

# **Building a Framework for Sustainable Minerals Development in Solomon Islands**

**A proposal submitted to the DEFAT Inquiry into the economic  
challenges facing Papua New Guinea and the island states of the  
Southwest Pacific, August 2008**

**from**

**The University of Queensland's Consortium on  
Community Building and Responsible Resource  
Development**

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## **Introduction**

This proposal has been developed by The University of Queensland's Consortium on Community Building and Responsible Resource Development (ConCord), and relates to a Memorandum of Understanding between The University of Queensland and the Solomon Islands Government. It is also a response to an expression of interest from the Solomon Islands Ministry of Mines, Energy and Rural Electrification.

## **Background to ConCord UQ**

ConCord is a multi-disciplinary network of researchers based at The University of Queensland (UQ). Its goal is to contribute to community building and responsible resource development. Consortium members have particular expertise working in conflict situations. Our expertise relates primarily to large-scale projects from the extractive industries sector (mining, oil and gas). We also have expertise in integrated rural development and large-scale agricultural projects (such as plantations), fisheries, forestry and tourism.

ConCord Consortium members have worked extensively in the Asia Pacific, including Solomon Islands, Philippines, Papua New Guinea and Indonesia, as well as Australia.

## **Our Approach to Constructive Dialogue**

The Consortium has the capacity to bring together companies, communities and governments, as well as other stakeholders for constructive dialogue about responsible resource development.

### **ConCord Guiding Principles**

Our guiding principles are:

- ensure that resource developments deliver sustainable benefits for communities
- assist companies to act responsibly and minimise their risks
- include communities in decision-making processes in meaningful and culturally appropriate ways
- engage with governments and state institutions and assist them in conducting their tasks regarding responsible resource development
- facilitate mutually beneficial dialogue between stakeholders

### **Project Objectives**

The objectives of the proposed project are to:

1. Provide the Solomon Islands Government with a substantial scoping project which would provide a blueprint for further development of the mining industry.
2. Draw together existing information about the minerals resource development potential of Solomon Islands. The intention is to strengthen capacity within the Solomon Islands Government to develop and implement a policy of sustainable mineral development.
3. Identify limitations to the sustainable development of these resources and possible strategies for addressing these obstacles, drawing on the experience of other countries in the region.
4. Formulate a set of principles and a broad strategy to guide future minerals resource development in Solomon Islands.
5. Develop a work program that identifies specific research, policy formation, capacity building and education and training activities that will assist in building a sustainable minerals industry in Solomon Islands.
6. Develop an effective approach to the engagement of affected communities, in particular those whose customary rights may be impacted by mineral development, in ways that protect customary rights, ensure full stakeholder participation, including churches and other village-level organisations, and are equitable across gender and age.
7. Make recommendations on the role of mining royalties in community development processes.

8. Assist Solomon Islands to provide develop guidelines for responsible mining development in accordance with the Policy Statements of the Coalition for National Unity and Rural Advancement Government.
9. Review and make recommendations for changes to the *Minerals and Mining Act* to ensure that prospecting and exploration companies are transparent, accountable and responsible.
10. Develop Solomon Islands capacity and expertise through involving key Solomon Islander personnel, and utilising one of the Masters scholarships offered by UQ under the re-signed MOU with SIG in 2007 as an integral component of the project.

### **Project Rationale**

The Solomon Island economy is strongly dependant on logging, fisheries, and overseas aid. The forest harvest, currently providing about 50% of the country's foreign exchange and 30% of GDP, will drop significantly before 2010 and reach total exhaustion by 2015. Significant mineral resources have already been identified and it is likely that more intensive exploration will lead to further discoveries (see SOPAC, Solomons Country Profile, 1999, pp. 6-7; DEFAT, *Solomon Islands: Rebuilding an Island Economy*, 2004, pp. 123-126).

After the closure of the Gold Ridge mine in 2000, there has not been any large-scale mining conducted in Solomon Islands, although some artisanal mining continues in a largely unregulated manner. Gold Ridge is in the process of coming back on stream, with a forecast of 150,000 ounces of gold per year by late 2009. Prospecting continues elsewhere, and, with the restoration of political stability and law and order, there is considerable scope over the longer term to build a viable mining industry. One medium-size mine, such as Gold Ridge, has the potential to return approximately 30% of the national GDP. The minerals development potential of Solomon Islands is substantial, and properly planned has the potential to replace logging as the mainstay of the economy. However, mineral development needs to be balanced to meet proper criteria in protecting sustainability, stakeholder interests and national interests.

The potential benefits for the Solomons of building a mining industry include: an increase in direct and indirect employment and associated economic activity; reduced pressure on other natural resources (especially timber and fisheries); and, expansion of the Government's revenue base. At the same time, however, there are also a number of significant risks involved, particularly if the development occurs on a large-scale. These include: possible environmental pollution, unresolved disputes over land tenure and resource ownership, social dislocation and conflict, regional tensions, and government mismanagement of the revenue generated by mining.

If mining is to be undertaken in a sustainable manner in Solomon Islands, whether in larger-scale developments or locally controlled small-scale enterprises, it is critical that these risks are identified at the outset and effective responses developed for dealing with them. This requires a strategic, rather than an *ad hoc* approach, and a

willingness to plan for the long term. No similar general scoping study and recommendations have been made since Dr John Naitoro's study in the mid-1990s, before the Gold Ridge mine began. Much has been learnt since then and weaknesses have been identified through practical application of existing policy. Another assessment is well overdue, and it is crucial that it be completed before tenders are let for other large-scale mining project developments.

More than five years on from the beginning of the RAMSI intervention, and after the advent of the new Coalition for National Unity and Rural Advancement Government, is an ideal time to be focusing on the future. The return of stability and strengthening of governance means that there is likely to be renewed investor interest in the mineral resource sector. The Solomon Islands Government needs to be positioned to respond appropriately to any future development proposals with which it might be presented. Commencing work now on planning for the development of a sustainable minerals industry would also signal confidence in the long-term economic and political prospects of the country.

A further reason for undertaking the project at this time is that it could build on other capacity building initiatives in the resources sector, such as the World Bank's PNG mining technical assistance program, the International Council on Mines and Metals resource endowment project, and the Extractive Industries Transparency Initiative.

## **Project Methodology**

The project would have four main components:

1. Preparatory research in Solomon Islands and Australia. This research would: collect information about previous and current mining activity in the Solomons and ascertain future development prospects; document lessons from the experience of other minerals-rich countries in the region; identify any relevant international initiatives; and, draw together examples of 'good practice' in sustainable minerals development.
2. Consultations with relevant groups and individuals in the Solomon Islands, including government ministers and officials, community leaders, members of the business community, relevant non-government organisations (NGOs), and representatives of donor agencies and countries. This would be supplemented by Australian-based consultations with mining companies, industry associations, international agencies and NGOs.
3. A planning workshop of 15-20 people, to be conducted in Honiara in 2009. Attendees at the workshop would include: relevant personnel from within the Solomon Islands Government; representatives of key international agencies (such as the World Bank, European Commission, AusAID, UNDP and UNEP); mining industry personnel with experience in addressing sustainable development issues in developing countries; representatives of one or more NGOs with an interest in the area (such as WWF); and researchers with a proven track record in the area.

The main functions of the workshop would be to: (a) identify possible strategies for dealing with key issues identified in the consultation and work program; (b) help formulate a set of principles to guide decisions about future minerals resource development in the Solomons; (c) identify key priorities for policy development, capacity building, research and education activities; and (d) make suggestions for revisions to the *Minerals and Mining Act*.

4. A report for the Solomon Islands Government on the viability and sustainability of minerals development.

It should be stressed that the majority of the work for the project will be undertaken within Solomon Islands, using local personnel and organisations. The need to build local capacity is central to the project. The equivalent of a full-time local project officer would be employed for the duration of the project, under the general direction of the Department of Mines and Energy (presumably the recipient of one of the UQ Masters scholarship offered with the re-signed MOU in 2007). Personnel from the Ministry of Mines and Energy will be seconded to the project, if available; and other scholarship from the Solomon Islands Government scholarship pool could be allocated to the project, if possible.

### **Project Outputs**

The main output of the project would be a report to the Solomon Islands Government that:

- summarises project findings and conclusions
- identifies potential development opportunities
- proposes a set of principles to guide future minerals resource development in the Solomons
- identifies specific issues and challenges and strategies for addressing them
- maps out a future work program
- recommends revisions to the *Minerals and Energy Act*, to ensure that prospecting and exploration companies are transparent, accountable and responsible.

A secondary output must be building sustainable capacity that can sustain future developments in the mining sector, particularly in the Department of Mines, Energy and Rural Electrification.

A report will also be provided to the funding body, describing the project, how funds were expended and the project outcomes.

### **Resourcing**

*In-kind support to be provided*

The UQ Sustainable Minerals Institute (SMI) and ConCord UQ have already expended approximately \$20,000 in time and resources on developing this proposal. Both organisations will also contribute a substantial amount of in-kind support

(totalling in excess of \$50,000) to the actual project, as would the Ministry of Mines and Energy. The University of Queensland, through the MOU signed with the Solomon Islands Government in September 2007, with agreement from the Government, could assign one of the Masters (two year) scholarships to a suitably qualified Solomon Islander, within a suitable discipline or across disciplines, to work with this project.

### *Cash Support Sought*

A detailed budget would be prepared if funding was available. In broad terms, however, the funding required would require support from a donor agency, such as AusAID.

#### Project team salaries

Salaries of Solomons-based staff  
Full-time ConCord researcher/s  
6 mths

#### Travel and accommodation of project personnel

Workshop costs (travel & accommodation for participants, facilitation, venue hire, meals , administrative support, etc)

#### Administrative expenses

#### Report production and dissemination

### **Project Management**

ConCord UQ would take overall responsibility for project coordination and financial management, international liaison, library and web-based research, consultations within Australia, and report production.

The Solomon Islands Department of Mines and Energy would be responsible for in-country liaison and coordination of local research, logistics and consultations.

The Pacific Applied Geoscience Commission would be consulted in regard to regional research and coordination of other regional agencies.

Solomon Islands Ministry of Mines would second appropriate personnel and supply available research data.

University of Queensland staff involved in ConCord would be responsible for supervision of the Master's student, if applicable.

## Proposed Timetable

Commencement will depend on when project funding is made available. A best-case estimate, assuming that funding was available from early 2009, is that the workshop would be held in August and the final report completed and disseminated by February 2010. The UQ Master's student would be enrolled during 2009 and 2010

Tasks	Time frame
Develop detailed project plan; establish project steering committee; develop consultation strategy; recruit personnel; Commence information gathering	Month 1-2
Research and consultation; development of preparatory materials for workshop; design of workshop format	Months 3-6
Conduct workshop; write up outcomes	Month 6-8
Writing and production of final report; dissemination & presentation of findings	Months 9-12
Master's student completes his/her study at UQ and provides further assessment of the framework for sustainable minerals development in Solomon Islands.	2009-2010

If the project was to proceed faster, due to the needs of the Government, further negotiation would be needed. Depending on the availability of personnel, this would also be possible.

## Capability Statements

*ConCord UQ* guiding principles are outlined at the beginning of this proposal. Members of the Consortium are drawn from the following Schools, Centres and disciplines with UQ: Australian Centre for Peace and Conflict Studies; Sustainable Minerals Institute; Centre for Social Responsibility in Mining; School of Political Science and International Studies; The University of Queensland Social Research Centre; School of Social Work and Applied Human Sciences; Centre for Public, International and Comparative Law; UQ Business School; Aboriginal and Torres Strait Islanders Studies Unit; School of History, Philosophy, Religion and Classics; School of Natural and Rural Systems Management; School of Land, Crop and Food Sciences

*The Sustainable Minerals Institute* (SMI) encompasses all of the research centres and divisions within the University of Queensland that undertake research and education associated with the mining and minerals industry. Member centres include the Centre for Social Responsibility in Mining, the Julius Kruttschnitt Mineral Research Centre, the Minerals Industry Safety and Health Centre, the Centre for Mined Land Rehabilitation, and the W.H. Bryan Geological Research Centre.

The SMI has proven expertise in the technical, environmental and aspects of mining and the capacity to address sustainability issues in an integrated fashion. The Institute, through the Centre for Social Responsibility in Mining, also has strong links with other areas of the University that have specific geographic expertise in the Solomons and Oceania.

*PAGC* is the Pacific Applied Geoscience Commission with a Secretariat based in Suva, Fiji. It is an independent inter-governmental regional organisation dedicated to providing services to promote sustainable development in its island member countries. Currently, nineteen South Pacific countries are members of PAGC and there are approximately 80 professional and support staff together with short-term project staff forming the Secretariat. *PAGC* is mandated to contribute to sustainable development, reduced poverty and enhanced resilience for the people of the Pacific *by* supporting the development of natural resources, investigating natural systems and the reduction of vulnerability through applied environmental sciences, appropriate technologies, knowledge management, technical and policy advice, human resource development and advocacy of Pacific issues.