
A CASE OF ARONA VALLEY DEVELOPMENT AUTHORITY INCORPORATED (AVDA)

Presented By: Patrick Kavare/ General Manager, Arona valley Development Authority Incorporated
The purpose of this presentation is to present, Arona Valley Development Authority Incorporated (AVDA) as a socio economic delivery mechanism for the people of Arona valley who are landowners of the Ramu Hydro Project in Yonki, Eastern Highlands Province.
The Ramu 1 Hydro Power Station was constructed and commissioned in the early 1971 to meet the energy demand of a young nation. It produced and supplied the domestic energy market around 90 megawatts of electricity and continues to contribute significantly to our nations, growing economy for the last 50 years of its operation.
The Yonki Toe of Dam was constructed and commissioned in 2010 to add a further 18 megawatts of power supply to the Ramu Grid. Both Ramu 1 and Yonki Toe of Dam power stations provide well over 100 megawatts of electricity generating over PGK 20 million in revenue to PNG Power Ltd and the ultimately the State every month.

Ramu Hydro contributes over PGK 100 million every year to the National Government through PNG Power Limited.
Our people have forfeited huge arable total landmass of 4080 hectares flooded for the benefit of this nation in the development of the Yonki Hydro Project. The Hydro powered energy remains one of clean and cheap energy sources amongst Solar, Wind, Biomass and Geothermal Energy and Ramu Hydro is the largest Hydro Electricity infrastructure in all of Papua New Guinea followed by Rouna Hydro in the Central Province.
The Ramu 1 Hydro Project affects 5 Local Level Government Wards of the Tairora/Gadsup Local Level Government, Obura Wonenara District and 2 Wards of the Agarabi Local Level Government, Kainantu District of Eastern Highlands Province.
Hydro being the cheapest energy source, Yonki provides electricity to the Highlands and Momase region and continues to subsidies high cost fuel generated Power Stations and higher priced Independent Power Producers in Papua New Guinea.
Landowner Sharing Benefits where not conceptualized until 1996 when the National Executive Council made a Decision that saw the inception of the Land and Environment Based Compensation derived as Development Assistant Package (DAP) that is funded through a five (5) years Memorandum of Agreement (MOA) between PNG Power Limited and AVDA. (DAP MOA Photo)
Though water being defined as natural resource, our people in the Arona Valley, Obura Wonenara and Kainantu Districts are not recognized as resource owners and do not benefit from provisions and benefits provided for in the Organic Law on Provincial and Local Level Government and the Water Resource Act.
The proposed Ramu 2 project by the Kumul Consolidated Holdings is anticipated to generate 180 mega watts of electricity and will boost the Ramu Grid to over 220 mega watts of electricity comfortably surpassing the current energy demand of 90 mega watts and will continue to provide clean, cheap and sustainable energy to development of Papua New Guinea for the next 50 years.
Arona Valley Development Authority Incorporated (AVDA)

Arona Valley Development Authority was established in 1987 by the National Executive Council Decision 120/86 with guidelines as to its structure, administration and governance to propel socio economic development for the people of Arona valley with the following objects.
Objects

1. To promote the economic and social development of the Arona Valley and its environs.

2. To promote agriculture, commerce, industry, afforestation, educational and welfare services, recreational facilities and similar business and community enterprise and services for the benefit of the local inhabitants of the Arona Valley and its environs;

3. To provide guidance and technical assistance to the said local inhabitants in connection with Agriculture, commercial, industry, afforestation, and community projects

4. To promote the economic and self-sufficiency of the communities within Arona Valley and its environs;

5. To ensure that the social and economic development of the Arona Valley and its environs does not impede the development and function of the Yonki Dam as a water storage area for the production of hydro electricity
AVDA Charter

Based on the IASER report 1983 and being one of the first early establishments, NEC Decision on Benefit Sharing, Compensation and Resettlement is now funded in the Mining Agreements and establishment of special purposes authorities.

All these latter establishments receive funding under the public service payroll, recurrent budget and PIP. AVDA has received nothing to date.
NEC Provisions

• Pre-employment and training at the construction and operating life of the Ramu Hydro Project

• Rural Electricity in Arona Valley

• Utilizing the Ramu Reservoir for Recreational purposes such as swimming, boating, fishing, forestry and tourism.

• Construction of permanent market by then ELCOM

• Preservation of Cultural and Heritage Sites

• Government Services in Arona Valley to be over and above provisions in other localities.
The NE/C Decision 120/86 and the guidelines were specific to establish Arona Valley Development Authority as an Authority. However the Authority was erroneously registered with the Investment Promotion Authority under the Associations Incorporations Act as an Association. Hence we are an Association and not an Authority by legislation. We call this the “Reed Mistake”. We have continued to operate with the Reed Mistake for the past 36 years.
Administrative Implications

The structure as proposed in the IASER Report 1983 to consist of policy and regulatory at the decision making as well as administrative and management level. The Board to be chaired by the Minister for Provincial Affairs. Including Eastern Highlands Provincial Government Rep, Finance, Agriculture and Lands endorsed by the National Executive Council. The Administration to include; General Manager, Financial Controller, Commercial Manager, Community Development Manager.
AVDA does not receive any direct funding from the National Government nor does it receive resource owner benefits and grants as provided for by current relevant laws and applications on natural resources. AVDA does not receive grants for its recurrent and development agendas.

**ROYALTIES**

**DEVELOPMENT LEVIES**

**INFRASTRUCTURE LEVIES**

**ECONOMIC, COMMUNITY**

**SOCIAL LEVIES**
DAP Allocation 2002 – 2023

- 2002 – 2007 – AVDA received PGK 6 million
- 2008 – 2013 – AVDA Received PGK 6 million
- 2014 – 2018 – AVDA Received PGK 8 million
- 2019 – 2023 – AVDA Received PGK 6 million
Whilst PNG has undergone substantial political, social, economic, fiscal and technological changes including changes in polices and legislations, there has never been any comprehensive reviews undertaken for the Ramu Hydro Electricity Scheme and AVDA.
Given the many emerging challenges in the energy sector and notably; policy and legislative reforms, higher prices from Independent Power Producers, inflation affecting supply of diesel fuel for Generator powered stations, Ramu provides the cushion for the many financial shocks that is experienced by PNG Power Limited. Ramu continue to stabilize and subsidies high costs of energy production in the country.
Regardless of these significant contributions that AVDA and its people make to the energy sector and development of this nation, we remain displaced after the 1983 IASER report and still remain under the then Ministry of Mineral and Energy and ELCOM era whilst the country has progressed on.
Recommendations

• The Reed mistake is corrected and Arona Valley Development Authority be legislated through proper established government processes as a State Development Authority.

• The structure including its recurrent expenses be fully funded through the Department of Personnel Management and Department of Provincial and Local Level Government Affairs respectively.

• That AVDA be considered by the Department of Treasury in the national annual budgetary allocation through the Department of Provincial and Local Level Government Affairs.

• That State to determine appropriate level of funding in proportionate to the level of contribution the Yonki hydro scheme contributes to the overall economy. The State needs to take into account or make comparison with landowners of the non-renewable resource sectors are treated in-terms of benefit and make appropriate determinations and budget allocations.
The Reed mistake in 1987 has displaced AVDA and has cost the people of Arona Valley, denial to landowner benefits per the initial intentions and purpose of the establishment of Arona Valley Development Authority.