



“Impact of LNG on the PNG Economy – Particular reference to the Agriculture Sector

**Contribution by PNG Sustainable
Development Program Ltd.**

March 31st 2011

Governance Structure

- PNGSDP established by Agreement between BHP Billiton and the State in October 2001 as a 'not for Profit Company'
- Governed by its Constitution and Company Rules
- Governance structure – Board with 7 Directors (3 BHP, 3 PNG, 1 Singapore)
- Investment and Audit Committees of the Board.
- The Board meets quarterly and reports Publicly annually through ARMs. Next ARM in June 2011

PNGSDP Finances

- Owns 63.4% of OK Tedi Mining Ltd
- From Dividend Incomes.
 - 2/3 invested in Long Term Fund (LTF)
 - 1/3 used for development purposes in PNG (DF)
- Long Term Fund (LTF)
 - Invested globally by Fund Managers
 - To be drawn down after mine closure to support the Western Province for a minimum of 40 years.
- Development Fund (DF)
 - 2/3 Rest of PNG
 - 1/3 Western Province
- Balances of Funds at July 2010
 - LTF – US\$910m (K2.49bn) – projected US\$1.2bn (K3.2bn) by 2013.
 - DF - US\$129.5m (K359.8m))

Guidelines for use of DF

- Projects supported must be sustainable in all respects.
- Implementation through partners. PNGSDP does not implement.
- Support rather than take over roles of Government and partners
- Where opportunities are available, support development through business model (eg, MF and Energy)
- Main emphasis on economic projects and supporting infrastructure.
- Seek funding contributions from others.
- Require contributions from beneficiaries (cash/kind)
- As mine closure approaches, increased focus to the WP Program.

Development Program

Funding Mechanisms

- DF can be given as grants or loans or a combination.
- DF supports large Projects > K250,000 and Community Projects <K250,000 per project.
- Projects must demonstrate wider community benefits. Will not fund political, church activities or projects benefitting individuals or narrow interest groups.
- Investments are funded by DF initially to be refunded by the LTF as commercial viability are achieved.
- All Project funding are approved by the Board and implemented through Project Funding Agreements and progress reported to the Board quarterly.
- Overall performance reported publicly at ARMs

National Program

Approach

Rely on receiving good project proposals from others.

Objective

To support to growth of economic activities and associated infrastructure as the means to improve community livelihoods.

➤ Projects

- Counterpart contribution of Roads rehabilitation in 6 Provinces – K48.2million
- Micro Finance Services (Branches in POM, Oro, WNB, MB) – K19.5 million in equity investment and provides ongoing operational subsidy. Strong emphasis on provide financing facility for communities with no access to the formal banking system.
- SADP – support for Oil Palm smallholder in-planting scheme in Oro and WNB – K34.7 million, K9.8 million spent on rehabilitation of feeder roads to oil palm blocks
- Community Support Program covering other Provinces – K21.5million including support for community agriculture projects.
- Discussion with commodity industries on focused programs of assistance.
- Ongoing discussion with CIMC agriculture sub committee on support for an Agriculture Innovation scheme.

Western Province Program

Approach

More proactive and take holistic approach in undertaking development programs

Key Development Issue

- Mine will close and the impact on the Province will be massive
- Objective - to support projects that will mitigate impact of mine closure on communities

Strategies

- Develop a number of transformational projects to support WP economy in the long term
- At the same time support projects to improve livelihoods of communities and prepare them for life after the mine.

Western Province Program

Transformational Projects

➤ Daru Deep Water Port

- Transshipment centre for mining activities and other developments in the region.
- Export of Agricultural and Forestry Products from the Western Province

➤ Investigating opportunities for commercialisation of gas and industrial development linked to Daru Deep Water Port and hydropower sources.

Western Province

Community Projects

- Rubber Development – to expand the industry to 10,000 ha by 2018 – K15.5million rising to K30million in partnership with FRPG, OTML and NFRL.
- Infrastructure – support a number of roads, jetties and airstrip to improve accessibility for communities to markets and services – K87.6million.
- Aquaculture – support the development and management of barramundi industry and other fisheries into the future – Barramundi Hatchery K27.4million.
- Telecommunication – telecommunications towers to provide 90% communication coverage in the Province – K77.8million. To be completed by early May 2011
- Community based projects through faith based organisations – supporting delivery of community services through the Churches – K13.6 million.
- Going forward, develop a number growth centres to be led WP Rubber industry.

Experiences

- Having a strong Board (independent of Govt) with extensive industry experience has been fundamental to PNGSDP operation.
- PNGSDP represents an important development resource for PNG and the WP which can be used to greater effect if there were genuine and closer collaboration with the Government.
- Delivery of projects are severely affected by implementation capacities – building capacities of project partners including create delivery structures are important contributions.
- The use of commercial delivery model in Rubber industry in the WP is producing promising results with good prospects for sustainability.
- Improvement to agriculture overall requires more than just investment various cash crops, delivery systems, etc, it requires changes in attitudes of farmers towards agricultural activities as merely as subsistence activities but as commercial opportunities.
- PNGSDP has built or contributed funding to road infrastructure in PNG and the WP which are government owned assets. Without maintenance, these investment are lost. Seeking agreement with National and FRPG on a dedicated maintenance structure for the WP, eg, water and airports.

Thank you all