

Chapter 13

Case Study—Mining in the Solomon Islands

This chapter is a paper presented at the Port Vila workshop by John Naitoro. It is based on a gold mining project initiated at the time he was Secretary for Mines in the Government of Solomon Islands. At the time of the workshop, Naitoro was undertaking postgraduate studies at the Australian National University.

Introduction

Population resettlement is not a new phenomenon in Solomon Islands. During the 1950s the colonial administration of the British Solomon Islands Protectorate relocated hundreds of families to the territory. They were resettled in the western parts of the Islands, known as the Western province of Solomon Islands. The population scarcity in the western Solomons was perhaps one of the major reason for choosing the location. These resettlement schemes could be argued as being humanitarian and done for a good cause. However, as is commonly known in Solomon Islands, social tensions and to some extent, potential conflict had occurred among the new settlers and the existing indigenous population.

My focus will not be on resettlements done previously, but rather to concentrate on the largest resettlement in the country since political independence. This is the resettlement of the Gold Ridge people of central Guadalcanal, as a result of a requirement to give way for the country's first gold mining project. It was the largest undertaking of this kind in the country.

I will first of all illustrate the process of relocation of the indigenous population of central Guadalcanal. Then I will outline the nature of compensation involved and finally, raise some issues of interest as the result of this resettlement exercise.

Resettlement of Gold Ridge People

The resettlement of the Gold Ridge people was the single largest exercise of its kind since political independence in 1978. The government policy to mine the Gold Ridge deposit in the central part of the island of Guadalcanal meant that the local population had to be relocated to give way for the project. The exercise was not only a huge task, but was also, outside of normal practices, which are traditional and familiar in the country. For example, the act of enticing a group of people to vacate all their possessions and the world they know, so that development can take place, seems rather contradictory to the objectives of development itself and appears a very risky activity. This kind of action would have been considered a direct threat and a reason for major conflict in the past. However, despite the fact that such artificial resettlement is an unusual practice, the 1,200 people of Gold Ridge were relocated about 35 kilometers west of their homeland towards Honiara City.

Who are the Gold Ridge people?

The Gold Ridge people are highlanders of the interior part of the island of Guadalcanal. They are a part of a diverse indigenous population of Guadalcanal. As known elsewhere in Melanesia, cultural diversification is also present in the Solomon Islands. Such cultural diversification is not necessarily found only between islands but also within an island itself. The case of Guadalcanal Island is no different.

The population of the island with its multiple cultural groups, was reported in 1976 to have a population of about 31,677 and by 1986, the population grew to 49,831, about 4.3 percent annual growth rate (Statistics Office 1988:2). Like many islands in the country, dialectic differentiation is one of the major divisional aspects of the population of the island. The island's 50,000 inhabitants are further distributed among seven major linguistic divisions, and sub-dialects. The seven major linguistic divisions are Marau, Longgu, Lengo Talise, Mbirao and the Malango in the central portion of the island interior.

The Gold Ridge people are a part of the Malango linguistic divisions. As mountain people, their location is isolated from the nearest main center, Honiara. The Malango people as a cultural group numbered about 6,094 people in the 1986 Census (Statistics Office 1988:9). However, within the Malango linguistic division, there are dialects of which one is the Bahomea dialect. It is this Bahomea people who are referred to as Gold Ridge people, that were affected by this mining development relocation exercise. As landowners directly affected by the project, their population was established at 1,200 women, men, and children in 1995. The sociological baseline study done by the mining company identified that these people could legitimately claim landownership to the area proposed for the project.

As a subcultural group, these 1,200 people were also identified as members of several extended family units. They are listed in Table 13.1 below.

Chacha	Charana
Chavuchavu	Halisia
Kaipalipali	Kaokao
Kolobisi	Koenihao
Rausere	Lasi
Sabaha	Roha
Sarahi	Salasivo
Soroboilo	Sutahuri
Vatuviti	

In 1995, I was asked to carry out an identification study of the Gold Ridge people by the Government and Ross Mining N.L., the private company undertaking the mining development. The idea was to establish the nature of organizational structure of these people. This was done to provide the relevant information about their existing leadership and the nature of their extended families. The 17 extended families listed in Table 13.1 were accepted under the study for the purpose of negotiation and to convey the intentions of the Government. Further on, the study also made it possible for the Government and the mining company to

establish formal relationships with the people through their representatives. The people's representatives were chosen on the basis of representation of each of the 17 extended families. The Gold Ridge people established a landowners' council that represented the interests of their people, on issues of resettlement and on the compensation to be provided in return for vacating the proposed mining site.

The resettlement of the Gold Ridge people and the subsequent negotiation for their relocation must also be seen as having been influenced by a previous government policy change on mineral resources development, in particular the amendment of the Mines and Minerals Act in 1990 by the Solomon Islands Government. This amendment provided a clause that stipulated unambiguous shared ownership of the mineral resources between the State and the People. This was a deciding factor that contributed to the landowners' perception of the project as not just an intrusive activity, but also as an opportunity for economic gains.

The resettlement exercise was not resisted by the landowners as some people may think. Any form of seeming resistance was, more or less, a strategic attempt to seek leverage to strike a bargain with the Government and the mining company on the issue of compensation. This is reflected in the fact that the landowners had come up with dollar figures that were rather impossible to accommodate in any case. However, the Government intentionally wanted to work closely with the landowners to reduce as much as possible any unnecessary backlash as a result of oversight. The Government regarded the landowners as having independent status on their own and as an important stakeholder in the project planning and decision making.

However, from the perspective of the central government and the national economy, the motive was to find an alternative income generation activity, apart from the declining forestry exports. The development of the nation's mineral resources became a top priority area, and the Gold Ridge project was considered as a breakthrough in developing the mineral resources sector. While the Government's obligations to its people had been recognized, the potential benefits of large international capital inflows was a significant factor influencing the government position on the project. In other words, landowners had to be relocated to facilitate the project, in the first instance through cooperation and consensus. Fortunately, the landowners were more cooperative than was expected and eventually agreed to be relocated after extensive consultation and meeting some of their demands.

Relocation Villages

The Gold Ridge landowners were relocated in a valley near Honiara City. The reason for this had nothing to do with the landowners' choice, but rather the Government's initiative to facilitate the project. The Government decided to offer 500 ha of alienated state land to the Gold Ridge landowners. This was seen as compensation for the 500 ha of land they would have lost to the mining project, at least for the next 36 years. The incentive of this offer as perceived by the State was the proximity to the city and the potential of added market value to this land in the near future. From this perspective, the Government has set a precedent that would perhaps be difficult to follow in a similar project in the future.

A further incentive was that the landowners could return to the mine site at the end of the mining project (after 36 years) in which case their land would be returned but of course with some topographical changes.

However, not all landowners decided to be relocated to the relocation site, namely, Lungga resettlement site. This group of landowners retreated further inland from the mine site. One of the problems with this move was the issue of them gaining access to the coast as it would have to be through the mine site. The families who were relocated to the

Government's designated land area were provided with two bedroom tropical bungalows in four spaciouly organized villages. The villages were built with water supply and an unsealed road to provide access to the main town of Honiara. The village relocation development cost about A\$2.2 million (Australian dollars).

The Government believed that the compensation contracts were sufficient for such a project in the country. The Government, first of all, recognized that 1,500 people identified as landowners, are a relatively, a small population who would benefit substantially from the project, compared to other people in the country. The average income for the population per head at the time was limited to S\$100 per year, due to no formal employment. Secondly, the mineral resource quantity established by the technical report provided had estimated that the mineral deposit warranted a small to medium project. This meant that expectations from the project must be realistic. The total mineral ore output expected from the project was estimated at about 1 million ounces of gold.

The extraction cost of the mineral ore was estimated at about A\$271 per ounce (oz). The realized price on the market at the time was A\$554 per oz. On the basis of this information, resource rent sharing was expected to be relatively high for the mine developer. There was also the issue of fluctuation of the international market price of gold. The perceived high risk of investment in a project of this kind in Solomon Islands needed to be balanced by a relatively higher rate of return on the investment contract.

The project management would complete the construction phase and commence operation by September 1998. The production rate for the project was designed to accommodate 200,000 oz of mineral ore each year, although, initially, it was expected that production rate would be 100,000 oz of gold per year. The mining life was expected to be around 10 to 15 years. The capital investment required for the project was around A\$66 million dollars.

Compensation Agreements

The compensation agreements reached were twofold in nature. The first, being the main agreement signed between the Government and the mining company. This agreement is based upon the kind of fiscal policy that the Government had adopted. The second set of agreements were called Memoranda of Agreements. They included the Memorandum of Agreement between landowners and the mining company and another between the landowners and the Government. The landowner agreement was drawn mainly around relocation of the people from the mine deposit and compensation payments.

In the Mining Agreement, the Government adopted a fiscal policy geared towards conduciveness to capital inflow. This had taken into account international competition for investor capital and therefore the promotion of a perception of Solomon Islands as an investment destination was considered a significant factor in the planning and decision-making process.

The government negotiation team, which involved relevant government departments headed by the Ministry of Energy and Mines, the Attorney General's office, and its advisers from Commonwealth Secretariat, had taken positions that were not necessarily focused on the local situation but rather, in relation to international factors. The Government was enthusiastic about the implementation of the project and was prepared to do whatever was within its power to facilitate the project.

It was under these circumstances that, at the end of negotiation period between mid-1995 and October 1996, the policy to compensate landowners affected by the mining proposal with 500 ha freehold land was adopted. The size of the land provided as compensation is the same size as that lost to the mining project. The resettlement of the Gold Ridge popu-

lation occupied only 0.02 percent of the land area provided. The main part remaining was to be used for future investment by the landowners, since the land is very close to the Honiara City boundary. The landowners were happy with the offer, but pointed out that the land was their own in the first place when the Colonial government acquired it a century ago.

Thus, the landowners demanded the mineral rights from the Government, arguing that it would be consistent with government policy of shared mineral rights as stipulated in the 1990 Mines and Mineral Act (amendment). The Government responded by offering 100 percent of the royalty right to the landowners. The Government and the Mining Company agreed on a royalty payment of 1.5 percent of the gross value of gold sold. This was to go to the landowners, while the Government also imposed an export duty of 1.5 percent of the gross value of mineral sold. The landowners, in turn, offered 0.3 percent out of this royalty to their local provincial government. This was a move intended to facilitate the concept of sharing of benefits of incomes from mineral resources within the province.

The seven months negotiation between the Government and the landowners and the mining company led to the approval of the feasibility study and the fiscal terms set out above. The Government also allowed duty exemptions with regard to capital equipment and fuel and 100 percent income tax credit allowances, for exploration and development costs. These were seen as competitive incentives to the company.

A fixed income tax of 35 percent and an additional profits tax of 30 percent after reaching a 25 percent real threshold rate of return on capital, were also agreed. There were also withholding taxes of 5 percent on interest payments. There were custom and goods tax exemptions for the company. These fiscal terms seemed to be in line with what the Government considered conventional for the promotion of investment and as an inducement for capital inflow to the economy.

Memoranda of Agreements between Mining Company and Landowners

The Memoranda of Agreements contained the commitment expected of each party. In the Gold Ridge project, unlike other PNG mining cases, such as the Porgera mine, landowners did not expect any services from the provincial government, but rather from the central government and the mining company. The landowners considered the central government and the mining company as having shared interests, both competing for the landowners' resources. The impacts of mining development are likely to be blamed on both the Government and the mining company. The landowners' major concern was the relocation from their existing homes and the nature of compensation payment for such social dislocation. The compensation package accepted by the landowners from the mining company is summarized in Box 13.1 below:

Memorandum of Agreement between Government and Landowners

The Government's attitude to the project was that it must take place to support the economy. The Government lacked finance and resources to compensate customary landowners for the project. Thus it engaged in meeting nonmonetary demands that the landowners requested and that were seen as imperative to them. This led to the terms accepted in Box 13.2 below as state obligations.

The government commitment under the Memorandum of Agreement was generous. However, such a gesture may require that the Government show improvement in its track record if it is to fulfill its obligations. This time the landowners were prepared to vacate their land for a project considered by the Government as of national importance. These mining

Box 13.1

Gold Ridge: Summary of Compensation Package for Landowners

- Construction of the relocation villages at a total cost of SI\$ 6.0 million. The four main villages were built on a 10-hectare portion of the 500 hectares of freehold transferred by the Government to the landowners.
- Payment of SI\$ 3.0 million for disturbance and damages which included loss of income, Tambu sites, access, and disturbances.
- The cost of 10 new high school scholarships and 5 college level scholarships per academic year.
- Provision of 20 percent free equity in the cleaning, catering and security sub-contracts let by the mine, payable from profits.
- 270,000 fully paid shares in the parent company, Ross Mining N.L.
- Payment of SI\$ 0.5 million premium for the tailings dam.

Box 13.2

Gold Ridge: Government Commitment to Landowners

- Recognition that the landowners should receive equitable benefits from the project.
- Recognition of the landowners as an important party to the project.
- Relinquishment of 100 percent of mineral royalty to the landowners.
- Provision of 500 hectares of freehold land for resettlement.
- Transfer the 500 hectares free of government survey fees.
- Government able to lease the land on payment of annual rentals to the landowners.
- Provide teachers for the new primary school built as part of the project.
- Provide a plot of urban land suitable for business development.
- Provide a 5-year tax holiday to business ventures of the landowners.

projects have always been of national importance. But how important is it to the landowners and what are the costs they have to bear? For example, the resettlement trauma and the permanent social and cultural dislocation? The situation may be different in the future.

Future Implication of Gold Ridge Relocation

The resettlement of the Gold Ridge people is the direct result of government policy to develop mineral resources in the country. Resettlement of this kind is to be expected in the future, especially in relation to mining development or other government projects such as hydro-electricity projects. However, what can be learned from the country's first major project involving resettlement of at least 200 families, with a population of about 1,200 people?

Firstly, the context within which the agreements and memorandums of understanding were reached is one of minimal resistance to the project. What I mean by this is that the landowners were not in an independently well informed position to resist the government facilitation of the mining project. While the Government was concerned about possible resistance, especially in terms of disputes, the government policy was simply to develop the project. The government policy position suited the mining company and, in terms of the intention to develop the project, both Government and the mining company shared a common interest.

Secondly, on the basis of the current Memoranda of Agreements and the Memorandum of Understanding signed by the three main stakeholders, namely, the customary landowners, Ross Mining, and the Government, the underlying rationale is the security of tenure for the mining project. The Bougainville conflict in PNG is a persistent reminder of how and when agreements do not meet the expectations of one of the major stakeholders. This kind of outcome on mining projects is expected to be minimized under the current agreement and memorandum of understanding.

How effective the intentions of the Memoranda of Agreements and the Memorandum of Understanding on the security of tenure are has yet to be realized. Unfortunately, diverse interests that may be attracted by a mining project can compound the situation. This seems to be the case, in some of the current legal suits against Ross Mining on the issue of the downstream environmental threat. While there are genuine cases of environmental threat by mining development, one must not discount the fact that in some instances, the goodness of man may be abused for unjustifiable reasons.

This does not mean that the mining company is blameless, but so too may be the Government and, to a certain degree, the landowners. What should be of concern, at least to those who have an interest in the success of the mining project, is to identify the threats to this particular project under the current arrangement.

From the company's perspective, profitability and security of the tenure to avoid production delays are the major concerns. These concerns as can be seen have been catered for by the current agreement but also its enforcement is likely to be consistent throughout the project life. The only possible threat as far as the company is concerned here, is the possibility of future resistance to the project due to inter-generational gap. The current agreements have not to my knowledge provided a concrete contingency plan to deal with inter-generational issues. Both the Government and the mining company considered the issue as being in the domain of the landowners, where the landowners ought to deal with this issue through their royalty payment. This is no guarantee and it is likely to be a persistent issue after production commences (October 1998) and royalty payments begin.

From the government position, the most likely threat concerns securing the maximum benefit from the project. For example, under the current arrangement, there is no mandate by the Government for an indigenous employment program. While the company was encouraged to do what it can, it appears that no sanction can be applied if the company decided not to comply. The current political turmoil and lack of resource commitment by the Government to enhance its monitoring role is a significant threat to the Government's retention of its share of the mineral rent. Further along, the Government has no mandate for effective training of Solomon islanders to take on skilled jobs within projects such as mining.

As for the landowners, the major threats involve the unpredictable consequences that this mining project will bring to them. There has been disruption of their existing social and cultural structures as a result of the inflow of new immigrants into the area in anticipation of the project. Also as a result of the expansion of economic activities around the area, the local population will come under pressure to readjust their existing relationships that evolved

Box 13.3

Gold Ridge: As Seen by the Solomon Islands Development Trust

John Roughan made a supplementary presentation on the Gold Ridge Project. He is the founder of a NGO, the Solomon Islands Development Trust (SIDT), and remains active as its consultant.

Roughan explained the drastic social and economic change the project implied for the people of Gold Ridge.

- Their previous livelihood of gold-panning has gone forever.
- They are excluded from land that contained many features important to their traditions and sense of connection to the rest of the natural world.
- They are now wealthy, but with nothing much to do.
- They had been largely illiterate; but now their children without education are being provided with good schooling and access to a health clinic and all other services accepted as normal by the population of Honiara.

SIDT had done one survey of village quality of life in the new location and, despite all the superficial improvements, the people did not rate their new village very highly.

Additional surveys will be done to help the people articulate what they want to do with their new lives.

Suggestions that they might use their newfound wealth to assist others in their kinship group has, so far, been received coolly.

Already, the casinos of Honiara are becoming the haunts of many of the men of the community.

in a subsistence way of life. Finally, but not least, is the environmental disfigurement as a result of an open pit mine, which will remain for many years to come.

Conclusion

Solomon Islands experience in mining projects is very limited. While the government policy on exploitation of natural resources is to encourage it, there is no firsthand experience on the impacts of a mining project on the local people. However, the Bougainville conflict in PNG has become a red light signal when the Government contemplates mining developments. The degree in which such a signal could influence decision makers is a different matter, although, as a result, in the Gold Ridge project development, communities directly affected by the project received more attention than they probably would have otherwise.

The Gold Ridge project is still at too early a stage to be able to comprehensively report effects of the project on the people. However, using knowledge of other experiences, espe-

cially in Papua New Guinea, one can contemplate inevitable impacts on the various facets of social, economic, political, and cultural lives of the people.

The Gold Ridge people were an isolated community until a long history of mining exploration brought them into contact with the outside world during the 1950s. The long series of mineral explorations in the area had provided much needed income for the locals in the form of access fee payments. During the 1970s and 1980s, gold panning became practiced widely around the current deposit area. This form of small scale mineral extraction, had developed a strong dependency relationship on alluvial gold extraction for subsistence. This strong dependency was recognized, when a baseline study done in the 1990s showed that there were no or limited subsistence gardens owned by the Gold Ridge people.

The long dependency on mineral exploration for unskilled employment, attracted more people into the deposit areas so that by the time of the resettlement of the Gold Ridge communities in 1996 and 1997, there were more than 200 people who had joined the original landowners.

Mining projects can provide employment. The nature of employment depends on the stage of development of the project. The local community will find, as in the case of the Gold Ridge project, that in the initial phase of construction of the mine, there will be employment for local people. This is the phase where a lot of unskilled jobs will be available. However, this will change as the project shifts to the operation stage in which more skilled jobs will be required. Unfortunately, as experienced in PNG, most locals do not have the skill to be employed and therefore employment of the local people will decline. One effect of such changes is the discontentment after the high expectations the people have for the project to provide employment opportunities.

Economically, the presence of the mine will have an integrative effect on the surrounding communities. In the case of the Gold Ridge project, the people on the Guadalcanal plain and the Honiara township will form new economic relationships with the mining activities. As the mine goes into production, royalty payments to the resettled villagers will provide financial buying power to the members. However, drawing on PNG early experience, contingency plans for the future of resettled communities were not provided, which raises the issue of insecurity for the people after the mine closes.

The impact of government policy on mining development will soon be realized. While the development of mining is new, it still carries with it the expectations of assisting the local economy with an expected spin-off effect of the mine on the national economy. The ecological and economic impact would be realized, as the production phase of the mine is initiated. The open pit mining will leave its physical mark on the landscape and the extent of its impact on the local ecology will soon be fully realized. The benefit to the country will depend largely on the level of local participation in the project and the economy as a whole. At present, Solomon islanders' participation in commercial undertakings is limited with the commercial sector mostly dominated by foreign companies.

The mining company will leave after the mineral has all been extracted. What happens to the local community? The local community will have to deal with the issue of existent dependency on the mine for their income. The royalty payment will stop as soon as mineral export ceases. The migrant population to the mining area will have to find other alternative income generating activities. So what happens after the mining is closed? Who is responsible for rehabilitation of the people? What about the environmental rehabilitation of the mine site? Are there any contingency plans for rehabilitation?

Some of these questions cannot be answered with certainty. However, as far as the Gold Ridge project is concerned, a number of measures were provided. The first is that of environmental rehabilitation. The agreement required the mining company to rehabilitate the mine site according to internationally recognized practices. It was understood that this

referred to best environmental practice as expected in the western world. The second was a provision under the mining lease for continued dialogue between the stakeholders in relation to social and environmental issues. Under the coordination of the Ministry of Mines and through a social impact committee, issues of a social and environmental nature are to be raised by either of the parties at any time as necessary. The intention is to resolve issues as they arise. Having said that, inter-generational issues have not been provided for under the current agreement. It was left entirely to the landowners' discretion. Furthermore, women's level of participation was also restrictive as a result of obvious male leadership dominance.