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**The economic and environmental impacts of an industrial extractive project and their social management: the case of koniambo project in New Caledonia.**

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**1. Introduction, specificities of the Caledonian context**

New Caledonia is a South Pacific French territory with a special status. This archipelago of 19,000 km<sup>2</sup> with only 250,000 inhabitants has to face specific environmental, economic and social challenges of major interest for sustainable development public policy analysis.

New Caledonia is classified by the IUCN among the 35 global biodiversity hotspots on account of the richness and specificity of its land and marine wildlife and vegetation. The exceptional rate of endemism of its natural heritage raises issues of conservation and, at the same time, offers development prospects through ecotourism especially.

Caledonian economy is dominated by mining and by the weight of the public service sector supported by remittances from France. In fact, New Caledonia is home to 20 to 40% of the known nickel resources of the planet and was ranked fifth world producer in 2004. Nickel accounts for about 10% of the GDP, with significant ripple effects. Nickel may represent close to 25% of GDP in the years ahead, when the industrial projects currently being set up to process the mineral locally would effectively take off.

The public service sector accounts for more than a quarter of the GDP and employs one third of wage-earners. Public transfers also sustain an economy often referred to as an “assisted economy”, which generates an artificial hypertrophy of private marketable services.

On the whole, New Caledonia is a rich but highly dependent country.

In addition, it is experiencing considerable imbalances, the first of which is territorial imbalance. The majority of the population and jobs are concentrated in the Noumea agglomeration. The south of the country, inhabited mostly by European descendants of the early settlers or newly-migrated settlers, is the focal point of economic and social dynamics. Despite the clear progress made since the early 1980s, there is also social imbalance: the average income of Kanaks (native Melanesians) who constitute the majority in the north of the country and the Loyalty Islands is nearly twice lower than that of the rest of the population. They experience more school failure and are more prone to health problems, etc.

The Caledonian situation is a model of path dependence. Repercussions of the choice made 150 years ago by France to establish a settlement there are felt up to this day.

The installation of agricultural settlers was accompanied by despoliation of land and the creation of a segmented space that land reforms were only able to correct significantly some twenty years ago.

For more than 30 years and the build-up of independence claims, the policy of the archipelago has been structured by debate over its constitutional future. After the serious conflicts of the 1980s, the Matignon (1988) and Noumea (1998) agreements made it possible to arrive at a compromise between advocates and opponents of independence. By 2014-2018, referendums will be organized, while the intermediary period will be marked by the transfer of some powers and competences to the Caledonian government and to provincial executives. Since 1989, the latter are responsible for economic development.

Public policies are characterized by a will for economic and social rebalance in favour of the North and the Island Provinces, where the majority of the population is Kanak.

## **2. The setting up of a major industrial project**

In the North Province managed by pro-independence elected officials, one of the key components of the rebalancing policy is the development of a nickel processing plant, for a total cost of 2.2 billion dollars. To develop this industrial project, the provincial executive made choices that will enable them maintain control over the operation and its impacts. They signed a partnership agreement with the Falconbridge multinational and hold 51% of the shares of the company responsible for project implementation.

Provincial political choices in matters of sustainable development are expressed at various levels. The environmental impact of the industrial project is thus benefiting from an unprecedented focus. By turning away from the “enclave” logic and in order to prevent a possible “Dutch disease”, the project is also designed as a means towards the economic and social development of the province. Apart from the 2,700 direct and indirect jobs created for more than 30 years, measures are being taken to encourage a spread of the induced economic growth, diversify the economy, prepare for the post-nickel period, improve public services, etc.

The buyout of Falconbridge by Xstrata, a Swiss multinational, led to delays in the construction of the plant but does not *a priori* question the previous partnership agreements.

In view of its scope, the project will also accelerate the changes already borne by the 45,000 inhabitants of the Province.

Within the overall context of New Caledonia, controlling the social impact of the industrial project is thus a major challenge. In order to clarify the necessary attendant measures, a sociological survey commissioned by the North Province was conducted in 2005 and 2006. Some of the results of the survey are presented here.

## **3. The stakeholders**

Many actors are directly and indirectly concerned with the Koniambo project. The surveys conducted made it possible to identify them and to characterize their strategies, their expectations and their concerns.

### *Industrialists*

Two industrialists are grouped under the KNS Company. The “Société Minière du Pacifique Sud” (SMSP), an enterprise set up with provincial public capital, is the majority shareholder. It has already proven its worth but the Koniambo project is key to its development. The Xstrata enterprise brings in its technological know-how and the credence of the fourth world nickel producer. It shows great concern for environmental issues and the impact of the project on local societies. It is however engaged in the global clustering movement of metallurgical firms and despite assurances given, its overall strategy comprises dark areas.

### *State authorities*

As we have seen, provincial authorities are laying special emphasis on the balanced redistribution of the spin-offs of the project. They are also taking many measures to control the expected doubling of the population in the area of establishment of the plant.

Councils are managed by local representatives who unanimously express their support for the project, although their strategies vary according their location. As such, in the three councils directly concerned, efforts are being made to provide equipment and services and to stimulate private economic operators. Elected representatives there are worried about the possible frustrations that may result from battered hopes in terms of wage-earning jobs, the need to help the Kanak populations make the best of the opportunities offered, etc. Lucidity reigns in the more distant councils. Since they are expecting very few direct employments, local representatives there are laying emphasis on the need to stimulate initiatives in the agricultural and ecotourism sectors, in order to avoid the enclave logic. They underscore the importance of a local development based on the valorisation of specific resources and controlled by the population. The emergence and encouragement of these alternative forms of development should be strongly supported by the Province.

There are often expressions of fear of a poorly-managed development, which would sacrifice the current living conditions in the name of modernity, without a proper control of inequalities.

### *Customary authorities*

Although they make up an heterogeneous group, customary authorities still have a powerful local and institutional influence through the customary senate. Inasmuch as they support the project for various ideological and political reasons, they however express worries over the respect for the rights of clans, the risk of newcomers taking up all job opportunities, the monitoring of the environmental and social practices of the Xstrata multinational, etc. Thanks to their exposure to the international discourse on autochthony and the environment, the customary authorities will be very attentive to developments in their region.

### *Private economic operators*

Private economic operators are very diversely equipped to make the best of the project. They are essential to the provincial arrangement because the magnitude of the induced effects lies partially on them. Those who are already established are globally optimistic and believe they can take part in the development process. They however say they depend on public policies, which must especially protect them against competition from external enterprises. The recently established and fragile ones are worried about the delays. They are of the opinion that provincial assistance is ill-adapted to their needs. They also decry the lack of trained staff and, like the former, hope that local businesses will be privileged in the procurement process.

Local economic organizations, usually cooperatives, are often rising up and still fragile. They express mixed viewpoints and are concerned about the following issues: How can mining be matched with ecotourism? How can one trust a multinational on environmental issues? Will the employment prospects in the mining sector not sap the tribes of their most active forces? Will productivity differences not deprive Kanak enterprises of opportunities offered? They thus call on the Province to exercise greater anticipation and interventionism.

### *Associations*

In the past years, associations have become organized, diversified and constitute an unavoidable challenge and proposal force. By representing women, economic operators, environmental, cultural and social concerns, they express the often contradictory forces at work within the local society. Moreover, their leaders are increasingly exposed to major global issues and debates.

Environment protection associations are schematically divided into two groups. Some (rare) defend an integrated sustainable development approach. They advocate for a territorial vision that includes the plant into the other dynamics at work and point out the necessary environmental concessions to social well-being and economic development. Others are more radical and have little doubts on the long-term negative effects of the plant and all its extensions. They are part of those who are most hostile to the project and increasingly rally behind national and even international organisations to voice their claims. They promise high-level vigilance.

The numerous women's associations in the North Province express specific viewpoints with an undeniable dominant scepticism with regard to the project. They address especially concrete issues which do not only concern the plant and which they consider inadequately or poorly handled so far: youth integration into the economic environment, school failure of the Kanak, outlets for the small-scale Melanesian agriculture, the increasing fragility of the most vulnerable categories, etc.

The persons interviewed individually express contrasted viewpoints. Household living conditions have improved significantly during the past twenty years or so. Unfortunately, differences are still rife. Dualism between European and Melanesian lifestyles is still a reality and the various methods of integration into the market economy are changing expectations and prospects. Many youths expect a wage-earning job, as illustrated by the success recorded by vocational training which prepares trainees to various mining trades.

#### **4. Challenges and avenues for social management of project impacts**

The almost unanimous support provided to the industrial project by the local population stems from the understanding of the position it occupies in the provincial development strategy and from their trust in the will of elected representatives to implement the planned guidelines. This is a considerable asset which should however not overshadow the existence of real expectations and worries, which translate a great lucidity on the part of local actors. There will no doubt be tensions in the course of project implementation; it will be necessary to prevent them as much as possible especially by anticipating the institution of permanent consultation arrangements. The idea is to facilitate negotiated compromises around issues raised by the project management. As a matter of fact, the economic sustainability of the project and its role as an instrument at the service of sustainable development depend on its ability to meet the expectations of the various categories which make up the local population, and on the ability of State authorities to control the consequent social changes.

Challenges on which special emphasis should be laid include:

##### *Access to wage-earning jobs*

Management of the award of jobs created is fundamental to avoid tensions and maintain the current atmosphere of trust between businessmen and the population. Although equality between councils is an illusion, likewise the total restriction of newcomers' access to employment, transparent procedures and the widest possible dissemination of information seem to be a necessity. It is necessary to lay down rules of the game which give preference to local employment while stating the limits. It is also important to equip everyone to fully benefit from the opportunities offered, especially through a quantitative and qualitative increase in training opportunities. Expectations are highly varied; they presuppose flexible and diversified responses. The issue of employment must also be raised beyond the mining sector, by continuing to support all the potentially promising sectors.

##### *Social management of environmental issues*

The environmental impact of the project will be monitored closely and may crystallize the expectations or worries of various origins. Apart from the measures already taken, the social management of the unavoidable environmental impacts and of the way local actors will perceive such

impacts is strategic. It is important to meet the various expectations in a transparent manner. An independent observatory operating based on negotiated and concerted arrangements as well as platforms for information and dialogue on measures to be taken or those taken by mining operators may contribute to such social management, provided that the effective involvement of the population is secured. Such involvement presupposes an original local agreement on these environmental issues, based on in-depth reflection still to be carried out. The idea is to arrive at a compromise rather than meeting all expectations.

#### *Control and enhancement of social cohesion*

The acceleration of economic change will have considerable effects on the existing forms of social regulation in tribes where the majority of the Kanak population lives. Focus should be especially on three points: the economic and social integration of youths, support to the initiatives of women who play a key role in family equilibrium, and the role of traditional leaders.

Here, it might be important to enhance local initiatives, be they economic, social or cultural. An outreach coordination policy and funding mechanisms tailored to the context and stakes seem indispensable.

#### *Permanent communication among actors*

More generally, it is important to institute permanent communication among the various actors. The idea here is not to raise awareness or ensure top-down communication, but to create the conditions for open negotiation to build lasting compromises. This presupposes targeted information dished out by those holding it and who are best placed to provide such information.

### **6. Cross-cutting challenges**

Such challenges are testimony of the difficulty and complexity of efficient project impact management. Interrelations are numerous and it is illusory to attempt to break up the problems, and to try to address each of the identified challenges separately. Moreover, the strength of the project lies in its provincial nature and in the commitment of the inhabitants to defend it. Social management of its impacts thus implies seeking solutions to the worries expressed, but in line with a global policy.

The first challenge consists no doubt in taking into consideration the most shared aspirations, while continuing to pool efforts around overall objectives. It would be necessary to include the mining industry into the distinctive identity of the North. Being an expression of a “common provincial destiny”, such identity should be based if not on a completely shared vision, at least on a compromise around common challenges and major principles for the management of the spin-offs.

Permanent consultation arrangements should initiate and then facilitate this type of brainstorming on national building and the position that nickel and the plant should occupy therein. Over and above their need for information and communication on what will really happen, actors wish to know how the industry and State authorities are planning to manage the changes. They also wish to see their most pressing expectations met, which implies that they should have a right to oversee and steer part of the expertise.

The establishment of a concerted monitoring and evaluation mechanism may contribute to that objective. Concretely, in addition to the need to construct a common framework, it would be necessary to make an inventory of the expected impacts and the way the industrialist and the North Province plan to manage them. Next, it would be necessary to continuously monitor the project outcomes and the deviations with respect to this diagnosis, always discussing the reasons for the deviations.

Monitoring will be complemented by evaluation, which is expected to assess the economic, social and environmental changes linked to the project. Here again, deviation between the expected impacts and the effective results should lead to the production of highly debated specific information.

A third area of debate will concern the search for negotiated solutions to the problems identified upstream or during project implementation. The idea is to encourage the different actors to express themselves and to arrive at compromises on actions to be undertaken.

## **7. Major difficulties**

Implementing such arrangements no doubt falls under precision engineering. For this project in particular, expectations are such that the liability to perform will be very high. Disappointments, which seem unavoidable, will be experienced all the more strongly and may lead to deadlock reactions. It would therefore be necessary to design lasting arrangements, by respecting all the major decision-making and negotiation levels. Such an approach requires full-time attention and the concerted and open commitment of all major partners.

Really participatory methodological approaches should be adopted and tested to make them suitable to the local context. Coherence is a determining factor to consolidate trust and effective involvement. The approach adopted should strive to provide the link and ensure coherence among all stakeholders, but also among the themes discussed. Coherence is secured by insisting on the provincial and global nature of the project, and on the focus placed on all connections with the local society.

The methodological challenge is compounded by the difficulty to ensure the joint and lasting operation of actors and institutions with singular objectives and governance methods. Here, we want to point out to what extent the economic globalisation logic interferes with the local will of consultation and construction of negotiated compromises.

In the case of New Caledonia, the global agreement on the project, the high living standards of the population, the voluntarism of State authorities, the precautions taken by the Province to buy the majority of shares and the arbitration of the French Republic, all point to the fact that the project will be managed locally. However, the buyouts in the nickel sector under the pressure of shareholders and the evasiveness of multinationals engaged in a global speculation have already caused close to 10 years of delay in the construction of the plant. Today, there are still uncertainties which can not be related to the local situation. Dependence seems to be a reality and even constitutes a weakening factor; it can hamper the involvement of the population by worsening uncertainty and casting doubt on the real intentions of the industrial partner.

## **8. Conclusion**

The Koniambo project illustrates an attempt at constructing an original economic and social development model which can be emulated in other situations in the Pacific. The North Province of New Caledonia is in fact opting to rally its population around an industrial project that participates in globalisation but whose spin-offs will contribute to the sustainable development of a small island economy. Our intention was to show that the success of such a project can be achieved among others through innovative support arrangements for local actors. Although the innovations concerning the social and participatory management of the economic, social and environmental impacts of the project seem difficult to implement, they appear to be highly strategic.