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THE LOG EXPORT DEVELOPMENT LEVY IN PAPUA NEW GUINEA:

ARE WE USING IT TO DEVELOP
INFRASTRUCTURE?

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Key Points

- Logging companies pay a log export development levy (LEDL), to be used for provision of basic infrastructure in logging areas.
- The LEDL is not well known by people who live in logging areas.
- Projects that have been funded by the LEDL trust fund were either not completed or not implemented at all.
- In order to promote effective use of LEDL funds, there is a need for proper monitoring of funded projects and for more public awareness about the LEDL.
- Funds required for LEDL projects should be released on an instalment basis and the relevant communities should be involved in implementing the project.

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THE LOG EXPORT DEVELOPMENT LEVY IN PAPUA NEW GUINEA: ARE WE USING IT TO DEVELOP INFRASTRUCTURE?

By Lucy Hamago and Eugene Ezebilo

Logging companies in Papua New Guinea (PNG) are required to help fund basic infrastructure—such as roads, health care facilities and water supply systems—in communities where they operate, through a tax known as the log export development levy (LEDL). This paper focuses on one of the findings of Hamago (2014) regarding payment of LEDL by logging companies and using it to develop infrastructure. The current paper focuses primarily on whether projects that have received LEDL-funds have achieved its primary aims. It was also to identify potential ways to improve effectiveness of the projects. It was found that the projects were either not completed or not implemented at all. In order to promote effectiveness of funded projects, it is necessary to improve monitoring of the projects and release funds meant for the projects in instalments. This highlights the importance of monitoring these projects, and other development projects in PNG, to ensure that funds are used for what they have been earmarked for.

Lack of Success of LEDL-Funded Projects

Public servants who do not receive housing allowThe LEDL is collected from logging companies by the Internal Revenue Commission and kept in a trust fund at the Department of Treasury (Internal Revenue Commission 2011). Only areas in which logging projects are located can receive money from the LEDL trust fund. In the past, landowners could apply for this funding from the PNG Forest Authority (PNGFA). However, administrative guidelines for managing LEDL were revised in 2015, and only district heads can now apply for the funding (National Executive Council 2015). According to Hamago (2014), landowners know very little about this fund.

Of the eighty applications for LEDL funds received by the PNGFA from 2010 to 2013, four were approved:

- The sealing of the road from Vanimo High School to

Krisa village, approved in 2010, received almost K10 million. The Minister of Forestry at that time applied for the funds on behalf of Vanimo-Green District. Only a nine-kilometre segment of the twelve-kilometre road was completed. The reasons for non-completion are unclear.

- Rehabilitation of Tatau cocoa and coconut plantations, approved in 2011, received K400,000. The money was paid to the Tatau Landowner Group. No report regarding the implementation of the project was received by the LEDL Technical Evaluation Committee, which suggests that the funds might have not been used for the intended purpose.
- Purchase of police kits, firearms and vehicles for Aitape Lumi District, funded in 2012, received K1.6 million, which was applied for by the Minister of Forestry on behalf of the district. No report regarding how the funds were spent has been received to date. In fact, many people wonder what the reasons were for funding such project using the LEDL trust fund, when it is the exclusive duty of the state to deal with firearms.
- Sealing of Siassi Ring Road was approved for funding in 2013; however, the amount of money disbursed for the project is unknown. To date, no report regarding the implementation of the project has been received by the LEDL Technical Evaluation Committee.

Lessons Learnt from the Findings

- Communities in the logging impact areas are not aware of the LEDL trust fund, its uses or the procedures required to access the funds. The few people who are aware of the trust fund are often reluctant to apply due to the complexities of the procedure and the financial commitments required. For example, relevant communities are often located in remote areas and people there are required to travel to the provincial capital and Port Moresby in order to file applications for accessing LEDL funds. This attracts travel costs such as transport costs, which the poor might find it difficult to pay for.
- There is little or no monitoring of funded projects by

government agencies such as PNGFA. All the projects that received LEDL funding failed or fell short of their goals, primarily because of lack of monitoring, which might have provided beneficiaries with the incentive to use the funds for other purposes.

- Most people who have benefited from the LEDL trust fund belong to an elite or influential group. For this reason, members of relevant communities are seldom informed that the funds have been collected on their behalf, which makes it easier for the funds to be diverted to other purposes.
- Guidelines for implementing (National Executive Council 2015), which put districts in charge of applying for funds from PNGFA for implementing projects in logging impact communities, are not clear. For example, the guidelines on how to identify, prioritise and allocate resources to projects that require urgent attention have not been elaborated.

Lack of Success of LEDL-Funded Projects

In order to use the LEDL trust fund for its intended purposes, as well as to ensure that all approved projects are implemented and completed in a timely manner, the relevant government agencies could do the following:

- Ensure that relevant communities are informed about the LEDL trust fund, what it can be used for, and how to apply for funding. This would allow them to identify development projects needed by their communities, which could also help district authorities prioritise projects for funding.
- Improve monitoring of funded projects. This would help reduce the risk of funds being diverted to unapproved projects or personal use.
- Release project funding in instalments—for example, four instalments of 20 percent, 30 percent, 20 percent and 30 percent—and require each instalment to be followed by a satisfactory report on the funded activities.
- Improve the transparency of the application process. Make all approved projects and funding amounts known to the public through the mass media. This would give members of relevant communities the opportunity to monitor the progress of the projects and would make it more difficult to use project funds for other purposes.

Conclusions

The LEDL has an important role to play in rural development, especially in terms of provision of basic infrastructure. However, most of the projects that have been funded by the LEDL have not been able to meet its aims.

In order for the LEDL to achieve its primary aim, government agencies such as the PNGFA must monitor LEDL-funded projects more effectively. Furthermore, communities in the logging impact areas should be well informed about the LEDL and should be actively involved in implementing and monitoring the projects. Project funding should be released on an instalment basis only when certain conditions have been satisfied. Clear guidelines are needed on choosing beneficiaries, disbursing funds, and project monitoring and evaluation. The application process should be simplified and more transparent so that more communities could access the funds.

It is hoped that this paper will contribute to better understanding of the need for monitoring and evaluation of development projects in PNG.

References

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