



Project Information Document/ Identification/Concept Stage (PID)

Concept Stage | Date Prepared/Updated: 23-Sep-2018 | Report No: PIDC103515



BASIC INFORMATION

A. Basic Project Data

Project ID	Parent Project ID (if any)	Environmental Assessment Category	Project Name
		A - Full Assessment (A)	BOUGAINVILLE PNG: Capacity Building for the Sustainable Management of Mineral Resources (RE)
Region	Country	Date PID Prepared	Estimated Date of Approval
EAST ASIA AND PACIFIC	Papua New Guinea	23-Sep-2018	01-Jun-2017
Financing Instrument	Borrower(s)	Implementing Agency	Initiation Note Review Decision
Investment Project Financing	Department of Treasury	ABG Department of Mineral and Energy Resources, Mineral Resources Authority of PNG	The review did authorize the preparation to continue

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PROJECT FINANCING DATA (US\$, Millions)

SUMMARY

Total Project Cost	2.60
Total Financing	2.60
Financing Gap	0.00

DETAILS

Non-World Bank Group Financing

Trust Funds	2.60
Extractives Global Programmatic Support	2.60

B. Introduction and Context

Country Context

At Independence in 1975 Papua New Guinea consisted of several provinces with limited devolved powers and the National Capital District. The island of Bougainville was one such province and on account of the very large Panguna copper-gold mine, which had been in operation since before Independence, was a significant



contributor to the PNG economy. The mine on its own contributed 17% of PNG fiscal revenues and 44% of exports until operations were shut down by armed conflict in 1989.

The Autonomous Region of Bougainville (ARoB) was granted special autonomous status when established in 2005 under a peace agreement between the National Government and Bougainville which ended a civil war which followed once the Panguna mine was shut down. The terms of the 2001 Bougainville Peace Agreement (BPA) provided that the Autonomous Bougainville Government (ABG) would exercise identified powers over specific subject matter and that such powers would be transferred and exercised by the ABG on behalf of the people of the ARoB on a phased basis. The respective powers of ABG and the National Government were subsequently defined in the ARoB and PNG Constitutions. Control over mineral resources and the regulation of mining was included in the list of functions and powers made available for transfer from the National Government to ABG. The mining functions and powers were among the first powers that ABG requested to be transferred, and the National Government agreed on a process for the transfer on 16 November 2006. The 15 Step Agreement between the two Governments set the basis for the transfer of these powers and functions in accordance with the BPA.

A referendum in which the Bougainville people will choose whether to remain an Autonomous Region of Papua New Guinea or opt for full independence will take place as early as June 2019 but no later than June 2020. In January 2017 formal preparations and awareness raising for the referendum began.

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Sectoral and Institutional Context

The Sectoral and Institutional Context is examined in depth in the Supplemental Project Proposal which is uploaded to the Portal. It covers important aspects of the context under the following headings:

1. Mineral and Hydrocarbon Resources
2. Mining and the dynamics of conflict in Bougainville
3. Post-conflict mining reforms and consultative process
4. The Bougainville Mining Act of 2015
5. Status of Panguna mine ownership and management of legacies
6. Interest in mining outside Panguna
7. Staged lifting of the Moratorium
8. ABG Capacity

Relationship to CPF

A new Country Partnership Strategy for Papua New Guinea covering the period 2018-2021 is under preparation. The executive summary of the previous CPS referred to the World Bank Group supporting “a selective program of analytical and capacity-building activities in economic policy reform and extractives



sector governance, and a niche role in health, education, and social protection, using WBG global expertise to support policy dialogue and influence key partners”. It went on to state that “World Bank engagement in the Autonomous Region of Bougainville is consistent with the joint priorities outlined in the peace agreement and has been guided by the national Government’s views on where WBG expertise might be most usefully deployed in support of the reconstruction and reconciliation efforts” (para 43).

In the Treasurer’s letter of October 23, 2017 the Government of Papua New Guinea requested financial support from the World Bank to be channeled towards support for ABG’s implementation of the Bougainville Mining Act.

The Government is willing to continue as before under the Second World Bank Mining Technical Assistance Project to deploy the PNG Mineral Resources Authority as both the implementing agency for the project and as a supplier of institutional capacity building services to ABG.

The World Bank has also engaged closely with the Government of Australia, in particular, in preparing this proposal. It is a significant contributor to the Extractives Governance Programmatic Support MDTF from which funds will be drawn for the grant and it has offered to top this up to reach the total project funding requirement.

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C. Project Development Objective(s)

Proposed Development Objective(s)

The project development objective is to strengthen the capacity of the Autonomous Bougainville Government to implement the Bougainville Mining Act 2015 in a way that can assure sustainable and conflict-free mining development in the Autonomous Region of Bougainville.

Key Results

The key results expected are:

1. staff of ABG-DOMER demonstrate their ability to perform core regulatory functions effectively and transparently;
2. agreements are reached with environmental, fiscal and other non-mining regulatory agencies on measures needed to properly implement the Bougainville Mining Act 2015;
3. citizen, community and landowner groups attest to gaining access to information and developing capacity that helps them to benefit from rights conferred on them by the Bougainville Mining Act.

D. Preliminary Description

Activities/Components

Component A: Capacity building of ABG institutions to implement the Bougainville Mining Act



A program of activities to support capacity building of ABG-DOMER and other ABG institutions that play a critical role in implementing the Bougainville Mining Act, with an emphasis on core regulatory functions consisting of:

A1. Build capacity of ABG-DOMER and other relevant regulatory agencies in core functional areas:

- Prepare a staff development plan for DOMER: The approved establishment of DOMER includes 39 positions when at full strength. Presently only 16 positions are filled. To enhance the performance of DOMER it will be necessary to develop a staff development plan to meet short, medium and long-term training and skills development needs. The project will finance preparation of such a plan which would form the basis for obtaining financial commitments, in addition to those available through the project grant.
- Prepare a modernization plan for the mineral rights management system: Since mineral rights management conducted by MRA for PNG is carried out using a modern GIS based system with digital record keeping, which ABG no longer benefits from, there is an urgent need for ABG to establish its own system drawing on the experience of the MRA system. The project will finance design of a plan and a budget for establishing such a system which would form the basis for obtaining financial commitments, in addition to those available through the project grant.
- Support performance of duties of the Mining Registrar, Bougainville Warden and related mineral licensing functions: Mineral licensing relies upon the provisions of the Act relating to receipt of applications and deciding tenement awards. Performance of the statutory duties of the Mining Registrar, Bougainville Wardens and other officers in DOMER is crucial and will benefit from the availability of support in the form of coaching and guidance from suitably experienced persons assigned for this purpose. The project will arrange for MRA to assign members of its staff to provide such support for an agreed period. If MRA personnel are not available to deliver the level of support needed, the project will finance recruitment of suitable advisers to perform such roles.
- Support the review and monitoring of licensee work programs and budgets: To assure orderly conduct of mineral activities, including exploration programs, mine evaluation work and construction and mine operation, DOMER staff needs support to conduct reviews of licensee work programs and budgets, examine statutory reports received and evaluate compliance. In addition, implementation of the transparency provisions of the Act needs support. The project will arrange for MRA to assign members of its staff to provide such support for an agreed period. If MRA personnel are not available to deliver the level of support needed, the project will finance recruitment of suitable advisers to perform such roles.
- Support implementation of related regulatory processes to include *inter alia*, environmental, land and fiscal regulation: Although the Act is comprehensive in regulatory scope certain functions necessary for the implementation of the Act belong to regulatory institutions that operate under separate laws, including PNG laws where no transfer of jurisdiction has taken place. For example, environmental certification of mineral related activities is under the jurisdiction of CEPA while only certain administrative functions are able to be performed by the Environment Department in the ABG Ministry of Land and Natural Resources. The project will support identification of practical ways to ensure that these jurisdictional challenges do not hamper the implementation of the Bougainville



Mining Act, including the development of working agreements (e.g. MOUs) between DOMER and other agencies. Where necessary, the project will arrange for MRA to assign members of its staff to provide such support for an agreed period. If MRA personnel are not available to deliver the level of support needed, the project will finance recruitment of suitable advisers to perform such roles.

- Conduct selected training to reinforce the support listed above: To reinforce the direct support set out above the project will finance formal training for the staff of DOMER and selected other regulatory agencies in ABG. Initially this training will be planned to correspond to the highest priority tasks of those already in post. Once the staff development plan listed above has been produced, it will serve as the basis for training plans which can be financed by the project and from other sources.

A.2. Complete preparation of other essential mining related legislation:

Proper implementation of the Bougainville Mining Act by ABG regulatory institutions will depend on suitable arrangements for implementation of related legislation, some of which has yet to be transferred from the National Government to ABG. This is especially important in relation to mines safety and environmental, land and fiscal regulation. The proposed activities to be financed by the project are to:

- Identify and prepare suitable Mines Safety legislative and administrative instruments: The compliance functions of DOMER rely on there being strong Mines Safety legislation and administrative measures, as in PNG. This provides the Chief Mines Inspector powers to take actions to assure safety in the interest of the workforce and other affected persons. The project will finance an adviser to support ABG to prepare suitable legislative and administrative instruments.
- Identify and prepare environmental, land and fiscal legislative and administrative instruments necessary for the proper implementation of the Bougainville Mining Act: There may be a need for suitable legislative and administrative instruments to be prepared in conjunction with the institutional support provided under component A.1. The project will finance advisers to support ABG to do this.

A.3. Conduct a Strategic Environmental and Social Assessment of mining sector development in Bougainville:

Decisions on the types, scale and timing of mining developments in Bougainville will be better informed once a comprehensive Strategic Environmental and Social Assessment (SESA) has been conducted by ABG. The SESA will, *inter alia*, assess cumulative impacts of mining development and identify suitable regulatory and institutional measures needed to assure development consistent with environmental and social priorities, drawing on previous work done in 2012. The SESA would be carried out by a consulting firm that can demonstrate on-the-ground knowledge and experience of the environmental and social challenges associated with mining development in Bougainville.

A.4 Strengthen Regulation and Practices of Alluvial Small-Scale Mining:

The project aims to support administration and practice of artisanal and small-scale alluvial mining in at least three (3) pilot sites to better inform the development of a long-term strategy for the orderly development



and administration of small scale alluvial mining including community-based artisanal mining in Bougainville. The legislation provides that ABG-DOMER must provide training to Council of Elders and Village Assemblies to perform a regulatory role on community mining. The project will support training and capacity building of selected Council of Elders and Village Assemblies around mining areas. The training will emphasize: (i) best-practice procedures for the granting, administration and policing of community mining licenses, artisanal mining licenses and small scale mining leases; (ii) instruction on practices to be followed or avoided when mercury or any other prescribed chemical is used to recover minerals; (iii) instruction on appropriate mining methods and geological controls of mineralization, and (iv) data collection and reporting, including production and license compliance reports.

The project will also assist ABG-DOMER identify and offer support and training to at least three (3) model local community based alluvial and small-scale mining businesses which are now permitted under the Bougainville Mining Act 2015 to operate in Bougainville. This pilot support for model local alluvial miner candidates will be co-delivered with training and capacity building of Council of Elders and Village Assemblies so the community regulators and miners can operate in compliance with mining and safety regulations. Special emphasis would also be placed on how these operators can procure, safely store, use and reuse mercury.

Component B: Sustain engagement by ABG with citizens, communities and landowner groups

This component of the project will consist of activities to help sustain a high level of engagement by ABG with citizens, communities and landowner groups in order that they may better benefit from mineral sector development. It will build on consultative processes employed during previous Development Forums and the later consultations on the Bougainville Mining Act and complementary environmental and land legislation. Activities will comprise an outreach program and institutional arrangements to enable such groups to access relevant information and participate in the benefits of mineral development, based on rights and obligations set out in the Bougainville Mining Act.

The past conflict in Bougainville was inextricably linked to the grievances generated around the allocation of benefits from and impact on the environment and communities by the Panguna mine. Ensuring that the people of Bougainville – including the voices of all disadvantaged groups, landowners and non-landowners, women, elderly, youths and any other marginalized groups – are heard and accounted for in decisions concerning mining development, whether at Panguna itself or elsewhere in Bougainville, will be critical to a peaceful and sustainable growth and development of ARoB. The support will be designed to complement existing frameworks set up to address the specific issues around the Panguna mine, but will address issues of mining development in all of Bougainville.

Specific activities to be financed in Component B will include:

B.1. Develop an ABG stakeholder engagement strategy



Supporting ABG to sustain a high level of engagement with citizens, communities and landowner groups on mineral sector development by preparing a stakeholder engagement strategy. This will identify institutional arrangements and methods of engagement, as well as the resources required, to implement the strategy. The proposed process for developing the strategy is set out below:

- Initial stakeholder mapping and fragility assessment: The mapping would involve the key stakeholder groups and interests, as well as potential sources and intensity of conflict and violence in the mining sector in AROB, including a ‘state of the sector’ assessment with regards to civil society stakeholders (for example, identifying any potential or perceived gaps in recent or previous consultative processes, and identifying how this may impact the sector moving forward), and conducting *ex ante* assessments on stakeholder positions regarding the resumption of mining operations, and/or other future mining engagement. These assessments should include a focus on women, elderly, ex-combatants, and other vulnerable or marginalized groups to identify concerns, involvement in recent or negotiations, and their level of preparation and capacity to engage in these processes. The mapping exercise will inform the preparation of a stakeholder engagement strategy for ABG, to ensure that subsequent activities are proactively inclusive.
- Preparation of a stakeholder engagement strategy and implementation plan: The project will finance the preparation of a stakeholder engagement strategy that articulates the principles of engagement and institutional arrangements for engagement, as well as a time-bound implementation plan that identifies the resources needed to carry out the strategy effectively. The strategy should draw on lessons of the past, take advantage of a rich body of relevant analysis and experience and be developed in close consultation with the stakeholders who stand to benefit from ABG engagement. Among the principles of engagement that will need to apply to the strategy are the following:
 - engagement should take place at all levels including the district and village level;
 - there should be a forum for citizens, communities and landowner groups to provide feedback on their own understanding of the legislation, on the engagement conducted by ABG and to express their expectations and perceptions of ABG institutions;
 - outreach provided should address both the positive and negative impacts of mining sector development and perceptions thereof among a range of affected stakeholders, including at risk and marginalized groups;
 - attention should be given to ensuring that women are sufficiently represented in any consultations, decision-making, and benefit sharing arrangements. Due to the matrilineal nature of land ownership in most of Bougainville, women have theoretical rights to the land according to tradition, but their interests are seldom reflected in landowner negotiations, since men are often the ones culturally tasked with representing them in consultations and public forums. The environmental and social issues around Panguna that contributed to the conflict had significant impacts on women, and women’s groups in Bougainville have had critical roles in pushing for peace during the conflict, but they have been largely marginalized in the formal peace and subsequent political processes.
- Evaluate and conduct consultations on a permanent institutional basis for stakeholder empowerment: Drawing on examples from elsewhere in PNG (e.g. Ok Tedi, Lihir) and other Melanesian societies, the project will finance evaluation of and consultations on establishment of a



permanent institutional arrangement through which citizens, communities and landowner groups can obtain support to better exercise their rights and be equipped to fulfill obligations arising under the Bougainville Mining Act and related legislation.

- Skills development for DOMER project coordination and community engagement staff: In preparation for implementation of the ABG stakeholder engagement strategy the project will finance formal training and organize knowledge exchanges through suitable study tours and short-term secondment for relevant DOMER staff.

B.2. Technical support to mine-affected landowners and communities

Landowner groups are entitled to exercise rights conferred by the Bougainville Mining Act and take on obligations as well, under surface access agreements, community development agreements and possibly agreements made to engage directly in mineral activities (e.g. joint venture agreements between landowners and investors). Accordingly, the project will finance a short series of seminars / workshops on a range of pertinent technical, commercial and financial arrangements found in the mining industry. The delivery of such seminars / workshops will be procured from professional trainers by ABG and be designed to be of general relevance and not related to any specific area, transaction or interested party.

Component C: Project Management

C.1. Implementation of Recipient-executed activities financed by the Grant: MRA will be the Implementing Agency continuing the same implementation arrangements as the World Bank’s Second Mining Sector Technical Assistance Project. It will manage the project in collaboration with, and on behalf of ABG as part of the MoU it signed to provide mining technical support to ABG-DOMER. The Special Projects Unit of MRA will execute project activities financed by the grant based on the agreed implementation manual and handle procurement and financial management responsibilities.

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SAFEGUARDS

E. Safeguard Policies that Might Apply

Safeguard Policies Triggered by the Project	Yes	No	TBD
Environmental Assessment OP/BP 4.01	X		
Natural Habitats OP/BP 4.04	X		
Forests OP/BP 4.36	X		
Pest Management OP 4.09		X	
Physical Cultural Resources OP/BP 4.11	X		



Indigenous Peoples OP/BP 4.10	X		
Involuntary Resettlement OP/BP 4.12	X		
Safety of Dams OP/BP 4.37	X		
Projects on International Waterways OP/BP 7.50		X	
Projects in Disputed Areas OP/BP 7.60		X	

CONTACT POINT

World Bank

Contact : Bryan Christopher Land Title : Lead Oil and Gas Specialist
 Telephone No : 5720+71276 Email :

Borrower/Client/Recipient

Borrower : Department of Treasury

Implementing Agencies

Implementing Agency : ABG Department of Mineral and Energy Resources

Contact : Shadrack Himata Title : Secretary of Mineral and Energy Resources
 Telephone No : 6759739514 Email : gtongo52@gmail.com

Implementing Agency : Mineral Resources Authority of PNG

Contact : Philip Samar Title : Managing Director
 Telephone No : 6753213511 Email : info@mra.gov.pg

FOR MORE INFORMATION CONTACT

The World Bank
 1818 H Street, NW
 Washington, D.C. 20433
 Telephone: (202) 473-1000
 Web: <http://www.worldbank.org/projects>

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