



Pacific Symposium on Managing Extractive Industries in Pacific Island States

to Improve Human Development

Nadi, Fiji 18 – 20 March 2013

Draft

Introduction

A three day symposium on managing extractive industries in Pacific island states to improve human development was held in Nadi on 18-20 March 2013. Governments represented at the Symposium included Cook Islands, Fiji, Republic of Nauru, Papua New Guinea, Autonomous State of Bougainville of Papua New Guinea, Solomon Islands, Tonga, Timor Leste and Vanuatu. Other participants included various non-government agencies and think tanks from Pacific countries, representatives from extractive industry firms operating in the Pacific, regional agencies including Secretariat of the Pacific Community (SPC), South Pacific Regional Environmental Program (SPREP), Pacific Island Forum Secretariat (PIFS), University of the South Pacific (USP), Melanesian Spearhead Group (MSG), International organizations including UN agencies, the World Bank, Asian Development Bank, International and National non-governmental agencies.

Background

The extraction of natural resources like oil, gas and minerals has led to a significant increase in revenue for a number of the Pacific Island countries. While the revenue earned has fluctuated over the years, the increase in revenue has not led to any significant improvement in overall human development outcomes. As public attention turns towards the expanded use of the Pacific's resource endowment, including seabed mining, a key question emerges as to how natural resource extraction can better contribute to sustainable development and poverty reduction in the Pacific region.

Human Development is a development paradigm that is about much more than the rise or fall of national incomes. It is about creating an environment in which people can develop their full potential and lead productive, creative lives in accordance with their needs and interests. Well-managed extraction of natural resources represents an enormous opportunity for many of the poorest countries in the world to finance the investments needed to advance human development and accelerate progress towards the MDGs.

Goal

The overall goal of the Symposium was to assist Pacific Island Countries to make informed policy choices that further human development. In bringing together various key stakeholders, the Symposium enhanced understanding of the different ways that governments can:

- Manage revenues from natural resource initiatives.
- Manage land use issues in relation to extractive industries in order to minimize conflict.
- Strengthen the transparent and accountable management of natural resource extraction initiatives.
- Develop policies and mechanisms that can assist the government in assessing, regulating and enforcing environmentally sound approaches.
- Maximize development outcomes at the community level.
- Negotiate effective agreements and policy options to reduce asymmetries in negotiations.

Guiding Principles

The symposium confirmed that the key guiding principles for enhancing the management of extractive industries include:

- Manage extractive industries effectively and use the revenue generated to achieve improved human development outcomes; include the adoption of governance mechanisms that ensure transparency and accountability mechanisms. Mechanisms must recognize the lead facilitation role of governments and the importance of constructive conversations between governments, the private sector and communities/land owners as well as relevant civil society organizations.
- Ensure ongoing and constructive consultations between governments, the private sector and communities/land owners as well as relevant civil society organizations.
- Manage extractive industries to minimize negative impact on the community through adoption of policies and programmes that respect cultural heritage and diversity in the Pacific while ensuring environmental and social sustainability; respect human rights and gender equality
- Manage extractive industries to maximize opportunities for employment and associated industrial development while avoiding disruption to local industry and employment opportunities
- Adopt policies to ensure that the benefits from the exploitation of extractive industries are distributed equitably, including providing adequate compensation for communities most affected by resource extraction.

Key issues and trends

The following is a brief summary of the key issues and trends considered in the symposium:

Trends

1. Global demand continues to grow, with production always lagging behind consumption, which will in the medium term ensure at least stable if not growing prices. This will increase the demand for resource extraction in the Pacific region, a comparatively small player in the global market, yet of increasing importance
2. There are a small number of big companies, each of which has a different way of operating, and each extraction project, geographic, socio-economic, cultural and political context varies widely. This makes a generalized/blanket approach to working with these companies difficult
3. Importance of political stability to attract investment (also tied to political integrity); importance of availability of infrastructure (roads, electricity, water, etc) to attract investment; importance of building local targeted capacities (geologists, surveyors, etc) to support the industry and importance of effective monetary and fiscal policies that create a climate conducive to sustainable investments

Relationships and Partnerships

4. Managing extractive Industries involves the effective management of the triangular relationship between governments, the private sector and communities/land owners as well as relevant civil society organizations. It is important to hold constructive conversations between these stakeholders and interested public.
5. Many of the issues in managing extractive industries are political rather than technical.
6. Consultation/stakeholder engagement was highlighted in every session. Looking forward it might be useful to go a little deeper into how this can be done (e.g., some details on the PNG forums including what worked and what didn't).
7. New technology and growing awareness around NRM and its implications can allow for greater dialogue, collaboration and partnership, reaching from the local to the global level. Work with partners already active in this area and in the region.
8. Give communities accurate and ongoing information and translate documents into the local language
9. Promote greater south-south cooperation and sharing of experience and lessons learned from the region to the region.

Pacific Land Tenure

10. Mining and Land Tenure: Complexities of communal land tenure of Melanesia have never been encountered to the same extent by resource companies in other parts of the world, and a limited knowledge basis of good practices and lessons learned is available to guide governments and companies how to best address this issue
11. Land ownership and related compensation payments are increasingly complex, dynamic and contested, adding to the complexities of communal land tenure, making a regulated approach difficult. The pace at which governments can advance human rights and gender issues remains a challenge.
12. In the Pacific communities regard land as part of their spiritual and cultural heritage; removing minerals is perceived as a deep loss to them. Therefore communities need to feel that they have

been adequately compensated for this loss over the long term. Failure to do this will result in conflict

Impacts

13. In-migration can have a significant impact on communities located at the site of mines
14. Resource extraction leads to environmental, social, economic and cultural changes that are complex to manage and need to be appropriately absorbed by the local communities. In-migration and environmental degradation can lead to serious development setbacks – often unruly and conflictual - and require adequate management

Revenues

15. There are various models for investing revenues generated by extractive industries in human development. Countries may learn from global experiences but should design their own model. More efforts should be placed on examining existing frameworks and their applicability to the region.
16. Extractive industries should promote Human Development. In this regard, an efficient revenue management system is needed. One of the key challenges is how to distribute the revenue to achieve this
17. Redistribution/revenue sharing came up throughout day one though mostly in the context of the need to ensure consultation and develop partnerships. Also we seemed to mainly concentrate on landowner agreements but looking forward could also explore distribution to provincial and sub-provincial governments, along with community, as these are all levels governments need to consider in developing an approach to benefit sharing
18. Managing extractive industries revenue is important to avoid disruption to local industry and employment opportunities – important to use revenue to invest in people to improve health and education
19. Balance long term vision with the need to meet current basic needs. Adopt the principle of thinking long term to have a longer time line for the revenues

Development impacts

20. Companies' development activities can be conservative 'risk management activities' without the necessary sustainability through community empowerment, participation, design and implementation, as well as strong monitoring and evaluation of development projects
21. Engagement with the communities and building partnerships are key opportunities to help build long-term sustainable development. Frontloading of services to the community should be considered as a platform in the following areas: Management of Environmental goods, forests, water-catchments, costal fishery mangroves. Approaches to revenue allocation are also not mutually exclusive, and countries can use different arrangements to target different human development objectives

Environment

22. Environmental Impact Assessments should be done even at the exploration phase (depending on the scale and scope/nature of the work)

23. Environmental Impact Assessments are only one tool for decision-making. By themselves they are not sufficient for making decisions as to whether to allow an extractive industry to begin operations in an area.

Governance

24. The traditional and modern ways of governance in the Pacific complicates the issue of land, land owners and extractive industry interventions: this needs to be recognized and harmonized
25. Transparency – recognize the EITI principles but also look at the monitoring and reporting of additional funding flows beyond what is passed through Government
26. The need for independent monitoring or a statutory moderator for each mining agreement that is responsible to ensure that mining agreement is kept by ALL parties.
27. Capacity - recognize the need for both strategic short term investments and a programmatic approach to capacity building by Government at all levels

Human rights

28. There was recognition that governments and businesses both have responsibilities with regards to human rights. The challenge of implementing relevant standards in this area as well as undertaking legislative and policy reform was highlighted
29. The commonalities between the human rights framework and the underlying values of Pacific cultures need to be highlighted for the discussion to move forward

Gender

30. Extractive industry operations can result in different benefits and risks for different groups, and can expose women to increased risks; calls for gender perspective and inclusion of women in decision-making
31. Challenges of engaging with informed communities were highlighted as well as the need to inform communities first, and especially women, so they're enabled to participate in consultations and decision-making which remains challenging in very diverse contexts

Deep Sea Minerals

32. A number of countries in the Pacific are taking steps, with the support of SOPAC/SPC and other agencies, to establish policies and legal frameworks ahead of the potential development of seabed mining industry in the region
33. Many concerns remain about the potential environmental impact of off-shore (seabed) mining but in this regard it is important to differentiate between the type of minerals as the mining and potential impact is likely to differ and be based on both the distance off-shore and depth of mineral deposit

Negotiation

34. Government face significant capacity constraints with regards to engaging with companies, negotiating effective agreements and overseeing their operations

35. It is becoming increasingly important to “get negotiations right” the first time. Strengthened and very rigid investor protections under the new international arbitration regime make renegotiation of agreements very expensive.

Follow-up:

1. PNG offered to host and support financially a follow-up regional meeting on this topic in Papua New Guinea with the potential to include site visits to mining areas to view firsthand the impact and role of Government, mining companies and community stakeholders (including landowners)
2. Fiji agreed to hold a national intra-governmental meeting on 26 March to discuss key outcomes from the Symposium as part of a process of determining future directions as well possible areas where external support might be required.