



The PNG people need to become watchdogs of resource revenues, says Professor Ron Duncan

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There is an urgent need to better manage resource revenues and the key, according to Professor Ron Duncan, is better governance of revenue funds. Duncan argues that if the citizens of Papua New Guinea felt that they were directly benefiting from resource revenues, then they would have an interest in protecting these revenues from being mismanaged.

“International evidence shows that resource revenues are used more effectively when there is powerful constituency of people keeping their eyes on the money. Decision-makers would then be committing political suicide if they wasted these funds on expenditure that doesn’t develop the country” says Professor Duncan.

Currently, the PNG people are not engaged in the decision-making on resource revenues. In the past, this has meant that the rules and guidelines that govern mineral resource funds have been rewritten by ministers and successive executive governments without proper scrutiny. This has led to wastage of resources and limited impact on development.

Professor Duncan, Emeritus Professor at the Crawford School of the Australian National University, has looked at what the ingredients for success are around the world for spending resource revenues wisely.

For example, Alaska has a Permanent Fund that holds resource revenue. Every three months the earnings from the fund’s investments get paid to every citizen. The significant point for Professor Duncan is if all Alaskans directly benefit they become powerful watchdogs to ensure the money is not misused. He also adds that evidence suggests the savings and investment benefits are better than if the government was spending the revenue. Another good example can also be observed in Botswana, where there is a strong farming constituency who benefit from farming subsidy that advocate for good governance.

Dr Thomas Webster, Director of the National Research Institute, which has published Professor Duncan’s article, wants to see PNG explore ways of safeguarding fund management and fund governance.

“PNG needs to learn from international experience and to use these examples to develop a coherent strategy for the management of this revenue” says Dr Webster. “If a clear management policy, with good governance safeguards is not in place, the revenue from LNG and new projects coming on stream will be vulnerable to changes that may result in proceeds being squandered.”

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