

STUDY ON THE IMPACT OF THE CURRENT RESOURCE BOOM ON EMPLOYMENT, LIVELIHOODS AND ECONOMIC DEVELOPMENT IN PAPUA NEW GUINEA

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General Mining Perspective

The Constitution of Papua New Guinea upheld the view and principle that all wealth derived from minerals in PNG must be shared equally with everyone throughout the country.

The Constitution also provides the notion that the wealth from the resources of this country must be equally distributed and shared with everyone in the country. Every citizen must be given an equal opportunity to participate from the opportunities provided by the resources of this country.

If that is the ideal situation today, all citizens will be actively contributing to national building through personnel and business taxes from whatever form of activities they are engaged in. This will allow the National Government to fully subsidize all essential public services that are important to maintaining better living standards for all citizens across the country.

The sad fact is that, since our independence in 1975 to today, only about 20% of the citizens are engaged in the formal sector whilst 80% of the majority of the citizens are either non active, unemployed or living in very remote rural areas. This puts pressure on the public services and utilities that are being provided by the National Government from the limited support of the 20% citizens engaged in the formal sector.

The country's objective is to ensure the 80% population is brought into active engagement to allow them to meaningfully contribute to nation building also.

From the first mining project in PNG at Panguna, the intention of the Constitution was very much practised and alive in the operations of the Panguna mine. It was obvious that the wealth of the mine was shared with everyone in the country. There were buildings and infrastructure around the country built from proceeds from the Panguna mine. Employees for the mine were sourced from all over the country and training was equally shared by all employees of the mine. Unfortunately, this practice was fast diminished after the Bougainville Crisis.

After the Bougainville Crisis, the Misima mine and the Ok Tedi mine were developed very quickly to support the economy of the country which has been heavily dependant on the Panguna mine. The pursuant agreements which regulated the benefit sharing and operational arrangements of these mines markedly deviated from the spirit and intentions of the PNG Constitution. We now tend to see these agreements promoting preferred choices of how the benefits will be shared and targeting specific groups, locations and areas that the benefits of the mines will flow to and from. The wealth of these mines are now being concentrated in a few hands and locations whilst the rest of the citizens of the country were deliberately being overlooked.

The rest of the mines after Misima and Ok Tedi are following the precedent set by these two mines. For example in most recent mining projects Memorandum of Agreements (MOA), all State royalties

are foregone to host Provincial Governments, Districts, Local Level Governments and landowners. The State does not hold anything back for the rest of the country. Employment is sourced firstly from landowners, the LLG and District, the Province and the rest of the Country in this preferred order. Training, business spin-off, procurement of goods and services are activities that are to be implemented in the same preferred options above.

Other infrastructure benefits such as the Special Support Grants (SSG) and Tax Credit Scheme (TCS) are also targeted for mining host provinces only although the TCS has recently being expanded to a few other projects in non mining provinces.

The preferred option practice does impact on the employment opportunities and the livelihoods of all citizens of this country. It does create a gap between the haves and the have nots and promotes divisions and segregations amongst the citizens. To some assessment, poverty has been evident in areas where wealth has been concentrated because this wealth has been mismanaged and abused by the few privileged ones resulting in a resource curse rather than a blessing. The Dutch Disease has had its tentacles and place in PNG also.

Whilst realising this unconstitutional trend, the Department of Mineral Policy and Geohazards Management has been mandated by the Government to review current mining policies and legislations with the view to restore the intentions expressed by our forefathers that was enshrined in our Constitution.

Regulatory Perspective

One of the main mandates of the Department of Mineral Policy and Geohazards Management (DMPGM) is to develop and formulate globally competitive mineral policies and a regulatory framework for the mining industry in PNG. These policies and regulations will be enforced and regulated by its sister organisation the Mineral Resources Authority (MRA). Both these organisations were established by an Act of Parliament in 2005. The professional employees of these two organisations are professionals that are also employable in the mining industry. Hence, the competition for these professionals has always left the two organisations on the losing end all the time.

In 2011 alone, the MRA recorded the highest staff turnover of 27. In the same year, the DMPGM lost three of its key professional staff. These professionals were lost to the private sector and the mining industry. Obviously, the boom in the resource sectors has created an unprecedented competition for professionals and those at the lower ends such as MRA and DMPGM are the obvious victims.

From a regulatory perspective, the inability of DMPGM and MRA to retain and sustain professional employees does impact on the effective implementation of mining policies and regulations throughout the mining sector. The mining sector currently contributes more than 69% of export revenue to the economy of this country and the inability of these institutions to retain the required professionals and expertise to support the regulations of this sector is of grave concern.