Kundu & Lali

June 2025
A quarterly South Pacific focused newsletter

Foreword

It is with great pride that I welcome you to the second edition of **Kundu & Lali**, our South Pacific-focused newsletter from the Fiji and PNG offices of KPMG. This quarterly publication reflects our commitment to providing timely, relevant, and strategic insights across the region. The SPP partners continue to collaborate to bring you perspectives that matter—whether you're navigating workforce challenges, responding to regulatory developments, or exploring new investment opportunities. Our goal is to support businesses and institutions in building resilience and unlocking growth in an increasingly complex environment.

In this June 2025 edition, we delve into two critical themes shaping the region: workforce transformation and financial system integrity. From the implementation of job architecture frameworks to address talent retention, to the implications of PNG's potential FATF grey-listing, we offer analysis and guidance to help you stay ahead. We also spotlight recent improvements in PNG's foreign exchange landscape and unpack key measures from Fiji's 2025/26 National Budget. These developments underscore the dynamic nature of our region and the importance of agile, transparent, and future-ready strategies. We hope this newsletter continues to be a valuable resource for you and your organisation.

Zanie Theron

South Pacific Practice Partner-in-Charge

Leveraging Job Architecture for Talent Retention by Marissa Apted, Partner, Advisory Services

Organisations across Pacific Island countries are grappling with persistent workforce challenges. Labour shortages, high turnover, and skills mismatches are common across sectors – from tourism and healthcare to mining and logistics. These issues are compounded by high emigration rates, informal employment, and limited access to formal training. In this context, a job architecture framework offers a powerful tool for organisations to build resilient, future-ready workforces.

What is a Job Architecture Framework?

A job architecture framework is a structured system that defines:

- Job families and levels
- Competency and skill requirements
- Career pathways and progression
- Compensation alignment
- Strategic workforce planning tools

For organisations, this framework provides clarity, consistency, and strategic alignment between business goals and talent management practices.

Talent retention: a regional challenge

Labour shortages are a widespread issue across the Pacific. According to the World Bank's 2025 Pacific Economic Update, economic growth in the region is slowing, with growth in tourism and remittance-led economies like Samoa, Tonga, and Vanuatu expected to halve from 2024 to 2025. In Solomon Islands, growth has stagnated at around 2.5%, constrained by structural challenges including limited economic diversification and declining logging revenues. In Fiji, the construction and tourism sectors are struggling to find and retain skilled workers. In PNG, the mining sector faces chronic shortages of engineers and technicians, while agriculture suffers from an ageing workforce and urban migration. The Asian Development Bank (ADB) notes that many Pacific Island countries are not producing enough jobs to absorb the growing number of young people entering the workforce each year.

In addition, the brain drain remains a major issue. The ADB highlights that emigration rates for skilled Pacific Islanders are among the highest in the world. These countries frequently lose nurses, IT professionals, and teachers to labour mobility schemes in Australia and New Zealand. Another factor is the informal economy. Informal employment dominates many Pacific economies. In PNG, over 80% of the population is engaged in informal or subsistence activities. In Kiribati and Solomon Islands, informal work in agriculture and fishing is widespread, yet formal sectors like construction and logistics struggle to find qualified workers.

How organisations can use Job Architecture

A job architecture framework enables organisations to:

- Clearly define job roles and expectations, improving recruitment and onboarding
- Identify critical skill gaps and partner with training providers to develop targeted programs
- Standardise job descriptions across locations and departments, improving internal mobility and strategic workforce planning
- Create transparent career pathways, including robust succession planning
- Align compensation and benefits with role complexity and market benchmarks
- Support mentorship and leadership development

For example, mining and infrastructure organisations could use the framework to define a career progression path from technicians through to executives. This will allow employees to understand their career and growth prospects, including remuneration potential within the organisation, as well as the KPIs needed to be achieved to get there. Similarly, the framework could be used to define competency-based training programs for a hotel in the tourism sector to build capability from front desk agent to guest services manager, aligning each specific training with performance metrics. The transparency that such a framework provides is a key benefit in retaining talent.

An added consideration is that the Pacific is highly vulnerable to climate shocks, economic volatility, and migration shifts, such that having agile workforce strategies are an imperative. A job architecture framework standardises job roles which assists with easily mobilising talent for Pacific organisations with multi-country operations.

Further, the rise of AI-driven tools notable in sectors or roles covering customer service, data analysis, logistics, education and healthcare is reshaping workforces. As organisations across the Pacific begin to explore the integration of not just human capital but digital employees, a robust job architecture framework is an important foundation.

A job architecture framework helps organisations navigate this transformation by:

- Clearly defining which tasks are best suited for automation versus human oversight
- Mapping competencies required for employees to collaborate effectively with AI systems
- Designing new roles such as AI trainers and data quality analysts

For example, a bank adopting AI-powered chatbots can use the framework to redefine customer service roles, ensuring that human employees focus on complex queries while digital assistants handle routine interactions.

Labour shortages, talent retention, and skills mismatches are daily operational challenges for Pacific organisations. By adopting a robust job architecture framework, businesses and institutions can take control of their workforce strategies, reduce reliance on expatriate labour, and build sustainable talent pipelines.

From Grey to Great: What is required of PNG? by Zanie Theron, SPP PIC

At this time, it is clear that PNG will likely be grey-listed by the Financial Action Task Force (FATF) in early 2026. When a country is grey-listed by FATF, it means that the country has been identified as having strategic deficiencies in its systems to combat money laundering, terrorist financing and proliferation financing.

Unlike the blacklist (which includes countries that are non-cooperative and pose a serious risk to the international financial system such as North Korea, Iran and Myanmar), grey-listed countries have committed to work with FATF to address these deficiencies within agreed timeframes.

The consequences of being on the FATF grey list include increased scrutiny by not only FATF but also international financial institutions, increased reform pressure, reputational damage making the country less attractive to investors, higher transaction costs and delays in international banking operations.

The imperative for PNG would clearly be to exit this grey-listing status in the minimum amount of time.

To take a step back and provide context, it is important to understand the measures PNG has taken since 2017 when the previous Mutual Evaluation Report was issued. Since 2017, PNG has taken a series of actions – led by the government, supported by external stakeholders, and increasingly involving the business community – to address the risk of being grey-listed by FATF. An overview of those efforts are set out below.

Government actions

In September 2017 PNG conducted its first National Risk Assessment to identify its most vulnerable sectors and channels for money laundering and terrorism financing. This assessment was led by Bank of PNG through its Financial Analysis and Supervision Unit (FASU), with technical assistance from the Asian Development Bank. This informed the development of a national Anti-Money Laundering and Counter-Terrorist Financing (AML/CTF) strategy and laid the groundwork for PNG's subsequent AML/CTF reforms.

PNG has updated its AML/CTF Act to align with FATF's 2012 recommendations. It has also introduced beneficial ownership disclosure requirements and strengthened customer due diligence (CDD) obligations for financial institutions.

In December 2024, PNG launched a multi-agency AML national Task Force to coordinate national efforts.

Key members include the Bank of PNG, the Royal PNG Constabulary, the IRC, Customs, Immigration, ICAC and the Auditor General's Office. The task force focuses on intelligence sharing, joint investigations and asset recovery.

External stakeholder support

PNG has worked closely with the Asia-Pacific Group on money laundering, a FATF-style regional body, to undergo mutual evaluations and receive technical assistance.

International donors and development partners

Organisations such as the World Bank, IMF and the Australian Government have provided technical assistance, capacity building for regulatory and law enforcement, and support for digitizing financial intelligence systems.

Business community engagement

Banks and financial institutions have enhanced their compliance frameworks, including Know Your Customer procedures, suspicious transaction report and staff training on AML/CTF obligations.

The PNG Business Council and Chambers of Commerce have participated in consultations on regulator reforms. In addition, some large businesses have adopted internal AML/CTF policies to align with international best practices.

However, based on the 2024 Mutual Evaluation conducted, it was noted that despite some progress having been made, PNG still demonstrates limited enforcement capacity, low conviction rates for financial crimes, weak supervision of non-financial businesses such as real estate companies, and gaps in beneficial ownership transparency.

One has only to look at countries that have recently exited their grey-listing status to take guidance of what PNG would need to do to similarly exit this status within a relatively brief period. For example, the Philippines, who exited the FATF grey list in February 2025, demonstrated that executive leadership (notably the executive orders issued by President Ferdinand Marcos Jr) played a crucial role in accomplishing this. This country's reforms include strengthening the supervision of non-financial business (e.g. lawyers, casinos, motor dealers), cracking down on illegal money transfer operators, improving access to beneficial ownership information and increasing investigations and prosecutions of AML/CTF cases.

It may appear that many of the reforms that PNG have introduced since 2017 may be similar to what the Philippines have done, yet the difference in PNG lies in the successful execution of these reforms. Increased public and political sentiment would go a far way in driving the implementation, and there are a number of broad strategies to strengthen public and political sentiment in PNG:

Public education is key, and here targeted awareness campaigns should be launched that explain how financial crime affects ordinary Papua new Guineans, why it drives up prices, weakens services and deters investment.

A greater number of political leaders will need to be engaged, in that all parliamentarians and ministers should be briefed on the economic risk of grey-listing. Countries like Panama, Jordan and the Cayman Islands, which were removed from the grey list in 2023, succeeded because their political leadership took ownership of the reform agenda.

In terms of empowering civil society and the media, journalists and NGOs should be trained to monitor and report on financial crime. Their voices can help hold institutions accountable and keep the public informed.

Financial inclusion should be promoted, as AML/CTF measures should not exclude people from the financial system. Reforms should therefore be paired with efforts to expand access to banking and digital finance.

PNG should continue to leverage international support. PNG is not alone, and the support thus far form external stakeholders should be leveraged and expanded upon.

Most importantly, PNG needs to show results. For example, not only should successful prosecutions, asset recoveries and enforcement actions increase, but also be publicised.

Public trust grows when people see action.

Improved access to foreign currency - PNG
by Karen McEntee, Partner, Business & Tax Advisory

One of the major challenges cited by Papua New Guinea businesses in recent years has been the difficulty in accessing foreign currency to make overseas remittances. Payments to foreign suppliers could take months often driving up the cost of doing business in PNG and in many cases dissuading new investors from entering the market. While making dividend or management fee payments to shareholders or related parties could face delays of a year or more.

In recent months PNG businesses have seen a much welcome improvement in the foreign exchange position. This has been driven by stronger export earnings and targeted policy reforms. High global prices for key commodities such as cocoa and vanilla boosting foreign currency inflows, providing some relief to the foreign exchange market.

The processing times for overseas remittances have fallen from months to days or weeks. Combined with the increased tax clearance threshold of K1.5m, this has been the best time in years for PNG businesses to pay foreign suppliers and to reduce their related party dividends, loans or trading balances.

Key highlights from Fiji's 2025-2026 National Budget
by Meliki Tuinamuana, Partner, Business & Tax Advisory

The Honourable Deputy Prime Minister and Minister for Finance, Strategic Planning, National Development & Statistics, Professor Biman C Prasad, presented the 2025/26 Budget on 27 June 2025. This budget focuses on building security, stability, and prosperity while addressing socio-economic challenges and aiming for macroeconomic stability.

We highlight the key economic and tax measures here.

With the theme "Building Security, Stability and Prosperity", the 2025-2026 National Budget aims to build further on an economy that has continued to recover over the last financial year from the pandemic induced downturn. Government also intends to strengthen measures to counter escalating social issues such as drug usage and the HIV epidemic, and increased funding for key areas including Education, Health & Medical Services and Infrastructure have been announced.

Economic Measures

- ***Budget Deficit:*** A budget deficit of $886 million, or -6% of GDP, is forecasted for the 2025/26 fiscal year.
- ***Export Growth:*** Total exports increased by 7% in 2024, with forecasted growth of 3.3% in 2025 and 5% in 2026.
- ***Debt to GDP:*** Debt to GDP is forecasted at 77.5% for 2025 and expected to grow to 79.8% in 2026.
- ***Foreign Reserves***: Foreign reserves stand at $3.7 billion, equivalent to 5.8 months of imports.
- ***Economic Growth:*** Growth forecasts have been revised to 3.2% in 2025 and 3.1% in 2026, following growth rates of 4% in 2024 and 7.5% in 2023.
- ***Inflation:*** Inflation is forecasted to rise to 2% in 2025 and 3.4% in 2026, following 1.3% in 2024.

Tax Measures

- Reduction in Value Added Tax (VAT) rate from 15 percent to 12.5 percent effective 1 August 2025
- Income Tax Deductions:
  - 150 percent tax deduction for donations to Accredited Start-Up Support Programs
  - 100 percent tax deduction for donations to health centers, nursing stations, aged care facilities, orphanages, and drug rehabilitation centers
  - 25 percent investment allowance for new investments in tour activities (minimum investment of $100,000)
- Extension of the tax-free region to include the Wainadoi region for investments in waste management, recycling, and renewable energy
- Introduction of a tax exemption for the income of businesses engage in carbon trading
- Reduction in Fringe Benefits Tax for electric vehicles effective from 1 January 2026
- Application of capital gains tax to gains realized from share buyback or similar transactions; and exemption on disposal of a first residential property that is co-owned with non-family members
- Increase in the rate of non-resident withholding tax rate on insurance premiums from 3 percent to 3.75 percent in line with corporate tax rate

Tax Administration Measures

- New mandatory requirement for separate e-wallet account for business transactions with penalties for non-compliance
- Introduction of 10 hours of CPD as a requirement for renewing Tax Agents' registration from 1 January 2026
- Mandatory asset declaration for sole proprietors effective from 1 January 2026

Customs Measures

- Introduction of a per day late payment penalty for customs operators delaying overtime fee payments
- Collection of Passenger Name Record (PNR) data from aircraft and ship operators
- Implementation of Customs Demerit Point System for licensed customs operators to promote accountability
- Some relaxation of duty protection for local manufacturers

The 2025/26 Fiji Budget introduces several measures aimed at boosting economic growth, enhancing tax compliance, and improving fiscal prudence while maintaining macroeconomic stability. These initiatives reflect the government's commitment to fostering sustainable development and addressing socio-economic challenges.

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