LAND SUMMIT
OR LAND GRAB?

THE OAKLAND INSTITUTE AND JUBILEE AUSTRALIA RESEARCH CENTRE
LAND SUMMIT OR LAND GRAB?

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ABOUT THE PUBLISHERS

The Oakland Institute is an independent policy think tank bringing fresh ideas and bold action to the most pressing social, economic and environmental issues.

Jubilee Australia (formal name: the Jubilee Australia Research Centre) engages in research and advocacy to promote economic justice for communities in the Asia-Pacific region and accountability for Australian corporations and government agencies operating there.

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Cover photo: Gilford Ltd. clearing land in West Pomio © Paul Hilton / Greenpeace
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The National Land Summit being held on 1-3 May, is another attempt by the government to further weaken the country’s customary land system and give greater access to multinational companies and commercial banks, mostly for logging, mining and industrial agriculture leases.¹

Using the same rationale it has employed for years, the PNG government claims that customary land is underutilized and thus prevents further economic progress and development.

It is actually the opposite: Considering the past decades, there is much evidence that the extractives sector (usually defined as mining, oil and gas) has not been to the benefit of most people in PNG. Nor have the logging and associated oil palm plantations. Together, they have exploited and depleted PNG’s natural resources. They have led to poor development outcomes, destruction of livelihoods, environmental degradation, social conflict, and contributed to climate change through deforestation.

Over 80 percent of the people of PNG live in rural areas and rely heavily on customary land as the only resource to sustain their livelihoods. This reliance will only increase as the population continues to grow.

People of PNG should oppose any weakening of the customary land system that may come up at this land summit. Instead, they should encourage the government to invest further in sectors that will benefit the majority of the people, especially the local agricultural sector i.e. that part of the sector that does not involve large-scale clearances and is not under the majority control of foreign populations.

A ship loading logs from Pomio was the target of a community protest in 2011 © Paul Hilton / Green Peace
Around the world, customary land tenure operates on unwritten laws, customs and practices, which organise the use of land by the people. Although customary tenure systems vary in different countries, in general, customary tenure means that kinship groups recognize and enforce a system of land ownership and land usage rights, and ensure that they are passed down from generation to generation. What it means in practice is that in PNG, as in many parts of Melanesia, virtually everyone has some access to land through their kinship in some sort of clan. As a result, almost all the population has access not only to food security but even to a form of a ‘social security’. Although there was some disruption of this system in PNG during the German, British and Australian colonial eras, the traditional practices of land tenure remained mostly preserved in the country despite colonisation.  

Indeed, at the time of independence in 1975, around 97 percent of land in PNG was described as customarily owned. Academic Tim Anderson once described PNG as ‘probably the most equal distribution of land on earth.’ In order to prevent its alienation, customary land tenure was protected under article 53 of the new constitution. Sections 3 and 4 of the constitution also contain important provisions on national sovereignty, self-reliance, and the preservation of natural resources, that all relate to land. For instance, the constitution calls on the state ‘to control major enterprises engaged in the exploitation of natural resources.’ It also declares the fourth goal ‘for Papua New Guinea’s natural resources and environment to be conserved and used for the collective benefit of us all and be replenished for the benefit of future generations.’
A number of Western academics, think tanks and governments have for decades prosecuted a line that customary land systems are holding PNG back. In Australia, a right wing think tank, the Centre for Independent Studies (CIS), for example, published a paper by Helen Hughes called *The Pacific Is Viable*. In this paper, Hughes argued that ‘the communal ownership of land is the primary reason for deprivation in rural Pacific communities’.

The push was on for ‘land mobilisation’—said to be essential for development. The cornerstone of this agenda was the push for land registration and land titling. The World Bank and the Australian aid agency (then called AusAID) funded a land mobilization program in 1989. This was continued into the new millennium, with a 2006 AusAID white paper calling for ‘overcoming land tenure restraints in the region.’ AusAID supported this agenda with a AUD$54 million grant over four years.

Recent research by the Oakland Institute has shown that World Bank’s continued attempt to move developing countries away from customary land tenure systems to more formalized, ‘western’ land tenure systems goes beyond PNG and Melanesia. As part of its global ‘Enabling Business in Agriculture’ project, the World Bank is pushing for land reforms that will formalise property rights, ease the sale and lease of land for commercial use, and improve procedures for expropriation. The explicit goal of the World Bank is to ensure that ‘less productive’ farmers exit agriculture and ‘spur agribusiness investments in capital-intensive agriculture.’

**‘FREEING UP LAND FOR DEVELOPMENT’**

With encouragement from donors and other outside actors, the PNG government has undertaken a dedicated program to reduce the amount of customary land across PNG in the past decades. Two mechanisms have been used. The first was Incorporated Landowner Groups (ILGs), a mechanism established in 1974 to allow customary groups to create a corporate body to enable them to *hold, manage and deal* with their customary land and partake in small-scale economic activities, but which have since been abused as a de facto system to obtain consent for large-scale resource extraction and benefit sharing.

This abuse was most flagrantly exposed via the second mechanism, the Special Agricultural Business Leases (SABLs) which, from 2003, led to an acceleration of customary land alienation. SABLs were intended to allow landowner groups to lease small areas of customary land for agricultural purposes. However, between 2003 and 2012, around 5.5 million hectares of customary land, or around twelve percent of PNG’s total land area, passed into the hands of national and foreign corporate entities via the SABL mechanism. The main beneficiaries were unscrupulous logging companies, which acquired large areas of forest for logging under the pretense of developing agricultural projects. Approximately one-third of PNG’s logging exports now come from SABL-leased land. It is through this scheme that PNG is now the first exporter of tropical timber.

All this took place under a series of specific PNG government policies and actions dedicated to undermine the hold that customary land tenure had on the country. For example, in 2007, changes to the SABL laws created loopholes that severely accelerated the proliferation of SABL leases. The Somare government set a goal of reducing the amount of customary land to 89 percent by 2020 and 80 percent by 2030. With the SABL leases, it has reached its 2020 target 9 years ahead of schedule, in 2011.

Not much changed after the transition to the O’Neill regime. ‘Unlocking land for productive use’ and development was the first priority of the 2013 Medium Term Development Plan. One key objective of the government’s plan was to ‘provide a secure, well administered land market that serves the needs of landowners and contributes to the nation’s strategic development.’ Indeed, officials from the Department of Agriculture and Livestock revealed to the Oakland Institute in 2013 how the priority of their department was ‘to free up land for development.’ Explaining that people were too attached to their land, one official said that it was critical to change the mentality so that people will ‘give away their rights to their land’ so this land could be ‘developed’.
THE 2019 LAND SUMMIT

The PNG government has been very explicit about the intention for the Land Summit in its public advertisements and correspondence. ‘I am championing this summit with the intent to explore options with strategies aimed at mobilizing customary land for development,’ Minister for Lands and Physical Planning, Justin Tkatchenko, claimed. However, pressure from civil society organizations such as Act Now, and Papua New Guineans’ strong attachment to their customary land rights, brought about a change in emphasis. After the criticism, the government resorted to careful and positive language to justify the summit and reassured the public that its intention is not ‘to take away customary land from its owners.’ Tkatchenko has thus argued the summit will be their forum for ‘how government should improve on the laws and regulations of customary land in PNG.’

However, the 2019 National Budget states explicitly that the summit is part of the land reform process and that its goal is to ensure ‘private sector growth’ and ‘the registration of customary land for commercial use.’

Although the PNG government claims that the land summit will not result in further alienation of customary land, land-based ‘private sector growth’ is unlikely to be anything else than the expansion of activities in logging, palm oil, mining and oil and gas sectors. After all, the 2019 budget also emphasizes that ‘extractive projects [are still] at the forefront of PNG’s development aspirations.’
‘Unlocking land for productive use’ is the key justification of the war the government is waging against customary land. But this notion of ‘productive use’ should be open to challenge on two counts. On the one hand, decades of extractive activities, logging and palm oil operations have failed to bring positive development outcomes. On the other hand, to promote any suggestion that the land, which currently sustains the majority of the population, is not productive, is simply false.

Since independence, PNG has attempted to work its way up the ladder first by the extraction of its mineral resources, then through a full-scale exploitation of its substantial accessible forests, and finally, more recently, through tapping the nation’s rich reserves of natural gas and oil. However, these industries and sectors have not served the interests of the nation as a whole, nor the majority of the population. These sectors often use the metrics of Gross Domestic Product (GDP) growth and export earnings to justify their value to the PNG economy. However, as the following discussion shows, neither GDP nor export earnings are effective measures of national wealth or community wellbeing.

LOGGING

PNG has recently leapfrogged Malaysia to become the largest exporter of tropical timber in the world. The logging industry and its proponents argue that they contribute to the development of the country thanks to the tax revenues the government receives on log exports and through the infrastructure the logging companies build and the services they provide to communities (claims that are disputed by communities themselves).

Research by the Oakland Institute though raises important questions about tax evasion and financial misreporting in the sector. In fact, the findings published in two reports in 2016 and 2018 suggest that logging appears to involve massive losses for public revenue in Papua New Guinea.

Indeed, the forest industry contributes only marginally to the country’s economy. Despite PNG being a major timber exporter, the forestry sector contributes a mere 3 percent to the country’s total export earnings. Furthermore, despite years of pledges by the government to stop the export of raw logs and ensure wood is processed in the country in order to create jobs and add value to the products, more than 80 percent of the wood exported is unprocessed raw logs.18

OIL PALM AND OTHER THREATS

With the SABL scheme, logging has evolved from selective harvesting of trees that was practiced under conventional concessions to clear felling of trees in entire areas, which paves the way to the establishment of oil palm plantations. Indeed, the SABLS have increased the prevalence of oil palm plantations in recent years: by 2013, there were around 136,000 hectares of plantations centred in the provinces of West New Britain, Oro, Milne Bay, New Ireland and Morobe, but there are now substantial new plantations being established in East and West Sepik and across East New Britain.19

Proponents of ‘freeing up’ customary land for ‘development’ often point to oil palm as an example of the type of activity that could be pursued more widely. In the areas of the country which have the longest track record of oil palm plantations, there is little to no evidence that development has occurred—as the Oakland Institute’s investigation into oil palm communities in West New Britain has shown. Indeed, running water, accessible schools and health care facilities are no more present in these places than in parts of the country without oil palm development.20

There is also a new threat from large-scale rice planting. In 2018, the Philippines and PNG government signed an agreement that aims to have 1 million hectares of land being planted with rice within 5 years.21

MINING SECTOR

The mining, oil and gas sector has also not delivered for the vast majority of Papua New Guineans. Decades of mining operations, with six large-scale mines currently operating, have not translated into development outcomes for the people. PNG has the highest rate of any population of the Asia-Pacific
living below the poverty line—39.3 percent—and other health and social indicators such as infant mortality, maternal mortality, child malnutrition and incidence of malaria are all alarmingly high.

Why is it so hard for a country like PNG to turn mining wealth into development outcomes? Firstly, mining companies are able to negotiate tax agreements and exploit tax loopholes, thereby reducing the amount of public revenues from these operations. Secondly, as extensively documented by Jubilee Australia, there is a well-established tendency to mismanage the revenues that do come into government coffers: spend them too quickly, spend them on the wrong things, or simply allow them to be distributed to friends. These phenomena are well-known aspects of the so-called ‘resource curse’, the tendency of resource rich poor countries to remain mired in poverty, conflict and corruption.22

However, there is another element of the resource curse that is particularly relevant to PNG: this is the tendency for the resources sector to undermine the performance of other sectors, like the agricultural sector. The export boom resulting from mining revenues can overvalue the exchange rate, which makes it harder for other exports like coffee and cocoa to take place, being more expensive and therefore less competitive on world markets. Furthermore, revenues from resource extraction tend to discourage a country from working hard in developing other sectors and industries, like the agricultural sector.23

So, as the mining sector does well, other sectors like agriculture do poorly. This is exactly what has happened in PNG. As the graph below shows, over the past 30 years, the non-resource part of PNG’s GDP has declined just as surely as the resource sector’s contribution to GDP has increased. This is not just a coincidence. On the contrary, because

### Graph 1: PNG real per capita incomes 1980 to 2016

![Graph 1: PNG real per capita incomes 1980 to 2016](image)
of the mechanisms described above, the ‘non-resource GDP’ declines because of the increase in ‘resource GDP’. This is a real problem for the country because the direct benefits of the mining sector are not generally widespread: operating mines employ few people and many of those it does employ are foreigners. In contrast, the vast majority of PNG’s population is engaged in the agriculture sector.24

THE GAS 'BOOM'

It was announced that the Liquified Natural Gas (LNG) boom in recent years, led by ExxonMobil, was going to change all this. But the reality has been quite different. In the years since the project was established, PNG’s exports have increased significantly whereas the country’s GDP has grown marginally. Research by Jubilee Australia published in 2018 compared how PNG has performed over the first 8 years of the PNG LNG project, relative to how it would have performed without this huge gas boom (a so-called ‘baseline calculation’). The study found that on virtually all non-GDP economic indicators the country has declined relative to the baseline: total government income was down by 32 percent; total government expenditure was down by 32 percent; and household disposable income was down by 6 percent—all of these despite the fact that exports had doubled and GDP had grown by 10 percent.25

The study found that the reasons why this happened again conform to most of the classic resource curse phenomena: favourable tax concessions won by the company; the impact of the project on the exchange rate; overly aggressive spending of ‘windfall’ revenues creating a hole in the budget. Staggeringly, the raw profits from the PNG LNG project in 2016 were about 10 billion Kina, and yet the actual revenues paid to the government by the company was only about half a billion Kina. The bulk of the proceeds from exports of LNG flow out to the foreign owners of PNG LNG to service their debt and pay their shareholders. The generous
tax concessions offered to the project imply that little additional tax revenue can be anticipated in at least the first 10 years of production, further limiting foreign currency inflows.26

SOCIAL AND ECOLOGICAL COSTS

Extractive mining and logging are not only not delivering development for the people of PNG, they are also causing significant harm. The mining and forestry sectors have depleted and destroyed natural resources that are vital for a population that remains largely rural and reliant on the resources provided by their environment, the rivers, and forests that surround them.

An infamous example is that of the Ok Tedi mine in Western Province. After a collapse of the project’s tailings facility in 1984, mine waste was deposited directly into the Ok Tedi and Fly river systems. As a result, around 880 million tonnes of mine waste were released into the rivers between 1981 and 1998 rising to an estimated 2 billion tonnes over the life of the mine. A rise in the level of the riverbed, an increase in sediments in the water, greater flooding and sediment deposits in riverbanks and changes in the water chemistry (especially copper) have not only killed fish population but smothered gardening land and forests with mud.27 Grossly inadequate environmental practices saw similar destruction of the Jaba river system in Bougainville, site of the controversial Panguna mine. It is estimated that approximately one billion tonnes of mineral waste fed into this river system during the mine’s operation between 1972-1989.

Logging and subsequent land clearing for oil palm have meant that on current trends, by 2021, 83 percent of accessible forest (53 percent of its total forest area) will be gone or severely damaged. This is not only a tragedy to biodiversity that will affect the whole planet, it is a particular tragedy for the many communities in PNG who are reliant on the forest which provides them with materials and resources for food, shelter and livelihood.

It should not be forgotten that exploiting the country’s gas and forest resources will only worsen the impact of climate change worldwide and in PNG itself. Tropical forests such as those that cover PNG are one of the world’s most important carbon sinks. Not only does the extractive sector cause serious environmental damage, it is also associated with many forms of social conflict. Logging and mining have long been associated with violence, threats, intimidation and other human rights abuses all over the country. Security personal associated with the Porgera mine are alleged to have perpetrated dozens, perhaps hundreds, of sexual assaults on local women. Dissatisfaction with the undelivered promises of the PNG LNG project in the Hela region have resulted in simmering tensions that could explode into violence at any moment. The Panguna mine, which was at the centre of the region’s most destructive civil war, saw 10,000-20,000 Bougainvilleans die during its eight-year duration.

"It should not be forgotten that exploiting the country’s gas and forest resources will only worsen the impact of climate change worldwide and in PNG itself. Tropical forests such as those that cover PNG are one of the world’s most important carbon sinks."
WHOSE AGENDA?

Economic woes in recent years, largely through poor management of the PNG LNG project, have left the government short of foreign exchange. The 2019 budget revealed that PNG would be receiving two USD300 million loans from both the ADB and the World Bank, which would come in addition to a Credit Suisse loan of USD500 million signed in 2017.30

In the 2019 budget, the government confirms that resource extraction will be a priority for the country and identifies land acquisition as an issue in terms of relationship with its foreign donors (Development Partners-DPs).31 It appears therefore that a legitimate question for Papua New Guineans to ask is whose interests would the land reform be serving and if it may be in any way tied to any of the loans or aid packages received by the country.

TIME TO RECOGNISE THE VALUE OF CUSTOMARY LAND

There are alternatives to the government’s approach of further eroding PNG customary land so more of it can be sliced off for deforestation, oil palm plantations and mining leases. Exploring these alternatives would in fact simply mean returning to the course set out in the nation’s founding document, the PNG constitution. As mentioned earlier, the constitution not only protects customary land under article 53 but also contains provisions requiring the government to protect the land from exploitation.

Indeed, as Tim Anderson and Effrey Dademo have argued, PNG’s hidden agricultural economy is where its real wealth lies. The value of the average family garden is worth about K20,000 in terms of food consumption, and a further K20,000 in terms of domestic informal market trading from gardens, etc.32 Moreover, recent government research on the size of the ‘informal economy’ has stressed the importance of local agriculture in sustaining 90 percent of the population.33

The informal economy and the agriculture sector depend on the maintenance of the customary land tenure system. Instead of undermining customary land, the government should be assisting rural farmers who are in desperate need of support of existing agriculture and horticulture businesses.

Protecting and supporting domestic agriculture (production, processing, storage, marketing) can be done without giving land away.

PNG’s burgeoning population growth will mean that communities’ dependence on access to customary land will assume more, not less importance, in the coming decades (PNG’s 8 million population is growing at the rapid rate of 2.1 percent per year).34

Additionally, there are myriad commercial and productive activities, even for the export market, that can be developed without alienating land. The growth of cocoa or vanilla production, the in-country processing of wood rather than exporting raw materials, the development of storage and transformation—processing of agricultural and forest products, are all examples of activities that could be initiated or expanded using the current land tenure systems and arrangements.

Instead of devising new schemes to take customary lands from their owners so that foreign businesses and banks can access them, the PNG government should focus on local initiatives that can help maximize the benefits that land owners can receive.
Graph 2: PNG’s hidden mainstream economy

Relative value of PNG’s uncounted subsistence and informal sectors, compared to political priority export items. Annual production, billion Kina.

Sources: Estimates derive from Anderson 2015; Export values from OEC 2017
REFERENCES

3. Ibid.
11. Ibid.
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