

IMPROVING RURAL LIFE IN BOUGAINVILLE THROUGH BUSINESS GROWTH

Members of the Forum, ladies and gentlemen. Thank you for the opportunity to talk with you today. I am pleased to be able to meet so many Australian and Papua New Guinean business people. I am looking forward to welcoming a number of representatives of Australian members of the Forum to Bougainville on Thursday this week.

The theme of this session is “Improving Rural Life Through Business Growth”. This theme is relevant to PNG, our Pacific Region more broadly, and of course especially to the Autonomous Region of Bougainville. In my speech today I will provide an overview of how we, the Autonomous Bougainville Government (which I will refer to by its initials, the ABG) view business growth and its impacts, and foreign direct investment in Bougainville.

At the outset let me be absolutely clear. The ABG supports business growth. At the same time we also support the development of our people, our culture, and our future. So there will be several distinct messages in what I have to say.

Business growth provides jobs. It generates spill-over activities. It encourages participation by the community. It provides revenue for the Government to support the funding of key social services like health and education. It provides hope and dreams.

In Bougainville, over 90 per cent of our 250,000 people live in rural villages and hamlets. Our customary social structures and our culture are deeply inter-connected with our clan land, and with rural life. Of course, that is gradually changing as we connect more and more with the global world. But we want to ensure that, as much as possible, change is managed in ways that maintain our long established social structures and culture, at the same time as they gradually adapt and change.

Those considerations mean that it is essential that our strategy involves attracting investment that creates economic development opportunities for our rural population. Of course, we are not seeking to limit investment solely to rural-based projects. But that must be an important emphasis in the directions that we take.

Of course, there have been countless academic and practical studies of the benefits that appropriate business growth can provide to rural communities. This is particularly so in developing economies. When the growth in such countries occurs in traditionally labour intensive sectors, such as agriculture and horticulture, it can enable wide participation in productive activity often at a family or village level. An important aspect of this should always be participation by women and young people.

In Bougainville we understand and support the concept of improving rural life through business growth. So my first message to you is : **Bougainville is open for business!**

We support business growth - especially growth that takes into account the culture and values of our communities. So we support business growth that is a means to an end rather than an end in itself.

I mentioned that there are countless positive examples of business growth improving rural life. But there are also too many examples where it has had negative impacts. We have seen

this in PNG, in the Pacific in places like Nauru. In Bougainville, of course, we have seen the tragic consequences of economic development, with the Panguna mine.

In retrospect, it is clear that the central problem involved concerns of people that the benefits of the mine (shares of mine revenues, and access to employment and business opportunities) were not fairly distributed to the people of Bougainville – particularly the communities in mine leases, but also extending to the broader population. Then, of course, the conflict from 1988 to 1997 resulted in terrible bloodshed and suffering.

Against that background, the possible reopening of the Panguna mine has attracted a great deal of attention, and some controversy. Panguna remains a sensitive issue in Bougainville.

In principle, the ABG supports re-opening Panguna. We see that as the most realistic way of contributing to broad-based economic growth, and generating the ABG revenues required to meet the needs of our people.

It must also be emphasised that in planning for meeting those needs, we are working within a very tight timetable. The constitutionally guaranteed referendum on independence **must** be held within the five year period that begins just four years from now – no earlier than 2015 and no later than 2020. As a result we need development and revenue as soon as possible, so that the ABG can work with the National Government and other partners to make the current autonomy arrangements work well. We want autonomy to deliver real benefits to our people. In that way, when the referendum is held, Bougainvilleans will have a real choice – a choice between the actual benefits of autonomy, and the possibilities of independence.

But while the ABG sees potential benefits from re-opening Panguna, we also believe that a final decision can only be made if that is the will of the people. We need broad-based support for proceeding in that way.

It has been agreed between the National Government and the ABG that decisions about the re-opening of Panguna will be made through a process for review of the Bougainville Copper Agreement (the BCA). It has also been agreed that the review process must include not just the National Government and BCL (the original parties to the BCA), but must also include the ABG and representatives of the landowner communities whose land is covered by the various leases associated with the Panguna mine.

In the last two to three years the ABG has undertaken significant work to consult the mine lease landowner communities, and the wider community. As a result, we are well advanced in the complex and sometimes difficult work of establishing representative landowner associations. The consultation with the landowner communities has determined that they want those associations in order to facilitate full landowner community participation in the BCA review process.

I expect that we will have completed this work by the end of this year. Then there will be further work required to assist representatives chosen by the associations to prepare for full participation in the review process. In addition, work on reconciliations and other peace-building work amongst the communities must continue.

Given all that still needs to be done, I would now expect that we should be ready for the BCA review process to begin in the first part of 2012.

I am very encouraged by the response of the landowner communities to date, and the genuine commitment that they are showing to forming representative associations. Of course, there is

still a wide variety of views on what should happen. Although a clear majority seem to be in favour of mining, there are other voices. It will be a matter for the landowners to work towards consensus on the difficult issues involved. Whatever happens, I have no doubt that the new landowner association leaders will be truly representative. They will deliver free and frank advice to both the ABG and the National Government – as well as to BCL!!.

Making decision about Panguna will not be easy. But the pathway so far with the formation of these associations is encouraging. So too is the feedback from BCL.

There is, however, a very important step that the National Government can take to help Bougainvilleans to see Panguna in a more positive light. Remember the fact that I mentioned earlier – that the single most important cause of the Bougainville conflict concerned the way benefits from the mine were shared. The National Government could change things now by showing its commitment to a new approach to sharing future revenues. It can do this by immediate transfer of the National Government 19.06% equity in BCL to the ABG, to be held on behalf, and for the benefit, of the people of Bougainville.

My second message is that in Bougainville we support both business growth, and the foreign investment that we know that we will need to secure that growth. At the same time we want to encourage growth which is responsible.

Our definition of responsible includes terms such as ethical; environmentally sustainable; and encouraging maximum participation of Bougainvilleans, be it as owners, suppliers or employees of businesses.

I would be surprised if any of the business people here had any difficulty with this concept of responsible growth nor its definition.

My third message to you is that we want to encourage foreign direct investment into Bougainville to help us improve rural life through business growth, which is the theme of today's session. I want to elaborate a little here, emphasising the extent to which the conditions are in place for a major business and investment 'take-off' in Bougainville.

We have been blessed in Bougainville with substantial natural resources. They include agricultural, mineral, forestry, fishing, hydro-power, and many other resources. Our Region is also a spectacularly beautiful place which means we have a remarkable potential tourism resource.

Our people are hard-working and honest (possibly with one or two exceptions in that regard!!). There is an entrepreneurial spirit which those of you who visit on Thursday will see first-hand. Families and villages work hard, tending their own copra and cocoa plantations, and engaging in extensive small scale gold production.

Since the peace process became firmly established around 2000-2001, they have been grabbing the opportunities for establishing small businesses. They include construction, earth moving, transport, shops, guest houses, import and export businesses, gold buying, and so on.

For those of you who have not been to Bougainville recently, you would be amazed to see the number of brand new 4 wheel drive vehicles providing transport services. That's just one indicator of the remarkable amounts of income being generated by the economic activity already happening in Bougainville now.

These developments have been supported by significant improvements in roads, bridges and wharves, and much other infrastructure. Most has been funded by our donor partners, most notably Australia, but also Japan, New Zealand and the EU. The ABG is deeply grateful for their contributions.

There has also been a dramatic expansion of mobile phone coverage and hence usage occurring. This should enable small, remote agricultural producers to improve their ordering and delivery (supply chain) capability with real time access to global price information as well.

This progress has been possible because of the amazing success of the Bougainville peace process. Yes – there are ongoing law and order, and localised conflict problems in a specific area of south Bougainville. But we are working on these, and we are making steady progress, compared to the situation during the terrible civil war from 1988 to 1997. I have no doubt that progress will continue, mainly because the vast majority of our people are fully committed to peace, and to achieving real benefits from development that is only possible with peace.

In addition, our people support the good governance that we all know is essential for all forms of development, including economic development. We must have a government that is fully accountable to the people. It must be one where corruption and mismanagement are unacceptable.

To achieve this we must not only focus on building appropriate institutions of government. We must also encourage our people to demand good governance. I believe that requires a strong emphasis on good governance in both formal education, and in wider awareness and informal education activities. My government is working towards developing programmes focused on developing good governance.

So all of the ingredients are there for even more rapid and broad-based economic development. Just one is glaringly missing. We do not have the capital we need for the investment we need to establish harness and develop our resources through a much wider range of projects and businesses. Then we can generate wider employment and other opportunities.

We want “smart” investment: investment that will bring money, expertise, access to markets. Investment that will support the development of Bougainville’s capital base, and ensure that local ownership plays a significant role. Investment that will partner in a way that enables local assets to be recognised and involved. In the early stages these can be expected to be mainly non-monetary - such as access to land.

This “smart” investment can come from anywhere. We do not have any priority sources such as China.

What we are focussed on is investment that meets the criteria I have just outlined, and is provided by partners who share our values and aspirations in Bougainville.

We are not going to wait for this investment to find us. We are working on a Project for Bougainville to be pro-active in going after this investment. We know there is a lot of competition in the world from countries and regions looking to attract the type of investment we want. We plan to actively promote Bougainville as an investment destination, especially in relation to our resources where we have obvious advantage. We will set up our own investment promotion stall in the world market.

We have implemented an economic development policy and an investment framework. The ABG has already established a process to deal with all investment proposals, which are now being evaluated against a number of criteria set out in our policy and framework documents. I should emphasise that it is not an onerous process.

A few significant investments are occurring already in areas such as large-scale cocoa and oil palm production, biodiesel production using coconuts, a small gold refinery in Buka, and hydro-power. We have two significant hydro projects beginning construction in the next few months, one funded by the Asian Development Bank and the other by PNG Sustainable Development. In addition, a Chinese company is considering another hydro project on the Lulai River, in south Bougainville. The large hydro project, on the Ramazon River, where construction begins in January 2012, will provide enough power to meet the needs of all households and small businesses in north Bougainville and Buka.

The bio-diesel and hydro projects are worthy of special mention because there is no doubt that they should make Bougainville a low cost centre for the processing of our agricultural and other resources.

So we wish to see further investment in these emerging areas, as well as in development of new products and services. These could include products such as vanilla, chillies, spices, and indeed coffee. There is potentially a strong organic platform on which to build. Developments could extend to use of mature coconut palms to make commercial timber and furniture. With the transfer of fisheries management to the ABG being worked on, inshore and deep water fishing have potential, along with infrastructure, services, tourism, and of course minerals.

Returning to the theme of this session, and my three key messages, I will summarise.

My first message is that Bougainville is open for business. We understand and support the concept of improving rural life through business growth. We see the benefits of a healthy economy, especially for our young people. We are hardworking, entrepreneurial and honest people. We have learnt from our harsh lessons of the past.

My second message is that in Bougainville we support business growth and will encourage growth that is responsible.

My third message is that we want to attract foreign direct investment into Bougainville that is “smart” and is with people who share our values and our aspirations.

There is already extensive economic activity, which reflects how much has changed in Bougainville in the last ten years. But now we want to build on the good foundations already established. We need the new businesses that can use the cheap power, good roads and other conditions conducive to rapid development.

Thank you for the chance to talk with you today. I look forward to meeting with you after this session. I hope to see many of you in Bougainville, both later this week, and in the months and years to come.