

KPMG Kundu

February 2023

Foreword



In this month's edition, we introduce you to ChatGPT, the AI-based chatbot that has taken the world by storm over the past few months. We also provide a debrief on the most recent back-to-business breakfast hosted by the Prime Minister. In the area of ESG, Ces lewago talks about the role PNG business has to play in meeting their obligations in this space. Finally, we are very proud to have hosted the 22 February tax lecture presented by Hon Justice J.A. Logan RFD on 'Revenue Law and Practice in PNG', where Karen McEntee joined the panel discussion.

KPMG in PNG has dedicated in-house specialists in all the following areas: internal audit/risk, visa migration, corporate finance, management consulting, IT advisory, fraud investigation as well as tax and assurance. As such we are well placed to provide a truly multi-disciplined approach to business advisory.

Please enjoy this month's Kundu and reach out to us at kmcentee@kpmg.com.au if you would like to see KPMG cover specific topics in future editions.

Zanie

Welcome to a newly emerging type of artificial intelligence which promises to rewrite the way we work by Zanie Theron, Managing Partner

This is the first article in a series exploring a rapidly emerging and continuously evolving technology. Many industries are poised to take a rapid leap forward, but with significant implications to existing processes. The catalyst for this transformation is generative artificial intelligence (AI), an emerging form of AI that can create original articles, essays, images, music, and code by building on patterns it finds in existing text audit files, images, and software.



Generative AI has already gained notoriety for its ability to produce images and text. Late in 2022, it generated headlines when the following AI-generated image won an art contest.

ChatGPT attracted more than a million users in just five days, making it one of the most rapidly adopted new technology platforms in history. By comparison, Netflix took 3.5 years to get to a million users, Facebook 10 months, Spotify 5 months, and Instagram 2.5 months.

What is ChatGPT?

ChatGPT is a type of Generative AI. Generative AI refers to a category of ML techniques that involve training models to generate new data that is similar to existing data. In other words, Generative AI is an AI capability that can transform a specific input into a desired output. ChatGPT is a large language model developed by OpenAI that can generate human-like text. It is trained on a massive amount of text data and can be fine-tuned for a variety of natural languages processing tasks such as text completion, question answering, and language translation. It is based on the GPT (Generative Pre-training Transformer) architecture.

What can it do?

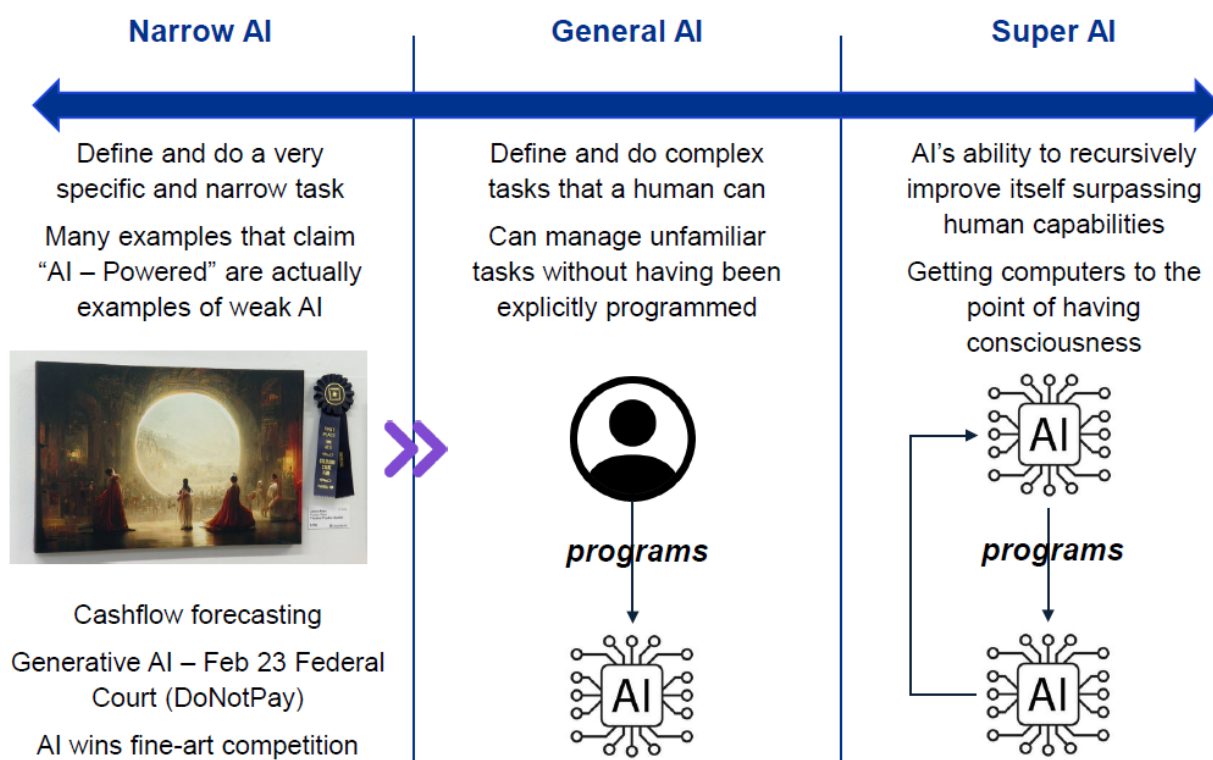
Generative AI varies significantly in its outputs. It can:

- Generate new images that resemble photographs or resemble a particular art style. Take the previous image being content generated by Midjourney which won at the Colorado State Fair Art competition. The judges did not know (or expect) it to be generated by AI – it was revealed post-competition to the shock of other artists and judges.
- Generate realistic speech (audio) that can mimic a specific human voice from as little as three seconds of sample recordings.
- Generate videos that can synchronize to lip movements, and realistically replace human faces with other faces whilst maintaining the same emotion / facial expression.
- Compose and generate music but although this has been around for a few years the music quality is increasing every year

ChatGPT is opening a large array of previously unseen applications with deep implications across almost every industry and business function. As natural language is how humans communicate, ChatGPT has broken barriers with its ability to understand, interpret and respond to different queries. It has an impressive capability to store temporary information and use it in the conversation session. The real power is integrating ChatGPT capabilities with other Generative AI capabilities.




It is easy to fall into the belief that this is a technology of the future, but the reality is ChatGPT is being used for business applications right now. The applications are broad-ranging, and it has been projected that 90% of content produced in Hollywood may be, at least in part, AI-generated by 2025.

Historical uses for AI have been very limited. This is poised to change as we move towards “General AI”.



People have built applications around it too (but not limited to):

- Automate writing computer code
- Write compelling fiction short stories
- Explain and summarise difficult concepts into simpler layman's terms
- Write college-level / high-school essays
- Draft commercial strategies that are applicable to organizations
- Craft digital content including writing LinkedIn posts, blogs

 Examples	 Capabilities	 Limitations
"Explain quantum computing in simple terms" →	Remembers what user said earlier in the conversation	May occasionally generate incorrect information
"Got any creative ideas for a 10 year old's birthday?" →	Allows user to provide follow-up corrections	May occasionally produce harmful instructions or biased content
"How do I make an HTTP request in Javascript?" →	Trained to decline inappropriate requests	Limited knowledge of world and events after 2021

Some may argue that ChatGPT and other similar forms of next-generation chatbots may appear to be too good to be true. That there are various risks associated with its usage is undeniable and we will explore these in a future article. In the meantime, for the more inquisitive and adventurous-minded, feel free to explore this exciting new technology.

13th Prime Minister's back to business breakfast by Karen McEntee, Partner, Business & Tax Advisory

The 13th Prime Minister's Back to Business Breakfast was held on 1 February 2023 in a packed conference room at the Hilton Hotel in Port Moresby.

The seminar opened with the Business Council of PNG asking for balance on regulatory constraints which they said are discouraging business investment. Kina Bank, in its address as a sponsor, also stated the Government's plans to increase the tax rate to 45% would impact their growth plans.

Prime Minister Marape's overriding message was that he is optimistic for the future and the business community should also be optimistic as in his view, PNG is a growth country. He made some encouraging comments such as acknowledging that the job of the government is to create an environment to encourage business and promising quarterly engagement with the business community to ensure there is open dialogue. PM Marape said he was open to listening to suggestions from businesses that are aimed at growing the economy.

His aim is to get PNG to a K200 billion economy by 2029 from a K80 billion economy when he became PM. Inflation was 6.5% in 2022 and projected at 5.7% for 2023 which he said was better than many other countries in the region. PM Marape said he was happy with the non-resource sector growth which he said has been increasing for the last three years and is projected at 6.4% for 2023. They expect to see progress in the five resource projects for 2023 including Papua LNG which he says is on target to move to FID, apparently Porgera is in the final stage of discussions for re-opening, Wafi-Golpu, P'nyang and Pasca also got a mention. The PM was confident that PNG would see substantial benefits to the economy over the next eight years because of these projects.

PM Marape said the job of the Government is to build and maintain infrastructure, build a secure environment, link markets domestically and internationally, encourage businesses to link up, and ensure a fair market environment that returns tax. The focus for 2023 will be on law and order, health, and education. The Government will be investing in the lower and higher courts, investing in the police force, and re-commencing police training to build a 7,000-strong police force. To encourage business, they would like to create a one-stop investment and trade department to facilitate the ease of entry and of doing business in PNG and to continue the set-up of special economic zones. They want to work with landowners to unbundle land, so it is easier for businesses to acquire land in PNG for operations. They also intend to set up an independent commission against corruption with help from Transparency International.

They would like to assist those at the bottom of the ladder and if the oil price remains above USD80 a barrel they will continue to pass the benefits to the economy through subsidies (e.g. through the increased SWT thresholds and fuel incentives). PM Marape made the point that in tough times we must all carry the economy but in good times the benefits will be shared.

In conclusion, we strongly encourage any moves the Government can make towards facilitating the ease of doing business in PNG as we frequently see foreign businesses deciding not to do business here due to the regulatory constraints and concerns around access to foreign currency.

ESG in Papua New Guinea

by Ces Iewago, Partner, Advisory Services

Within the past year the world has dealt with unprecedented natural disasters. Additionally, the pandemic-related economic downturn has posed significant threats to countries such as Papua New Guinea (PNG). These crises have increased pressure on governments, financial institutions, and multinational corporations, to prove that they are acting responsibly and investing sustainably. This has manifested in a shift in consumer behaviour with some consumers making conscious decisions to invest in companies that operate sustainably, responsibly, and fairly. As a result, financial institutions are restricting their lending and scrutinizing company agendas more closely based on their collective conscientiousness for Environmental, Social, and Governance (ESG) factors.

The growing demand for transparent ESG policies and practices has forced businesses to adopt ESG standards by setting clear initiatives, establishing targets, and providing data to stakeholders. In particular, the growing deployment of renewables has set in motion a global energy transformation in which governments and companies in the private sector must cooperate to decarbonize their operations whilst ensuring that raw materials are managed in both a sustainable and stable manner. Countries and businesses are competing to gain an advantage in emerging industries, technologies, and export markets that include renewable electricity, green hydrogen, green steel, and ethically sourced critical minerals.

As PNG's economy is dominated by major resource projects, it continues to be exposed to international market factors such as commodity price movements and the current conflict between Ukraine and Russia. The inflationary and interest rate environment has led to a reduction in domestic business activities, a decline in capital and infrastructure investment, a drop in income tax, and a shortage of foreign exchange.

The energy transition in PNG must be embraced in line with our international obligations. Whilst this may take some time, PNG has an opportunity to work with some of the largest companies in the energy and resources sector to implement ESG practices and decarbonize business processes. This is supported by the rise in prices for PNG's petroleum and liquefied natural gas exports (LNG) exports, which were 61% above the 2022 Budget estimate according to the PNG 2022 Mid-Year Economic and Fiscal Outlook Report. PNG's key base metal prices also increased substantially between 2021 to 2022 across gold, copper, and nickel, signaling the potential for growth. Furthermore, progressive ESG considerations in conjunction with strong traditional landowner representation can provide opportunities for stakeholders to proactively work together to produce energy for the economy, whilst protecting biodiversity and deriving benefits for the broader community.

Public lecture on Revenue Law and Practice in PNG

On 22 February, in conjunction with the Papua New Guinea Centre of Judicial Excellence, we were honored to sponsor a lecture presented by Hon Justice J.A. Logan RFD on 'Revenue Law and Practice in PNG'. The lecture was followed by a panel discussion including Justice Gavara-Nanu, Commissioner of Taxation Sam Loi, and Karen McEntee, Partner, Business & Tax Advisory. The lecture was very well attended, and his Honor gave some useful insights on tax in the courts in PNG and Australia including tips for useful research tools on tax principles. Interestingly his Honor mentioned that although he had heard many tax cases in Australia, he had not heard any tax cases in PNG until last week. Although the lecture was not live-streamed it was audio recorded. Please contact Karen McEntee for a link to the audio recording.

Our social media presence

As usual, you may access our regular multi-disciplined thought leadership pieces, newsletters, and updates on our KPMG PNG LinkedIn page. Also, connect via our webpage www.kpmg.com.pg and Facebook <https://www.facebook.com/pngkpmg/>.

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