

## **Managing our Natural Resources in PNG**

When logging company bosses tracked down an elderly chief in Solomon Islands recently, seeking approval to log his clan's forests, he responded he didn't have the authority. The company men retorted that they'd been told he had the final say. He replied that it needed approval from his descendants, some of whom were yet unborn, to decide the fate of their resources.

In most developed countries, whilst business transactions are handled quickly through efficient market and administrative systems, approvals for major resource extraction or new infrastructure takes years of public consultation if there's a major potential social or environmental impact.

Developing countries, like PNG, must find the right balance. PNG requires faster growth, capable of meeting its growing population's needs and extending opportunities far wider through the community than now, but it also cannot afford to fast-track resource extraction projects for short-term impact.

Mining and oil projects play an important part in PNG's economy, providing export earnings, revenue, landowner benefits and some multiplier effects through local contracts and employment. They barely impact most of the population directly however, with the vast majority gaining their livelihood from agriculture, whilst small to medium enterprises and the informal sector together provide the greatest broad-based opportunities.

Rushed resource extraction approvals, e.g. granted hurriedly before elections, can have devastating economic, social and environment impact, potentially undermining sustainable economic prospects into the future, both for local communities and the country.

The Bougainville crisis highlighted the need for thorough studies and community consultation in advance and during mine operations. Following the closure of the Panguna mine government introduced a rigorous system of "development forums" for potential new mining and other development to ensure rigorous community awareness and consultation. Similarly, following exposure of widespread malpractice by the Forest Inquiry, new requirements were introduced under the 1990 Forest policy and 1991 Forestry Act, to ensure proper forestry resource planning, community awareness of options, checks and balances and removal of sole discretion over decision-making by Ministers or others; although the Forest Minister then granted multiple approvals in the final hours before gazetting the new law in June 1992!

In fisheries similar mechanisms were introduced, recognising that a more efficient organisational structure was required to oversee PNG's extended fisheries zone (EEZ) with its vast tuna and other marine resources, providing effective resource planning, and checks and balances, using (as with forestry) a board system embracing wider interests, replacing former discretionary powers.

So what has been going seriously wrong of late? There's strong international demand for PNG's natural resources, so why rush into agreements which may backfire either from lack of preparation, or even as unsuitable or hurriedly launch new corporations. With strong current demand (e.g. for nickel in China) PNG can afford to apply vigorous standards, and it's in the best interests of all parties that social, economic and environmental interests are addressed satisfactorily at the outset, rather than surface later. Full public consultations are required, including exposure of project details.

The Prime Minister should ascertain NFA's concerns over the proposed ENBP fisheries project before announcing that the project will be approved anyway. The NFA has valid concerns. With larger tuna species (big-eye, yellowfin etc) already over-harvested, even in the Western Pacific, and licensed vessel capacities growing, PNG and other Pacific island states and fishing nations must now safeguard the resource, or it will be rapidly exhausted like the world's other tuna stocks, leaving producing nations and consumers both losers. Details of proposed fishing agreements, including the investor's credentials must be made available. The project's impact on remaining fisheries resources would be so great that exposure to full public scrutiny is required.

Is the Pomio agro-forestry project recently launched a valid scheme with credible investors, or similar to other so-called "agro-forestry" projects initiated in the 1990s, which were merely disguised logging projects seeking to sidestep legal requirements? Again greater transparency is required for a project entailing tens of thousands of hectares and impacting the lives of thousands of people.

The Forest Minister would have us believe there is no illegal logging in PNG. Others, by contrast, declare all logging illegal. Clearly, legal breaches could be found in all logging projects, but it would be unreasonable to declare consequently all projects illegal. On the other hand the argument from parts of industry that simply holding a permit indicates legality is also mistaken. Likewise suggesting that independent log export monitoring confirms legality also manipulates the truth. SGS's valuable log export monitoring merely verifies whether certain aspects of an operation are compliant, i.e. whether logs for export are recorded properly (quantity and species etc). False recording was a major problem exposed by the Forest Inquiry, which the SGS monitoring has greatly reduced, though not eliminated. Whether the prices recorded are genuine are not verified, nor whether the permit was obtained properly or operations conducted in legal compliance. The large variation in prices between exporters (and against overseas market prices) suggests that particularly some operators/exporters are either incompetent (unlikely) or that transfer pricing remains prevalent.

Recent independent reviews, commissioned by government, of ongoing and proposed forestry projects found extensive non-compliance. These reviews were not amateur exercises undertaken by a bunch of mavericks or greenies, (as suggested by consultants for one logging company). As with the 2001 revenue review, these were professionals, including foresters with years of industry experience. Irregularities are extensive and severely undermine potential benefits from forestry:- permits allocated without timber

rights being acquired from resource owners; projects not attempting to follow the code of practice; widespread abuse of Timber Authorities for full logging projects; massive extensions without a competitive process; extensive breaches of agreements; and almost universal ignoring of the requirement, introduced in the 1990 policy and 1991 Act, that (new or existing) projects should be run on a sustainable basis.

Other inter-agency inspections have found projects simultaneously in breach of multiple laws, not just forestry, but labour, migration, environment, IPA, customs, etc., but when authorities took steps to ensure compliance, invariably there was intervention by some Minister or official to give the company “another chance”. With successive “other chances” and no penalties, it is understandable that operators consider PNG’s laws irrelevant or at least readily circumvented with the right friends.

A nuclear energy scientist once admitted that nuclear power would be far less safe but for strong public pressure against the industry and Chernobyl-style reactors, forcing improved safety standards – whether enough is another question. Other industries have likewise been forced to raise standards following public pressure, including from churches, NGOs, unions and reformers.

In PNG we have generally sound laws, but then ignore them. We also have some responsible existing and potential investors in resource extraction industries. Making special deals outside existing laws or investment conditions, rather than maintaining a level investment playing field and applying sound standards, discourages good practice and undermines prospects for PNG’s current and future generations. The worst scenario is both exhausting our renewable resources whilst also failing to ensure tangible lasting benefits (notably from investment) in the meantime.

Fortunately there are reformers – including investors and legislators – with awareness and commitment to see beyond short term gain and recognise longer term prospects from investing in improved practice and better managing our natural resources. Let’s all support their efforts and demand that PNG’s longer term prospects are not undermined by pre-election deals.