

Esso Highlands Limited



Papua New Guinea LNG Project

**Environmental and Social Management Plan  
Appendix 25: Community Support Strategy**

PGGP-EH-SPENV-000018-029

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## ATTACHMENTS

- Attachment 1: Community Development Support Plan
- Attachment 2: Community Support Strategy Action Plan

## ACRONYMS

Acronym	Definition
ADB	Asian Development Bank
ADRA	Adventist Development and Relief Agency
AusAID	Australia Aid
BPEA	Best Practices in External Affairs Initiative
BSA	Benefit Sharing Agreement
CDS	Community Development Support
CHSSMP	Company Health, Safety and Security Management Plan
CSS	Community Support Strategy
CSSAP	Community Support Strategy Action Plan
EHL	Esso Highlands Limited
EIR	Environmental Inception Report
EIS	Environmental Impact Statement
EU	European Union
HGCP	Hides Gas Conditioning Plant
HIV/AIDS	Human Immunodeficiency Virus / Acquired Immune Deficiency Syndrome
IFC	International Financing Corporation
ILO	International Labour Organization
K	Papua New Guinean Kina
Lancos	Landowner Company
LBD	Local Business Development
LLG	Local Level Government
LNG	Liquefied Natural Gas
L&CA	Land & Community Affairs
MDG	United Nations Millennium Development Goals
MRDC	Mineral Resources Development Company (co-venture Lanco)
MTDS	Papua New Guinea Medium Term Development Strategy (2005 – 2010)
NCP	National Content Plan
NGO	Non-Governmental Organisation
OGA	Oil and Gas Act
OIMS	Operations Integrity Management Systems
PDLs	Petroleum Development License
PIA	Project Impacted Area
PNG	Papua New Guinea
PRL	Petroleum Retention License

Acronym	Definition
PS	Performance Standard
RAP	Resettlement Action Plans
RPF	Resettlement Policy Framework
SEP	Company Stakeholder Engagement Plan
SIA	Social Impact Assessment
SLF	Sustainable Livelihoods Framework
SMLI	Social Mapping and Landowner Identification
SMPs	(Company or Project) Social Management Plans
STI	Sexually Transmitted Infections
UN	United Nations
UNDP	United Nations Development Programme
USAID	United States Agency for International Development
WBG	World Bank Group
WFD	Workforce Development
WID	Women in Development

## 1.0 INTRODUCTION

Esso Highlands Limited (Company) has developed this Community Support Strategy as part of its Environmental and Social Management Plan (ESMP). The development of natural resources such as minerals, and oil and gas in developing countries has the potential for improving the quality of life of national populations and communities (EIR, 2003), although this has not always been the outcome. There are examples where increased national wealth derived from oil, gas and mineral developments have been a catalyst for conflict rather than a means of enhancing community livelihoods and well-being.

Moreover, some segments within these project-impacted communities are more vulnerable than others to these and other consequences of resource development. Indigenous People is one such segment. Their economic, social and legal status often limits their capacity to defend their interests in, and rights to, lands and natural and cultural resources, and may restrict their ability to participate in and benefit from development. They are particularly vulnerable if their lands and resources are transformed, encroached upon by outsiders, or significantly degraded. Their languages, cultures, religions, spiritual beliefs, and institutions may also be threatened.

Avoiding the creation of conditions conducive to community tension and conflict as well as further marginalising Indigenous Peoples is therefore in the best interests of the Government of Papua New Guinea (PNG), the PNG LNG Project (Project) and all other stakeholders.

This Community Support Strategy (CSS)<sup>1</sup> describes how Company intends to develop and implement a range of initiatives that are collectively intended to manage these and related non-technical Project risks, as well as comply with a number of PNG laws, and Corporate Policy and International Finance Institution (i.e., Lender) standards (specifically the International Finance Corporation (IFC) Performance Standard 7: Indigenous Peoples)<sup>2</sup>.

A set of Social Management Plans has been prepared and these form the initial implementation phase of the CSS. These plans describe the measures designed to avoid and/or mitigate adverse impacts wherever feasible.

Not all impacts can be avoided or totally mitigated, therefore the purpose of the CSS is to provide strategic direction for an additional set of initiatives and measures designed to promote the development of conditions conducive to enhancing the livelihoods of PNG communities. While the CSS focuses on communities located in the vicinity of the Project, indirect and secondary effects potentially occurring more distant from Project construction sites and facilities are also considered.

Collectively, the CSS plans, programs and measures form part of the Company's Social Management Program and will be implemented during pipeline and LNG plant construction. The process will consider the PNG socio-economic conditions and the ethnic group issues and concerns that have been raised in the social impact assessment, the BSA Forum and from previous and future consultations.

This CSS will define the steps and roles and responsibilities to develop the supporting documents that will be drafted at the completion of the additional research described above.

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<sup>1</sup> It is normal for such initiatives and measures to be contained in an Indigenous Peoples Development Plan (IFC, 2007), where indigenous peoples are regarded as social groups with identities that differ from dominant groups in national societies. In the case of PNG, however, there is no such distinction. Furthermore, the term "indigenous" is deemed culturally inappropriate in PNG. For this reason the phrase "Community Support Strategy" is preferred. (NOTE: IFC Performance Standard 7: Indigenous Peoples states that there is no universally accepted definition of "Indigenous Peoples". Indigenous Peoples may be referred to in different countries by such terms and "Indigenous ethnic minorities", "aboriginals", "hill tribes", "minority nationalities", "scheduled tribes", "first nations", or "tribal groups". Further detail of the characteristics that may describe Indigenous Peoples can be found in Appendix C: IFC Performance Standard 7 – Indigenous Peoples).

<sup>2</sup> The International Finance Corporation Performance Standards on Environmental & Social Sustainability have been adopted as the Lender Standards.

Timescales and resources for the completion of these supporting activities are currently being determined and will be described in the CSS Action Plan (see section 5.7). The CSS Action Plan will combine a range of assessments including vulnerability assessment, assessment of livelihood assets, assessment of institutional arrangements, in-migration assessment, and Community Development Support (CDS).

## 2.0 PROJECT DESCRIPTION

### 2.1 Overview

Esso Highlands Limited (EHL) proposes to develop the Project to commercialise the gas reserves within the Southern Highlands and Western Provinces of PNG.

Natural gas will be produced from gas fields at Hides, Angore and Juha and from existing oil fields feeding production facilities at Kutubu, Agogo and Gobe. The natural gas will be conditioned and then transported via an onshore pipeline to the Gulf of Papua and then via an offshore pipeline to the onshore LNG Plant 20 km northwest of Port Moresby at Caution Bay, where it will be liquefied and then exported via LNG carriers to international gas markets (Figure 1 and Figure 2).

The Project is expected to have a life of approximately 30 years. The Project is consistent with the constitutional goals and directives of the country and will bring benefits in the form of royalties, direct and indirect taxation, improvements in the nation's balance of trade and employment opportunities. In addition, the Project creates the potential for new industrial development with significant positive revenue and employment effects in PNG.

The Project will enhance and expand existing production fields and facilities developed in Southern Highlands Province in the 1990s. A portion of the Project will be constructed adjacent to or within the footprint of the existing oil production and transport facilities and infrastructure from Kutubu to Kopi.

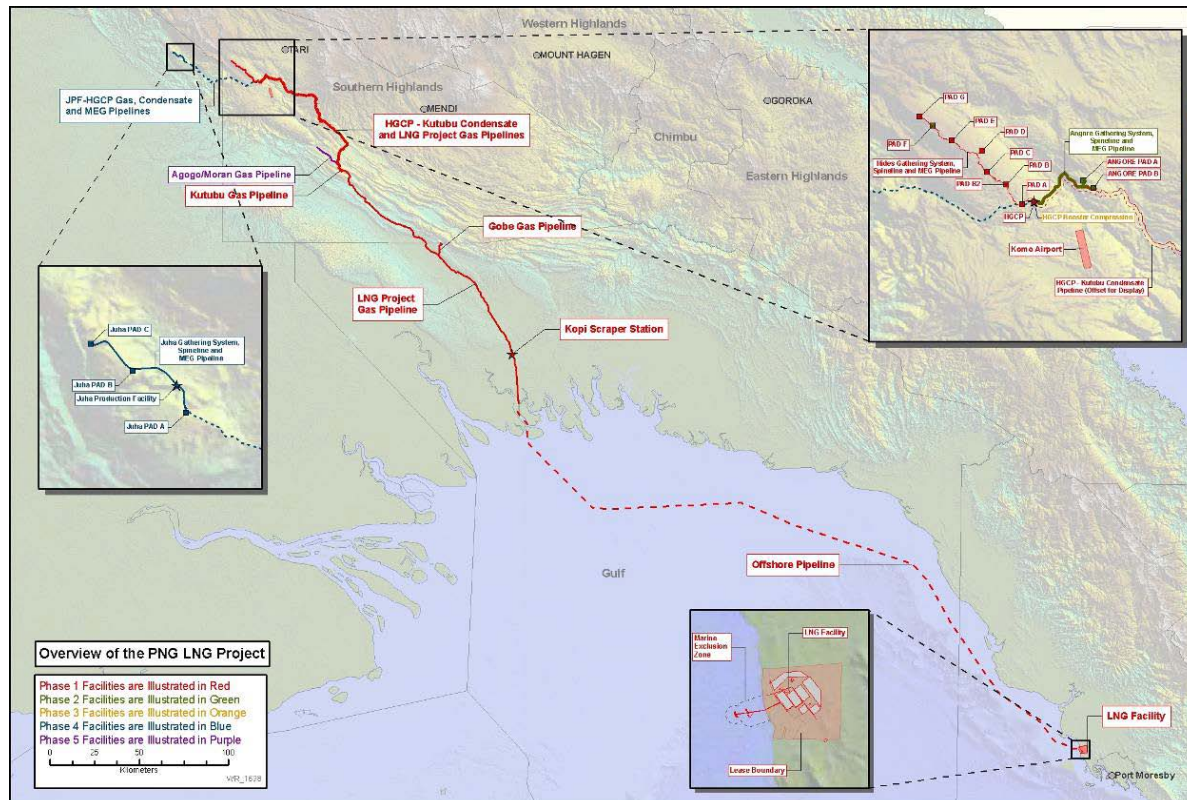
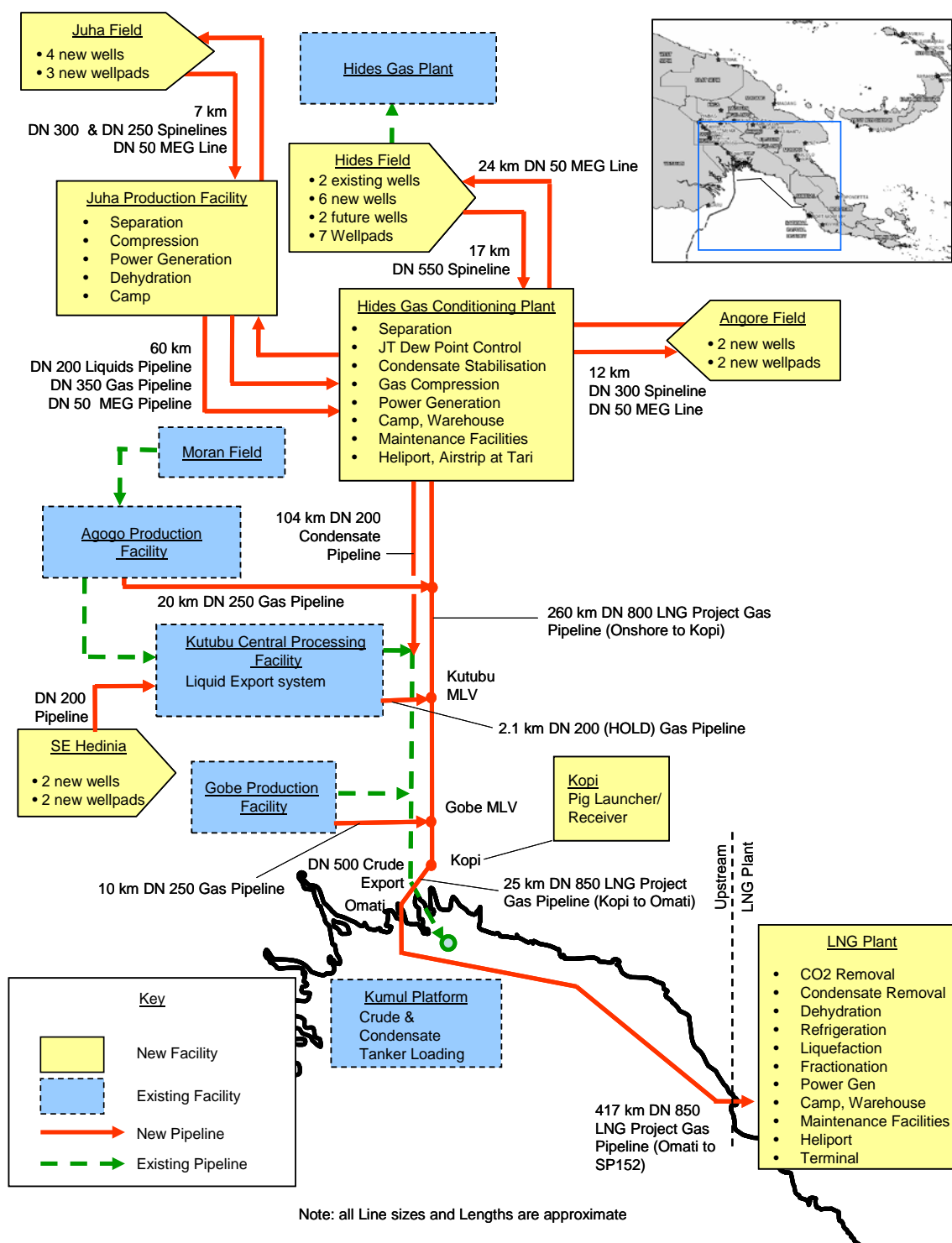


Figure 1: PNG LNG Project Overview Map



In addition to LNG, the Project will produce condensate at Hides and at the LNG Plant. The former will be transported via pipeline to storage tanks at Kutubu and then exported via the existing crude oil pipeline to the existing Kumul Marine Terminal; the latter will be stored in tanks at the LNG Plant and then exported via condensate carriers.



**Figure 2: Project Schematic**

Development will be undertaken in six distinct phases summarised in Table 1. Developing the Project in phases allows the gas production schedule to be optimised and LNG Plant use to be maximised. The first LNG cargo shipment is expected in late 2013 into early 2014.

**Table 1: Development Phasing**

Phase	Proposed Facilities	Estimated Timing <sup>3</sup>
Phase 1: Initial Development (Hides, Angore, Kutubu and Gobe)	Hides Gas Field: Wellpads A,, B, C, D, E & G	2014
	Hides Gathering System and Spine	
	Hides-HGCP Mono-Ethylene Glycol (MEG) Pipeline	
	Hides Gas Conditioning Plant (HGCP)	
	HGCP-Kutubu Condensate Pipeline	
	Kopi Scraper Station	
	Komo Airstrip	
	LNG Project Gas Pipeline (Onshore/Offshore)	
	LNG Plant & Facilities	
	Gobe Gas Pipeline	
	Kutubu Gas Pipeline	
	Hides Gas Field: Wellpad F and B2	
	Angore Gas Field Wellpads A and B	
	LNG facility	
	Angore Gathering System and Spine to HGCP	
	Angore-HGCP MEG Pipeline	
Phase 2: Additional Compression at HGCP	HGCP Booster Compression	2019
Phase 3: Juha Field Development	Juha Gas Field Wellpads A, B, and C	2022
	Juha Gathering System and Spine to JPF	
	Juha-JPF MEG Pipeline	
	Juha Production Facility (JPF)	
	JPF-HGCP Gas Pipeline	
	JPF-HGCP Condensate Pipeline	
	JPF-HGCP MEG Pipeline	
Phase 4: Agogo/Moran Field Development	Agogo/Moran Gas Pipeline	2024
Phase 5: South East Hedinia	South East Hedinia Wellpads A & B	2033

<sup>3</sup> Indicates an estimated year for commencement of operations.

## 2.2 Project Impact Area

For the purposes of the CSS, the Project Impact Area (PIA) has been defined in terms of the following 'Primary' and 'Secondary' areas:

- Primary:
  - Communities identified in the EIS as likely to be immediately and directly and/or indirectly impacted by the Project; and
  - Project 'Land Owners' as defined in the Oil & Gas Act, 1998.
- Secondary:
  - Areas and communities located beyond 'Primary' impact area but nonetheless potentially affected by the Project; and
  - Areas, communities and institutions located beyond 'Primary' impact area that will directly or indirectly support the Project.

### 2.2.1 Primary PIA

The EIS (2009) identified 117 communities that were likely to be impacted by the Project. The EIA grouped these communities into eight clusters: Hides<sup>4</sup>: Moran; Kutubu; Gobe; Kikori; Juha; Komo; and LNG Plant Site (Figure 3). These catchments for the most part contain culturally homogeneous groups, or groups which are co-resident within local communities. Further details are presented in Appendix 1.

The Oil and Gas Act 1998 (O&GA) defines a 'Project area landowner' as those persons with land rights within Petroleum Development Licenses or within the 5 km buffer zone inside or around dedicated Project facilities such as plant sites and pipelines. The majority of the Project area landowners fall within the area occupied by the 117 communities identified in the EIS<sup>5</sup>.



**Figure 3: Project Catchment areas (Primary PIA)**

<sup>4</sup> The Hides catchment here includes parts of PRL11 Angore and Benaria. The catchment name has been retained for easier reference to, and subsequent comparison with, the 2005 PNG Gas SIA catchments.

<sup>5</sup> Note that the PIA is effectively defined by the aggregation of these community boundaries.

### 2.2.2 Secondary PIA

Given the scale of the Project and the proximity of the LNG plant site to Port Moresby, some indirect and secondary effects in the PNG capital and other regional centres such as Lae are likely. Equally, the capacity of the infrastructure, goods and services offered and supported by these centres has the potential to impact the Project (specifically during construction).

## 2.3 Resettlement Areas

The Project will require the economic or physical displacement of people<sup>6</sup>. These components are summarized in Table 2. Each of these areas will have a specific Resettlement Action Plan (RAP) prepared. These RAPs will detail how the resettlement process will occur at each location and what measures will be implemented to restore livelihoods. The Community Development Support (CDS) program described in this Strategy (described in section 5.3) will therefore be somewhat independent of the RAP process, but nonetheless consistent and aligned.

**Table 2: Phase 1 Proposed Project Facilities: Land Required and Estimated Physical and Economic Displacement**

Project Facility	Description	Area (Ha)	Estimated Physically Displaced Households (No.)	Estimated Economically Displaced Households (No.)	Total
Komo airstrip		517	29	10	39
Facilities	HGCP	250	56	10	6
	LNG Plant	23	0	0	0
	Other Facilities (TBD)	59			
	Total Facilities	332			
Pipeline	Homa Corridor		5	5	
	Dagia Corridor		5	5	
	Idawi Tagari Corridor		10	3	
	HGCP-Gigira Corridor		TBD	TBD	TBD
	Total pipeline and spine lines based on 1000 m corridor	1254	TBD	TBD	TBD
Well pads	Hides well pads: A, B, C, D, E and G	96	TBD	TBD	
Roads	Heavy Haul Road	522	150	100	250
	Komo Access Road		15	5	20
Quarry	KQ5 & Access Road		20	30	
	HQ 1& 3 Access Road		10	40	50
	Other		TBD	TBD	
	Total Quarries (approximately 30 quarries including buffers)	898	TBD	TBD	TBD
Landfill	Hides		33	10	43
	Gobe		TBD	TBD	
	Total (not including Gobe)	57	TBD	TBD	TBD
Highlands Highway Bridges	Highlands Highway Bridges		40	80	120
HDD	Tagri, Mubi, Wah and Kikori	31	TBD	TBD	TBD
Camps	Based on 20 possible options	230	TBD	TBD	TBD

<sup>6</sup> Collectively referred to as resettlement.

Project Facility	Description	Area (Ha)	Estimated Physically Displaced Households (No.)	Estimated Economically Displaced Households (No.)	Total
	provided to contractors				
	Homa Camp		5	5	
	Dagia Camp		5	5	
	Idawi Camp		5	4	
	Tagari Camp		10	3	
Total		3,096	398	315	713

### 3.0 OBJECTIVES AND APPROACH

#### 3.1 Objective

The objective of the CSS is to:

- Manage non-technical Project risks, as well as comply with a number of PNG laws, and Corporate Policy and International Finance Institution (i.e. Lender) standards (specifically the International Finance Corporation (IFC) Performance Standard 7 Indigenous People.
- Promote the development of conditions conducive to enhancing the livelihoods of PNG communities, thereby fostering the development and maintenance of stable operating conditions for the Project. From a compliance perspective the objective is to meet local regulatory requirements and IFC Performance Standard 7 (Table 3).

The Strategy primarily targets the communities most affected by the Project (described in Section 2.2 and 2.3) but may also include initiatives directed towards the broader civil society in PNG and hence communities geographically separated from the area immediately surrounding Project facilities, including Port Moresby.

The CSS will be implemented through a coordinated and integrated approach to community investment and will involve support for:

- Infrastructure development;
- Promotion of sustainable economic growth;
- Environmental protection;
- Health;
- Education;
- Conflict resolution;
- Skills development; and
- Institutional development.

These activities will require the Project to:

- Engage in effective, transparent and culturally appropriate community consultation;
- Build trust between the Project, community members and other stakeholders;
- Manage community expectations;
- Develop appropriate capacity with community development skills and experience;
- Mobilise core competencies to support the facilitation of community development support;
- Set measurable goals and progress reporting;

- Collaborate with stakeholders; and
- Maximise sustainability to extend impacts beyond the Project involvement.

### **3.2 Organisation and Scope**

The CSS will be implemented via a series of plans and processes (Figure 4) as follows:

- The Benefit Sharing Agreement Process (Government owned);
- Company Resettlement Policy Framework and Resettlement Action Plans;
- National Content Plan;
- Company Stakeholder Engagement Plan;
- Company Community Health, Safety and Security Management Plan; and
- Company and Contractor Social Management Plans (Construction).

Table 3 summarises the scope of the above documents.

Additional mitigation measures not covered by the above plans (e.g., in-migration and the potential cumulative impact of land take and other impacts on larger groups that are yet to be identified will be designed following further studies in focused areas as appropriate.)

Additional community support initiatives that either complement and reinforce the measures covered in these plans, or target other issues, need to be developed (e.g., infrastructure, livelihood support, institutional capacity building, etc., Figure 5). The assessments that will need to be conducted and the methods that will be deployed as part of this process are outlined in Section 4. Further details will be developed and expanded in the CSS Action Plan that will evolve from this CSS.

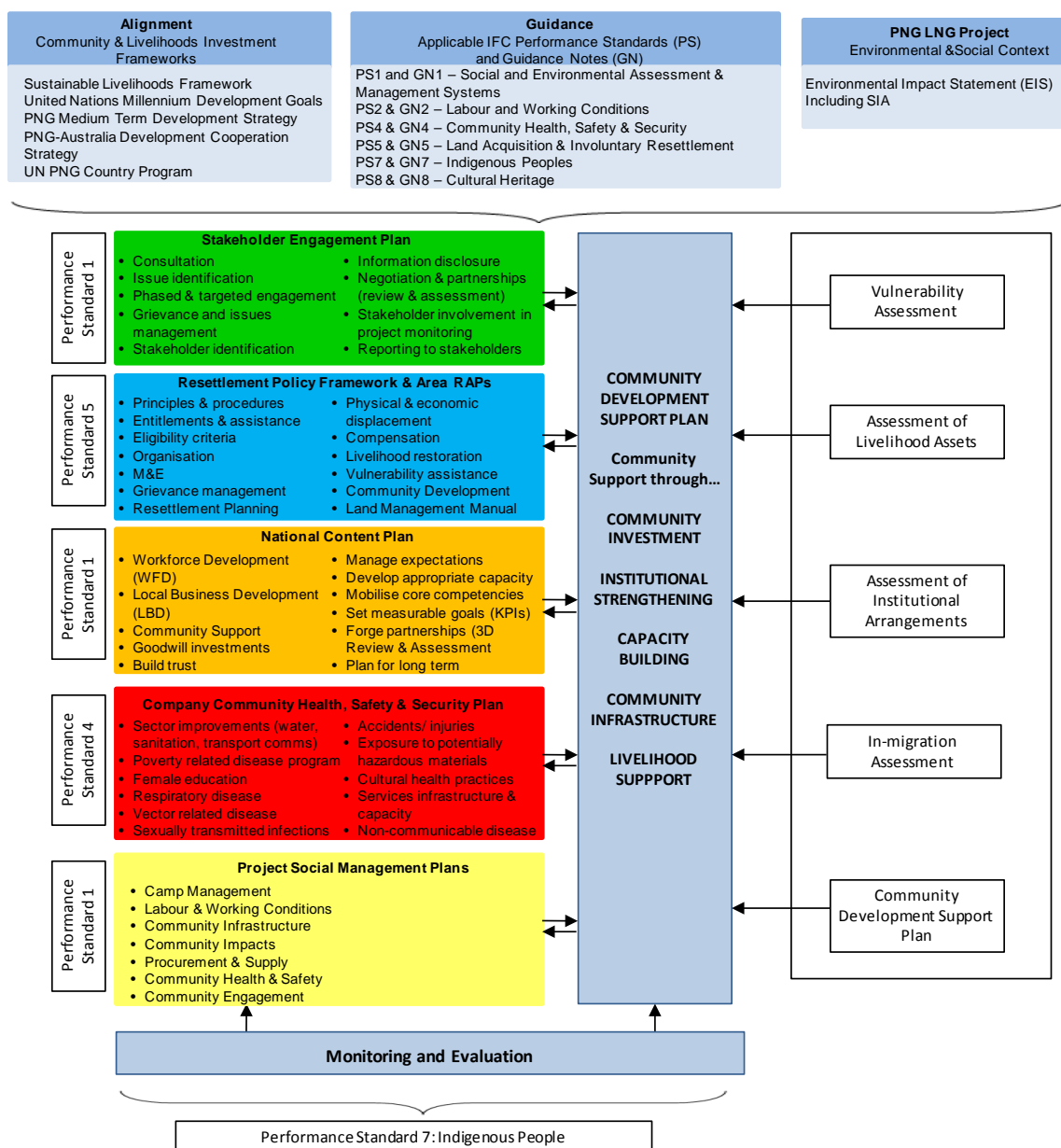


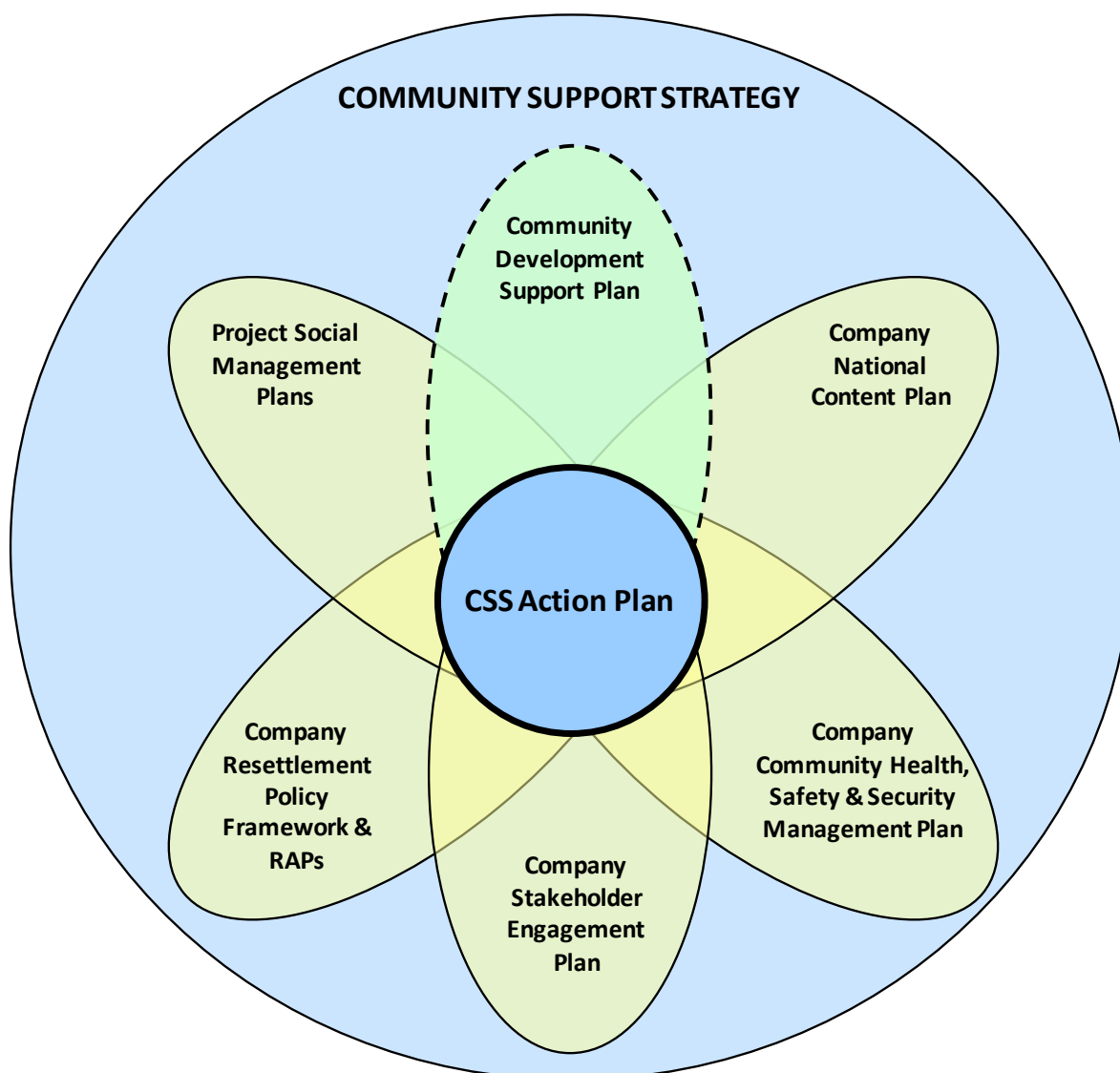
Figure 4: Social Management Program Incorporating Community Support Strategy

**Table 3: CSS Strategic Alignment**

Social Management Program Document	Summary of Purpose	Relevant Company Policy / Corporate Requirement	Relevant Law / Legal Requirement	Relevant Performance Standard 7 Objectives
<b>Community Support Strategy (CSS)</b>	<p>Provides strategic direction for initiatives designed to promote the development of conditions conducive to enhancing livelihoods of PNG communities.</p> <p>Describes measures designed to avoid and or mitigate adverse impacts wherever possible. Describes how the Project intends to develop and implement initiatives that are collectively intended to manage non-technical Project issues and comply with PNG legislation, corporate policy and International Financing Institutions performance standards.</p>	<ul style="list-style-type: none"> <li>•BPEA initiative</li> <li>•OIMS, Objective 4</li> </ul>	<ul style="list-style-type: none"> <li>• S. 5, The Environment Act 2000</li> <li>• IFC PS7 and Guidance Note – Indigenous Peoples</li> </ul>	<ul style="list-style-type: none"> <li>• Create opportunities for Indigenous Peoples to participate in and benefit from project-related activities;</li> <li>• Identify opportunities for culturally appropriate development benefits; and</li> <li>• Offer affected communities compensation together with culturally appropriate development opportunities.</li> </ul>
<b>Company National Content Plan (NCP)</b>	To facilitate identified Project benefits to PNG in the areas of employment and training, business opportunities and community investment. Through the NCP the Project will build and maintain good relations with the communities most impacted by Project activities and help generate sustainable benefits to PNG beyond the life of the Project.	<ul style="list-style-type: none"> <li>•BPEA initiative</li> <li>•OIMS, Objective 4</li> </ul>	<ul style="list-style-type: none"> <li>• The Gas Agreement (2008)</li> <li>• S. 5, The Environment Act 2000</li> <li>• International Convention on the Elimination of All Forms of Racial Discrimination (UN, 1963)</li> <li>• International Covenant on Economic Social and Cultural Rights (UN, 1967)</li> <li>• Convention 169 of the International Labour Organisation concerning Indigenous and Tribal Peoples (ILO, 1989)</li> <li>• IFC PS2 and Guidance Note – Labour and Working Conditions</li> <li>• IFC PS7 and Guidance Note – Indigenous Peoples</li> </ul>	<ul style="list-style-type: none"> <li>• Create opportunities for Indigenous Peoples to participate in and benefit from project-related activities.</li> </ul>
<b>Company Resettlement Policy Framework (RPF) and RAPs</b>	To implement resettlement of communities within the Project area including physical resettlement, compensation for economic displacement, livelihood restoration and reinstatement and the implementation of structured community livelihood improvement interventions. The RPF is the precursor to the necessary Resettlement Action Plans (RAPs) established for specific resettlement of communities across the PIA.	<ul style="list-style-type: none"> <li>•BPEA initiative</li> <li>•OIMS, Objective 4</li> </ul>	<ul style="list-style-type: none"> <li>• S. 47, S. 49, The Oil and Gas Act 1998</li> <li>• The Land Act 1996</li> <li>• S. 5, The Environment Act 2000</li> <li>• International Convention on the Elimination of All Forms of Racial Discrimination (UN, 1963)</li> <li>• International Covenant on Economic Social and Cultural Rights (UN, 1967)</li> <li>• IFC PS5 and Guidance Note – Land Acquisition and Involuntary Resettlement</li> <li>• IFC PS7 and Guidance Note – Indigenous Peoples</li> <li>• IFC PS8 and Guidance Note– Cultural Heritage</li> </ul>	<ul style="list-style-type: none"> <li>• To foster good faith negotiations with and informed participation of Indigenous Peoples when projects are to be located on traditional or customary lands and used by Indigenous Peoples;</li> <li>• Minimise, mitigate or compensate for impacts that cannot be avoided;</li> <li>• Offer affected communities compensation together with culturally appropriate development opportunities;</li> <li>• Document good faith negotiations; and</li> <li>• Relocation consistent with Resettlement Planning requirements of PS 5.</li> </ul>
<b>Company Community Health, Safety, and Security Management Plan (CHSSMP)</b>	To reduce risks and impacts on the health and safety of the local community during the Project lifecycle from both routine and non-routine circumstances, and to ensure that the safeguarding of personnel and property is carried out in a legitimate manner that reduces or minimises risks to the communities' safety and security.	<ul style="list-style-type: none"> <li>•BPEA initiative</li> <li>•OIMS, Objective 4</li> </ul>	<ul style="list-style-type: none"> <li>• International Convention on the Elimination of All Forms of Racial Discrimination (UN, 1963)</li> <li>• International Covenant on Economic Social and Cultural Rights (UN, 1967)</li> <li>• IFC PS7 and Guidance Note – Indigenous Peoples</li> </ul>	<ul style="list-style-type: none"> <li>• Minimise, mitigate or compensate for impacts that cannot be avoided.</li> </ul>
<b>Company</b>	Addresses ongoing consultation throughout Project activities including	<ul style="list-style-type: none"> <li>•BPEA initiative</li> <li>•OIMS,</li> </ul>	<ul style="list-style-type: none"> <li>• S. 49, Oil and Gas Act 1998</li> <li>• S. 5, The Environment Act 2000</li> </ul>	<ul style="list-style-type: none"> <li>• Identify communities of Indigenous Peoples who may be affected by the</li> </ul>



<b>Stakeholder Engagement Plan (SEP)</b>	community consultation and engagement regarding; land access and resettlement issues including compensation, NCP implementation, implementation of the CHSSMP, community support and maintaining ongoing awareness of construction impacts and their resolution. The SEP is owned and implemented by the Company.	Objective 4	<ul style="list-style-type: none"> <li>• International Covenant on Economic Social and Cultural Rights (UN, 1967)</li> <li>• IFC PS7 and Guidance Note – Indigenous Peoples</li> <li>• IFC PS8 and Guidance Note– Cultural Heritage</li> </ul>	<p>Project;</p> <ul style="list-style-type: none"> <li>• Identify opportunities for culturally appropriate development benefits;</li> <li>• Inform rights with respect to lands under national law;</li> <li>• Establish and maintain on-going relationships with the Indigenous Peoples affected by a project throughout the life of the Project;</li> <li>• Involve Indigenous Peoples representative bodies and be inclusive of both women and men and of various age groups in a culturally appropriate manner during information disclosure and consultation; and</li> <li>• Document good faith negotiations.</li> </ul>
<b>Project Social Management Plans</b>	Outline the Company's roles and responsibilities during construction as well as its expectations of the Construction Contractors. The Project SMPs will be used by the Contractor as a basis for preparing their Contractor Implementation Plans. Refer to Contractor Social Management Plans for detail.	<ul style="list-style-type: none"> <li>• BPEA initiative</li> <li>• OIMS,</li> </ul> <p>Objective 4</p>	<ul style="list-style-type: none"> <li>• S. 5, The Environment Act 2000</li> <li>• S. 57, The Oil and Gas Act 1998</li> <li>• International Convention on the Elimination of All Forms of Racial Discrimination (UN, 1963)</li> <li>• International Covenant on Economic Social and Cultural Rights (UN, 1967)</li> <li>• Convention 169 of the International Labour Organisation concerning Indigenous and Tribal Peoples (ILO, 1989)</li> <li>• IFC PS1 and Guidance Note – Social and Environmental Assessment and Management Systems</li> <li>• IFC PS2 and Guidance Note – Labour and Working Conditions</li> <li>• IFC Performance Standard 4 and Guidance Note –Community Health, Safety and Security</li> <li>• IFC PS5 and Guidance Note – Land Acquisition and Involuntary Resettlement</li> <li>• IFC PS8 and Guidance Note– Cultural Heritage</li> </ul>	<ul style="list-style-type: none"> <li>• Minimise, mitigate or compensate for impacts that cannot be avoided.</li> </ul>



	Company Community Support Strategy (CSS)
	Company and Project Social Management Plans
	CDS Plan (To be prepared in accordance with the CSS)
	Programs outside existing Social Management Plans but within scope of CSS (to be developed)

**Figure 5: The Relationship of CSS Components**

## **4.0 METHODOLOGY**

### **4.1 Introduction**

This Strategy has identified the need for a suite of community support and development measures to compliment a range of initiatives already described in the existing Social Management Plans. These measures, their targets and their means of implementation, can only be defined following the completion of a detailed livelihood assessment and an assessment of the risks of in-migration. The results of these assessments will assist in defining developments that are not only sustainable (i.e., self perpetuating and not dependent on long-term funding) but also aligned with community needs and priorities. This section describes the livelihood and in-migration assessments required and the approach to planning and implementation that will be adopted.

### **4.2 Consultation and Disclosure**

The Company is committed to establishing an ongoing relationship with affected communities in the Project Areas as early as possible and throughout the life of the Project. The Project has drafted a Stakeholder Engagement Plan that will support free, prior and informed consultation; and facilitate the informed participation of affected people on matters that affect them directly, such as proposed mitigation measures and the sharing of development benefits and opportunities and other issues. To date this has been demonstrated through the activities of the Land and Community Affairs (L&CA) teams and the processes followed to establish landowner companies and other representative bodies.

The Project will follow a similar approach to involve communities in determining measures that have not been identified as part of the Benefit Sharing Agreement (BSA), Local Business Development (LBD), and Workforce Development (WFD). This consultation exercise will form part of the approach to assess livelihoods, in-migration, cumulative land-take and community development support.

### **4.3 Livelihood Assessment**

#### **4.3.1 Sustainable Livelihoods Framework (SLF)**

Community Development Support pre-supposes a detailed understanding of the communities involved, including their assets and vulnerabilities. The Sustainable Livelihoods Framework (SLF) is a tool designed to improve understanding of livelihoods, particularly those of vulnerable and impoverished communities such as those found in PNG<sup>7</sup>. The SLF is centred on people, and specifically understanding their circumstances and identifying the main variables affecting their livelihoods and their interdependencies. It can also be used to plan new development activities and assess the contribution of existing activities to livelihood sustainability and poverty alleviation.

The SLF therefore offers a way of systematically identifying the components that collectively constitute livelihoods, livelihood assets and their vulnerabilities. Having 'disaggregated' target communities, it is then possible to more successfully identify where external intervention e.g., community development support, can be applied to greatest effect.

The SLF concept is also illustrated in Figure 6. Table 4 outlines the basic elements of the SLF illustrated in Figure 6 and how it will be applied by the Company.

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<sup>7</sup> The SLF was developed by the UK Department for International Development.

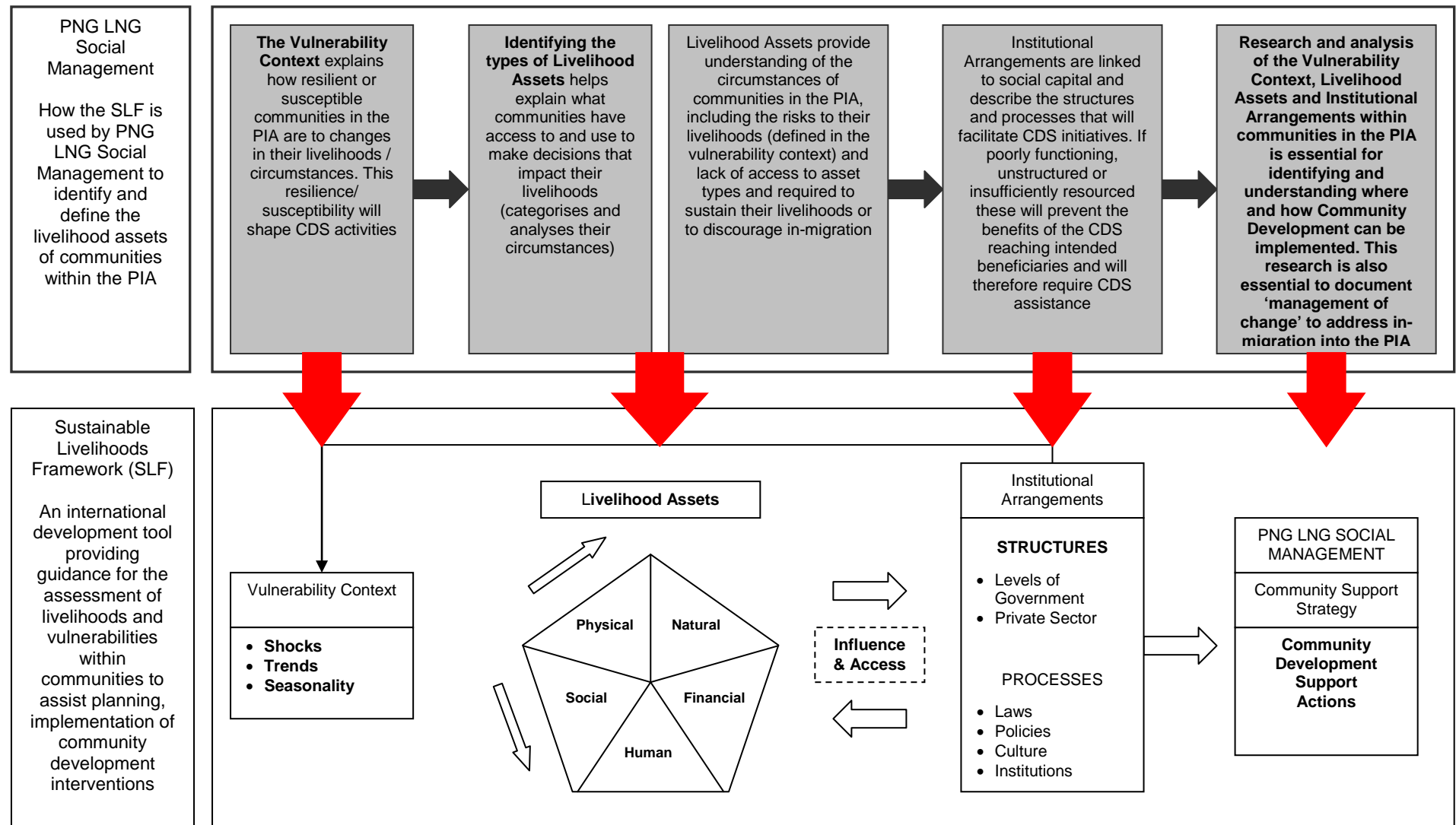


Figure 6: Sustainable Livelihoods Framework as applicable to Community Support Strategy

**Table 4: The SLF Livelihood Capitals**

Livelihood Capitals	Description & Potential Intervention Areas
Human Capital	<p>Human Capital includes:</p> <ul style="list-style-type: none"> <li>• The skills, knowledge, ability to labour and good health required to enable people to pursue different livelihood strategies (engage in active employment) to achieve livelihood objectives.</li> <li>• Ill health and lack of education can be seen as core dimensions of poverty and therefore overcoming these conditions may be primary livelihood objectives.</li> <li>• Human capital is reliant on recipients themselves being motivated and actively involved.</li> <li>• If there are barriers to direct engagement (e.g., social norms, lack of infrastructure), indirect support to human capital development will become critical.</li> <li>• In most cases it will be necessary to support human capital development both directly and indirectly.</li> </ul>
Social Capital	<p>Social Capital includes:</p> <ul style="list-style-type: none"> <li>• The social resources upon which people draw in pursuit of their livelihood objectives.</li> <li>• These are developed through interrelated networks and connectedness, memberships of more formalised groups and relationships of trust, reciprocity and exchanges. Mutual trust and reciprocity lower the costs of working together.</li> <li>• This means that social capital has a direct impact upon other types of capital by: <ul style="list-style-type: none"> <li>○ Improving the efficiency of economic relations (social capital can help increase people's incomes and rates of saving (financial capital))</li> <li>○ Improving the management of common resources (natural capital) and the maintenance of shared infrastructure (physical capital)</li> <li>○ Facilitating innovation, developing knowledge and information sharing (linked to human capital)</li> </ul> </li> <li>• Social capital can be diminished by heavy-handed interventions that impose new social relations without taking into account the benefits of the old.</li> <li>• Attempts to build social capital focus on strengthening local institutions either directly (through capacity building, leadership training) or indirectly through the creation of an open, democratic environment.</li> </ul>
Natural Capital	<p>Natural Capital includes:</p> <ul style="list-style-type: none"> <li>• The intangible public goods such as the atmosphere and biodiversity through to divisible assets used directly for production and the natural resources that support all livelihoods.</li> <li>• The relationship between natural capital and the vulnerability context (described below) are closely aligned. Many of the shocks described in the vulnerability context devastating the livelihoods of the poor impact natural capital (floods and earthquakes that destroy agricultural land).</li> <li>• Human capital depends on natural capital and the continued functioning of complex ecosystems for health and well-being.</li> <li>• Natural capital investment can not focus solely on building natural capital. It needs to consider how natural capital is used in combination with other assets to sustain livelihoods.</li> <li>• The SLF focuses on understanding the importance of the structures and processes determining how natural capital is used and the value that it creates.</li> <li>• Direct support for natural capital includes conserving resources and biodiversity</li> </ul>

Livelihood Capitals	Description & Potential Intervention Areas
Physical Capital	<p>Physical Capital includes:</p> <ul style="list-style-type: none"> <li>• The basic infrastructure and producer of goods needed to support livelihoods.</li> <li>• Infrastructure consists of changes to the physical environment that help people to meet their basic needs and to be more productive.</li> <li>• Producer goods are the tools and equipment people use to function more productively. Examples of physical capital usually essential for sustainable livelihoods include secure shelter, adequate water supply and sanitation, and clean, affordable energy.</li> <li>• Without adequate access to services such as water; human health deteriorates and long periods are spent in non-productive activities such as gathering fuel, wood and water. The opportunity cost of which preclude education, access to health services and income generation. The lack of particular types of infrastructure may be a core dimension of poverty.</li> <li>• Direct provision of producer good can be problematic and establish a dependency and can detract attention away from the need to reform structures and processes.</li> <li>• The livelihood approach focuses on helping to provide access to appropriate infrastructure that enables the poor to achieve their livelihood objectives.</li> <li>• Physical capital (e.g., infrastructure) can be expensive; requiring initial capital and an ongoing commitments to meet operational and maintenance costs. Emphasis should be on providing a level of service meeting immediate requirements while being affordable in the long term.</li> </ul>
Financial Capital	<p>Financial capital includes:</p> <ul style="list-style-type: none"> <li>• Financial capital refers to the financial resources people use to achieve their livelihood objectives; there are two types: <ul style="list-style-type: none"> <li>• Available stocks – savings; the preferred type of financial capital as it does not have liabilities attached and usually does not entail reliance on others.</li> <li>• Regular inflows of money – excluding income; are mostly pensions or other transfers from state. These flows must be reliable.</li> </ul> </li> <li>• Financial capital tends to be the least available to the poor and significantly increases the value of the remaining capitals.</li> <li>• Financial capital is supported through indirect means including organisation, institutional or legislative or regulatory mechanisms: <ol style="list-style-type: none"> <li>1. Organisational mechanisms may include improving the productivity of existing services organisations for the poor or specifically tailoring financial organisations.</li> <li>2. Institutional mechanisms may include increasing access to financial services such as removing barriers associated with a lack of collateral (by providing umbrella guarantees).</li> <li>3. Regulatory mechanisms may include working to reform the financial services operating environment or help governments to provide better safety nets for the poor (benefits).</li> </ol> </li> </ul>

#### 4.3.1.1 The Vulnerability Context

The SLF includes reference to a ‘vulnerability context’ that frames the broader environment in which people exist. People’s livelihoods are affected by the wider availability of assets that are subjected to critical trends, shocks and seasonality over which there is limited or no control.

Trends, shocks and seasonable variations make up the vulnerability context and have a direct impact upon people’s asset status and the options available to them for beneficial livelihood outcomes. The types of vulnerability are detailed in Table 5.

**Table 5: The Vulnerability Context**

Vulnerabilities	Description of impacts
Shocks	Can destroy assets directly (floods, storms, civil conflict) and can also force people to abandon their homes area and dispose of assets (such as land) prematurely as part of a coping strategy. Additional local and international shocks, including rapid changes in social dynamics as a result of forced integration, exposure to new cultures and systems, changes in exchange rates and terms of trade can have significant impacts on those existing around the poverty line.
Trends	Have a particularly important influence of rates of return (economic or otherwise) to chosen livelihood strategies.
Seasonality	Shifts in prices, employment opportunities and food availability are one of the greatest and most enduring sources of hardship for poor people in developing countries.

The vulnerability context is important because it helps define the fragility of people's livelihoods and identifies what makes them unable to cope with stresses, whether predictable or not. Understanding this vulnerability and what influences people's ability and the extent to which they can utilise their environment and support their livelihoods is important in the context of the Project and particularly the CSS.

Communities existing below the poverty line are less able to utilise or influence their environment to reduce stresses. This potentially increases their vulnerability. It also means that in situations where the trends move in a beneficial direction, the most vulnerable are often unable to realise benefits because they lack the fundamental assets or social infrastructure required to be recipients or beneficiaries.

By understanding vulnerability and the associated 'stresses' facing communities in the PIA, the Company will be able to better understand what community support is not only appropriate but offers the best potential benefit to the communities concerned.

Particular attention will be paid to the Febi<sup>8</sup> and other communities regarding issues and concerns that they may have to the construction of roads and exposure to new tribes and cultures that may lead to a change in familiar social dynamics. Prior to activities in this area the Company will prepare a development and safeguarding plan listing activities schedule and budget.

<sup>8</sup> The Febi mainly reside in the Juha Catchment Area and have a population of approximately 350. Traditionally the Febi reside in small 'long house' based communities of between 30-100 people. These communities moved within defined territories before contact. The Febi represent a "vulnerable" group in the precise sense of inhabiting border areas with the populous Huli.

The Febi, like, the Onabasulu, have by their own initiative catalysed assimilation into Huli by inter-marriage, enrolling in nearby Huli schools and in some cases moving to live in the Huli mainstream. However the Febi do not recognize the genealogical footprint by which Huli clans wish to be recognized as 'project area landowners' in some parts of the PRL2. The geographical and genealogical vulnerability of the Febi has been recognised and recorded by the Project during the SIA and the Full-Scale Social Mapping and Landowner Identification (SMLI) Studies undertaken throughout the study area. As described in Section 4.2 above, additional livelihood assessments, assessments of in-migration, consultation and assessments to more accurately understand livelihood assets and vulnerabilities.

#### 4.3.1.2 Institutional Frameworks

The creation, maintenance and enhancement of sustainable livelihoods is dependent on an effective institutional framework and supporting organisations, policies and legislation as summarised in Table 6.

**Table 6: Institutional Framework**

Institutional Frameworks	
Structures	Public sector, private commercial and civil society
Processes	Policy, legislation, institutions, culture

Institutional frameworks are influential across all tiers of society, from international institutions, conventions and legislation down to household level where cultural practices and norms influence how livelihood strategies and decision-making is approached.

Institutional frameworks are important because they determine:

- Access (to various types of capital, to livelihood strategies, sources of influence and decision-making organisations);
- The terms of exchange (between the different types of capital); and
- Returns (economic or otherwise) to any given livelihood strategy.

The institutional arrangements and the activities they facilitate affect how people and communities make livelihood decisions. Researching institutional frameworks improves understanding of how the capitals and assets described above are accessed, used, or managed; any associated risks (including 'outside' control or influence over access); and what causes these capitals and assets to become limited or inaccessible, thereby impeding livelihood improvement.

Furthermore the strength of the institutional frameworks has a direct impact on communities' access to the assets and capitals that enable them to develop and sustain their livelihoods. If institutional frameworks do not support livelihood capitals or facilitate access to their benefits, communities are at risk of:

- Declining into poverty;
- Increased desperation for access to and use of livelihood capitals;
- Increased susceptibility to vulnerability (incapable of recovering from stress and shocks);
- Impaired ability to effectively benefit from community support projects due to increased vulnerability or risk;
- Selling or abandoning access to existing capitals in search of improved access to, or quality or a combination of, capitals; and
- Decreased resilience to livelihood changes or stresses such as in-migration and pressure exerted by outside communities sensing vulnerability.

#### 4.3.2 Other Relevant Development Initiatives

A range of development initiatives are in place in PNG. These will be taken into account when conducting the livelihood assessments and when reviewing potential implementing partners (see Section 5.2).



## 4.3.2.1 UN Millennium Development Goals (MDGs)

The CSS recognises the global poverty reduction objectives and targets identified in the United Nations (UN) Millennium Development Goals (MDGs)<sup>9</sup> and, where relevant, intends to take these into account when developing the CSS Action Plan. The MDGs and their specific targets are detailed in Table 7.

**Table 7: The MDG and 2015 Targets**

MDGs	MDG Specific Targets
MDG 1: Eradicate Poverty & Hunger	Target 1: Reduce incidence of extreme poverty by half from 1990 to 2015.
	Target 2: Reduce the proportion of people who suffer from hunger by half from 1990 to 2015.
MDG 2: Achieve Universal Primary Education	Target 3: Attain 100 percent primary school enrolment by 2015.
MDG 3: Promote Gender Equality and Empower Women	Target 4: Eliminate gender disparities in primary and secondary education by 2005 and to all levels of education no later than 2015.
MDG 4: Reduce Child Mortality	Target 5: Reduce infant and child mortality by two-thirds from 1990 to 2015.
MDG 5: Improve Maternal Health	Target 6: Reduce maternal mortality rate by three-quarters between 1990 and 2015.
MDG 6: Combat HIV/AIDS, Malaria and other diseases	Target 7: Have halted by 2015, and begun to reverse, the spread of HIV/AIDS.
	Target 8: Have halted by 2015, and begun to reverse, the incidence of malaria and other major diseases.
MDG 7: Ensure Environmental Sustainability	Target 9: Integrate the principles of sustainable development into country policies and programs and reverse the loss of environmental resources.
	Target 10: Halve, by 2015, the proportion of people without sustainable access to safe drinking water.
	Target 11: By 2010, to have achieved a significant improvement in the lives of at least 100 million slum dwellers.
MDG 8: Partnership for Global Development	No specifically defined targets.

A detailed review and analysis of the present development situation and recent trends in PNG by the MDG Technical Working Group concluded that it would be very difficult to achieve most of the very demanding global targets by 2015 (UNDP, 2004).

In a related initiative, the PNG Department of National Planning and Rural Development customised the MDG global targets to reflect the national context and realities in conjunction with the National Poverty Reduction Strategy. The tailored national targets remain demanding and the challenges facing PNG in their pursuit of achieving revised MDGs include:

- The HIV/AIDS pandemic;
- The continuing high population growth rate;
- Barriers to policy implementation;
- Political instability, law and order problems; and
- The vulnerability of women.

<sup>9</sup> The UN MDGs were derived from the Millennium Declaration 2000 focused on overcoming the key challenges facing humanity at the start of the 3rd millennium.

#### 4.3.2.2 PNG Medium Term Development Strategy

The UN recommended that future interventions aimed towards achieving MDG targets defined above should be carefully coordinated with the implementation of the PNG Medium Term Development Strategy (MTDS). The MTDS demonstrates the Government's strategic direction for economic and social development and provides direction and parameters within which the Project can participate. The MTDS prioritises the Government's expenditure program to identify the wider policy framework; makes provision for recovery and development, improve fiscal responsibility and support rural development, poverty reduction and human resource development.

Under the MTDS, the Government's key expenditure initiatives to advance their objectives and therefore the Project's community investment corridor include:

- Rehabilitation and maintenance of transport infrastructure;
- Promotion of income earning opportunities;
- Education (formal and informal);
- Primary health care, including widespread prevention of HIV/AIDS; and
- Law and justice.

While the supporting environment was considered 'potentially favourable' for attainment of the goals of the MTDS, and 'fair' for the policy and legislative environment, it was rated 'fair' to 'weak' for implementation capacity (UN Country Programme, 2007:11). The current MTDS (2005 – 2010) identifies 10 guiding principles; these are summarised in Table 8.

**Table 8: The MTDS Focus Areas and Objectives**

MTDS Focus Areas	PNG Government MTDS Objectives
1. Private Sector-led Economic Growth	To trigger the private sector, including ordinary Papua New Guineans in rural communities, to become productively engaged in growing the economy, by harnessing the entrepreneurial spirit.
2. Resource Mobilisation and Alignment	To mobilise and align land, labour and financial resources to support priority development programs and activities.
3. Improvements in the Quality of Life	To translate the gains for economic growth into higher living standards for all Papua New Guineans.
4. Natural Endowments	To maximise the value of (our) natural resources and environment, through sustainable primary production and downstream processing, with a focus on agriculture, forestry, fisheries and tourism supported my mining, petroleum and gas.
5. Competitive Advantage and the Global Market	To focus interventions on resources, products and commodities in which Papua New Guinea enjoys a competitive advantage in global markets.
6. Integrating the Three Tiers of Government	To closely integrate the national, provincial and local level governments to support the implementation of the MTDS.
7. Partnership through Strategic Alliances	To enhance strategic alliances between key partners, including the private sector, donors, churches and community-based organisations, to deliver the MTDS.
8. Least Development Areas Intervention	To facilitate strategic impact project interventions in least developed districts and provinces with a particular focus on the 'poverty corridor'.
9. Empowering Papua New Guineans and Improving Skills	To help Papua New Guineans to help themselves through improving access to basic health and education services, information, markets and appropriate technology, with a special focus on the needs of those in the informal sector.
10. 'Sweat Equity' and Papua New Guinean Character	To encourage and assist Papua New Guineans to contribute to national development by investing 'sweat equity', consistent with (our) noble virtues and traditions.

#### 4.3.2.3 PNG Development Support

PNG receives financial support from international aid agencies and the international community (particularly Australia) and contributions from extractive industry projects in PNG. External assistance has mostly been provided in the form of technical assistance and only recently in the form of funding for national programmes.

At the host country level the Government of PNG, the Australian Government, UN and development agencies have made commitments to address poverty alleviation and livelihood development. Key elements of each program are described below.

#### 4.3.2.4 UN Country Programme 2008 – 2012

The UN Country Programme describes the key challenges faced in PNG with respect to the implementation of the MTDS (Table 9).

**Table 9: The UN Country Programme and Implementation Objectives**

MTDS Focus Areas	PNG Government MTDS Objectives
Private Sector-led Economic Growth	To trigger the private sector, including ordinary Papua New Guineans in rural communities, to become productively engaged in growing the economy, by harnessing the entrepreneurial spirit.
Resource Mobilisation and Alignment	To mobilise and align land, labour and financial resources to support priority development programs and activities.
Improvements in the Quality of Life	To translate the gains for economic growth into higher living standards for all Papua New Guineans.
Natural Endowments	To maximise the value of (our) natural resources and environment, through sustainable primary production and downstream processing, with a focus on agriculture, forestry, fisheries and tourism supported my mining, petroleum and gas
Competitive Advantage and the Global Market	To focus interventions on resources, products and commodities in which Papua New Guinea enjoys a competitive advantage in global markets.
Integrating the Three Tiers of Government	To closely integrate the national, provincial and local level governments to support the implementation of the MTDS.
Partnership through Strategic Alliances	To enhance strategic alliances between key partners, including the private sector, donors, churches and community-based organisations, to deliver the MTDS.
Least Development Areas Intervention	To facilitate strategic impact project interventions in least developed districts and provinces with a particular focus on the 'poverty corridor'
Empowering Papua New Guineans and Improving Skills	To help Papua New Guineans to help themselves through improving access to basic health and education services, information, markets and appropriate technology, with a special focus on the needs of those in the informal sector
'Sweat Equity' and Papua New Guinean Character	To encourage and assist Papua New Guineans to contribute to national development by investing 'sweat equity', consistent with (our) noble virtues and traditions

#### 4.3.2.5 PNG – Australia Development Cooperation Strategy

Australia has developed the PNG-Australia Development Cooperation Strategy to help PNG implement the MTDS and thereby make progress towards achievement of PNG tailored MDG to reduce poverty, promote sustainable development and improve the quality of life for all Papua New Guineans. The program focuses on four areas:

- Improved governance and nation building;
- Sustainable broad-based economic growth and increased productivity;
- Improved service delivery and stability; and

- A strengthened, coordinated and effective response to the HIV/AIDS epidemic.

Australian Aid (AusAID) activities in PNG address education, governance, health, HIV/AIDS, infrastructure, law & justice, and rural development. Activities such as the Agricultural Research Development Support Facility where Australia provides support to improve the research capacity of five commodity organisations for the coffee, cocoa, coconut, oil palm and fresh produce industries can be considered for a potential Project partnership.

AusAID supports project activities that focus on food security and aims to build the Government's proficiency in sustainable management of natural resources as well as support small-scale, innovative agricultural production projects that have the potential to generate income and new possibilities for PNG agribusiness.

#### 4.4 In-Migration

Large construction projects typically result in an influx or in-migration of people from outside the PIA in anticipation of employment or other economic opportunities. Such movements can have adverse environmental, social and community health affects including:

- Increased pressure on basic infrastructure and services of host communities;
- Increased competition for training and employment<sup>10</sup>;
- Increased crime and violence in host communities;
- Increased prostitution and substance abuse;
- Health issues and problems with STI (sexually transmitted infections) and other diseases;
- Pregnancies outside of established relationships;
- Alcohol abuse and domestic violence
- Ethnic tension<sup>11</sup>;
- Erosion of cultural institutions<sup>12</sup>; and
- Increased environmental degradation.

The Company's approach to mitigating the effects of in-migration is based on an adaptation of lessons learned from other projects and primarily involves a suite of measures and programs contained within a number of plans including the SEP, the RPF and RAPs, Project Social Management Plans (particularly the Camp Management Plan) and the Company Code of Conduct.

The Project will assess the scope and scale of potential interventions in addition to those described in the above documents using a combination of stakeholder consultation activities

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<sup>10</sup> The recruitment and employment policies for PNG nationals will involve a "closest people first" methodology where individuals within communities in the immediate project area have first priority of employment. If insufficient workers can be found within the directly impacted communities, individuals from outside the region shall be considered. Therefore, individuals employed from outside the region shall be trained and gain valuable employment experience that may then create competition with trained and employed individuals from directly impacted communities for future employment opportunities.

<sup>11</sup> Ethnic tension refers to the competition created by access to and benefits from project-related activities that improve the capacity and capability of directly impacted communities within the project area and individuals from outside the project area. As livelihoods improve, individuals receive training and employment or gain access to health, education or infrastructure benefits they may then be seen as "better off" than other communities and issues around encroachment and hostile occupation or challenges amongst clans may disrupt tribal interrelationships.

<sup>12</sup> The erosion of cultural institutions may occur when in-migration or tensions within communities in the PIA begin to directly or indirectly disrupt cultural and traditional practices. Communities may come under threat and be forced to leave behind or sell land or assets, moving away from practices and relationships that define their cultural identity and connectedness and clan hierarchy. These actions may contribute to a loss of identity, cultural practices and relationships that contribute to the erosion of cultural institutions.

(including government and local communities), livelihood assessments (Section 4.2) and the risk assessment and management approaches described in the IFC Handbook for Addressing Project-induced In-migration (IFC, 2009)<sup>13</sup>. This approach will involve an in-migration risk assessment and an assessment of associated environmental and social impacts. The outcome is a better understanding of potential migration pathways and concentration points, key environmental and social impacts, and key health risks, all of which are pre-requisites to proper management.

A preliminary set of actions relating to in-migration management will require further development as in-migration represents a potentially significant secondary impact.

## 5.0 IMPLEMENTATION

Having described the methodologies used in CSS planning in Section 4.0, Section 5.0 describes the tools available for implementation of the CSS. There are a number of mechanisms provided by the Project structure that enable Community Support Strategy (CSS) planning and implementation. Section 5.1 details the BSA and benefit sharing structures that contribute funds and support the mandate for community development (covered within the National Content Plan). Section 5.2 details the scope of the Project NCP, specifically the Workforce Development (WFD) and Local Business Development (LBD) mechanisms that focus on the Company's commitments to train and hire PNG nationals wherever possible.

Section 5.3 provides a more detailed description of how CDS programs will be planned and implemented including information in identifying community investment and potential implementing partners and how livelihood support opportunities will be identified, planned and implemented. Section 5.4 describes how the methodology used for CSS and the CSSAP identifies concerns and issues through planning, information disclosure and consultation; and how issues raised during data capture (SMLI) stage contribute to CDS planning, implementation, monitoring and evaluation.

Section 5 concludes by providing strategic direction for the CSSAP that will be developed upon completion of the SLF assessment and additional research and analysis required (described in Section 4), the roles and responsibilities, investment schedule and budget required to support CSS, CSSAP and CDS implementation.

The CSS will be implemented through activities related to:

- The Social Programs Management Plans;
- Benefit Sharing Agreement;
- Local Business Development;
- Local Workforce Development;
- Community Development Support; and
- Identification of Issues and Concerns.

### 5.1 Benefit Sharing Agreement and Financial Benefits Structure

The following section provides a breakdown of the Project Financial Benefits Structure and Benefit Sharing Agreement (BSA) created by the PNG Oil and Gas Act (O&GA) 1998 and the Gas Agreement 2008.

#### 5.1.1 Overview

Landowners that are directly impacted by the Project are those who:

- Own land within the Petroleum Development Licenses (PDLs) and Pipeline Licenses (PLs); and

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<sup>13</sup> A pre-publication version of this document has been obtained by the Project and will be used for guidance.

- Those who have an interest in land within a 5km buffer zone of Project pipelines and processing facilities.

The Project will directly impact the following 4 provincial governments in addition to a number of local-level government (LLG) areas:

- Southern Highlands Province;
- Gulf Province;
- Western Province; and
- Central Province.

The formulae for calculating benefits, including the administration mechanisms and means for apportioning such benefits are detailed in various provisions of the O&GA 1998 and the Benefit Sharing Agreement.

#### 5.1.2 Benefit Sharing Agreements (BSA)

In line with the PNG LNG Gas Agreement signed between the Project proponents and the State, an umbrella Benefit Sharing Agreement (BSA) Forum was held in Kokopo in May 2009. The umbrella BSA Forum was attended by more than 1,000 landowner representatives and representatives of the State, provincial and local-level governments and culminated in the signing of an umbrella BSA that detailed the apportionment of various Project related benefits.

The umbrella BSA Forum established the process for discussion and agreement on benefits distribution. The terms agreed to at the May 2009 umbrella BSA Forum provide the framework for the Agreements to be signed as the License Based Sharing Agreement (LBSA's). The LBSA Forums were primarily to allow the National Government to facilitate the sharing of the benefits package, agreed to in Kokopo, as it applies to each License area.

Legally binding agreements provided for under the umbrella BSA were concluded with communities during the LBSA's in each of the specific license areas.

The License Based Forums were held commencing October 2009. Awareness sessions were conducted in license areas prior to commencement of Forums. LBSA Forums were conducted with Ministerial and Secretary (or delegate) attending, and with provincial and local level Government involved. The LBSA Forums ran for approximately 7 days with a Senior Negotiating Team plus other Ministers or Local members (as required) attending. Each LBSA Forum was concluded with a signing ceremony.

#### 5.1.3 Description of Project Royalties, Taxes and direct Financial Benefits

##### 5.1.3.1 Benefits

Landowners are recipients of both direct and indirect benefits and are described in Table 10:

**Table 10: Landowner Direct and Indirect Benefits**

<b>Direct</b>	<ul style="list-style-type: none"><li>• Cash components of royalties &amp; equity dividends; and</li><li>• The longer-term benefit from the future generations trust portions of royalty &amp; equity dividend payments.</li></ul>
<b>Indirect</b>	<ul style="list-style-type: none"><li>• Social infrastructure construction or maintenance funded by tax credits or development levies and infrastructure or services provided from application of the community investment trust portions of royalty &amp; equity dividend payments; and</li><li>• The Project area communities would also benefit from National Government payments of seed capital and major infrastructure funding.</li></ul>

### 5.1.3.2 Calculation of Royalties, Equity Dividends and Development Levies

A detailed description of how royalties, equity dividends and development levies are calculated is provided in the 2009 Environmental Impact Statement (EIS) Social Impact Assessment (SIA) Appendix 26. A brief overview regarding the calculation of these benefits is provided in Table 11:

**Table 11: Benefit Calculations**

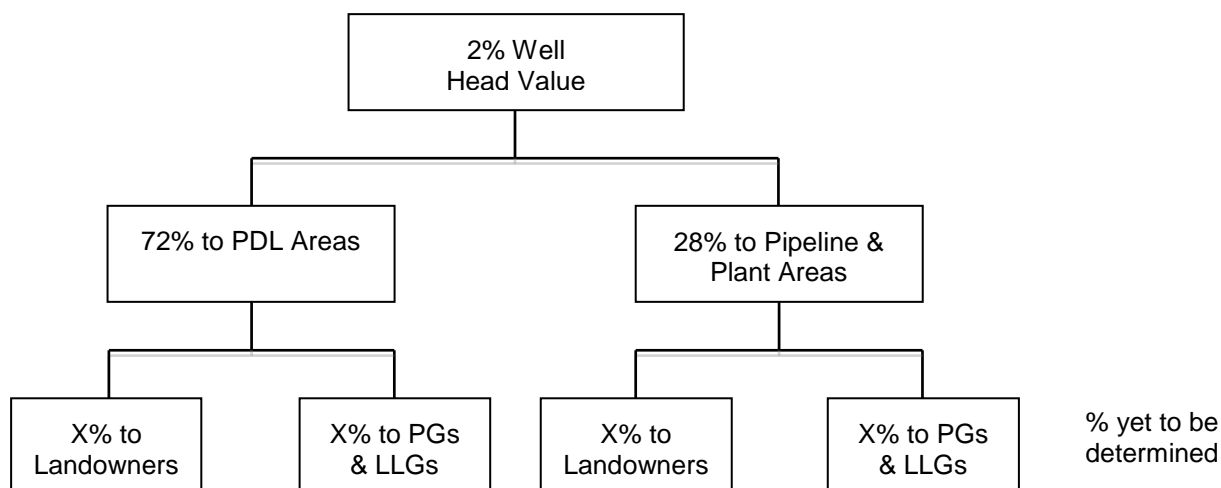
<b>Royalties</b>	Royalties equal 2% of the well head value of petroleum produced, will be payable from First LNG. In line with the OGA 40% of landowners' royalties is paid as cash and of the remainder, 30% to a community investment trust and 30% to a future generations trust.
<b>Development Levies</b>	Development levies equal 2% of the well head value of petroleum produced. Will be payable from First LNG and paid to impacted provincial & local-level governments.
<b>Equity Dividends</b>	Equity dividends will be paid to Project shareholders once the activity is profitable, in proportion to their respective shareholding percentages. Where equity shareholding is not free then receipt of dividends by recipients is dependent on financing conditions. In line with the OGA, 40% of landowners' equity dividends are paid as cash and of the remainder, 30% is paid to a community investment trust and 30% to a future generations trust.
<b>Tax Credits</b>	Under current legislation petroleum resource joint venture partners can spend up to 0.75% of their assessable income on Government approved infrastructure construction and maintenance. Under the PNG LNG Gas Agreement the State enacted legislation that will enable an additional 1.25% of the Company's assessable income on what is referred to as 'Approved Infrastructure Expenditure', which in turn is defined as upgrades to existing, and construction of new, public roads and bridges. Some of the specific infrastructure is noted in the Gas Agreement.
<b>Seed Capital</b>	In the umbrella BSA the State committed to allocate a total of K120 million to the Project area landowner companies in accordance with guidelines to be set by the National Executive Council. Payment would be 20% on announcement of Early Works and the remaining 80% at the time of LNG Financial Close, with a sharing between PDL landowners and Pipeline/Plant site landowner in a 72/28 ratio.
<b>State Infrastructure Commitments</b>	In the umbrella BSA the State committed to the expenditure of a total of K1.2 billion, over a ten-year period starting in 2010, on infrastructure construction and maintenance.

### 5.1.3.3 Benefits Distribution

At the umbrella BSA Forum the apportionment of the various statutory benefits arising as a result of the Project was discussed at length between representatives of impacted communities, provincial & local-level governments and the State, in particular sharing between beneficiaries in PDL and pipeline & processing facility (plant) areas.

### 5.1.3.4 Royalties

Distribution of royalties is illustrated below in Figure 7:

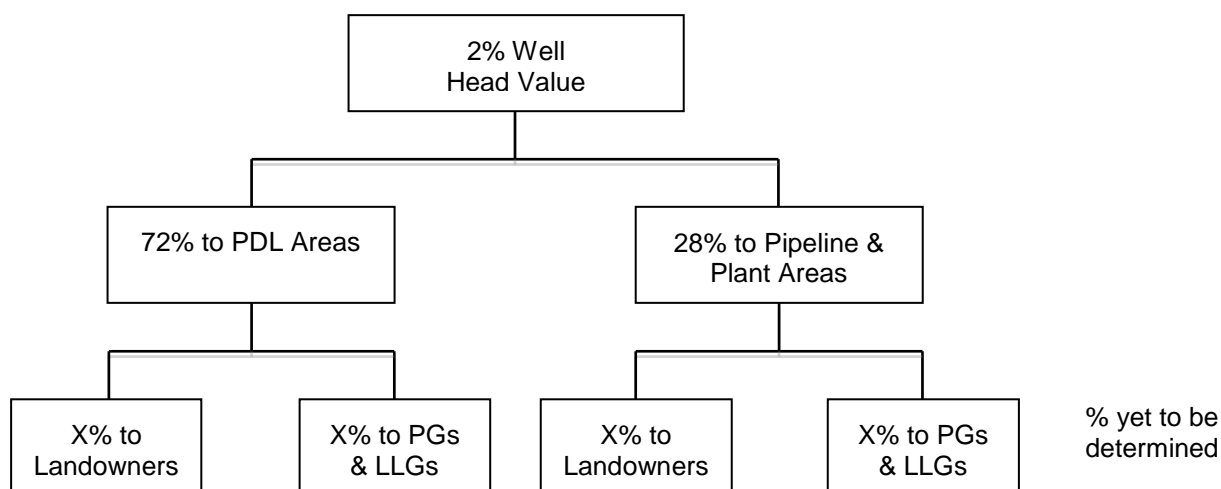


**Figure 7: Royalty Distribution**

#### 5.1.3.5 Development Levies

Development Levies are significant sources of funds for community infrastructure. In past years under the Oil Search Limited managed oil licenses this benefit (payable for PDL 5 only), was absorbed by the Southern Highlands Provincial Government with few tangible benefits arising.

With respect to Development Levies for the Project the following situation prevails in Figure 8.



**Figure 8: Development Levies**

No further discussion has taken place between provincial and local-level governments regarding the sharing of development levies. At the time of the umbrella BSA the Southern Highlands Provincial Government disagreed on the apportionment of this benefit between the four provincial governments, contending that it should only accrue to governments of PDL areas actually producing petroleum. These funds could be held in escrow pending a judicial review of this legislative point.

#### 5.1.3.6 Equity Dividends

The State, through the Independent Business Corporation subsidiary company Kroton No2 Limited, has borrowed funds overseas (against certain securities) in order to acquire a 19%



interest in the Project. In line with the OGA, 2% is vested to landowner interests, referred to in the umbrella BSA as 'free equity'.

The equity held in the existing PDLs 2,3,4,5 & 6 by landowners, provincial and local-level governments results in a beneficial equity ownership in the Project as a result of the contribution of hydrocarbons from these licenses. This is referred to as 'paid equity' in the umbrella BSA. Free & paid equity totals a 2.7817% equity stake in the Project.

In addition, the State has offered other landowner; provincial & local-level government interests a commercial option to acquire a further 4.2207% in the Project through acquisition of a 25.75% stake in Kroton No.2 Limited. This option is exercisable between 1 January and 30 June 2016 at a cost of US \$240 million per 1% of Project equity.

If this commercial option is exercised this would lead to a sharing of equity between the various landowner, provincial & local-level government interests split as follows:

- Upstream (5.4265%) + Downstream (1.5759%) = 7.0024%, or alternatively,
- Free/Paid Equity (2.7817%) + Kroton share (4.2207%) = 7.0024%

In terms of actual receipts of equity dividends in this scenario, holders of free and paid equity would receive these from the first year that the Project is profitable, whereas those equity shareholders who have had to borrow funds to acquire a percentage share in Kroton No 2 Limited, actual receipts would depend on the loan repayment schedule decided upon and could be some years after First LNG.

#### 5.1.3.7 Trust Mechanisms

The non-cash proportion of landowner royalties and equity dividends are to be administered by a trust managed by MRDC. The umbrella BSA states explicitly that trusts managing Project related funds will (whether by MRDC or other parties such as Kroton No.2 Limited) have the following characteristics:

- Production of six-monthly independently audited accounts;
- Regular re-election of trustee directors;
- Publication and distribution of financial statements; and
- Publication of a dividend policy.

The current oil industry related equity community investment & future generations trusts, one for each license area, have management boards consisting of prominent landowner leaders, government & MRDC officials. It is assumed that a similar arrangement will be followed for Project related trusts.

The umbrella BSA also states that provincial and local-level government benefits from the Project will be administered through a trust mechanism, although there are no specific details of how this will be implemented.

#### 5.1.3.8 Government Project Controls

The umbrella BSA states that the coordination of committed Project infrastructure projects will initially be by the EIC. It notes that in later years this function will be taken over by an Economic Corridor Implementation Agency although it is unclear exactly which particular benefits streams will be managed by this body.

#### 5.1.3.9 Tax Credit Scheme

As described, this benefit will total 2% of the Project partners' assessable income from the Project, if appropriate legislation is enacted to enable an additional 1.25% to be accessible to the LNG Operator. However, this source of infrastructure development funds will not be available until the Project is profitable and partners would in fact have a taxable income, which could be some years after the start of the operations phase.

Tax Credit guidelines, as described in detail in the 2009 EIS SIA Appendix 26, have been successfully applied in past years and this will continue. Projects for possible tax credit funding can be identified by any project stakeholder including landowners, local-level governments, provincial governments or the Operator, and are technically scoped and costed by Operator civil engineering staff.

### **Tax Credit Funded Projects**

Projects will be prioritised in light of projected future year tax credits and submitted to Government committees consisting of representatives of Government departments: Treasury, Planning, Finance, Works, Provincial Affairs and Department of Petroleum and Energy. Projects are considered within the context of the Medium Term Development Strategy (MTDS) and complement the construction of planned infrastructure and documented intent of relevant provincial governments to resource or maintain the infrastructure once complete.

Apart from the 'high impact' infrastructure noted in the umbrella BSA it is likely that tax credit and other infrastructure development funds (development levies, community investment trust monies, national government commitments) will be applied to improving basic social infrastructure in the Project Impacted Areas: schools; health facilities; staff housing; roads; communications; and water supplies.

There is a recognised need for the proper coordination of the expenditure of these various developmental funds to ensure that the greatest benefit is made of them in the project impacted areas.

## **5.2 National Content Plan**

The National Content Plan (NCP) explains in detail the Project commitments to hiring and training PNG citizens from the communities in which it operates and the mechanisms to implement a proven strategy for workforce nationalisation in PNG. The NCP also aligns with the labour and worker conditions provisions in the social management plans (SMPs), including considerations for vulnerable groups and cultural considerations for diverse ethno-linguistic groups.

### **5.2.1 Workforce Development (WFD)**

Workforce Development forms part of the National Content Plan (NCP). The Company has committed to ensuring jobs during construction (and later production) are filled by qualified PNG citizens wherever possible. The Project Contractors are expected to employ at peak 3,500 PNG citizens through Lancos during the four-year construction period, with a focus on employing people from areas most impacted by the Project. Lancos are local businesses owned and managed by a local landowner (see definition in the National Content Plan) who will be encouraged to consider local cultural practices when selecting local candidates for training programs and labour.

During production, Company and Contractors will employ approximately 1,300 workers. Over the life span of the Project, increasing numbers of national employees will be brought into operational and leadership roles. Contractors and their sub-contractors will hire PNG citizens through Lancos for construction wherever possible.

WFD Program implementation will consider cultural characteristics of ethno-linguistic groups of the Project area. Engineering, Procurement and Construction (EPC) Contractors will be encouraged to provide PNG citizen employees with opportunities to carry out their main traditional practices such as participation in main spiritual ceremonies and consideration of seasonal traditional activities when assigning work periods.

#### **5.2.1.1 Objectives**

The objectives of the WFD component within the NCP are:

- To ensure equitable distribution of training and employment opportunities while giving priority to communities most affected by the Project;
- To ensure enough PNG citizens are trained to meet the requirements of the Project and the PNG Government's Work Permit Guideline;
- To provide certificated training to PNG citizens to give them a transportable and internationally recognized skill set;
- To ensure PNG citizens have access to all positions for which they are qualified; and
- To recruit and train PNG citizens for Production, continually increasing the percentage of PNG citizens employed in the Production phase.

#### 5.2.1.2 Actions

Actions to implement the WFD program are detailed in the NCP. In general terms EHL will:

- Build and/or staff training facilities for construction skills training at Pomtech (Port Moresby for the LNG Plant) and Juni (for the Hides Gas Conditioning Plant);
- Develop curricula to cover Project knowledge and skills needs;
- Train PNG nationals as trainers to take over training responsibilities from expatriate trainers;
- Develop worker recruitment strategies following in-country employment surveys and recruitment surveys; and
- Assess opportunities for school, college and university scholarships, sponsorship programs and curriculum development efforts during the Production phase.

Recruitment for local trainees and local unskilled labour will be done by the EPCs in cooperation with Lancos and EHL's L&CA (Land & Community Affairs) Group. EHL will donate the construction training centres at Pomtech and Juni to the relevant PNG authorities once construction training is completed, so that PNG will have facilities, curricula and qualified instructors to continue to build PNG's skilled workforce. Production training facilities will remain in service throughout Production.

#### 5.2.1.3 Implementation

Implementation of the WFD during the Construction phase will be mainly undertaken by Contractor(s) in coordination and with supervision of the Company's National Content Team. Training centres will be constructed at Juni and Pomtech by early 2011. Training will start for PNG citizens by the fourth quarter of 2010 in temporary facilities.

For Production Training, a team will design training curricula and schedules to meet Production needs for start-up and throughout the life of Production. A Production Operations and Training Centre has been established in Port Moresby.

#### 5.2.1.4 Monitoring

The performance of the WFD program will be continuously monitored through Construction and Production and will evolve in light of lessons learned. EPC Contractors are required to provide detailed monthly reports on Workforce Development as well as Supplier Development.

As part of the monitoring and accountability process during Construction EHL will meet periodically with the PNG Government, accompanied as required by the EPC Contractors. This will help reinforce Contractors' accountability for the performance of their Workforce Development Program responsibilities. It will also facilitate the PNG Government's

interaction with the Company's Workforce Development. As mentioned above, elements of the Workforce Development program will also carry throughout the production phase.

## 5.2.2 Local Business Development

### 5.2.2.1 Overview

Section 129 of PNG's O&GA makes provision for Local Business Development (LBD) and is an important and integral part of Project activities under the NCP. The objective of the LBD process is to promote sustainable local businesses capable of operating after the life of the Project. The LBD program is divided into several phases, as illustrated below in Figure 9.

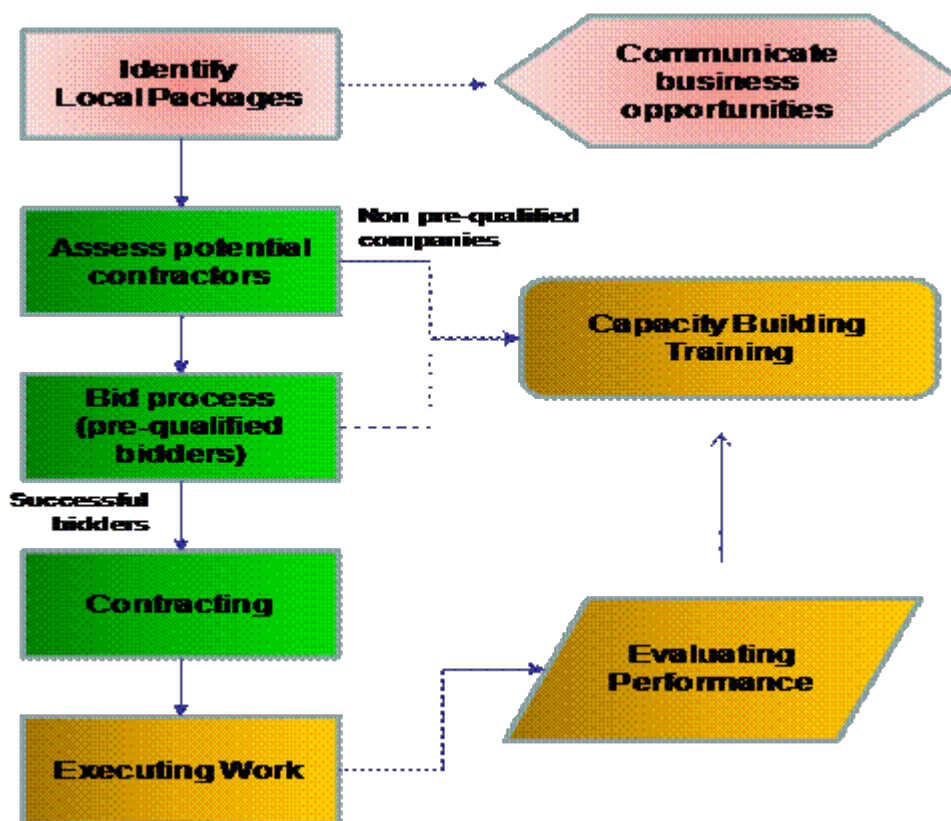


Figure 9: Local Business Development

### 5.2.2.2 Actions

Actions identified to date for implementation of the LBD program detailed in the NCP are summarized below.

- Evaluations of the capabilities of PNG businesses will be performed by a group of independent specialists to classify local businesses, and to build and maintain a dedicated and confidential database of local suppliers' capabilities;
- Contractors will be required to break down their overall work into manageable segments that will then be accorded a rating based on the complexity of the activity and its importance to the Project;
- A robust and consistent procurement process will then be established in order to match local contractors' (including Lancos) abilities with those levels of activity;
- EHL's and third parties will establish an independent Enterprise Centre responsible for capacity building of PNG suppliers, strengthening their

business management skills and providing them with reasonable assistance in seeking financing from PNG banks; and

- EHL will facilitate discussions with local banks to develop programs for accessing finance for new and existing suppliers.

#### 5.2.2.3 Implementation

Elements of the LBD during construction will be undertaken by Contractors. Contractors, will be required to meet minimum requirements for interactions with PNG's business community in general and Lancos in particular, including the development of local business opportunities, the implementation of a local procurement plan and the long term capacity building of PNG businesses.

#### 5.2.2.4 Monitoring

Periodic re-evaluations of local business capacity are expected to be performed in order to measure progress as the capacity of local businesses improves. The Project will develop a structured communication program to ensure that local contractors are made aware of Project opportunities in a timely manner, and understand all associated requirements.

During the course of construction, Contractors will monitor the performance of their local sub-contractors by monitoring relevant KPIs and organising service quality and performance reviews.

### 5.3 Community Development Support Programs

Community Development Support Programs will describe the projects that the Company will undertake to invest in community development and will contribute to the development of the CSSAP alongside the vulnerability assessment, assessment of livelihood assets, assessment of institutional arrangements and in-migration assessment as described in Figure 5.

All programs and projects that comprise the CDSP will be developed using a community-based approach. This will allow community support programs and projects to be defined and implemented in a culturally appropriate manner, as well as incorporate traditional views and local concepts of development.

Community participation and collaboration is considered to be essential to community support program success. Programs will generally take a longer-term view and build on individual, community and government strengths and capabilities as discussed in Section 4; however a suite of quick implementation projects will also be developed to demonstrate community investment during early phases of construction.

All community development support programs, projects and activities will build upon the consultation undertaken for the SIA, RPF, CHSSMP, and SEP. Findings from these consultations have influenced the overall objectives formulated for community support programs and, together with the outcomes of ongoing community engagement, will provide the backbone for community needs assessments, e.g. through the SLF (Section 5.2).

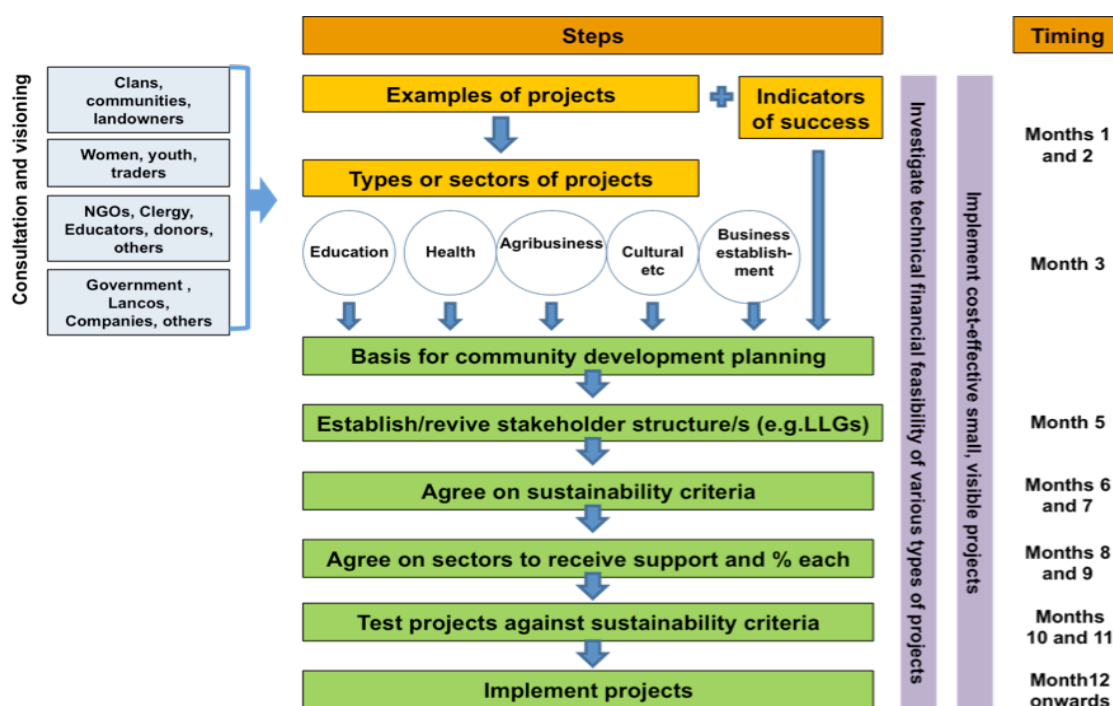
Community Development Support will be designed in accordance with specific conceptual criteria but will still allow for flexibility to accommodate specific geographical and structural differences. This will facilitate effective delivery and collaboration with communities.

Priority will be given to programs that maximise impact and sustainability and keep delivery costs to a minimum. A requirement of project implementation will be the inclusion of monitoring and evaluation instruments as well as key performance indicators against which progress can be measured and assessed.

Community development support will focus on the outcomes of livelihood analysis based on the SLF, MDGs goals and targets, international investments associated with the PNG MTDS, and can be grouped into the following key sectors:

- Community investment;
- Institutional strengthening;
- Capacity building;
- Rural livelihood improvements and income generating opportunities, and
- Infrastructure.

Figure 10 illustrates the high level actions to be undertaken as part of community development support planning following the completion of the SLF assessment.



**Figure 10: Process for Selection and Implementation of Community Development within the CSS**

### 5.3.1 Community Investment and Implementation

#### 5.3.1.1 Community Investment Track Record

Since independence PNG has benefited both from development support by the international community and private sector investors. A selection of key donors and initiatives is summarised as follows:

- Australia is PNG's biggest bilateral donor and provides extensive support to MTDS implementation specifically economic growth, increased productivity, service delivery and stability across the priorities identified in the MTDS;
- The EU under the European Development Fund 2008-2013 provides to the extent of US \$180 million to support rural economic development and human resource development focusing on basic education and vocational training;
- USAID programs focus on health and the environment. Health programs support a reduction in HIV prevalence in most-at-risk groups and preventing the further spread of HIV. Environmental programs aim to conserve natural resources through regional programs in sustainable forestry and coastal-marine practices;
- The UN maintains a presence through UN Development Program (UNDP). UNDP works to improve public services delivery to vulnerably groups and

plays a vital role towards achieving the MDGs; raise the standard of living and protect human rights. UNDP gives practical support to Government to enhance efficiency; attempting to foster greater participation in civil society and encourage private sector growth;

- More than 70 international NGOs and development agencies are registered in PNG. ADRA and World Vision amongst others may be of interest to the Company given their track record and experience in community development and program implementation; and
- Faith-based organisations play a vital role in community development and have extensive representation and exposure to community investment/development implementation on the ground.

Table 12 summarises the range of on-going activities that will be taken into account as the Project implements this CDSP.

**Table 12: Development Programs in PNG**

	Australia AusAID	EU (France / UK)	US USAID	UN (WBG/ ADB/ UNDP)	NGOs (ADRA/ World Vision)	Faith- based orgs
MDG				✓		
MTDS	✓					
Economic Development/ Private Sector				✓		
Rural/ Community Development		✓	✓		✓	✓
HR Development/ Vocational Training		✓				
Basic Education		✓				
Health including HIV/ AIDS			✓			
Natural Resources/ Environment			✓			
Public Service Delivery				✓		
Government / Civil Society				✓		

### 5.3.1.2 Extractive Industry and Aid Agency Experience

The experience, track record, and lessons learned by private sector and development agency activity are of particular relevance to Community Development Support planning. For example, projects supported by the Ok Tedi mine in the Western Province<sup>14</sup> and AusAID in rural development, education and health<sup>15</sup> may provide important information for Community Development Support planning and provide partnership opportunities.

Oil Search has a mature community investment program in place and has established relationships and operating arrangements in the Project area. Community support initiatives will seek to collaborate with the Oil Search Limited programs. This approach will help to address some of the issues addressed in the SIA that highlighted resourcing and delivery challenges in the Project area.

The Project will need to further research potential implementation partners and undertake lessons learned workshop to benefit from the experience of those operating in PNG, prior to further refining community support interventions.

<sup>14</sup> The Ok Tedi Sustainable Development Program makes provision for micro financing to assist with smaller scale savings and loans, the development of rubber plantations, and aquaculture projects.

<sup>15</sup> AusAID projects in agriculture, forestry, fisheries, quarantine issues and conservation hold valuable information that can be incorporated into community support planning and implementation.

### 5.3.2 Livelihood Support

Livelihood Support falls within the CDS and will focus on implementing initiatives that contribute to achieving the development goals of the local community on their own terms. This means that projects identified for funding by the program will originate from local communities or landowners. These are expected to reflect the underlying themes of the various national development goals described in Section 4.3.2.

The principles guiding the program include: respect of rights and culture of the local population; consultation and participation; sustainable use of resources, capacity development, and transparency and accountability.

The program will be asset-based rather than needs-based to increase local participation and project success rates. A needs-based approach would focus on what was desirable (not always realistic) whereas an asset-based approach focuses on and develops those livelihood assets currently used by communities.

Management guidelines that will govern the Community Development Support funds include:

- Funds will not be presented to the communities as cash;
- Funds will only be released after the acceptance of a community-agreed proposal and work plan;
- Use of funds and other resources will be accounted for and subject to both community and Project review; and
- The Land & Community Affairs (L&CA) team will be responsible for facilitating and supervising implementation of funded programs and projects.

Specialists within L&CA will provide support to develop project profiles including feasibility, work plans, and assistance throughout project implementation. During the initial stages of implementation L&CA personnel will play a more active role in identifying potential projects and in supporting community members to prepare adequate proposals to comply with program criteria and expectations. As local people and organisations grasp the process and build capacity, it is expected that support from Company personnel will reduce.

Eligibility criteria for Community Support funding include:

- Benefit an entire community or an entire group of vulnerable people;
- Consideration of local cultural background and traditions;
- Increase production or otherwise support livelihood and economic development;
- Projects must be sustainable over time without the continuous financial support of the project;
- People to be benefited by the project will collaborate with the project providing funds, or in-kind contributions;
- Projects should align with local, provincial and national goals and priorities or clearly identify and address gaps; and
- Projects that have secured contributions from other collaborators (government, NGO or industry) will be given priority.

There are two possible avenues for developing production and livelihood support:

- Through Production and Livelihood Support to develop initiatives that meet the common needs and interests of local villages (e.g., fuel, food, inputs for livelihood activities), and sectoral initiatives including efforts to support development of agriculture, fisheries, forestry (wood and non wood products), cultural enterprises, and women's enterprise; and



- Through local business development (LBD) within NCP support for enterprise development to meet construction and operational phases of the Project activities and take advantage of the opportunities arising from ongoing development of the Project.

Further details are presented in Appendix 3.

#### **5.4 Identification of Concerns and Issues**

As part of the process to identify the potential topics that may pose a concern for communities, the Project will consider the issues identified in the Social Mapping & Landowner Identification Process, the EIS process, BSA negotiations and general communication with communities through the L&CA teams.

Social Mapping & Landowner Identification (SMLI) is particularly important because of the information collected during the process.

SMLI is a research process that attempts to understand how social groups within a defined area are distributed on a physical landscape with respect to residential patterns, systems of land use and rights, and political and economic activities.

The social scientist has reference to:

- Ethnographic literature;
- Archival government data such as patrol reports; and
- Other relevant materials such as Community Affairs database, EIS and landowner submissions.

Typically research is a three-step process of:

- Preparatory library research;
- Fieldwork based on the methodology of participant observation and focus-group interviews; and
- Final write-up with peer review and input.

The researcher seeks to describe the history and language of the target ethnic group, patterns of social organisation based on kinship and descent, migration, leadership, land rights and conflict. Importantly social mapping includes depicting the physical distribution of groups with respect to recognised boundaries (creeks, rivers, mountains, valleys, etc.) and some indication of any areas subject to dispute.

Social Mapping may include GPS points on topographical sheets, aerial photographs and, for larger areas, hand-drawn sketch maps. For populations of more than 500, the researcher provides a list of those groups who have the 'best case claims' to land ownership within some license area. This list does not identify individual landowners, but rather the supervening units to which they belong, and the principles which articulate their membership.

Various potential issues have already been identified during previous consultation activities. Some of the issues that have been identified and that will be followed up as part of the CSS include:

- Monetatisation of land and the breakdown of customary systems of tenure, use & land allocations;
- The wave of revenue to households, communities, local and provincial governments as royalties & associated benefits from the Project begin to flow;
- Governance and revenue management;
- Benefits for future generations;

- Current limited capacity of local and provincial government, challenges with strategic planning, budget development, revenue management, environmental monitoring, land use control, etc.;
- Huli cultural dominance & how this will be balanced against the interests and cultural identities of other Project affected ethnic groups;
- Inter-ethnic group conflict risks and mechanisms for management;
- Related concerns expressed by lowlanders about potential encroachment of highlanders, concerns about influx, Raskol influence around the terminal, etc.; and
- Law and order, human rights and community security challenges.

The issues and concerns that will be identified as part of the various consultation processes will be addressed as part of the Social Programs Management implementation.

### **5.5 CSS Action Plan**

Because of the early stages of the Project a significant amount of support work still needs to be completed to provide clarity and structure to many of the activities underlying the CSS. A number of surveys, studies and consultation are planned to allow for development of additional measures in support of the CSS.

The Project is currently defining resources and timelines to complete this work that will culminate in a CSS Action Plan that will define the additional work.

### **5.6 Key Milestones for Review of the CSS Action Plan**

The CSSAP is a dynamic document which needs periodic review and update based on the latest information from the field. Key milestones which would trigger the review and update of the CSSAP are:

- Completion of studies and assessments;
- Amendments to the Social Management Plan;
- Significant changes in the Project description; and
- Annual review of CSS operations.

An estimated timeframe and monitoring and evaluation framework can be found in Annex 1 and Annex 2 respectively.

### **5.7 Roles and Responsibilities**

The main teams responsible for implementing the various elements of the CSS include:

- National Content Team (NCT);
- Land and Community Affairs (L&CA);
- Social Programs (SPT); and
- Government Interface Department.

The first three teams form the Socio-economic, Land and Community Affairs (SELCA) Department within the Company, managed by the SELCA Manager who reports directly to the EHL Head, whose responsibility it is to implement the plan.

The responsibilities of these teams relating to the CSS are as follows:

- National Content Team (NCT):
  - Supporting, monitoring and evaluating the implementation of local workforce development;
  - Supporting, monitoring and evaluating the implementation of local business development; and

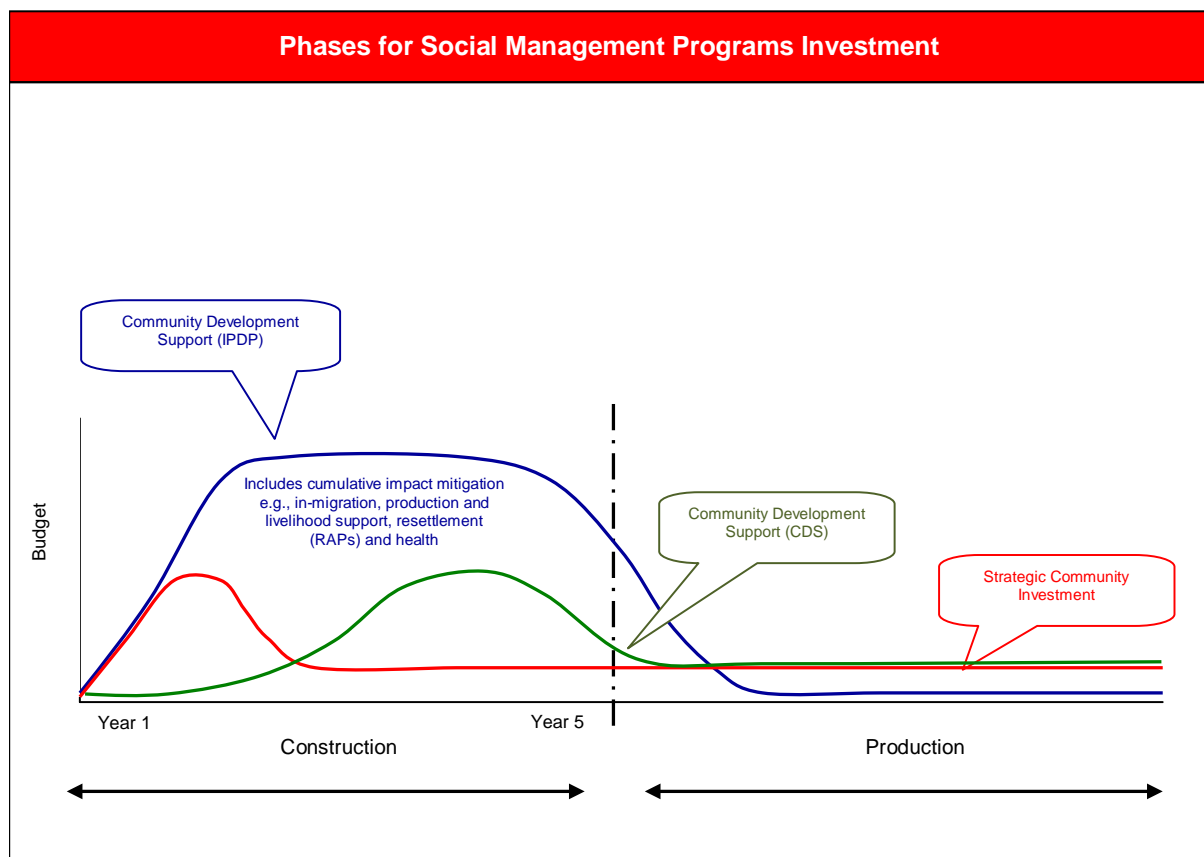
- Identifying and implementing goodwill projects as part of the Strategic Community Investment (SCI) element of the NCP.
- Land and Community Affairs (L&CA):
  - Ongoing communication with communities;
  - Identifying issues, grievances and concerns for the ethnic communities; and
  - Referring these to the SPT.
- Social Programs (SPT):
  - Identifying and executing additional studies, surveys, consultation and disclosure activities associated with the CSS;
  - Implementing overall mitigation measures related to the implementation of the CSS;
  - Ongoing monitoring and evaluation of the CSS activities across the various teams; and
  - Providing guidance and direction to other teams to implement the CSS.
- Government Interface Department:
  - Interface and facilitating consultation with Government departments to support the implementation of the CSS and coordinating the involvement of the various Government levels where appropriate.

## **5.8 Investment Schedule and Budget**

This document describes the various components that collectively comprise the Company's CSS. Figure 8 illustrates the expected timing and relative proportions of the investments associated with the key components and also show how the investments will be phased.

The budget allocated to the CSS will be commensurate with the measures required to mitigate the impacts identified under this strategy and the issues identified during the support studies that are yet to be completed.

The budgets will be addressed in the CSS Action Plan that will be developed.



**Figure 11: Phases for Social Programs Investment**

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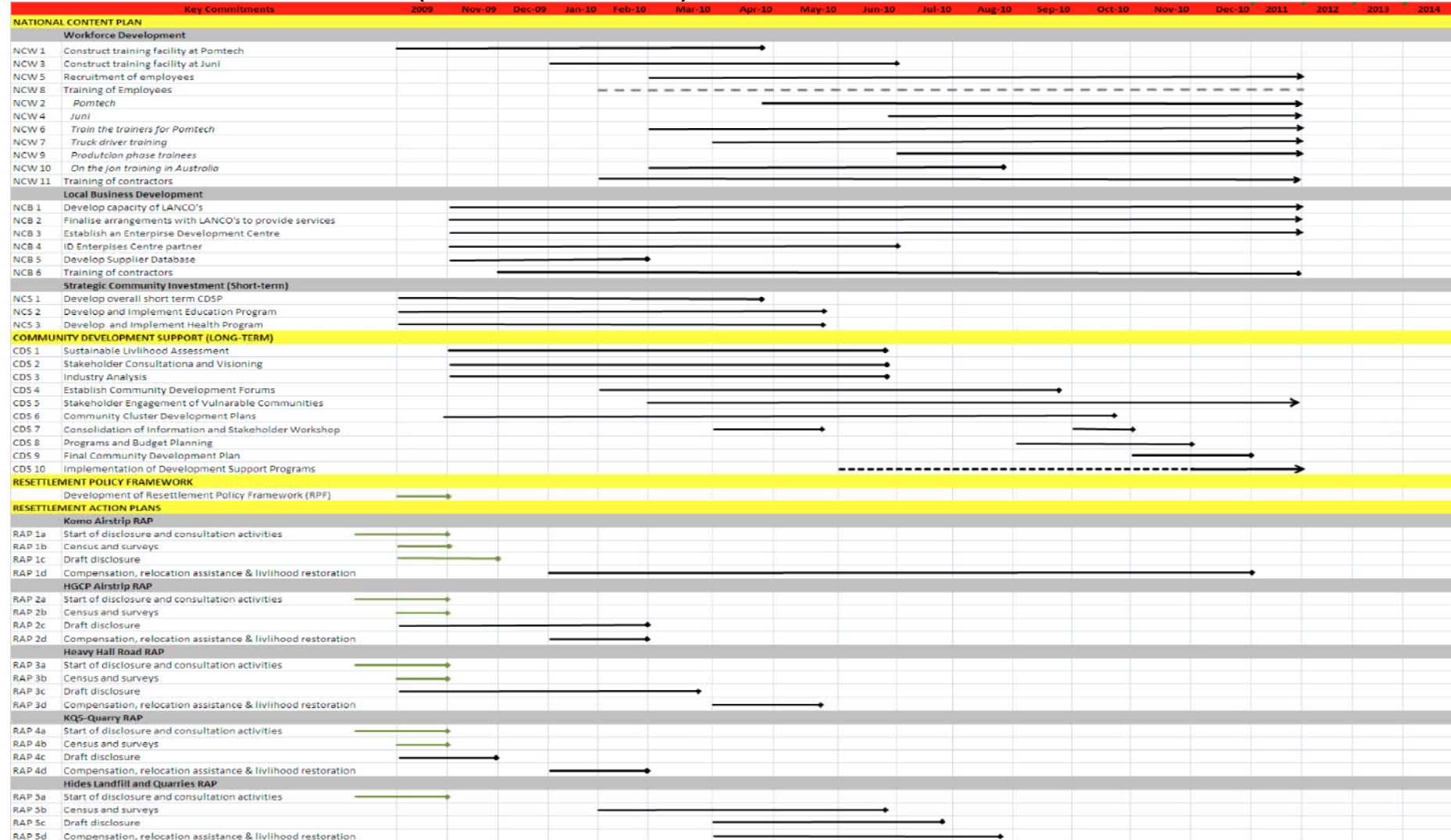
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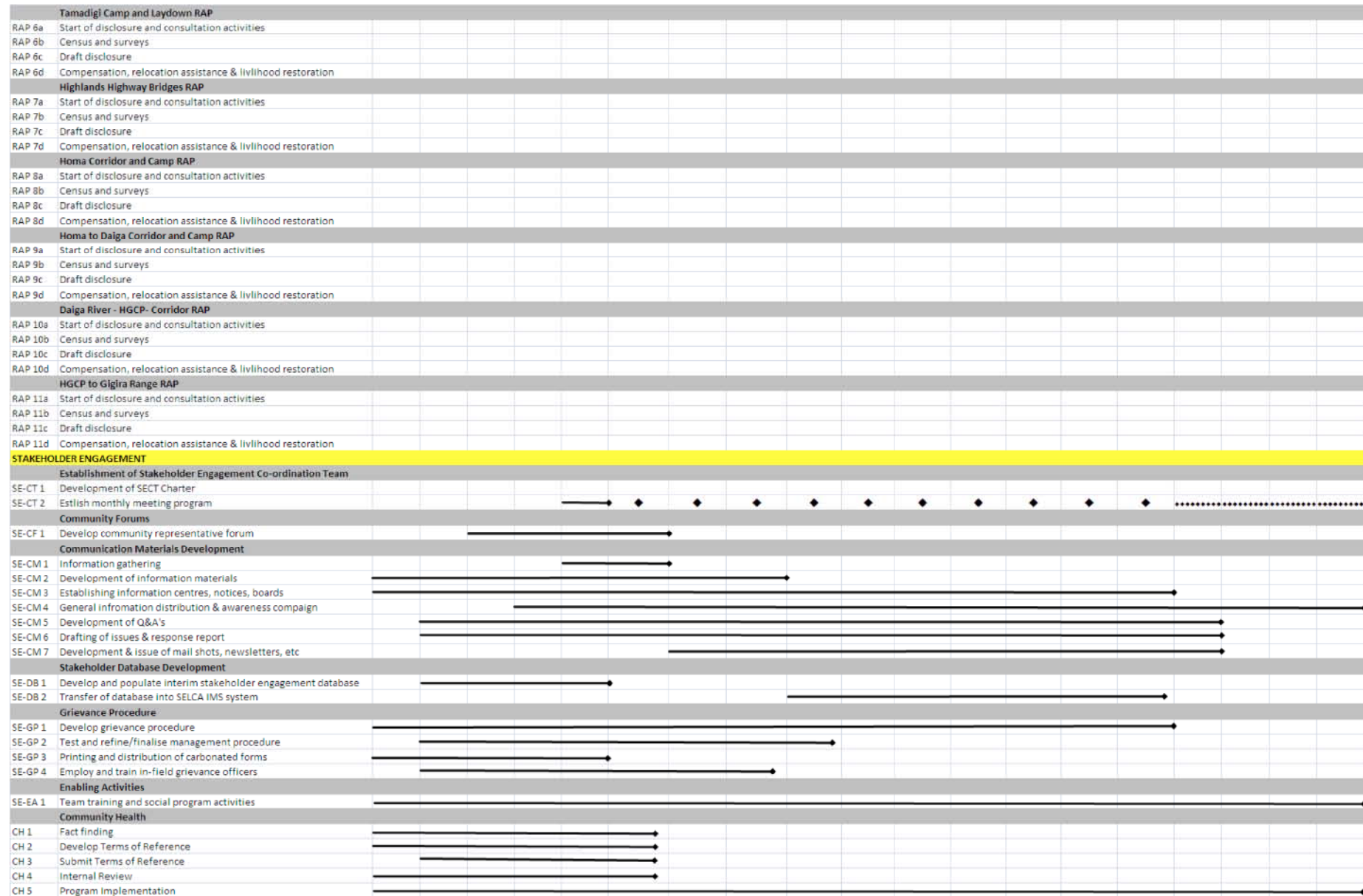
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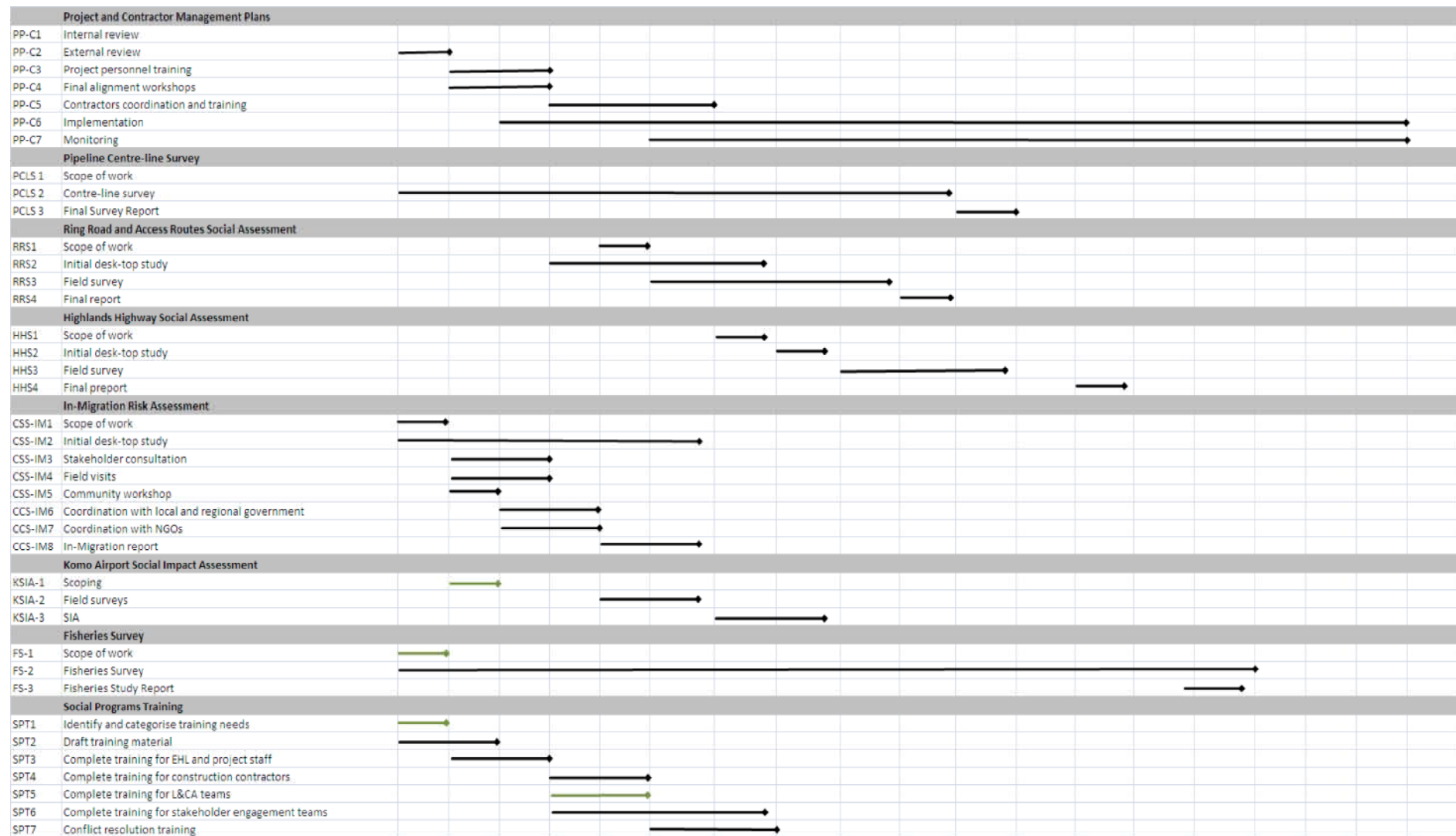
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## ANNEX 1 – ESTIMATED TIMEFRAME (Rev 0 – November 2009)









## ANNEX 2 – MONITORING AND EVALUATION FRAMEWORK

<u>Intervention logic</u>	<u>Indicators</u>	<u>Means of verification</u>	<u>Timeframe</u>
<b><u>AIM</u></b>			
Support social development and ensure harmonious community relations, while avoiding marginalisation of local communities.	<ul style="list-style-type: none"> <li>Implementation of the CSSAP.</li> </ul>	<ul style="list-style-type: none"> <li>CSS annual report</li> </ul>	Annually
<b><u>OBJECTIVES</u></b>			
<ul style="list-style-type: none"> <li>To enable local communities to access benefits generated by the Project.</li> </ul>	<ul style="list-style-type: none"> <li>Implementation of CDS.</li> </ul>	<ul style="list-style-type: none"> <li>Annually Reports</li> </ul>	Annually
<ul style="list-style-type: none"> <li>Enhance the livelihoods of Project affected communities in a cultural appropriate manner.</li> </ul>	<ul style="list-style-type: none"> <li>Implementation of the CSS.</li> </ul>	<ul style="list-style-type: none"> <li>Annually Reports</li> </ul>	Annually
<ul style="list-style-type: none"> <li>Restore livelihoods of physically and economically displaced households.</li> </ul>	<ul style="list-style-type: none"> <li>Implementation of the RAP.</li> </ul>	<ul style="list-style-type: none"> <li>Annually Reports</li> </ul>	Annually
<ul style="list-style-type: none"> <li>Ensure free, prior and informed consultation with project stakeholders.</li> </ul>	<ul style="list-style-type: none"> <li>Implementation of the SEP.</li> </ul>	<ul style="list-style-type: none"> <li>Annually Reports</li> </ul>	Annually
<ul style="list-style-type: none"> <li>Minimise impacts of the Project on local communities.</li> </ul>	<ul style="list-style-type: none"> <li>Implementation of Project Management Plans</li> </ul>	<ul style="list-style-type: none"> <li>Annually Reports</li> </ul>	Annually
<b><u>OUTPUTS</u></b>			
<ul style="list-style-type: none"> <li>Workforce Development.</li> </ul>	<ul style="list-style-type: none"> <li>Construction of two Training Facilities.</li> </ul>	<ul style="list-style-type: none"> <li>Close out report</li> </ul>	June 2010
	<ul style="list-style-type: none"> <li>Training of local worker - 1,000 students/year.</li> <li>Training of 180 local students towards employment during operations.</li> <li>On the job training of 20 graduates.</li> <li>Train 16 local graduates to provide training.</li> <li>Training of 1,000 truck drivers.</li> </ul>	<ul style="list-style-type: none"> <li>Annual training report</li> </ul>	Dec 2013
<ul style="list-style-type: none"> <li>Local Business Development.</li> </ul>	<ul style="list-style-type: none"> <li>Provide management and operations capacity development to All LANCO's engaged on the Project.</li> </ul>	<ul style="list-style-type: none"> <li>Local Business Development Annual Report</li> </ul>	Annually
	<ul style="list-style-type: none"> <li>Supply agreements in place with All LANCO's engaged on the Project.</li> </ul>	<ul style="list-style-type: none"> <li>Supply agreements on file</li> </ul>	Quarterly

	• Establishment of an Enterprise Centre (EC).	• Close out report at commissioning of Enterprise Centre	End 2010
	• Number of local suppliers chosen from the EC database.	• Work Orders allocated to local suppliers	Annually
• <b>Community Development Support.</b>	• Community Development Support Plan in place and funded by the end of 2010.	• CDSP Five-year work plan	End 2010
	• CDSP stated objectives achieved.	• CDSP Annual Report	Annually
• <b>Resettlement.</b>	• Resettlement Policy Framework in place.	• Resettlement Policy Framework	End 2009
	• Compensation, relocation, restoration of all resettled households.	• Resettlement and evaluation report	Annually
• <b>Stakeholder Engagement.</b>	• Communication materials.	• Portfolio of communication material	Annually
	• Up-to-date comprehensive stakeholder database.	• Stakeholder Database	Annually
	• Grievance procedure in place and correctly documented.	• Grievance Register	Annually
	• Up-to-date Issues and Response Report.	• Issues and Response Register	
• <b>Identification and management of project impacts.</b>	• Stated objectives of the Project and Contractor Management Plans achieved.	• Audit report	Annually
	• Survey and assessments identified and completed as required.	• Studies completed	Annually

**Attachment 1 Community Development Support Plan** and **Attachment 2 Community Support Strategy Action Plan** is currently unavailable. These documents are undergoing reviews and editing by the Developer and the Independent and Environmental and Social Consultant (IESC).