

FMM 03.40 Public Investments, including funds and grants to Commercial Enterprises & Subsidiary Statutory Bodies

40.1 Authority and Prescribed Requirements

- Public Finances (Management) Act 1995 (PFMA):
 - Section 3A responsibilities of powers of the Treasurer also include managing investments of public funds and state loans, other than investments from the public funds pursuant to Section 12.
 - Section 12 – Finance department head powers investment of public money not immediately required and includes money held in Trust and money held by Provincial and Local-level Government.
 - Section 64A and 47N – Require Departmental and Ministerial approvals for establishment, restructure, or ownership changes of public entities.
 - Section 49 – A subsidiary statutory body is subject to the PFMA unless the Minister exempts it by Gazette notice.
 - Section 57 – Investments by Statutory Bodies subject to Finance Minister notice and requires quarterly reporting and that all revenue and profits of the statutory body for the fiscal year not contractually committed to be transferred to the Consolidated Revenue Fund.
 - Section 66 – Investment by Provincial and Local-Level Governments subject to Finance Minister notice and requires quarterly reporting
- Organic Law on Provincial Governments and Local-Level Governments (OLPGLLG)
- Companies Act 1997
- PPP Act 2014 provides a legal framework for investments that involve partnerships between the State and private sector entities.

- Connect PNG (Funds and Management) Act requires the submission of an investment plan
- Kumul Consolidated Holdings Act 2015 governs SOE investment oversight through KCH
- Organic Law on Sovereign Wealth Fund oversees investments through the SWF trusts from resource revenues
- Planning and Monitoring Responsibility Act 2016 requires the submission of an investment plan to the Treasurer as part of the National Budget and provides a framework for screening proposed investments using public investment program funds.
- Connect PNG (Implementation and Funding Arrangements) Act 2021 requires the submission of an investment plan (five year) to the Treasurer for approval.

40.2 Standards and Supporting Documentation

- IPSAS 16 – Accounting for Investment Property – Ensures that public sector real estate investments are properly valued and disclosed.
- IPSAS 29 – Financial Instruments – Requires recognition, measurement, and reporting of government investments in shares, bonds, and other financial assets.
- IPSAS 35 (Consolidated Financial Statements) – Requires consolidation of controlled entities in the financial statements of the controlling public sector entity.

40.3 Minimum Responsibilities

The Treasurer requires the Department of Treasury to be responsible for reviewing and approving all government investments in accordance with the Fiscal Responsibility Act outside of those specified in PFMA, ensuring that all investments are financially sound and in the public interest and monitoring investment returns and compliance with financial reporting standards.

Provincial and Local-Level Governments must ensure that commercial business arms operate transparently and in compliance with financial laws, seek approval for new investments and prevent investments in high-risk ventures that could result in financial losses.

Statutory Bodies and Government Business Enterprises must operate in a financially sustainable manner, ensure that any surplus funds from investments contribute to public service delivery and comply with corporate governance rules under the Companies Act 1997.

Finance Officers must:

- Track all government investments and record them in IFMS.
- Ensure that investment income is reported in financial statements.
- Assess risks and report any potential financial exposure.

Internal Auditors must:

- Verify that all public investments comply with legal and financial reporting requirements.
- Ensure that investment decisions align with government priorities.
- Report financial risks and non-compliance to the Department of Finance.

40.4 Mandated Policy

Investments can be, but are not limited to:

- Shares in a company or corporation (e.g., equity holdings) including Joint Ventures
- Government (Treasury) bonds and bills
- Term deposits and interest-bearing instruments
- Purchase of land or property with a view to generating returns (e.g., rental income)

- Lending arrangements or financial instruments involving returns
- Establishment of or participation in commercial undertakings
- Contributions to Public Private Partnerships (PPP) or other co-funded ventures or Joint Ventures

An investment is different from a grant or assistance in that:

- The primary purpose is to generate a return, such as dividends, interest, appreciation in asset value, or cost savings.
- The use of funds results in ownership, control or claim over an asset, company, or revenue-generating arrangement.
- The outcome includes financial benefits, strategic assets, or future income streams for the State or a public body.

1. Investments of public funds must be undertaken with due diligence and give due regard to the public benefit of investing.

2. Automatic (“safe harbour”) instruments where no further approval is required are:

- deposits with a bank already authorised for operation;
- Bank of PNG or State securities;
- any other security on which the Bank of PNG is lender-of-last-resort;
- instruments that a trustee may hold under PNG law.

3. Finance Minister and Treasurer approval is required for all other forms of investment such as unit trusts, corporate bonds, private debt, real property, or equity/commercial-enterprise investments before commitment (PFMA s57(1)(e), s66(1)(e), s12).

40.4.1 Commercial-enterprise (equity) investments

4. Equity, speculative property development, joint-venture or share acquisitions must also:

- Undertake consultation with the Treasurer and prior to any submission to the National Executive Council;
- Demonstrate a clear public-policy or strategic return;
- Include a business case, due-diligence report and risk analysis;
- Receive NEC concurrence when the total commitment exceeds K10 million or 5% of the entity's prior-year expenditure, whichever is lower.
- The proceeds of the investment such as dividends and disposal or divestment proceeds are public money and must be returned to the CRF or General Fund or in the case of Trusts, to the Trust Fund or as directed by the Finance Minister.

40.4.2 Borrowing vs Investment

5. Investment of surplus funds is separate from borrowing or guarantees, which always require Treasurer approval under PFMA s54 (statutory bodies) or s67 (PG/LLGs).

40.4.3 Investment Register

6. Every statutory body and every PG/LLG must publish, within 30 days of each quarter-end, a Gazette notice listing all investments held or made and this will specify the amount, counter-party, instrument, term, interest/dividend rate and fees (PFMA s 57(4), s 66(4)).

7. Each entity shall maintain an Investment Register containing at minimum:

Field	Description
Unique ID	Sequential number
Instrument & counter-party	e.g. 12-month TD – Bank XYZ
Date placed & maturity	
Principal (K)	
Rate / dividend	
Approval reference	Gazette date / Finance-Minister letter ref.
Source of funds	Vote, trust, project, surplus
Security class	Safe-harbour (a–d) or “Other-with-FM-approval”
Current fair value (if applicable)	For equity interests
Disposal / rollover details/ exit strategy details	

40.4.4 Retention & disclosure

- 8. The agency's investment register must be updated within five working days of any change.**
- 9. The investment register balances must reconcile to the general ledger monthly and be disclosed in the annual financial-statement note.**
- 10. The Register must be supplied to auditors, the Public Accounts Committee and the Department of Finance on request.**

40.4.5 Personal-benefit prohibition

- 11. Public funds shall never be invested to benefit an individual, a political candidate or a private venture not delivering a demonstrable public return.**
- 12. Investing outside the four classes without Finance-Minister approval, failure to Gazette, or failure to maintain the Register constitutes a breach of PFMA and attracts surcharge, disciplinary action and possible criminal prosecution.**

40.4.6 Submission requirements

- 13. Where an investment of public money is proposed (other than above), the following information should be collated and submitted to the Finance Minister and Treasurer:**
 - Clear request for approval of a proposed investment.
 - A formal business case (depending on the nature of the investment proposal) outlining the following:
 - Type of investment (e.g., equity, property, bond, term deposit, etc.)
 - Total amount of public funds to be invested
 - Source of funds (e.g., agency revenue, trust account, CRF allocation)
 - Purpose (e.g., income generation, strategic asset acquisition, partnership)
 - Alignment with Government policy, strategic or development goals

- Forecasted return on investment (ROI)
- Expected timeline for realisation of returns (monthly, annually, etc.)
- Non-financial benefits (e.g., job creation, capacity development)
- A risk assessment showing key risks and mitigations
- Due diligence findings or expert valuation reports
- Legal structure (e.g., wholly owned company, joint venture, partnership)
- Outline on how and by whom investment will be managed
- Details of the investment exit strategy if the investment underperforms such as conditions of sale or liquidation and mechanisms to return proceeds to CRF/GRFs.

14. The department head will need to sign a statement confirming:

- Funds used are public money
- The investment will comply with PFMA
- All due diligence has been undertaken

15. All contracts related to the investment are to have Legal Clearance by the State Solicitor.

16. All contracts that involve the procurement must follow the rules under the National Procurement Act 2018.

17. Any agreement that requires financing – including vendor financing (such as finance style leasing) requires approval of the Treasurer in accordance with Sections 36, 37, 54, and 67.

40.4.7 Investment and Ownership of Government-Controlled Entities including Establishing a Commercial Enterprise under Organic Law

Government-controlled entities—including commercial enterprises and subsidiary statutory bodies—represent a form of public investment. These entities may be established by statutory bodies, provincial governments, local-level governments, or central government with the intention of pursuing commercial, development,

or policy objectives. Regardless of their legal form (e.g., incorporated companies, trusts, statutory arms), where public money is invested, these entities fall under the financial accountability framework established by the PFMA.

18. Refer to FMM Volume 1 – FMM 01.09 Formation, Restructure, Acquisition of New Public Entities including Subsidiary Statutory Bodies:

- All government-controlled entities—whether commercial or not-for-profit—must be:
 - Registered with the Department of Finance as part of the whole-of-government entity register;
 - Disclosed in the parent entity’s financial statements as required by IPSAS 35;
 - Audited annually by the Auditor-General;
 - Monitored for financial returns, governance, and policy alignment.
- *Where a subsidiary statutory body or commercial enterprise is profitable:*
 - *The parent agency liaise with Department of Treasury to assess whether a dividend policy is needed;*
 - *The entity may be directed to repay seed capital or reinvestment funding;*
 - *Excess funds must not be held unless for approved business continuity or capital investment purposes.*

40.5 Non-Mandatory Guidance

A departmental head should ensure that there is Board or Assembly-approved Investment Policy Statement covering objectives, risk appetite, authorised instruments, counter-party limits, ESG considerations and reporting lines.

Any investment, and this includes when consider the signing of a memorandum of agreement to joint venture or support a particular venture, due diligence

including credit rating checks, legal review of security, sensitivity analysis and exit strategy.

An agency who does have investments should also capture an exit strategy within their investment policy which sets trigger points for divestment or restructuring if commercial-enterprise investments fail to meet agreed KPIs.

Further Information	frcd@finance.gov.pg enquiries@treasury.gov.pg for inquiries on investments
Version	1.0
Date Issued	30 June 2025