



THE FOUNDATION FOR DEVELOPMENT COOPERATION

## Tujuh Bukit Listening Tour

Presented to Tujuh Bukit Alliance

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Contact: Mélanie Aubé,  
Senior Operations Officer  
[Melanieaube@fdc.org.au](mailto:Melanieaube@fdc.org.au)  
FDC House, 137 Melbourne Street,  
South Brisbane, Queensland, 4101, Australia  
Tel: (61 7) 32172924 Fax: (61 7) 38460342

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## Executive Summary

The Tujuh Bukit Alliance appointed FDC to undertake a two week “Tujuh Bukit Listening Tour” from July 21st – August 1st 2008. This assignment was an exploratory insight visit aiming principally to gather information from all interested stakeholders and increase the level of knowledge and understanding related to development-type issues and opportunities that can be made available to the management of the Tujuh Bukit Alliance, ahead of any significant project expansions in the Tujuh Bukit area. This was made possible through a series of activities including: desktop research, compilation of secondary baseline data, comparative assessment, one-on-one interviews and group discussions held at the national, provincial and local levels.

Indonesia has some of the world’s largest reserves of mineral resources and mining is one of Indonesia’s largest industries. Unfortunately, the mining investment in Indonesia has been impeded by issues such as and not limited to:

- 1) Delays over the enactment of the new mining law particularly due to the fight over control of Indonesia’s natural resources by both national and local authorities,
- 2) An overlapping and contradiction of laws between central, regional and local governments,
- 3) Unfavourable regulations pertaining to mining in protected forest areas,
- 4) Escalated conflicts between mining lease and customary/ indigenous land rights,
- 5) Taxation and royalty issues, and
- 6) Illegal mining.

Nevertheless, the provision of Presidential Decree No 29 of 1986 which was further superseded by Government Regulation GR No 51/1993 and recently by GR No 27/1999 requires Environmental Impact Analysis (EIA) to be made for development projects, commonly called AMDAL (*Analisis Mengenai Dampak Lingkungan*) in Indonesia. The public AMDAL document mandates the companies to perform minimum environmental and social mitigation requirements for the periods of pre-mining (construction), active mining operation and post-mining phases. In pushing forward the companies’ social-environmental responsibilities beyond the mandatory measures that are required by AMDAL, the Government of Indonesia has promulgated the Investment Law No 25/2007, in which Article 15 stipulates CSR as an obligation for any investors operating in the country. Specifically, the Corporation Law No 40/2007, in its Article 74 requires the extractive industry to implement CSR.

These CSR legislations are meant to help the company in obtaining a ‘social license to operate’ which eventually would protect the Company’s operations from social disturbances. However, in the current regional autonomous euphoria, these CSR legislations would spark off regional governments to regulate their own versions of CSR. Nonetheless, while the importance of communities and community development work is evolving in Indonesia, mining companies seem to follow, establishing good CSR practices and creating positive and mutually beneficial relationships with local communities.

### THE MAIN FINDINGS

- **Legal process:** Legal uncertainties, overlapping rules and bureaucracy of the Indonesian system and procedures. To date, there hasn’t been any fundamental resolution proposed. Some mining companies, however, are compelled to resolve the problem through various ad-hoc approaches. Since the government agency is responsible for mineral investments, the Department of Energy

and Mineral Resources has no power whatsoever to offer a fundamental resolution to the land problem, individual initiative seems to be the best choice.

- As the **AMDAL** is a basis for the development of the CSR programs and baseline data for further studies, translating it to English should be considered. Overall, the quality of the AMDAL documents has been described as moderately acceptable for legal purposes but should be improved further to obtain a social license.
- **Communication:** A general opinion suggested that communication means and frequency between the stakeholders seems inappropriate and irregular, especially at the community level. This risks misunderstandings and discontentment being directed towards the Company and the Project. Efficient and appropriate communication conduit(s) should be established.
- **Opposition** groups are very active in the area. The outside support of these opposition groups should be assessed and the information disseminated, validated and corrected when inaccurate. Pro-campaigns and socialisation may be helpful ways to balance the contra-campaigns.
- **Social process – Social license:** ComDev is not specifically regulated in the mining industry but embedded as part of the environmental mitigation required in the AMDAL (Investment Law No 25/2007 - Article 15 and Corporation Law No 40/2007 - Article 74). The social license process is very in-line with the Company's Corporate Social Responsibility (CSR) Program(s). The CSR should be a work in progress, designed and implemented in accordance to the Project development phases, the objectives of the Company and based on the needs of the local communities.

#### **Community:**

- Local communities have similar characteristics as the average rural village in Java, Indonesia: poor, low education, high unemployment rate, low and unstable income – mainly from farming and fishing activities, multi-cultural and multi-religion.
- It was evident during the Listening Tour that the community's views and attitudes toward potential mining and exploration were segmented, but mainly for lack of information rather than firm opinion.
- A large number of residents in Pancer sub-village reside on forest land and most of them do not have a certificate of ownership to the land (of their houses and farms).
- **Environmental Organisations:** Most of the environmental organisations provide technical assistance and guidance for environmental baseline data, impact assessment and AMDAL revision and are also focussing on community empowerment, have major sustainable ComDev programs around their sites and offer specialised services for integrating sustainable environment and community empowerment/development.
- **Partnerships:** A number of NGOs, universities, research centres have been identified, at the local, provincial and national levels, as potential partners or collaborators, especially in the areas of business development, specialised capacity building and research.

#### THE NEXT STEPS

Our proposed next steps for the Tujuh Bukit Alliance to address the main issues presented above are formulated around a step by step approach, based on the mining phases:

Activities	Start	Finish
<b>1 Refine and Validate Baseline Data</b> Social Economic impact assessment Environmental impact assessment Community needs assessment	Now	TBD
<b>2 Develop CSR Plan</b> Define target areas Define objectives for CSR programs Develop Workplan	Now	Feasibility
<b>3 Implement CSR Programs</b> Community Empowerment Pilot ComDev program Implement programs	Now Now Feasibility Mining	Closure Feasibiliy Mining Closure

Finally, as a starting point for further discussion, FDC has also prepared a Strategy Table (See section 3 Table 3) which covers potential areas of work for the CSR and ComDev programs (i.e. Social - education, health, cultural - environment and economic).

# 1. Introduction and Background

In the past decade, mining and exploration activities have expanded rapidly worldwide. While this trend has brought significant economic opportunities to certain countries, international mining companies and local companies, it has also brought ecological, social and environmental concerns to local communities, environmental organisations and so on. In order to better understand the general context (but mainly the situation impacting the Tujuh Bukit area), FDC has conducted a Listening Tour. The tour produced a set of baseline data and information, which came from desktop research and affected stakeholders, i.e. local communities, environmental and social organisations, international and local NGOs and governmental bodies, to support Intrepid in the development and implementation of its Corporate Social Responsibility program.

## 1.1 Mining Industry in Indonesia

Indonesia has some of the world's largest reserves of mineral resources and mining is one of Indonesia's largest industries. In addition to the energy sector of gas and petroleum, Indonesia's coal and mineral industry is important to the country's economy and export earnings. In 2007, coal and minerals mining contributed approximately 8 percent of total government revenue and 4 percent of Indonesia's GDP in 2007 (PWC, 2008). Unfortunately the mining investment in Indonesia has been impeded by some issues, particularly 1) Delays over the enactment of the new mining law, particularly due to the fight over control of Indonesia's natural resource by the national and local authorities, 2) An overlapping and contradiction of laws between central, regional and local governments, 3) Unfavourable regulations pertaining to mining in protected forest areas, 4) Escalated conflicts between mining lease and customary/ indigenous land rights, 5) Taxation and royalty issues, and 6) Illegal mining.

Mining activities in Indonesia are currently still governed by an outdated Law 11 of 1967, on the Basic Provisions of Mining, which is a centrally regulated mining law regime. Since the promulgation of the mining law in 1967 to, at least 1998, the government had strong inclination to consider mining as an important state interest due to its significant contribution to Indonesia's economy. This Law was viewed as attractive and reliable by international mining investors as it has an 'open-door' policy for foreign investment. For foreign mining companies, the foundation of reliability was the Contract of Work (CoW). Considered to be *lex specialis*, it granted exclusive mining rights to a corporate contractor over a defined, usually extensive, area for a 30-year term. The rights and obligations of government and contractors under CoWs are immune from subsequent changes in law, royalties and tax rates. The CoW explicitly stipulates that the investor is the contractor to the government. This provision has created distorted perception amongst the foreign investor as if the foreign mining companies are relieved from public accountability. If a foreign mining company fails to fulfil public obligations, the mining company is not to be held accountable to the public. This distorted perception has strong influence on the exclusive character of the foreign mining industry in Indonesia. This law is supposedly obsolete with the fiscal decentralization and regional autonomy brought about by Laws 22/1999 and 25/1999 which were passed in 1999 and came into effect in 2001.

The new mining law would abolish the CoW and would be replaced by a mining permit system in order to comply with regional autonomy. The new law would also provide a greater level of environmental protection and recognize the needs of local community's rights. The law would require mining companies to have intensive lobbying with community-based groups. This would mean that mining companies would need to forge agreements with communities in the region that

may be affected by their operations in advance of any mining activity. However, the lack of clarity of community development and social responsibility requirements would concern investors.

On state forest lands, the mining industry must also comply with the Forestry Law, Law 41 of 1999 while on private lands, these activities are regulated by the Agrarian Law (Law 5 of 1960 on the Basic Provisions of Agrarian Principles). The Forestry Law 41 of 1999 is of critical importance in terms of land acquisition, for the issuance of mining rights/licenses and their legitimized implementation are under the control of the Ministry of Forestry. The Forestry Law strictly prohibits open pit mining activities in Protected Forests. This has severely limited the development of the mining industry in such areas, precisely where the most commercially viable mineral ores and metal deposits are often found. Conflict over these two sectors, mining and forestry are thus inevitable. On the one hand, proponents of conservation applauded the Ministry of Forestry's effort to maintain the functions of the protection and conservation of forests but admit there are strong pressures from the business mining sector.

Fierce opposition from the mining sector and their lobbying resulted in the issuance of Law 19 of 2004, which clarified that all mining contracts or licenses made prior to the issuance of the 1999 Forestry Law remained valid. As a result, 13 mining companies which had acquired mining contracts or licenses over protected or conservation forest areas before the enactment of the Forestry Law were allowed to continue with their activities. To maintain the level of protection and conservation, however, the Government issued a regulation that requires these companies to compensate for the area when mining activities are carried out within a certain area of forested lands. Mining interests see this requirement as a further barrier because of the difficulty in providing the said compensation in the form of land, and thus continued to lobby the government.

As in many other countries, mining activities in Indonesia have a record filled with socio-cultural, economic, and environmentally-driven conflicts between mining operators and local and/or indigenous communities. Many of the conflicts emerged from the allocation of mining permits or contracts to companies on community or indigenous lands. At the heart of the problem surrounding these conflicts are land tenure rights. According to Indonesia's Constitution, all lands in Indonesia are controlled by the state, and all customary (*adat*) or indigenous lands are recognized to the extent that they exist and are not used in conflict with national interests. In rural areas of the outer islands, land certificates are not the norm; rather, land rights are recognized traditionally and internally among local and/or indigenous communities. These conflicts appear to have not only continued, but escalated both in number and intensity. In particular, as land acquisitions are completed and mining activities are in their operational or closing stages, conflicts now increasingly revolve around environmental issues, amplifying the social problems in and around mine areas.

The government also shows ambiguities in dealing with the illegal mining. The government tends to deal with the symptoms of illegal mining issues but often maintains a blind eye over more rooted problems, and generally reluctant to see the core problems associated with the actors directly engaged in these activities. This created an opportunity for neighbouring countries' business players to obtain minerals cheaply from Indonesia which seriously threatens the legal mining business.

## 1.2 Literature Review

### a. Environmental and Social Legislations

The provision of Government Regulation No 27/1999 requires Environmental Impact Analysis (EIA) to be made for development projects which is popularly called AMDAL (*Analisis Mengenai Dampak Lingkungan*). The AMDAL documents consist of Term of Reference (TOR) or *Kerangka Acuan* (KA),

Environmental Impact Analysis or *Analisis Dampak Lingkungan* (AMDAL), Environmental Management Plan (RKL) and Environmental Monitoring Plan (RPL), are commonly referred to by their acronyms:

- *Kerangka Acuan* (KA) produced after preliminary screening of a project to determine whether it requires a full-scale environmental and social assessment, this constitutes a contract describing the scope of a proposed development and what information must be included in a more detailed assessment;
- *Analisis Dampak Lingkungan* (AMDAL), a more detailed presentation of pre-development baseline data on local environmental and social conditions, description of the project and identification of its probable environmental impacts;
- *Rencana Pengelolaan Lingkungan* (RKL), or Environmental Management Plan, describes mitigation measures and what steps will be taken to manage anticipated environmental and social impacts; and
- *Rencana Pemantauan Lingkungan* (RPL), or Environmental Monitoring Plan describes how actual environmental and social impacts will be monitored during operations.

The AMDAL document mandates the companies to perform minimum environmental and social mitigation requirements for the periods of pre-mining (construction), active mining operation and post-mining phases. AMDAL documents are open to the public. Review of AMDAL documents is carried out by either a central review team (located in Jakarta) or a regional review team (i.e., a team designated in the relevant province). Central review teams report to the Minister and regional review teams report to the provincial governor for their respective approvals. This decree was then revised and simplified by Presidential Decree No. 51 in 1993. As the Government Regulation No 27/1999 on AMDAL was enacted, the authority in the approval and monitoring of the AMDAL was transferred to the regional governments. However, broad authority in setting environmental and social quality standards and guidelines were retained by the central government.

Unlike the environmental legislation framework, the government has not adequately established a framework to accommodate social aspects of mining. Social aspects of mining are commonly approached through the narrow corridor of AMDAL. Consequently, social aspects would be mostly superficial as part of the process of environmental mitigation. Therefore the relationship between the mining industry and the community is seldom in the framework of social development. All aspects of the relationship are concentrated on compensation, rather than on social transformation. The lack of a positive approach towards the community has created a perception that communities are a liability to the mining industry rather than an asset for a mutually beneficial relationship.

As AMDAL is only the minimum requirement for a company to comply, the company should proactively practice the general precautionary principles in environmental and social management, which are, in many cases, not fully addressed by AMDAL. In addition, the Environmental Law No. 23 of 1997 encourages the industry to conduct environmental and social audits (Article 28). Although this audit is not mandatory, the Ministry of Environmental has the right to force a company to conduct the audit at the company's cost if the Ministry sees the situation fit to do so (Article 29). This audit report should be made available for public (Article 29, paragraph 5).

According to Government Regulation No. 23 of 1993, the national institution responsible for environmental impact control is the Environmental Impact Management Agency (Bapedal), which is chaired by the Minister of Environment. This agency has its branch offices at all provincial capitals which are called Bapedalda. Unlike Bapedal, Bapedalda reports to the provincial government since



the Environmental Law No. 23 of 1997 promotes the role of the local government in carrying out environmental management.

Provincial and district (Kabupaten) governments received greatly the responsibility for environmental and social management pursuant to Law No. 22 of 1999 on Regional Administration (Article 7) and Government Regulation No 25 of 2000 on the Authority of the Government and the Authority of a Province as an Autonomous Region. General authority was given to provincial and district governments for control over the environment. In the environmental sector, provinces were specifically authorized to exercise control over activities affecting the environment crossing district and municipal boundaries to supervise environmental and social impact analysis of activities with locations encompassing more than one district. In the case of those which have potential impacts to the nation as whole (such as potential impact to the national park), the authority in controlling environmental and social impacts remain held by the central government.

Community involvement in environmental management is recognized in Law No. 23 of 1997, Article 5, which recognizes the individual right to have (a) a healthy and safe environment (paragraph 1), (b) access to environmental information (paragraph 2), and (c) the individual right to get involved in environmental management (paragraph 3). These articles imply reports of AMDAL as well as environmental and social audits that have been submitted to the government should be made available to the public.

#### b. Corporate Social Responsibility

The buzzword “corporate social responsibility” (CSR) has become more familiar with the global campaign of sustainable development all over the globe. The definition of CSR endorsed by the World Business Council on Sustainable Development (WBCSD) in 2002 (Blowfield and Frynas, 2005) is defined as:

*“the continuing commitment by business to behaving ethically and contributing to economic development while improving the quality of life of the workforce and their families as well as of the community and society at large.”*

The above definition implies that a responsibility of the corporation is to improve the wellbeing or quality of life of the community on a contiguous project area. Yet, CSR remains a contested and evolving concept since the meaning and its application has been long debated (Moon *et al.*, 2004), particularly because it is a relatively new concept without rigid rules or implementation principles attached to it. Over time, the rules and principles have progressively been enhanced (Moon, 2007; Connolly, 1983) and CSR is now far from being a representation of the old-concept of “corporate citizenship” and plays a role in catalysing development, particularly in developing countries (Lodge and Wilson, 2006).

In the last decade, CSR has been a major boost, allowing the Indonesian mining industry to gain a competitive advantage. By adopting socially and environmentally responsible practices, companies can participate in the economy, as good corporate citizens, facilitating a better business climate and creating job opportunities and wealth locally.

One of the specific domains of the mining industry in the sustainable development framework is at the local level where interaction of all stakeholders’ interests occurs. With the increasing power of local authority and stakeholders, mining companies must recognize the newly empowered stakeholders (such as indigenous peoples), identify their interests, concerns and objectives and realize the need to balance or accommodate these different interests. In the economic sector, the

mining industry may contribute to sustainable rural development, particularly in remote areas where most of the local governments have emerging development capacities. Such contributions to sustainable rural economic development should be pre-programmed to accelerate poverty alleviation. In the protection of the environment, the mining industry could contribute tremendously to sustainable development of environmental management in collaboration with local communities.

In pushing forward the companies' social-environmental responsibilities beyond the mandatory measures that are required by AMDAL, the Government of Indonesia has promulgated the Investment Law No 25/2007, in which Article 15 stipulates CSR as an obligation for any investors operating in the country. In addition, extractive industries are specifically mandated to adopt CSR by the Corporation Law No 40/2007 in its Article 74. This law also includes a sanction for companies which do not comply with this requirement. These two laws have made CSR legally mandatory in Indonesia and are far beyond the concept of CSR as purely voluntarily. To date, no other country in the world requires CSR to be mandatory. These other pieces of legislation to make the extractive industries more socially responsible is a manifestation of the muddled thinking surrounding the issue of CSR.

Consequently, on one hand, CSR legislation would help the company in obtaining 'social license to operate' which eventually would protect the Company's operations from social disturbances. On the other hand, in the current regional autonomous euphoria, this CSR legislation could spark off regional governments to regulate their own versions of CSR. Until the ancillary regulations emerge, we won't know how effective this regulation works out.

#### c. Sustainable Community Development

Sustainable development has lately become a popular concept in many industries, including mining, with global campaigns of sustainable development and new sustainable approaches to community development. While companies and organisations are putting sustainable development approaches forward, experts and practitioners, such as World Bank, ICMM, AMIC and many others have created toolkits, guidelines and implementation frameworks, clarifying the importance of sustainable development, but mostly supporting and providing guidance to mining companies in developing appropriate, customised and sustainable community development programs.

Issues related to communities are numerous, i.e. culture, poverty, environment, land use, politics, and governance, but the major challenges for the mining companies working in developing countries, and especially in Indonesia, is community acceptance. Consequently, the companies which see local communities as an asset rather than a liability and successfully establish positive relationships with them through community empowerment will ensure the sustainability of their community development or CSR program over time.

This implies that in order to have a real positive impact and attain sustainability over time, social acceptance and local community engagement, also referred to as community empowerment, along the community development process is necessary, especially at the exploration phase.

## 2. Listening Tour

The Listening Tour was held in Indonesia, in the areas of Jakarta, East Java and Bali, between July 21st and August 1st 2008. The Listening Tour was low-key, non-committal and exploratory in nature and followed the methodology described below. This resulted in a set of information, facts, figures and opinions that are presented in the Main Findings section.

### 2.1 Methodology

This section describes the methodology followed prior to and during the Listening tour in order to complete the deliverables previously established in the Listening Tour proposal and agreed upon workplan (see Final Listening Tour Workplan).

#### a. Secondary Data - Desktop review

The desktop review included two main activities: Organise interviews and create a basic comparative analysis of exploration and mining projects in Indonesia.

The interview list was initially outlined based on the objectives of the project, i.e. understand the perception and gather information from all stakeholders. From this outline, a combination of inputs from the team members, joint networks and discussions with some of the industry players, the interview list draft, including the names of organisations to be interviewed and contact persons, was created and presented in the Final Workplan. The interview list was approved and interviews organised once in Jakarta, with support from IMN team. More modifications were made to the final list based on recommendations and prompt needs for information during the Listening Tour. The final list of people/organisations interviewed during the Listening Tour is presented in appendix 1-2.

The basic comparative analysis was not part of the deliverables, but was conducted as FDC perceived this value added information as ideal to show the reality and controversy of the industry, especially in Indonesia. The main findings from the desktop review are summarized in a comparative table (see below) of Indonesian mining projects, presenting on one hand their achievements with regards to their CSR or community development projects and on the other hand the challenges and issues that they are/have been facing throughout the implementation process. (For more information see reference documents in CD-Rom)

Table 1 - Comparative Table – Indonesian Exploration and Mining Projects

MINING CIE	COMDEV PARTNER(s)	COMDEV PROGRAM SINOPSIS	ISSUES AND MAIN CHALLENGES	REFERENCES
1 PT Freeport Indonesia Contact info: <a href="mailto:Andi.Mukhsia@fmi.com">Andi.Mukhsia@fmi.com</a> Copper and gold mine	Partnership with provincial / regional government's training centers / institutes, universities (Uncen, UNIPA), NGOs (Bina Swadaya) and international funded projects (CI, TNC, WWF)	Program Location: West Papua Start and ending dates: 1976 and 2041 Comdev initiatives and main achievements: - Business incubators for Papuan - Establish mining university (Nemangkawi Institute) for mining related vocational and training programs. - Malaria control - Environmental Awareness and Conservation Program Total CSR value: USD 96 Million per annum (1% of profit)	Human rights issues: Built on a sacred mountain Tailing deposition on contained river course	<a href="#">Nemangkawi Institute Sustainable Development Tailings Management</a>
2 PT. Newmont Nusa Tenggara Contact Info: <a href="mailto:Kasan.Mulyono@nnt.co.id">Kasan.Mulyono@nnt.co.id</a> Copper and gold mine	Partnership with provincial / regional government's training centers / institutes, niversities (Universitas Mataram, Institut Teknologi Bandung), NGOs (WWF) and international funded projects	Program Location: West Sumbawa Start and ending dates: 1991 and.. Comdev initiatives and main achievements: - Local Business Development Initiatives - Vocational programs for local people. - Turtle and Caccatoo conservation program, - Coral Reef conservation program, - Malaria control - Environmental Awareness and Conservation Program	Submarine tailing disposal	<a href="#">Newmont Sustainability Report 2007</a> <a href="#">Suara Batu Hijau 2008</a> <a href="#">ComDev program Pt Newmont Minahasa Raya</a> <a href="#">PT Newmont Minahasa Raya, Condemned For Destroying Buyat Bay Waters.</a>
3 PT. Newmont Minahasa Raya Mining type: gold The mine closed in 2005.	Partnership with provincial / regional government's training centers / institutes, NGOs (Bina Swadaya, ASPISIA) and international funded projects (PEP/CIDA, IFC)	Program Location: North Sulawesi Start and ending dates: start in 1999 and the mine closed in 2005. The CSR programs during postmining are carried out by a foundation formed by company and its stakeholders. Comdev initiatives and main achievements: - Development and maintenance of economic and social supporting - Infrastructure and facilities - Development in education - Health - Development of Local Economic Capacity - Environmental Awareness & Conservation Program - Institutional Capacity Building	Buyat case - Environmental issues (Submarine Tailing Disposal)	<a href="#">Newmont Minahasa Now&amp;Beyond 2003</a>
4 PT. Inco	Village Development Planning Board Sorowako Youth Cooperatives and the Mega Lestari Cooperative	Program Location: Sorowako, Luwu Timur regency, South Sulawesi Start and ending dates: start in 1991 and until 2025 Corporate Social Responsibility Program Value: 1% of total annual profit (1.2 million in 2007) Comdev initiatives and main achievements: - Local business development - Animal husbandry, agriculture, and post-mining land rehabilitation	Dispute on protected forest issues with Department Forestry.	<a href="#">PT Inco spare our homeland</a> <a href="#">Inco golden award doc</a>
5 PT Kaltim Prima Coal General manager, external affairs and Sustainable Development <a href="mailto:Harry.Miarsono@kpc.co.id">Harry.Miarsono@kpc.co.id</a> Open-cut coal mine	University of Mulawarman University of Indonesia The Australian National University (ANU) CIFOR Contact: <a href="mailto:Kuntala.Lahiri-Dutt@anu.edu.au">Kuntala.Lahiri-Dutt@anu.edu.au</a>	Program Location: East Kutai, East Kalimantan Start and ending dates: start in 1989 and end in 2021 Comdev initiatives and main achievements: Women empowerment and development of sustainable livelihoods including agriculture, weaving and capacity building support for communities and employees Local Business Development Initiatives Received several CSR Awards Program Location: Maruwai, Borneo Start and ending dates: Start in July 2007 Comdev initiatives and main achievements:	Land conflict with local people due to unclear land titles.	<a href="#">Kabara News Letter 2007</a> <a href="#">Sustainability Report 2006</a> <a href="#">KPC using force to intimidate united farmers doc.</a>
6 BHP Billiton Open cast mines Nurul Fazrie, BHP Billiton community relations and development superintendent	WWF (Indonesia)	Program Location: Central Kalimantan Start and ending dates: Comdev and main achievements:	Threatening the Orang Utan's habitat and pressuring the government to overturn protected status of rainforest areas.	<a href="#">Mining giant to raze apes' forest. home doc.</a>
7 PT. Kalimantan Surya Kencana Gold Mine (the mine has not commenced due to disputes on protected forest, but CSR programs has taken place) Contact Person: Bardolf Paul (Chairman of Yayasan Tambuhak Sinta - Company's Foundation)	UNIDO Global Mercury Project	Program Location: Luit Raya, Serujan, and Kenkil, Central Kalimantan. Start and ending dates: 1985 Comdev initiatives and main achievements:	Conflict between PT. KSK and illegal miners.	<a href="#">Kabar Itah.</a>
8 PT Indo Muro Kencana Gold Mine	Community Mining Advocacy Team (TATR)	Project Location: West Kutai, East Kalimantan Start and ending program: 1987 and ended in 2004 (The CSR works were taken offer by Yayasan Anum Lio, a foundation formed by the company, government and its stakeholders (Mine Closure Steering Committee) to	Conflict between PT. IMK and illegal miners.	<a href="#">PT Indo Muro Kencana Goes on Trial doc.</a>
9 PT Sumber Alam Makmur Marble mining	JATAM	Program Location: Naitapan, South Central Timor (TTS) Start and ending dates: 2003 Comdev initiatives and main achievements:	Mining in customary land	<a href="#">Women lead marble mining. opposition doc</a>

## b. Primary Data – Field Activities

The field work methodology used by FDC team was qualitative, i.e. focus group discussions and one-on-one interviews, and flexible in terms of structure. While the main focus stayed the same – capturing as much information from the identified stakeholders to support the Tujuh Bukit Alliance in developing its CSR and community development program – the flexibility of the approach allowed the team members to explore interesting areas of discussion that may have been otherwise left aside.

The target candidates for the Listening Tour were the main stakeholders, i.e. local communities, environmental and social organisations, local and international development NGOs, governmental bodies and the private sector.

While the raw information and contact details are presented in appendix 1 -3 (Interview minutes, FGD summary notes and Organisations contact information table), the main findings are presented in the section below – Main Findings.

## 2.2 Listening Tour Findings

### a. Overall findings

**Legal process:** Legal uncertainties, overlapping rules and bureaucracy of the Indonesian system and procedures.

The most complicated issue facing most mining companies operating in Indonesia is in obtaining land access for mining. This issue has been escalating in its complexity as well as extending in its problem areas since the regional autonomy took place. Since the decentralisation and regional administration laws (Law No. 22/1999) transferred substantial authority over mining from the central government level to local government levels in 2001, there was subsequent high expectation that local governments would initiate a fundamental resolution to land problems when the decentralized system was established. The regional autonomy was expected to be an effective system for implementing spatial planning at the district level.

However, establishment of a decentralised system would complicate the licensing process even more and involving a number of institutions, from central down to district government.

In the case where mining occupies forest lands, the mining industry must comply with the Forestry Law - Law 41 of 1999 – which is of critical importance in terms of land acquisition for the issuance of mining rights/licenses and their legitimized implementation under the control of the Ministry of Forestry. In addition, mining activities are also regulated by the Agrarian Law (Law 5 of 1960 on the Basic Provisions of Agrarian Principles).

To date, there hasn't been any fundamental resolution proposed. Some mining companies, however, are compelled to resolve the problem through various ad-hoc approaches. Since the government agency is responsible for mineral investments, the Department of Energy and Mineral Resources has no power whatsoever to offer a fundamental resolution to the land problem, individual initiative seems to be the best choice.

Further to Government Regulation (GR) No. 75/2001, Mining Rights (*Kuasa Pertambangan* or KPs) may be issued, administered and regulated at the central, provincial, regional or municipal level, depending primarily on whether provincial, district or municipal boundaries intersect the area in

question. In the case of the Tujuh Bukit Project, where the project is situated in one district (Banyuwangi) and one province (East Java), the mining permit is granted by the Governor of East Java with prior consent from the Head of District (*Bupati*). However, following the Forestry Law 41 of 1999, the existence of protected forest in the proposed mining lease, regardless of the proposed close pit mine architecture, requires an approval from central government, in this regard the Minister of Forestry.

There has been an attempt to eradicate the regulatory conflict in the new Mining Bill draft which may be in effect soon. This new Mining Bill is expected to resolve the disputes between the regions and central government over the control of resources. There will be no new Contract of Work (CoW) but a mining permit system under the new Mining Bill may be granted to foreign investors. Also, it is understood that it will be acceptable to have the support, i.e. financial and management aspects, from a foreign company outside the formal CoW.

### **AMDAL and CSR**

Government mining policies as well as other industry sectors generally adopt sustainable development frameworks which integrate socio-economic objectives with environmental objectives. Thus, the government will be more likely to support the Tujuh Bukit's potential mining activities if the proposal does not solely comply with the narrow corridor of Environmental Impact Assessment of the project (AMDAL) but also adopts a broader Corporate Social Responsibility (CSR) as required by the Investment Law No 25/2007 (Article 15) and the Corporation Law No 40/2007 (Article 74).

AMDAL is a prerequisite document required in the application of extraction (*eksploitasi*) permit for development activities. It assesses the potential impacts and mandates the company to monitor and manage those identified environmental and social impacts during the project activities. These practices require a proactive approach from the Company to adopt environmentally and socially safe mining practices appropriate to local conditions and ensure that its activities will not bring harmful impacts to the environment and community. These concerns may not necessarily be addressed in the AMDAL, but rather in the Company CSR program.

As the AMDAL is a basis for the development of the CSR programs and baseline data for further studies, translating it to English should be considered. Overall, the quality has been described as moderately acceptable for legal purposes but its content and quality was said to be rather superficial and some concerns have reportedly not been fully addressed.

The AMDAL is a work in progress and should be revised, socialized and discussed as many times as there are revisions. The presentation should be adapted to the audience level; therefore different sessions and approaches may be necessary for elite or governmental bodies, and community members and representatives.

Based on the existing AMDAL documents for the Tujuh Bukit Project, the main impacts (both negative and positives) of the potential mining project are:

1. Increase of employment and business opportunities
2. Increase of local economy and revenues
3. Increase social conflict
4. Disturb traffic and road deterioration
5. Impact community health
6. Impact fishermen activities
7. Deteriorate ambient air quality and increase of noise and vibration
8. Change of natural landscape
9. Increase of soil erosion and decrease of soil fertility

10. Change of hydrological system (drainage pattern and river flow rate)
11. Decrease of seawater quality
12. Change in groundwater level
13. Deteriorate groundwater quality
14. Reduce terrestrial flora and fauna population
15. Disturb aquatic biota

It is therefore recommended that the above potential impacts be considered and prioritized through strategic planning processes in order to have appropriate management efforts in place to mitigate the negative impacts and strengthen the positive impacts presented in AMDAL.

### **Communication**

A general opinion suggested that communication means and frequency between the stakeholders seems inappropriate and irregular, especially at the community level. This risks misunderstandings and discontentment being directed towards the Company and the Project. For instance, the first AMDAL revision was presented in a workshop where findings, facts and figures were presented in complex terms and yet most of the community representatives present were illiterate.

Communication conduit(s) (e.g. socialization campaigns, communication centres, sports events and other extra-curricular activities) should be established. Transparency of information and ongoing communication of Project progress should be conducted amongst the different stakeholders, on a regular basis, to avoid misinterpretations and the proliferation of misinformation that may affect relationships with stakeholders and the Project all together.

### **Opposition** (also see appendix 5 - Public opinion reviews)

Opposition groups are very active in the area: The national NGOs (Jatam & Walhi) continue their opposition to the Tujuh Bukit mining proposal. Several local NGOs participate in the opposition network, including Kappala and Derajad. The main messages that they attempt to put in the stakeholders' minds through their writings are as follows. First, the benefits of the gold mining is much smaller than the incomes of other sectors that the gold mining will destroy (Martadi 2008). Second, the gold mining will dispose harmful materials (chemicals) to the community's living environment which in turn reduce fish available for catch by the fishermen, lower land and livestock productivity (both quantitatively and qualitatively), and endanger the community life (Maemunah 2008). Third, the opposition groups also have submitted a letter to the Ministry of Energy and Mineral Resources demanding rejection of the Tujuh Bukit mining proposal (Zaki A R, Rosdi Bahtiar Martad et al. 2008).

A closer look at the documents, however, revealed that many of their arguments were weak and imprecise. For example, they argued that gold mining is harmful using the case of Newmont Minahasa Raya's gold mine operation in Buyat, Sulawesi. Walhi, a prominent national environmental NGO was questioning the capacity and altruism of IMN (or its foreign partner) in conducting better mining practices and corporate social responsibility (CSR) than those applied by Newmont in Buyat. This Buyat case gives a valuable lesson learnt. Although the court verdict finally revealed that the scientific studies proved Newmont's tailings disposal has no correlation with the health problem of the Buyat's community, many NGOs like Walhi and Jatam do not believe so and have made many attempts to influence the local communities and public opinion – with anti-mining campaigns, Anti-mining brochures distribution, etc - that Tujuh Bukit project would be a repeat of the Buyat case.

This again shows the importance of community acceptance as well as a strong set of baseline data to support and ensure the well being of the Project. The outside support of these opposition groups

should be assessed and the information disseminated, validated and corrected when inaccurate. Pro-campaigns may be helpful to balance the contra-campaigns. The desktop study by the listening tour team found a pro-campaign article in the internet written by a gold mining professional who explained that the many negative stigmas concerning gold mining in Indonesia were wrong and legally proven incorrect (Korah 2008).

### **Social license**

ComDev is not specifically regulated in the mining industry but embedded as part of the environmental mitigation required in the AMDAL (GR No 27/1999) and as part of CSR that is briefly required by Investment Law No 25/2007 - Article 15 and Corporation Law No 40/2007 - Article 74. The “what”, “how” and the monetary value of a ComDev or CSR program however are at the discretion of each company, depending on the company’s objectives and priorities. Nevertheless, ComDev is commonly applied by foreign investors and sustainable development frameworks generally adopted by governmental bodies.

Social license is a very important part of a mining project, especially at the exploration phase. To successfully acquire a social license the Company should:

- ✓ Communicate at all stages, in a way that is suitable to all stakeholder groups, the progress of the Project, the program development and discuss concerns or questions that may be raised. The community should be appropriately involved in the decision making process to ensure community acceptance.
- ✓ Maintain good relations with the local government representatives, particularly: the head of Sumberagung village, the head of Pasanggaran village, the head of Pasanggaran, the head of Pasanggaran police department, and the head of Pasanggaran military department. The last three form the sub-district leader committee, locally termed as MUSPIKA.
- ✓ Maintain its current employment and procurement policies, prioritizing (qualified) local residents and suppliers.
- ✓ Regardless of the area or situation, community acceptance is crucial for the viability of a CD or CSR program. The longer the company waits until dealing with social acceptance, the longer it will take to be obtained and there will be higher levels of dissatisfaction. A common source of frustration from the local community is the feeling of unawareness, by not being involved in the decision making process.

The social license process is very in-line with the Company’s Corporate Social Responsibility (CSR) Program(s). CSR should be a work in progress, designed and implemented in accordance with the Project development phases, the objectives of the Company and based on the needs of the local communities. Usually, what the local people need is basically sustainable development of local resources that will continually increase their income and improve their livelihoods. Socialization, community empowerment and development are all important parts of it, especially prior to potential mining activities and therefore should be initiated as soon as possible.

#### **b. Local Communities**

#### **Background** (see appendix 6a-b for maps of villages)

- The community which is immediate to and affected by the Company (IMN)’s activities in Tujuh Bukit (Banyuwangi, East Java) is the community of Pasanggaran sub-district, particularly the residents of Pancer sub-village and Ringinagung sub-village. Pancer sub-village is located at Sumberagung village while Ringinagung sub-village is in Pasanggaran village. These two villages



(Sumberagung and Pasanggaran) along with the other three villages (Sarongan, Kandangan and Sumbermulyo) constitute Pasanggaran sub-district.

- The recent statistics of Pasanggaran sub-district (BPS 2008) indicates that the total geographical area of Pasanggaran sub-district is 8.266 sq. km and the population is 25,447 person (2007). Sumberagung accounts for 6.955 sq.km of the area and 7.163 person of the population. Pasanggaran village account for 2.631 sq. km of the areas and 6.977 person of the population. Thus, the population density is low, much below 100 people per sq. km. The average number of person per household is four. The growth rate of the population during the last two censuses (1990 and 2000) was minus 0.26 per cent.
- The district's recent statistics also confirms that the agricultural sector (including fishery, food farms, estates, animal husbandry and forestry) is dominant (83%) in the occupation of the villages' population. In Indonesia, this indicates an underdeveloped economy and thus, more productive uses of local resources are essential to promote the community's welfare. Gold mining and Tourism sectors are considered as high potential for the improvement of the community welfare in the village. (Medium-term development plan - Bappeda 2004).

### **Culture and organisation**

- The community is mixed, in terms of ethnicity and religion. The dominant ethnicity is Javanese and the dominant religion is Moslem. In theory, a community with mixed culture tends to be more open to changes (e.g., changes in use of available resources) than a community with an homogenous culture. However, the approach ought to be adapted and tailored to the cultures.
- The community helps its members build houses and other common buildings such as mosques and roads. This community's strong sense of solidarity is a social capital which may be of use for solving problems resulting from the Tujuh Bukit exploration project.
- Active community groups in the project areas found during the listening tour included: religious groups (Pengajian), woman family welfare education (Pendidikan Kesejahteraan Keluarga, PKK) groups and reciprocal saving and credit (Arisan) groups, and solidarity groups of fishing crew.
- There is no community representative body which pools the different segments together and acts as the sole representative of the community.

### **Education**

- Although the unemployment rate is high, many people of Pasanggaran Village have relatively high education - higher than those in surrounding villages. These 'educated' people should be considered in the future IMN recruitment process. By establishing vocational training and on-the-job training programs, they may have chances to be trained for filling future semi-skilled positions in the company.
- There is a high desire for capacity building programs from the community members and groups – especially for financial management as financial household management is poor.

### **Economy**

- Apart from having gold potential, the areas also have other economic potential, including: tourism, forestry, agriculture and fishery. The tourism sector remains underdeveloped; no tourism facilities such as hotels and/or restaurants are in place. The forestry, agriculture and fishery potentials have been materialized by the community as their main sources of livelihoods. The forest is currently under the management of the state forestry company, PT. Perhutani. Local inhabitants may take fuel woods from the forest and sometime also work for the local forestry company. The fishermen catch fish from the surrounding seas, using traditional fishing boats, net and hock. The fishermen sell their catches through auctions in Pancer harbour to buyers who then resell them to fish processing industries in Muncar, about one and a half hour drive from Pancer.

- The community's traditional economic arrangements show extractive relationships where fishing boat owners, input suppliers, and traders are superior to fishing boat crew, farmers and palm sugar processors. The inferior is dependent on the superior for work and incomes. Such extractive relationships are a result of several factors, such as: low human resource quality, insufficient asset possession, and limited employment/business opportunities. The introduction of new economic production activities such as gold mining and tourism may ease the extractive relationship and dependency problems. The new activities would make greater employment and business opportunities available to the community. Some workers may shift from traditional activities to new ones, some may expand their economic bases by taking additional earning activities, and some may reduce seasonal risk by diversifying their economic activities. Traditional employers (local entrepreneurs) may lose their monopoly power over the employees.
- Community representatives met during the listening tour reported that the unemployment rate was high and many young women went overseas for work (as migrant workers particularly in Brunei and Malaysia).
- Recent poverty statistics made available by the sub-district implementation unit of the national empowerment program reports that 119 out of 517 (or 23%) households in Pancer sub-village; and 348 out of 1170 (or 30%) households in Ringinagung sub-village are considered poor (Anonymous 2007).
- The community generally regards the exploration Company (IMN)'s casual works (paid IDR 35 thousand per day) as better earning, more stable and lower risk than the traditional activities locally available to them (such as fishing boat crew and coconut palm sugar processor). This, however, does not mean that the company would drain workers from the traditional sectors since the amount of employment the company can offer is much lower than the community's demand, however this should be made clear and understood that it would not threaten the local economy.
- Although quite a number of financial institutions are present locally, many of the community members met during this listening tour informed the team that they were reluctant to take loans from banks because of a lack of confidence in themselves. While people are usually not qualified and informed about the banking products and services, most of the institutions do not offer financial literacy programs or training. Those (a few) in receipt of institutional loans reported that they took loans from KSPs (Kelompok Simpan Pinjam – Saving and Loan Groups), not from Banks. Regardless of higher loan prices, people prefer KSP to banks for its personalised services and location.

#### **Position on extractive activities**

- It was evident during the Listening Tour that the community's views and attitudes toward mining were segmented and many people weren't/aren't aware of the early stage of development being exploratory. The members in favour of mining in the area include those who are not happy with their current socio-economic status and see the mining as an opportunity for lifting their status. In contrast, the members against mining include those who are happy with their current socio-economic status and understand that mining may be a threat to their welfare and or their living environment

#### **Governmental support and regulations**

- Large numbers of residents in Pancer sub-village reside on forest land and most of them do not have a certificate of ownership to the land (of their houses and farms). Officially, the majority of the land in the surrounding community areas is recognized as forest land. To attain ownership to the land, the community have organized themselves and submitted an application for forest land conversion (about 150 Ha) to the authority. Interestingly, the application includes a

proposal for land exchange (locally termed as Tukar Guling) which specifies the community's good intention to replace the forest land with another land of the same size. Besides showing good intention, the exchange proposal also reflects the community's respect and understanding of laws.

- The government's National Program for Community Development – Self Sufficient Village (Program Nasional Pemberdayaan Masyarakat- Mandiri Pedesaan/ PNPM-MP) has been introduced in Pesanggaran Sub-district, although it has not been effective.
- The sub-district planning assembly has submitted its development programs for the 1999 budget which includes programs for infrastructure, education, health and socio-economic, culture, agriculture and fishery sectors in each of the member villages (Anonymous 2008). This document may be useful for the Tujuh Bukit Alliance in designing its contribution to community development. The Company may contribute to government programs, or identify its own programs (by filling the gaps).

#### c. Environmental Organisations

- Most of the environmental organisations provide technical assistance and guidance for environmental baseline data, impact assessment and AMDAL revision (e.g. Conservation International, The Nature Conservancy) for mining companies.
- Although the main focus of Environmental Organisations is science and research, most of them are now focussing on community empowerment, have major sustainable ComDev programs around their sites and offer specialised services for integrating sustainable environment and community empowerment/development.

#### d. Development NGOs

- There is an increase in the interest of international NGOs to support mining companies through the development of their CSR and community development programs with technical support such as advisory services and toolkits and guidelines for sustainable ComDev programs around exploration and mining areas (see references).
- At the national level – Jakarta based - many Indonesian NGOs have been identified in the sector of community empowerment, ComDev and capacity building with great experience in mining and related sectors (e.g. Bina Swadaya, PNM).
- At the regional level, many NGOs offer local - East Java- knowledge and substantial expertise in the extractive industries and propose a wide range of technical assistance and collaboration (e.g.: Surabaya based - Pusdakota, PUPUK Surabaya, CoreBest). Also, a Centre for Entrepreneurship and Farmer Training Program situated in Pandaan, 100 km south of Surabaya, run by PT. Sampoerna, provides excellent training facilities for farmers, fishermen or entrepreneurs. The centre works with Institut Pertanian Bogor-IPB (Bogor Agricultural Institute) which is known to provide tailor-made training.

#### e. Private Sector and Mining Companies

- There are some community development and CSR practices of private sectors, particularly mining companies that can be used as a bench mark for future IMN CSR programs. Some mining companies such as PT. Newmont Nusa Tenggara in Sumbawa, PT. Kaltim Prima Coal in East Kalimantan, PT. Inco in Sulawesi and PT. Freeport Indonesia in Papua are among those recommended for benchmarking (see comparative table above).
- Government has introduced a CSR Award for the industries, including the extractive industry since 2006. Actively attending the annual workshop of CSR Program would enable observation

of what other companies have been doing. Many mining companies have embraced this CSR Award program in order to build a better company image from both environmental and social aspects. (Also refer to appendix 7 – Indonesian CSR Award Guidelines 2008)

f. Governmental Bodies

- At national level, the government bodies related to the Tujuh Bukit Project include: the energy and mineral resource (ESDM) ministry, the environment (LH) ministry, and the forestry ministry. The ESDM ministry is the highest authority in licensing gold mining operation. The LH ministry is the highest authority in reviewing the environment impact assessment and handling (AMDAL) of proposed gold mining proposal. The forestry ministry is the highest authority in licensing use of forest lands. The Tujuh Bukit proposed exploration and mining areas include protected and production forest which is currently under the management of PT. Perhutani.
- At provincial level, the governor of East Java province and the Bapedalda (environment affair board) of East Java province which lead the review team for the company (IMN)'s environment impact assessment and handling (AMDAL) document. The review team's approval is one of the prerequisites to attain the official license for mining extraction in Tujuh Bukit.
- At district level, the government of Banyuwangi district is the legitimate authority on the development in Banyuwangi and the welfare of the population. The district house of representative appears to have significant power to influence the government policy/decision concerning the Tujuh Bukit mining proposal.
- At sub-district level, the government of Pasanggaran sub-district is responsible for coordinating development planning, implementation and administration in villages within the sub-district. The head of government administration, police and military (MUSPIKA) in Pasanggaran district may assume the responsibility of conflict resolution in the community.
- At village level, the village government is the legitimate authority on developmental affairs and the well being of the villagers. Unlike the sub-district head which is appointed by the district head, the village head is elected by the people. As noted above, there are two villages adjacent to the Tujuh Bukit exploration areas, namely: Sumberagung and Pasanggaran. Both are member villages of Pasanggaran sub-district.
- Several regulatory issues relevant to Tujuh Bukit Project are, as follows. First, government policy concerning the licensing authority is blurred. The law currently in effect is Law No. 11/1967. According to the law, the highest licensing power is the ministry of mining. In contrast, the 1999 regional government law (par.10) states that the regional governments (district level) can manage resources in their jurisdiction areas. Attempts to eradicate the regulatory conflict are being made in the new mining law draft which may be in effect soon. Thus, the company should study the new Mining Bill and adapt its strategy to obtain an extraction (*eksploitasi*) permit for Tujuh Bukit. Second, cases of corrupt government officials were reported in recent media.
- Government policies on mining generally adopt sustainable development framework which integrate socio-economic objectives with environmental objectives. Thus, the government will support the Tujuh Bukit potential mining activities if the mining proposal meets the policy's requirements, particularly concerning the environmental impact assessment of the project, referred to as AMDAL. The current status of the project AMDAL is under revision. There are little comments made by the official reviewers on the socio-economic impact assessment of the proposed project, there are a number of comments given to the environmental impact assessments. Some of them have not been fully addressed, and are waiting for the results of the required technical studies and designs which are being carried out.

g. Others

- There are no technical high schools or universities in the sub-district. Hence, to study in technical high schools and universities, local people generally go to Banyuwangi city, Jember, Malang or Surabaya. The local universities, i.e. ITS, Universitas Airlangga (Unair) or Universitas Surabaya (Ubayu) as well as Universitas Jember (Unej - [www.unej.ac.id](http://www.unej.ac.id)), that have been identified in the region have the desired profile to be considered as potential partners to collaborate, if necessary, with Tujuh Bukit Alliance and its experts, in undertaking social and environmental related studies/work, as a complement to those carried out for AMDAL purposes.  
The experiences of PT. Freeport Indonesia, PT. Newmont Minahasa Raya and PT. Kaltim Prima Coal in collaborating with local universities are the best lesson learnt for the Indonesian mining industry. Their local scientists and knowledge would have better acceptance than those by international or national scholars, particularly in the cases when the companies encounter socio environmental disputes with community or NGOs.
- Identified Financial institutions in the sub-district town include: commercial banks (i.e., BRI and Danamon), rural banks (BPR - small locally owned microfinance banks) and several credit cooperatives (KSP - small locally owned microfinance cooperatives). BRI is one of the commercial banks which participate in the national micro credit program, called Kredit Usaha Rakyat (KUR). KUR involves a government guarantee scheme to ease collateral requirements. Danamon is a privately owned commercial bank which has recently expanded its service focus to SME finance.

### 3. Next Steps

In order to address the main issues presented above, a step by step approach, based on the generally accepted mining phases, is suggested. Also, as a basis for further discussion, suggestions for strategies, which could potentially be included into the CSR Plan, are presented.

#### 3.1 A Step-by-Step Approach

The table below summarizes suggested steps towards a sustainable CSR program:

Table 2 – Activity Timeline

Activities	Start	Finish
<b>1 Refine and Validate Baseline Data</b> Social Economic impact assessment Environmental impact assessment Community needs assessment	Now	TBD
<b>2 Develop CSR Plan</b> Define target areas Define objectives for CSR programs Develop Workplan	Now	Feasibility
<b>3 Implement CSR Programs</b> Community Empowerment Pilot ComDev program Implement programs	Now Now Feasibility Mining	Closure Feasibility Mining Closure

#### STEP 1 - Refine Baseline Data

When? Exploration phase – 3-6 months  
 What? Revise and validate data from AMDAL and other impact assessments  
 Translate documents into English  
 Identify the areas which should be further studied, including community development areas - together with the community members  
 Involve a team of experts to conduct the work  
 Why? To gain social license, communicate valid data to the stakeholders and ensure social, environmental and financial sustainability of the program.  
 Who? Environmental, social and economic assessment: Environmental organisations (e.g. Conservation International), University and research institutes (i.e. Jember University, ITS)  
 Community needs assessment: Development NGO, FDC

#### STEP 2 - Develop CSR Plan

When? Exploration phase until feasibility study results  
 What? Define target areas (e.g. Ring 1-2-3)  
 Plan strategically:
 

- Define objectives for the CSR programs

- Sequence ComDev and CSR programs with the project cycle
- Integrate findings into strategic business planning
- Define performance or impact measurement approach
- Outline workplan including implementation timeline per program

Define program structure: company or independent management

Develop programs – See below potential strategies

How? Ongoing basis: The CSR Plan should be revised and updated regularly

Who? Potential parties: Community Organisers (CO), strategic people from the company (CSR Manager, Operational Manager, etc) and/or external consultants/experts (e.g. NGO, FDC)

### **STEP 3 - Implement CSR Programs**

#### **a. Conduct Community Empowerment**

When? Exploration phase until feasibility results, or until it is judged necessary

What? Socialise the Project

Build trust little by little - Get closer to the community with social activities/projects

Assess community development areas

Why? To earn a “Local License”- a win-win solution to better operate, gain community acceptance and involve community into the decision making process

How? Participatory approach – Involve communities in the process and adapt your methods to suit their level

Who? Community groups, representatives and/or leaders and Community Organisers (CO)

#### **b. Pilot ComDev programs**

When? Feasibility until mining

What? Test out your community development ideas (start small) and revise your approach based on the results

Why? To assess the suitability of the program and the response from the beneficiaries

To set an example around and ease further implementation

To adjust/adapt approach before implementing on a broader basis

How? Select pilot beneficiary groups that have the most potential, i.e. can set example, are motivated and near the Project area

Pilot following your implementation schedule - prioritize the programs

Develop partnerships to support community development program – look for community development and specialised knowledge (e.g. environmental), credibility, efficiency and financial management skills

Who? Selected groups, Community Organisers (CO) and CSR Manager

Potential partners: local, national or international NGOs, specialised organisations (e.g. social and environmental), MFIs, government, local businesses and/or community based organisations/associations

#### **c. Implement programs**

When? Feasibility study until mine closure

What? Execute the CSR plan and review, adapt as necessary

How? Follow the workplan/ implementation schedule

Build on your lesson learnt from the pilot projects

Keep developing partnerships to increase efficiency and aim for local partners to achieve long term sustainability

Who? CSR team and Manager, Community Organisers (CO)  
Potential partners: local, national or international NGOs, specialised organisations (e.g. social and environmental), MFIs, government, local businesses and/or community based organisations/associations

### 3.2 Potential Strategies

The following table is a compilation of potential strategies that could be integrated in Intrepid Mines' CSR program at different moments. These strategies are presented by subdivision, including objectives for each, and have been selected based on the preliminary results of the Listening Tour activities and desktop research, i.e. sustainable mining case studies.

This section is a starting point for the development of Intrepid Mines CSR program and covers all potential areas of work, from social, health, cultural, environmental and economic issues. This should be further discussed as the choice and prioritization of strategies will have a high impact on the results and sustainability of the program. Contact information of potential partners is presented in Appendix 3 – Potential partners contact information.

Table 3 – Strategy Table

Strategy	Key options	Impl. Horizon	Impact Horizon	Potential Partners
<b>1. SUSTAINABLE SOCIAL DEVELOPMENT</b>				
<ul style="list-style-type: none"> <li>- Uphold fundamental human rights and respect cultures, customs and values in dealings with employees and local communities</li> <li>- Contribute to the social empowerment and development of the local communities</li> <li>- Seek continual improvement of health and safety performance</li> <li>- Implement effective and transparent communication with stakeholders</li> <li>- Implement and maintain ethical business practices and proper corporate governance approach</li> </ul>				
Design a Communication Strategy/Plan	<ul style="list-style-type: none"> <li>a. Establish a communication Centre: multi-stakeholders dialogue table</li> <li>b. Conduct a Photovoice project</li> <li>c. Create a news letter</li> </ul>	ST-MT	ST	Community representatives, including local government
Independent structure(s)	<ul style="list-style-type: none"> <li>a. Technical centre for development</li> <li>b. Community development foundation</li> <li>c. Trust fund</li> </ul>	LT	LT	IFC Local government
Health program	<ul style="list-style-type: none"> <li>a. Establish a small health centre in the near area</li> <li>b. Build water treatment plan</li> </ul>	ST-MT	ST-MT	District Government ITS
Education program	<ul style="list-style-type: none"> <li>a. Train local teachers</li> <li>b. Sponsor the purchase of school supplies</li> </ul>	MT-LT	MT-LT	University of Jember University of



	c. Apprenticeship program in collaboration with local universities			Surabaya- ITS
Capacity building	a. Develop and strengthen partnership by providing specialised training, mentoring and technical assistance to Government bodies: - Good governance - Managerial skills - Program design and management	MT	MT	NGO specialising in good governance
Socio-economic monitoring	a. Conduct routine monitoring to acquire reliable baseline information on social-economy conditions, to complement AMDAL and support CSR development	ST - MT	ST	Universitas Airlangga-Surabaya  Universitas Jember
<p><b>2. SUSTAINABLE ENVIRONMENTAL DEVELOPMENT</b></p> <ul style="list-style-type: none"> <li>- Contribute to conservation of biodiversity management and integrated approaches to land use planning</li> <li>- Seek continual improvement of our environmental performance</li> <li>- Facilitate and encourage responsible product design, use, re-use, recycling and disposal of our products</li> </ul>				
Conduct a bottom-up AMDAL revision	a. Environmental and social impact assessment review	ST	ST	CI IFC TNC Local experts and/or organisations
Develop a recycling program	a. Develop a recycling program with local communities and employees	ST-MT	MT	Local NGOs Pusdakota
Ecological sound rehabilitation	a. Develop ecological rehabilitation program based on the traditional/local values and ecological approaches	ST-MT	LT	Local universities, NGOs and government bodies
Environmental monitoring	a. Conduct routine monitoring to acquire reliable baseline information on environmental conditions, to complement AMDAL and support CSR development	ST - LT	ST	Universitas Airlangga-Surabaya or ITS  Universitas

				Jember
Carbon reduction projects  <i>With option to accredit projects under a Kyoto Protocol project mechanism in order to generate carbon credits (added source of revenue)</i>	<ul style="list-style-type: none"> <li>a. Develop clean energy projects within the communities to provide a clean, renewable source of energy</li> <li>b. Implement efficient stoves project within the community</li> <li>c. Implementation of more efficient technologies in the mine to reduce overall greenhouse gas emissions.</li> </ul>	ST - MT  LT	ST  MT  LT	Sigma Global
<b>3. SUSTAINABLE ECONOMIC DEVELOPMENT</b> <ul style="list-style-type: none"> <li>- Integrate sustainable development considerations within the corporate decision-making process</li> <li>- Contribute to the economic and institutional development of the local communities</li> </ul>				
Market linkages	<ul style="list-style-type: none"> <li>a. Local tourism development support</li> <li>b. Local business supply chain support</li> <li>c. MFIs</li> </ul>	MT	MT-LT	Specialised experts IFC BPR KSP PNM PUPUK Local government
Microfinance Initiatives	<ul style="list-style-type: none"> <li>a. Establish a community revolving fund(s)/cost recovery fund(s)</li> <li>b. Contribute to start-up capital of small groups</li> </ul>	ST-MT	MT	Specialised experts IFC BPR KSP PNM PUPUK Bina Swadaya Local government
Capacity building	<p>Develop and strengthen partnership by providing specialised training, mentoring and technical assistance to the stakeholders:</p> <ul style="list-style-type: none"> <li>a. Local companies: <ul style="list-style-type: none"> <li>- Business Management training</li> </ul> </li> <li>b. MFIs:</li> </ul>	ST-MT	MT	Specialised experts Bina Swadaya PUSDAKOTA PUPUK CoreBest Starling

	<ul style="list-style-type: none"> <li>- Monitoring and Control training</li> <li>- Loan Product Design training (group and individual)</li> <li>- Business Development training</li> </ul> <p>c. Communities:</p> <ul style="list-style-type: none"> <li>- Household Financial Management training</li> <li>- Small Business Development and Management training</li> <li>- Community Group Start-Up and Management (including microfinance activities) training and specialised workshops (e.g. fishing and farming)</li> </ul> <p>d. Government bodies:</p> <ul style="list-style-type: none"> <li>- Good Governance</li> <li>- Managerial Skills Empowerment</li> <li>- Program Design, Management and Control training and mentoring</li> </ul>			<p>Resources</p> <p>Local government</p>
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## Glossary

**Carbon credits** are a key component of national and international emissions trading schemes that have been implemented to mitigate global warming. They provide a way to reduce greenhouse effect emissions on an industrial scale by capping total annual emissions and letting the market assign a monetary value to any shortfall through trading. Credits can be exchanged between businesses or bought and sold in international markets at the prevailing market price. Credits can be used to finance carbon reduction schemes between trading partners and around the world.<sup>1</sup>

**Carbon reduction project** refers to a business initiative that receives funding because of the cut in emissions of greenhouse gases (GHGs) that will result. To prove that the project will result in real, permanent, verifiable reductions in Greenhouse Gases, proof must be provided in the form of a project design document and activity reports validated by an approved third party in the case of Clean Development Mechanism (CDM) or Joint Implementation (JI) projects.<sup>2</sup>

**Community development:** *“Community development is an action that is purposively directed towards altering local conditions in a positive way”* (Wilkinson, 1991).

**Community Organiser (CO):** Is the person who undertakes the action or the role of organising or mobilising the community members or groups towards the same objective(s).

**Corporate Social Responsibility:** *“the continuing commitment by business to behaving ethically and contributing to economic development while improving the quality of life of the workforce and their families as well as of the community and society at large”*. (WBCSD, 2002)

**Kyoto Protocol:** The Kyoto Protocol is a protocol to the international Framework Convention on Climate Change with the objective of reducing greenhouse gases in an effort to prevent anthropogenic climate change.<sup>3</sup>

**Local License:** means that a company has earned the good will of the communities that surround or are affected by a project’s operations.

**Sustainable development:** *“Development that meets the needs of the present without compromising the ability of future generations to meet their own needs”* (WCED, 1987).

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<sup>1</sup> <http://en.wikipedia.org/>

<sup>2</sup> <http://en.wikipedia.org/>

<sup>3</sup> <http://en.wikipedia.org/>

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## Appendices

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