

Resource Ownership and Benefits in PNG

PNG is a land of ironic contrasts. Rich in natural resources, increasingly sought after by the booming economic giants of East and South Asia, it is deemed a lower-middle income country, yet has the lowest social indicators in the Pacific and amongst the worst literacy and health indicators, especially maternal and infant mortality, in the Asia-Pacific region; impossibly high urban living costs, a small wealthy urban elite, growing but modest and pressed middle-class and substantial, largely landowning but disadvantaged rural majority and growing urban poor.

The reasons are apparent. Over the past decade there's been growth, but without broad-based equity and participation. The Directive Goals and Principles set in the Constitution, emphasising 'Integral Human Development' (i.e. Empowerment), 'Equality and Participation' for all citizens (including equitable access to economic opportunities and services across the country, and between men and women) and conservation and sustainable utilisation of 'Natural Resource and Environment', have been largely ignored in recent times. Children are never born with equal opportunities, but the State's duty is to reduce discrepancies between and within regions and households, seeking to ensure children (and adults) are broadly on the same track, if not the same starting block.

This equalising task cannot be left simply to individual bodies, like the NEFC with its limited resources. It takes a much more proactive commitment by national and sub-national governments, as occurs in some developed countries, notably Finland, which ensures equitable access to quality educational opportunities. The recent reform to PNG's inter-governmental financing was deficient, with funding and services per capita between provinces remaining severely skewed, and excessive money left to arbitrary (or politicised) mechanisms like DSIP, where MPs dish out projects to selected communities, whilst others miss out, with facilities lacking maintenance, supplies, health workers or teachers. The new government from August 2011 gave some indications to reverse the elitist bias (e.g. with free primary/lower-secondary education), but seemed increasingly distracted and ad-hoc in dishing out (apparently unbudgeted) funds.

The provinces (and districts) are responsible for much of the basic infrastructure and services needed by the population, but, as NEFC highlights, the poorer provinces receive only a small portion of funding required for these basic services, with their release for some provinces only in the final quarters. It's fortunate that some poorer provinces, like Sandaun and Simbu, at least manage their limited funds relatively well, compared with most wealthy ones, like Western, Morobe, SHP or Enga, which receive adequate (in some cases more) funding for sustaining basic roads, health, education and other priority services. Many of these wealthy provinces, especially, seemingly waste disproportionately on bloated administration, with much of the balance also disappearing down some hole. Provincial townships like Daru, in wealthy Western Province, demonstrate years of neglect, whilst Mendi and Lae are shadows of what you'd expect! Despite the underfunding and incapacity

of PNG's oversight authorities, some wealthy provinces have seen a succession of provincial officials charged with leadership or criminal abuses, with extensive funds wasted on duplicative appointees and absentee officials.

Meanwhile, many leaders are eager to approve new resource extraction projects, even though the capacity to negotiate, facilitate and oversee existing projects, to ensure extensive and lasting local benefits, and minimise negative repercussions, has proven severely deficient, with the proceeds of some projects widely unaccounted for. Standard investment criteria for businesses are established, but too often circumvented, with long established and respected public companies generally complying with PNG's tax and other requirements, whilst others negotiate special deals (extended tax holidays, employment exemptions etc.) or simply slip below radar, ignoring tax, employment, land or other rules (often under some political patronage). This creates an uneven playing field and in some cases limited net benefits to PNG, once various costs are accounted for, (or negative benefits, e.g. with SABLs which displace sound land-use, and genuine investment). It is widely recognised (including by investors) that resource taxes in PNG are relatively low by global standards. However, other costs are high, with companies widely expected to provide infrastructure and services normally delivered by States, and having to face long delays caused by operational deficiencies by various government entities, and in some cases undue political interference. So, (apart from those companies already enjoying inordinate exemptions), before the State could justify raising these taxes to global norms, it would need to ensure more efficient and timely application of government functions and reduced investment uncertainty.

For some time there's been a lobby seeking the transfer of mineral ownership (below 6ft below the surface) from the State to landowners. Perhaps the greatest justification could be the poor administration of resource benefits by the State, seemingly syphoning some away, often with limited local benefits to resource owners or the wider community. Certainly, there is a need for landowners to have greater awareness and broad-based participation and oversight, including over whether they even want such resource development. However, the ownership transfer (as proposed in the Kondra Bill) would: -

- severely scare off, particularly reputable, investors, who find existing investment and operating arrangements anarchic enough, without these being further thrust into the control of potentially feuding landowner claimants, likely to appear in places more like local warlords;
- severely undermine the capacity of the State to perform its Constitutional obligation of delivering public goods and services evenly across the nation, (recognising that, whilst failing badly in this regard to date, it must address this responsibility concertedly in future)

Transferring resource title to landowners is certainly no guarantee of their greater participation or gain. Land and forest resources are clearly owned by customary owners, but

(sadly) this has not stopped these resources and proceeds being severely embezzled by so-called representatives, officials and business cohorts. Carefully designed legal safeguards to limit Ministerial control and impose checks and balances have been progressively ignored or whittled away. With mineral and hydrocarbons there is a strong need to reinforce mechanisms and institutional capacity, particularly with the weak Petroleum Department, and also to restrain the State's capacity to impose projects in the face of strong social and environmental considerations, but there is also a strong case not to dismantle a functional legal and ownership system, undermining needed long term investment certainty and the State's duty and capacity to ensure broad-based and evenly distributed benefits to the whole of PNG.

The extractive industries argue that they must invest fortunes in exploration over many years; this entails high risk with no certainty of any long term return, and that they need the security of dealing principally with the State as resource owner, not with innumerable clans and resource claimants; they expect exploration to provide 'pre-emptive' rights (though not certainty) to develop if commercial potential is found; PNG is already considered a difficult (but still attractive) destination for resource companies, but poor infrastructure, inaccessibility and local institutional support, and that greater uncertainty associated with further withdrawal of the State and the limited security it provides might make it too risky, except for the most profitable prospects.

Over recent decades PNG's incomes have become increasingly skewed, now becoming one of the most unequal societies in the Asia-Pacific region, in terms of incomes and access to basic goods and services, literacy, health and survival. Waigani-based landowners seemingly gain (extort?) disproportionate benefits, which must be restrained, with many landowner companies providing little prospect of broad-based lasting benefits. Lessons must be learnt fast from the landowner companies (like Anitua, IPI etc) which have diversified and established sound prospects, or landowners, even in the footprint of major resource projects, will see limited lasting benefits. Ultimately, however, for landowners and the rest of PNG's population alike, it is not about cash or other handouts, but ensuring that government (and private and non-state partners) provide sustained access (by land, sea or air), educational, law and order, health and other services to empower communities and households themselves to participate in, and not be marginalised from, PNG's growing economy and opportunities, as well as ensuring that Dutch disease implications (including appreciating currency) are restrained and don't destroy the prospects for the other industries, which provide the broad-based employment/income earning prospects.