



## Downplaying defects in state-systems and overemphasising customary land tenure conversion for development in Papua New Guinea

### By Steven Sukot

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Photo by Howard Sindana  
*One of seven cocoa fermentaries built by the Sausi Poverty Reduction and Alleviation Group.*

The Government of Papua New Guinea (PNG), with backing from donors, is implementing a land tenure reform process that aims to make more customary land available for development. The key argument of the government and its financiers to substantiate its customary land reform plans is that customary land tenure is an impediment to development. However, this argument is based on a very narrow conceptualisation of land that confines it to its commodity value and grossly underestimates the strengths and advantages of the customary land tenure system. Indeed, current available data highlights the importance of the customary land tenure system to PNG's economic and social development, as illustrated in the case studies at the end of this paper.

### Wrong emphasis on customary land reform

The broad conclusion of two recent reports, one published by the PNG Government in 2007, and the other by AusAID in 2008,<sup>1</sup> is that there is nothing wrong with customary land. Rather, as Brunton (2008) points out, land-related

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<sup>1</sup>The two reports are National Research Institute (2007) *The National Land Development Taskforce Report: Land Administration, Land Dispute Settlement, and Customary Land Use Development*, NRI Monograph 39; AusAID (2008) *Making Land Work: Reconciling customary land and development in the Pacific*, Vol. 1, AusAID, Canberra.

problems in PNG are due to defects in the state-system: inefficient and corrupt officials, servants, politicians, and entrepreneurs who benefit from “land titling” and thus have an interest in perpetuating titling systems.

Despite these findings, the government has continued to emphasise customary land reform as a way forward. The government and major donor agencies see the customary land tenure system to be a major hindrance to development and economic progress. They argue that access to customary lands is an important factor that will enable economic development in Pacific island countries and a major consideration for investors. Financial institutions are also unlikely to lend money on custom lands; therefore it locks the economic potential and opportunity for these lands to be developed.

There are hidden agendas behind the promotion of land registration and security of tenure that diverts attention away from the overall failure of state systems in the Pacific. An important but silent premise for customary land reform is that it will allow short-cutting of existing laws and facilitate foreign companies and wealthy elites in PNG to access customary land by converting that land to private leases. Moreover, as noted by Brunton (2008:5), “the focus on land registration/security of tenure, is part of an agenda to avoid crucial issues such as carbon sequestration, and mineral and oil rights.”

There have been a number of meetings between the government and NGOs to discuss the issue of customary land reform. NGOs presented their views in a number of meetings and dialogues, including making a submission

to the National Lands Development Taskforce Report in November 2008. Unfortunately, key recommendations from NGOs have not been considered.

### **In whose interest is customary land registration being pursued?**

For customary land custodians to participate in economic development through accessing funding facilities they need to register their land. The current arrangement is voluntary customary land registration. Land groups who wish to register a certain land area for commercial purposes can undertake a process of registration. The government decided to make it milder by inserting “voluntary”. However, the banks’ policies require formal titles for security purposes. That in itself does not seem voluntary at all.

Over 90 percent of landowner businesses in PNG fail for various reasons. The big question is, how will a group of local people who register their land and fail to fulfil a loan repayment regain control of their land? Most commonly, the banks would take over and sell the land to whoever has the money, including foreigners. This is a trap for landowners to lose their land.

Given the high levels of illiteracy in PNG, the majority of people cannot participate adequately in modern business ventures. Requirements for formal land titles is not only a recipe for failure, it also provides an opportunity for a select few to take advantage of the illiteracy levels of their clansmen to make a personal fortune. This is a common scenario in most of the mineral resource development areas in PNG.



*Basamuk Bay, Madang – site approved for dumping of mine waste from Ramu nickel mine into the ocean. Photo by D Baker/MPI*

## **“Development” used as bait for customary land conversion**

“Economic Development” is the catchphrase used by advocates of customary land reform in PNG. As noted by Regenvanu (2009), however, “Development has become a terrible term”, it has lost its true meaning. A corporatized definition of “development” that confines it to monetary standards is absurd, biased, westernised and limited. Unfortunately, the PNG Government has adopted the same view of “development” as corporations.

The development model pursued by the government is donor-driven and facilitates agreements that largely disadvantage the people of PNG. The systems and structures, which are developed top-down, are geared at creating an environment that is conducive to foreign investment, while keeping the lid tight on local business. Large foreign owned businesses are given exclusive incentives such as ten-year tax holidays for mining companies, while local cooperatives struggle to repay loans. The current system not only excludes local people’s participation in decision-making, it also makes it very difficult for them to attain real tangible benefits from major development projects that are currently being implemented. In fact, there is overwhelming evidence of exploitation of communities adjoining major development activities in PNG.

## **Government failing the sector thriving on customary lands**

Over 80 percent of the population of PNG is involved in agriculture and it is this sector which thrives most on customary lands. However, with the exception of oil palm, the agricultural sector is being grossly neglected by the government.

Over 80 percent of cash crop production in PNG is produced on customary lands. This figure brings into question the claim that customary land tenure is withholding the economic potential of land in PNG.

There is a huge gap between the government’s plans and policies to advance export-driven production and the economic and social realities of local farmers, who mainly produce for local markets. Far from paying attention to the needs of local farmers, the government and the Department of Agriculture and Livestock (DAL) in particular, are promoting and supporting multinational agro-industry investments in PNG. The government is signing up to agricultural agreements that are facilitating corporate expansion and exploitation.

So far, oil palm is the only cash crop that multinational companies have monopolised with the support of the government and major funding agencies. Oil palm has been unfairly compared to other cash crops produced by

## **Agriculture statistics in PNG (mostly tree crops)**

- Agriculture contributes 19% of PNG’s total exports and 25% of GDP
- 82% of the total population lives in rural areas
- Tree Crops (cocoa, coffee, oil palm) – contribute 33% of total agricultural production of which 96% comes from smallholders
- Food and Livestock (50% total agricultural output of which 25% is marketed)
- Agriculture contributes to the wellbeing of the majority of people in PNG

*Source: Mua, DAL CIMC Momase Development Forum, 2009*

## **The current coffee production trend in PNG**

- Smallholders (local farmers) produce 85% of the total coffee produced in PNG
- Road buyers and coffee plantations produce 15% of total coffee produced in PNG

*Source: Sukot, Goroka Coffee Festival/Trade Fair & Exposure Visit Report, CIC Interview, 2005*

local farmers like cocoa, coffee and copra (which lack appropriate government support), and held up as the only successful industry in the sector.

In 2009, the PNG Government launched its National Strategic Plan Framework 2010-2050 and regional consultations on the agriculture sector were organised by the Consultative Implementation Monitoring Committee. The National Lands Development Program 2010-2030 was developed to support the government’s National Strategic Plans. The National Lands Development Program recommended changes to land legislation, including customary land registration, which was subsequently passed by PNG Parliament in May 2009. The legislative changes were made to facilitate multinational agro-industries’ access to more customary lands.

## Case studies showing the potential of customary land for economic and social development

The following case studies show there is adequate potential for economic and income generating activities on customary lands.

### Case Study 1: Upper Ramu Story (Madang Province)



Cocoa seedlings are distributed to farmers. Photo by Howard Sindana

The Ramu Valley Land Owners Association (RVLOA) evolved as a result of the Upper Ramu people's fight to protect their land, their lives, and their destiny from outside interests. Between 1998 and 2003, RVLOA's campaign was mostly responsive to the governments' (national and provincial) and the company's (Ramu Sugar Ltd) plans for oil palm plantations, but in time RVLOA felt the need to be more proactive in its campaign strategies.

From 2003 onward there was a strong drive from local communities themselves to explore farming (peanuts, water melons, cocoa, vanilla, rice and other food crops) as a way forward, and that was incorporated into RVLOA's aspirations and plans. The implementation of those aspirations and plans was left to the local leadership within each Local Level Government (LLG) ward and to each village community.

The Sausi area in Upper Ramu (ward 11 of Usino LLG), has organised itself into three zones (1, 2 and 3) each of which works autonomously but in communication with the other two. Each of the three zones has its own planning committee appointed by the people within the zone, and the chair persons of each of the three planning committees are members of the overall planning/governing committee of what the people have named the *Sausi Poverty Reduction and Alleviation Group* (SPRAG).

Some achievements of the SPRAG so far include:

- seven cocoa fermentaries built and operating;
- one micro rice mill bought and operating;
- enough money raised to buy ten thousand cocoa seedlings from the Cocoa and Copra Institute (CCI) in Madang, which have been distributed to farmers;
- two water supply systems built by the people (one for the community and the other for the primary school); and
- on-going fundraising for the purchase of a six-tonne truck to serve the Sausi (ward 11) people.

All these are being funded by the people themselves.

SPRAG is not legally incorporated and people do not see any real need to. Smallholder (mostly subsistence-based) farming of rice, cocoa and fish are intensifying, without outside support. The people are in control of their own destiny.

SPRAG also set up a scholarship scheme for students. So far three students have graduated with Diplomas in Primary Education and another student is doing his final year at the Madang Lutheran School of Nursing.

Sausi (ward 11) does not have a ward development committee, mainly because they are too busy organising themselves around their SPRAG initiative, but also because they don't see any real need to form one. Despite not having a ward development committee, Sausi people have been able to initiate a scheme for collecting taxes, and they have even opened a community bank account where all ward monies like head taxes are deposited. All adult constituents of Sausi (ward 11) are required to pay taxes, and these are collected annually.

## Case Study 2: Women roadside sellers in Madang

A survey of women roadside sellers in Madang Province, PNG, was conducted by Tim Anderson of the University of Sydney in 2006. He observed the poor returns from the *Mama Lus Frut* scheme, the decline in diversity of produce at local markets as a result of oil palm domination, and the lack of income generating opportunities. Thus, he initiated a pilot study to examine income generating possibilities through increased crop diversification.

The survey showed that the average earning in the informal sector (roadside vendors) was considerably higher than the minimum and average rural wage in the formal sector. The survey also found that the relative economic success of roadside vendors relies to a large extent on access to good-quality customary land and proximity to major roads (Anderson 2008).

Summary of figures obtained from the survey (Anderson 2008).

### **Formal Economy (employees of industries):**

- As of June 2006, the minimum wage was 37.20 kina per week (Bank of Papua New Guinea 2006:S50).
- RD Tuna workers (mostly women) were paid 0.85 toea per hour. 46-47 hours a week = 40 kina (Sindana 2007).
- Ramu Sugar new oil palm plantation workers (mainly males) were paid 1.05 kina per hour (Sindana 2007).
- In early 2007, 50 male workers at the Ramu Nickel went on strike over wages of 10 kina a day (Albaniel 2007:9).

### **Informal Economy (roadside sellers):**

- 36 of 44 (82%) of people surveyed earned at least 50 kina per week, which is higher than the minimum wage of 37.20 kina.
- 22 of 44 (50%) of people surveyed earned at least 100 kina per week, which is three times more than the minimum wage.
- Roadside sellers surveyed attended markets less than five working days (an average of 2.93 days per week).
- Most reported that they had other sources of income.
- Most of those earning higher incomes had their success through some combination of betel-nut, peanut, melons and mangoes.
- 38 of 44 (86%) were engaged in growing and selling of export cash crops such as cocoa, coconut and vanilla. However, in no case did their income from export crops exceed their income from roadside marketing.

The survey of women food vendors in roadside markets showed they earned an average income that is three times higher than the national minimum wage or real formal sector wages for women, and more than four times higher than the income of women working under the PNG Oil Palm Industries' *Mama Lus Frut* Scheme. The roadside sellers achieve these by attending markets on an average of three days a week (Anderson 2008).

The survey covered the Trans Ramu Markham highway which links up with the Okuk highway. This area attracts many agro-business proposals for oil palm development because of its accessibility to the main highway and port services. However, the survey demonstrates that domestic, informal-sector markets can play an important role in the livelihoods of rural women in PNG (Anderson 2008). These findings have important implications in a country like PNG, where women are commonly perceived to be disadvantaged in terms of income generation opportunities. In fact, rural women and their families in PNG are lucky to retain fairly equitable access to good-quality productive land that supports subsistence activities, which is the key to rural livelihoods (Anderson 2008).

## Case Study 3: Kongo Coffee Ltd scheme

Kongo Coffee Ltd is a leading nationally-owned coffee mill and exporter in PNG. Kongo Coffee is unique because it does not have its own plantations to feed its mill; yet it is the fastest growing mill in PNG and is highly ranked for its quality exports to countries like Japan, U.S. and Germany. It is difficult to maintain quality control from smallholders' coffee production due to the lack of technical support and incentives among local farmers. However, Kongo Coffee devised an innovative approach to address this challenge.

Kongo Coffee Ltd works with 300 farmers from Elimbari (Chuave, Simbu Province). In order to ensure a reliable supply of high quality coffee, Kongo Coffee provides the farmers with free technical support on crop management and quality control measures from harvesting to processing. These 300 farmers are paid two kina more per kilo of coffee than the normal market price. For instance, if the price for parchment is five kina per kilo in the country, Kongo Coffee pays the farmers seven kina per kilo. This special arrangement has enabled Kongo Coffee to obtain a Premium 'A' grade (Elimbari Specialty Coffee) and break into the highly competitive Japanese and U.S. markets.

The 300 local farmers have their coffee plots on customary lands. While there is no written agreement between the farmers and Kongo Coffee Ltd, they are able to do business with Kongo Coffee and reap a better price for their coffee than other local coffee farmers in PNG. The 300 farmers are thus able to maintain customary ownership of their land and still participate effectively in the coffee business.

## Conclusion

Although its own findings and those of many NGOs show that customary land arrangements are economically and socially important in PNG, the government continues to downplay defects in the state-system and grossly exaggerate the need for customary land conversion, disguising it under a "voluntary" approach.

The economic potential of customary lands in PNG is fundamentally undermined and downgraded because of the government's plans for large-scale agro-business investments. It is a tragedy that the government's intentional neglect in providing incentives and innovative approaches to utilise customary land continues to strangle local initiatives that embrace local people's involvement in economic activities.

There is overwhelming evidence showing that customary land has the potential to assist economic development without altering its current status. This paper provided three cases studies, but there are many other untold success stories all over the country. What we need is more innovative approaches to economic development and greater scrutiny of the government's smallholder agriculture funding policies.

The current push by the government – with strong financial backing from major donors – for customary land reform and registration in PNG is facilitating a foreign agenda and constitutes a "death trap" for local communities who will, in the long run, lose their lands. Unfortunately, the formal sector is dominated by multinational corporations and accessing more customary land through customary land registration will simply expand their playing field.

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