

The Political Economy of the Transition from Logging to Mining in Solomon Islands



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Introduction

Solomon Islanders have more than four decades of experience with large-scale commercial logging of natural forests, which still accounts for around 70 per cent of exports, 15 per cent of GDP and 14 per cent of domestically sourced government revenues (World Bank 2015:139). However, having logged well beyond the sustainable yield almost every year since 1981, and despite previous predictions of the exhaustion of the resource having proved to be incorrect, there are signs that logging is set to decline. For example, in 2012 there were 102 active licensed logging operations, down from 333 in 2008, and these are now mostly restricted to three of the nine provinces — Isabel, Makira Ulawa and Western.

The logging industry in Solomon Islands has been so tightly imbricated with the evolution of the nation's post-colonial politics that the two could be said to be mutually constituted (see, for example, Allen 2011; Bennett 2000; Dauvergne 1998/9; Frazer 1997; Kabutaulaka 2000, 2006; URS Corporation 2006; Wairiu 2007). Benefits of logging have typically been captured by foreign, mostly Malaysian, companies and national-level politicians. The logging companies and their political allies have significantly weakened the state's ability to regulate the industry or to resist the sale of a valuable resource for a fraction of its real value. Regulatory interventions are very rare, and not because of the loggers' excellent operational standards. Sightings of forestry officials away from Honiara ostensibly on duty are unusual, and greeted with surprise. Moreover, the windfalls reaped by loggers have been at the expense of landowners and government revenue.¹ Although some responsible local leaders have put the proceeds of logging to good use, these instances have been vastly outnumbered by the cleavages generated by disputes about timber rights, the spending of logging revenue, environmental degradation and the piti-

fully small payments made locally. Several informed observers believe that the nexus between logging and politics was an important factor in the conflict that beset Solomon Islands between 1998 and 2003 (see Allen 2013a; Bennett 2000; Hameiri 2009).²

While logging will continue in some form and scale for many years to come, scholars and policy-makers are paying increasing attention to the possibility that Solomon Islands' economic future lies in large-scale mining (Haque 2013; Tagini 2014). With this transition in mind, the Solomon Islands Government (SIG), led by the Democratic Coalition for Change, which came to power following the national election of November 2014, has flagged a comprehensive review of the current mining policy and legislative framework. The anticipation of a mining future is not unwarranted. Although the Gold Ridge mine has been closed since April 2014, its new owners, a company associated with 'landowners', are keen to get it restarted. Pending the outcome of a Court of Appeal review, nickel mining could commence on Isabel as soon as the end of 2015. Moreover, bauxite mining has been taking place on Rennell since 2014 and there is strong interest in bauxite on Waghina and in Temotu, nickel on Choiseul, and gold and copper on Guadalcanal and in Western Province. Indeed, extensive prospecting and exploration activities are taking place across the archipelago. A tenement schedule obtained from the Ministry of Mines, Petroleum and Energy, dated 19 April 2013, listed 183 current, pending or recently expired prospecting licences, including 110 licences for offshore (seabed) prospecting.

It remains very difficult to predict the respective contributions that logging and mining will make to the Solomon Islands economy in the coming years. That said, we proceed here from the assumption that logging



appears to be on the wane at the same time that there has been a marked intensification of activity in the mining sector. The Discussion Paper therefore asks two related questions: What might be the political economic effects of an expansion in large-scale mining? And what could be learned from logging that might be relevant to mining? Although mining and logging are different in many ways, which we shall discuss, we argue that mining will amplify three issues already familiar from logging, namely, i) disputes around the deal-making process, ii) problems of local social order, and iii) longstanding grievances about how revenues are shared and spent. Further, whilst a suite of technical measures may be available to address, if not resolve, these inherently political issues, it is by no means clear that Solomon Islands' political economy will be conducive to their careful consideration, let alone subsequent adoption.

Our analysis draws upon and integrates two political economy frameworks that have been recently applied to Solomon Islands and Melanesia more widely. The first, developed by Craig and Porter (2014), musters comparative literature on political settlements (for example Khan 2010) and the ordering of power (for example Slater 2010) to argue that the transience and shallowness of pacts between political and economic elites in Solomon Islands creates incentives for members of parliament (MPs) to pursue short-term political alliances and parochial agendas — most obviously through the instrument of constituency funds — rather than investing in political parties and 'liberal' institutions. This dynamic is inimical to the formation and implementation of coherent and consistent public policy.

The political settlement framework provides the encompassing institutional context in which a more particular, and closely related, political economy of extractive resource industries unfolds. Hence the second framework, proposed by Allen (2013b), draws upon research on Nigeria (Watts 2004, 2005) and Papua New Guinea (PNG) (Filer 1997) to demonstrate that Melanesia's extractive industries — especially large-scale mining and oil and gas — create contentious politics that are fundamentally spatialised, or in other words, a contentious 'politics of scale', and have the potential to produce violent conflict. Contention plays out within and between three 'gov-

ernable spaces' (described by Watts as particular configurations of resources, territory, power and identity that are hierarchically scaled): customary landownership, indigeneity, and nationalism. In the context of Solomon Islands, and indeed Island Melanesia more widely, the space or scale of the island-province comes into stark relief as a platform for both political mobilisation and internal disputation, prompting us to replace, for the purposes of this discussion, the space of indigeneity with the space of 'islandism' (following Wittersheim 2003) (see Allen 2015).

The experience to date with large-scale mining in Solomon Islands provides ample illustration of the precepts of this political economy approach (see Baines 2015 for a useful summary of this experience). At Gold Ridge we have witnessed intense disputation, exclusion and fragmentation within the space of landownership. The recent and contentious acquisition of the mine by 'landowners' speaks both to these tensions and the increasing power of landowners *vis-a-vis* both the provincial and the national government. That said, Gold Ridge continues to feature prominently in longstanding claims for greater autonomy for Guadalcanal Province; in other words, disputation between the province and the national government centred around questions of benefit-sharing. In recent years the operation has been plagued by a succession of corruption scandals including allegations of improper payments made to an MP by one of its previous owners and, more recently, serious anomalies in the management and disbursement of a large tranche of landowner royalties on the part of relevant SIG ministries.

On Choiseul and Isabel we see increasing tensions between all three governable spaces (i.e. landownership, islandism and nationalism). In both cases, island-level institutions and associations that merge formal government, *kastom* and church to create hybrid institutions oppose mining, but landowners support it, at least those of them who stand to benefit. Moreover, in the case of Isabel, there is evidence of corrupt dealings having taken place between one of the companies that is vying for a mining lease and relevant national-level authorities, as well as of inducements having been paid to landowners. Corruption is also evident in the bauxite mining that has been taking place on Rennell, with

extensive allegations of bribes and inducements being paid, again by two rival companies, to landowners and relevant national authorities, and the direct involvement of politicians in corrupt dealings. Tensions surrounding the mining on Rennell have witnessed a revival of a longstanding but dormant separatist agenda for Renbel Province.

What can we make of these developments, especially when we read them against the much longer history of logging? First, there are salient and worrying continuities between the political economies of mining and logging, especially with regard to ‘pacting’ between political elites and corporate actors, both generically and via commonalities in personalities. This suggests that the ‘habitus’ of the logging political economy has created a path-dependency that is shaping and being reproduced by the emerging mining political economy. Second, this continuity means that the nature of the political settlement in Solomon Islands is likely to remain more or less intact under a mining future. It will also mean that the state will struggle to deal with the intensified spatialised contestations that are likely to attend a large-scale mining future, just as it has struggled to regulate the logging industry. While an array of reforms would present ways to tackle these contestations, ultimately we are sceptical about the likelihood that Solomon Islands’ political or economic elites will invest in them and concerned about the prospect of a return to violence at the intersection of landowner disintegration and provincial-national government tensions over benefit-sharing.

Section 1: What Problems Do People Associate with Logging?

It is useful to start by summarising the problems that Solomon Islanders associate with logging. A study released in 2013 called ‘Justice Delivered Locally’ (JDL) talked with hundreds of people across five provinces and found that, whether seen through the eyes of villagers who hold the right to decide on logging or those who simply live in the area, logging deals usually fall short in two key ways (Allen et al. 2013). First, there is often no match between the deal agreed between landowners and logging companies and what actually happens afterward. Rarely are promises about roads, hous-

ing, clinics, and local employment formally written into the agreement, which is perhaps not surprising given that even the more educated landowners who sign the deal often do not fully appreciate its ‘legalese’. Second, short of direct action to disrupt the logging operation, there are few opportunities to do anything about this disparity. This is especially important because problems that tend to have been underplayed when the deal is made — such as disruption to water courses, rivalry within the tribe, domestic violence, sexual exploitation, or other problems — prove to be much bigger than communities can deal with. Yet the real grievance is that once the deal is done, it is very difficult to ensure that it is monitored or that it can be amended — or in fact to take any kind of corrective action — and all too soon, the trees are gone. These two issues stem from how the deal is negotiated and managed, and how the market transaction is regulated.

The disputes that arise from these shortcomings bleed into a range of social order problems. The JDL study found that logging is the ‘most significant determinant of community cohesion and harmony’ (Allen et al. 2013:xi). Other researchers have also documented the intense social impacts of logging (see, for example, Hviding forthcoming; Lummis 2010; Scales 2003; Wairiu and Nanau n.d.). Social order problems include the production and abuse of drugs and alcohol, increased violence, and the disintegration of long-standing norms about marriage, land tenure, and obligations between men and women and between youths and elders. Many disputes can be traced to the payment and distribution of logging royalties, rents, or access fees. When chiefs and local leaders become directly engaged in substance abuse, violence, and logging-related disputes, the social order problems can worsen. Thus, it is not just that toxic community disputes produce significant discontentment or worse, but people are also left feeling that important institutions such as the chiefs deserve less trust and respect. This is why people often say that local institutions are ‘broken’ — not working and no longer regarded as legitimate (Allen et al. 2013).

Grievances about the lack of access to jobs, cash, or benefits from logging persist in families and communities well beyond the logging operation. In fact, a sense of injustice about who gets jobs, where

public spending is directed, or how opportunities are distributed is high on the list of problems that triggered the ethnic tension of 1998–2003 (see, for example, Allen 2013a; Kabutaulaka 2001). National government officials are frank about the ways that corruption, exemptions from tax and customs rules, and a lack of basic discipline in the civil service have undermined the government's ability to collect the revenue that logging should generate. These same officials go on to claim that this is a primary reason that there is not enough money to ensure that logging deals are effectively checked or monitored or that the benefits and costs are fairly spread around through social services such as health care or roads. This argument does not stand up to some basic evidence, however, as the Solomon Islands Government spends slightly more on government than the average for other small island developing economies (International Monetary Fund 2014:21, figure 4), even though people often complain that government is absent from their lives.

Many Solomon Islanders have concluded that the logging industry has moulded government to function in a particular fashion and distorted relationships between political leaders, civil servants, and citizens in ways that will be difficult to reform. Many have stories about how logging industry personalities and money impact on elections, how governments are formed after election day (and voted out before their time is up), and how the bribing and 'treating' of MPs and civil servants have eroded the ability of government to balance and respond to competing pressures, such as the need to encourage foreign investment while also ensuring that deals are fair, resources are managed sustainably, and revenues due are collected and distributed in ways that serve the national interest. The direct involvement of MPs as directors of logging companies is also widely known and has been well documented.³

Politicians are acutely aware that loggers can create great political instability, both as individual logging companies and through the influential voice of the Solomon Islands Forest Industries Association (SIFIA).⁴ But at the same time, relationships between the logging industry and political leaders are characteristically shallow and unstable, as they are typically based on cash pay-

ments as opposed to stronger social ties through marriage, ethnicity, or political parties, resulting in agreements that weaken quickly and need constant revisiting and 'refueling' (Craig and Porter 2014). This, in turn, contributes to the weakness of political parties, which are unable to discipline members. It also means that leaders have even fewer incentives to act on the high-level policy commitments they so frequently make to improve government machinery (see Cruz and Keefer 2013). Thus, it is not surprising that very little has been achieved from the many efforts made to reform government and to positively reshape relations between elected leaders, civil servants, and citizens.

Section 2: Logging and Mining: Points of Similarity and Difference

It is important to consider how the similarities and differences between logging and mining activities are likely to impact on the issues outlined above and perhaps raise new issues of concern. Logging and mining are different in three important ways: the particular nature of the mining industry, how the 'community' relates to it, and the implications that both of these factors will have for the government.

The nature of the mining industry

Logging operations occur in a relatively small area for a short period of time, but because they are numerous and dispersed, they are inherently difficult to regulate and monitor. They share a common business model and corporate structure, involve low capital investments, and obligate the state only indirectly. By contrast, the kinds of mining operations foreseeable in Solomon Islands are likely to be few in number (perhaps two to three new mines over the next decade) and thus the direct impacts concentrated in a few places. These mines will typically require large capital investments and operations will be planned to cover a comparatively long time.⁵ Mining companies are more diverse in their corporate arrangements and business models, and the state, in its capacity as the owner of subsurface mineral resources, has far greater obligations in mining operations.

While some mining companies, particularly those that are publicly listed, could be expected to be better 'corporate citizens' than the typical logging

company that has operated in Solomon Islands, the evidence to date suggests otherwise. A 2014 High Court judgment found that Sumitomo Metal Mining Co. Ltd — a multinational company listed on the Tokyo stock exchange — through its local subsidiary engaged in a raft of questionable dealings with both landowners and SIG officials in relation to nickel tenements on Isabel including improperly influencing landowners to sign Surface Access Agreements and suborning an official of the Department of Mines and Energy (SMM Solomon Ltd v Attorney General; Bugotu Minerals Ltd v Attorney General [2014] SBHC 91; HCSI-CC 258 of 2011:54–67). There is also evidence that one of the previous operators of Gold Ridge mine — Australian Solomons Gold, an ASX listed company — offered cash inducements to landowners (Burton and Filer 2006); whilst another, Allied Gold, also ASX listed, faces allegations of making improper payments to a member of parliament (PNGIndustryNews.net 6/10/2014).

In comparison to logging, a mining operation has a much larger footprint, as it includes the mine, tailings disposal systems, port and power facilities, and transport and supply chains. These are linked to global commodity markets, capital flows and financing, and insurance and corporate arrangements. There are, therefore, multiple points at which the mining operation can be challenged and which, from the perspective of the company, will need to be protected from a variety of threats: from disgruntled landowners to rival companies, fluctuations in their share price, and corporate takeover bids. To protect their interests and being aware of the costs to long-term profitability, mining companies prioritise stability and the need to avoid local contestation and conflict. To achieve these ends, they can muster enormous technical capacity, political influence, and experience.

Although logging has been more prevalent and has touched many Solomon Islanders, the scale and duration of a single mine is likely to have even more profound impacts over a much longer period of time. Any one large mine is likely to mobilise island-level politics, as well as province-level dynamics with the centre, in ways that have a greater impact than the larger number of dispersed logging operations. Compared to logging, there will be plenty of time in the mining process for grievances to grow and

fester and for the various actors involved to become savvy players. Whether this prompts investments by all parties in stable institutions that are sufficiently flexible and respected to debate and resolve issues inclusively remains open to question. We will return to this in closing; however, it is already apparent that new mining ventures are underscoring a compelling need to resolve longstanding grievances about the roles of national, provincial, and local authorities and to ameliorate the inevitably uneven spread of the benefits and costs of mining.

Compared to logging, these new large-scale mining operations could — depending on the nature of the deal — result in a much larger volume of revenues flowing to government and, in principle, this could finance more effective regulation of the interface between communities and mining operations, and service delivery at large. At the same time, mining investors will seek from government guarantees that it will protect their assets and operations by providing the services required to support them as well as the needs of the community affected by them. Yet in few cases are governments able to respond with the speed or quality needed to meet miners' expectations or community demands — this is especially the case where governments are already struggling to reach evenly across their territory, or are transitioning from periods of conflict or chronic instability.

In response, mining companies could begin to take on the functions of government. With security and the continuity of operations paramount, mining (and other resource-extraction) companies often directly engage private security firms to police their mine sites and also fund and implement community development projects or augment school or health clinic budgets.⁶ Indeed, it is not uncommon for large numbers of the national police or military to be moonlighting for resource companies, and sometimes, as in the Indonesian province of Papua, lucrative security contracts are awarded to elements in the police and military. Moreover, mining companies can become involved in local dispute resolution by employing staff or contractors with *de facto* powers not unlike those of colonial district officers. Experience from natural resource-rich countries like Nigeria show that these actions by global corporations

can seriously disrupt the prospect of democratic politics and accountability (Watts 2005, 2007). Nigeria exemplifies a durable, crisis prone system, but one that has a powerful ability to reproduce itself through the operation of two capabilities that have been financed by natural resource wealth: *state coercion* (the ability and willingness of the security forces to intervene and to 'restore order'), and *networks of patrimonialism and elite rent-seeking* (through which it is possible to selectively mollify dissent and manufacture consent by ensuring networked access to and control over state revenues) (Joab-Peterside et al. 2012).

The nature of 'community': rights of ownership, community, and citizenship

The comparatively larger scale of mining is matched by greater expectations about economic benefits, and the pressures people often feel to conclude logging deals quickly will be no different in the case of mining. In Solomon Islands, a combination of high rainfall, hilly geography, and limited arable land, coupled with very high costs of internal transport to markets, restricts other commercial agricultural opportunities (see World Bank 2010). Even when people are well aware of the downsides of logging, when pressed for cash for school fees, health costs, and a growing list of modern household foodstuffs and goods, they can feel compelled to seize an opportunity when it comes and more quickly accept the terms on offer. Exactly the same process has been described in relation to mining projects in different parts of Melanesia (see Filer and Macintyre 2006).

The prospect that mining will produce even more benefits, especially in the form of royalties, flowing to more actors for a longer time, is likely to intensify the types of intra-group conflicts that are already familiar from logging. This competition will prompt the emergence of a raft of new and reconfigured local territorial and community identities — as has been experienced elsewhere, for instance, in Nigeria, in the form of 'oil host communities', a variety of forms of local government entities, chiefdoms, 'minorities', and so on. New groups will appear to claim benefits, and existing groups will fragment (see, for example, Allen 2013b; Bainton 2009; Ballard and Banks 2003; Banks 2008), as has already been evident around Gold Ridge mine and the pro-

posed Tina River Hydro scheme. Filer (1997) has shown how these dynamics are driven by an 'ideology of customary landownership' that is manipulated by powerful men in order to capture economic benefits, usually at the expense of other members of their landholding groups. We can anticipate that a mining future will intensify disputes about how benefits are shared within groups and that social order conflicts between the younger and older generations, and between men and women, will become more marked. Scholars have pointed to this kind of localised disputation and social disintegration as important factors in the origins of the 10-year conflict on Bougainville (Filer 1990), as well as the ethnic tension in Solomon Islands (Kabutaulaka 2001; Naitoro 2000). They also contribute to ongoing instability and insecurity in peri-urban areas such as Kakabona to the west of Honiara (Monson forthcoming).

In the case of Gold Ridge, interviews conducted by the second author in January 2015 indicate a stark marginalisation of women within the space of customary landownership. There are no women on the executives of any of the three Gold Ridge landowner associations, and while some women are signatories on tribal royalty accounts, the women interviewed (including from the Guadalcanal Council of Women) were unanimous in the view that royalty payments are controlled by men and are frequently squandered on consumables, including alcohol. The recent transfer of the mine from St Barbara to Gold Ridge Community Investment Limited (GCIL), a company associated with 'landowners', could lead to further disputation within the space of landownership. The chairman of Gold Ridge Community Landowner Council, which represents landowning tribes in the mine lease area, has been reported as stating that he refused to sign-off on the Deed of Sale because the process was rushed and the correct decision-making forum was bypassed (Radio NZ 11/5/2015). The chair of the Kolobisi Tailings Dam Association, which represents landowning tribes in the vicinity of the tailings dam, has also publicly disassociated himself from the sale (SIBC 6/5/2015). These developments do not augur well for a smooth reopening of the mine — the declared objective of GCIL's Board of Directors whose chairman, a former minister for mines in the national government, has stated that a 'partner investor' has

already been identified (*Solomon Star* 3/5/2015).

Competition will intensify fragmentation at the local level, but it is also likely to see new political communities being incubated at the scale of the island-province and which will come into tension with the scale of the nation. In the past, Solomon Islanders have been successful at using different ideologies — such as *kastom*, Christianity, class, or indigeneity — as potent ways to resist pressure from outsiders or to advance their own claims or concerns (see Allen 2013a:61–102). These ideologies have been mobilised at the scale of the island, making the island a potent, albeit internally contested, platform for collective action.⁷ The desire to capture a greater share of the benefits that flow from extractive industries on Guadalcanal has underpinned a longstanding agenda for greater autonomy, expressed as ‘statehood’ for Guadalcanal, under a new federal constitution. This autonomy agenda was prominent in the ‘bone fide’ grievances of the ‘indigenous people of Guadalcanal’ that came to the fore during the ethnic tension and it features strongly in the narratives of ex-militants from Guadalcanal (Allen 2013a). These scalar dynamics are by no means unique to Guadalcanal. For instance, grievances associated with bauxite mining on Rennell are reviving a dormant separatist agenda for Renbel Province whose population are predominantly Polynesian and have long seen themselves as culturally separate from the rest of Solomon Islands (see Hughes and Tuhanuku 2015).

The state as representative, owner of the resource, and distributor of public wealth

The central government in Solomon Islands formally has only a limited role in logging due to forestry laws that allow direct dealing between landowners and loggers. Nevertheless, as noted above, it is also the case that logging activities in the country have exposed the inability of the government to balance its conflicting interests and obligations to generate revenue, ensure deals are fair to all parties involved, manage resources sustainably, protect the interests of future generations, and govern transparently.

As the owner of minerals, the national government has an additional and much greater stake in mining. Its stake will be contested by both landowners and provincial governments, and it is likely that

new mining activities will fuel longstanding debates in Solomon Islands about the devolution of power. It is impossible to know in advance what sorts of governance arrangements will emerge from this mix, and these will vary between provinces, but the prominent role that *kastom* institutions, such as the Isabel House of Chiefs and the Lauru Tribal Land Conference in Choiseul, are taking in current mining negotiations alongside their provincial governments points to the likelihood that island- and/or province-level political agendas will be shaped in part by these kinds of bodies. The authors’ interviews indicate that in both of these cases there are salient tensions between the scale of landownership, where there is strong support for proposed nickel mining from landowner representatives, and the scale of the island-province where both formal and informal governance actors are, at best, ambivalent about the prospect of large-scale mining.

Pressure will also likely mount on the national government to ensure that the revenue it is entitled to is collected and redistributed according to the principles of ‘derivation’ and ‘equalisation’. There is a fundamental tension between the two. The derivation principle is used to argue that revenues be channelled back to the location — that is, the province — from where they came. By contrast, the equalisation principle requires that differences between provinces in terms of their capacity to raise revenue, their standards of living, and the costs of service delivery are taken into account in the formula used to determine the distribution of revenue. As mentioned above, these tensions can animate collective action — with potentially violent outcomes — at the scale of the island-province.

The ways in which the benefits flow back to citizens will be a source of contestation. Nationally and provincially elected representatives will likely seize on opportunities to increase the size of flows to their Constituency Development Funds, just as provincial governments are also likely to make demands for a share of government revenue/government services.

Section 3: What are the Implications? Lessons and Priorities

Despite important differences, new mining ventures will likely give rise to problems already famil-

iar from logging. These problems will relate to the three areas discussed above, namely: the disputes when business transactions are being negotiated and monitored over time; the problems of social order that tend to be intensified around mining operations; and the difficulties and tensions associated with gathering and distributing the revenue and other benefits generated by the industry.

New and innovative approaches will be needed to deal with these kinds of problems. After all, each of these concerns was anticipated in the early 1980s just as the surge in logging began, and there have been many efforts to reform the forestry sector and deal with the logging industry's impacts. For example, for many years the Solomon Islands Government partnered with the Australian Government on the Forestry Management Program to strengthen the policy and legal framework and build the institutional capacity of Solomon Islands' Forestry Division, including its licensing and enforcement functions. However, the Independent Completion Report of the second and final phase of the program concluded that it 'fell short of its aims and the expectations of its supporters' (Hughes et al. 2010:26). The report situated its shortcomings in a longer history of failed attempts to 'fix' the Solomon Islands forestry sector. According to the report:

It was very apparent that (the project) was an Australian-sponsored intervention into the governance of a highly politicised and deeply corrupted sector of the SI [Solomon Islands] economy. For over twenty years repeated attempts had been made to inject sound management and strong technical parameters into SI forest policy ... These had largely failed, leaving only traces of their efforts in discarded policy papers, unenforced regulations, and a few long-serving FD [government forestry] staff who remembered better days. (Hughes et al. 2010:6)

Nevertheless, there are some key lessons to be drawn from efforts such as these to reform public sector agencies, especially those responsible for 'revenue-rich' activities involving the administration of forestry, land, or other natural resources. First is to recognise that the kinds of problems experienced with logging are inherent to the process of commodifying natural resources and governing economies

and societies that rely on exploiting this transaction. In other words, there is not a great deal to be gained by assuming that the issues are simply technical, or that they can be 'fixed' once and for all by sorting out the policies and regulations governing the whole sector, whether forestry or, looking ahead, mining. This point has often been made but needs repeating. For instance, the recent annual independent assessment of the Solomon Islands–Australia Partnership for Development highlighted 'the worrying persistence' of a focus on the top end of central government systems and on the resolution of technical issues that, though important, may not flow through to results on the ground (Bazeley et al. 2013:3).

What is needed, therefore, is to find a set of institutional arrangements that over time become recognised and accepted as legitimate and an effective means by which people can discuss, bargain and negotiate, and agree and disagree on an ongoing basis on how to sort out the problems that mining will inevitably continue to generate. The approach taken to get to this point will be important — it needs a clear focus on a few key problem areas, rather than getting lost in 'whole-of-government' reforms; a good knowledge of the specific blockages to delivering results that are meaningful to people (instead of vague assertions about the need for 'civil service reform'); and it requires a readiness to experiment, sometimes on a case-by-case basis. It is also clear from experience that without such opportunities and venues for contesting and reaching agreements, people are likely to resort to actions — including violence, as has occurred in the case of logging — that destroy the possibility of gaining equitable benefits from natural resource development. We summarise below three areas in need of urgent attention. But while the approach taken to garnering and maintaining political attention will be key to progress, we are far less sanguine about the prospect that the nature of the political settlements characteristic of Solomon Islands will be amenable to a positive trajectory on any of these three issues.

Landowner identification and representation in mining negotiations and operations

Effective local-level engagement will be critical to the success of any mining deal in Solomon Islands.

This is of course precisely where the differences and power imbalances between players are most obvious. Generally speaking, mining companies, with formidable negotiating experience, can draw from wells of information and technical advice and have considerable financial resources to use to their advantage. In such negotiating dynamics, small, local-level players can be easily mollified, included in uneven or exclusive ways that prove to be locally divisive, or shut out completely.

Two remedies are commonly combined to respond to the inherent power imbalances and the shifting local dynamics of inclusion and exclusion. One is to create flexible rather than fixed forms of institutions to handle contestation over time. Governments and investors — particularly in the oil and gas industry — have in the past tended to want to limit and ‘fix’ ahead of time the institutional arrangement through which landowners are recognised and represented in negotiations. An example is the Incorporated Land Group used in Papua New Guinea’s oil and gas sector that has proven to be an arrangement that works for those members of the community who are included within the defined group by enabling them to control the distribution of benefits, but at the same time has proved to be contentious because it limits the number of potentially legitimate beneficiaries and has been subject to extensive fraud. The same kinds of issues can arise through another popular instrument, the Community Development Agreement (CDA). The CDA can usefully bring landowners and government together, but if treated as fixed agreements, rather than open to renegotiation and revision, they can also constrain rather than facilitate ongoing dialogue, and foreclose rather than allow for changes in the parties involved (such as new company owners, local claimants, or political representatives).

The Ok Tedi mine in PNG and the Ahafo mine in Ghana present some examples of good practice in the way CDAs can be used to support a process of agreement-making amongst landowners, affected communities, government and investors, including the crucial aspect of identifying landowners, but also negotiating access to jobs, education, business or other opportunities. While the implementation of the 2007 Community Mine Continuation Agree-

ments for the OK Tedi mine has been mixed, the process afforded women an unprecedented seat at the negotiating table, with women’s rights to benefits and entitlements effectively enshrined in a legally enforceable agreement (Menzies and Harley 2012). A second purpose is often served simultaneously through agreement-making processes or is introduced in tandem, namely special arrangements to ensure free and informed consent by the local parties to negotiations and ongoing operations. A current review of experience in Rennell by Hughes and Tuhanuku (2015) led them to a two-pronged proposition that included: a ‘centre for advice on resource negotiations’ that would provide local parties with critical information about markets, agreements and so forth; and legislation that would ensure that no agreement in respect of the ownership and use of nature resources would be legally enforceable unless the national (including the ‘community’) side in the negotiations had accessed a stipulated level of independently verifiable information about the deal proposed.

National arrangements to share public revenue for equity and to mitigate conflict

Mining deals and operations tend to heighten two kinds of contests, one about how the wealth generated should be shared across generations, another about how other citizens, those not directly part of the benefit-sharing agreement around the mining operation, will also be able to benefit. Both kinds of disputes are well known in Solomon Islands, and many people are aware how they were (mis) handled in Bougainville in PNG. Many are also aware of neighbouring country efforts to create durable forums for debates about how to represent the interests of future generations — Timor Leste’s Petroleum Fund, and PNG’s Minerals Resource Stabilisation Fund established in 1975, and, more recently, a Sovereign Wealth Fund.

Arrangements to share revenue amongst the current generation of citizens in ways that both acknowledge where revenues are derived from (the ‘derivation’ principle, mentioned earlier), and also take into account the relative needs of people elsewhere in the country (‘equalisation’) are amongst the most neglected aspects of public policy in Solomon

Islands since the ethnic tension. New large-scale mining ventures will make these disputes more pronounced, but, here again, there are numerous examples from elsewhere of how nations have dealt with these challenges by introducing subnational revenue-sharing arrangements through which to focus political debate around these issues. Closely related is the question of the powers, functions and resources mandated to different levels of public authority, and the mixed or hybrid forms these may take in different contexts. In no cases are these questions settled once and for all; indeed, the temporal and spatial characteristics of economies based on exploiting enclaves of natural resources seem only to add increased vexation and the possibility of violence to these contests (see, for example, Watts 2004). Devolution and provincial autonomy — or ‘federalism’ — were some of the most contentious topics in the lead-up to Solomon Islands’ independence in 1978. Although the resource-rich provinces — Western and Guadalcanal — have persisted in their push for devolution, power, resources and status have continued to shift in favour of the national government and national members of parliament. While a draft federal Constitution (2013) contains significant benefit-sharing concessions to provinces (which would become ‘states’), as well as to proposed ‘community governments’, in relation to large-scale mining developments, it seems highly unlikely that constitutional change will occur in the foreseeable future.

One approach that explicitly recognises these scalar tensions is to establish a ‘multi-stakeholder forum’ representing different local, regional, and national interests. In the mining and oil and gas sectors in PNG for example, the ‘Development Forum’ has helped to open up the negotiation process to a wide range of stakeholders, at different scales, that have various levels of political and technical capability and draw upon different kinds of legitimacy (Filer 2008). The Development Forum grants formal negotiating rights to representatives of customary landowners, as well as to provincial and local governments, and results in the signing of Memoranda of Agreement that are reviewed every five years under the oversight of the PNG Mineral Resources Authority. In the PNG case, the proportion of mineral revenues flowing to ‘project landowners’ and provincial-

and local-level governments has steadily increased with each successive Development Forum agreement, and provincial governments have been able to extract a raft of concessions including royalties, equity, and various types of grants and transfers from the national government (Filer 2008:143). The Development Forum could be seen as a durable institution for managing and regulating the scalar struggles that lie at the heart of mineral-resource development, or in other words, a ‘scalar fix’ meaning ‘an institutional compromise amongst various social actors at multiple scales’ (Huber and Emel 2009:375). Returning to Solomon Islands, no comparable scalar fix currently exists, meaning that provincial governments will continue to be disempowered in the mineral development and benefit-sharing process *vis-a-vis* landowners and the national government.

Building national capacity through external partnerships

The challenges posed by transnational mining in Solomon Islands underscore the severe shortcomings of any notion that the country should — far less, might be able to — bear sole responsibility for successfully negotiating mutually acceptable mining agreements, regulating the deals over time, and debating and deciding how the proceeds should be distributed. The particular challenges posed by Solomon Islands geography, skill base, politics and recent history of conflict aside, that the global nature of mining requires a response beyond the national borders is increasingly apparent.

The agreements reached between Solomon Islands and donor partners have been evolving over the past decade. Whether the gains recorded in health and education service delivery, infrastructure provision, or economic governance reflect simply the weight of aid and technical assistance or lasting changes in Solomon Islands’ service delivery capacity is a matter for debate. But in the short term, the key parties — including Solomon Islanders at large — have profited from these agreements made for a range of humanitarian, security, diplomatic, and development purposes. Development partners, notably Australia, are inevitably playing a role ‘in the co-production of sovereignty in Solomon Islands’ (Barbara 2014; see also Craig and Porter

2013). They will continue to be in a unique position with the power and responsibility to influence the impacts of foreign investment in mining through their aid and foreign policies, while helping government and civil society to manage the implications of a transition to an increased prominence for mining in the economy and in society at large. On its face, the move by metropolitan neighbours to amalgamate the foreign affairs and aid arms of government, and to elevate economic diplomacy and trade interests, present an opportunity for Solomon Islands stakeholders to seek practical assistance from the country's partners for dealing with foreign investors, especially those investors that are registered in neighbouring countries with a clear stake in promoting prosperity and peace in Solomon Islands.

Prospects and Conclusions

On assuming office after the November 2014 elections the government led by the Democratic Coalition for Change undertook to comprehensively review the policies, laws and performance of government in relation to mining and, in tandem, committed to a thorough review of legislation governing the role of subnational government in central–local relations and in that context make progress on long-standing commitments to constitutional review. Our survey here of the likely political economic effects of large-scale mining, even at the relatively limited scale of two to three operations over the next decade, points to the kinds of issues that will need to be tackled across this policy ambit. While Solomon Islands is extreme in its diversity — the situation and prospects in Isabel appear, for instance, to be strikingly different from Temotu or Rennell — the contextual causes of resource-management problems are common across the country. The litany is familiar: lack of community trust, cohesion, and cooperation in dealing with foreign intrusions involving natural resources and monetary compensation; the disarray, corruption and marginalisation of provincial governments; and the comprehensive failure of national regulatory and technical agencies to plan, or to control or discipline company activities.

Missing from this three-level litany of gaps, lacks and deficits, however, is any real sense of agency or of the purposive exercise of 'goodwill'

that oils relationships between parties: landowners, national and subnational governments and commercial actors both local and global. In an important sense this is what needs to be foregrounded between this vista of local fragmentation and inability to garner collective positions, on the one hand, and on the other, the blizzard of compromised governmental decisions that have produced overlapping concessions, and badly crafted and routinely unenforced agreements. Failures of governance, whether community, state or corporate, have been exploited and exacerbated by the skill of middle men who have established control of the incentive system. The situation reported by Hughes and Tuhanuku (2015) on Rennell is common elsewhere, including in Solomon Islands' own experience with logging, where chiefs and landowners have allowed a small number of relatively educated Rennellese men, fluent in written and spoken English to dominate conversations, and to exclude others who might have questioned the financial and other assumptions on which the deals were supposedly based.

In this context, the socially generative prospects of efforts to provide the public with reliable information, expert technical and financial advice, and indeed legislative backing to make this mandatory, are enticing. Rennell may be contrasted with the situation on Isabel, where the active involvement of expert individual and institutional advisers is said to be levelling up the bargaining positions in favour of landowners (Baines 2015). These kinds of intervention are also attractive because they appear to project forward a pathway of incremental, 'results-oriented' institutional adjustments, and for the would-be reformer or donor, the prospect of sequencing and steps to be taken with reasonable assurance that attention to managerial details will be rewarded. Any efforts to shift the current state of affairs in the direction of more 'informed consent' — for example, through special purpose information and advisory services — must be welcomed. But at the same time, we think it important to be alert to the conceit on which it is based, namely that adjustments to institutional arrangements (to promote voice, information, choice, and so on) will prompt shifts in the pre-existing dispositions people bring to transactions, to the agreements that elite actors are pre-

pared to make to invest in capable public-serving authorities and, ultimately, work their way down into the underlying political settlement needed to sustain ‘institutional reforms’ at the surface.

We think this implausible. Not just because, like Droogan and Waldek (2015:286), we find ‘any interventionist attempt to reshape Solomon Islands society to more closely fit international preconditions to foreign investment to be largely problematic and undesirable’. Nor because, in Rennell, as many localities elsewhere in Solomon Islands, the logic that sees the provision of information and substantive advice leading to informed decisions presumes degrees of local trust, cooperation and perceived common interest to support collective action — whether this be on the basis of landowner identities or an ‘affected communities’ basis — that are currently absent. But more fundamentally, such conceit fails to stand scrutiny by scholarship on how institutional changes become socially embedded. As most versions of the political settlement/post-conflict transition literature tell us, getting the kinds of settlements that promote inclusive compacts that are capable of durably producing public good outcomes depends on a centralisation of power, pacts between political and economic elites, and as an expression of this, agreement to invest in the institutions of public authority.

A measure of threat and palpable risk creates important stimuli for elite pacts to be formed and power to be concentrated (Khan 2010; Slater 2010). To return to Rennell, the hostageing of mining company equipment by dissatisfied landowners and community leaders appears to have turned extreme remoteness to advantage and sent powerful signals to Honiara and, in that case, Jakarta and Melbourne, that although Rennell is a tiny political individual in a highly scattered and lightly governed country, and although for a time loggers and miners have been able to make their own rules and get away with it, it might not prove to be an easy ‘reach and extract’ proposition in the long run. From threats pacts might grow. But standing in front of this prospect are several deep cleavages between economic and political elites and, in Solomon Islands, these are further entrenched by ethnicity.

Many observers of Solomon Islands, inside and out, bemoan that goodwill is too often monetary, and

is intensely transactional (for a recent example, see Droogan and Waldek 2015). In other words, ‘clientage’ (Tilly 2005), the glue in political settlements that must necessarily involve a combination of elite political and economic interest (Khan 2010), is narrow and single in its dimension. This form of clientage everywhere produces instability, but it has particularly corrosive effects in Solomon Islands (Craig and Porter 2014:15–16). Elsewhere, clientage is seldom reducible to a monetary exchange but is cemented through intermarriage, joint business and crony arrangements and the regular exchange of sons and relatives between the regime of politics and commercial alliances. In Uganda, Rwanda, Indonesia, South Korea and Malaysia, the same people rule politically and economically. In Solomon Islands, whilst the number of political leaders with private sector experience has increased (Corbett and Wood 2013), and while threat of sabotage or hostageing of mining company assets and equipment may prompt new alliances between political and commercial elites, the ethnic cleavage will continue to stymie non-monetary forms of clientage (Craig and Porter 2014:16).

This conclusion suggests three more, for discussion. First, we believe that the combination of political and economic interest that is so necessary for institutional and other remedial policies to gain traction will continue to be elusive (Craig and Porter 2014; Khan 2010:1). Second, on a day-to-day basis, ‘goodwill’ will continue to be transactional, and thus continue to both corrode public institutions and stymie incentives for elites to make political investments in making institutions more effective and legitimate. And third, this configuration of political settlements and institutional practices, norms and incentives makes us highly sceptical about the ability of external actors to instrumentalise choices that need to be made locally in respect of any of the three areas of pressing need for action identified above. This is not simply because they are likely to be seen as interfering and paternalistic, such that any official worth his/her salt will avoid being associated with such efforts, but because, as retrospectives on RAMSI’s experience make abundantly clear (for example Porter et al. 2015), the disposition of Solomon Islands politics and institutions we have described means that external interven-

tions will inadvertently blunt domestic incentives to respond to local demands or public interests.

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Endnotes

- 1 A 2010 study by the World Bank estimated that in 2008, the government missed out on the equivalent of 18 per cent of its annual revenue due to ad hoc concessions and tax and customs evasion. That was about as much as was received from log taxes and equivalent to around 80 per cent of government spending on education, the biggest item in the budget (World Bank 2010). A recent report found that 'all the 100 or so logging companies in Solomon Islands report loss-making operations for tax purposes. There is no independent audit of operational or financial information. Inspection of shipments is cursory if it occurs at all, and disputes are commonly settled by application of goodwill' (Hughes and Tuhonuku 2015:7–8).
- 2 What became known as the 'ethnic tension' began in late 1998, when young Guadalcanal militants calling themselves the Isatabu Freedom Movement initiated a violent campaign that led to the eviction of around 35,000, mainly Malaitan, migrant-settlers from their homes in areas east and west of Honiara. A rival group, the Malaita Eagle Force emerged in 1999, established a 'joint operation' with the Malaita-dominated paramilitary Police Field Force, and staged a de facto coup in June 2000. Despite a series of peace agreements and accords, culminating in the Townsville Peace Agreement of 2001, the country remained militarised

with significant pockets of unrest and lawlessness, until the deployment of RAMSI in July 2003.

- 3 For example, historian Judith Bennett described the Mamaloni government of 1994–1997 as 'the loggers' government' (2000:246). During his earlier term as prime minister, between 1990 and 1993, 11 of Mamaloni's 15 cabinet members were directors of logging companies, as was Mamaloni himself. His company, Somma, was said to have profited SB\$4.3 million due to tax exemptions awarded by his own government in 1995 (Bennett 2000:340–41, 346).
- 4 In 1994, SIFIA played a key role in toppling a government set on reforming the logging industry by stockpiling and holding back log exports, thus critically affecting the country's balance of payments. SIFIA continues to lobby the government to prevent changes to *The Forestry Act 1999* and to keep the 'Determined Value' of logs — effectively the price upon which export taxes are paid in order to prevent 'transfer pricing' — artificially low (see Allen 2011).
- 5 An important exception to this is the bauxite mining that has been taking place on Rennell. This mining occurs at multiple sites and involves bulldozing the top layer of soil and shipping it offshore. In this manner it is more akin to logging. Indeed, one of the two companies that have been involved in mining in Rennell, Asia Pacific Investment Development Limited, has also been involved in logging operations in Solomon Islands (Treasury Timber Ltd v Asia Pacific Investment Development Ltd 2014 [2014] SBHC 91; HCSI-CC 318 of 2013).
- 6 This has occurred in the case of Gold Ridge mine. St Barbara, which owned the mine from 2012 until its transfer to a 'landowner' company in May 2015, repeatedly requested that SIG secure the mine site from incursions by 'illegal' artisanal miners. Despite engaging private security contractors, the ongoing presence of these miners in the mine pits and escalating security concerns following the floods of April 2014 were cited by the company as contributing factors to its decision to close the operation indefinitely in August 2014.
- 7 Importantly, collective action at the scale of the island can paper over important cultural and socioeconomic differences within islands, some of which may actually be accentuated by mining (Regan 1998; Allen 2012).

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