

A Case Study on Indigenous People,
Extractive Industries and the World Bank.
Papua New Guinea

Presented at the workshop on
“Indigenous Peoples, the Extractive Industries and the World Bank”
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Acronyms

CEE	Central and East Europe
EFIC	European Finance and Insurance Company
EIR	Extractive Industries Review
EP	Environmental Plan
DSTP	Deep Sea Tailing Placement
FPP	Forest People's Programme
IDA	International Development Association
IFC	International Finance Corporation
LGL	Lihir Gold Limited
LMC	Lihir Management Company
LMALA	Lihir Mine Area Landowners Association
MIGA	Multilateral Investment Guarantee Agency
NEWG	NGO Environmental Watch Group
NGO	Non-Governmental Organisation
NSR	Natural Systems Research
PGK	Papua Guinean Kina (PNG currency)
PNG	Papua New Guinea
PWA	Petztorne Women's Association
STD	Submarine Tailing Disposal
TAL	Technical Assistance Loan
UK	United Kingdom
WB	World Bank
WBG	World Bank Group
WWF	Worldwide Fund for Nature

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A Case Study on Indigenous People, Extractive Industries and the World Bank Papua New Guinea

1.0 Introduction

This paper has been prepared as a case study on the Indigenous People of Papua New Guinea, and how they have been affected by activities of extractive industries through funding provided by the World Bank Group (WBG). The case study has been sponsored by the Forest People's Programme and findings will be presented at an International Indigenous People's Workshop in London in April 2003. The report should assist the Bank and the Extractive Industry Review (EIR) to note the needs and the position of Indigenous Peoples who are directly affected by mineral, oil and gas development. They should then be able to analyse these needs and positions through the EIR process for a better solution to poverty alleviation.

The report discusses and analyses issues associated with extractive industries and the impacts on Indigenous People, and critically analyses the situation of the Lihir Gold Mine Political Risk Insurance cover provided by the Multilateral Investment Guarantee Agency (MIGA).

2.0 Background

2.1 Papua New Guinea

New Guinea is the second largest island after Greenland and lies directly North of Australia. The Eastern portion of the island is Papua New Guinea and the other portion is West Papua, which is currently a province of Indonesia. Papua New Guinea has a population of around 5.2 million. Geographically, the land comprises steep and rugged forested terrain, low-lying swamps as well as many islands, including the Lihir Group of Islands.

Papua New Guinea is geologically very mineral rich. Mining has been an integral part of the nation's development, and has been the highest revenue generating industry in the country particularly in the late 1980's. However, there has been a paradigm shift in the mid 1990's, when exploration and mine development – which had for the past decade been carried out side by side – reached a peak, and then began to decline.

Papua New Guinea is almost 100% Indigenous, having over 800 different local tribes. The people traditionally own about 95-97% of land and about 3-5% is used for other development or government use. Nevertheless, common resources such as minerals and water are state-owned by law. Land ownership is PNG's pride, wealth and asset. The people of PNG say without land there is no life! Developers, however, have in the past found it difficult to deal with land issues in PNG, and sometimes refer to land associated issues as a hindrance to progress.

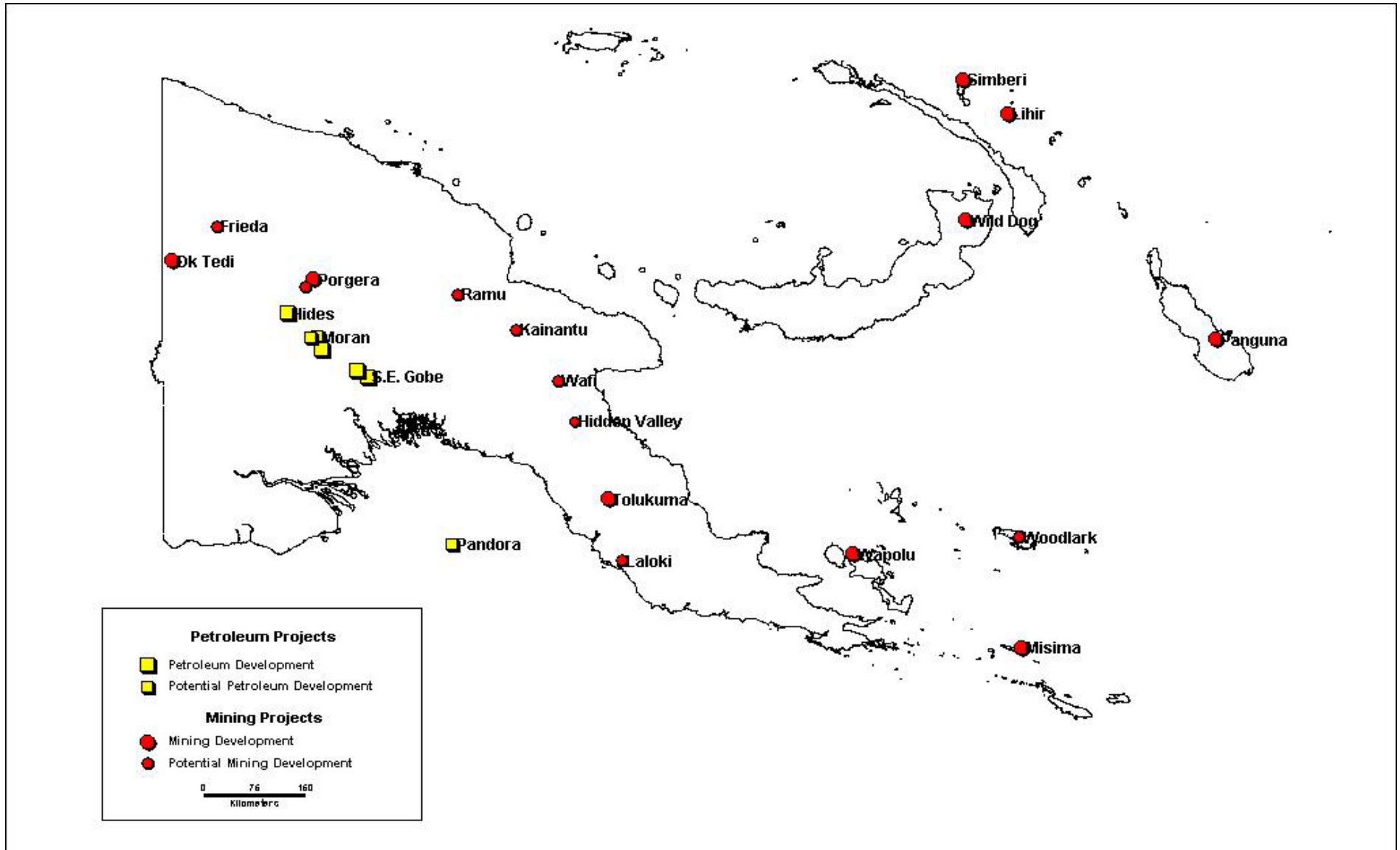


Figure 1: Mining & Petroleum Projects in Papua New Guinea

2.2 Extractive Industries, Indigenous People and International Financial Institutions

Papua New Guinea is a resource rich nation, with vast resources remaining undeveloped. Its mineral, oil and gas resources have attracted investors in the recent past resulting in rapid exploitation of the resources.

The social and environmental issues associated with extractive resource exploitation were an increasing problem during the late 1980's and early 1990's as mine wastes were directly dumped into rivers and oceans at an alarming rate. Exploration and mine developments began to decline rapidly in the mid-1990's for many reasons, including the fact that mine-affected communities were beginning to challenge the companies and government in a more aggressive and serious manner when they failed to address concerns of the local communities.

- 1989:- War broke-out in Bougainville when landowners and affected communities took control of one of the Panguna mines. It was PNG's largest copper mine, and the controlling company Bougainville Copper Ltd. was 54% owned by the British company Rio Tinto. Between 1972 and the cessation of mining on May 15, 1989, the mine produced copper concentrates that contained an incredible three million tonnes of copper, 306 tons of gold and 784 tons of silver. The production had a value of PGK5.2 billion which represented approximately 44 per cent of PNG's exports during the period. The war cost the lives of over 20,000 people, partly through a blockade, and even now the struggle for peace has not been fully accomplished.
- 1994:- The controversial issue over ownership of minerals led to the closure of the Mount Victor gold mine, owned by Niugini Mining. There were allegedly over 30 deaths since the mine closed, as local people claimed that the tailings had not been properly neutralised.
- 1994:- A rupture occurred on the tailings pipeline in Misima Gold. The local water source dried out in 1996, and a hydrological report from the Environmental Agency confirmed a drop in watertable due to extraction of water by the company via several bores for mill processing.
- 1995 – Affected communities within and downstream of the Porgera Gold Mine lodged complaints for compensation, relocation and environmental damage. The communities are preparing legal documents to challenge the company in court over the mine.
- 1996 – A law suit is launched against BHP, the company responsible for the Ok Tedi Gold and Copper Mine, for environmental damage. This is still a controversial issue which has still not been satisfactorily settled.
- 1997 – At the announcement of the PNG – Queensland gas pipeline, landowners along the pipeline corridor began to organise themselves and negotiate for reasonable compensation. This caused several delays in approval and construction process. Up until now, the project has not yet commenced.
- 2002 – Local landowners from a gas development project area disturbed the operations of the Porgera Mine through damage of a power pavilion. This put a halt to operations at the mine for a few weeks, affecting the company's production.

As people became more educated and aware of issues surrounding extractive industries, many of them became vocal on the distribution of benefits and compensation for loss of resources or environmental damage. This was particularly the case where the government had initially failed to address them in a genuine manner.

As these actions became more frequent, they added to the increasing costs associated with exploration and government taxes on the industry. This, coupled with declining national

economy, meant that companies began to lose confidence in further exploration and mine development activities. Therefore, from 1995 to date there have been no new mines. Yet mines continue to dump waste directly into the environment, and so the pressure from affected communities continues.

As a result of this shift, the government of PNG and the mining industry are taking remedial action to revive the ailing industry, as well as tackling the crucial issues that are hindering its progress. Through the Department of Mines, the government has secured a US\$10 million Technical Assistance Loan (TAL) from the World Bank for a project entitled: "Papua New Guinea Mining Sector Institutional Strengthening Technical Assistance." The money will be used to strengthen the capacity of the Department of Mining and the Internal Revenue Commission to encourage more exploration and mine development in the hope of "alleviating poverty". A similar US\$7 million loan was also provided by the World Bank to the Petroleum sector under the "Petroleum Utilisation and Technical Assistance Project" in 2000. However it is not intended to look at both these projects in greater detail in this report. It is intended primarily to look at the Lihir Gold Mine, as this is the only private sector mining project supported by the WB, through the Multilateral Investment Guarantee Agency (MIGA), which guarantees loans for political risk insurance. The loan was granted in 1997 when assurance was provided by the PNG government for the consortium to repay the loan.

2.3 Environmental and Social Accountability

Environmental destruction and degradation caused by extractive industries – particularly mining – has been a major concern for Papua New Guineans. This is particularly true among the "mine-affected communities". The state owns all minerals at six feet or more below the earth, as laid down in Section five of the 1992 Mining Act. Therefore if local indigenous people own the land there is a conflict of interest with the state's ownership of minerals below it. By law all the water in PNG also belongs to the state. This gives the government the right to issue licenses for the use of water – be it for domestic or industrial use, or for the disposal of waste or for the diversion for industrial purposes or for storage such as dams for hydropower generation.

In the case of the mining industry, all currently existing mines have been allowed to dispose of mine tailings directly into rivers and oceans. Ok Tedi discharges 80,000 tonnes per day and Tolukuma 300-400 tonnes. All these mines have been given large stretches of rivers and perimeters of ocean to pollute, using a "mixing zone" concept. Ok Tedi, Porgera and Tolukuma have taken away 200, 150 and 7 kilometers of rivers respectively for dilution of the mine waste. The Environmental NGOs in PNG have been campaigning against the double standards that allow multinational corporations to behave in PNG in ways they would not in their own countries.

Compensation for the environmental degradation associated with mining has been a major issue that is usually complex to solve. It is tied in with the land ownership issue, which in itself is also quite complex for a country like Papua New Guinea, where there are over 800 tribes with very diverse cultures and customs. Each community has their own unique way of dealing with the issue, and this makes it difficult for any implementing agencies to develop general policies and regulatory frameworks that will address the issue globally. An attempt to register land in order to properly identify landholders failed. Another system used at the moment is the creation of "Incorporated Land Groups", but this system is still not widespread yet.

Benefits from the mine are not equally distributed. People located within the Mining Lease Areas get more attention in terms of benefits than those outside and affected by the development of the mine. The industry does not seem to look in broader terms at its impact on the people in the surrounding areas and particularly those that live downstream of their waste disposal sites. Papua New Guineans, and particularly those directly affected by the mines, have become more educated on their effects over the last decade or more.

3.0 Lihir Gold Mine

3.1 Location

The Lihir gold mine is located on Niolam Island, in the New Ireland Province of Papua New Guinea, 700 km Northeast of Port Moresby. Niolan is referred to as Lihir because it is the principal island of the Lihir Group of islands. Lihir Island is a volcanic seamount that rises steeply from sea level to approximately 600 metres above sea level. At its widest points, the island measures 22 kilometres from north to south and 14.5 kilometres from east to west.¹ The Lihir Gold Mine is classed as a large-scale world class mine, and in PNG it is rated the second largest goldmine after Porgera.

3.2 Lihir Project, the PNG Government and International Financial Institutions

All statutory documentation was completed in 1995 for the opening of the Lihir Gold Mine, and the Lihir Gold Pty Ltd. The company was incorporated in Papua New Guinea in August of that year, and is now know as the Lihir Management Company (LMC).

A Special Mining Lease was granted to the project for a term of 40 years. The Environmental Plan for the mine was approved allowing for direct disposal of mine tailings by a submarine tailings (STD) disposal system, at 125 metres depth. Overburden (waste rock) dumping at sea was permitted via a barge within an area covering 1.8 km north and 2.3 km south of Lihir. Low-grade ore is stockpiled by the shoreline in Luise Harbour.

Despite the PNG government granting permission to mine, there was still a drawback raising public financing for the Lihir project. The project needed about US\$300 million to operate. In July 1996 the European Investment Bank announced a 46 million Euro loan for the project.² NGOs around the world supported the CEE Bankwatch Network demand that the Bank withdraw support for the mining activities on environmental grounds.

3.3 Financing Political Risk

Lihir Gold Limited then floated shares of US\$450 million and signed an agreement for a loan of US\$300 million which was due to be paid in 2003. The loan agreement contained a long list of potential problems and defaults, including reference to political violence in the country. Regardless of attractive future profits from the mine, international banks from industrialised nations were reluctant to finance mines in PNG following the closure of the Bougainville copper mine. LMC's majority shareholder is the British company Rio Tinto, which also operated the abandoned Bougainville mine.

The European Finance and Insurance Company (EFIC) downgraded PNG to its lowest category, category D. This was done allegedly to add pressure to the PNG government to accept a controversial structural adjustment package. When the PNG government guaranteed the loan repayment by the consortium, MIGA issued guarantees of US\$50 million.

Soon after the granting the loan and making commitments in 1995, the local currency, the "Kina", was devalued by 12% and floated on the world market in 1996. Since then the Kina has been falling and is currently worth about 20 US cents, which is about an 80% drop from its original position.

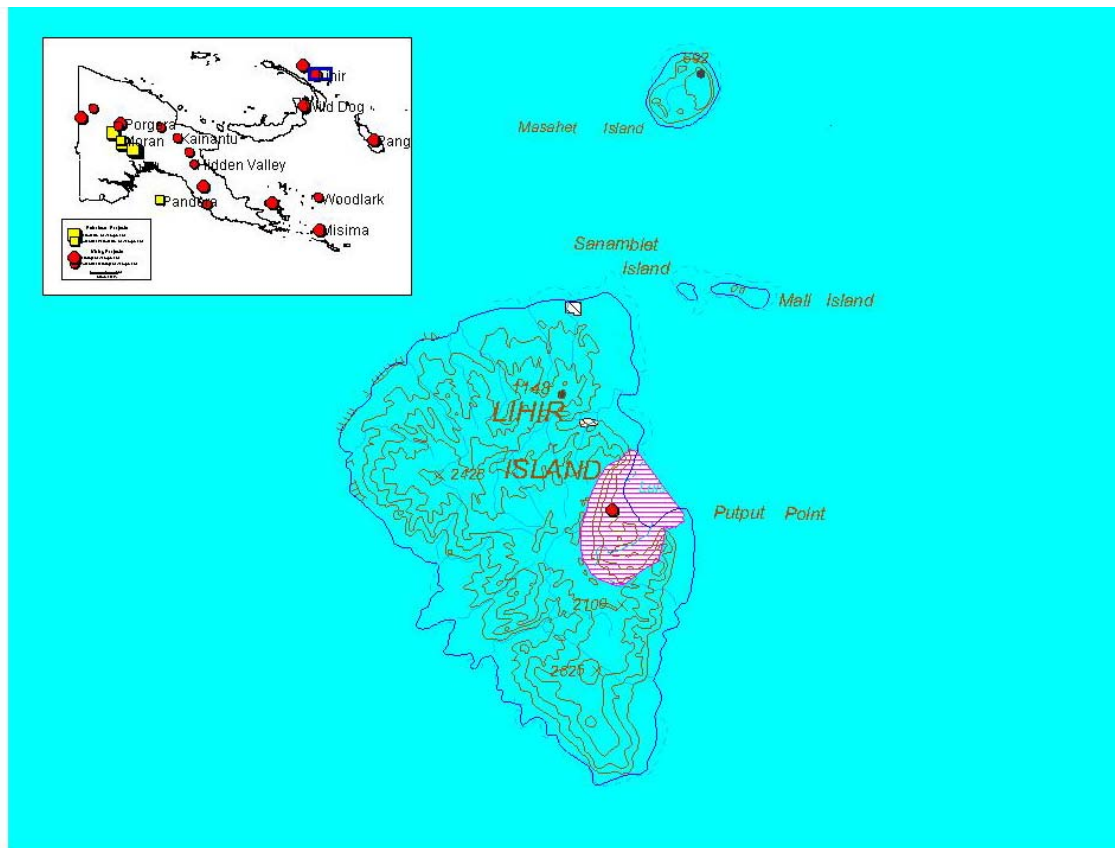


FIGURE 2: Map of Lihir Island

According to the Environmental Manager for the Lihir, Mr. Geoff Day, the loan had been paid off by the company in 2000. MIGA and the IFC have been visiting the mine every quarter of the year to monitor performance, as per their policies, until after the loan payment was completed in 2000. According to Mr. Day, the company was in compliance with MIGA conditions in terms of governance, as well as environment and social accountability. LMC had policies developed to regulate environmental, social and economic performances and hence met the requirements of the Bank over the period.

However, the local people of Lihir Island who are shareholders in the mine are not aware that the WB had even been around to monitor the mining project. This raises a question of transparency in the Bank's dealings with the mine.

3.4 Mine Equity

Wealth distribution is usually unequal in terms of material wealth: Company officials live in and enjoy better facilities than the local people. They are well paid and usually have access to free services like transport, electricity, water, housing, etc. This contradicts the company reports that highlight equity distribution in monetary terms.

The company, Lihir Gold Limited (LGL) is a public company, managed and operated by Lihir Management Company (LMC), a wholly-owned subsidiary of Rio Tinto. According to a report by the Mineral Policy Institute of Australia in 2001,³ the major Lihir Gold mine shareholders were as follows:

Southern Gold: 22.9% (owned 75% by Rio Tinto and 25% by Vengold of Canada)
 Nuigini Mining: 17.1%,
 ANZ Nominees: 14%
 Mineral Resources Lihir: 8.2%
 Westpac Custodian Nominees: 4.3%

Chase Manhattan Nominees: 3.4%
 Lihirian Trust (landowners): 8.6%
 Orogen Minerals (PNG Government): 6.8%

The company's 2002 Annual report states shareholders as follows:

Institutions and general public: 67.2%
 Rio Tinto: 16.3%
 Mineral Resources Lihir (Lihirians): 6.8%
 Newmont Mining Company: 9.7%

A literature review indicated a continuous slide in the share of the Lihirians from 8.6% in 2001, to 6.8% in 2002 and a mention of 5.2% for 2003. If this is true, it is not clear to why this is so.

3.5 Opinions of the Local Lihirians on World Bank Funding

This following section is based on the findings of a recent survey conducted by the NGO Environmental Watch Group (NEWG) among the local people of Lihir. The aim was to find out whether the people were aware of the World Bank's involvement in the Lihir project and if so to determine the implementation of the Bank's policies on transparency, social and environmental accountability, and poverty alleviation on the indigenous people of Lihir Island. A survey was conducted in March 2003 through a questionnaire. Representatives involved in the survey included representatives from the Lihir Area Landowners Association, Lihir Management Company, Nimarmar Development Authority Local Level Government, the local church, local women's group and community leaders. The survey was made possible through the support of the women of Lihir.

3.5.1 Transparency

The research showed little is known about the involvement of the Bank in the Lihir project at the community level among the local inhabitants of Lihir Group of Islands. The results of the survey indicated that almost 100% of those interviewed did not know anything about the World Banks involvement in the Lihir project.

NEWG:	How about you? Are you aware of any World Bank involvement in the Lihir Project?
PWA	No!, Not at all.
NEWG	Well, I'm told that one of the World Bank Group, MIGA financially supports the project's political risk. I thought you might have heard something about.(?)
PWA:	I have never heard of them and when I asked around here, no-one seem to know about it as well. Anyway they are also asking what MIGA stands for?
NEWG:	It stands for Multilateral Investment Guarantee Agency. Could you please ensure leaders at the negotiation of the project particularly, church leaders, Landowner Association and even company officials, attempt to answer the questions?
PWA:	Alright, I will try talk the community leaders, church leaders and the company about this.
NEWG:	Have you had any chance to talk with the company about this?
PWA:	Yes. In fact we did, we will let you about all the findings soon.

Almost all the people who answered the questions had no idea what MIGA was and what its role was in the project. They were not aware of any WBG involvement in the project. So due to their ignorance on the issue, they were not able to discuss their opinions of the Bank.

Most discussions during a site investigation were mainly on the impacts brought about by the mine. These are briefly discussed below.

3.5.2 Environment

The Lihir area is listed among the country's six high biodiversity areas according to experts with the WWF in PNG. With its uniqueness in terms of its natural surroundings, Lihir has reefs that provide – or rather provided – habitat for a variety of species of sea creatures as well as being a magnificent diving hot spot. Being a volcanic area, the soil is naturally rich providing good cultivation of crops at both subsistence and commercial values. Unique and valuable cultural sites including graveyards and the shrub-fowl habitat had to be destroyed in order to build the mine.

The mine is pumping 110 million cubic metres of waste, contaminated with cyanide and other toxicants, into the sea each year through a pipeline 125 metres beneath the surface. Another 20 million tonnes of rock waste are dumped each year into Luise Harbour from a barge and stockpiles of low ore grade are heaped in the sea along the shoreline of Luise Harbour.

The responsible parties involved in the Lihir Project had failed to honour their own commitments to the "London Convention", which bans the dumping of waste from ships. It is an international convention, which obliges the countries that have signed it to stop the dumping of industrial waste by barges or ships into the sea. Countries that signed the London Convention include Australia, the UK, and Papua New Guinea. And yet:-

- the Australian government Export Credit Agency provided insurance for the Lihir mine which allowed the mine to open;
- the Government of PNG gave approval for the project to operate;
- and Rio Tinto, a British mining company, own shares, manages and operates the mine which uses bad environmental management practices.

The LMC in its recent "Environmental Fact Sheet No. 3", tried to explain what they refer to as the "misconception" on the London Convention, Deep Sea Tailing Placement (DSTP) and the Dumping at Sea Act. They point out that they are not in breach of any of these agreements because they use land-based structures to transport the tailings and that they have been permitted to dump waste into the internal waters of PNG and not territorial waters.

3.5.3 Management and Monitoring

Natural Systems Research (NSR) are consultants on extractive industries and develop Environmental Plans (EPs) for mining and petroleum projects in the Asia-Pacific Region. They have developed EPs for all the major mines in PNG and have always recommended direct disposal of mine waste into PNG waters, both the river and the sea. This method of waste management recommended by these well regarded experts' questions their credibility. The people of Papua New Guinea are suffering the environmental costs because of the promotion and adoption of this very biased (industry-oriented) management regime.

NSR developed the EP for the Lihir project and recommended the direct discharge of tailings untreated into Luise Harbour, using a submarine Tailing Disposal System (STD) similar to that in Misima. The plan was approved (as usual) by the government. The mine's tailings are disposed of into the sea.

"The company visits our villages sometimes to tell us about the environment. They give us flashy reports, which many people cannot read. They tell us that there is no problem with the environment. They try to explain the science that nobody on this island really understand or believe. We have naturally grown up here and we believe that we know the environment better. When there is a change, we can tell straight away. We don't necessarily need scientific explanation. We have been zoned as affected communities and we believe this has been done for a reason. We in Malie, would like a very independent monitoring of the environment by an independent institution.

This system of waste management only hides the truth about the reality that occurs on the ocean floor beneath the sea. It is the cheapest means that causes massive environmental destruction that is unseen."

These were the words of a community leader from Malie Island, one of the Lihir Groups of Islands directly facing the mine

The company monitors the waste, and findings are presented to the government (Department of Environment and Conservation) on a periodic basis as a condition of the EP approval. The department is supposed to be evaluating the report but lacks the skills and capacity to do so. Even if it was able to, the report is usually written already pointing out that the company is in compliance, and if there was non-compliance they supply a justification. There is no independent review or monitoring of the environment to verify the company's position. Any review of monitoring would have to be independently funded, to be generally believed as non-biased.

There have been numerous complaints of environment pollution from the local people but the company always denied the effects saying that it was complying with regulations. There has been little or no independent environmental investigation done to verify this.

3.5.4 Social Challenges

Life on Lihir Island has changed dramatically since the mining began. There has been a rapid transition in both the physical and social environment.

The troubles of the silent majority are seldom heard, despite what is in their hearts. For the five years or more, a picture has been painted at Lihir of the best mine possible that provided both the necessary services to the people of Lihir and the best environmental performance. But this is only one side of the coin.

Besides the boasts of community development scheme, there are increasingly divided classes of people on the island of Niolam, the Lihir Island on which the rich gold mine stands. While it is generally understood that the local people own a bigger share of the cake in terms of equity, this does not seem to be the reality. There are definitely two different groups of people on the island – the privileged and the not so privileged.

On the top of a hill in Londolovit sits the Mine Township, overlooking the sea towards the outer Lihir groups of islands, Luise Harbour and parts of Niolam Island on which the mine is located. This township belongs to the LMC. In this town are the best facilities in comparison to those in other areas visited. The staff houses of mine workers come in different styles, shapes and sizes.

There is a social club that is only open to the members. Membership fees are PGK150.00 for residents within this township and PGK450.00 for those living outside. The club consists of a barbecue area, swimming pool and other entertainment facilities. Also within this township are sporting facilities, a hotel, national government staff houses and the Chairman of the Landowners association's (LMALA) residence.

Along side the foot of this hill, and barely visible from the hill-top of the LMC township, is the local Lihir township developed by the mine for the people of Lihir. The town is sparsely populated, some land divided into clan groups. The clans operate small business in containers brought ashore with the development of the mine.

This town has a local marketplace built by the company and managed by the Petztorme Women's Association (PWA). The township includes two reasonably big supermarkets and a department store, the community affairs office, a police station, and few other contractor workshops. The PWA office (newly built without a toilet facility) and a hall "Tutorme" (where LMC embroidery is done) are located right on the waterfront beneath the hill.

It is understood that the residents of the LMC township hardly shop in the Lihir township supermarkets as they purchase their food items through an advance special orders mechanism established for delivery in their camp.

One thing I find hard to understand is why they (LMC) live in a bigger and differently designed house than I, enjoy the luxury brought about by the gold found in my very own soil. I was given a house without any toilet, showers and kitchen compartments. Why can't I also enjoy that privilege is sometimes what I ask myself. I was relocated from Kapit where the mine now stands. I lost everything, my land and the sea where I used to freely move around and get whatever I wanted. Now I am a prisoner. I got relocated onto a clan land, which means that I cannot use that freedom anymore. Now I am bound by decisions of Clan leaders. It is not the same as when I was on my own land.

My biggest worry now is my children's future! I have lost my land and my children will never own and enjoy that land as I did before. Maybe I was a fool! Even today I have to struggle to meet the school fees for my four children (thank god that a brother helps meet the cost for two), while the company allow their children to go through nearly free education at my cost of my lose.

Words of a relocated Kapit man, Lihir

However development has undoubtedly taken place. Through a Village Development Scheme, a coordinated effort has been made by local groups and the company to build over 500 houses, as well as upgrading and building some local community schools and assisting with the improvement of the health facility. According to LMALA, and the Community Affairs office of LMC, much development has taken place over the five years since the mine commenced. Yet there is more development planned, as part of a five-year review. This includes the Integrated Benefit Package – an agreement signed for the people of Lihir in the early stages of the mine and which is going to be reviewed in May 2003.

It is therefore true that many Lihirians are benefiting under the development scheme but there are also negative effects. The majority of Papua New Guineans' livelihood is based on subsistence farming. They grow and harvest food from gardens and get protein from hunting in the bush and water for their family's consumption. Lihirian people are no exception and lived a similar lifestyle until the development of the mine. People depended on garden food, hunted wild animals, collected srbmegapod eggs and fished in the seas and rivers for fish and prawns. The environment was clean and pristine – clean waters, clean beaches, clean air, plenty of food and fewer people with less noise, etc.

When the company leased and occupied the land on which the mine now stands, local communities had to relocate themselves. Their most respected sacred site had to be demolished as it was in the way of the developer. Gold was more important than the significance or cultural value of this sacred site. In any case the company had got

approval for the lease and promised compensation for the losses. This was in the form of cash and building much better permanent houses for the displaced locals. But how does this really compensate the value of the losses? How can we know if what is paid is worth what has been taken away? How can we measure the satisfaction in the indigenous people who don't seem to have much say anyway? Let's hear some of the things people of Lihir have to say:

I live in Londolovit village which is in the heart of the mining area but I do not benefit at all. Please, don't think that all Lihirians benefit from this mine! Those who are lucky and have a job, earn a bit of money to support their family. Those of us living in Londolovit who are not employed are very much affected. When the mine began it's development, all our natural creeks were polluted, our sea polluted, our bush fowls chased away, our bushes stripped off. We were left here without a thing except for a cheap house and a company water supply facility. We don't believe that what we are getting is worth what the company is making. The gold, the sea, the rivers and our land are god-given gifts (for us, Lihirians) which no man should take away from us that easily.

Words of village church leader's from Londolovit Village, Lihir

Communities were confined to their part of the island, or groups of the islands, despite the natural interactions that occurred between communities through family ties and big gatherings such as sports, church and traditional events. The mine has brought a sudden transitional change from subsistence to a monetary-based lifestyle. This has introduced a mixed community of all cultures and races, a more educated community, a shift from the traditional way to a modern lifestyle and increased basic government services. However, this does not mean happiness has arrived. The Lihirian leaders are preparing for these challenges (not least the eventual closure of the mine) through a program on sustainability, which is focused on agriculture and other resource developments apart from mining.

Even so, people still feel strongly about the loss of traditional values and their simple way of life:-

Before we used to go to Londolovit to collect sago leaves, ropes and bamboos for our houses. Through an agreement, a piece of land was provided for Malie people where we could make our gardens as well. Today, the land is a public land. We are now stuck here. We do not know where to go particularly in future.

Words of a woman from Malie Island, Lihir

Traditional women were led through a matrilineal regime of governance. Ownership of land on Lihir is through women. Women own land and hence decide on issues relating to land. Did this happen during the process of negotiations for the mine? Below are comments on relation to this question:

Lihirians follow a matrilineal society in terms of landownership. Before the mine this system was well respected. But the mine came into operation on the island, women were never given any space in areas of decision-making. We have little contribution or even nothing at all over land matters today. Our traditional way has lost its true meaning by the introduction of the mine.

Words of a Woman Leader, Lihir

4.0 Discussions

4.1 Transparency

The World Bank's involvement in PNG's mine, oil and gas industries raises some critical questions among different groups of actors:- some NGOs and local people describe it a virus, others say it is frightening and others just simply say "we've already sold ourselves as a commodity".

But how can NGOs and Indigenous people make such statement when the government of the day is supportive and encourages the World Bank's involvement. There seem to be a conflict on interest.

Maybe we can answer this by asking another question "What do the government and the World Bank know that the civil society doesn't know?"

Conflicts of interest are a result of inadequate awareness, mistrust and corruption. This research indicated a less-informed society with regard to the World Bank or International Financial Institutions' involvement in extractive industries. This clearly shows that there has been a lack of transparency between various stakeholders when you are asked a question such as "What does MIGA stand for anyway?"

In any investment in the country, we hear of stakeholders (be they government, investors/companies or landowners/civil society). Nevertheless, it seems the government and the investors work well together and usually do not disclose a lot of information to the third major stakeholder, the landowners. Although this may appear good in terms of protecting the investor, it may not be in many cases, especially as lack of transparency could lead to corruption or the potential for insurrections against a poorly understood project.

In the case of the involvement of MIGA in the Lihir project, people are not aware it's involvement. MIGA and IFC have been closely monitoring the project through regular visits to Lihir, but only company officials were aware of this. Only recently we have heard that the loan has been re-paid because of good project performance on social, environmental and governance grounds. But has the loan been fully paid or are there still some loans to be paid through the government? If so, can this be explained? Without true transparency how can some of the replies be trusted?

On top of that there are still environment and social problems encountered by the people. The mine on Lihir Island does not only affect the people of Lihir alone. In fact the commitment of the PNG government to repay the loan for the project is a matter for all Papua New Guinean Citizens who should know about the arrangement. This I believe has not happened.

4.2 Environmental Issues

Environmental issues, along with inevitably linked social issues, are the key ones the extractive industries have to deal with. In a country like PNG, where solutions to social issues are complex, environmental concerns may be easier to deal with.

We have seen that the consultants NSR develop Environmental Plans for extractive industries in PNG, including recommendations to the government on the best technology applicable to projects. It seems that NSR has always advised the best technology for tailings in PNG is the direct disposal of waste into river systems and oceans.

While this system may be acceptable to the government and companies, those who live with the consequences, that greatly affect their lives, do not so easily accept it. New extractive projects that intend to discard untreated waste directly into the environment, should not even be allowed to operate in the country. Past and present mines using this technology have greatly harmed the people nearby.

It is not so easy for ordinary citizens, affected communities and informal organisations to have access to information on the environment. A company usually does environmental monitoring and sends the report to the responsible government agency, in this case the Department of Environment and Conservation, for evaluation. Whether this report is circulated, and to whom it is circulated, is not very clear. On top of that it is believed that the report is naturally biased in favour of the company. The Lihirian people are not satisfied with environmental performances to date, especially when the company frequently reports good performance and yet they can see negative consequences all around them.

4.3 Expansion

It has also been reported recently by LMC that exploration on Lihir is showing promising reserves on the island, and thus there is a possibility for expanding the mine. A report by Andrew Trounson of Dow Jones Newswires states, "Papua New Guinea's Lihir Gold Ltd, encouraged by new gold finds near its mine on the tiny Lihir Island, is studying a possible US\$200 million to US\$250 million expansion of the operation that could increase ore throughput by two-thirds from mid-2006." The report further quotes the Managing Director, Neil Swan, saying the company is continuing to look at opportunities to diversify beyond PNG and its single reliance on the Lihir mine. 3

Such expansion could mean more grave environmental consequences if the submarine tailings disposal and the dumping of overburden material at sea are to continue. This will result in the destruction of a large area of marine habitat. In the 30 years of estimated operation at least 104 million tons of ore reserves will be exploited, producing 341 million tons of waste rock.⁴ The problems of the Lihir project are compounded by the off-shore dumping of waste rock and tailings, which violates the London Convention and the South Pacific Convention. Papua New Guinea is a signatory to both these conventions. Moreover, the mining operation is in a very geologically active area. Seismic activity, extreme geothermal activity and the possibility of active volcanic activity are all aspects of the mining site.

The region is considered one of the most biologically diverse marine environments in the world. Many aspects of the mine (dumping, land use, gold processing, etc.) threaten this diversity:

- Deep-sea dumping damages coral reefs and marine habitats. The use and disposal of cyanide could also directly harm the species in the area;
- The land that is usurped by the mine includes the breeding ground of the Melanesian Shrubfowl, an endangered species;
- Several culturally and socially important areas such as hot springs, graveyards, and even villages, are being transformed into construction sites to support the mine. The US Overseas Private Investment Corporation declined to support for this project on environmental grounds.

4.4 The World Bank and the Technical Assistant Project

The World Bank is now providing Technical Assistance Loans to PNG to strengthen the capacity of the Department of Mines and the Internal Revenue Commission, as well as the petroleum sector, to fast-track exploration and mine development in an attempt to alleviate poverty, or so they claim. Training provided under the TAL for the staff is commended. But as Indigenous people we believe that the World Bank has betrayed us by encouraging mining through a review of the current Mining Act, development of the mining policy and other regulatory framework in PNG, if the Bank regards it as a means to reduce poverty. If this is the opinion of the government of PNG then the Indigenous communities affected by mining and petroleum projects in the country find it hard to believe. The people of PNG are not starving to death for food and clothing. PNG needs support to upgrade basic needs such as health, education and infrastructure developments. Promoting extractive industries will not help, in fact in areas directly affected it makes the situation worse. The idea of poverty reduction through extractive industries is reasoning for the benefit of selfishness and greed by the elite.

The country's resources are taken at an alarming rate, and the benefits are hardly seen, particularly in the rural areas where the companies are temporarily based and where two thirds of PNG's population live. Miners and loggers and their temporary townships, are built today and tomorrow are gone with the wind. As they exploit these resources, so they destroy our land, forests, rivers, ocean as well as threatening the wildlife and impose unacceptable changes upon most people's way of life.

The local Indigenous people affected by mining strongly refute any claims of poverty reduction through the promotion of extractive industries. We realise that our resources have been exploited and misused and call on our government to re-think, and place the needs of the people before the money that this sector will generate out of our resources. Past experience in our country does not warrant and guarantee that we will be any better off.

If we had been given the chance to air our views on this project, we would have asked for diversion of the funds to a more realistic project that will assist develop PNG to enable poverty reduction.

5.0 Conclusion

The WB is indirectly promoting extractive industries through Technical Assistance Loans to benefit a few rich people. If the WB really meant to reduce poverty through this loan, it has made a mistake, at least for the silent majority of local indigenous Papua New Guineans. More mines, oil pipelines and refineries will do us no good as our livelihoods are based on the living things of the land, the rivers and the seas.

The people of Papua New Guinea affected by the mining activities so far cry out to their government and the World Bank to realise that mining in the last decade or more has been more disastrous to their livelihood and way of life than anything else. Increasing the number of extractive industries cannot alleviate poverty. Lowering taxes on the industry cannot reduce poverty. Mining and petroleum industries are there only for a very few rich people.

- Our rivers and oceans have been polluted. Riverbeds and ocean-floors have been destroyed by the deposition of sediments that eliminate aquatic and marine life.
- Our livelihood is in danger as fish numbers decrease rapidly, our water poisoned so we cannot use it for drinking, cooking, washing, fishing and other recreational uses anymore,
- Our societies are fragmented. We no longer live and practice our communal Melanesian way of life. Instead we have become self-centred and greedy.
- No mining town today is as cheap as the markets in Port Moresby. Living standards for the overseas workers are high in mining towns, thus raising prices and causing locals to become poorer than they should be. The privileges and classes are obviously clear.
- Social problems trail alongside the industry as it enters into very remote areas, where there are people with very limited exposure to so-called civilisation. This causes sudden transitional changes that are sometimes very detrimental to the people's traditions and cultures. Respect for elders and women are no longer in existence. Womanising, marriage break-ups, new diseases, alcoholism and drug abuse are introduced and on the rise in our innocent communities.
- At the end of the day when the developer leaves, we go back to where we started and try to reprogram ourselves just to realise that we had just been taken for a ride to a destination which is foreign. We have to put ourselves back together again, without the aid of the companies that have left.

6.0 Recommendations

We, as indigenous communities of Papua New Guinea, recommend that:-

The World Bank ensures that any review, development or changes made to the mining law of PNG and its management tools or regulatory framework should be the business of every individual Papua New Guinean. This should be done through the engagement of a civil society representative on the steering committee of the IDA project or direct engagement with National Umbrella NGOs whom we are affiliated to.

That the Department of Mining and the World Bank Team make it their business to conduct forums and meetings to discuss the changes of regulatory framework to as many people as possible.

The current changes in any legal framework should always consider social, environment and economic concerns, from the viewpoint of the local people.

The World Bank should be prepared to fund research into problematic projects that they have been a party to in the initial stages, and hence support an independent environmental monitoring or research project for the Lihir mine. The research should be funded by the World Bank and the monitoring team should stay with local people other than the LMC.

No new mines should be encouraged until we are assured that our basic rights have been respected, and the industry is not going to put waste directly into our rivers and oceans.

References

March 13 CEE Bankwatch Network sent a letter to the EIB President, Philippe Maystadt, Mineral Policy Institute, Sydney, Australia

By Greg Roberts, Sydney Morning Herald, Australia, November 16 2002

1. Minerals Policy Institute – Simon Divecha ph: 0428 775 540, advocacy@mpi.org.au – Greenpeace International Science Officer, David Santillo Ph: 0011 44-1392-263917 d.santillo@ex.ac.uk

Annex 1: Presentation to the EIR Indigenous Peoples Workshop in Oxford, on April 14th 2003, by Augustine Hala from the Tolukuma community, PNG

Mineral Extractive Industry in Papua New Guinea

1) Its impact in the lives of an indigenous people

When Mother Earth commenced laying down countries and their charges and allotting these races of people with identities, cultures and resources, the last nation to be processed was Papua New Guinea.

In the preceding nations she had hastily bestowed one or two of natural resources as inheritance, say a nation was given seas and everything therein, another with plains or mountains with forest and animals, and others with mineral, oil or gas, and coal and other mineable resources, while barren deserts and ice wastelands towards to north and south pole for others.

But when Mother Earth came to Papua New Guinea which she may have considered her favourite, she did a very terrible thing – using the Esau and Jacob formula: the younger favoured and blessed with more than the elder.

PNG was the last nation but Mother Earth still had in her possession a multitude of peoples, cultures and rich resources with no more nations to spread this inheritance to, so she had no more choice but to ravish these on Papua New Guinea.

This is why PNG is identified and peopled with more than 800 different languages and diverse cultures, unique to each other and to the world too.

Thus the indigenous communities of Papua New Guinea have had the honour and privilege of enjoying these vast blessings as inherited for many thousands of years and we have never known a life of poverty or wanton but only when imposed upon and against our wish and knowing by outside influence.

2) The most important commodity – Land

Papua New Guinea – known to many and envied by many as the land of the unexpected: the jewel in the crown of the vast Pacific ocean.

In the beginnings there was harmony, a resonance, between ourselves and nature, the earth from whence we came and will return. She has always been a gentle mother, and gave us nourishment and protection. Her bushes gave our meat and shelter, from the searing heat of the tropical sun, provided wood for cooking, heat to keep us warm through the cold humid nights, build our houses and meet our cultural obligations. Apparently the forest needs of these obligations were not over destructive but controlled and on a required basis. From our past generations to our future ones we aspire and know we have and will always depend on our land and its vast resources. We are at one with the spirit of the land.

Land is our life. Land is our physical life – food and substance. Land is our social life, it is marriage, it is status, it is security, it is politics, in fact it is our only life. Tribesmen would rather die to protect their traditional land and will never lose an inch of tribal land to another even bigger warring clan or tribe. When you take our land you cut away the heart of our existence. We have little or no experiences of social survival detached from the land. For us, to be landless is a terrible nightmare which nothing under the sun can be compared with in value. Big multinational foreign companies being from an alien culture would neither understand nor grasp the significance of this. For them land is a commodity to be bought or sold. They just treat it as an exploitable resource. Ignorance is always combined with arrogance, and common characteristic of colonial occupying powers that can impose their will by the use of force.

3) The Tolukuma Gold Mine

a. The history of the indigenous community

The geography and the population:

The indigenous peoples on whose land the current medium scale gold mine is operating is located about 100 km North West of Port Moresby, the capital city of PNG.

The climate is moderately cold all year around with wet and dry seasons. The area can be affected by rain in an extreme wet season. The indigenous communities consist of more than 100 hamlets with a population of five

thousand. The local language spoken is Fuyuge, though many of them are multi-lingual: that is they can either speak two local indigenous languages plus the national languages of Motu, Pidgin and English.

Settlement patterns:

Before the mining industry was forced upon this indigenous community, the settlement in the areas were dispersed with many hamlets and small villages based on clan groupings. There are more than four hundred clans that divide and occupy their respective portions of land in the valleys and mountain ridges as inherited from their ancestors covering many square kilometres.

Because of the cold the houses are very small with restricted entrance, no windows and a central fire place (hearth). The houses are usually built off the ground. All the villages have a men house (local parliament with all adult males self-elected) which is larger and more imposing. There is no way for the smoke to escape except through the roof.

The villages are usually built along the ridges which also act as a check against neighbouring warring tribes. The houses are wholly built from bush materials in the vast virgin forests which surround the villages. The posts and frames are built from hard woods which usually last many generations and are used again and again. The walls are made of pandanus leaves. The roofs of the houses are covered with pandanus leaves higher up on the mountain ridges and kunai grass and sago leaves on the lower slopes and river causeways respectively.

Social structure:

The village leadership structure depends entirely on the chieftain system. There will be a number of chiefs from the different clans in a village, yet you will find a paramount chief whom all the people from different clans and villages respect.

The chief's authority is supreme, although his duty would be to relay a collective decision from the elders and lesser chiefs on a village issue or decisions of meetings with other villages or tribal chiefs and elders.

Land ownership:

Everyone is the owner of lands even covering many km for gardening and hunting, river sides for fruit trees or fishing. Everyone knows the history and land mass of every other person – be it man, woman, youth and children. Land is interwoven where communal gardening is done, everyone knows his/her own family piece of land.

b. Tolukuma gold mine

An Australian company:

Newmont Australian first conducted mineral exploration in 1983 during the mining boom

In 1993 Dome Resources limited – another Australian company acquired the Newmont interest to the project. After acquiring the license and environment approval from the PNG govt the mine went into economic production on the 29th of August 1994.

During this time all negotiations which could have included all stakeholders such as: the company, the PNG National govt, the provincial govt and the indigenous communities, was conducted between the first three parties without the full participation of the indigenous landowners. As required under the PNG Mining Act of 1992, a Memorandum of Agreement between the four stakeholders must be signed before any actual economic mining commenced. The Dome Resources ltd Company commenced operations without one until such a shallow document was signed in Sydney on the 24th of February 1997. The company had chosen an illiterate young man to represent the indigenous communities and of course ravishing him with tickets and perks and privileges to sign or put an X on this agreement and away from home in Sydney. Nobody has ever even bothered to read this document or see any of its entitlements for the landowners ever transpired. This MoA should spell out the indigenous benefits had it been read and acted upon. Its 2 year lifespan and to be renewed thereafter fell due in 1998 but to date nothing has even been done about it.

c. The negative impact

In the year 2000, an Australian registered South African company “Durban Roodenport Deep (DRD) ltd acquired Dome Resources ltd's interest and currently is operating further on the vast gold reserves in the area.

When exploration reached final stages in the early 90's and economic mining commenced then the indigenous peoples were not opposed to mining, always adopting the customary basis of communal wealth sharing; anticipating that whatever was found in the ground would be shared equally by all. Also the decision on the

appropriation of mining activity was not made in the open and fair consultation – and with full respect for the rights of my peoples who will be affected by the mining operation.

We are from a gold rich area in PNG. We know from our limited knowledge that huge wealth is derived from the sales of minerals – gold, silver, copper and zinc. Yet we now see that despite their wealth, my people have experiences among other things, low economic growth, high poverty rates and drastic negative environmental impacts, and negative social impacts since mining commenced in 1994.

The company sits in double enclosed wire, manned by tight security men with dogs and the National Police Force for back up while holding the outer wire fence and peeping into the enclosure would stand a sorry looking large crowd of indigenous community, just to stand and gape and in awe of the activities going on inside the fence. The landowners have to buy canvasses from the company to build houses, buy soap, sugar, rice and other things from the only company store in the area which is too dear.

Since 1994, economic operations commenced, the company started dumping tailings into the populously habited Auga river system, where four different ethnic groups, the Fuyuge, Kuni, Roro and Mekeo live along its course. All aquatic life was destroyed in a short period of time. In the last couple of years a total of 18 people died while in direct contact with the polluted river which was during a dry spell when the river water level dropped. When various villagers brought dead fish and other aquatic life to the community relations office, they were told by the manager that “all things will have to die at one time, just as you will die and I will die”.

On the issues of sudden deaths of people, the CRO manager further said that “the people were not living a hygienic life, that they were dying of Malaria” – which is a tropical sickness often gotten from continuous mosquito attacks – but mosquitoes do not breed where I come from because it is too cold for them there.

Because of the negative attitude of the company to the indigenous landowners and the forced acquisition of their/our lands and with the security and police forces to back them up the people – a very ignorant people – are helpless. Our hope is through the NGO groups in PNG: NGO Environmental Watch Group, Centre for Environmental Law and Community Rights and Oxfam CAA Australia to help our case to be heard in a court of law – if not in PNG then in Australia which is a last resort.

May I finish here with a few questions but a support fact first:

Our ancestors, forefathers and fathers have always fought and died to protect every inch of tribal land from other enemy warring clans or even given away sons or daughters in marriage and also vast compensation payments just to retain or secure a disputed piece of land and what under the sun would be more important than sacrificing one's life, or son, or daughter, or vast tribal riches – than land?

Questions:

- 1) why would a genuine funding organisation like the World Bank Group fund culprit industries and their government cronies to violate lesser indigenous communities' rights to exist?
- 2) is poverty alleviation termed as “getting rich at the expense of a lesser indigenous community?”

Thank you Forest Peoples Programme for bringing me and the other indigenous people here to attend this workshop and speak our heart out plus the Eminent Person, the esteemed Dr Emil Salim and the WB representatives for your time to hear us.

Thank you.