruption as the biggest business environment obstacle

From a list of fifteen items, respondents were asked to rank the biggest obstacle faced by the firm for its day-to-day operations. Among these fifteen items, 18% of firms in PNG chose corruption as the biggest obstacle to their daily operations. Interestingly, though, bribery depth (percentage of public transactions where a gift or formal payment was requested) in PNG is lower than the average in similar income and regional economies. Political instability is ranked second (cited by 14% of firms) and access to land (13%) and crime, theft and disorder (12%) are ranked 3rd and 4th in PNG.

The Enterprise Analysis Unit is a joint World Bank and IFC team of economists, survey experts specialized in private sector development. Surveys implemented by the team reveal what businesses and firms experience across the world by interviewing representative samples of the formal, non-agricultural, non-extractive, private sector with 5 employees or more. The resulting globally comparable firm-level data is used to construct business environment indicators and measure firm performance. The findings and recommendations help policy makers identify, prioritize, and implement policy reforms that support efficient private economic activity.

For more information on the survey visit [http://www.enterprisesurveys.org](http://www.enterprisesurveys.org)