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Being Like a State: How Large-Scale Mining Companies Assume Government Roles in Papua New Guinea

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Introduction

It is now a common orthodoxy to regard the state as an absent institution, or missing ‘stakeholder’, around large-scale resource extraction projects. In Papua New Guinea (PNG), local-level actors and external commentators frequently bemoan the dysfunction within local-level and provincial governments; the ineptitude of the national government; the lack of basic service provision and governance in these project settings; the absence of accountability among elected members and public servants, and the expectation that resource developers will somehow fill the void. Media outlets and online forums are replete with accounts of enraged communities demanding that the state fulfil its role under the terms of the various agreements that have been signed for these extraction projects. At the same time, many people also see the state as a competitor for the benefits perceived to be available from resource extraction projects, rather than a neutral arbiter, which leads many people to conclude that the state is ineffectual and corrupt.

In this chapter, we move beyond these default descriptions of the state to consider how the state is instantiated and experienced in these extractive contexts, or ‘Melanesian mining arenas’ (Bainton and Owen 2019). While it is not our intention to disprove these everyday observations and criticisms of the state, we argue that the state exhibits a selective and strategic presence throughout the life cycle of resource extraction projects. At different times it will be more or less present for different actors and institutions, resulting in the prioritisation of some interests and the marginalisation of others. The state often exhibits a heightened presence in these settings through the local agreements to which it is a party, and the obligations that it habitually fails to enact. This ‘absent presence’ creates situations where mining companies are routinely manoeuvred into ‘being like a state’. The failure of the state to fulfil its duties in regard to the regulation of the industry and the management and implementation of benefit-sharing agreements, for example, frequently forces companies to fill these gaps when they would rather concentrate on the task of extracting natural resources and accumulating capital.

Local perceptions of the government’s failure to protect the interests of its people coincide with those of analysts who have characterised PNG as a ‘weak’, ‘fragile’ or ‘failing’ state (Dinnen 2007; Firth 2018). Here, failures in service delivery (especially health and education), infrastructure provision and maintenance of law and order, and incapacity to ensure the security of its territory and population, are definitive—the state being the politically defined entity that is responsible for such functions. The legislation and policies surrounding mining in PNG do give the appearance of sovereign state management of economic activity. But as we demonstrate, the government’s contractual commitments are regularly ignored or fail to materialise, which is exacerbated by the tendency of national and provincial-level governments to reduce the amount of funding for delivery of services on the presumption that mining companies will fund the difference. As a result, mining companies frequently assume responsibility for state functions in the interests of maintaining stable operations, shareholder investment and profitability.

To illustrate this point we describe how these processes and the absent presence phenomena have unfolded around a large-scale gold mining project in the Lihir group of islands in the province of New Ireland. Even though the state often appears to be invisible in Lihir, because of its inability to fulfil its duties, the idea of the state has served as a point of reference for actions carried out by a local public administration, community members

and the company. These manoeuvrings and manipulations are not simply the result of government absence and inaction or corporate acquiescence to community demands. Contemporary events and processes have historical roots and antecedents (in colonial administrations and Christian missions) that are unearthed, or brought to the surface, through the work of resource extraction. For this reason, the absent presence of the state must be understood within its historical context.

Ambivalence and Tension: Emergent State Formations in Lihir

In 1985 the Kennecott Niugini Joint Venture Company established its exploration camp on the site of the current mining operation in Lihir (Figure 4.1). The following year Colin Filer and Richard Jackson were contracted to undertake a socioeconomic impact assessment for the proposed mining project (Filer and Jackson 1986). Their observations confirmed a certain degree of state neglect. On the one hand, the level of basic services in Lihir was thought to be above the national average; on the other hand, it was somewhat below the average for New Ireland Province. Filer and Jackson concluded that it was the second of these facts, not the first, which was evident to the people of Lihir, and this no doubt encouraged the local belief that the government was giving them a ‘raw deal’. While existing services were largely funded by the government, they were in practice dispensed by other agencies: health and education services, and economic activities like the marketing of copra, and the provision of shipping services, were primarily managed by the Catholic Church. Approximately 50 public sector workers were employed by the provincial government to undertake decentralised government functions in Lihir, ‘serving’ a resident population of roughly 5,900 people in 1985. These public sector employees included a single patrol officer and an agricultural officer, 11 health workers, and the rest were teachers, but there were no police. The distance to the islands from mainland New Ireland certainly made it harder to attract teachers and health workers from other parts of the province, and provided an excuse for these workers (and their administrators) to shirk all sorts of responsibilities. The airstrip had also fallen into a state of disrepair, which prevented more regular travel and communication between Lihir and the provincial capital in Kavieng at a time when the provincial government should have been taking a closer interest in the islands.

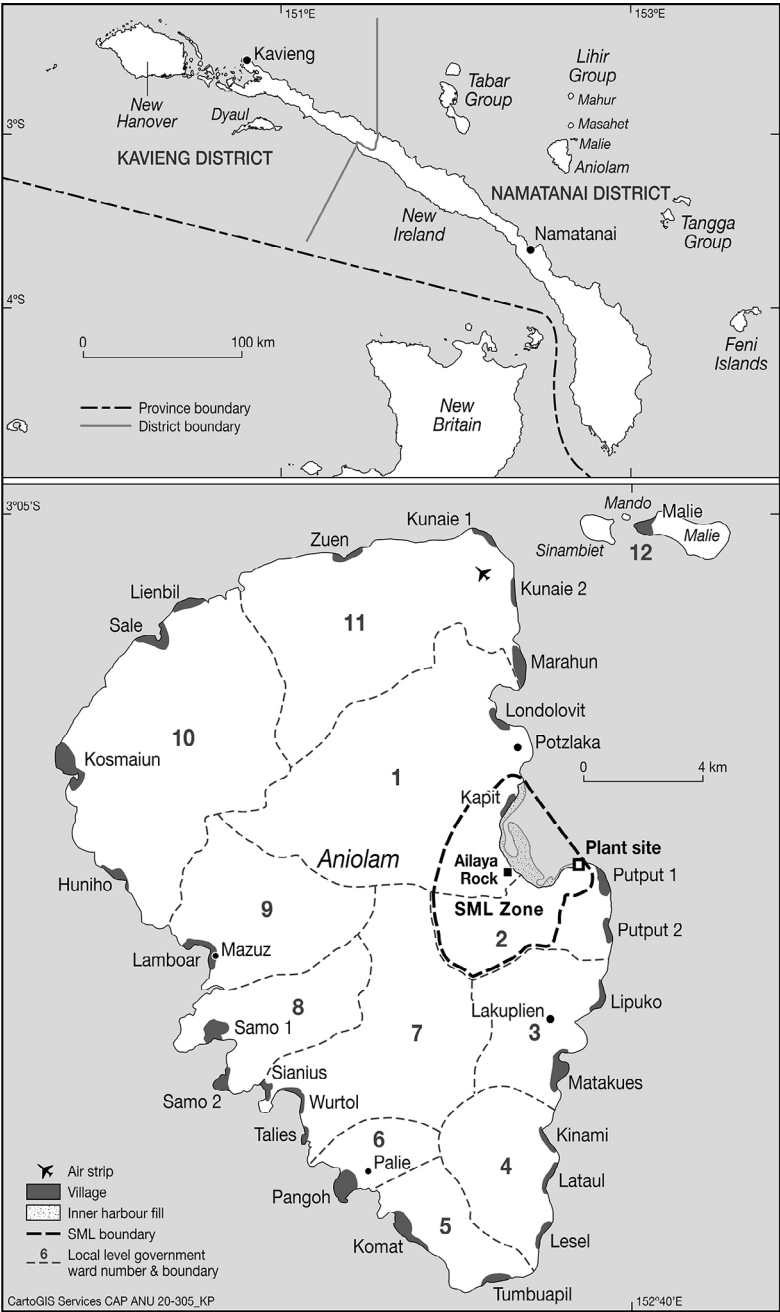


Figure 4.1 The Lihir group of islands, and key locations noted in this chapter

Source: ANU Cartography

At this stage, Lihirians were officially represented in the province by the Namatanai Local Government Council, Namatanai being the closest administrative centre on mainland New Ireland. Since the institution of the provincial government in 1977, Lihir had been represented on the provincial assembly by a succession of three members, the latest of whom, in 1986, was said to be a supporter of the People's Progress Party, while the national Member of Parliament was the leader of that party. The Lihirian member of the provincial government had not been seen in Lihir since he was elected, but few people were surprised, or even particularly resentful of this fact, since most constituents apparently did not expect their member to do anything but enjoy the temporary spoils of office (Filer and Jackson 1986: 121).

In the 1980s, the Lihirian representatives on the council maintained an uneasy relationship with the members of a local sociopolitical movement that had flourished in Lihir, known as the Tutavul Isakul Association or the 'TIA' (meaning stand together and work), which had its origins in the so-called Johnson cult that had emerged in northern New Ireland during the 1960s (Billings 2002; Bainton 2008). In 1984, the TIA broke away from the mainland movement and changed its name to Nimamar—an acronym derived from the names of the four islands in Lihir (Niolam, Malie, Masahet and Mahur)—which was intended to convey the idea of cooperation. The Nimamar Association held hostile views towards formal political institutions, which largely stemmed from Lihirian experiences with government and business and the belief that these institutions had been more of a hindrance than a help in unifying the community.

Nimamar Association leaders preached a form of millenarianism combined with singularly economic objectives. The desire for a radical reordering of society was explicit in the belief that 'Lihir will become a city', the state will be abolished, the Nimamar Association will become the government, schools will be abolished, there will be universal literacy, and that society will be divided between the 'faithful members' due to receive heavenly blessings (here on earth), and those condemned to a life of labour and toil (Bainton 2010: 55–69). Filer and Jackson eventually settled upon the term 'ritual communism' (1989: 116) to describe the mixture of religious commitment and aspirations for economic progress, and the desire for increased social and political unity.

We might therefore say that even before the mining project had begun, the state exerted an absent presence in Lihir. This was expressed through a combination of weak administrative functions, and the presence of formal political institutions which most people thought had limited capacity to represent their interests—especially in regards to the decisions that would have to be made in relation to the development of mining operations. Anti-government feelings were widespread in Lihir, and there was a growing desire for local independence. In other words, despite its material absence, or the lack of visible presence, the state loomed large in the collective consciousness of the residents of Lihir as an outside force to be replaced by a local organisation that could respond to the ‘real’ needs of the community.

In the 1986 provincial elections, a local Nimamar member, Ferdinand Samare, was elected to the provincial assembly, further obscuring the division between the Nimamar Association and ‘official politics’. Lihirians were growing eager for their own government and by 1988, councillors and Nimamar members decided to break away from the Namatanai Local Government Council. It was not until 1988 that the New Ireland Provincial Government instituted their Community Government Act, largely to appease Lihirians after the feasibility of the mine had been established. Consequently the Nimamar Community Government was formed, representing a real transition towards more independent local governance. At this point Nimamar leaders stated their intention to withdraw from ‘politics’ and ‘business’, at least in the sense in which the government would regard these domains. This shift was compounded by the belief that the forthcoming mining project was the fulfilment of earlier prophecies for change. Many Lihirians were suspicious of the government’s interest in the project, believing that the gold was theirs and that the state would ultimately benefit at their expense.

As mining negotiations continued into the 1990s Lihirians were determined that they would retain a greater portion of potential economic benefits. The New Ireland Provincial Government passed a bill in 1994 to transform the Nimamar Community Government into the Nimamar Development Authority (NDA), which was supposed to function as a type of interim local-level government until the Organic Law reform in 1995. This coincided with the signing of the mining agreements between Lihirians, the company and the state in 1995. It was not until 1997 that Lihirian leaders held the first elections to officially reconstitute the NDA into the Nimamar Rural Local Level Government (NRLLG).

The delay may well have been the result of internal divisions between supporters of the newly established government and older versions of Nimamar. It might have also been because the NDA primarily functioned like a technical administrative unit during the construction of the mine (to control the spending of money received from the mining operation on community development projects), rather than a political body (see Filer 2004: 3). And as we discuss below, the blurring of political interests and administrative functions has been a recurring theme in the history of the mining project and its agreements. In the end, the political inactivity of the NDA opened the door for the Lihir Mining Area Landowners Association (LMALA)—originally formed in 1989 to deal with the land disputes that were arising as exploration activities and negotiations got under way—to emerge as the major political force on the island, primarily due the intensifying heat between the company and the landowners during the construction of the mine (1995–97).

The new local-level government comprised 15 Ward Members elected by their ward constituents. The first Ward Members internally elected their chair, but in subsequent elections this has been a directly elected role. Only two members of the old Nimamar Association group were re-elected, representing a gradual shift in political stance. Together they formed the *Tumbawinlam* Assembly. The name derives from the local term for the larger of the two moieties that structure Lihirian clans—the other moiety being known as *Tumbawinmalkok* (small clan). While the original NDA remained as the administrative arm of the local-level government, Lihirians continued to refer to the local-level government as the NDA, which may have been a reflection of public confusion surrounding the role of the local-level government which was now in control of substantial amounts of money received through the mining operation, intended for community projects. Problems surrounding the legitimization of the NDA into the local-level government were finally solved in 2001 when the Nimamar Special Purposes Authority (NSPA) was established as a body separate from the political functioning of the local-level government that would administer government-funded projects (Filer 2004). However, this did little to resolve the underlying issues around the actual execution of their new responsibilities.

If the NRLLG functioned as the lower branch of the state that represented all Lihirians, it found itself in competition with LMALA, which represented the ‘landowners’ and the ‘mine affected communities’ but was not part of the state, but was already firmly entrenched in Lihir and recognised by the

company. While both organisations shared a certain level of ambivalence, if not antipathy, towards the state and institutional governance in general, as we shall see, they were increasingly divided over their roles and the control of mining benefits in Lihir. This early representational division signalled the beginning of a much larger and more complicated set of issues that would split the members of these institutions, and enable the proliferation of other ‘corporate bodies’ purporting to represent different sections of the population of Lihir.

The Mine and its Agreements

In 1993 Lihirian leaders from LMALA and the NRLLG travelled to Port Moresby to participate in the state’s newly established development forum process, which entailed a set of tripartite discussions between the national government, the provincial government and the project area landowners to secure their joint endorsement for the terms of the project and to spell out the distribution of the costs and benefits, and the roles and responsibilities arising from the development of the mine (Filer 1995, 2012). Throughout proceedings, Lihirian representatives insisted upon their primacy in the distribution of royalties and other benefits. On several occasions, they rejected the notion that the minerals below the ground were owned by the state and dismissed arguments by government representatives in terms that were redolent of secessionism and political autonomy. Their main representative, Mark Soipang, brushed aside provincial government claims stating that ‘The developers are foreigners and the State is only a concept. It is us, the landowners who represent real life and people’ (Soipang in Filer 1995: 68). Nevertheless, by 1995 Lihirian leaders had come to an agreement with the state and the Lihir Management Company, which was appointed as the developer and operator of the mine.¹ This new agreement highlighted the tension between the presence of the ‘state-system’, which required Lihirians to enter into formal arrangements with the government, and local resistance

1 The exploration program and feasibility studies for the Lihir project were conducted by a joint venture between Rio Tinto and Nuigini Mining Limited. Under the terms of the original project approvals, the Lihir project was transferred to a new Papua New Guinean company—Lihir Gold Limited (LGL). Rio Tinto established the Lihir Management Company (LMC) to develop and operate the mine on behalf of LGL. In 2005, Rio Tinto divested its interests in Lihir, allowing the Lihir operation to become owned and operated by LGL, until a merger occurred in 2010 with Newcrest Mining Limited.

to the 'state-idea' (Abrams 1988). Under the terms of the Mining Act, the developer and the state then signed a Mining Development Contract, and a Special Mining Lease (SML) was granted.²

In the period leading up to this agreement, the landowners association (LMALA) presented the developer with a 'position paper' that captured their ideas about compensation and development.³ Compensation was presented as an 'all-encompassing issue' that would need to be addressed in a 'comprehensive' way to secure the approval of the landowners. The resulting set of agreements, known as the Integrated Benefits Package (or the 'IBP agreement'), was structured around the landowners' fourfold classification of their 'compensation principle': compensation *for* 'destruction'; compensation *as* 'development'; compensation *as* 'security'; and compensation *as* 'rehabilitation' (Figure 4.2). The underlying objective contained in this all-encompassing concept of compensation was to ensure that the landowners received a 'permanent substitute for the permanent losses and impacts associated with the mine' (LMALA 1994):

Compensation if properly defined should be the state of equilibrium reached when the forces of destruction and impact must be equal to the forces of compensation. The end result of this process should provide for a balance where the Landowners are forever happy and accept the losses and impact they will suffer. Stability, peace and harmony should be the end result of the compensation payment. (LMALA 1994)

From the perspective of the landowners, compensation encompassed the full range of payments and provisions that would offset the losses they would suffer and their desire for greater control over the development of their resources. In other words, this was an expression of their expectation that mining would provide the springboard to propel them into a desired development future. If some Lihirians regarded the IBP agreement as the fulfilment of previous millennial prophecies, it could also be regarded as a manifestation of the state's so-called 'preferred area policy' that had

2 One particular point of contention which had delayed the completion of the agreement was the issue of equity in the mining project. LMALA had demanded 25 per cent equity—for each stakeholder (i.e. the state, the company, the provincial government and Lihirians). After five years of intensive negotiations, it was only when the provincial government opted to give up its share of equity in the project in favour of Lihirians that LMALA agreed sign off at the last moment. A former government liaison officer involved in these proceedings described this as 'an amazingly precocious coup' (Ron Brew, personal communication, August 2020).

3 The total value of one of the first 'position papers' delivered to the company was apparently calculated at some USD4 billion.

already become a feature of the nation's mineral policy landscape (Filer and Imbun 2007). In practice, this policy effectively creates a set of concentric rings or 'zones of entitlement' around each major mining project, starting with the innermost zone occupied by the customary landowners of the mining lease areas who typically experience the greatest burdens and impositions, followed by the project area community, the residents of the region and finally the nation as a whole. This policy is notionally meant to reflect the belief that those communities who experience the most impacts should be granted the most benefits.

1995 Lihir Integrated Benefits Package Agreement			
Chapter 1 <i>Destruction</i>	Chapter 2 <i>Development</i>	Chapter 3 <i>Security</i>	Chapter 4 <i>Rehabilitation</i>
Compensation and relocation agreements: <ul style="list-style-type: none"> • Putput and Ladolam relocation agreement • Kapit relocation agreement • Lands, crops, water and air compensation agreements 	Commitments outlined in the three MOAs between the state, New Ireland Provincial Government, Nimamar Local Level Government and Lihir Mining Area Landowners Association	Trust funds: <ul style="list-style-type: none"> • Putput and Ladolam relocation trust fund • Kapit relocation trust fund • Putput plansite trust fund • Ladolam landowners trust fund • Londolovit customary landowners trust fund • Lihir landowners trust fund 	<ul style="list-style-type: none"> • Environmental Monitoring and Management Plan • Mine Closure Plan / and Long Term Investment Fund
Community agreements and company commitments: <ul style="list-style-type: none"> • Putput community agreement • Londolovit township agreement • Village development agreement 	IBP commitments including: <ul style="list-style-type: none"> • Village Development Scheme (VDS) • Sealing of the ring road around Aniolum island (joint undertaking between the company and the government) 		

Figure 4.2 The 1995 IBP agreement

Source: N. Bainton

At the time, the IBP agreement was considered in some circles to be the new benchmark for community benefit-sharing agreements across the nation. The *Mining Act 1992* made a distinction between development forum (benefit-sharing) agreements (or memoranda of agreement) between the state and affected area communities, and compensation/relocation agreements between the developer and the landowners. The real innovation of the IBP agreement was to bundle together the compensation and relocation agreements and three memoranda of agreement (MOAs), along with the company's environmental management plan (see Figure 4.2). The MOAs established the distribution of royalties and defined the responsibilities and undertakings of the parties in relation to the development of the mine and its benefits for the community. The MOAs and the environmental management plan were included in the IBP agreement so that the landowners could see

the entire package of commitments and benefits they would receive from the mining operation in exchange for their land. This created a certain level of confusion between agreement conditions and operational plans, although the community have generally shown much less interest in the specific details of the environmental management plan, just as the state has shown limited interest in monitoring the company's compliance with its responsibilities under the IBP agreement, or its own commitments contained in the MOAs.

In practice, the only integrating factor in the IBP agreement is the blue hardbound cover that holds this set of commitments together. This observation stems from the lack of integration between various commitments and the roles and responsibilities of different parties, and inability of these parties to implement the IBP agreement in ways that matched the original vision of the landowners, which has been the source of considerable frustration and local political conflict. If the IBP agreement was once the high-water mark for such arrangements, within a matter of years it had become the low tide mark. It is likely that the parties would agree that this state of affairs arose as a result of a lack of governance around the agreements that would allow for effective coordination and monitoring of the various activities and responsibilities. It is less likely, however, that the parties would necessarily agree on who is to blame, which is partly due to the different ways that each party has understood the IBP agreement. As the self-proclaimed architects of the IBP agreement, the landowners (or more specifically the leaders of LMALA) have defended their design and pointed the finger at the company and the government as the principal agents and funders for implementation. On the other hand, the company has often argued that it has complied with most of its responsibilities and the real issue is the government's failure to enact those MOAs to which the company is not a party. While there may be some element of truth in these assertions, this overlooks the propensity of the government to treat the company as a 'contract administrator', sidestepping its responsibilities to monitor how well the company has upheld its obligations—or to actually test the substance of the development programs it claims to have delivered. This selective absence of the state has helped to reinforce the view among the community that Lihirians should control the funds and benefits derived from the operation of the mine to secure their independence from the state, and for that matter, the company.

Government Neglect

As we have seen, prior to the presence of the mining company, Lihirians were of marginal interest to the Government of Papua New Guinea. Like many other rural people, they were poor and services were minimal. The New Ireland Provincial Government had a presence at Potzlaka where the local-level government offices were located with two resident officers. But with the promise of various mine-related funds for developing services in Lihir, and the provision of housing, offices and other facilities for provincial government officers, the approval of the SML and the signing of the MOAs was accompanied by recognition that state service provision had to be expanded and improved in Lihir, and that responsibility for changes associated with the mining project would be subject to regular review. During the mine construction phase and the first two years of gold production there were quarterly meetings in Port Moresby, Lihir and Kavieng (on a cyclical basis). The quarterly meetings were chaired by the Department of Mining and attended by representatives of relevant departments in the national government (Labour and Employment, Commerce and Industry, and Environment, who all chaired subcommittees relevant to their MOA and statutory responsibilities), provincial government heads of department and occasionally others, such as the Police Commander and the chair of LMALA. These meetings were meant to provide timely assessment of emergent problems, to present interim reports of the company's compliance with environmental and social commitments and to identify appropriate responses from appropriate agencies.

From the outset it was clear that the government and Lihirian parties to these meetings viewed their purpose as occasions for lobbying the company representatives to provide funding for their respective departments and projects. Although the company supplied written information and assisted in drawing up an agenda prior to each meeting, these were rarely read, and attendees displayed little interest in their content. For both the provincial and the Lihirian contingents, the main concern was to ensure that the company financed the extension of government services for Lihirians. Whereas Lihir had formerly been an unattractive 'backwater' for government employees, the prospect of new offices and houses, efficient communication systems and life in a township suddenly made it a desirable location. The agreements had already indicated the need for these expanded services and people were eager to participate.

For many in provincial government the mine meant new employment opportunities and the chance to work effectively because the company, rather than the government, would be funding them. Meanwhile in Lihir, the infrastructure for all of these local administrative functions—roads, a ‘town site’, houses for police and other government employees, and new offices—was viewed by many as evidence of the dawn of the era when Lihir would become a city. This also marked the beginning of a process whereby the company would support government infrastructure and services.

Lihir was formally designated a sub-district within Namatanai District, and a sub-district administration was established which employed local public servants responsible for various services, including health, education, law and order, land administration, community welfare and agricultural development. A sub-district administrator was appointed to maintain oversight of these functions, each of which notionally reported back to its functional counterpart at the provincial or national level. Sub-district officers are public servants, part of the provincial or national bureaucracy, and as such are meant to be independent of the local-level government and the mining company. Their independence was compromised from the start as government funding was regularly delayed, often inadequate and occasionally failed to materialise.

Public servants therefore depended on the mine. The simplest examples are communications (fax machines and telephones) and transport (vehicles and fuel). The provincial government didn’t pay bills so phones were cut off. The people in the sub-district office had vehicles, but often the ‘fuel allowances’ didn’t come through—so the company supplied fuel to enable people to actually do their jobs.⁴ There were also numerous instances where community pressure demanded a response from the company. The refrigerator at the Catholic Church’s Palie Health Centre, which stored pharmaceuticals and vaccines broke down and—in the absence of government action—was replaced by the company. During the early days of mine construction, the mobile squad police were called in to deal with community conflict following a murder. The police officers got drunk

4 One former government liaison officer for the project noted that the National Department of Mining had provided a lot of funding in the first five years of the mine to support other departments, including funds to meet state infrastructure commitments under the MOA. The funds began to dry up as other national projects were prioritised (Ron Brew, personal communication, August 2020).

and crashed the police vehicle, damaging it beyond repair. After months without any means of travelling around the island, the mining company supplied a new vehicle in the interest of maintaining law and order.

Perhaps the most egregious failure initially was that of the national government to provide equipment that would have enabled the government environment officer to independently monitor environmental impacts of the mining operation. The officer arrived around 1997 to find he had a desk and a computer, but no equipped laboratory, no boat or motor vehicle and no storage for samples. In order to fulfil his designated duties, he appealed to the company for use of their equipment and facilities, which were provided. While he did in fact work entirely independently, the integrity of his routine assessments could readily be questioned by any external review.

This pattern has persisted, and little seemed to change when the regulator transitioned from a government department (the Department of Environment and Conservation) to a statutory authority (the Conservation Environment Protection Authority or CEPA) in 2014. Among other things, this change was meant to ensure that the regulator would be better resourced to carry out its functions in an independent manner. But if a certain kind of ‘wilful dependency’ upon the company has persisted, in some respects this also extends in the opposite direction. The company’s environment department relies upon the local CEPA officer to maintain its relationship with senior CEPA management in Port Moresby, to facilitate any changes to permit conditions, and to help manage local community–environment issues. While company management have sought to limit direct assistance to the local CEPA office—to avoid accusations of ‘buying off the government’—some managers have also come to the conclusion that some assistance will be necessary to ensure that the regulator can carry out those basic functions that serve the interests of the company. These challenges are by no means limited to Lihir and similar frustrations are frequently voiced across the industry.

The failure of government departments to support their staff is simply one of the ways that the ‘absent state’ problem manifests itself. To outside observers, the company’s responses might appear as the illegitimate assumption of state functions. But Lihirian people viewed them as entirely appropriate, maintaining that the presence of the mine created the need for these expanded services and that the company should therefore pay for all services. In the words of one woman: ‘Before the mine we didn’t need

police to patrol. Now people buy beer, fight and spoil our places, so we have to have policemen come and take them to the station. It's because of the mine there is beer and trouble.' Others referred to the way that company agents had promised that the project would improve living standards, health services and education. While government officers presented these as indirect effects of economic progress, local people saw them as direct benefits promised by the company.

At the provincial level, the abrogation of responsibilities was justified differently. In discussions with public servants in Kavieng in 2000 about the lack of provincial support for staff stationed in Lihir, the somewhat cynical response to questions posed by Martha Macintyre was that 'Lihirians are rich now—the money should be spent on other New Irelanders'. From their perspective, the mining project had brought economic advantages that other New Irelanders lacked. Public servants in other parts of the province did not have the nice new houses, new offices or other facilities that their colleagues working in Lihir enjoyed. As word spread about the houses, new roads, water tanks, electricity supplies (usually greatly exaggerated as in fact only the relocated Lihirian villagers had such benefits), so the idea of relative deprivation flourished.

The complexities of state neglect and the mismatched expectations of the various parties involved in benefit distribution require closer examination. Under the terms of the MOAs, the national government was to provide the provincial government and the local-level government with an annual Special Support Grant (SSG) to compensate for the decline in their share of mineral royalties under the terms of the Mining Act. The SSG was calculated in the same way as royalties (a percentage of annual gold sales from the mine) but this was not an additional tax levied on the developer.⁵ The SSG also functions like a redistribution mechanism, whereby the state allocates a portion of its revenue derived from resource extraction projects to the region or the province hosting the operation to compensate those who do not directly receive benefits from the project. It was intended for use on projects that are approved by the national government and to be administered by the provincial and the local-level governments. The payment of the annual SSG has been a continual source of political frustration, and the Governor of New Ireland, Sir Julius Chan, has often publicly proclaimed that the national government has

5 The 1995 MOA calculated this at 1 per cent of annual revenue. The revised 2007 MOA calculated this at 0.25 per cent of annual revenue.

deliberately withheld or delayed the payment of the SSG, which in turn has supposedly impacted the ability of the provincial government and the NRLLG to carry out their functions and deliver infrastructure services to the people of Lihir. Some observers have suggested that the state has continually failed to deliver the SSG because it is a conditional grant and provinces must apply for project funding in a designated format through the National Planning Office, whereas provincial governors would prefer to think that the SSG is unconditional funding which they can ‘manage’. This demonstrates the political struggles around the payment of funds related to the mining operation. It also reveals the antagonism between the different levels of government over access to mining ‘benefits’, and the connection between Sir Julius Chan’s well-known political ambitions for provincial autonomy and the desire to contain resource wealth to the province.

Providing Services and Assuming Responsibilities

With the advent of the mine vast amounts of physical infrastructure soon emerged in Lihir. In the newly defined ‘affected area’ villages, this entailed the provision of improved housing, sealed roads, reticulated water supplies and electrical connections. While these were originally catered for under the terms of the IBP agreement, there was much less clarity around who would be responsible for their maintenance and upkeep, and who would foot the bill. In the absence of the government or any other capable local institution, this has largely fallen to the company, as it provides the only source of power and manages the supply of water. The company also manages the Village Development Scheme (VDS), which was originally proposed as a benefit for communities who were not covered by the negotiations, but was later expanded and redesigned as a housing improvement program across affected and non-affected villages.⁶ A similar situation has emerged in regards to the other civic services.

6 Annual VDS provisions are outstripped by the expectation that each household will receive a new house. This is compounded by the need to use some of these provisions to maintain the existing housing stock, which creates a further cycle of dependency and community frustration. See Bainton (2017: 323–34).

In the years immediately prior to the establishment of the mine, policing on Lihir was carried out by a couple of policemen stationed at Potzlaka. Their station comprised a single room, and a small shipping container served as the holding cell. During the construction phase of the mine, a new police station was constructed with several holding cells, the number of officers increased and several new police vehicles were supplied. The influx of returnees, fly-in-fly-out employees, and migrants hoping for employment meant that police suddenly had more to do. Crimes increased—or at least appeared to do so, as people reported crime more. There were more court cases and so the need for a courthouse arose. The mining company soon established a working relationship with the police as they came to rely on them for local law and order enforcement and to maintain a stable operating environment. Over time these provisions have expanded, and were later captured in a memorandum of understanding (MOU) between the company and the Royal PNG Constabulary that outlined annual support for police operations, housing maintenance, vehicles, meals, uniforms and travel. In many other contexts this type of support would be regarded with suspicion, and in those places where the police have meted out forms of extrajudicial punishment it would be considered as evidence of corporate-funded state violence (see Golub, Chapter 3, this volume). But for the most part, Lihirians continue to expect the company to support law and order services due to the prevailing expectation that mining will deliver social and economic development, the belief that the mine is responsible for increased law and order issues and the lack of faith in any government department to undertake this role.

The provision of improved health services is often regarded as one of the most significant benefits of resource extraction. Many resource companies seek to improve their social and political standing through conspicuous contributions to community health programs, and governments often encourage companies to help them fill basic service gaps as a condition of their operating licence. Prior to the mine, health services were limited. Malaria was endemic, and there were high rates of infant mortality, tuberculosis and yaws. The Lihir Medical Centre was established in 1996 when an MOU was put in place between the state, the provincial government, the Nimamar Development Authority, the Catholic Church health agency and the mining company for an integrated medical facility to be built at Londolovit to serve mine employees and their dependents and other residents of Lihir. The medical centre is managed by a contracted international health service provider, and operational costs are covered by

the company. The medical centre is staffed by national and expatriate doctors and national nurses, and in addition to servicing the company it provides primary healthcare services to the local community, runs community health outreach programs and supports the Catholic Church and government-run health services in Lihir.

While many Lihirians make good use of the medical centre—and the centre has undoubtedly helped to improve overall health conditions in Lihir and perhaps represents the most significant benefit of the mine—from an early stage many Lihirians were frustrated by the fact that the medical centre primarily existed to serve the needs of the company. As a result there have been several ill-fated attempts to develop an ‘independent’ Lihirian-managed health program. These initiatives reflect local desires for autonomy—and the expectation to have the same services as white Australians—and the tension between simultaneously wanting the mining company to provide these benefits and services, and wanting to own or at least control specific institutions.

In the pre-mining era, education services were just as limited as health services. The IBP agreement contained provisions for the government to construct the first high school in Lihir (which has only recently been upgraded to cater for grades 11 and 12), and to appoint a school inspector who would be responsible for improving education standards across the schools. The company also built an international primary school in the residential town site which is staffed with expatriate teachers and delivers an Australian curriculum. The school is owned and operated by the company and was initially intended to service expatriate families residing in the company town. This situation has gradually changed as more Papua New Guineans are employed by the company in senior roles that come with housing entitlements, meaning that their children also attend the international school, and as wealthy Lihirians and local business people opt to send their children there. In addition to its technical training centre, the company provides annual scholarships for tertiary studies and runs a distance education school in partnership with the University of Papua New Guinea, which offers local community members an opportunity to complete their high school certificate. The company has a special interest in the local education system, since low education standards in Lihir directly affect the ‘talent pool’ for its local employment obligations. In order to address these issues, at one point the company’s human resources function was forced to establish bridging programs to develop basic numeracy and

literacy among some junior and apprentice-level employees from Lihir. Taken as a whole, the image that emerges is one of total dependency upon the company to keep essential services in place.

The Lihir Destiny: New Agreements for Old Issues

By the turn of the century, there was a growing realisation in Lihir that the IBP agreement had failed to deliver all the expected goods. The IBP agreement contained a provision for review every five years, and so in 2000 LMALA and NRLLG representatives set about preparing themselves for this task. The review process soon became a political process as a self-styled group of elite male leaders who called themselves the Joint Negotiating Committee (JNC), comprising leaders from LMALA and the NRLLG, along with several members of Lihir's 'educated elite', assumed an uncompromising stance towards the company and the state which prolonged the review process for multiple years as they refined their catalogue of requirements. The JNC members experimented with various strategies and formulas as they attempted to articulate their preferred 'road to development' that would provide the basis for a revised agreements package. By the early 2000s the JNC members had concluded that the first era of the mining operation had been 'wasted', and with each revised position paper their demands looked more like a development manifesto or a blueprint for an independent micro-nation than a standard compensation package that would be recognisable to the company, let alone the state.

During this time, the JNC members were introduced to the self-help philosophies of the Personal Viability (PV) movement that was taking off throughout the country, and they recruited the founder and director of this movement, 'Papa' Sam Tam, to implement his PV training program in Lihir and advise them throughout the renegotiation process. The PV course contained a mixture of lessons in self-help, financial management and entrepreneurialism. By completing various grades of training, individuals would become 'personally viable' and responsible for their own 'destiny'.⁷ The emphasis on individual responsibility resonated with

⁷ Sam Tam coordinates this program from his Entrepreneurial Development Training Centre. The program has been adopted in various places in Papua New Guinea, and other Melanesian countries. See Bainton (2010, 2011); Bainton and Cox (2009); and Macintyre (2013).

a broader set of concerns about local dependency upon the mine, and for some Lihirians PV tapped into historical aspirations to ‘unlock’ the secret to the wealth held by white Australians and represented the kind of knowledge that they suspected they had previously been denied. The JNC members eventually arrived upon the idea of the ‘Lihir Destiny’ vision, which they explained as the goal of creating a ‘healthy, wealthy, happy and wise society’ based upon ‘financial independence and self-reliance for all Lihirians’, which sounded like a more consolidated version of the landowners’ original compensation principle presented to the company in 1994.

The path that would lead to this future state of balance was articulated in a policy document called the Lihir Sustainable Development Plan (LSDP). The JNC had devised the LSDP as the road map for the Lihir Destiny vision. According to this vision, the mine would provide the financial base to enable a form of sustainable development that would be aided by their newly acquired commitment to the teachings of the PV movement. If this sounded like a vernacular form of neoliberal theory—that placed the onus on the individual and obfuscated other structural inequalities—then it partially reflected the extent to which some Lihirian leaders had also given up on the idea that the state would provide the development they desired, the realisation that Lihirians would have to harness the future for themselves, and the belief that this would also create the conditions for a greater level of Lihirian independence.

In April 2007 LMALA, NRLLG, the New Ireland Provincial Government and the company signed the revised IBP agreement, or what came to be known as ‘IBP2’. The original four-chapter structure was expanded to a five-chapter structure to incorporate the LSDP, and the three existing MOAs were consolidated into a single MOA between the same parties.⁸ The IBP2 agreement was underpinned by a commitment from the company for 100 million kina over five years (or PGK20 million per annum plus CPI) for the implementation of the LSDP, which represented

8 The revised MOA set out the terms for the royalty rate and the distribution of funds; the Special Support Grant from the state to the provincial and local level governments; landowner equity in the mining project; the Tax Credit Scheme; the New Ireland Trust Fund; the roles and responsibilities regarding the provision of community infrastructure, health and education services, law and order programs, environmental monitoring, training and localisation programs for the mine, and local business development; and endorsement of the LSDP as the long-term economic development plan for Lihir.

a substantial increase the annual funding commitment.⁹ This figure was not calculated on the actual cost of rolling out the plan, but was instead offered an impressive sum to unlock the negotiations and bring the review to a close. As one former company manager put it, ‘this was a “nuclear” option to end what had been six years of torturous and at times acrimonious and expensive negotiation’.

These funds were referred to as the ‘IBP2 grant’, which was split across the five chapters of the agreement that cover various projects and programs, and was inclusive of the compensation paid to Lihirians for the physical impacts of the mine (see Figure 4.3). The scope of the final chapter (‘Rehabilitation’) was revised to include the mine closure plan and the trust funds, and the company’s environmental management plan was removed. Ongoing obligations from the original IBP agreement (including compensation payments, the VDS program and the trust funds) were carried over to the revised agreement, along with outstanding obligations like the sealing of the ring road around the main island, and were classified as ‘fixed obligations’. The remaining funds were then allocated against the other projects and programs across the chapters.

2007 Revised Lihir Integrated Benefits Package Agreement				
Chapter 1 Lihir Destiny	Chapter 2 Destruction	Chapter 3 Development	Chapter 4 Security	Chapter 5 Mine Closure
<i>Nimamar Local Level Government, Lihir Sustainable Development Office</i>	<i>Lihir Mining Area Landowners Association</i>	<i>Nimamar Special Purposes Authority</i>	<i>Lihir Sustainable Development Limited, Lakaka, Mineral Resources Lihir</i>	<i>Mine Closure Committee</i>
Fixed obligations <ul style="list-style-type: none"> VDS housing and assistance; ring road LSDP Projects <ul style="list-style-type: none"> VDS maintenance School transport Medical transfers Health & education Law & order Lihir culture Women, youth & sports LSDP administration budget 	Fixed obligations <ul style="list-style-type: none"> Compensation Community grants Cultural site maintenance Other LSDP projects <ul style="list-style-type: none"> Specific Issues Committees projects 	LSDP Projects <ul style="list-style-type: none"> Capacity building NSPA infrastructure projects for health, education and law & order NSPA administration 	LSDP Projects <ul style="list-style-type: none"> Capacity building (i.e. Personal Viability) Lihir Integrated Livestock Lihir Micro Bank Agriculture and other non-mining economic activities Lihir Sustainable Development Limited administration 	Fixed obligations <ul style="list-style-type: none"> Trust funds: mine closure, Putput, & Ladolam Relocation, Kapit Relocation, Putput Plantsite, Ladolam Landowners, Londolovit Customary Landowners, Lihir Landowners LSDP Projects <ul style="list-style-type: none"> Mine closure administration

Figure 4.3 IBP2 agreement and LSDP structure

Source: N. Bainton

9 The annual PGK20 million + CPI payment has continued beyond the original five-year commitment date, due to the failure to renegotiate this agreement at the five-year mark (as discussed further under ‘Derailing the Destiny’).



Figure 4.4 The Lihir IBP agreements (1995 and 2007)

Source: N. Bainton

The IBP2 agreement contained revisions to the terms of the original IBP agreement, combined with a set of policy statements on the LSDP as the blueprint for the future of Lihir, and a series of accompanying spreadsheets that detailed the various budget allocations for LSDP projects, along with the mine closure plan. The blue, hardbound cover of the 1995 IBP agreement was replaced with a yellow, soft-bound cover, replete with an aerial image of Putput village and the mine site that was accidentally set in reverse on some copies of the agreement, which might be retrospectively read as a symbolic indication of the direction that the LSDP would eventually travel (see Figure 4.4).

The agreement required a novel set of institutional arrangements to govern and implement the new commitments. Some of the responsibilities contained in the different chapters were aligned with the functions of existing institutions like the NRLLG and LMALA, or the Nimamar Special Purposes Authority (NSPA). In other cases new ‘offices’ or corporate bodies were created to support the overall management of the LSDP, including a joint stakeholder ‘LSDP Planning and Monitoring Committee’, which was meant to steer Lihir towards its destiny. Figure 4.5 provides a simplified outline of the institutional landscape in Lihir. The number of state entities has evidently increased since the pre-mining era, just as the number of Lihirian or landowner entities has flourished to represent an expanding set of local interests. The creation of several ‘joint entities’ was meant to represent their different interests and convey their mutual commitment to the Lihir Destiny vision.

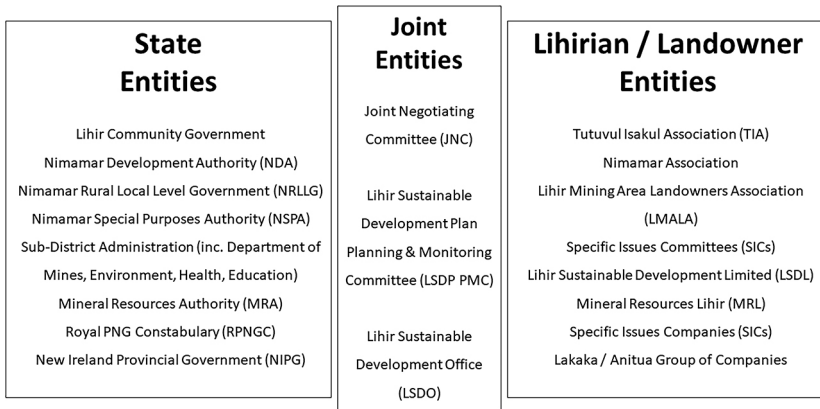


Figure 4.5 The institutional landscape in Lihir (past and present)

Source: N. Bainton

Under the terms of the IBP2 agreement, the NRLLG agreed to consolidate its budget with the IBP2 grant for the purposes of implementing the LSDP as the shared vision for Lihir.¹⁰ The intention was to combine the benefits and compensation package from the company (the annual IBP2 grant of PGK20 million) with the funding received by the NRLLG (the royalties and SSG) to provide a larger consolidated resource base to support an integrated development plan for Lihir (the LSDP). The aim was to ensure that the landowners received their due entitlement, to supplement the government's resources to deliver services and infrastructure for all Lihirians, and to avoid duplication between projects and programs that are provided by the company (mainly for the affected area communities), and those that are provided by the government (mainly for the community as a whole).

Chapter 1 of the agreement therefore contained a raft of social development projects and programs that were meant to enhance those services that the government was already responsible for delivering under the terms of the MOA. This was to be coordinated through a newly established Lihir Sustainable Development Office (LSDO) in conjunction with the NRLLG. Chapter 2 set out the range of compensation payments and grants that would be received by the affected area communities, and

¹⁰ The IBP2 agreement also contained provisions for a capacity-building program to ensure that the primary stakeholder institutions would be able to implement the LSDP. Curiously, this did not include the company; it was incorrectly assumed that the company had sufficient capacity to play its role. The agreement also contained provisions related to Lihirian equity in the mine, and landowner participation in mining (i.e. business contracts).

commitments to a newly formed group of ‘Specific Issues Committees’ or ‘SICs’, that notionally represented the interests of specific landowner groups and their ‘specific issues’ in relation to the mining operation.¹¹ LMALA was responsible for the overall coordination of this chapter, which entailed oversight of these new SICs and their programs, and the delivery of various affected area community grants, while the company was responsible for directly managing royalty and compensation payments.

Chapter 3 outlined the social infrastructure projects (like bridges, roads and buildings) to be delivered by the NSPA, which served as the technical arm of the NRLLG. Funding provisions were included to cover the administration of the NSPA. Chapter 4 focused on providing ‘economic security’ for Lihirians through the delivery of the PV training program, and the development of ‘non-mining dependent’ economic activities, including a livestock farm and a micro bank to support those ‘grassroots’ entrepreneurs who would soon graduate from the PV course. The institutions notionally responsible for this chapter included a new local company called Lihir Sustainable Development Limited, the peak landowner company Lakaka (later rebranded as Anitua), and Mineral Resources Lihir, which managed Lihirian equity in the mine (which was later sold down to create the MRL investment and future funds¹²). The final chapter contained the annual commitments to the trust funds, and the conceptual mine closure plan to be administered by the company. As an entire package this was the basis for achieving long-held visions of ‘modernity’ and the transition towards an autonomous future.

Derailing the Destiny

Soon after the signing of the IBP2 agreement, the parties retreated to their respective corners of the island and the company was left with the task of working out how to handle these revised commitments. The new agreement, and the visionary plan that it underpinned, was meant to represent a new era of collaboration. But it was soon apparent that it would take a lot more to address the historical tensions between these groups and to align their competing interests. This situation was partly related

11 This included, for example, a ‘Plantsite SIC’, ‘Putput and Ladolam SIC’, ‘Pit and Stockpile SIC’, ‘Kapit Relocation SIC’, ‘Airport SIC’ and others. The list of SICs has since grown, as each aggrieved community group has sought formal recognition of their specific set of issues.

12 See MRL Capital: www.mrlcapital.com.pg/

to the structure of the new agreement, and the lack of detail around how these arrangements should be managed, especially the so-called ‘LSDP consolidated funds’ comprising the IBP2 grant from the company and the NRLLG’s budget contribution.

The management and control of the LSDP consolidated funds has been at the centre of a long-term dispute between LMALA and the NRLLG, which started immediately after the signing of the revised agreement. The dispute arose around the implementation of the LSDP and because governance processes for the management of government royalties and company grants were not established as provided for under the terms of the revised MOA and new agreement. The consistent inability of the parties to work together has resulted in numerous revised and interim arrangements for the management of projects supported by the IBP2 grant.¹³

Up to 2012, IBP2 grant projects were budgeted by the joint stakeholder LSDP Planning and Monitoring Committee with the NRLLG. In June 2012, the NRLLG and LMALA signed a joint resolution that ended this short period of troubled collaboration. The LSDP Planning and Monitoring Committee was effectively folded into LMALA, who then assumed responsibility for implementing the IBP2 grant and the overall LSDP, while the NRLLG ‘independently managed’ the expenditure of its royalty funds. The parties justified the split by appealing to Biblical law: let the government (or Caesar) claim what was ‘rightfully’ theirs, which in turn confirmed the autonomy of LMALA over all land-related benefits and compensation (the IBP2 grant from the company). This immediately undermined the philosophical intent of the LSDP. Since 2012, the company and LMALA (and its LSDP Planning and Monitoring Committee) have jointly agreed upon annual budget allocations for LSDP projects and programs across the five chapters. The company has managed ‘fixed obligations’—which largely amounts to the direct payment of compensation monies under Chapter 2 and the VDS program under Chapter 1—and LMALA has assumed responsibility for implementation of all other LSDP projects and programs.

13 There is insufficient space in this chapter to document the details of the disputes between these parties, the subsequent legal investigations, the various mechanics for the governance and implementation of LSDP programs, or the outcomes of these arrangements.

This arrangement partly reflects LMALA's efforts to control all funds and programs under the LSDP, and the commitment of LMALA leaders to the Lihir Destiny vision and their sense of frustration over the capacity of the government to provide services for the Lihirian community. It also reflects the belief within LMALA that the IBP agreement is a compensation agreement primarily between the developer and the affected area communities, which therefore entitles them to control and manage all funds derived from this agreement, along with an overarching desire to minimise any interference by the state. Both parties have attempted to claim the moral ground, with LMALA asserting that if it was not for the sacrifice of their members there would be no benefits or royalties, while the NRLLG has claimed that it existed well before the mine and will continue to exist once mining operations end, at which point there will be no further need for landowners to incorporate their interests. This has resulted in a deepening twist, as LMALA has deliberately assumed a quasi-government role as it has attempted to implement the LSDP, which has demanded even greater efforts by the company to manage the local fallout from this arrangement, leading it further down the path towards behaving more like a quasi-state than a developer.

These struggles and contradictions have been exacerbated by a further review of the compensation and benefit-sharing agreement that has run in parallel to the implementation of the existing arrangements. In 2012, the company commenced the second review of the IBP agreement, which came to be known as the Lihir Agreements Review process. This has been a stop-start affair that has divided Lihirians and come at great cost to the company, LMALA and the NRLLG. At the time of writing this chapter, the review process was still in progress because the parties have been unable to agree on the size, content and structure of a revised agreements package—or what may eventually become the 'IBP3'. The changes and issues we have described are set against the background of an unresolved and politicised review process and a local crisis of representation. This has meant, among other things, that implementation of the IBP2 agreement is thoroughly entangled with the politics of the Lihir Agreements Review, as the frustrations with the current arrangements are intensified by the delays to the review process, which in turn places even greater pressure upon the company to keep basic community services running, and increases the unrealistic expectation that a new agreement will somehow solve all of these problems. Under these conditions, it is unlikely that any new agreements package will be considered acceptable by the residents of Lihir.

The Tax Credit Scheme

In an attempt to address the gaps created by state absence, and to reconcile the wider expectation of service and infrastructure provision, in 2011 the company started implementing the tax credit scheme, which is perhaps the most blatant manifestation of the 'absent state' phenomenon and the blurring of the boundaries between state taxes and corporate-funded community development. This scheme was developed when it became apparent that neither national government agencies nor provincial governments are able to fulfil their commitments in the various benefit-sharing agreements to which they are a party. The tax credit scheme originated in 1992 at the Porgera Gold Mine, after the management of the mine came to the conclusion that the benefit-sharing agreements, to which they were not a party, presented a major risk to stable operations.¹⁴ The national and provincial levels of government had failed to uphold their commitments under these agreements and as a result local community representatives were justifiably annoyed, inflaming an already volatile social landscape in the vicinity of the mine (see Golub, Chapter 3, this volume). The company understood the importance of maintaining local political support for the mine, so they persuaded the national government to introduce an 'infrastructure tax credit scheme' in the 1992 budget (Filer and Imbun 2007: 89). The scheme entailed an amendment to the Income Tax Act that then allowed the developers of large-scale resource projects to expend up to 0.75 per cent of their gross revenues on social and economic infrastructure projects. This expenditure would then be offset as a credit against the annual tax on profits ordinarily payable by these companies to the national government. In practice, this meant that companies could use their own engineering and project delivery capacities to satisfy the demand for improved infrastructure within local project areas and in adjoining areas that would otherwise not receive any project-related benefits. In theory, this would increase the level of local and regional support for individual mining projects at no extra cost to these developers.

14 A second key driver was the failure of the national government to maintain the Highlands Highway. The Porgera Joint Venture wanted to ensure that it remained open, as a primary lifeline for the operation, but it did not want to take on that particular state responsibility without some fiscal compensation.

Although the tax credit scheme already existed when the original benefit-sharing agreements for the Lihir gold mine were signed in 1995, the company did not start implementing the scheme until 2011, which was partly because the company had previously claimed it was not in a position to pay corporate tax to the national government, and was therefore not eligible for any credits. The program got off to a bumpy start that sparked a public relations debacle as the provincial governor, Sir Julius Chan, launched an offensive against the company for its failure to complete agreed tax credit infrastructure projects on mainland New Ireland. In 2013, the price of gold fell substantially, although not as substantially as the share price of the company, but by that stage the company had already made commitments to the provincial government to fund numerous infrastructure projects over the coming years. The governor insisted that these funding commitments must be upheld regardless of corporate profitability and so, as a show of compromise, the company agreed to fund tax credit scheme projects at a set annual level from its own internal cash flows even though the company still maintained that it was no longer in a tax-paying position.

The tax credit scheme originally arose as a company-led solution to the lack of capacity within provincial and national governments, and as a kind of strategy to enhance local political support for a specific mining project. In the case of Lihir, the primary source of pressure to deliver upon this scheme has come from the provincial government rather than the project area communities. This is partly due to the local expectation that the company will directly fund development projects as a form of compensation or as a benefit under the IBP agreement rather than an additional corporate tax offset. Management of the tax credit scheme in Lihir has been via a joint committee (comprising provincial, sub-district and NRLLG representatives), and has targeted projects that are not covered under the IBP2 agreement, which is Lihir-specific, whereas the tax credit scheme is notionally province-wide.

If multinational mining companies have their own reasons for implementing the tax credit scheme, or being seen to do so, this obviously lightens the load on national government agencies and provincial governments and delivers tangible benefits that might otherwise not be seen. But this should not blind us to the real decline in the capacity of relevant government agencies to accomplish their commitments and uphold their obligations to project area communities. Although the operator of the Lihir mine claims to have expended almost PGK100 million between 2011 and 2019

on various education, health and road infrastructure projects across New Ireland Province, including in Lihir (NML 2019), this has barely lifted the capability of the provincial government, much less the NRLLG, to provide comparable contributions and fulfil their commitments under the IBP agreement and the MOA. So while the tax credit scheme might represent a ‘good news story’ for individual companies and local members of parliament who are invited to participate in the ceremonial opening of these projects, in practice it has done little to alleviate the pressures arising from the lack of governance around the core benefit-sharing agreements at each resource extraction project. And in Lihir it more or less serves as a parallel or supplementary development program managed by the company to fill some of the spaces created by the failure of the IBP2 agreement and the selective absence of the state (or at the very least to divert some attention away from this development fiasco).

Conclusion: Being in a State of Compromise

In his account of the original planning and negotiation processes for the Lihir gold mine, Colin Filer suggested that the government may consider the geographical isolation of the project as a pretext for treating Lihir as an enclave that the company could then administer from its own plentiful resources, while the company may find that it is too engrossed in its engineering and accounting problems to pay serious attention to the needs and fears of the local community (Filer 1995: 73). A variation of this dilemma has ultimately come to pass, and equally so at every other major mining project throughout the country.

While the state has maintained a limited presence in Lihir relative to the expectations of some Lihirians and most managers of the company, the state clearly has a far greater presence now than it had in 1985, when it was almost completely absent. If the presence of the state is measured by the number of residents who are now on the government payroll, it does not appear to have any less of a presence than it has in other rural local-level government areas in New Ireland Province. The size or scale of its presence should therefore be distinguished from the source of the funds used to maintain it and people’s perceptions of its capacity to keep its promises. And it could certainly be argued that its presence has been dwarfed by the expansion of the mining company, and further diminished

by the company's assumption of governmental functions. Moreover, the selective absence of the state has cornered the company into a far more intensive relationship with the local Lihirian community, enhancing the perception of the absence of the state.

The inability of the government to fulfil its basic duties under the terms of the MOA is only one part of the problem. The other part of the problem is that the company has been lumbered with responsibility for the implementation of agreements that were substantially devised by other stakeholders. The original development forum agreements (or MOAs) were mainly based on a template devised by public servants in Port Moresby, which was then modified in light of pressure from local community (especially LMALA) representatives. The IBP2 agreement, and the LSDP, were predominantly the product of the JNC and reflect the thinking of its members who saw themselves as the vanguards for a cultural revolution in Lihir. This partly explains why the company has been unable to set in place robust governing controls around the agreements. This situation has been compounded by the emergence of a complex institutional landscape comprised of numerous competing entities or corporate bodies. The net result is a convoluted and constantly shifting set of governance arrangements for managing benefits and compensation payments and maintaining the delivery of basic services.

Several interrelated processes now begin to emerge. Historical experiences of neglect and local engagement with external forces—manifest in a combination of ambivalence, tension and enthusiasm for institutional governance and order—have culminated in various schemes to attain a form of independence, which have most recently taken the shape of the Lihir Destiny vision, captured in the LSDP. But the inability to fully enact these policies and programs (funded by the mining company) has reinforced local desires to maintain total control over all mine-derived funds and programs as a way of dealing with their real and perceived issues with the company and the state, and as a way of satisfying their needs and aspirations. At this point, we can ask whether local community and landowner representatives actually want the state, in the shape of the national or provincial government, to have a greater presence in the islands. In some respects, it seems that they do not.

The concept of fungibility also helps to explain the government's abrogation of its responsibilities in Lihir (just as it does in the case of the global aid industry). Mine-related funding intended for social

development projects has frequently been diverted, directly or indirectly, to other programs or uses, including administrative expenses. This has been a constant concern for the company—in relation to both the NRLLG and its use of royalties and the SSG, and LMALA's use of the IBP2 grant. In order to protect its interests and keep the operation open, the company is therefore routinely required to assume the functions of the government, sometimes arbitrating between disputing parties or acting as a corporate community development agency, which ultimately creates conditions of total dependency upon the mining operation. The very structure of the agreements is partly to blame for this situation, and has exacerbated this state of corporate and community compromise.

From this perspective, the state is perhaps better described as an inattentive parent who periodically meddles in community affairs, or an absent landlord who occasionally comes to inspect their industrial estates, regularly collecting 'rental payments' (in the form of royalties and taxes), yet pays no attention to the harm their corporate tenants are inflicting upon their residential neighbours. However, these analogies only go so far, and from the perspective of the community, the government has no moral right to benefit from the mine and 'their' resources so long as it fails to enact its state responsibilities.

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