



COLLABORATIVE FOR DEVELOPMENT ACTION

CORPORATE OPTIONS: CONSTRUCTIVE ENGAGEMENT IN CONFLICT ZONES

Case Study

Field Visit: June 23 – July 4, 2001

Porgera Joint Venture (PJV) gold mining operation

Mine operator: Placer Dome Asia Pacific Ltd.

Porgera Valley, Enga Province, Papua New Guinea

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October 2001

PREFACE

The visit to the PJV mining operation in Porgera Valley showed the impressive results of many years of constructive and positive interaction between the company and its environment. The CDA team acknowledges and appreciates the flexible approach and dedication of PJV staff that have over the past decade tried to accommodate both the dreams and the concerns of local stakeholders. The absence of violent conflict and the generally perceived benefits of the mine show that PJV has done a remarkable job in a challenging environment.

The willingness and enthusiasm of the company to constructively review its impact on the social fabric in Porgera Valley underlines the commitment of PJV to do their work in ways that are beneficial to the local society.

This report should be seen in light of the continuous search of the company to improve its operations and way of interacting with local stakeholders. The identified positive and negative impacts of the corporate operations in Porgera on intergroup conflict and on the conflict between the company and the community reveal a variety of perspectives and options available to the company to increase intergroup cohesion and trust. Given the specific context, some of these options will be more successful than others. And some will be more relevant in certain locations rather than in others.

1. INTRODUCTION

The Collaborative for Development Action (CDA) wrote this case study for the Corporate Engagement Project in collaboration with Placer Dome Asia Pacific Ltd. The visit took place at the Porgera Gold mine in Papua New Guinea (PNG) from June 23 to July 4, 2001

The previous Porgera Mine Manager - Doug Fraser of D. J. Fraser Consultants Ltd, accompanied the CDA team, which consisted of Mary B. Anderson, President of CDA, and Luc Zandvliet, Project Director of the Corporate Engagement Project.

The team spent five days at the Porgera mine holding discussions with a variety of international and national staff from the majority of the departments, community leaders, landowners, a women's group, local politicians and civil servants. Two field-visits were made: The first was to Wabag, the Enga province provincial capital via the (only) access road to the Porgera Valley, which is maintained by the Porgera Joint Venture. Government officials and church representatives were interviewed. Second, a one-day helicopter trip to the Hides Gas Project - which generates the power for the mine- and to the village of Nomad, provided additional insights into the scope of interaction between the mine and its working environment. Nomad is particularly significant in that it is located near the Strickland River, an integral part of the mines riverine tailings disposal system. The trip ended with several days in Port Moresby where discussions took place with a variety of politicians, activists, oil and mining companies, the Australian High Commission and mining experts.

The core objective at the operational level was to assist Porgera Joint Venture (PJV) management to identify which aspects of their daily activities are inadvertently creating negative, or positive, impacts on their social working environment. With this knowledge, PJV hoped to gain insight into areas where future mine closure planning processes (proposed within the next decade) might exacerbate conflict. Alternatively, the work team attempted to identify possible approaches for mitigating conflict and enhancing relationships in the short and long term closure planning process.

This case study starts with a short background of the Porgera mine in chapter 2 and provides, in chapter 3, a socio-political and economic context of the area in which mining activities take place. Chapter 4 provides a factual description of the operational activities of the mine as they relate to stakeholders. How these operational activities (chapter 4) impact the context (chapter 3) is laid out in chapter 5. Chapter 6 offers an analysis of the observed impacts and suggestions of the options available to the company to help reinforce a stable and peaceful working environment.

2. BACKGROUND OF THE PORGERA MINE

The Porgera Mine is, by world standards, a large gold mining operation situated in the remote highland province of Enga in Papua New Guinea, about 600 kilometers north west of the national capital, Port Moresby. At an altitude of 2,200 to 2,700 meters, the mine is located in extremely rugged, isolated and mountainous terrain. Placer Dome Asia Pacific Ltd. operates the mine on behalf of the Porgera Joint Venture (PJV). Ownership of the operation is broken down as follows: PDAP 50%, Goldfields Ltd. 25%, Orogen Minerals Ltd. 20% and Yuwai No.65 Ltd. 5%. The PNG National Government and a group of Porgeran landowners are majority owners of Orogen and Yuwai respectively.

Due to the remote and harsh environment encountered in the Porgera Valley, (exploration) activity was limited until the 1970s when Placer Pacific Ltd. began exploration in this area. In 1979, a joint venture was formed between Placer Pacific Pty. Ltd, Renison Goldfields Pty. Ltd, and Mount Isa Mines Ltd., to further exploration activity. In the mid 1980s, with the discovery of a high-grade zone, commercial development of the Porgera gold deposit became a possibility. A Mining Development Contract for the Porgera Project was signed between the State and the Developers on May 12, 1989 and a Special Mining Lease was granted at that time. Construction of the mine began immediately with the first gold bar being poured on August 5, 1990. Today the mine has produced 9.96 million ounces of gold from combined underground and open pit operations. It contributes around 8% to the GNP of Papua New Guinea.

3. THE CONTEXT OF THE MINING OPERATION

To provide background for understanding the impacts of corporate activities, this chapter describes the social, political and economic contexts in which the mining operations take place.

3.1 Social context

In interviews in Enga Province, people described five aspects of the social context as of particular importance.

3.1.1. *Clan and Family structure*

The clan structure still forms a cornerstone of PNG society. Clan and family members support each other in difficult times. Funerals, bride-price payments, tribal fights and compensation payments are some areas where clan support is essential.

Some wealthy Porgeran men have customarily had 2 or 3 wives. Traditionally, a man having sufficient wealth to afford several wives was also a decision-maker, a village chief or a clan leader. The man was expected to supply a separate house, a garden and pigs for each of his wives. Children live with their mothers except for the boys older than seven years of age who joined their father in the men's house

Traditionally a woman "belongs" to at least four different clans, the two clans of her parents and the two clans of her husbands' parents. In times of tribal fighting, the women and children often seek temporary shelter with one of the four clans not involved in the fighting until the conflict is resolved

3.1.2 *The Notion of Reciprocity Between Giver and Receiver*

Fundamental to the PNG society is the notion of reciprocity. Help, whether it is labor, land, food, pigs or money, is given out of duty but also with the expectation of some kind of return. This may be loyalty in times of war/tribal conflict or assistance in organizing a future feast. Surplus wealth is traditionally not accumulated for its own sake but to be given away, creating prestige for the giver and placing obligations on the receiver.

The notion of reciprocity permeates all aspects of society, notably via the concept of compensation payments. Village chiefs negotiate solutions to problems, regardless of the degree of seriousness, using the concept of compensation payments. Only when payment is made (traditionally in pigs or kina shells and, more recently, in cash) do opponents "shake hands" and resume their normal activities.

3.1.3. *Inter-Community Comparisons*

In PNG, there appears to be a strong sense of comparison, sometimes bordering on jealousy, among communities. Relative wealth and power as compared to other groups are seen as more important than wealth in absolute terms. Although everybody may gain from the presence of the

mine, if some groups gain more than others, the groups that benefit less feel that they have “lost” from the presence of the mine and envy those groups that benefit more.

3.1.4. PNG’s Younger Generation

The land, to which the Papua New Guineans are traditionally attached, provides for a subsistence economy. With relative isolation from the Western World combined with limited opportunity for development, Enga province residents have a relatively short-term perspective. Other than the system of reciprocity, few people see any need to invest or save for the future either for themselves or for their children. One father stated, “We elders like to enjoy life now and our children will have to look after themselves”.

This perspective poses a challenge for the younger generation. Many people express concern that young people have lost respect for traditional values and work. They have limited future opportunities, especially in non-traditional jobs. Even those that have education face difficulties. One recently graduated mining engineer told us that out of his class of 16 people, only 5 got jobs in the mining sector, while the others had to take jobs “below their capacity.”

Many people note that the provision of government services has declined since the mid-eighties. Frustrated by this development combined with the lack of power and funds given to the Local District Councils, numerous young people have dropped out of school. In addition, they have never learned or have given up the traditional subsistence lifestyle of their elders. These youth are not prepared to participate in society in new ways and have abandoned traditional lifestyles. The result has been the emergence of youth groups who resort to violence for their livelihood.

PJV staff distinguishes three categories of what are called “rascal” youth groups. The first group consists of relatively harmless youth who are unemployed and are only occasionally involved in petty crime. The second group is involved in low-level crime, theft, putting up roadblocks for extortion and attracting government attention. They often use homemade weapons. The third group consists of hard-core criminals using modern automatic weapons with the objective of making “a name for themselves” by getting rich. An increase in the availability of modern weapons has led to higher levels of youth violence in all groups, which is one of the main concerns of the local population.

3.1.5. Social Constituencies

The Christian church is seen by many as the single most important social constituency in PNG. The churches as institutions cross boundaries. Denominations are linked across the nation and to their international bodies. In addition, members of each church come from multiple clans or tribes. Denominations do not seem to have “specialized” by tribes and, thus, have not reinforced sub-tribal identities.

3.2. Political Context

3.2.1. Traditional Leadership

In traditional PNG society, power was vested in chiefs, village elders and specifically, in “bigmen”. In most cases, a bigman did not create a dynasty. Although a bigman’s son had a head-start in life, he still needed to demonstrate qualities of his own - leadership, hard work, bravery, magical knowledge and concern for community interests. Different societies sought different characteristics, but economic ability was common to all. Wealth was necessary for a man to develop supporters. This system is gradually breaking down. The recent introduction of cash and firearms into PNG society means that those in possession of these items can exert greater influence than in the past. One church leader mentioned, “New bigmen today are little men with guns”.

3.2.2 The Australian KIAP’s

The implementation of an Australian administration-by-patrol system was for many Papua New Guineans the first encounter with the presence of a government. Young Australian men, called “kiaps”, were appointed as local administrators in PNG, assigned to set up and maintain an administrative, legal and judicial system. Some PJV employees who were kiaps recall occasions, in the 1960s, where they were the first ‘whites’ encountered by the PNG highlanders.

Papua New Guineans and Australians both describe the involvement of Australia in Papua New Guinea in terms of ‘administrative involvement’ as opposed to ‘colonization’. Many people describe the pre-independence period in nostalgic terms. We heard PNG citizens say that the Australians gave the country independence too soon before Papua New Guineans were ready to manage the affairs of governing. They attributed provision of services, stability and calmness in the country to Australian involvement. Given the cordial relations between the indigenous population and Australian administrators, many of the latter continue to provide their services and expertise since independence and still hold positions within the PNG government. Others continue to work with resource companies in PNG utilizing their long experience in dealing with local communities.

3.2.3 National, Regional and Local Politics

After independence in 1975, a provincial government system was introduced with nineteen provinces and a separate national capital district. Until the start of the mine, the Porgera district fell under the political authority of the Laigam District offices. Geographically, Laigam is a considerable distance from the Porgera Valley and, due to its remoteness, residents of the valley received little attention. Discovery of gold deposits rapidly put Porgera on the political map. As a result, Porgera got its own local council and a representative in the National Parliament.

Currently, there is a direct political link between the Provincial Capital in Wabag and the Porgera Valley. Laigam politicians feel they have “lost” twice. They suffered political loss when Porgera District no longer fell under Laigam. They also feel they lose by receiving fewer benefits from the mine compared to their former “little brother” in the valley.

3.2.4. Tribal Warfare

In the highlands, tribal war is still seen as the traditional process by which law and order is maintained (rather than as a break-down in law and order). What appears to outsiders to be an assault may well be a community-sanctioned punishment. During the CDA visit, several tribal fights were underway, and we passed several huts smoking as a result of this fighting as we traveled along the Porgera-Enga road.

Traditionally, the primary objective of tribal fighting was to show strength and domination and the ability to chase away one's opponent. Normality would return when the dispute was settled and compensation paid. The weapons used were bows and arrows and casualties were rare. The introduction of modern weapons to PNG over the last few years has changed the character of tribal fights.

3.3. Economic Context

3.3.1. Subsistence Economy

As is true of many parts of PNG, the Porgera Valley has traditionally relied on a subsistence economy. Only recently Porgeran people have started to diversify crops, some moving to cash crops such as coffee. The connection between the people and their land is a backbone of PNG society. Clans that have lived on the land for centuries privately own 98% of all land in the country. Many people explained that the link between the land and the people is inalienable; even if the land is sold, it is still considered to belong to the traditional clan.

Porgera is located at the end of a road starting in the port of Lae 600 kilometers to the Northeast. Terrain is extremely rugged and unstable, making road construction difficult and expensive. This isolation is one reason that the subsistence economy continues and that health, education services and electricity were largely non-functional prior to the mine.

3.3.2. Mount Kare

The area around Porgera has a history of gold deposit discoveries. A decade ago, the Mount Kare gold rush brought large amounts of cash to many youths living in the area. People got rich within a very short period of time. Overwhelmed by their wealth, many parents and youth failed to see the need for formal education. Teachers and students abandoned their classrooms to participate in this gold rush. The majority spent their Mt. Kare income on immediate consumption rather than investing for the future. Today, Mount Kare provides employment only to several dozen alluvial gold miners, and its economic impact on Porgera Valley is negligible.

4. MINE ACTIVITIES AND DECISIONS RELATED TO ITS WORKING ENVIRONMENT

The context of the mine has posed both challenges and opportunities to the mine developers. Context-specific issues such as individual landownership, weak infrastructure and intergroup dynamics required creative ideas and innovative approaches to make the mine operation successful. This chapter describes some of the activities undertaken and policies implemented by the mine to engage with local stakeholders.

4.1. Decisions Related to Land

4.1.1. Landowner Representation

The approval process for the granting of a Special Mining Lease in PNG is designed to accommodate its unique landownership structure. In PNG, there is very little crown land (approximately 2% of the total country landmass) while the balance (approximately 98%) is owned through traditional clan lines. Landowners control land surface rights but are not considered owners of subsurface mineral rights. Given this, no activity proceeds on traditional clan land without the authorization and support of local landowners.

The Special Mining Lease (SML) area defined for the Porgera mine covered over 2,200 hectares of land. Detailed genealogy studies were conducted by anthropologists on the lease area to identify landowners and traditional clan land boundaries. Determination of the geographical boundaries presented a challenge as, historically, these have been a cause of clan disputes resulting in tribal warfare. Development of the Porgera mine required that compensation be paid for surface disturbance and, consequently, many old boundary disputes were rekindled. Through the traditional processes of clan fighting and negotiation, the clan boundary issues were ultimately resolved.

The genealogy studies identified seven clan groups, further defined by twenty-three subclans consisting of over two hundred landowners making up a population of about 3,000 people. All negotiations and agreements were conducted on the sub clan-level, leading to the establishment of a group of twenty-three SML Landowner Representatives, chosen by the local landowners.

PJV has largely dealt with these landowner representatives locally rather than in Port Moresby. “Expat PNG-ers” that claim to represent landowners but present themselves in company offices located in Port Moresby have created problems for other companies that realized, too late, that they were dealing with individuals who were not recognized by “their” constituencies

4.1.2. Compensation and Relocation Agreements

Prior to mine construction, local communities had to be compensated and relocated from the mine site. Two important agreements for compensation and relocation were negotiated between the joint venture partners and a Landowner Committee representing the twenty-three sub-clan groups. The Compensation Agreement determined the rate of compensation to be paid to a

landowner for all improvements made on his land, as well as determining an annual lease rate to be paid to each landowner based on the land surface area utilized for mine development.

The landowners involved in early agreements with the company and located in the SML area preferred compensation in cash. Based on the strict and well-documented guidelines of the government (which, for example, clearly specify which amount of money needs to be paid for what sort of vegetation), the SML landowners initially received large amounts of cash. However, few landowners had much prior experience with a cash economy, and the amounts of cash received overwhelmed many of them. Most of the money was spent within a relatively short time on consumer goods and overseas holidays.

The Relocation Agreement outlined the criteria used to determine who received a relocation house, documented the design and specifications of the house, and included a one-time payment for the construction of “relocation gardens.” If relocation gardens were not harvestable when people moved to their new homes, garden produce was provided until their gardens began producing. Four hundred families, involving over three thousand people, were relocated from the active mining area.

4.2. Government Relations

4.2.1. National Government Agreements

Papua New Guinea has a democratically elected government similar in structure to the British system. One of the government’s key roles is to issue the necessary permits allowing exploration and mining. Approval for the Porgera mine was covered under a process called the Mining Development Forum. This involved a series of open meetings to hear and record input at the local, provincial and national levels. Two important issues became the focus of discussion: the distribution of wealth created by the mine, and, resolution of the environmental impacts.

These discussions then led to the negotiation of two agreements, one between the National Government and Landowners representatives, and the other between the National Government and the Provincial Government. These agreements focused on how the wealth generated from royalties and taxes paid by the mining operations would be distributed as well as on preferential hiring and business development guidelines for local Porgerans and Engans. They included commitments to construct community infrastructure such as schools and hospital facilities. The agreements also determined that ten percent of the royalties received by the Enga Provincial Government should be dedicated to a (Educational) Trust Fund. Following the process of engagement, the National Government issued a Special Mining Lease permit to the Joint Venture Partners, authorizing them to proceed with mine development under the specified terms.

4.2.2. Provincial and Local Government

The Provincial Government’s role in the Porgera Project was management of the provincial revenue generated by the project. For this purpose, it established a statutory authority called the

Porgera Development Authority (PDA) made up of representatives appointed by the Provincial government, the local government, PJV and the landowners. The PDA's primary responsibility is to manage the funds generated by the mining operation and allocated to the region through the various agreements and administer the commitments made by the National Government to the Province and Special Mining Lease Landowners.

The responsibilities of the Porgera Development Authority and its access to resources have provided the PDA with considerable authority. Some people we talked to during the visit considered the PDA the *de facto* local government council.

4.3. Infrastructure

The local landowners viewed the development of the Porgera gold deposit as their opportunity for an improved quality of life. In this way, they shared with mine management the commitment to see the project proceed and become successful. Due to the remoteness of the Porgera valley, basic infrastructure such as roads, schools, medical facilities and electricity were extremely limited before the mine.

4.3.1. Power, River and Road

To commence mine construction, PJV upgraded an old road from Wabag. This road still serves as a main lifeline between the mine and the outside world. All materials are brought in on this road and a road crew continuously works to maintain it. Compensation is paid to owners of land adjacent to the road for damages incurred through the maintenance activity.

PJV also pays annual fees and awards contracts to groups owning land that it leases for a 70-kilometer high voltage power line right-of-way. This line supplies the power for the mining activities but, as an additional service, also provides electricity to households in the SML lease area and to Paiam township. In many cases, households do not pay for their power consumption as they consider power as their 'right' for living in the area.

The principal impact of the mine on the environment relates to the disposal of tailings in the riverine system. Prior to discharge into the river, the tailing material is treated with lime which creates iron oxide compounds. These compounds give a reddish tinge to the river water. This is unfortunate as in PNG culture, the color red is associated with death and decay. PJV pays compensation to landowners along part of the riverine system affected by these tailings.

4.3.2. Tax Credit Scheme

In response to local landowners who complained of not seeing any benefits from the national taxes paid by PJV being reinvested in their communities, PJV initiated a Tax Credit Scheme. This program allows for a portion of the annual PJV tax payment to be channeled directly into local communities impacted by the mine. The scheme funds projects in four provinces where the PJV has a presence. These projects vary from replacing existing school buildings and teacher housing to erecting bridges and sports fields. One condition of the program is that the money be

spent in the creation of infrastructure and not for general operating budgets. In all cases, PJV staff work with the provincial government staff to ensure that the infrastructure that is created aligns with provincial development plans. Through the Tax Credit program, the PJV reaches out to communities that are frustrated because they feel they are not benefiting from the presence of the mine.

4.3.3. Paiam Township

The original Memorandum of Understanding between the National Government and the Porgera Landowners of 1989 stated that the National Government would make “every effort to ensure that PJV actively promotes the residence of mine operations personnel in the Porgera area for the duration of the Porgera Mine Project”. This clause was to promote the development of an “integrated, well serviced and economically developing township”. Concern for security and the preference of PJV staff to stay in a PJV compound and commute to their families outside Porgera Valley on a fly-in/fly-out basis led to a delay of this intended infrastructural development.

As a response to the perceived “betrayal” of promises, a “fly-in, fly-out agreement” in 1998 established the Paiam township. Paiam township is currently being developed as a cooperative effort between the government, landowners and PJV. In addition to sixty western-style houses, the township features a 60-bed hospital that provides the highest level of medical care available in the country, an international school, satellite phone connections, a future sports stadium and a reliable power supply (which is also available to the rest of the Special Mining Lease area). It has also become the business center for the region. It has a major supply depot for dry goods and food and also accommodates a furniture manufacturing business. It is also the headquarters for the Porgera Development Authority government offices, police station and courthouse.

PJV also assisted in establishing a local radio station in Paiam. The station broadcasts popular music with regular local news updates. The popularity of the radio station is demonstrated by the numerous daily requests for particular music that the station receives in its mailbox. Ownership of transistor radios is widespread in Porgera and many people stated that “everyone” listens to the local station.

4.3.4. Administrative Infrastructure

The administrative infrastructure provided by the local government in Porgera Valley was initially insufficient to meet the requirements for mine operation. PJV established some new systems while re-enforcing others. For example, in order to deal with compensation claims and land issues, the company created and maintains records of 15,000 land plots, including detailed descriptions of boundaries, vegetation and other specifics (a role that if the capacity existed would normally be the responsibility of government officers.)

PJV has supported training for local police to reinforce a law and order system based on a model of civil administration rather than tribal warfare. The company also established a system for local people to contact the police in case of emergency.

4.3.5. Educational Trust Fund

The Porgera SML Landowners' Children's Investment Fund (Educational Trust Fund) was repeatedly mentioned as one of the most successful outcomes of the mine. This Trust Fund receives 10 percent of mine landowner royalties and is dedicated to the education of local landowners' children now and in the future. PJV is a member of the board of trustees.

4.4. Hiring Policies

The mine directly employs approximately 2,000 people. Government regulations dictate that certain jobs are for Papua New Guineans only, and preference is given first to Porgerans and then people from the rest of Enga Province before people from outside the Province can be hired. Negotiations between PJV and unions have further determined that all industrial jobs (such as cleaning and maintenance) are to be given to Porgerans.

The need to verify the origin of potential employees (particularly Porgerans) has led to the creation of an Employment Committee made up of Porgera clan representatives. The Employment Committee endorses Porgera residents before they can be considered for employment. This has allowed some "outsiders" to get around the system by paying bribes to Employment Committee members.

4.5. Security Management

The close interaction between the regular police forces and the PJV internal security force is reinforced by the fact that many PJV employees are also members of the reserve police. The reserves can be called upon by, and work under the command of, the regular police. In the early days, the mine more often relied on the external support from the mobile police squad. Over time, by working with the regular police forces and by developing relations with local stakeholders their presence is no longer necessary. This is progress as the mobile squad has a tough reputation.

4.6. Community Relations

Local landowners have taught PJV an important lesson from the beginning. The mine could not go forward unless all matters of compensation, business development or other community issues were resolved. The motivation for the company and the community to work together was clear. The PJV partners recognized their need for the support of the community to build and operate the mine, and the local community wanted the mining project to proceed as they saw it as a means of improving their quality of life.

4.6.1. Staffing

An active community relations program was designed as a strategic component of the PJV business plan. The main department addressing the "social insurance" issue is the Lands and Community Relations Department, currently staffed with 130 employees. These include local members of the community and other Papua New Guineans supported by a number of international staff with extensive PNG experience and a thorough knowledge of language, culture and historical background. All of them share a dedication to seeing the Porgera Valley residents receive maximum benefit from the mining operation and to helping the valley develop, within the context of running an efficient mining operation.

4.6.2. Modus Operandi

The department works closely with landowners to address community issues and compensation claims and to support women's and youth organizations. Its operational framework is largely determined by at least three factors:

1. The Mining Act: The notion of reciprocity has found its way into the PNG Mining Act which states that companies have to compensate landowners and others that are affected by their activities. Thus, the company provides a target upon which the local population can work their considerable negotiation skills.
2. Requests from PJV mine planning technicians: Requirements to accommodate the technical aspects of mine development, (eg. land acquisition requirements for the placement of waste rock) often shape community relations' activities. In fact, the department both enables the technical mining process as well as responds to the social effects caused by it. Strict mining timelines require the community relations department, particularly the land group, to stay ahead of the technical development process.
3. The importance of social stability: The community relations department has two objectives to maintain social stability and to leave a positive legacy from the company. In this spirit, the department operates in a thoughtful and constructive manner to support a peaceful social environment that provides a basis for other programs.

These factors mean that maintaining cordial and constructive relations with local stakeholders is a balancing act. The department serves as a bridge between the company and the community. Especially the village leaders employed by PJV find themselves having to serve both their own communities as well as company interests. They explain that a mix of Government Policy, Traditional Law and PJV policy shapes their judgments of the validity of compensation claims as they maintain their positions in both the community and the company.

4.7. Community Development

PJV's Business Development Section provides assistance for local businesses and income-generating activities. The focus of the Section has shifted from mine-related activities to include non-mine-related business activities, with the goal that they will be sustainable after the mine is closed. A number of the businesses that have been developed, such as transport companies,

catering and timber milling, have been awarded contracts with PJV. The largest business in the valley is Ipilli Porgera Investments (IPI), whose 3,600 shareholders are all local landowners. Because many of the businesses developed to date depend on income derived from mine-related contracts, the Business Development Section is currently encouraging diversity and investment in projects that are not mine-dependent.

4.8. Closure Policy

Given the present world gold price and the mineral resource inventories at the mine site, PJV foresees mine closure within the next 5-10 years. The company has started a closure planning process with clearly identified responsibilities within the organization.

In regular meetings with Provincial Authorities and through ongoing discussions with landowner representatives, the imminent closure of the mine, and PJV's anticipation of it, is a prime topic of discussion. Detailed plans and the implications for the valley in general and Porgerans specifically have, in this phase, only been discussed within a limited group outside of PJV staff.

PJV is committed to sustainability. The continued reliability of the power supply, regular and sustained maintenance of the road as well as an effective and stable government structure are seen as preconditions to leaving a sustainable and viable local economy in place after the closure of the mine. How these conditions will be met is a current topic of discussion.

Within the company, each department regards closure as a benchmark that requires interpretation of the Sustainability Policy. However, each department deals with this benchmark from its own perspective. During the visit, PJV senior management organized a series of strategy meetings to incorporate the divergent views into an overall company perspective.

5. THE MINE'S IMPACT ON ITS SOCIAL ENVIRONMENT AS RELATED TO CONFLICT.

Following the setting of the local context in chapter 3 and description of the mine's activities in chapter 4, this chapter describes interaction between the two as this relates to conflict dynamics.

Conflict in the Porgera Valley is distinguished on three levels:

1. Conflicts between different groups in society
2. Conflicts between the population and the government
3. Conflicts between the population and PJV

5.1 The Mine's Impact on Intergroup Conflict

Although this report does not claim to provide an exhaustive list of all the intergroup conflict dynamics in Enga Province in general or, specifically, in the Porgera Valley, the schisms that appear to be most critical in terms of their potential impact on the stability, or fragmentation, of the society include:

- Between Porgerans/Engans/National level (as they perceive they have competing rather than common interests).
- Among landowners, the Special Mine Lease (SML)/non SML
- Between SML landowners
- Between existing strongmen and emerging (youth) leaders
- Within families between women/wives
- Between elder generation and youth
- Among clans, leading to intertribal conflict
- Between haves/have nots (cash rich and cash poor, employed/unemployed; etc.)
- Between insiders/outsiders (specifically migrants in relation to long-term residents of Porgera)

As the Porgera mine is an intrinsic part of the context in which these schisms present themselves, each of these divisions is inevitably influenced by mine activities.

5.1.1. *Social Impact of Cash*

The mine has had an enormous impact on the Porgera Valley and beyond. This has occurred through injection of sizable resources into the area and through the status and legitimacy that association with the mine has conferred on a relatively small group of landowners and other local leaders. Especially the introduction of cash has affected not only economic life but also social and political roles and relations. Many of the impacts are positive. People acknowledge that the money they now have has improved the conditions of life. They also, in general, acknowledge the fairness of mine management in ensuring that PNG gets its share of the wealth produced by the mine.

5.1.1.1. Impact on the Family Unit

The additional wealth available in the community has complicated the custom of polygamy. Traditionally, a wealthy man could have two or three wives. New wealth generated by the mine has prompted some men to have as many as five (one landowner has sixteen). Some people described a recent development, heretofore unheard of, where parents “sell” their young daughters to local strongmen in the hope that they will be able to share in their newly accumulated wealth. In these instances families have reversed the traditional custom where the grooms family pays “bride price” to the family of the bride. The increase in the number of wives has led to an increase in domestic violence, mainly between women (wives and wives) and has consequently contributed to the breakdown of family. Gambling, alcohol, drugs and sexually transmitted disease have become problematic in the community as people struggle with the implications of their new wealth.

The increase in population density has also led to a change in family structures. Whereas traditionally, women lived separately from men, families now often all reside in one house. This results in more closely spaced births.

5.1.1.2. “The Lost Generation”

The children of many of the original landowners and those that gained initial wealth during the Mount Kare gold rush still believe that access to money is their “right” even though the possibilities to attain such wealth are limited. The result is often referred to as a “lost generation” of youth who are uneducated and poor. They have squandered their gold rush and compensations money and lost their opportunity for education. Their younger siblings have observed these consequences and have, for the most part, opted for formal education. Many people consider the “lost generation” to be a time bomb in the atmosphere of relative stability in the valley.

In addition, the perception outside the Porgera Valley that all Porgerans are rich and should share, therefore, their wealth in a traditional way. Hence, youth of the “lost generation,” although poor, receive little support from people in the rest of the Province and feel literally trapped in the valley.

5.1.1.3. Migration Patterns

The Porgera mine has influenced migration patterns into the valley. Many relatives of the original landowners have made their way to the Porgera Valley attracted by employment opportunities and eager to receive their share of mine revenues paid to their family-members. These newcomers, once established, then bring in their relatives through other family connections. This multiplier effect of new “immigrants” has put pressure on land availability already decreased by the mine. As a result, men, women and children live in a single family home with less garden space available for multiple wives. This has increased social problems such as fights between women and unspaced births, as mentioned earlier.

Many of the new immigrants are unemployed youth. PJV staff mentioned two possibilities for how these youth may react to the imminent mine closure. A majority may leave the valley as the mine begins to close. Alternatively, declining revenues flowing to the landowners may cause these youth to seek more violent means of maintaining their livelihoods.

5.1.1.4. Impacts on Tribal Warfare

According to some PJV staff who work with local youth, the presence of the mine has indirectly affected the intensity, duration and the complexity of tribal fights. This has largely because of three factors:

1. The pool of unemployed youth that have been attracted to the mine but who do not benefit from it is, according to PJV staff, easily incited to participate in “anything exciting”. While they may not belong to the fighting tribes, tribal fights in the Porgera area are increasingly being used by these youth “to settle class issues between the ‘haves and the ‘have nots’”. By aligning themselves with the potential winners, they expect a share in the distribution of compensation.
2. A secondary effect of the participation of youth who come from clans that are not directly involved in fighting is created in the event of injury or death. Traditionally, these situations need to be avenged. Thus, if an outside youth is harmed, his clan is drawn into the fighting, complicating a quick settlement of the dispute.
3. The availability of more cash in society eases the purchase of automatic weapons. Landowners that have received money for compensation are under pressure to buy weapons as this plays into their big man image. As more weapons are used, more deaths occur exacerbating the tendency described in #2 above.

5.1.2. Political Impact of Cash

A New Type of Strongman

The introduction of large amounts of cash has led to the erosion of traditional leadership in PNG in general and Porgera Valley in particular. Leadership based on merit and virtues is increasingly replaced by a new generation of strongmen. These have partly gained their position based on the fact that their land is being used for mining operations for which they are significantly compensated. The newly accumulated wealth of these landowners has provided them with a status some describe as “virtually untouchable”.

To date, there seems to be no alternative “representative” model of leadership emerging. Given this situation, PJV works with the de facto leaders thereby legitimizing them. This, in turn, makes it more difficult for new forms of leadership to develop.

The high financial stakes have also generated conflicts between landowner strongmen. Some have armed themselves or sought assistance from youth groups for their protection, motivating alliances between groups that in the traditional structure had limited authority. The new strongmen have become role models for some youth.

Conflict over Community Representation

In the Lower Porgera area outside the direct SML areas, compensation for environmental impact on the river has led to a division within the community. Compensation payment as such is not contested but how much and to whom and how are in dispute. Two associations have emerged each claiming to represent landowner interests. This division raises a number of issues about true

representativeness based on lineage, history or residence. Such a division may not have arisen without the attraction of compensation.

Conflict over Employment Opportunities

The (imposed) policy of preferential hiring based on geographical background has fed into the notion of “insiders” and “outsiders”. Many claim that employment criteria based on one’s origin contribute to the perception that “all” Porgerans benefit from the mine and are rich while others are (comparatively) disadvantaged. Communities living along the road to the valley warn that it will be “pay-back time” for the Porgerans after mine closure.

In addition, the authority and legitimacy given to the Employment Committee has created opportunities for corruption and bribery:

- It reinforces the position of the Committee members within their communities based on their access to cash, and,
- It reinforces the division between the “have’s” and the “have nots” as those that are able to afford a bribe have a better chance of obtaining a job.

5.1.3. Economic Impact of Cash

The impact of cash has permeated through large parts of the Porgera Valley and Enga Province. But the impact has affected different locations in different degrees, and some groups have benefited more than others. Revenues and community development opportunities have mostly benefited SML landowners. Other Porgerans have gained employment. The region as a whole benefits from the presence of health and education services available in Paiam township.

Still, many people migrated to the Porgera Valley expecting jobs they did not obtain. Others admit that they have better access to services but are upset, even jealous, about the economic benefits benefiting one group more than others.

Some landowners have chosen to invest their wealth in Australia or elsewhere in PNG such as Mt. Hagen, Lae and Port Moresby. The Landowners’ Association owns prime office buildings and hotels in Port Moresby. Local landowners re-invest little in the Porgera Valley which contributes to concerns of the local population regarding the economic sustainability of the valley after mine closure.

5.1.4 Relatively Stable Security Situation

Many people claim that the mine in Porgera has created an exceptionally good security situation in the valley compared to the rest of the Province. The PJV-trained, regular police force and PJV’s own department responsible for security-the Loss Control Department-are considered effective and legitimate. The Unit claims that their effectiveness leads civilians to report problems directly to them rather than to the regular police. Contrary to expectations given the destabilizing effects of costs of migration, it is quite remarkable that the area remains so stable. This is partly due to the pressure of a large group of landowners, contractors and employees who have a vested interest in a stable working environment for the mine. It also comes from the mine’s creation of a zone of law appreciated by many local residents.

This improved and relatively well-functioning law and order system is also perceived as a reason for a gradual shift in the traditional mechanism for conflict resolution. People are seeing a new trend toward bringing disputes to court instead of settling them by tribal warfare.

5.2 Impact of the Mine on the Relationship Between the Local Population and The Government

PJV has established remarkably good relations with the National PNG government

During the CDA visit, protests in Port Moresby against privatization efforts announced by the government led to the death of several student protesters. Many PJV staff expressed their concern about the increasing levels of violence associated with increasing lack of confidence and trust in the government.

There are two ways in which PJV's activities impact the capacity of the government to handle grievances of local communities that underlie conflicts. The first relates to PJV's provision of services that would normally be provided by government. The second relates to PJV's discourse about the government, which is often criticized, as it affects the legitimacy and perception of the government by the local population.

5.2.1 Substitution Effect

Many people (both inside the mine and out) noted that PJV substitutes for government in many ways, notably through the Tax Credit Scheme, and the provision of, and support for, police and security services, health and education, power and roads. From the standpoint of the mine's functioning, it makes complete sense to carry out these functions.

On the other hand, substitution of some government services poses problems for mine closure. Most people seem to believe that at closure, these services (on which many people and activities now depend) will cease.

This was underlined by a government official in Point Moresby who pointed out that once the mine is gone, it would be impossible for a national government to put scarce resources into maintaining infrastructure in an area that has received so much favored treatment. Other poorer regions would, he noted, deserve priority at that time.

On the other hand, leaving the people of the Porgera Valley and Enga Province without these services to which they have become accustomed, could create social and political pressures. Mine staff see as an important challenge the need to find ways to support governmental responsibility for the area over which it now functions in the years remaining before closure.

5.2.2. Discourse Affecting the Governments Legitimacy

PJV activities sometimes reveal the weaknesses of government, an example being the popular tax credit scheme. Community Relations staff of PJV, wanting people to recognize the benefits they receive from the mine, make sure that people know the tax scheme benefits come from PJV rather than government. Although this is true, it may also have a negative side effect of reinforcing people's sense that the government does not function as well as it should.

5.2.3. Alleviating Community Demands to the Government

The tax credit scheme is an innovative mechanism developed by PJV to respond to local requests for tangible benefits from the mine. This model has set a standard for other companies in PNG to help the government to deliver services to its population. Contrary to some other companies, PJV has focused on upgrading existing community facilities that are part of a five-year Provincial plan, rather than building new structures. This has prevented the creation of "white elephants" that are not staffed by the government and that raise unrealistic hopes among local communities.

5.3. Relation Between PJV and the Community

Both PJV staff and PNG people express frustration and mistrust with each other. Some staff describe the pressures they feel when dealing with the "seemingly endless compensation claims". Some community people express suspicion and a sense of betrayal that PJV either is "not providing enough compensation" or has "failed to deliver on negotiated agreements". On the other hand, one also hears PJV staff speak of Papua New Guinea with great admiration and respect, and heard local people express appreciation both of benefits brought by the mine and the efforts of mine management to deal fairly with all issues.

Even critics comment that, overall, the impacts of the mine are positive, bringing much-appreciated jobs, roads, power, education and health services. The absence of violence and conflict between the local community and the company must be credited to the ability of company staff to establish and maintain constructive relations with local stakeholders as well as to a reciprocal response from the community.

5.3.1. Barriers between Company and Community

Nonetheless, negotiations, payments and "static" related to previous agreements take a great deal of PJV staff time. Compensation arrangements generate constant requests coupled with expectations and disappointment. As a consequence, PJV seems to be viewed by many as a legitimate target for demands rather than as a vehicle for achieving common goals. The compensation system is generally seen as undermining a sense of partnership between the company and the community, and encouraging rent-seeking behavior that can reinforce tendencies toward conflict.

5.3.2. Educational Trust Fund

Although the Fund is limited to a relatively small group of children in the Porgera Valley (5,000 on the 1998 list of eligible beneficiaries), it is seen as a model for sustainable activities. Making it possible for children from the valley to complete their education at universities in PNG or in Australia, the Trust offers a tangible example of benefits spread across a wider group of landowners around which there is common interest.

5.3.3. Perceptions about Closure

PJV management is looking ahead ten years to the time when the mine will close. Since most local people simply do not believe the mine will close, PJV encounters two major difficulties:

1. Many people in Porgera possess a healthy dose of skepticism combined with a relatively short future perspective. For them, the vision of mine closure in the next decade is incompatible with their daily observation of gold production. Their logic is as follows: “There is gold. If there were no gold, the trucks would not be trucking. And because the trucks are trucking, the mine will not close. Only when no more trucks are trucking, will we believe that there is no more gold”.
2. Others believe that the plans of PJV to close mining operations are a strategy to increase the company’s bargaining power at the negotiation table.

These perceptions can have ramifications as they play into the highly prevalent culture of rumors in PNG. The challenge for the company is to remain transparent about its intentions and make certain that their openness does not backfire. One of the strategies for PJV that may prevent this from happening is to stress the common future of the Porgerans from the beginning of the closure process.

5.3.4. Environmental Impact

The culturally negative connotation associated with the reddish color of the riverine system is reinforced by the perceived environmental damage caused by the tailings. According to the local population, tailings disposal has led to the death of animals and humans. (These claims are disputed by government scientists.) However, it is important to note that none of the communities along the river (both in Lower Porgera as well as along the Strickland River) have sought to halt the mining activities. Rather, village elders from the affected areas insist that the government and PJV should provide social services to the villages in compensation for the harm inflicted on the rivers.

6. ANALYSIS

The impacts of the mining activities on intergroup relations show both positive and negative side effects, the negative ones clearly un-intended. Here we analyze and clarify some of the underlying (and unconscious) assumptions that affect the development and implementation of policies. An increased awareness and ability to identify how corporate activities impact conflict dynamics will enable company staff to recognize the options they have to reinforce forces towards stability.

6.1 Dividers/Connectors

In our work elsewhere, we have found that all societies are characterized by things that divide people into sub-groups (sometimes hostile to each other) and things that connect them across sub-groups. When the divisions are encouraged and fed, societies fragment sometimes to the point of warfare. When the connections are reinforced, people find ways to live side-by-side, tolerating differences and joining together to work on common problems. Below, such connectors and dividers will be specified as they affect intergroup relations and as they affect the relations between PJV and its local environment.

6.1.1. *Intergroup Relations*

6.1.1.1. Which Identities to Emphasize

Many of the ways that the mine interacts with local people reinforce smaller group identities and the differences among groups rather than larger, common identities and goals.

One example is in the hiring agreement. The company had a strong and positive rationale for favoring Porgerans first, then Engans, then people from beyond. It made sense to attend to the interest and needs of the people most affected by the mine through hiring local people first. It also seemed to be the moral thing to do. However, one result has been to set Porgerans off from the rest of Enga Province and all of Enga Province off from the rest of the country.

The mine's hiring policy is not the only factor playing into these divisions. The point is only that, rather than moving away from the existing tendency of these groupings to emphasize their differences, the policy reinforces it. The systems of compensation and of hiring, developed for good reasons, appear to feed into and encourage competitiveness.

Another example of an inadvertent reinforcement of group divisions is found in the decision to negotiate with 23 tribal sub-groups in the Landowners Group rather than with the larger seven groupings. Again, the mine did not invent or create the differences among the twenty-three. However, the decision to work with smaller, rather than larger, units as negotiating partners seems to feed into and strengthen the divisions among people rather than supporting their more inclusive identities.

In Porgera, Enga and PNG, there are also a large number of "connecting" factors that link groups and group interests.

Many people express their concern for the “lost generation of youth” who neither have sufficient education to get ahead nor gained from the first land compensations made by the mine. This concern seemed to cross all boundaries, geographical and social. Sometime such issues can become strong connectors around future-oriented planning.

In addition, women in particular, but also a number of men, told us of the importance of the churches as institutions that cross ethnic or clan differences and other boundaries.

A number of people also talked about the importance of the road as a common asset for all Engans and as a way to be geographically interconnected. Some thought the hospital at Paiam could also serve this function (though others saw it as a divider, creating jealousy and feeding competition among communities). Many Engans expressed their common interest in ensuring that the National government does not abandon the Province once the mine left.

The mine’s operations can also interact with, and reinforce, these connecting aspects of the communities and thereby increase the tendencies towards intergroup stability.

6.1.1.2. Non Monetary vs Monetary Rewards

Some of the unintended negative side effects of the mining operation originate in the injection of cash into a relative small community with little to no prior experience in handling such sums of money.

In addition to feeding into intergroup and interpersonal jealousies, the use of cash as the predominant mechanism for reward also reinforced the “compensation culture”. On the other side, many of the positive side effects of the mining operation relate to the provision of non-monetary benefits. Most people value having access to quality education and healthcare; others pride themselves on being part of a community that has reached a level of ‘development’ as materialized in the Paiam township.

A recent agreement made with landowners outside the original SML areas for the allocation of a waste dump (called North Anawe) signals a shift in preference away from cash payments to individuals and towards more sustainable reward systems. Whereas the overwhelming majority of SML landowners originally opted to be compensated in cash, the majority of the North Anawe landowners opted for establishment of a Trust Fund for future collective benefits.

6.1.1.3. Assimilation of the Local Perceptions

The integration of the company into the local context showed up in a great variety of positive examples. It also has a potential negative effect when company perceptions take over pessimistic local perceptions.

One example is the perception of the company and the local population that the government is not able to deliver the services it is generally expected to provide. Another example is the assumption that few people and groups can be trusted or are able to support an agenda that goes beyond self-interest.

These assumptions reflect partial reality; but over time, they risk becoming fixed opinions or generalizations that hamper the company's ability to detect or promote progress and new ideas.

An outsider company is in a unique position to set itself apart from what may be perceived as daily reality. PJV plays an active role in PNG society and, given its leverage, is able to influence and direct society rather than being a passive entity within it. When this potential is acknowledged, PJV can counter the frequently mentioned pessimistic future perspective of Papua New Guineans and actively set a positive and constructive example for an alternative "normalcy".

6.1.2. *Trust between PJV and the Community*

6.1.2.1. Implicit Ethical Messages

One way the relationship between the company and the community is affected is through Implicit (Ethical) Messages. These are the intangible impacts that the actions and attitudes of company staff and company policies have on intergroup relations.

During the visit, we observed a number of positive implicit messages. For example, discussions about the impact of business on conflict took place with landowner representatives in the presence of PJV senior management, signaling the companies' commitment to constructively deal with the topic.

But there were also some examples of implicit messages that show separation between the company and the community. Some of the company cars have meshed windows which signal that the driver expects to have rocks thrown at the car. In other contexts, such implicit messages have triggered violent reactions more than they have prevented them.

Another implicit message is the perceived endorsement of, or association with, the alleged poor behavior by regular police or army forces. Villagers claim that this is largely due to the fact that they are unable to differentiate between the regular police and PJV Loss Control Unit staff. Some people commented that "they are all the same", as regular police occasionally eat in the PJV mess and both forces use similar vehicles and uniforms.

It is not argued here that these intangible signals are strong enough to create peace, or conflict. Rather, the point is that increased awareness of such unintended implicit messages will help PJV staff to better understand why some of their actions and attitudes may trigger a positive or negative reaction.

6.1.2.2. Different Messages Sent by Different Departments

It appears that different departments within PJV anticipate, and implement activities, based on their own (sometimes different) perceptions and definitions of the closure policy.

One example involves the approaches to community relations. Some staff view this work as essentially necessary to provide social insurance; others see it as an opportunity to promote sustainable development among the people. Staff with these different viewpoints often deal with the same local people. Thus, people in the region get from PJV staff both a minimalist and a

maximalist message-“we can do only this to keep you satisfied” and “we can help you set up a life-long profitable enterprise.”

When people receive such mixed messages, their trust of PJV is undermined and they may be encouraged in their demands for more. That is, uncertainty about what precisely the mine is prepared to provide, and why, seems to lead to a sense that, with more concerted negotiation, we can probably get more. And, anything that encourages this belief among the communities works against the kind of sustainable future that PJV is seeking and risks setting groups up against each other in their “struggle” to negotiate the best deal.

6.2. A Different Mindset Provides Multiple Options

All decisions and actions taken by a company as large as PJV and its staff have either positive, or negative, impacts on the larger context. Considering these impacts of a company on its environment looking through a different set of “lenses” can open opportunities and possibilities previously not recognized.

For example, even though PJV has limited influence over the effectiveness of government, it can either conform with the opinion that the government is ineffective and, thus, ignore and/or substitute for it or, alternatively, it can focus on reinforcing and building on those areas of government that are well-functioning. A company’s challenge is always to ensure that its own actions support the likelihood of positive outcomes rather than, inadvertently, reinforcing the likelihood of the worst outcomes.

6.2.1. Build on what Connects Groups Despite their Differences

For example, by the way they interact with local communities, mine staff can identify existing connectors within the Province (and beyond) and interact with communities in ways that reinforce these, rather than in ways that reinforce the fragmentation of the society. In addition, they can develop a process for inquiring from Porgerans and from Engans what they see as issues/ideas/ histories/assets that connect, rather than divide.

Possibilities for this include:

1. Church groups that cross boundaries between tribes and geography: These institutions also are concerned about the people’s future and have access to a broad group of people over whom they exercise considerable influence.
2. Groups of women organized by PJV’s women’s program (90 groups of 20 people each = 1800 women) who offer high potential for linking with organized individuals in the society and also, often cross lines of division: These women seem to be less impressed by the compensation ethos and more practical in their assessments of what needs to happen for a survivable future.
3. District Council representatives and others who mediate between groups in the height of a tribal conflict: Such individuals have the authority and trust of all clans involved and are truly able to bridge the differences between clans.

6.2.1.1.Reinforce Interdependent Business Opportunities

Sometimes “connectors” can be negatively motivated. Such an example is the anxiety of people both within Porgera Valley as well as outside, about the prospects to maintain a viable economy after mine closure. These also offer programming options.

Economic opportunities in the future depend, partly, on maintaining broader connections across the region and the country rather than moving into small, isolated units trying to be self-sufficient. One focus of the economic development programs pursued by PJV staff could be on encouraging linked, cross-community enterprises that depend on each other for success. For example, any manufacturing enterprise must be linked to suppliers, marketers, and distributors. If these were located in other communities in Enga Province, economic interconnections would be strengthened.

6.2.1.2. Utilize the Connectors Already in Place, such as the Radio

Radio provides a particularly good vehicle for reinforcing connections among people. Programming could be developed that highlights common interests, concerns and goals and that clarifies the negative outcomes likely if divisions among groups continue and are reinforced.

6.2.2. Concentrate on Non Financial Rewards

Ten years after the mine commenced operations, a growing number of landowners agree that the amount of cash poured into their communities has had a detrimental effect and made some of them lose perspective. When asked for their suggestions, in a hypothetical situation where the company could start all over again, a majority of people expressed the opinion that compensation should be divided into three different parts.

1. First, landowners should, in part, be directly compensated in cash, but in reasonable amounts in order to prevent “carelessness” among the first generation of recipients.
2. Second, the company should, from the outset of operations, invest in the provision of social services to the community, taking sustainable development into consideration.
3. Third, the remainder of the revenues and compensation should be deposited into a trust fund. The perceived success of the Educational Trust Fund is for many, a model that should be duplicated in other areas such as infrastructure support, sustainable revenue generating investments in Port Moresby, etcetera.

In addition, community representatives felt that the company had a responsibility to thoroughly inform the population prior to negotiations about the social consequences of the mine’s influence. They explained that the population could not realistically be expected to have a comprehensive overview of the impact of the mine and were too easily impressed with the instant wealth they anticipated.

Finally, non-financial rewards can come as respect, friendship, and engagement at the personal level. Working on a corporate schedule may result in interactions with communities that appear rushed and, therefore, disrespectful. Slowing down, sitting with people in their locations may change the tone of some relationships.

6.2.3. Focus on Building Trust in a Perceived Culture of Distrust

Many (both Papua New Guineans and PJV staff) say that Papua New Guinea has a cultural inclination to distrust each other, and by extension also distrust the company. However, the notion of reciprocity, still fundamental in society, presumes a high degree of trust. Clans trust that compensation will be paid after conflict, women trust that their linkages with clans that are not involved in tribal conflict will shelter them during conflict, landowners trust the fact that they will be involved in major decisions concerning the mine. Numerous other examples also demonstrate attitudes and actions based on trust; the conviction that one action will lead to a predictable result.

PJV has operated on a principle of consistency, respect and follow-through in order to establish and earn trust. In a remarkable degree they have been successful (eg. zone of law and order). Given this record, PJV staff may be able to analyze and determine how to build on the assumptions of trustworthiness that exist in Porgeran society. Rather than reinforcing a sense that the culture is one of distrust, they can reinforce specific elements in the society to increase the trust relation between groups and between the company and the local population.

6.2.4. Breakdown Barriers between the Community and PJV

Several options to break down the barriers between the community and the company exist. These include:

6.2.4.1. Involve Company Staff

It is important for any international company to recognize that “the community” is inside the gate, as well as outside. Opportunities exist for improving ongoing communication with local staff, in all departments of the mine that can serve to improve communication and trust between the larger community and the mine. Many people outside the mine acknowledge that they base their perception and attitude towards the mine on the stories they hear from neighbors that work with PJV and whom they trust. A well-informed PJV workforce does serve as an effective dissemination source to the local population. Conversely, it can provide PJV informally with an accurate sense of community perspectives.

Therefore, linkage to local communities should not be the responsibility of only a Community Relations Department. Other departments should, also, take responsibility for interacting with community people in both formal and informal ways. As all departments take responsibility for building healthy community relations, new ideas and solutions to specific problems may emerge.

6.2.4.2. Create and Establish Venues for Social Interaction

Most of the current interaction between PJV and representatives of the local population revolve around business transactions or when other interests are at stake. Representatives of both parties often find themselves on opposite sides of the table, rather than side by side. Participation of company staff in social events such as weddings, mu-mu's and sports events increase the opportunity for both staff and the local population to appreciate the “personal” aspects of the

mine. Information evenings open to the public with high-level company people present would provide a venue where discussion could be held on a non-conditional basis. “Open-days” to the mine pit could diminish any mystery surrounding operations.

6.2.5. Reinforce Mechanisms for Downward Accountability

In general, PJV focuses its relational efforts on Landowners and a few other important representatives of tribal groups. The reasoning for this during the period of opening and operating the mine was clear. However, now, the company has an opportunity to engage a broader group of stakeholders as a way of strengthening the associations of civil society existing in the region.

Breaking the monopoly that Landowner representatives have over company information may encourage them to listen to their constituencies. Allowing groups with broad representation, such as church groups, youth and women groups, access to information could result in new planning that breaks out of old molds and creates alternatives. In addition, working with these groups may increase accountability systems. They may be able to hold the now relatively small group of landowners accountable for their actions and expand everyone’s perception of stakeholders beyond a relatively small, powerful group.

6.2.6. Engage in a Broad and Inclusive but Focused Consultation Process

Our experience indicates that consultation involving many people is important to processes such as closure but that it should be seen in a broad perspective.

A broad and inclusive consultation process does **not** imply that all stakeholders are involved in every discussion. Different groups have different interests and different assets to bring to discussion. They play different roles in different phases of a process. Discussions with different groups may each require a different objective with a different approach. For example, discussing a long-term vision with youth would involve more listening and exploring while discussing the establishment of a trust fund would start from a clear outline of a limited number of options to be considered.

Consultation is **not** always useful or effective. Some things (specifically those where one party has only one option) should not be “on the table” while other things should be considered by all interested groups. Consultation is not always constructive or positive. Experience shows that undirected and unfocused consultations can have negative impacts. For example, when different stakeholder groups exactly overlap, or match, the sub-groups in society that are already in conflict with each other, consultations may exacerbate the dividers among such groups.

Few consultations are entirely open for any and all inputs. Effective consultation occurs, most often, when clearly defined and transparent parameters are set from the start. This limits the danger that unrealistic expectations will be raised. Often, the group calling a consultation will outline, at the beginning, a range of options under consideration and the implications of each option as seen by the conveners. As discussion progresses, some new options may appear, or

additional implications be defined, but these help the process of realistic choice that the group, together, faces. Setting out clear options reduces the chance that consultation becomes negotiation; it opens a more constructive, and joint, process of consideration.

6.2.7. Focus on the Existing Parts of the Government that Function

There is no simple formula for supporting governmental competency. However, within all governments there are committed and able civil servants who want to perform their jobs competently. Such civil servants often distinguish themselves from politicians. They, too, are frustrated by a lack of sufficient resources and the politicization of decisions. These individuals offer opportunities for collaboration between companies and government. By joining forces on projects of joint interest, both can gain.

There are several ways that an “outside” entity, such as PJV, may be able to support and strengthen government. These are:

1. By joining with specific governmental bodies or individuals on specific projects of joint interest and making it clear to all concerned that the government was involved.
2. By helping to arrange/create venues in which people are able to meet with, talk to and, possibly, influence governmental decisions about matters that concern them.
3. By leveraging governmental funds on activities by first providing outside funds for efforts that, to be effective, require the input of government. When this is done, credit should be given to government for what they have done of course.

6.2.8. Choice of Words and Framing of the Issue Determines the Mindset

Universally, the discourse used and the manner in which key events are presented largely influence how such events are perceived. Porgera Valley is no exception. For example, for many the word “closure” had a negative connotation associated with decreasing resources, uncertain future perspectives and “loss”. They felt that using the word created a negative mind-set.

This does not necessarily need to be the case. A change in attitude and choice of words towards the next steps could be freeing and creative. Some people suggested that it would be better to avoid the “closure” word and find some alternative terminology that focuses on common goals and future welfare.

Another example is the way closure is presented in relation to the overall lifetime of the mine. Some pointed out that the life of the mine is probably only at the halfway point. The second time span of ten/eleven years will be different from the first, but it will have its own opportunities as well as problems. Having solved most of the technical problems, PJV can now focus on maximizing value for PJV in addition to developing the steps to achieve a favorable, longer-term future for the Porgera Valley and Enga Province.

6.2.9. Work with those that want to make a difference

Situations are always dynamic. People’s attitudes and priorities change. With the mine having been in operation for 11 years, we heard a great number of examples of changing perceptions

among the Porgeran people. Some youth groups have demonstrated a renewed interest in old traditions, such as construction of traditional houses, hunting and cultivation techniques. Youth who have not benefited from the mine are coming to the realization that what they have lost in traditions has not been replaced by nor compensated with a new lifestyle. They will have to prepare for the future when the mine closes and revenues dry up. Some PJV staff observed that youth have also started to challenge tradition by saving some money for future purposes, rather than distributing this within the family.

Opportunities exist for expanding contacts with church groups that cross boundaries between tribes and geography. These institutions also are concerned about the people's future and have access to a broad group of people over whom they exercise considerable influence.

In addition, women groups offer high potential for linking with organized individuals in the society who, often, cross lines of division

Finally, youth constitute both a linking concern of their elders and a constituency that could be worked with to develop new leadership in the communities. With concerted help, youth may become the next wave of "modern" leaders in the area, benefiting from the mistakes of their forefathers and envisioning a different kind of future in the region.

6.2.10. Disaggregate Big Issues

Many people explained that, in general, the Enga province residents have a relatively short-term perspective and that they relate better to tangible and visible outcomes than to a larger more abstract vision of the future. This is an opportunity for PJV to break bigger issues down into smaller parts. For example, the discussion of closure has focused attention ahead to 2011. While such long term planning is necessary, there are pitfalls to be aware of and avoided.

With the focus on 2011, there is a tendency to overlook the connections between actions taken in the short-run and longer-term outcomes. Further, a focus on long-term outcomes can obscure the importance of processes needed to build toward the outcome. It makes sense to break the long-term future into segments and to develop sustainability plans-with identifiable benchmarks-for each six-month (or shorter) period. These plans should focus on what we have called "baby steps"-i.e. small demonstrations of progress toward closure.

Some examples include:

- A demonstration land reclamation plot that shows people what their land will look like after closure
- An architect's model of the mine area after closure that can be exhibited somewhere where people can look at/discuss it; etc.
- Open discussion evening where PJV and the community meet to exchange information and hear each other's opinion.

Such small steps increase opportunities to gain credibility and trust because expectations are met, in the immediate term, in tangible, visible ways. Given the widespread denial of mine closure, simply to take small steps towards it will help people get used to the idea. Reality will grow on people as they see each of the immediate steps along the way.

7. CONCLUSION

The issues found to be of importance to the PJV activities in Papua New Guinea appear to be relevant to business operations implemented in a variety of geographical locations and sectors of industry. Obviously, some of the issues will be different depending on the specific context in which they occur. The options and alternatives will be more relevant in some locations than in others.

The Corporate Engagement Project will continue to focus on the factual interaction between business and conflict and from there develop practical management tools for company staff that operate in such a challenging working environment on a daily basis.

PJV needs to be commended for openness and willingness to be the first company visited by the Corporate Engagement Project. We look forward to continuing this collaborate effort between the Project, PJV and some other ten to fifteen companies in order to generate lessons learned that will be translated into practical “lenses” that can be applied in a variety of contexts.

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