



**JUBILEE AUSTRALIA**  
Digging to the roots of poverty

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**Submission to the Senate Foreign Affairs, Defence and Trade References Committee concerning the “*Delivery and effectiveness of Australia’s bilateral aid program in Papua New Guinea (PNG)*”**

**I. Introduction**

Jubilee Australia conducts in depth research to bring awareness to Australians about Australian government and business practices that impoverish people in the Asia Pacific rather than contribute to their well-being, and calls for change to create a more equitable relationship with our neighbours. Founded more than ten years ago as part of the global movement to ‘forgive the debt’ so that developing countries could instead direct revenue to local health, education and social welfare instead of accumulated long-term debt, Jubilee Australia remains a critical voice in Australia and a dynamic member of the international movement for fairness, equity and economic justice.

1. Jubilee Australia is pleased to present this submission to the Senate Foreign Affairs Defence and Trade References Committee for consideration with reference to the *Delivery and effectiveness of Australia’s bilateral aid program in Papua New Guinea (PNG)*.

2. Jubilee Australia commends the commitment to supporting development objectives of the PNG Government in particular regarding education, health, law and justice, infrastructure and sustainable economic growth, supporting women’s participation, safety and wellbeing, and good governance. We take a broad view of the definition of the Australian aid program, which we believe includes, but transcends, the financial contribution. Australia’s intellectual contribution must be considered beyond the dollar amount of programs.

3. Having conducted research during the past several years concerning major extractive-resource projects in Papua New Guinea, Jubilee Australia is aware that Australia’s bilateral aid programs are inextricably linked to these projects. Jubilee Australia believes that the definition of Australian Aid must also include, beyond the narrow view of aid, EFIC financing on its National Interest Account; such funding is approved by DFAT and therefore can be considered part of Australia’s aid policy.

4. The projects that Jubilee Australia has researched in PNG include the LNG USD19 Billion Project in PNG’s Southern Highlands (Fletcher & Webb, 2013), and the Panguna Mine in Bougainville, which is on a trajectory to be re-opened (Jubilee Australia, 2014). These projects have major irreversible economic, cultural, social, spiritual and environmental impacts on the local communities.

5. A major concern is that the promised ‘return’ to community resulting from these commercial investments will not be delivered. Australian Aid is linked with these projects, not just through EFIC as in the case of the PNG LNG Project, but also in securing local approval. In

the case of Bougainville, Australian Aid funded the development of mining legislation as well as the process of community 'consultation' regarding the proposed re-opening of the mine.

6. Large-scale natural resource extraction projects have a history of negative impacts on the social, economic, cultural and environmental fabric of the community. Destruction of the environment through tailing deposits and toxic chemicals have impacted entire river systems, the health of children and families, and the land which had previously supported self-sustainability through fishing and local gardens. A transparent consultation process conducted in local communities with local facilitation in local languages and clarity about the impact of potential projects is essential to achieve 'free, prior and informed consent' by communities to any major development project. The directing of Australian Aid toward securing a particular outcome, rather than toward ensuring that 'free, prior and informed consent' has been granted, leads to instability in the region and potentially disastrous outcomes for all involved. Bougainville's Panguna Mine was established despite widespread opposition and hostility from local villages and minimal return to communities. (Jubilee, 2014, p8). The mine's subsequent closure by disenfranchised communities resulted in a decade-long civil war in which 10% of the population is estimated to have perished.

7. Australian Aid is used to fund academic research that is used to guide local decision-makers. The academic research reflects a clear bias in favour of large Australian extractive industry companies over other potential development opportunities, resulting in a very small fraction of overall aid (\$164,000) directed toward alternatives such as agriculture. This bias compromises the integrity of Australia's Aid and the wellbeing of PNG communities which are directed toward projects they are not able to manage or control themselves. These projects strip their culture irrevocably, their environment and opportunity for self-sustainability. Any 'boomerang' aid provided to Australian institutions should ensure that truly independent research and advice is provided. Australian Aid is otherwise seen to support Australian companies and Australian interests over the needs of PNG communities.

8. Jubilee Australia is concerned about the 'New Direction for Australian Aid in PNG'. The bias toward Australian company priorities rather than community-articulated needs creates a high potential for conflict. Australia's EFIC lent approximately USD500 million to the LNG Project where Exxon-Mobil was the lead partner, with smaller interests held by Oil Search and Santos. Tensions, violence and death have resulted in the LNG project for many reasons including land disputes, inadequate employment and pay, failure in a duty of care regarding local communities (eg Tumbi Landslide, Shearn, 2014a, 2014b) and the environment.

9. Jubilee's submission seeks to provide some guidelines as to how bilateral aid might be delivered more effectively and fairly, and support equity, sustainability and human rights (civil and political as well as economic, social and cultural rights) for PNG communities.

10. Jubilee makes the following recommendations:

- \* That DFAT review its decision-making concerning PNG aid programs and direct its aid toward independently-assessed priorities identified by local communities.

- \* That DFAT support a community-initiated and community-driven approach regarding projects it supports to ensure that human rights and community priorities are respected. This includes acknowledgement for and support of the pivotal role of women in community and for community-devised infrastructure rather than foreign structures imposed to sustain initiatives. While institutions at the higher levels of government in PNG are problematic, at the community level infrastructure is strong and needs to be supported. Difficulties occur when artificial structures are imposed by companies seeking approval for projects that local

communities oppose; even where matrilineal systems are in place women are displaced from their customary position in the community and men given authority by external sources to 'legitimise' projects.

\* That DFAT support community-driven, local private enterprise in PNG in the development of locally-based initiatives determined by communities as most appropriate to their region and needs. This includes fisheries with onshore processing, agriculture, aquaculture, livestock, tourism, alluvial and small-scale mining.

\* That Australian SMEs be encouraged to work with PNG communities on community-initiated and community-driven initiatives, and transparent funding be provided by EFIC and by DFAT for this purpose. Australian Aid in support of mining projects needs to be clearly identified as such, as it is often embedded in more broadly-defined aid categories obscuring its true purpose.

\* That Australia's role in the unresolved issues which originated from the establishment of the Panguna Mine and the ensuing civil war in Bougainville be addressed. This includes the Australian Government being held accountable for its role in the civil war, reconciliation among all the parties be achieved including government and corporate actors, and the environmental damage caused by the mine be addressed. This is essential for the relationship with communities in Panguna and across Bougainville to move forward.

## **II. Response to terms of reference**

### **2.1 The political, economic and social objectives of Australia's aid**

A high proportion of Australian Aid funding has consistently supported large-scale extractive industry projects ('Mining for Development') where Australian companies are involved. Current thinking regarding large-scale extractive industries in developing countries is that the extractive development model, which is unsustainable and non-renewable, contributes to human rights violations, poverty, inequality and ecological destruction, and that any natural resource extraction be controlled by the indigenous communities themselves. Jubilee is thus concerned about the Australian Government's Mining for Development construct, which drives EFIC financing as well as Aid through the National Interest Account. This focus is at the exclusion of other potentially more appropriate alternatives, including those supporting Indigenous-controlled resource extraction which would be more culturally appropriate and provide greater benefit to the communities in PNG. Anaya (2013) states (p4):

*In contrast to the prevailing model in which natural resource extraction within indigenous territories is under the control of and primarily for the benefit of others, indigenous peoples in some cases are establishing and implementing their own enterprises to extract and develop natural resources. This alternative of indigenous-controlled resource extraction, by its very nature, is more conducive to the exercise of indigenous peoples' rights to self-determination, lands and resources, culturally appropriate development and related rights, in accordance with the United Nations Declaration on the Rights of Indigenous Peoples and other international sources of authority.*

In further discussion of the concerns regarding the impoverishment of communities that too-often accompanies so-called 'development', the 'UN Rights-based approach to resource extraction' further explores a locally-driven process to achieve equity and sustainability.

*Part of a historical trajectory that includes colonization, the extractive development model is characterized by wealthier, less resource-rich countries extracting from “developing” ones. Because natural resources are typically removed for export, rather than processed or consumed where they are extracted, the industry benefits the extractor while functioning as an “enclave economy” within its host country. This model entrenches and reinforces power imbalances between nations, and contributes to poverty and violence in its host countries – in addition to causing significant environmental damage, pollution, and destruction.*

*Therefore, the post-2015 sustainable development agenda must critically assess, re-examine, and transform the extractive development model –including the violence it causes – based on the international human rights framework. The role of the extractive activity within this agenda must depend on a critical assessment of its contributions to poverty eradication and to the creation of a just, equitable, and inclusive world – the objectives of sustainable development. (Mining Working Group of the UN, 2015).*

The EFIC loan of USD500 million to the PNG LNG project, approved by DFAT and the Cabinet as a ‘National Interest Transaction’, effectively includes the Exxon-Mobil PNG LNG project as part of government aid policy. Jubilee has serious concerns about the impact of this project on local communities, the destructive social practices and exacerbation of existing social problems. Social problems include prostitution, gambling, drug abuse and alcohol abuse, internal migration pressures, increase in disputes regarding revenue and family spending, and the impact on the ‘bride price’ making it difficult for young men to marry. The project has not addressed the failure of mechanisms to support critical infrastructure relating to employment disputes, allocation of business development grants, local revenue management and distribution through four problematic agencies: the Mineral Resources Development Corporation, Incorporated Landowner Groups, Economic Corridor Agency (Expenditure Implementation Committee), and Landowner Companies (Fletcher & Webb, 2013 p55-61). AusAid itself challenges the adequacy of the Incorporated Landowner Groups established solely to receive payments rather than distribution of funds by on-site disbursement through clan agents and other supportive mechanisms (Fletcher & Webb, 2013 pp59-60). These concerns have not been addressed in the continued support by DFAT of large-scale projects, which alienate local communities from their land, disrupt established sustainable livelihoods and endanger cultural practices.

The clear preference by DFAT for mining-led development, supporting Australian and international companies, ignores legitimate concerns of local communities and causes extreme environmental, social, cultural and economic disadvantage in PNG. In terms of long-term benefit to Australia and stability in the region, as well as following the practice of ‘do no harm’ with aid, DFAT and Australia’s interests would be well-served to support locally-initiated, sustainable businesses driven by community rather than provide unquestioned support for large-scale extractive industry projects.

## **2.2 The role of multilateral and regional organisations, non-government organisations, Australian civil society and other donors**

Multilateral and regional organisations, non-government organisations, Australian civil society and other donors play a significant role in development in PNG. In certain circumstances this role can be deleterious. The mining legislation passed by the Autonomous

Bougainville Government hastily on March 26 with the strong support of Australian Aid is embarrassingly colonial, outmoded and strips local communities of traditional rights. Among its other harmful provisions to Bougainvillean communities it vests mining in the hands of the central government at the expense of rightful local owners; criminalises behaviour protesting against unfair practices and conditions; and has significantly weak environmental protection (Bougainville Mining Act, 2014). It is possible that the contracting body Adam Smith International, funded in part by DFAT and by the World Bank, are following conventional global mining protocol. Notwithstanding, it is these protocols that lead to the disenfranchisement and impoverishment of local communities in Panguna, and eventual war.

### **2.3 Scope for increasing private sector involvement in sustainable economic growth and reducing poverty**

Supporting locally-driven, private sector involvement with appropriate safeguards to ensure local priorities are respected is a positive approach, provided that these investments follow locally-articulated needs and are driven by the community. It is critical that these enterprises ensure local ownership through locally-driven ownership models, employment, sustainable use of resources, environmental protection, and retention of benefit in the community. Potential investment could include, depending upon local interest, fisheries, aquaculture with onshore processing, seaweed production, virgin coconut oil, coconut sugar and biofuel, cocoa, coffee and other agriculture products, livestock development, small-scale alluvial mining and tourism. Additionally there are opportunities for skill development in IT; as access becomes available in rural communities these skills will be required for education, health care and local industry. Critical to this investment is local ownership, management, participation and financial return to the community deriving from established cultural and social infrastructure and in harmony with the local environment.

In stark contrast is the disenfranchisement and dispossession of local communities by large-scale mining projects, echoed in the views of 82 Pangunans regarding the establishment of the Panguna Mine against the communities' wishes (Jubilee Australia 2014):

*The people of Panguna that we spoke with never wanted a large mine on the land; they believe that it was forced on them by outsiders, aided by a small number of local intermediaries seeking personal enrichment. The mine's promised benefits, as they see it, never materialised, and assurances over the negative impacts on their land proved hollow. Their attempts to register discontent through non-violent resistance went unheard. The subsequent use of direct action and industrial sabotage was brutally repressed, an act that precipitated a long and protracted conflict which was, in the eyes of many, justified to liberate the land and the people from an enduring state of marginalisation and dispossession.... (Jubilee Australia, 2014 p46).*

This practice of 'driving over' the priorities and concerns of local communities, marginalising people, continues to this day. Of the AusAid-funded consultation process regarding the potential reopening of the Panguna Mine, it was stated:

*This consultation has not been conducted in a fair way. Many people do not have a voice. This small handful of people who are coming out in public (in support of the mine) are lying about the reopening, saying 80 to 90% of people in Bougainville are supporting the reopening...They do*

*not come down to us, rather they stay in the public facilities located in places with road links. I don't think that going to such places will make the ordinary people feel free to talk...The consultation itself too is not the type you would expect. What has happened before is happening again....* Interview no. 43, young adult from Enamira, upper tailings, (Jubilee Australia, 2014,, p35).

Another view suggested that the consultation process funded by AusAid regarding the proposed reopening of the Panguna mine was actually a pro-mining session rather than a forum for consultation:

*I actually attended a so-called forum in Arawa, that was about two months ago and I was not impressed...The forum was a mining advocacy forum, it was not a forum. A forum is a place people put their ideas, and actually they missed a golden opportunity to get views they could put in the mining act...They have never solved the problems, all they want to do is just open up the mine upon the blood of the thousands who died.* Interview no. 51, young adult from Enamira, upper tailings, (Jubilee Australia, 2014, p35).

Large-scale mining and other private sector projects that are in opposition to the main wishes of community and are externally led, with primary benefits going offshore, are counter-productive, harmful to communities and the local environment, and contribute to instability in the region.

#### **2.4 Scope for expanding private sector partnerships in leveraging private sector investment and domestic finance**

The same concerns pertain to local PNG communities identifying, driving, managing and benefiting from leveraged private sector investments rather than project benefits flowing predominantly outside PNG to Australian companies.

EFIC's mandate is to support small and medium-sized Australian companies to gain access to markets overseas. Not only do EFIC's commitments favour large-scale companies over SMEs, but there is a lack of transparency regarding its decisions, environmental safeguards as well as oversight of the impact of projects it supports, and failure to incorporate social and human rights considerations into its funding decisions.. EFIC could play a role in supporting Australian SMEs to develop sustainable projects in partnership with local PNG communities (Fletcher et al, 2009).

Attitudes prevalent in leveraged investment projects are fraught with peril when they neglect local sentiment. Private sector partnerships could be sought for projects having strong community support, as well as safeguards for ensuring that community rights and priorities are being respected.

*The people of Panguna clearly say that, unlike in the past, they would like a say in how they control the natural resources of the land in which they live. The conditions under which they seem prepared to consider exploiting their natural resources - i.e. via local ownership and control - would appear to preclude the sort of industrial scale operation that the ABG appears to have in mind when it talks about reopening Panguna.* (Jubilee Australia, 2014 p46)..

Projects where the community is able to drive sustainable outcomes for their children and protect the environment are a high priority. Rosemary Dikaung of the Bougainville Women's Peace Forum articulated these sentiments just after the signing of the Bougainville Peace Agreement:

*The Panguna mine had been closed for 13 years and, during this period, there was recovery in the ecology. The rivers now had more fish, eels and prawns, the gardens were more productive and had more animals. Now that we were moving out of our period of crisis, we were rebuilding economic activity. We learnt from the past mistakes of large-scale resource extraction and wanted to pursue sustainable agriculture and renewable resources as the basis of our economy. This is a critical period in which we will shape our future path* (Havini & Sirivi, 2004)

Where there is unfinished business and distrust, private partnerships can only be established after local issues have been dealt with.

*There is healing taking place but not in all places...all of us here are still suffering the aftermath of the crisis...Reconciliation has to happen...involving PNG, Australia and BCL. A true reconciliation, not the lies like what is happening now....* Interview no. 21, community leader from Dapera, SML (Jubilee Australia, 2014,p41).

## **2.5 Improving PNG's progress towards internationally-recognised developmental goals**

A rights-based approach to sustainable development guarantees the achievement of the interlinked objectives of internationally-recognised development goals. These include poverty eradication; transforming unsustainable consumption and production; and protecting natural resources, by ensuring rights to local autonomy and rights to participation in natural resource management.

Progressive thinking pioneered by the UN Mining Working Group states that to achieve this,

*it is necessary to transform systemic and structural imbalances in power to eradicate poverty and create a just, equitable, and inclusive world, through redistribution of wealth and resources and a foundation of equality and non-discrimination, particularly regarding the rights of women and the collective* (Mining Working Group of the UN, 2015).

Jubilee Australia urges AusAid to support the right of communities in PNG to determine their own futures and that of future generations. This right is particularly poignant in the case of the proposed reopening of the Panguna Mine where consultation by funded by AusAid failed to expose underlying unresolved issues concerning the establishment of the Panguna Mine and subsequent civil war (Jubilee Australia, 2014, p46).

## **2.6 Supporting inclusive development by investing in good governance, health and education, law and justice and women's empowerment**

Economic development where traditional matrilineal channels of decision-making has been disrupted to secure 'approval' for projects in PNG (which traditional women landowners have

opposed) displaces women from their traditional role, and is a cause of violence, harassment and abuse of women as well as breakdown of traditional community structures. Inclusive development is achieved by supporting women to have 'place' once again, and by supporting women, men and communities to establish frameworks that can sustain health, education, good governance, law and justice, and community priorities. This is most evident in the case of Bougainville, which

*When asked about the future of Bougainville, respondents identified a number of principles which they would like to be adhered to secure a healthy and prosperous life for their communities and their island. The most important among these were respect for the natural environment, a commitment to a 'people-centred' development, and a development process designed and controlled by Bougainvilleans (Jubilee Australia, 2014, p6).*

## **2.7 Establishing realistic performance benchmarks to assess aid outcomes against set targets and to improve accountability**

Targets established to assess aid outcomes should be developed against locally-derived criteria documenting aspirations of local communities in PNG. It is oxymoronic to develop criteria that serves Australian Aid interests in the short-term but creates such displacement that significant issues of poverty, alcoholism, disruption of social structures, violence toward women and breakdown of community are a result.

## **2.8 The extent to which development outcomes in PNG can be improved by learning from successful aid programs in other countries**

Jubilee Australia has not had direct experience with successful aid programs in other countries. It has had feedback about aid that was provided during the peace process in Bougainville initiated to draw a close to the ten-year civil war. Logistical support was provided by the Australian and New Zealand Governments for the parties to the conflict, with no strings attached, facilitating the parties directly involved to develop their own resolution. Women took a leadership role in the peace process. This approach was highly successful.

Aid with 'strings' or projections of self-interested projects rather than addressing locally-identified needs goes against Australia's long-term interests. It is suggested that Australian Aid be supported by more listening and developing proposals reflecting community-driven projects that the community can derive direct benefit from, are sustainable and sustaining, and can be controlled and managed locally well into the future.

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