

## **Can we manage our Natural Resources?**

Papua New Guinea has been inhabited for over 40,000 years. During that period agriculture developed independently of other worldwide origins. The population had a long period to adapt land use systems here to local environmental conditions, even if certain practices, such as constant burning in the Markham valley, were not ultimately sustainable.

Pressures on PNG's natural resources have increased substantially in recent years, to meet growing international demand for raw materials, increased revenue for government, income and employment for customary resource owners and in the face of growing population pressure.

When outside interests and developers are needed to undertake resource investment and extraction, perhaps partnering local interests, planning and oversight is required, notably to ensure certain minimum standards, resource sustainability or apply taxes for the wider public benefit.

Where this regulatory role is undertaken by government in the interests of the local community and nation, with respect to land, marine resources, forestry, minerals, or now carbon, it is critical that it is performed in accordance with clear rules and policy, in a transparent and accountable manner.

Over many years there have been cases of severe abuse of this regulatory function by government and public institutions. Corruption steals benefits from the wider public or local community, but more seriously results in major economic distortions, resource mismanagement and seriously undermines public confidence in the State and leaders.

Theft of public resources (belonging to the current and next generation) by people entrusted to look after public interests, whether politicians or public servants, for greed, is the most venal behaviour, markedly more serious than theft undertaken persons for genuine need (though markedly less likely to be punished). The recent reported acquisition of US\$41 million (K113 million) from a 2.5% commission on all logs exported from certain logging company/ies, if true, would be the most despicable crime against the people of this country yet recorded. Clearly, such behaviour should not merely be punished under the Leadership Code (designed to protect Public Office from abuse) but under the Criminal Code.

PNG should have a sound future but will benefit from utilising its considerable renewable and non-renewable resources only if such readiness by some leaders and officials to betray the country's interests for self-gain is halted. PNG's Constitution and laws are clear on responsibilities for managing natural resources and public assets, and upon leaders. We need progressive updates to laws and regulations, including penalties, but the law is basically sound, but its application lacking. PNG's future can only be achieved through unified and nationwide commitment to removing the rot, restoring proper processes and respect and application of law, requiring the highest standards of leaders

and officials, especially through transparent policy-making, and the public securing full access to information and requiring accountability.

Land management has long been subject to abuse, with efforts recently launched to address it. In mining, particularly after the Bougainville crisis, standards have generally been higher in issuing and allocation of permits and project oversight, including using development forums for community consultation. There have been environmental problems and concerns over unscrupulous developers and queue-jumping in Porgera, Mt Kare, and recently in Bougainville and lack of provincial participation and inadequate discussion over waste disposal with Ramu Nickel.

Increased international pressure on fisheries resources, and deals apparently outside regional agreements, sometimes with unscrupulous middlemen, have jeopardised sustainability of some fish stocks, and local benefits, although domestic processing has improved local opportunities.

The 1987-89 (Barnett) Commission of Inquiry exposed extensive corruption in forestry and almost universal transfer pricing by operators. The Inquiry, strong media coverage and public pressure, commitment by some political leaders, combined with a sector review led and donor support, led to a new policy in 1990 and legislation in 1991. Despite a rush of non-compliant logging permits before the new law became effective (June 1992), the mid-1990s saw marked improvement in forestry planning and governance, with the Forest Authority with its Board and committees providing more effective checks and balances.

The new law required sustainable forest management, greater participation of resource owners in decision-making and oversight and enabled improved revenue for the State and resource owners. Independent export monitoring (by SGS) reduced opportunities for cheating on quantities and grades of logs exported. The new revenue system ensured increased taxes for the State, even though logging companies continued declaring operations unprofitable. Nevertheless, there were various notable failures, like various Timber Authorities approved for unsuitable projects, notably the scandalous Kiunga-Aiambak road clearance, which deprived resource owners of vast tracts of forest without proper payment, whilst an extensive area of Gulf province was allocated, despite rights having never apparently having been “acquired” by the State from resource owners. There were also legally questionable extensions made to projects, without transparent and competitive processes.

By the late 1990s forestry was once more out of control, with innumerable new projects being fast-tracked. Fast-tracking in PNG generally seems to mean side-stepping proper processes! The new Morauta Government sought international support to stabilise the calamitous economy and also imposed a moratorium on new forestry projects until a review was undertaken into proposed projects. The review found non-compliance with legal requirements for most of the proposed 32 new projects, particularly most unsustainable, resource owners inadequately consulted and environmental aspect not addressed. An independent review was then undertaken of on-going projects, which

found extensive non-compliance with legal requirements, including non-adherence to project agreements, landowner obligations or the code of practice, (which, if followed, enables faster forest recovery than where loggers are let loose extracting available commercial timber).

Over many years, when the Forest Authority, Environment Department or other agency found breaches and sought remedial action or penalties, or issued 'notices to show cause' (halting operations) it seemed there were "directions" from Ministers to back-off, under pressure from companies. When the new Somare Government entered power in 2002 there was initial commitment to continued forestry reforms and the Forest and Conservation Programme (FCP), but government then apparently backed-off requiring compliance from major logging projects over contentious agreements and code of practice.

The FCP, intended to improve forest management and sustainability and support landowner interests and options, was cancelled owing apparently to government's reluctance to ensure project compliance with PNG's own laws and agreements. The companies were then also rewarded with reduced export tax rates. With many log exports recorded consistently at well below average prices and that average below apparent international prices, extensive transfer pricing appeared widely prevalent; a loss to the State and resource owners. Why companies continued to harvest and compete for new concessions whenever they became available seemed odd, whilst continuing to declare their operations loss-making. Minister Peter O'Neill shrewdly declared that logging companies operating at a loss should be closed, as why extract valued resources if unprofitable! Yet, despite reported loss-making or marginal operations it seems forestry companies have accumulated vast wealth for investment in other commercial and property ventures, and extending wide influence and largesse.

If a Minister could accrue K113 million from a small commission on log exports from certain companies it would indicate export values being markedly greater than declared. Could this be possible? Active involvement by some leaders was apparent in supporting forestry companies' interests, including over questionably-legal teak exports. Why would the country's and landowners' interests, and even the law and agreements, have been given lower consideration, than that of some overseas commercial interests. Maybe leaders were simply misguided or misinformed, but, as with the Barnett inquiry, when extensive corruption was found in both government and industry, continued rampant malpractice might be a more plausible explanation.

Can such abuse be eliminated in future natural resource management? Clearly not entirely, but a strong national drive towards transparency and the rule of law and the application of strong penalties (providing strong deterrent) would make an immense impact. The Forest Authority's management is stronger, international market requirements firmer, and the Minister's statements sound. The evidence is yet to be seen. The country's sound future, and especially the majority depending upon natural resources, depends upon getting it right. Papua New Guineans should want to invest at

home for the future, not run away with ill-begotten gains to overseas capital with their offshore accounts (like so many African and other leaders)!