KPMG

Kundu & Lali

March 2026

A quarterly South Pacific focused newsletter

Foreword

Welcome to the March 2026 edition of Kundu & Lali, our South Pacific focused newsletter bringing together insights from across Papua New Guinea, Fiji and the broader Pacific.

This edition explores the shifting economic, regulatory and investment landscape facing organisations in the region. A central theme is Sustainability Value Creation, highlighting how ESG is evolving from a reporting exercise into a practical driver of resilience, efficiency and long-term value particularly as Pacific businesses seek to quantify benefits and embed sustainability into decision-making.

We also share regional perspectives on investment regulation, outlining what investors need to know when operating across PNG, Fiji, Solomon Islands and other Pacific economies, alongside updates on PNG's monetary policy, foreign exchange conditions and business sentiment heading into 2026.

Rounding out this issue are key tax, regulatory and investment updates from across the Pacific, providing timely insights to support informed planning and strategic decision-making.

We hope this edition offers practical guidance and valuable perspectives as organisations navigate the opportunities and challenges ahead.

Zanie Theron

South Pacific Practice Partner-in-Charge

An opportunity for sustainability value creation

Across Fiji and Papua New Guinea, ESG reporting is not yet mandatory for most organisations. While momentum is building through market and institutional initiatives, ESG disclosure in both countries remains largely voluntary, creating an opportunity for organisations in the Pacific to shape their ESG agenda proactively, rather than reactively.
KPMG Germany's recent Sustainability Value Creation 2026 report highlights a clear global shift: sustainability is no longer viewed primarily as a compliance or reporting exercise. Instead, the report found that leading organisations in Europe across various industries are using ESG as a strategic lens to drive measurable business value, through efficiency gains, risk reduction, growth opportunities and improved access to capital. Similar trends are increasing in prominence across the globe.

This framing is particularly relevant for Pacific businesses. In financial services for example, ESG is increasingly influencing credit risk, long-term resilience and stakeholder confidence, with companies across industries noting examples of interest rates being reduced under performance systems such as energy-transition linked loans.

KPMG Germany's research however, also underscores a persistent challenge: many organisations still struggle to quantify the financial impact of sustainability initiatives, which can limit management buy-in and investment prioritisation. Progress accelerates when organisations strengthen internal capability (data, methods and ownership) and draw on external enablers such as clearer regulatory guidance, practical quantification tools and case studies, and peer benchmarks that help validate assumptions and sharpen priorities.

The four capabilities that enable measurable Sustainability Value Creation

KPMG identifies four capabilities that consistently help organisations convert sustainability ambition into measurable value:

1) A shared value logic — a consistent way to link ESG topics to revenue, cost and risk drivers.
2) Clarity on the levers that matter most — prioritising the ESG topics most relevant to the business model and financial performance.
3) Ability to test value hypotheses — using internal data, benchmarks and scenario assumptions to quantify likely impacts without building full business cases for every initiative.
4) Integration into decision-making — embedding ESG impacts into budgeting, investment approvals and performance management so sustainability competes on equal footing with other investments.

In practice, quantification of benefits to create value for organisations in the Pacific can take many forms, aside from pure energy efficiency measures.

In Papua New Guinea's tuna industry, ESG initiatives are already increasingly tied to maintaining market access and safeguarding long-term revenues. In its ESG Report 2024, the Fishing Industry Association of Papua New Guinea (FIA PNG) outlines efforts including responsible sourcing, stronger governance, traceability and transparency measures, and alignment with internationally recognised standards and certifications. These initiatives support continued access to export markets that demand credible sustainability credentials and traceability—helping protect sales volumes and reduce the risk of market exclusion or pricing discounts.

Waste reduction and improved solid waste management in urban areas can be framed as an ESG value case through cost avoidance and operational efficiency. As recently researched in Matagia, Richard, Yabar, Mizunoya, Tran and Ogbonna, "Enhancing Solid Waste Management in Fiji: A Comprehensive Approach with LCA, GIS and Waste Treatment Strategies Resources, Conservation & Recycling Advances (2024), recycling and organic waste treatment reduces landfill burden and associated impacts. Reduced waste volumes can translate into lower collection/disposal costs, extended landfill life and deferred capital expenditure for new disposal infrastructure, turning environmental management into measurable financial value.

For organisations in the Pacific, the key question is no longer whether ESG matters, but how to translate sustainability ambition into measurable value. KPMG supports clients across the Pacific to do exactly this. Through an initial Sustainability Value Creation workshop, we help leadership teams identify the ESG topics most material to their business model, test value-creation hypotheses, and map practical pathways to financial and strategic impact, moving beyond reporting to unlock sustainability as a driver of long-term value.

Investment regulation across the Pacific : what investors need to know

Interest in Pacific markets continues to grow, driven by opportunities in resources, renewable energy, infrastructure, agribusiness and essential services. While each jurisdiction has its own investment framework, foreign investors across the Pacific face a common theme: access to opportunity is closely linked to regulatory engagement, local participation and alignment with national development priorities.

In Papua New Guinea, foreign investment is regulated through the Investment Promotion Authority (IPA), with certification generally required before establishing or acquiring a business. PNG places strong emphasis on local participation, landowner engagement and national benefit, particularly in the extractives, energy and infrastructure sectors. Customary land ownership dominates, requiring investors to structure projects using long-term leases, joint ventures or landowner entities. Exchange controls and capital repatriation rules also necessitate careful cash-flow and funding planning.

Fiji offers a comparatively streamlined investment environment, administered by Investment Fiji. While approval is still required for foreign-owned businesses, Fiji has actively positioned itself as an investment hub for tourism, manufacturing, agribusiness and regional services. Certain activities remain reserved for Fijian citizens, but foreign ownership is generally permissible outside these sectors. Land access is typically achieved through long-term lease arrangements, and regulatory transparency has improved in recent years.

In Solomon Islands, foreign investment approval is required under the Foreign Investment Act, with an emphasis on protecting domestic businesses and promoting local employment. As in PNG, land tenure and community engagement are critical considerations, particularly for forestry, mining and infrastructure projects. Investors should expect detailed engagement with government agencies and local stakeholders during project establishment.

Smaller Pacific economies such as Samoa and Vanuatu actively encourage foreign investment but impose sector-specific controls. In Samoa, approvals are required for foreign investment, with restrictions in certain retail and service activities. Vanuatu is known for its openness to foreign capital, though land ownership is prohibited for non-citizens, necessitating lease-based structures. Regulatory processes can be efficient, but investors must ensure ongoing compliance.

Across all Pacific jurisdictions, local participation—whether through equity, employment, procurement or governance—is a recurring feature of investment regulation. Investors are also expected to comply with ongoing reporting, licensing and, in some cases, foreign exchange and repatriation requirements.

While Pacific investment regimes can appear complex, they are not designed to discourage capital. Rather, they reflect a policy intent to ensure foreign investment delivers sustainable economic and social benefits. Investors who take a long-term view, build strong local partnerships and engage early with regulators are best positioned to succeed.

PNG's monetary policy committee votes to continue kina depression

Papua New Guinea's Monetary Policy Committee (MPC) has voted at its March meeting to continue the current "crawl-like arrangement" for the kina, allowing the currency to depreciate gradually against the US dollar while the Bank of Papua New Guinea (BPNG) recalibrates its exchange rate models. Since the introduction of the regime in May 2023, the kina has depreciated by 18.2%, moving from a long period of stability at around USD0.2840–0.2850 to its current level of approximately USD0.2323.

The controlled depreciation forms part of IMF-supported reforms aimed at addressing the perceived overvaluation of the kina, which the IMF initially estimated at 12–15%. The IMF program commenced in March 2023 and is scheduled to conclude in December 2026.

While the cumulative depreciation has now exceeded the original overvaluation estimates, the MPC has provided no guidance on when the crawl-like arrangement may end, nor any update on a potential transition to a currency-basket-pegged regime.

In the near term, the kina is expected to continue depreciating modestly through to at least the next MPC meeting in June 2026. Based on recent trends, this implies an average monthly depreciation of around 13–15 points against the US dollar, broadly in line with movements seen during 2024 and 2025. On this trajectory, the kina is projected to trade at approximately USD0.2273 by the end of June.

Looking beyond mid-2026, prospects for the foreign exchange market are expected to improve. Stronger commercial inflows from key export commodities such as coffee, gold and cocoa, combined with increasing foreign direct investment, are likely to lift FX market liquidity in the second half of the year. Improved flows should help reduce the backlog of outstanding sell-kina orders, allow more non-priority FX demand to be met (subject to compliance requirements), and slow the pace of depreciation. By late 2026, the market may return to a more balanced, market-determined footing, with a functional inter-bank market for the first time since the early 2010s.

Under this scenario, the kina could stabilise and potentially begin appreciating toward year end. However, delays to the commencement of large investment projects could weaken expected inflows, in which case depreciation pressures may persist through to the end of 2026. A strengthening Australian dollar—which has risen around 5% against the US dollar so far this year—also supports the outlook for firmer regional currencies. Over the medium term, appreciation of Pacific islands' mid-rates in the range of 4–7% is forecast.

Insights from PNG CEOs

We recently attended the POMCCI and Business Advantage Breakfast, where the results of the 2025 CEO Survey were presented and discussed with Port Moresby's business community. The event provided timely insight into how PNG business leaders are assessing the outlook for 2026 amid shifting global and domestic conditions.

A key takeaway from the discussion was the strength of recent business performance. CEOs reported that 2025 profits were generally well ahead of expectations, underpinning a cautiously optimistic view of profitability heading into 2026. This improved performance has provided some buffer against ongoing uncertainty and enabled businesses to refocus on operational priorities rather than pure survival.

Foreign exchange constraints, long a dominant concern for PNG businesses, were noted as having eased in relative importance. Improvements in FX market liquidity have seen FX drop down the list of obstacles identified by CEOs. In turn, other long-standing challenges, such as unreliable utilities and law and order, have come back into sharper focus as constraints on productivity and expansion.

The global economic environment also featured prominently in discussions. Ongoing conflict in the Middle East was identified as a material risk, particularly in relation to fuel costs and supply.

Prolonged geopolitical instability could contribute to higher global inflation and slower growth, with flow-on impacts for PNG's import-dependent sectors. We understand from our sources that, thanks to a regulated market, PNG fuel prices remained stable for March but will be due to increase the second week of April.

Currency dynamics were another area of concern.

With the Kina effectively pegged to the US dollar, further US dollar weakness relative to the Australian dollar could place downward pressure on the Kina, affecting input costs and cross-border financial planning for PNG businesses. In our view, importers and businesses with a large percentage of expatriate staff are likely to feel the pinch in 2026.

Overall, the breakfast reinforced a theme of pragmatic optimism - business leaders remain confident, but acutely aware that resilience, sound governance and strategic planning will be essential in navigating an uncertain global and domestic landscape.

Investment related updates from the Pacific

- **PNG announces a major overhaul of mining laws** aimed at driving global investment and to transform PNG into the Asia-Pacific region's most conducive destination for mining investment.
- **Fiji reviews telecom laws to support digital economy growth** through digital transformation, economic growth, infrastructure investment and inclusive connectivity.
- **Pacific Island governments met with US agencies and private investors** at the Investment, Security and Shared Prosperity Summit (Honolulu, Feb 2026) resulting in new project announcements across infrastructure, energy, digital connectivity, health, tourism and logistics, with emphasis on mobilising private capital rather than aid-only funding.
- **The Asian Development Bank confirmed a multi-billion-dollar 2026–2028 pipeline,** with priority projects in transport, renewable energy, urban services, water, agriculture and health across PNG, Fiji, Solomon Islands, Samoa, Tonga and others.
- **Launch of the Solomon Islands National Infrastructure Investment Plan (SINIIP) 2026** as the Government launched a SBD $19 billion national infrastructure pipeline, covering transport, renewable energy, telecommunications, water, health, education and productive-sector support.
- **Air Niugini announced new routes** with direct flights to Tokyo-Narita (18 July 2026) and Auckland (11 June 2026) and increased flights to Sydney.

Tax updates from PNG

- **Motor Vehicle Ruling:** The IRC has issued its first Taxation Ruling under the new Income Tax Act 2025. The finalisation of IRC Taxation Ruling TR 2026/1 marks a significant shift in how motor vehicle benefits are valued for salary and wages tax in PNG. The ruling provides long-awaited clarity on availability for private use, business use reductions and logbook requirements under the Income Tax Act 2025. Employers should act early to understand the practical impacts and manage compliance risk.
- **Tax rulings and guidance notes:** Tax rulings and guidance notes issues by IRC are posted by IRC under the Guidance Note and Tax Ruling tabs.

- **Income Tax Regulations:** The Income Tax Regulations which support the Income Tax Act 2025 are yet to issue, despite the Act being in force since 1 January 2026.
- **CIT deadlines:** The income tax deadlines for this year are not yet confirmed by IRC. Tax agents await the issue of the Tax Agent Bulletin which will confirm the deadlines for this year.
- **Provisional tax:** The first installment of provisional tax will fall due 30 April 2026, for 31 December year ends. This should be considered in particular by new 2026 taxpayers who would not previously have been subject to income tax in PNG (e.g. foreign contractors now subject to corporate income tax in PNG in 2026).
- **Advance Payments Tax:** IRC notify the Extractives Sector that their obligation to lodge quarterly income estimates and pay the corresponding installments remains in force under the Income Tax Act 2025 (i.e. Advance Payments Tax).
- **Criminal Investigations:** Seventeen IRC officers completed a two week training programme with the Australian Tax Office on criminal investigations initiatives. These officers will support the work of the newly established Tax Crime Division.
- **Additional Profits Tax:** IRC have put mining companies on notice of upcoming additional profits tax audits for the mining sector for the 2022 to 2025 income years. Formal audit notifications will issue to taxpayers in due course.

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