Detailed Case Study Report of the CDI Foundation Trust Fund

February 15, 2004

Table of Contents

Abbreviations

CA	Community Affairs
CD	Community Development
CDI	Community Development Initiatives
CDI FM	CDI's community radio station operating out of Kikori
CNGL	Chevron Niugini Ltd.
CODE	College of Distance Education
IDCE	Institute of Distance and Continuing Education
JVP	Joint Venture Partners
KICDP	Kikori Integrated Conservation and Development Project
LLG	Local Level Government
M&E	Monitoring and Evaluation
PNG	Papua New Guinea
NGO	Non-government organization
SHP	Southern Highlands Province
WWF	Worldwide Fund for Nature

1.0   Introduction

The establishment of the CDI Foundation Trust Fund (CDI) in Papua New Guinea (PNG) represents an innovative new approach for addressing social needs and mitigating the social impacts of oilfield operations on surrounding rural communities. It has already generated considerable interest amongst non-profit organizations and international aid donors as well as within the petroleum industry. As interest in the project grows, it is important for the company to evaluate both its development as well as the lessons learned in the process. This will help ensure stakeholders can maximize their benefits and identify best practices for possible use at other locations where similar circumstances exist.

This case study aims to identify and document the components of CDI, how they evolved and what lessons were learned along the way. It provides recommendations for improvements and describes the stakeholders' vision for CDI's future. The study acknowledges the business benefits to CDI's donors along with their trade-offs and addresses sustainability issues for CDI as an organization as well as the program benefits it provides to communities. Finally, the case study reviews the replicability of the CDI model, identifying factors more unique to PNG and those aspects of the CDI model that are universally applicable.

2.0   Case Study Objectives

This case study has a multi-pronged focus. It examines CDI as a potential model for corporate funded social development and the benefits it has provided and could be providing stakeholders. Secondly, it provides useful information to CDI and the new oil field operator for the future. It did not seek to evaluate or address specific community problems and issues addressed by CDI in its individual programs. Although joint venture partners and the successor operator participated at varying levels in the case study, the findings focus on lessons learned and business value for ChevronTexaco as the grantor for the case study.

 Key objectives of the case study include:

- Identify and document the lessons learned from the establishment and development of CDI as a model for addressing social needs and mitigating social impacts.
- Identify and document best practices in community engagement developed by CDI.
- Identify successful partnerships and resources secured by CDI that can be leveraged into other locations.
- Identify the business value for the donors in supporting CDI and its objectives.
- Assess the sustainability of CDI for continued program implementation beyond the life of oil & gas production in PNG.

3.0 Participatory Appreciative Process

Participatory Appreciative Framework
The term "participation" is widely used throughout development activities and literature. The term has many nuances and connotations. When applied, participatory approaches have a range of interpretations. At the very least, in this case study it implies that "when doing an evaluation, researchers facilitators, or professional evaluators collaborate in some way with individuals, groups, or communities who have a decided stake in the program, development project, or other entity being evaluated."[1] The following aspects of this case study helped to make it *participatory*:

- The process was transparent.
- CDI staff and other key stakeholders and partners helped to design the case study, determine key questions, and participated in group interviews, meetings, debriefs, analysis and write-up.
- The case study emphasized collective methods of knowledge generation rather than basing results solely on the opinions and experience of the evaluators.
- All information was openly shared throughout the process.
- CDI staff and other key stakeholders had the opportunity to review early findings, and to comment on early drafts of the case study.
- Results, in some form, will be distributed to stakeholders who participated in the evaluation.

The case study also uses stakeholder language and actual words, to the extent possible, while still creating a readable, cohesive document. Unlike typical case studies, which may reflect the views of a handful of people, almost one hundred stakeholders contributed to the voice of this case study.

Appreciative Approach
The case study methodology encouraged participants to take an "appreciative approach" to examining the CDI. Those involved were encouraged to focus on what has worked well and seek to discover why. The approach does not ignore problems but puts a learning frame around challenges and turns them into constructive hopes for the future. Rather than focusing and dwelling on what went wrong, it encourages learning that leads to future improvements. This learning-focused method draws upon Appreciative Inquiry, an organization development approach that focuses on success instead of failure, what works instead of what does not. An appreciative approach seeks to find the root causes of success so that the program can build upon what works, and, in this case, determine the most effective elements to include in a "model" for adaptation and implementation elsewhere.

The Case Study Team
CDI formed a case study team that initially included members from CDI senior management staff, ChevronTexaco, Chevron Nuigini, the new operator – Oil Search, and one of CDI's significant partners -- The Worldwide Fund for Nature (WWF). An external consultant specializing in organization development and participatory research served as team leader. The evaluation team lost three members before the study started, and then three more had to

---

[1] Cousins, J. B. (Winter 1998). Framing participatory evaluation. *New Directions for Evaluation.* No. 80. San Francisco: Jossey-Bass.

leave after only a few days participation. These factors affected the cohesion of the team, mutual understanding of approach and process and write-up of results. The case study team members included:

Dr Dian Seslar Svendsen   Independent Consultant, USA
Kit Armstrong   ChevronTexaco Environmental Policy Adviser, USA
Jim Brumfield   ChevronTexaco, Corporate Community Engagement, USA
Laurie Bragge   Oil Search Ltd, Risk Management Adviser, PNG
Daniel McCall   World Wildlife Fund, Country Manager, PNG
Dennis Flemming   CDI, Executive Director, PNG
Sisa Kini   CDI, Deputy Executive Director, PNG
Cyril Kondang   CDI, Community Programs Manager, PNG

Method & Schedule for Information Collection
Case study team members, working in pairs, conducted 12 focus groups including 71 stakeholders (14 women and 57 men) and interviews with another 21 stakeholders (1 woman, and 20 men), thus directly involving 92 stakeholders in the case study process.

Methods for information collection included the following:
- Eight case study team members participated in a 1-day planning meeting in Port Moresby to develop case study questions, review the process, and finalize logistics
- Team members reviewed as much relevant documentation as possible (See Attachment B for a list of documents reviewed)
- Team members, working in pairs, conducted focus group sessions or individual or group interviews with PNG national, provincial, and district government officials; community representatives; Chevron Nuigini management and staff; Joint Venture Partners (JVP) ; CDI Board members; ChevronTexaco management and staff; non-government organization (NGO) staff; and CDI management and program staff.
- Instead of interviewing each other, case study team members provided individual input to case study questions by completing individual questionnaires.
- Individual team members wrote up results of interviews and focus group discussions and shared this information with other team members.
- Team members shared responsibilities for drafting sections of the case study, with three case study members having responsibility for pulling together the final master document.
- CDI plans to develop several deliverables drawn from this master document.

Lessons Learned from the Case Study Process
The case study team documented lessons learned from the process itself, hoping to benefit others who might undertake a similar process. These lessons also reflect aspects of the process that eased development of the case study, as well as constraints experienced.
- "The greatest learning and understanding comes through participating in the process." Although the case study process will result in tangible deliverables such as reports and presentations, those directly participating in the case study probably experienced the most valuable learning. So the lesson here is for key stakeholders to recognize the importance of such participation and to take advantage of such learning opportunities in the future.
- The time frame needs to take into account the different stages in the process of conducting a case study, including:

1. Planning
2. Information gathering
3. Analysis
4. Documentation

- In an attempt to allow team members and other stakeholders to contribute to the questions asked, team members and other stakeholders were invited to contribute to the list of questions to be addressed, resulting in a broadening of the scope of the case study. Limiting the questions in the Terms of Reference with some input by the team would have resulted in a more focused set of questions.
- People were willing – and seemed eager – to take the time needed to participate in interviews and focus groups.
- Having more focus groups than interviews would have been preferable in terms of saving face-to-face time, write-up time, and would have allowed for more exchange of ideas.
- Interviewing and focus groups were preferable to questionnaires, except with case study team members where having team members write out their responses to a set of questions resulted in rich data.
- Giving questions to focus group members ahead of time might have been helpful, yet, one loses the element of spontaneity if this is done, and may get more "scripted" responses.
- Some people provided more feedback than expected, and others less, showing the team that it is useful to engage in such a process that can help the team to move past assumptions.
- If the number of team members decreases, as happened in this situation, the scope of work should be adjusted to reflect the decrease in capacity.
- All should participate throughout – on a participatory case study it is very difficult to have team members coming and going. In more traditional case studies, separate team may be assigned roles and writing assignments that they can complete somewhat independently. In a participatory case study, the team concept is important, and collective data collection, analysis, writing and review are central to the process. This is difficult, almost impossible, when team members are rotating in and out of the process.

4.0   Where Are We Now? -- The CDI Model

Many involved with the petroleum industry have recognized the establishment of the CDI Foundation as an innovative new approach for addressing social needs and mitigating the social impacts of oilfield operations on surrounding rural communities. It has already generated considerable interest amongst non-profit organizations and international aid donors as well as within the petroleum industry. What is so unique about CDI that it would draw such attention?

This is the question the Case Study team members asked themselves when trying to define CDI as a model. The petroleum industry refers to it as a model because it represents a paradigm shift from standard company approaches to addressing the social needs of project area communities. To most other stakeholders however, CDI is simply an NGO trying to implement development like so many others in the developing world. But as an NGO, its hybrid of influences, systems and approaches from both the corporate world and the NGO world make it unique.

This part of the report jumps past the history, underlying rationale and evolution of CDI to define it as a model, as it currently stands, at this point in time. The following sections describe internal and external components of CDI, allowing readers to not only identify what is unique from their own perspective, but also to identify elements applicable to other initiatives. No model is universal. Just as CDI was able to learn from and adapt ideas from others to become a unique organization on its own, others can draw upon the information that follows to generate their own ideas of where and how they can apply some aspects of the CDI model.

Internal Components
The following sections describe the components of the CDI model that are developed and controlled internally within the organization itself.

4.1   Organizational Structure and Capacity
This section focuses on organizational structure and capacity, including the legal, managerial, staffing and governance components that enable CDI to function effectively. Without strong organizational capacity, CDI cannot effectively plan, implement, monitor and evaluate its work. CDI recognizes that its past and future successes relate to maintaining sufficient staff capacity and building capacity with development partners to effectively engage in sustainable development. Although the term "capacity" can include many factors, this section focuses on CDI's organizational capacity as it relates to its legal structure, overall organizational function, facilities, management/staffing, and governance.

4.1.1   Legal Framework
CDI Foundation is a trust fund, established under a trust deed settled by Chevron Niugini Ltd. (CNGL) with initial establishment funding. The trustee of the trust fund is a company as opposed to a board of individuals. The trustee is called the CDI Foundation Trustee Company Ltd, incorporated in PNG as a non-profit company. Donors provide funds to the CDI Foundation Trust Fund itself, which holds assets in its own right, so the trustee company has

no value on its own, serving merely to encompass the Board of Directors, which functions in a similar role that a Board of Trustees would serve with a typical trust fund. The reasons for establishing a separate company as the trustee were so the liability of directors would be limited and their roles as stewards of the trust fund would be guided and controlled by the constitution of the CDI Foundation Trustee Company and, more importantly, by PNG Companies legislation.

As an incorporated company, CDI Foundation Trustee Company Ltd must have a shareholding, even though the shares have no monetary value. The shareholding of the trustee company was allocated to the directors themselves and changes as they change so they remain the ultimate controlling body of the trustee company and the trust fund itself and cannot be replaced by a separate set of shareholders. CDI's Board is structured with nine directors comprised as follows:

- 1 Executive Director as a full time employee of the trust fund
- 4 Directors representing the Petroleum Developers
- 4 independent Directors representing diverse development backgrounds from within PNG

In the establishment phase of CDI, the Executive Director has been a seconded employee of the Operator of the Petroleum Licenses. Upon localization of the Executive Director position at the end of 2003, however, this position will be a direct CDI employee that does not represent any other interests. Aside from the Executive Director, none of the other directors are paid for their participation on CDI's Board. The Board votes and approves replacements to the Directors whenever a vacancy arises. As a matter of policy, CDI seeks to maintain diversity on its board by identifying both men and women of different backgrounds as Directors.

As a charitable organization, the CDI Foundation Trust Fund received exemption from income tax and value added tax from the PNG Internal Revenue Commission (IRC). As a part of CDI's sustainability strategies however, it intends to generate revenues from training and consultancy services that could compromise perceptions of its charitable status and impact its tax exemption status. To avoid the risks of losing its tax exemption, CNGL established a separate trust deed and trust fund, called the CDI Foundation Development Trust. This separate trust will not seek tax exemption and any activities considered more commercial in nature will be carried out under this trust fund, which can subsequently donate any earned profits to the primary trust fund and receive a deduction for the donation, making it tax neutral.

4.1.2   Current Organizational Structure

CDI's organizational structure represents a combination of seconded expatriates from CNGL, fixed term contract positions to address shorter term needs and core staff positions for long term program, management and administration functions. The following page contains CDI's current organization chart.

CDI Foundation Trust Fund
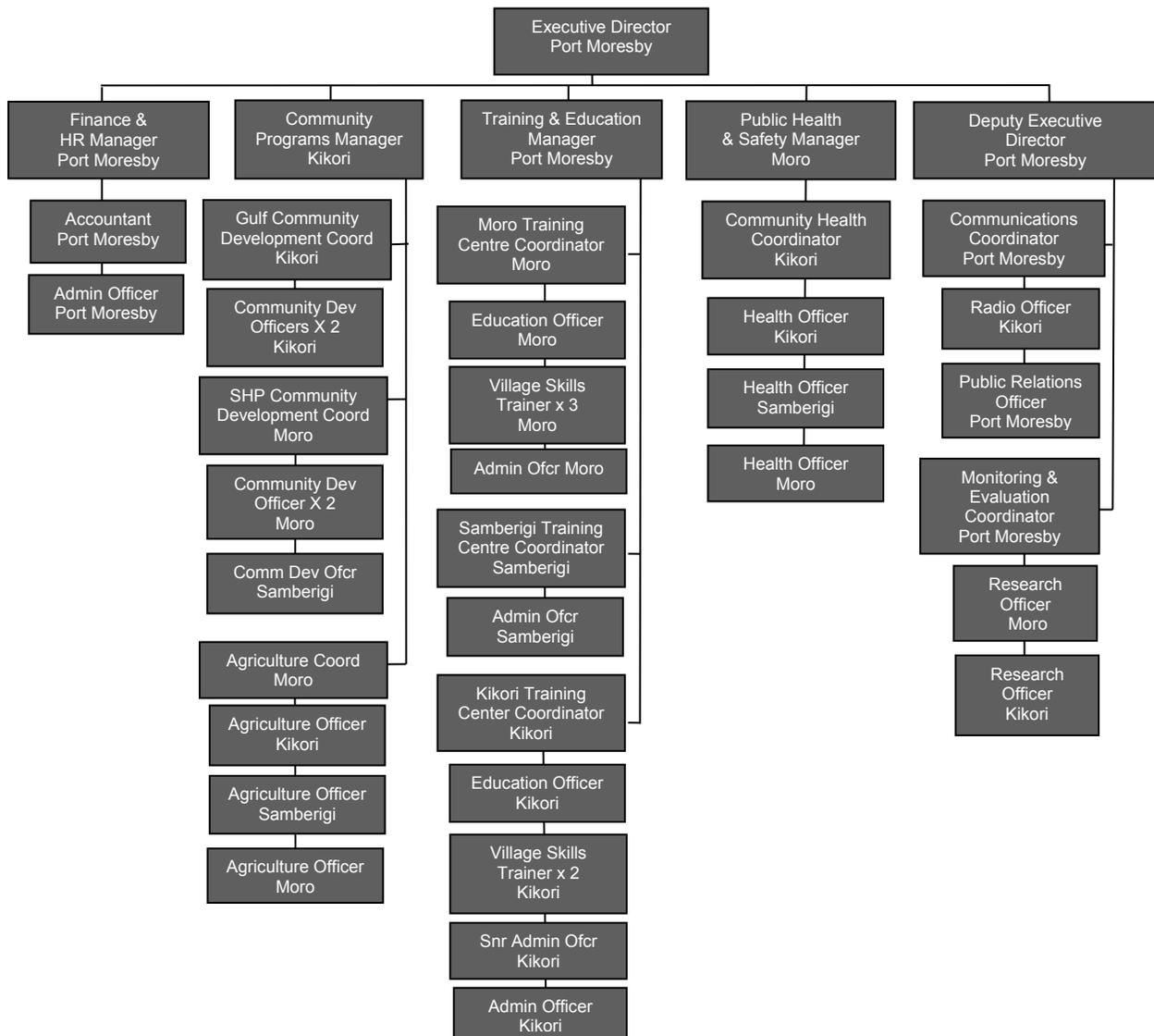
Fig. 1 – CDI Organizational Chart and Locations

Key statistics relating to CDI's organizational structure include:

	No.	Percentage
Management & Admin Staff positions	7	16%
Program Staff positions:		
Community Health Staff	5	11%
Training & Education Staff	15	34%
Community Development Staff	7	16%
Agricultural Extension Staff	4	9%
Capacity Building Staff	6	14%
Total Program Staff Positions	37	84%
Total CDI Staff	**44**	**100%**

As of the end of September 2003, CDI's staffing statistics included:
- 27 males (75%) and 9 females (25%)
- 2 expatriates (5%) and 42 Papua New Guineans (95%)
- 8 employees from Southern Highlands Province (18%)
- 5 employees from Gulf Province (11%)
- 11 employees from project area communities (25%)
- 8 vacant positions (18%)

In addition to staff positions, CDI also employs approximately 28 service personnel on rolling contracts at its training centers at Moro and Kikori. These contracted employees work as drivers, cooks, room cleaners, security guards and building maintenance crews for CDI.

4.1.3   Management/Staffing
CDI leadership and management, in general, are participatory, democratic, and visionary. Many say CDI has the "right people" in place to carry out its mission. Stakeholders repeatedly stress the role highly competent leadership has played in CDI's success. CDI leadership embodies a mix of skills and qualities needed to initiate and support the organization including being focused; fair; constructive; able to sell ideas to key stakeholders; aware of organizational functioning; and skilled in using a mix of corporate and NGO approaches and attitudes.

CDI staff members are skilled; qualified; familiar with government; knowledgeable of local customs, culture, and practices; and passionate about their work. They reflect diverse backgrounds, interests, and career aims, with some drawing from work experience in other countries. CDI also reflects indigenous diversity with most positions being held by Papua New Guineans from different parts of the country. Such diversity strongly contributes to the organization's capacity.

4.1.4   Overall Organizational Capacity
A major strength of CDI's organizational capacity relates to its ability to link analysis with planning as it continues to strive towards being a learning organization. This "learning culture" helps to create a dynamic and energized organization.

> *CDI is a 'smart' organization – well structured, good people plus programs and objectives, with the capacity to review and learn along the way."*
> --ChevronTexaco Executive

CDI has successfully built capacity related to participatory planning, monitoring, evaluation, and implementation, reflecting strong participatory leadership and management. CDI's strategic and operating plans embody the organization's continuous cycle of learning and adaptation. Other significant aspects of organizational capacity include:
- Its Guidebook, with guidelines, processes and policies outlined for key systems in Planning & Implementation; Finance & Administration; Human Resources & Development; and Health, Environment & Safety.
- Credibility with Government and NGOs

- Emphasis on "helping out" rather than "handing out," according to one community representative. Helping out requires a different level of capacity than handing out.

Stakeholders indicate that CDI's financial mechanisms are a strength and contribute to building its reputation as a transparent organization. In setting up an NGO like CDI at an arm's length from the oil company, it is important to have good financial systems in place at the beginning.

4.1.5 Facilities

CDI has a good combination of field and central offices -- all needed for different reasons. Having an office in the capital city does much to facilitate planning; logistics; and communication and networking with national government, universities, donors, and NGOs. The three training centers in the field, with a fourth in the planning stages, are tangible signs of CDI presence in communities and sources of pride. The following map shows details of CDI's field locations.

CDI's current and planned facilities are shown on the map below:

Training Centre for Kutubu area at Moro Airport with offices, classrooms and accommodation.

Plans to assist govt in establishing Vocational Training Centre at Pimaga which can include offices and training facilities for CDI staff to utilise. Scheduled date of construction still to be determined.

Southern Highlands Province

Gulf Province

Small training facility at Samberigi with classroom, offices and accommodation

Training Centre for Kikori area at Kikori District Station with offices, classrooms, radio studio accommodation and staff houses. Agricultural Demonstration Centre shared with govt agricultural facilities.
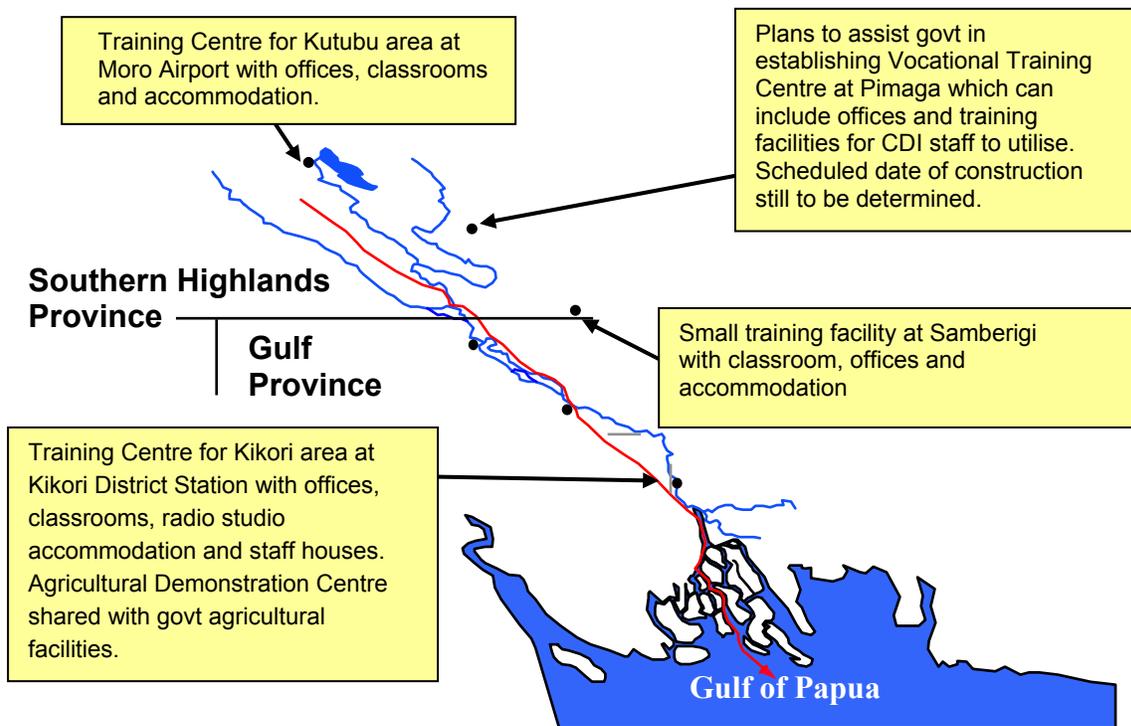
Gulf of Papua

Fig. 2 - CDI Facilities and Locations

CDI's community radio station, CDI-FM, is a critical part of CDI's facilities and represents the part of CDI most well known to communities throughout and beyond the project area. CDI is still discovering its unrealized potential as a development tool.

4.2 Organizational Culture

CDI's organizational culture focuses on achieving the right combination of influences and values that best suit its social objectives. CDI and CNGL both recognized there were some elements of the company culture which were well-suited to CDI's objectives and that CDI should seek to identify and retain those while building its own culture as an NGO. The resulting "hybrid" organizational culture represents both of these influences.

CDI's values and principles come from both the corporate and the NGO world. From the corporate world, CDI has applied the most applicable aspects of CNGL culture, including:

- Strong commitment to employee health and safety
- Adoption of a performance management system and performance-based pay
- Project planning and management practices
- Sound, transparent financial management and controls

CDI was also able to adopt many aspects of the NGO culture, particularly from its program partners, most notably the Worldwide Fund for Nature (WWF) and the Rossing Foundation. They mainly influenced the following areas:

- Staff committed to development
- Staff training resources and approaches
- Participatory approaches to planning, monitoring & evaluation
- Board structure, roles and relations
- Approaches to gender issues and analysis
- Strong networking

Stakeholders interviewed as a part of this case study provided the following descriptions of CDI's current organizational culture:

- A positive work culture and strong staff team spirit wit a "family atmosphere."
- Neutrality in every sense. Apolitical, secular, non-government, non-profit.
- Community-based and accessible. "Out there with the people".
- Hybrid of corporate and NGO elements created by the industry but developed with the help of NGOs.
- A learning organization that seeks to understand the community and its needs.
- Capable and committed team that works like volunteers with a true commitment to development.
- Able to tap into a broad range of resources and support.
- Focus on analysis and development that is committed to sustainable approaches
- Adopts an area instead of a cause. Responsive to the needs of that area as the needs are defined by the community and the government.

Gender Relations

CDI recognizes the importance of the impact of gender in all that it does and is working toward making heightened gender sensitivity and awareness an integrated part of the CDI

organizational culture. It consciously addresses gender issues in its own programs as well as those of the organizations with which it works.

4.3   Program Design

CDI identifies community objectives and priorities in the process of developing village profiles with government councilors. They obtain additional social data on these communities from government records, anthropological studies and various surveys conducted over the years. They review all of this information with government counterparts at various levels of the provincial and national governments. This process allows CDI to establish strategic plans that incorporate lessons learned to date, analysis of social data, feedback from the community and alignment with the government's objectives and plans. CDI's strategic and operating plans identify a logical framework of objectives, outputs and activities that define each of its programs with verifiable indicators for success. This framework is common amongst development agencies and serves as a useful tool for communicating plans and activities to stakeholders as well as a clearly defined guide for CDI's staff to follow in their work. Each staff member receives a personal copy of the year's strategic and operating plan and reviews these together with the entire staff in an annual staff meeting held at the beginning of each year.

Government Plans & Priorities

**Program
Designs &
Priorities**

**Social
Data
Analysis**
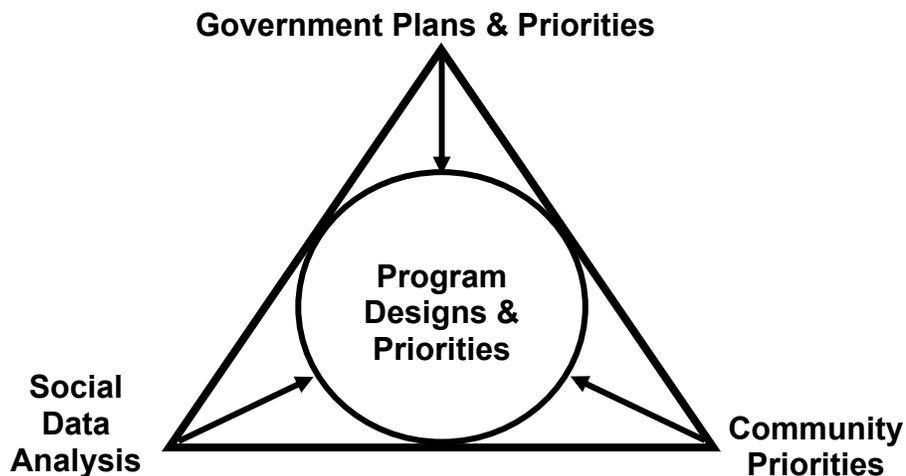
**Community
Priorities**

Fig.3 – The diagram above illustrates the key inputs into the design of social development programs and the establishment of priorities that determine the allocation of resources.

4.3.1   Strategic Alignment

CDI's programs are designed to be in alignment with its overall mission and strategic vision. The mission and strategic vision are described in its 5 year strategic plan (2003-2007)

MISSION STATEMENT:
CDI Foundation will serve the needs of rural communities by fostering self-sufficiency and facilitating long term improvements to the capacity of social service providers.

STRATEGIC VISION

The long term vision for the CDI Foundation is to achieve a legacy of sustainable development amongst the rural communities in the Southern Highlands and Gulf Provinces of PNG that will last well beyond the life of oil and gas production in the area. Under this vision, communities will develop a strong sense of self-reliance and actively participate in the development planning processes of the local level governments. Government bodies and other local providers of social services will maintain a strong capacity for identifying community needs and addressing them in a sustainable manner.

CDI's role in this vision is to work in a manner that is both complementary and supplementary to the role of the government and other development agencies operating in the target areas. It will seek to support and improve capacity amongst all stakeholders through awareness of critical needs and the provision of training to develop skills.

CDI Foundation will play a key role in developing and implementing eventual closure plans for the oilfield operations in its target areas as they relate to managing the social impacts on the affected communities. Although closure is not expected to occur for several years to come, CDI will build its own capacity during the period of oilfield operations to ensure that it is well prepared to assist the communities with the transition when it occurs.

The mission and vision help CDI to focus its priorities on the well-being of the targeted communities instead of a specific sector or discipline of rural development. CDI is therefore defined by the communities it serves rather than the assistance it provides.

> *"The company's need to put something back into the community was 'cause-blind'."*
> - ChevronTexaco employee

CDI has divided its activities into six sectoral programs, each with its own program goal and a hierarchy of objectives and outputs in support of that goal. Each program is displayed below with its goal.

Program:	Goal:
Community Health	To support and assist primary healthcare providers and members of the community to improve curative and preventive health conditions
Education & Training	To improve the competency of education service providers and the quality of education services for human resource development
Agricultural Extension	To foster balanced agricultural development in the community to improve food security and generate income
Community Development	To empower and build the capacity of local leaders & institutions for planning & implementing sustainable rural development.
Natural Resource Conservation	To promote the sustainable use of natural resources amongst rural communities
Govt Capacity Building	To improve the capacity of government agencies to plan and implement sustainable development

Objectives and outputs in support of each program goal can be found in CDI's strategic plan in the form of "Objective Trees". See Attachment C for the objective trees from CDI's 2003-2007 strategic plan.

4.4   Partnerships and Collaboration

CDI has successfully established partnerships and collaborative relationships in a relatively short period of time, with some having a global impact on ChevronTexaco operations, and others exemplifying types of local partnerships that can be developed elsewhere. Partnership and collaboration are so central and important to CDI that these practices appear in the CDI values statement. Thus, CDI reports, quarterly and annually, outline progress related to partnership formation activities. Also, stakeholders repeatedly identify one of CDI's greatest strengths as its ability to engage others in partnerships to benefit the wider community.

The terms "partnership" and "collaboration" are used widely throughout both corporate, government, and non-government settings. In the context of collaborating with NGOs, CDI defines a partnership as:

> *A voluntary alliance in which organizations agree to work together to fulfill an obligation or undertake a specific task; share the risks as well as the benefits; review the relationship regularly; and revise their agreement as necessary.* Nelson, (1998) (From Flemming, 2000 Case Study)

CDI defines collaboration as:

> *A voluntary effort between two or more organizations working together to undertake a specific short-term activity that fits the objectives of each of the participating organizations.*

CDI, as well as its partners and collaborators, benefits in many ways from collaboration, such as:
- Establishing networks
- Identifying models and best practices
- Determining the best way to structure the corporate link
- Broadening networks and resources
- Building capacity based on each other's experiences
- Participating on each other's evaluation teams
- Engaging in joint projects and patrols
- Planning jointly
- Conducting and attending capacity building activities together

An NGO like CDI also offers the operating oil company the opportunity to engage indirectly with host communities and partners like WWF.

CDI has working partnerships or collaborative arrangements with the government, NGOs, universities, and other institutions such as those in the following table:

EXAMPLES OF PARTNERSHIP AND COLLABORATION	
Organization	Focus of Collaboration
The Government of PNG	Planning, education, health, education, capacity building
The Rossing Foundation	Organization development, planning, monitoring and evaluation
WWF	Natural resource conservation education and support
UPNG	Health training and services; student interns; environmental health; welfare project
University of Utah	Health training and services; student interns
Catholic Health Mission at Mendi	Health training and services
World Health Organization	TB control
AusAid	Immunization, MCH
Institute of Medical Research	Malaria control

CDI has also formed collaborative working relationships with a number of other organizations including:
- Conservation International
- The University of Wisconsin
- Halliburton, Ltd.
- National Agriculture Research Laboratory (NARI) Chemistry Laboratory
- Turama Forest Industries (TFI)
- University of Vudal
- Kutubu Spice Trader
- Chemical Brian Bell, Ltd.

4.4.1   Current Key Partnerships

The Government of Papua New Guinea
"Enhancing consultation with the Government of PNG"[2] is one of the main reasons for establishing CDI. CDI is committed to strengthening relationships with government – at all levels – through a range of means including: joint planning, program collaboration, and capacity building. The government has identified national goals and directive principles, and a strategy that includes health, education, transport infrastructure, and promoting private sector activities. CDI reviews development plans from relevant departments at the national and provincial levels[3] and consults with government to ensure that CDI's activities are aligned with and complement the government's programs.

In alignment with these government goals and directive principles, CDI has developed partnerships with the PNG Government in Health, Education, and Agriculture. A challenge CDI faces in collaborating with government is making sure that community members, as well as government officials, understand that CDI is partnering and helping to build capacity with – not replace – the government.

---

[2] From CNGL Govt & Public Affairs staff and CDI Strategic Plan
[3] Detailed plans from local level governments are yet to be developed within the targeted communities. Local level plans are intended to be developed in line with the development plans, objectives and policies established by the national government.

> *We have told government: "We are building on your programs. You will eventually take ownership." Active involvement of provincial government is key for long-term sustainability.*
>
> --Community Affairs staff member

CDI has established a monitoring and evaluation (M&E) Committee with representatives from different National Government departments. The committee reviews documents like the Operating Plan; M&E Plan etc., in more detail. This committee will help to ensure that CDI's programs to be complementing government plans.

Health
Stakeholders feel the most effective relationship that CDI has with the government is that of the Health Program with the National and Provincial Health Departments, and that CDI can pattern more of its program partnerships and approaches to networking by modeling after the public health program.

Education
The Education Program coordinates closely with National and Provincial College of Distance Education (CODE) and the Institute of Distance and Continuing Education (IDCE) offices. CDI is improving facilities at its Moro Training Centre to qualify it under a franchise arrangement for a new government program, making it an IDCE center which will also offer short, tailor-made courses.

Operator's Community Affairs (CA Program)
CDI and CA know each other and communicate well at some levels, particularly with former CA staff in CDI. Both CDI and CA deal with the same set of communities, local, provincial and national Governments. Both respect each other's responsibilities and challenges. They look at the same people from different perspectives giving each a better sense of the total picture. They both share and can influence, directly and indirectly, the issues and challenges that impact oil production and exploration. This is the fundamental basis of the relationship that staffs of both organizations have yet to fully acknowledge, recognize, and practice.

CA is also the main point of contact for CDI within the oil company. It is where CDI can turn to gain a better understanding of and guidance on issues related to CDI's impact on company operations. CA staff says they "talk the same language" as CDI and can relate to each other and understand constraints and capacities. The following table compares the two.

How CDI and Community Affairs (CA)[4]: Complement Each Other	
CDI	CA
Field-based	Camp-based
Respect for CA	Respect for CDI
Focuses on what company considers "non-core activities," and what the community considers "core activities"	Focuses on issues directly related to company operations and what company thinks is important
Provides industry with viable closure plan	Does not directly address closure
Many CDI staff are former CA staff	Many CA staff were around when CDI began
Has better access to community	CA had good access to communities in the past, but more difficult now
Staff focus on functional areas of development expertise	Staff function more as generalists
Is better "equipped" to address capacity building	CA's role has never been capacity building
Is not under obligation to work where they are not wanted. CDI can (and has) "walked away." Thus CDI can focus on the areas where the people are interested in sustainability, self-reliance and capacity building.	CA MUST work anywhere in the project area, and are the first to be called when crises arise.
Dedication to the mission of CDI has allowed CDI to achieve results that would have been impossible for CA to achieve.	CA's purpose is tied to the company, not to the direct improvement of people's lives.
Fulltime staff committed to community development, health, education, and agriculture	Cannot devote fulltime effort to community development, health, education, and agriculture.

WWF-KICDP
WWF remains CDI's strongest partner. In the words of one stakeholder:

> *The area of strongest collaboration is the partnership that has formed between the WWF Kikori Integrated Conservation and Development Project (KICDP) and CDI. This partnership is in its infancy compared to the great potential of this relationship in the future.*
>
> --CNGL Representative

One CDI Manager feels that the relationship with WWF-KICDP is CDI's only "true" partnership. This partnership continues to benefit both WWF and ChevronTexaco, according

---

[4] Based on feedback from stakeholders in case study.

to ChevronTexaco representatives involved in this case study. The WWF- KICDP strongly values the link with CDI and seeks to further strengthen the relationship on the ground. WWF brings name recognition, reputation as an internationally recognized conservation organization, and credibility because of its environmental monitoring expertise.

> *WWF's relationship with Chevron has demonstrated cooperation between a big oil company and an international conservation NGO.*
> --WWF-KICDP Manager

The nature of this partnership has changed over the nine years since WWF and ChevronTexaco joined forces through the WWF-KICDP. Almost from the onset of WWF-KICDP, landowners looked to the KICDP for community development. Over time the KICDP has increasingly emphasized its conservation science role, and de-emphasized the development role. WWF-KICDP has proven to be an effective partner for CDI, as CDI focuses on development. Some WWF staff report that without CDI, KICDP's work would be much more difficult because communities would still be looking to it for development activities – as some still do. But now, it is easier to refer these requests to CDI. Likewise, CDI benefits from WWF through collaboration on natural resource management and community outreach.   The JVP also funds the WWF-KICDP and provides a range of support services to the conservation activities.

Both organizations report that they continue to learn from each other, value the partnership, and actively seek ways to strengthen it. For example, WWF management has benefited from interaction with CDI senior management, while WWF has helped CDI to develop an NGO participatory organizational culture and approach to their work. They share facilities outside the oil camp so that they can more easily collaborate and be more accessible to those from the project area that they serve. KICDP also benefits from the Chevron infrastructure.

> *Association with 'the panda' (WWF) has been a real benefit to ChevronTexaco, especially in these times of increasing awareness of need for corporate responsibility.*
> --CA Staff and WWF staff

The Rossing Foundation
CDI continues to nurture a close relationship with The Rossing Foundation of Namibia. Although continents apart, the two organizations, both products of the mining and petroleum industry, exchange resources related to evaluation and organization development.

Universities
CDI is building relationships with several universities, particularly the University of PNG, the PNG University of Technology, Vudal University and the University of Utah in the United States.

4.5   Approaches, Tools and Systems

CDI's commitment to participatory approaches is identified in its guiding principle:

…using Participatory Approaches to ensure all affected groups take part in the design, implementation and evaluation of programs and activities[5].

Policy statements are easy to make but being truly participative in project design and decision-making is a bigger challenge. Tight deadlines, limited communications, civil unrest and political conflict are all factors constraining CDI's ability to seek the ideal level of participation with other stakeholders in all the forms it takes. Participation in itself thus becomes a key aim of each project as CDI attempts to move itself higher up a continuum of participation through stakeholder engagement and capacity building.

CDI identifies its tools and systems in its operating manuals, which are being compiled into a single Guidebook to be provided to each employee and updated on a regular basis. The Guidebook includes the following manuals:

Planning & Implementation
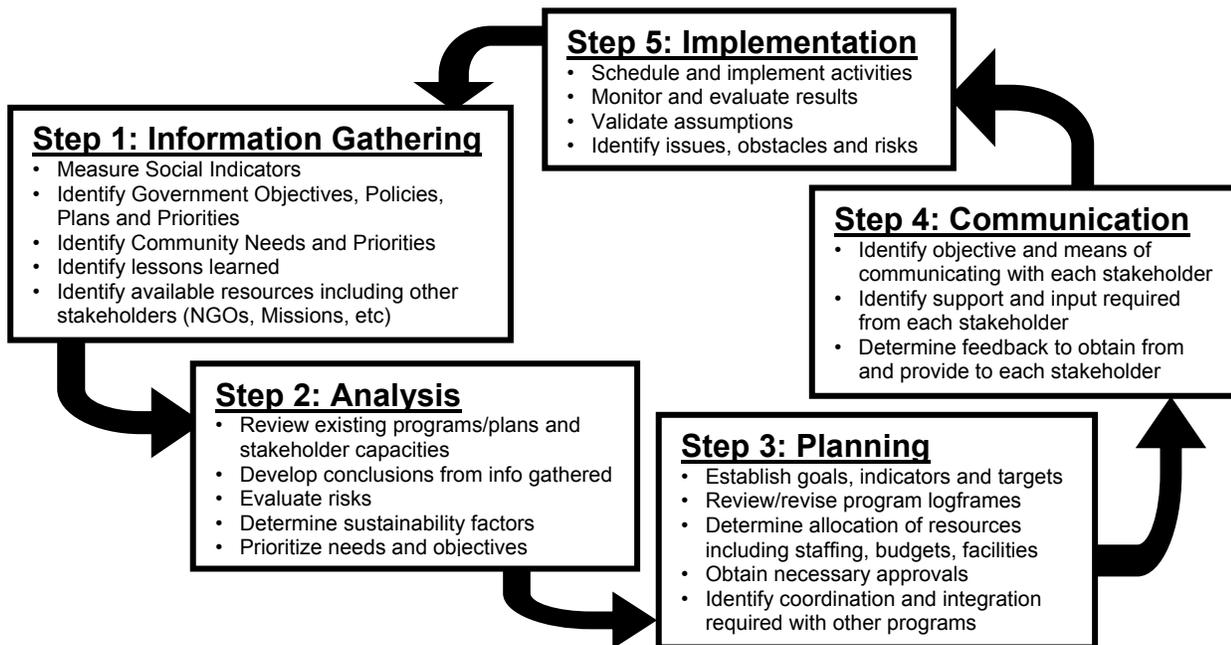Systems contained in this manual center around the following cycle:

Step 5: Implementation
- Schedule and implement activities
- Monitor and evaluate results
- Validate assumptions
- Identify issues, obstacles and risks

Step 1: Information Gathering
- Measure Social Indicators
- Identify Government Objectives, Policies, Plans and Priorities
- Identify Community Needs and Priorities
- Identify lessons learned
- Identify available resources including other stakeholders (NGOs, Missions, etc)

Step 4: Communication
- Identify objective and means of communicating with each stakeholder
- Identify support and input required from each stakeholder
- Determine feedback to obtain from and provide to each stakeholder

Step 2: Analysis
- Review existing programs/plans and stakeholder capacities
- Develop conclusions from info gathered
- Evaluate risks
- Determine sustainability factors
- Prioritize needs and objectives

Step 3: Planning
- Establish goals, indicators and targets
- Review/revise program logframes
- Determine allocation of resources including staffing, budgets, facilities
- Obtain necessary approvals
- Identify coordination and integration required with other programs

Fig. 4 - CDI's Planning & Implementation Process

---

[5] From CDI 2003-2007 Strategic Plan

The most central part to the process outlined above is CDI's Planning, Monitoring & Evaluation systems. The systems follow plans and progress reports from work groups through to strategic decision-making on the Board of Directors. It has generated favorable comment from many of the stakeholders as a best practice and other NGOs are now showing interest in learning more about CDI's systems.

> **Best Practice #1:**
> **CDI's Planning, Monitoring & Evaluation System**
> *See Attachment D*

Finance & Administration
CDI's financial systems drew favorable comment from many of the stakeholders interviewed. Comments received from Ausaid's PNG Incentive Fund highlighted the importance of strong financial controls and audited records as a key requirement for donor support.

CDI has established strong organizational values for accountability and transparency. CDI is therefore audited twice per year. A mid-year audit and an annual statutory audit are done, both with management reports reviewing the adequacy of financial controls. Additionally, only Directors or alternate Directors are signatories on the operating account and a third party accounting firm checks all transactions and countersigns all cheques raised from the account.

> **Best Practice #2:**
> **CDI's Financial Controls**
> *See Attachment D*

Human Resources & Development
CDI's Human Resources and Development manual identifies all of its HR and training policies, recruitment procedures and a performance management program similar to that used by CNGL, but with CDI's organizational values inserted as performance dimensions to be reviewed with each employee. The contents of this manual change more frequently than the others as issues arise and lessons learned generate new policies.

Health, Safety & the Environment
CDI's health, safety and environment systems evolved primarily from those of CNGL, including the establishment of Safety & Environmental Planning Groups (SEPGs) at each location. CDI added further detail to CNGL's systems in the areas of occupational health and hygiene. Awareness of safety risks, health hazards and environmental impacts is a key part of CDI's approaches and policies.

Communications
This manual is in the process of completion and will include details of processes, guidelines and policies for internal and external communications. CDI regularly communicates with its internal and external stakeholders through a variety of means. Internally, CDI relies upon a system of reports, meetings and internal correspondence (primarily via e-mail) to communicate amongst field staff and Port Moresby staff. CDI compiles reports by coordinators and managers and feed them into a variety of external communications described below. Each program group holds meetings on a quarterly basis to review progress and develop plans. All staff at each location hold weekly coordination meetings to ensure they are aware of each others' activities and coordinate the usage of resources. The management team meets on a monthly basis to communicate progress for each program and coordinate plans.

The Board of Directors meets three times per year to review progress and approve plans and budgets.

For external communications, CDI compiles its internal reports and summarizes them into the following communications:

- Weekly program reports provide highlights summarized into a brief weekly bulletin which is widely distributed amongst stakeholders by e-mail.
- Both weekly and quarterly program reports provide information for CDI's quarterly newsletter, which also includes other articles and information of interest.
- Quarterly program reports combine into an overall organizational report for the Board of Directors and several donor representatives each quarter. Instead of a fourth quarter report, an annual management report is prepared to provide a quick review of the year's progress and summary of financial performance/status at the year's end while waiting for the audited financial statements and full annual report.
- Each program's annual evaluation and summary report, along with the auditors report, provides the information for the annual report for the Directors and donor representatives. A summary volume of this full annual report is prepared and given wide distribution to CDI's stakeholders.

CDI also provides regular presentations to the JVP at Operating Committee Meetings at least once per year.

CDI communicates with the local communities on a mass scale through its community radio station, CDI FM. CDI FM records and broadcasts informational programs that explains CDI's programs and what benefits they can provide the communities. In addition to this media, CDI's field staff regularly communicates with community members through village workshops and regular contact in their village visits.

Best Practice #3: **Community Radio** *See Attachment D*

Program Managers and Coordinators primarily handle communications with government through their appropriate counterparts at the national and provincial level via regular one on one communications and frequent meetings.

CDI's Communications Coordinator, based in Port Moresby, coordinates CDI's internal and external communications. This Coordinator monitors all communications and ensures they flow in a timely and effective manner. CDI also has a public relations officer, who is responsible for producing its weekly bulletins, quarterly newsletters and summary annual report. CDI's communications staff also maintain close ties with local journalists, ensuring the domestic press reports important achievements.

External Components

The following sections describe the components of the CDI model that are outside of the direct control of CDI's decision-makers. These components reflect CDI's relationship with its stakeholders and the challenge to define roles in overlapping areas of responsibility. A summary of stakeholder input on CDI's relationship with its stakeholders follows.

4.6 Relevance to Stakeholders

The analysis of interview, focus group and literature review materials suggest that there are six stakeholder groups to consider. These include CNGL's community affairs department, the community, the joint venture partners, governments and government agencies, CDI staff and other NGOs. The comments relating to CDI's relevance to its stakeholders were on the majority very positive, with a lesser number of negative or uncertain responses.

4.6.1 Community Affairs, CNGL

CDI grew out of the Community Affairs department of CNGL. Many in CNGL Community Affairs say that CDI has brought "great relief" and "lifted a burden," enabling the company to focus on its core activities – finding and producing oil. A tradeoff has been that CA now mainly interacts with communities on contentious issues, resulting in more confrontations, while CDI does more of the "nice to do" work.

CDI welcomes a closer relationship with CA, as long as such a relationship enables CDI to remain at an "arm's length" from the operator. Although CA is not in the field as much as it was in the past, some within CA feel they *are* aware of what is happening on the ground whilst others do not necessarily want CDI to be the eyes and ears of the company. These individuals feel that is CA's role and responsibility. They may not be seen to be as involved as they were in the past, but that is the way they want it. Others see a decline in feedback on community perceptions and aspirations, now that the CA link with the community has diminished, because CA is no longer proactive in the community.

On this continuum of perceptions, there are still others, particularly among some within the ranks of the new Operator who would like to see a much closer relationship between CA and CDI that would include daily communication, more ownership of CDI programs, and a stronger voice in planning.

Many communities understand the difference between CDI and CA. Since communities saw as "core" what CNGL management saw as "non-core", communities warmed to CDI more quickly, and to a greater extent than CNGL might have expected. This stimulated the "missionary" dedication, so community support and CDI enthusiasm each fed off the other to produce an even stronger relationship.

Some see a major difference in the two organizations in terms of "the handout mentality." As one community member said, it's the difference between "hand-outs" versus "help-outs." The "handout" mentality is not completely gone, but CDI is committed to its principles and values of self-reliance.

When discussing differences between CDI and CA, a group of Kikori District staff members commented that, "CA had to target things that could be accomplished in a short period of time to please their bosses. Nothing has lasted." They went on to say that, "CA was restricted to license areas and was 'feeding' people. They promoted a handout mentality, and CDI is removing it. CDI is turning the concept around and developing human resources." They said that CDI is very serious about what they do and more focused on long-term assistance. A group of community leaders also commented that, "what CDI is doing is long term or sustainable, while what CA did have not been sustained." CA was company-oriented, while CDI is community development oriented. The previous relationship promotes good communication with several programs, particularly health.   "We collaborate very well with everyone contributing," according to some CA staff. Other CA staff report, "We're relieved! A burden has been lifted. Now we can focus more on those things that oil company business requires."

4.6.2   The Community

Reflected throughout the information from all sources is the fact that community holds the primary key to CDI success or failure. CDI recognizes that village stakeholder participation is most successful when CDI is in their midst responding to the needs that the community itself has identified as most important.

To "be out in the community" CDI moved out of the CNGL camps at Moro and Kopi and established their own facilities. Both staff and community recognize this as being important not only in establishing an arms length relationship from the company and a closer association with the community by being in their midst, but also in the development of a CDI family atmosphere and working relationship.

The move away from company facilities allowed recognition that former CA staff, now employed by CDI, are truly members of the NGO community. With this recognition has come professional pride in doing the community development (CD) job better than they ever could have done as members of the CA organization.

> **Best Practice #4:**
> **Establishment of Independent Facilities**
> *See Attachment D*

CDI's approaches have gained the trust and confidence of the communities by focusing on sustainability through the promotion of community self-reliance. The project selection in CDI's engagement with these host communities relates to the needs that each community has identified for itself. The programs are participatory in nature and cover a wide range of areas.

Given that CDI is newly established, its progress in community engagement in the Gulf Province has been rapid. CDI has identified four "model villages" to date. The model village concept has two applications:
- To help the model community become self reliant by building their capacity in areas of importance to them.
- To model to other communities the concept of self-reliance and inspire them to follow the example.

Closely related to the model village concept is the strategy of allowing actions to speak louder than words. In terms of community access, less has been found to come from "talking" than

comes from "doing." The important corollary of these approaches is that communities who do not wish to participate in the development processes are under no obligation to do so. Communities who might be looking for handouts or political favor could find CDI "walking away" from development projects at least until engagement with that community is possible on a sustainable footing.

Some of the negative community perceptions of CDI included:
- "CDI is a great exit strategy for CNGL". With CNGL's intended departure from PNG in late 2003, people linked the 2000/1 PNG Challenge retrenchment exercise which included CD staff that CDI immediately recruited as part of its commencement. Some community members perceived the whole initiative stemmed from early ChevronTexaco intentions to exit PNG.
- "CDI receives and spends a lot of money". This perception combines the mind-set of CDI's association with a "rich" oil company, and the fact that CDI efficiently delivers services that the cash-strapped Government cannot.

4.6.3   Joint Venture Participants (JVP)

The initial approval and on-going support by the JVP for CDI reflects the social and environmental consciousness that is necessary in the international petroleum industry of the 21st Century. As this section demonstrates, the combination of CDI and WWF initiatives has already delivered broad international interest and recognition for members of the JVP.

Stakeholders identified CDI's relevance to the JVP as:
- The petroleum industry's need to demonstrate corporate social and environmental consciousness has made the CDI/WWF initiatives very timely. The JVP receive enormous credibility as socially responsible companies. There is trust that the company is seeking to deliver what the community needs, and in so doing provides a secure and safe working environment.
- The establishment of CDI reduced costs and employment levels for the Operator. The low cost NGO approach can deliver more for less.
- By being resident and functional in a community CDI delivers socio economic impact statements for industry use in petroleum operations. No one is better placed than an NGO with a primary focus on sustainability to monitor socio economic impacts.
- CDI indirectly supports the corporate need of "oil production unaffected by landowner disruption".

4.6.4   Government and Government Agencies.

The most successful projects conducted with government to date have been in the fields of health and education. The Health Department in particular is well experienced in using Health Agencies through PNG's Missions and in working with NGOs. The Department recognizes that it does not have the funding capacity to successfully do the work itself, and it acknowledges that NGOs have the low cost base systems supported by appropriate checks and balances to deliver health services more efficiently that the Department could.

A key success was CDI's capacity building exercise with the East and West Kikori Local Level Governments. Apart from making significant contributions to the Local Level Government and Provincial Government planning processes, CDI found the exercise vastly

expanded the Foundation's contacts and good-will throughout the Gulf Province. A key factor in building this relationship has been the avid support of the Gulf Province Governor.

CDI recognizes that the Government's programs and activities must be visible to the community. When the community goes to CDI for assistance before going to the appropriate government agency there is an implication that "the government cannot do it." CDI has to constantly manage its relationship with government officials to prevent public servants from feeling CDI is usurping authority or trying to replace the Government as a service provider. They also manage resentment of CDI's access to resources and corporate support in the face of declining government budgets and support.

4.6.5   CDI Staff

The staff takes comfort and pride in their training and qualifications. They recognize that they have expanded their caliber and commitment to the NGO vision through working with CDI. One staff member described it as "stepping out of the narrow self interest of the company to focus on the wider community."

A regularly repeated theme through the interviews and the focus groups is that CDI is a "learning organization." which results in a steady evolution and improvement in program development.

Many of the CDI staff felt however, that there is inadequate training or career path development for staff members. Some had expectations of more formal training opportunities domestically and overseas than the short term workshops they attended to date.

4.6.6   Other NGOs and Universities

Other NGOs draw upon CDI, seeking documentation and ideas. This peer recognition is an excellent outcome for such a new organization and helps CDI to continue to grow in learning through the input from others.

CDI is developing a reputation as a useful training ground for University students. Many seek CDI as a preferred assignment for the practical component of their studies. The CDI health program has drawn assistance from the University of Utah and UPNG. Such outside assistance has increased CDI access to medical services and the saving of lives has generated increased stakeholder enthusiasm for the program.

There is a perception amongst some NGOs, Universities and potential donors however, that feel CDI shouldn't be seeking additional funding over and above what the JVP provides. This requires regular communication regarding sustainability strategies.

4.7   Awareness

Awareness of CDI is a key component of not only building stakeholder support for the model, but also helping to develop networks of contacts for access to resources and learning. CDI has systems for communications described in section 5.5.5 above to generate awareness of

CDI amongst its stakeholders, the industry and the public. But the actual level of awareness is dependent upon many external factors as well. Some of these factors include:

- Company and JVP strategic intents in relation to PNG's operations
- Community and employee perceptions of Company/JVP intents
- Community and political conflicts
- Level of education and literacy

CDI's formal and informal communications have produced sufficient awareness to generate continued approval, acceptance and support from the developers, several government officials/departments, NGO partners, some donors in PNG and the communities CDI works with. CDI has also generated considerable awareness amongst the petroleum and mining industry in PNG and internationally through several conference papers and presentations.

While CDI's communications efforts have produced support where needed the most, many of the case study respondents noted gaps. The most notable of those gaps was amongst both the community and government in the Southern Highlands, which have been beset by a number of political conflicts and civil unrest during the period of CDI's establishment and development.

Much of the initial awareness has explained what CDI is and the fact that the developers support it, but there are many stakeholders who want more detailed information in areas of interest to them. CA want more information about community issues and needs, the community wants more information about programs and activities, the government wants more information about plans and resources. These are the levels of awareness CDI is focusing on in terms of improved stakeholder engagement and more efficient communications efforts.

CDI's primary means of communicating with the general community is through CDI FM community radio station. It was recognized by many interviewed as an excellent tool for generating awareness on a broad range of development issues and information. Many respondents noted however, that people are more familiar with CDI FM than with CDI itself and that there was a need to do more general awareness on CDI with the radio station.

4.8   Funding

CDI is currently funded from the JVP through grants outlined in an annual grant agreement and a number of individual project agreements. These agreements provide for the following mechanisms:

- Monthly Cash Grants
- In-kind support charged against one of the developer's charge codes
- Seconded personnel including: Executive Director, Planning & Communications Manager, Public Health Manager
- Individual project donations for targeted health and education projects

Additional sources of funding include:
- NGO grants
- Community Development Scheme
- Individual Corporate Donations
- Cost recovery for camp accommodation

JVP cash grants and in-kind support are allocated by formula across three licenses and paid from dedicated charge codes within each of those license budgets. For 2003, funding is allocated 40% to PDL2 (Kutubu and Moran Licenses), 30% to PDL3/4 (Gobe Licenses) and 30% to PL2 (Export Pipeline License).

The establishment costs, primarily consisting of the costs associated with CNGL personnel seconded to CDI, come from a separate budget assigned to general expenditure, which is ultimately allocated to each license through time-writing. All of these individual charge codes roll into an overall Sustainable Development budget, which also includes WWF grant funding as well. This allows CNGL to easily monitor the total costs of its sustainable development initiatives (CDI and WWF). It also establishes a baseline of operational funding for CDI which will continue when its establishment phase is completed and it is able to operate independently of CNGL management.

5.0   Where Were We and What Have We Learned?

Several social issues faced the development of PNG's first petroleum project. When CNGL submitted a Petroleum Development License (PDL) application in 1990, PNG was reeling from the closure of the giant Bougainville Copper Mine as a result of community unrest. The escalation of community problems at Bougainville drove home the point to mining and petroleum developers in the country that community problems had to be proactively managed and that the government could not be relied upon to manage these problems. Precedents were already being set at large mining projects around the country to deliver varying levels of social services to their respective project area communities.

The project area surrounding CNGL's exploration, development and pipeline licenses posed its own set of social issues and problems to manage. Economic development of the region was virtually nonexistent and the level of social services from the government was woefully short of the community's needs. Maternal and infant mortality rates in the project area were amongst the highest in the country. Literacy levels were amongst the lowest. The lack of basic services and infrastructure stemming from poor government capacity was exacerbated by political expectations that the project developer would meet these needs.

As a result of the poor government capacity for social service delivery, the community turned its hopes to Chevron Niugini, expecting that the introduction of such a large, technically advanced project in their area would surely produce a wide range of infrastructure developments and social services for every village. Managing their expectations posed many challenges as the low levels of education in the project area limited most people's ability to grasp the scope of the development and the level of benefits they should be able to reasonably expect. To proactively address the threat of disruption, CNGL established constant interaction with the people in their villages to ensure community concerns were addressed before they evolved into major crises. But constant interaction with villagers purely for company related issues simply increased expectations and established a pattern of constant negotiation and conflict that provided few opportunities to interface with the villages on a positive footing. The social development programs provided CNGL's Community Affairs (CA) personnel with an opportunity to establish constant interaction with villages on projects and activities that were of direct benefit to the community while noting issues and problems that could lead to major crises.

The World Bank carried out an evaluation of CNGL's community affairs efforts in September 1998 as part of a series of case studies on Corporate Social Responsibility. Their findings provide useful third party feedback of the effectiveness of these programs in meeting CNGL's objectives. Some of their relevant comments are included below.

> *"Within the narrow limits of facilitating project development, the CA team have clearly been successful as evinced by the successful construction and operation of the project. Given the social and economic circumstances Chevron Niugini were operating within, (for example the presence of tribal cultures with their inherent conflicts, the absence of rule of law and poverty of social services provision) this is a considerable achievement. The unwillingness or inability of the state to provide the necessary security for resource development projects to proceed (in terms of obtaining and maintaining access to land and providing physical protection for project facilities and personnel) has been alluded to earlier in the Chapter. In this regard, the role of CA as agents of security for the Kutubu project should not be*

underestimated. It is principally through the efforts of CA that the company has been able to implement and continue to operate the project. CA have also been instrumental in tempering the demands from landowners for additional project benefits."

"In the more difficult area of facilitating the efficient delivery of government services, Chevron Niugini has been hampered by the lack of an effective partner at the provincial level. Rather than looking to Chevron for the added value that it might bring to service provision in areas such as health and education, the provincial health and education authorities have tended to view Chevron's interventions as easing the pressure on over-stretched budgets and relieving them of certain responsibilities. On an ad hoc basis, Chevron has repeatedly found itself in the position of having to shore-up deficiencies in service provision through investments in infrastructure or supplies, sometimes in response to the frustrated demands of landowners.

This prompts the question of how sound the policy of facilitation was, given the consistent lack of capacity at the provincial level? In principle, Chevron was right to persist in playing a supporting role in order to encourage longer term upgrading of the services provided by government. In addition, the work Chevron supported to facilitate immunization programs, village health extension services, and provide refrigeration technology and other supplies to clinics and schools has been of value, even if the public authorities have allowed equipment to fall into disrepair. However, could Chevron Niugini be criticized for failing to recognize early enough that logistical support and provision of supplies were an inadequate substitute for supporting strategic planning in the areas of government services? Given the substantial revenue streams accruing to the Southern Highlands and Gulf Provincial Governments, would Chevron would have been better served by attempting to support capacity development to help ensure better service delivery?" (McPhail & Davy, 1998)

Lessons learned from CNGL's social development programs were compiled and summarized in a case study report produced in April of 2000. Many of the lessons learned pointed to the need to use a different model for addressing the social needs of the project area community.

"There is a difference between community relations and community development and a need for both to occur within the project area communities. Community relations are focused on meeting the expectations of the impacted communities with regard to project benefit streams and issues. Community development is focused on mitigating the negative social impacts of the project and addressing the needs of the impacted communities in terms of socio-economic development. CNGL has combined its community relations and community development activities over the last several years to the detriment of both activities. A clear separation of these activities from the beginning would have produced better results.

CNGL's social development programs would have produced stronger results if they had been project-based activities implemented by NGOs and contractors rather than internally developed and managed programs. CNGL could have then established a small core of staff to monitor and manage the efforts of the NGOs and contractors.

Chevron does not have the capacity to handle social issues across the board. It needs alliances with experienced organizations to access the expertise for analysis and planning of social issues that it cannot access in-house. There is a tendency of many Chevron personnel to show little understanding or appreciation for the level of expertise needed to effectively manage social issues." (Flemming, 2000)

CNGL started to consider its options in outsourcing its social development programs to an NGO. They evaluated various options including funding an existing NGO in PNG or creating a company sponsored Foundation, a model used successfully by Rio Tinto in several countries. A number of considerations convinced CNGL to adopt the company Foundation approach:

- Existing NGOs in PNG were established with their own unique sets of objectives and priorities. Reconciling their objectives with those established by CNGL for its original social development programs would have resulted in several changes to the original programs and a loss of momentum to the progress already made.
- There was no single NGO in PNG that specialized in the unique combination of social programs carried out by CNGL to meet the needs of the project area communities. This would have required CNGL to either develop a program with several NGOs - with the increased costs associated with managing the relationships between them – or to assist a single NGO to extend beyond its core area of specialty with the resulting uncertainty in performance.
- Drawing upon their experience with WWF, CNGL felt it was unlikely any NGO would place a high priority on seeking additional funding for programs in the project area communities if it was already receiving grants for those programs from the company, minimizing the opportunity to leverage company funding with additional resources from other donors.
- CNGL's social development programs had been an important part of demonstrating its commitment to the project area people of being a responsible corporate member of their community. Establishing a new NGO, instilled with CNGL's original social objectives and maintaining a strong relationship with the company, would help CNGL to continue demonstrating that commitment in the eyes of the community.

CNGL drew heavily upon Rio Tinto's experiences with their Foundations, particularly the Rossing Foundation in Namibia, to develop the CDI Foundation. But they also drew upon the advice of WWF and their extensive network of consultants. The advice and support from both organizations continued after CDI commenced in January 2001 and helped the organization to evolve with continuous learning along the way. The sections below summarize this learning, drawing conclusions from stakeholder feedback, identifying key lessons learned and providing recommendations that address those lessons.

Internal Components
The following sections describe the conclusions, lessons learned and recommendations for the components of the CDI model that are developed and controlled internally within the organization itself.

5.1   Development of Organizational Structure and Capacity

CDI's original organization structure of late 2000 was based upon many untested assumptions related to the most appropriate allocation of authority and job responsibilities within the organization. Two years into operation, drawing upon lessons learned, CDI recognized that the organizational structure needed improvement to ensure that CDI's capacity could grow over time. CDI then initiated an organizational restructuring in late 2002 with the following objectives:
- Develop a better balance and division of managerial/supervisory responsibilities within CDI
- Improve planning, supervision and implementation of field programs
- Improve coordination and synergies between programs and with program partners

- Improve staff productivity and morale
- Clarify roles and responsibilities and better define job duties for each position
- Improve communications and relations with external stakeholders
- Improve organizational focus on staff development and succession planning

5.1.1   Legal Framework

Confusion over the legal structure resulted in CDI initially operating under the name of the Trustee Company, which was originally named CDI Foundation Ltd. The presence of the "Ltd" in the name generated suspicion in some circles that CDI was a profit-making entity. CDI eventually received legal advice that it should be operating under the name of the trust fund (the "CDI Foundation Trust Fund") instead of under the name of the trustee company and subsequently changed the name of the Trustee Company to CDI Foundation Trustee Company Ltd, to help clarify what purpose the company actually serves.

5.1.2   Overall Organizational Capacity

A number of factors contributed to building CDI's organizational capacity from the onset:
- Former CA staff brought elements of the Chevron corporate culture
- Establishing strategic partnerships. Affiliation with WWF enabled informal organizational learning about NGOs to occur
- Early and continuing support from high levels within the oil company
- Allowing itself a period of establishment to gradually separate itself from CNGL
- Effective and creative leadership and management
- Recruitment of quality staff.
- Establishment of independent facilities.

These factors, coupled with others, allowed CDI to evolve as a separate entity linked to the company, but with its own identity, culture, and values.

Stakeholders advise CDI to continue to systematically learn from its experience to continue to build capacity. They also indicate that the following steps could contribute to this growth:
- Continue professional development of staff
- Align recruitment process with organizational values to ensure hiring the "right" people
- Strengthen communication infrastructure in field
- Improve communication, collaboration, and teamwork within and between programs. If not given immediate attention, the organization will evolve as a number of independent programs, rather than as a system capable of providing integrated services.
- Continue to use the transparent and accountable financial system it has developed
- Explore possibilities of expanding into other areas.

5.1.3   Facilities

CDI began with offices in Moro, Kopi and Gobe Chevron Nuigini camps. Eventually CDI, along with the WWF-KICDP, moved to nearby "Moro II" following completion of renovations in 2002. This centre now provides a classroom for training workshops, meetings and classes and an improved Agricultural Resource Centre with nurseries, demonstration plots and poultry sheds. Local farmers and the Agricultural Resource Centre provide fresh produce to the catered mess hall. During 2002, a local area network server was installed in the

Centre's offices, serving both CDI and WWF, but the centre still lacks e-mail and Internet access.

CDI also identified a site at Kikori, in the Gulf Province, for establishing a second centre even more removed from the oil camps. Using local materials and traditional designs, local builders and artisans have constructed a strikingly attractive and useful training centre, office space, lodging, kitchen, and dining area. The Kikori Training Centre officially opened 27 July 2002. The centre is considered by many to be a model for rural development centres in PNG.

A third center, at Samberigi, has recently opened, and plans are underway for a fourth at Pimaga. Plans should move ahead to establish the training centre in Pimaga on a similar scale as Kikori using local builders and traditional styles.

CDI also saw the need to have an office in the capital city of Port Moresby. CDI still sees itself as a field-based NGO, with the Port Moresby office supplying coordination, administration, communication, and logistic support services to the field programs. CDI plans to relocate to a new office within Port Moresby to reduce costs, yet retain accessibility and needed services.

5.1.4   Management/Staffing

CDI commenced operations in 2001 with 13 former CNGL employees who had been retrenched from CNGL's Community Affairs group at the end of 2000 and two CNGL employees seconded to CDI for the initial establishment and management of CDI. By the end of 2001, CDI had filled 29 of 34 positions, including the two seconded from CNGL. CDI has focused on building staff capacity through strengthening skills of initial staff – mainly former CA staff –, and hiring new staff with needed skills – mainly from the NGO community. CDI started off with a "plus" by hiring mostly former CA staff members who brought with them an understanding and appreciation of the Chevron corporate culture, including an emphasis on health, environment and safety.

> *The "ChevronTexaco Way" of trust and integrity were all conveyed to CDI. The principal vision of ChevronTexaco is combined with NGO management principles to make a hybrid. The result is accountability and planning with NGO passion for community well being.*
>
> --ChevronTexaco Executive

CDI has maintained a healthy growth rate, adding staff to maintain the manpower and skill levels needed to efficiently and effectively carry out its work. CDI seems to be responsive to staff needs and alert to what it takes to attract and retain quality staff, and provides staff development opportunities through courses, in-service training, on-the-job training, and informal mentoring. To the extent possible – considering costs and other factors – CDI plans to continue to build an organization that has a healthy mix of Papua New Guinean and expatriate involvement, thus benefiting from such diversity.

5.1.5   Governance

CDI is challenged with how to increase participation among Board members. CDI wants influential people on the Board, yet because of the stature of these people, they are often too

busy to participate optimally as Board members. One stakeholder suggested that the composition of CDI's Board of Directors (4 JVP representatives, one CDI representative, and 4 independent members) might be giving the oil industry too much influence resulting in lower participation from the independent members. CDI is well aware of the importance of Board participation and is actively exploring ways to optimize Board participation.

> *The Board needs people of public stature who are living and thinking the CDI vision.*
>
> --ChevronTexaco employee and former Board member

Conclusions/Lessons Learned

1. Many consider CDI's staff to be its most valuable asset, with effective management and visionary leadership two of CDI's greatest organizational strengths. Building solid management and leadership skills throughout the organization will continue to strengthen CDI's overall capacity.

    Recommendations
    - Continue to fill positions, as needed, to avoid staff burnout – but do not hire so many that the organization becomes an over-staffed bureaucracy.
    - More effectively utilize the career development process in place to continue to encourage and support professional staff development
    - Continue to develop management and leadership capacity through domestic and international training and exposure, while still keeping costs under control.
    - Continue to challenge staff and align CDI's objectives with their personal drives for community development
    - Continue to devote budget allocation to training & development.
    - Establish a fulltime position for identifying fundraising opportunities, coordinating input from various programs and writing grant proposals, and focus grant writing skill training on this position.
    - Focus on improving program efforts in Southern Highlands Province, particularly community development. Build a team of people with strong motivation, professionalism, and commitment comparable to that of the Gulf community development team, then work to build a self-help mentality.

2. CDI could benefit from more active involvement of the Board of Directors. CDI is not seeking management from the Board, but overall governance and guidance.

    Recommendation
    CDI's Leadership needs to engage in dialogue with the Board of Directors to identify ways to more actively involve the Board members in CDI governance and contributing to achieving CDI's vision.

3. Strengthened coordination, cooperation, and communication are essential to effective and efficient organizational functioning, and building organizational capacity.

Recommendation
- Review and strengthen the "human" communication system, both "top down" and "bottom-up."
- Strengthen coordination and communication across programs
- Equip all facilities with phones and computers with Internet connections.

4. The relationship with operations remained close because CNGL staff had been seconded to CDI. JV representatives are now calling for a more independent management within CDI to manage operations while maintaining a relationship with operations for coordination and ensuring minimal impact on operations.

   Recommendation
   CDI Management should become more independent and conduct business under its own name rather than closely tying itself to the operator.

5.2   Evolving Organizational Culture

CNGL's experiences with WWF helped it to understand the impacts of organizational culture on the effectiveness of its work within the communities. Lessons learned identified 7 years into CNGL's relationship with WWF included the following:

- CNGL has learned to recognize WWF as a separate, independent entity with objectives it supports. The tendency for Chevron to treat WWF as a contractor minimized the effectiveness of the cooperation and limited opportunities to gain useful third party endorsement of the partnership.

- Building strong relationships between CNGL and the WWF is the key to overcome the differences in organizational culture between the two organizations. To institutionalize these relationships, there needs to be strong linkages between comparable positions at several levels.

- WWF does not have the same approaches to project management, safety compliance and commitment to achieving results in the short term as one would find within Chevron or the majority of its contractors. While Chevron needs to recognize and respect the differences in organizational culture that produce different project management styles, WWF also needs to recognize the project management expertise Chevron has available and draw upon it more often to yield more effective results.

Drawing upon those lessons helped CNGL understand the impacts its own organizational culture was having on the effectiveness of its community development initiatives and provide further support for the creation of a separate vehicle in CDI that could develop a culture of its own.

5.2.1   Gender-Related Issues

CDI is slowly but steadily strengthening staff awareness and understanding of the impact of gender on its work. It is building its capacity to work more effectively as a gender-mixed team and also with communities. A culture of gender sensitivity is evolving.

5.2.2 A Hybrid

CDI is creating an organizational culture that represents a unique "hybrid" of corporate influences and NGO influences. The more direct attempts at establishing this hybrid were accomplished through the development of CDI's policies and systems. The more indirect attempts were made through CDI's recruitment strategies and policies. CDI's lessons learned from its attempt at shaping a new organizational culture are summarized below.

Conclusions/Lessons Learned

1. CDI's organizational culture is defined by its leadership but reflected in the perceptions of its stakeholders. The values and principles defined by the organization are a part of its culture only if they are clearly reflected in it activities. The measure of its success in establishing the desired culture is evidenced through continued and regular feedback from its stakeholders.

    Recommendation
    - Communicate values and principles frequently with all staff and other stakeholders. Obtain feedback regularly through each program evaluation on stakeholder perceptions of the organization overall. Identify areas where CDI's approaches or behaviors are inconsistent with its culture and address the deficiencies.
    - Provide training on the values and principles within CDI and to external partners.

2. The most significant factor in developing CDI's organizational culture is its people. The culture is being developed from the top through the establishment of values, principles and policies, but is then dependent on staff to make it work in practice. Recruiting the right people with the right attitudes is essential. People can often be trained new skills, but it is much harder to train new attitudes.

    Recommendation
    Continue to balance recruitment of personnel from a variety of different organizations to produce a diverse work culture. Develop more effective strategies and rigid policies for recruitment that ensure finding applicants with the right attitudes.

3. Developing an organizational culture that not only respects women and their role in sustainable development, but also actively seeks to involve them in culturally appropriate ways is a challenge in highly diverse Papua New Guinea.

    Recommendation
    As stakeholders cautioned, community education programs for women and girls may go against cultural values and local politics, making it a dangerous area in parts of PNG. But basic literacy, maternal-child health clinics, and women's associations will build support for CDI as women are in the villages (while men are often not) and as such are a key to stability. CDI must steadily seek to identify ways – even small ones – to actively involve women in the development process. They form a vital and vibrant part of PNG society. Failure to tap into their resourcefulness is failing to recognize and build upon the latent capacity of the society.

4. CDI is still in its early stages of development and it is possibly too soon to be able to appropriately define the culture that it has, as opposed to the one it is trying to develop. Some feel an organizational culture is one that evolves over a long period of time, demonstrating to others it is the real culture of the organization itself as opposed to the culture of the leaders guiding it. Potential program partners and donors may withhold their judgment of CDI until they see how its culture survives upcoming changes in leadership, funding and its relationship with the developer.

   Recommendation
   Communicate frequently with stakeholders during the transition and identify how the positive elements of CDI's culture identified by stakeholders continue and strengthen.

5.3 Program Design Modifications

This section highlights changes CDI has made in its programs and target areas – the locations in which it works.

5.3.1 Target Groups

CDI's programs initially focused on the rural communities impacted by the petroleum developments in the Southern Highlands and Gulf Provinces of PNG. The original lingua-cultural groups assisted by CDI include:

- The **Foe:** With approximately 6,500 people in 29 villages and the government sub-district centre, Pimaga.

- The **Fasu:** Having a population of approximately 1,700 people in 14 villages.

- The **Samberigi** peoples, who variously speak **Sau, Kewa** and **Polopa** and have a population of approximately 3,000 people throughout 14 villages and within the ECPNG mission at Samberigi.

- The **Kairi (Dumu)**, **Ikobi (Kasere, Ikobi Kairi), Porome (Kibiri),** and **Kerewa (Goaibari)** speaking communities along the Kikori river have a population of approximately 4,000 people spread in 21 villages and the government district centre of Kikori.

The **Huli** speaking groups to the north of Lake Kutubu represent the largest language grouping within the Southern Highlands Province with approximately 100,000 people. CDI did not work there originally, but CNGL implemented social development programs with a small population of Huli speaking communities surrounding the Moran oilfield immediately northwest of Lake Kutubu. CDI now extends its programs and activities into the Huli speaking villages of Homa, Paua, Yarale, Baguale and Yalenda, with a population of approximately 2,000 people, with continuous migration to these villages from the more heavily populated district of Tari to the northwest.

5.3.2 Expansion to Other Areas

As CDI increases its interaction with government extension workers at the provincial, district and sub-district level, it anticipates geographic target area expansion to include the entire

districts or sub-districts that these areas fall within. This could include the Pimaga and Erave sub-districts of the Southern Highlands Province and the Kikori district of the Gulf Province. CDI also expects that government and aid donor interest in supporting CDI will grow over time as CDI develops it's capacity. If this interest generates additional funding support, the target area for CDI's programs may further expand to other underdeveloped communities within the Southern Highlands and Gulf Provinces.

CDI is also steadily working to more effectively integrate its social development activities with the community outreach efforts of the Kikori Integrated Conservation and Development Project (KICDP) managed by the Worldwide Fund for Nature (WWF). Plans are currently underway to extend CDI's activities into the communities surrounding Mt Bosavi in the western portion of the Southern Highlands Province, where the WWF has worked with communities for several years.

5.3.3   Location of Facilities

CDI staff and operator staff agree that communities, CDI, and the operator all benefit from having CDI located outside the operator's camps.

> *Living in the community in Gulf Province makes us more visible. People see we are there. We concentrate on what we are doing. Wish the same was true in the Southern Highlands.*
>
> --CDI Manager

Company operations staff hopes to see CDI operating out of Pimaga (Sub-district station) rather than at Moro. Such a move would minimize the inflow of community members into the operations area when visiting CDI, and move the focus back to Pimaga as they feel activities will follow CDI's location. Managing community misperceptions that CDI is actually part of the company might be also eased with CDI being located outside of the operational camps.

Having an office in the capital city of Port Moresby has also proven to be advantageous by helping to overcome challenges of communication, banking, arranging logistics, etc., that NGOs typically experience in rural settings such as Kikori and Kutubu.

5.3.4   Program Design

Prior to transferring its social development initiatives to CDI, CNGL reviewed its programs in light of changing stakeholder needs. The objectives of the review were to revise the existing programs and activities to be more effective by validating and linking input from the many studies carried out with local government development plans and the community's own priorities. The process used for doing this proved to be a useful model for ongoing monitoring and evaluation of programs in the future to ensure that program designs continue to address the needs and expectations of both the community and the local government. Using a participatory approach in the process also helped to secure strong community and government participation in the programs.

CDI gained information for program design from staff knowledge and experience; SEIS reports on the area; government plans; and learning from the experiences of other organizations, such as WWF, working in the area. Drawing upon this information, CDI

initially implemented six programs in accordance with its logframe and targets established in its 2001 Operating Plan. During the first year of operation more targets were exceeded than those than were not met. Several factors, including setting targets too low and, in other cases, delays in reaching full staffing levels resulted in targets being exceeded or not being reached

CDI's evolving systems for monitoring its program implementation; annual evaluations; and local level government (LLG) training for ward councilors all contribute to organizational learning and are increasing CDI's capacity to collect information and learn from a wide range – in contrast to a few – of stakeholders.

Conclusions/Lessons Learned
1. Many stakeholders are encouraging CDI to expand its coverage to areas beyond the petroleum project impact area. CDI also wants to continue to operate within the JVP operating area for as long as needed.

    Recommendation
    The JVP should continue to substantially fund CDI, and CDI should increase efforts to source independent funding to be able to move to other parts of the Gulf and Southern Highlands.

2. Locating CDI's facilities outside of the operational camps make CDI services more visible and accessible to communities, and takes the focus off of the operator's camps.

    Recommendation
    Step up efforts to move Moro operations to Pimaga, modeling after centers at Kikori and Samberigi.

3. Construction and insufficient infrastructure slowed program implementation, and limited communication infrastructure has continued to limit effectiveness and efficiency.

    Recommendation
    Give priority attention to communication infrastructure when establishing community-centered CDI facilities in the future.

4. CDI's programs seem to be focused in the right direction and addressing community and government's priority needs.

    Recommendations
    - Continue to utilize participatory approaches, as they encourage and enable a range of stakeholders to have input into program design.
    - Communicate back to stakeholders how their input is incorporated into CDI's plans.
    - Focus on grass roots rather than leaders to get information on needs for program design.
    - Continue to design programs that reflect understanding of Government and other participating parties' policies and procedures

5. CDI does not focus on a particular cause, e.g. conservation, or a particular sector e.g. health, but has a broad range of programs aimed at improving social conditions in targeted communities, distinguishing it from sector-focused NGO's.

Recommendation

All stakeholders should actively participate in the development of plans, through various representations on CDI's committees, to ensure there is alignment.

5.4   The Role of Partnerships and Collaboration

This section describes the evolution of partnerships and collaboration over CDI's short lifetime. A key lesson learned by CDI during its development, establishment, and implementation stages has been to:

> S*tart early to build strong partnerships with government, other NGOs, universities, and other resource institutions.*

Building strong partnerships from the outset contributes to community acceptance, credibility, and building needed capacity. Partners can offer each other access and entry points to existing networks, which can greatly benefit new organizations. Effective partnerships can familiarize an emerging NGO with local customs and context; and offer lessons learned based on experience working in the area or field, as well as proven technical resources and appropriate tools, systems, and approaches. CDI also offers the operating oil company the opportunity to engage indirectly with communities and partners, like WWF.

Sharing of strengths and resources to help fill gaps in each other's resources can greatly elevate partnerships. Partners often have much expertise and many resources, but may be lacking a key piece that can help them to function optimally. Coordinating and building understanding of each other's activities also helps to strengthen mutual trust and inter-reliance. CDI has learned that successful partnerships also provide assurance to the government – or university, NGO, or community – that they, not CDI, own the services; that CDI's role is complementary and supplementary. Such role clarity contributes greatly to successful operations.

CDI has learned that the best partnerships spring from existing relationships and networking, and that *people are key to good partnerships.* When you have the right contact and the right champion, the rest gets easier. Good partnerships rarely happen when you seek out an institution and try to develop a relationship from scratch. Both organizations need committed champions. For example, in CDI's health program, two staff members have been instrumental in developing the relationship with Government of PNG health services, as well as health-related partnerships with the University of PNG and the University of Utah in the USA.

CDI continues to collaborate and work closely with partners to fulfill its mission. Stakeholders see "strengthened partnerships" with government, especially, academic institutions, and other NGOs as *essential* to CDI's sustainability. Others see "working closely with government" and other partners as crucial components of CDI's long-term vision. Many

feel that CDI can mitigate some potential threats to sustainability by continuing to foster excellent relationships communities and government at all levels.

5.4.1   Communities

As communities' capacities build, they should become more involved in planning, monitoring, and evaluation that affects them. In doing so, they will feel more ownership for the activities in their communities, and move closer to becoming true partners

5.4.2   The Government of Papua New Guinea

CDI realized from the onset that working in partnership with government is the most effective way to achieve sustainable development. But, in many cases government officials lack capacity in terms of skills and physical resources to effectively carry out their roles. This is where CDI has been able to help. Through building government capacity, CDI can continue to assist the government in improving education, health, and agricultural service delivery that is the government's mandate.

Inviting government involvement in all CDI activities, participating in joint capacity building activities, and planning joint activities will go far in strengthening the relationship, building capacity, and creating a sense of ownership. For example, at the LLG level, CDI is focusing on building the capacity of ward councilors to develop ward-level plans that can be integrated into LLG, and then Provincial, plans. Targeting efforts at district and provincial planning seems to be at the right level and focus, according to stakeholders. In addition to directly strengthening government capacity, this activity has also helped to create new contacts and build a strong network with government. Other CDI programs -- health, agriculture, and education -- have also evolved at different rates, reflecting government plans and expectations.

Although CDI has made strides forward, successes with Government relations have been mixed – depending upon the political climate and individuals at each location. The varying political climates can result in struggles in one area, and with good working relationships based on mutual trust in another.

CDI must continue to clarify its role as one of government partnership and capacity building to ensure that all communities clearly understand CDI's role and do not expect CDI to do the government's work. CDI must collaborate <u>with</u> government at all levels and continually keep government informed and involved.   By strengthening government's acceptance of capacity building CDI can also help government understand that CDI's motives are constructive, not competitive.

Keeping government as a close partner is crucial. In addition to the actions already mentioned, stakeholders offer the following advice on how CDI can continue to build this relationship:

Build Capacity Jointly. Build relationships through joint training and other capacity building to increase government and donor recognition as an effective capacity builder.

Support Development of Ward Councilor Plans. Focus on developing and supporting the implementation of ward councilor plans in CDI's target community area. Source external funding for those outside of target community, and do what is possible to ensure that the needs identified through the process are also addressed at the Provincial level. Provide information to the Provincial Planning section and develop appropriate awareness materials

Build Capacity within the Southern Highlands Province (SHP). Find the best entry points in the SHPG and build upon those – bottom-up, not top-down. Remain neutral, avoiding politics as much as possible by building strong relationships with functional heads. Deal with politicians through the public servants, not the other way around. Learn from the Gulf Province LLG capacity building as a model for SHP to follow.

Establish Regular Communication. Identify ways to establish regular communications with the government. For example, continue and strengthen the involvement of national government representatives in the M&E Committee. Also, encourage departments to appoint people who wish to be a key liaison with CDI. Assigning counterparts at provincial and district levels is one way to help maintain close working relationship between field staff of CDI and government. Dedicating a position for government relations may also be necessary.

5.4.3   Operator's Community Affairs (CA) Office

In the early stages, CDI faced some misunderstandings, assumptions, and suspicion. While regular communication between the two was to be part of the new arrangement, it did not happen. Initially CNGL created liaison officer positions within CA who were to allocate 20% of their time to coordinating CA-CDI activities. This arrangement was never implemented as intended. While CDI and CA initially planned for more formal communication, an informal system evolved, but not a strong functional one, at least in some perceptions. Although there is a good relationship and understanding of CA and CDI roles at the management level, work remains at other levels. Some outside CA feel there is better understanding at the top of CA about CA-CDI roles and responsibilities than there is at the field levels.

> *It would not take much. There's no need for formal reports, just a weekly meeting –*
> *a regularly scheduled meeting – would probably do it.*
> *--CA staff member*

By further strengthening understanding of each other's roles and collaborating to the extent that is appropriate and desired, CDI and CA may be able to build a more constructive relationship that enables CA to be less reaction-focused and CDI to work with communities on self-reliance, without the interference of CA handouts. Such collaboration should carry the message that CDI and CA programs complement each other, in relationship to the oil company's concerns. Impetus for such a strengthened link between CDI and CA must come from top levels within both CDI and Operations.

> *The transfer of the CD function to CDI went smoothly, leaving CA to manage the*
> *"core business.*
> *--CA staff*
> *It was also a "relief" to be able to tell the community "to go and see them." When*
> *Community Development issues were raised.*

5.4.4   WWF-KICDP

WWF and Chevron began collaborating in 1993, long before CDI existed. The relationship has built upon this history, gaining depth over time. Several staff members, including those in top positions, had experience with WWF KICDP prior to CDI, so the current relationship has built upon these early relationships. Over the years, much informal "organizational learning" has transpired between WWF-KICDP and CDI as WWF has also provided a "model" of a NGO, from which CDI has learned. Many believe that this ChevronTexaco – WWF – CDI model is a good one.

Key learning for both has been how to make it stronger by optimally working together and capturing synergies.

> *ChevronTexaco has pulled together WWF and CDI. Do more of this. Get third parties like WWF with the environment and CDI with community development – they can do a better job for the company (than the company can with these things). Then the company can do a better job of producing oil.*
> --CNGL employee advice to ChevronTexaco

They have undertaken joint planning meetings and are steadily working toward greater collaboration at the program level. As projects typically have an end, the WWF-KICDP will likely draw to a close over the next few years, with CDI possibly taking on some of the KICDP work, and perhaps even staff.

> *Both WWF and CDI could significantly strengthen the CDI-WWF partnership, and effectively leverage their relationship to undertake broader initiatives elsewhere.*
> -- ChevronTexaco Executive

The following points indicate some areas of unrealized potential:

- **Physical Arrangements**. WWF and CDI already share facilities at Moro but cannot move to share Kikori facilities until adequate communication systems are established.
- **Planning and Program Design.** Joint planning, coordination meetings, and projects will greatly help to integrate the organizations and increase their overall effectiveness and efficiency. Identifying counterparts within both organizations would help greatly with planning and coordination of activities, exchange of ideas, etc.
- **Joint Activities.** Participating in joint activities, such as staff retreats, would enable staff of both organizations to explore philosophies, values, organizational culture, and to nurture the partnership

> *Stay in the area. Even when the oil goes, WWF should have a continued presence along with CDI. The project area is large, remote, and there is much to be discovered.*
> --Chevron Employee,
> WWF Mid-term Evaluation
> *It's a great idea that WWF should continue to work on conservation in the*

5.4.5 The Rossing Foundation

Collaboration with the Rossing Foundation of Namibia was quite robust in the early days. The CDI CEO played a major role in establishing this relationship, and learned much about start-up issues, organization development, Board relationships, and how a Foundation could evolve and effectively interface with a company. CDI benefited greatly from The Rossing Foundation's role in helping to shape many of CDI's systems and processes. More recently, the organizations exchanged staff members to participate on each other's evaluation teams – providing both opportunities to share best practices at other organizational levels.

As the relationship between the Rossing Foundation and CDI matures, it may move into other realms. Just as the two have begun to share resources for evaluation, they may find other ways to strengthen and support each other's efforts. If the CDI concept is replicated elsewhere in the world, it is likely that CDI will be the "model" from which to draw learning, with organizations like Rossing continuing to provide insight and serve as a sounding board.

5.4.6 Universities

Collaboration between CDI health staff, the University of PNG, and the University of Utah seems to be evolving in mutually beneficial ways. Medical students and physicians from PNG and the USA have been attached to clinics and hospitals in the project areas, providing the students with invaluable experience and rural areas with much-needed healthcare and services. Although in early stages, momentum is building.

Potential is also strong for using UPNG and other PNG universities on similar ventures elsewhere within the country. Likewise, ChevronTexaco could utilize the relationship with the University of Utah to leverage support and start programs elsewhere in the world.

Conclusions/Lessons Learned
1. Effective partnerships are essential to CDI's development and sustainability.

   Recommendations
   - Use existing partnerships to leverage relationships with others that are needed to address needs within the project area, and utilize those partnerships and networks when expanding or exploring working in a new area.
   - For new ventures, seeking and establishing partnerships should be a priority from the outset. Form these relationships carefully, as such relationships can negatively or positively affect both partners.
   - Establish criteria to help in selection and formation of partnerships.
   - Utilize international partnerships formed through CDI, such as the University of Utah and WWF, to leverage partnerships elsewhere in the ChevronTexaco world.

2. CDI and its partners have experienced mutual gains from collaboration on program activities such as organization development, community development, health, conservation, and evaluation.

Recommendations
- Collaboration on other areas could be strengthened through "education and awareness" of each other's values, approaches and programs.
- Through more interaction and joint activities, key partners could strengthen areas in need within each other's organizations.

3. Having a strong partnership with Government – at all levels – is crucial to CDI's goals of strengthening service delivery to communities.

   Recommendations
   - CDI should dedicate resources specifically to building government relations. Currently this function is buried among individual managers and their contacts with individual government departments.
   - Direct needed attention and resources toward strengthening government capacity and partnership at all levels.
   - Engage with government as partners, but avoid political affiliations.
   - Build strong trusting relationships with communities, which can help to dilute political power from the outside. If the communities support the NGO, political disruption may be more difficult.
   - Explore ways to improve government relations at all levels such as establishing regular communication; building capacity jointly; supporting development of Ward Councilor Plans; building capacity with the Southern Highlands Province; holding regular monthly coordination meetings, which are already occurring to some extent, with district staff; emphasizing government relations as part of the community coordination role; presenting monthly reports in person to Provincial Governments, etc.

4. CDI, JVP, and CA all recognize the value and importance of having a closer working relationship between CDI and CA. Those contributing to the case study had many suggestions.

   Recommendations
   - Embrace true partnership, where both organizations respect each other's objectives, roles and responsibilities and share a common vision
   - Actively build teams to avoid turf battles, conflicting efforts, or simple indifference.
   - Review socio-economic impact monitoring together and understand the nature of the greatest social needs and their implications. Then jointly develop and implement strategies to build upon the community assets, or strengths in the area and to mitigate negative impacts of these factors.
   - Communicate to all stakeholders the relationship between CA and CDI; that the y are not competing; and that both are critical to the industry efforts and to the well being of the project area communities
   - Improve coordination, joint planning, and formal as well as informal communication

- Assign at least one CA liaison officer to operate out of the CDI office at each location Moro, Gobe and Kopi or consider a dedicated fulltime CA position interfacing with both CDI and WWF. Encourage these staff members and others at all levels within both organizations to maintain open dialogue on matters of mutual interest to strengthen mutual trust and inter-reliance.
- Involve CA more intensely with CDI, such as participation on the M&E committee, which must be supported and mandated by Operations

5. CDI faces the challenge of working more collaboratively with CA while still remaining an "arm's length organization."

   Recommendation
   - Explore creative ways, through dialogue, to collaborate without diminishing 1) CDI's role and reputation as an independent, neutral NGO, or 2) CA's need to establish a positive working relationship with communities.
   - There needs to be support from management within operations to enable lower positions to understand and be able to play the liaison role between CA and CDI
   - CA Supervisors should be engaged and made aware of CDI issues and plans.

6. Partnerships are most effective when partners understand each other's expectations and benefit mutually from the arrangement; when regular dialogue clarifies expectations, plans, roles, and needs.

   Recommendations
   - Clarify roles, responsibilities, and expectations with key partners and stakeholders early in the relationship to eliminate unfounded or exaggerated expectations.
   - Explore and engage in opportunities to collaborate. Through these initial collaborative experiences, more solid partnerships may form when the organizational goals, objectives, and values are compatible.
   - CDI and CA should take necessary steps to establish communication links between the two entities at all levels.
   - ChevronTexaco should make sure, in new undertakings, that ample time be given to sorting out roles and responsibilities if the two – CA and the NGO – are to share responsibilities with communities.

7. NGOs, universities, and aid donors offer significant expertise and resources for social development. To build its own capacity, CDI has reached out to partners such as the Rossing Foundation of Namibia to assist with organizational development and program evaluation; the University of Utah Medical School in the USA for support in public health research and training; and WWF for supporting natural resource conservation. Oil companies are limited in their ability to identify and access this support as it is outside of their core areas of business.

   Recommendation
   Continue to see – and build – partnerships as a way to strengthen CDI capacity. As the organization evolves, so will its capacity needs, and different partnerships may be needed to help meet these new capacity needs. Decide whether or not to build

capacity within CDI, or access it from external sources. CDI needs to decide which will be most efficient and effective for addressing needs at that time.

8. Partnerships may begin with two individuals from two organizations. Both organizations may benefit from this one-to-one exchange. But, optimal benefit materializes for both when others throughout the organization become involved in the partnership as well.

   Recommendation
   Identify opportunities for elements of partnership to permeate the organization, such as joint planning meetings, joint projects, capacity-building experiences, and other activities, as needed and appropriate. These efforts are particularly important with key partners such as WWF.

5.5 Evolution of Approaches, Tools and Systems

This section examines the development of key approaches, tools and systems within CDI related to stakeholder engagement; planning, monitoring, and evaluation; communication; human resources and development; health and safety; communication; and finance. Many stakeholders interviewed indicated that CDI has a good mixture of oil company and NGO approaches.

> *CDI reflects a unique hybrid of corporate an NGO influences. Its management approach captures the best from the corporate (oil) culture (e.g.: financial planning & management; corporate social responsibility; emphasis on accountability; understanding of how community affairs and oil companies operate), and creatively blends it with some of the best of NGO practices (e.g. participatory approaches; planning tools; assets based/ appreciative approach vs. deficit/ problem-focused approaches; commitment to working with communities to improve their lives).*
> – Independent Consultant.

CDI's management team continues to draw upon several diverse resources to develop its organizational systems, and is compiling an operations manual known as the CDI Guidebook. The Guidebook is a living document, reflecting revisions, and updates as policies, procedures and forms evolve and improve. The Guidebook addresses Planning & Implementation, Finance & Administration, Human Resources & Development, Communication, and Health, Environment and Safety.

5.5.1 Stakeholder Engagement
CDI's initial efforts to engage communities utilized participatory approaches to community needs assessment and issue identification. Introduction of the 8-step Community Development process developed by The Bismark Ramu Group has further strengthened CDI's participatory approaches. CDI is using this approach in 4 model villages in Gulf Province and has plans to expand to other areas in the future near.

Because of PNG's extensive cultural diversity, CDI considers a range of approaches when working with communities. This sensitivity has influenced the approaches taken in the two

provinces. CDI selects model villages in Kikori through assessment of village leaders' and community interest and commitment. This information is not systematically filtered through an organization-wide, standard process. Instead program staff use varying mechanisms to select communities based on community needs, commitment and interest. The CD process has proven to be effective in Kikori as empowered communities develop their own plans and are the main implementers.

5.5.2   Planning, Monitoring, and Evaluation

Improved planning – including a strategic plan and annual operating plans – has helped to produce clearly defined programs, outputs and organisational values. For example, the 2003-2008 Strategic Plan includes a new planning, monitoring and evaluation cycle. CDI has also established a Monitoring and Evaluation committee that meets twice a year to review more detailed monitoring and evaluation documents, and includes National Government representatives from health, education, agriculture, community development, and environment and social sectors.

Annually, each CDI program conducts a mini program evaluation, with one program conducting a more major evaluation. The major program evaluation in 2002– the Community Education Program – had an organization-wide impact resulting in all program designs and plans becoming more focused and measurable

5.5.3   Communication

During 2002, CDI installed a radio studio, tower and transmitter at its Kikori Training Centre as well as a translator on CNGL's Gobe communications tower and another transmitter on CNGL's Iagifu communications tower. CDIFM was launched on 27 July 2003 during the opening ceremonies for the Kikori Training Centre. Since then, it has been broadcasting 24 hours a day to communities throughout the project area. The station broadcasts local and international music and news as well as regular development programs. Applying concepts of social marketing, CDI FM seeks to balance entertainment value with educational/awareness value to maintain a high number of listeners. Using this concept, the station functions somewhat more like a commercial radio station, giving listeners what they want to hear, but replacing commercial breaks with development messages.

With no other media available to most of the communities in the project area, the radio station has become an extremely useful and popular tool for CDI's development work and helped to establish a high level of interest in CDI amongst a wide variety of stakeholders.

5.5.4   Human Resources & Development

CDI has had assistance from the Labour Department, CNGL's legal staff, and human resources professionals to ensure accuracy of the draft of CDI's Human Resources & Development manual. Further development focuses on training policies and systems.

5.5.5   Health Safety & Environment

CDI established initial safety rules and procedures at each of its facilities. CDI and WWF have together formed a Safety & Environmental Planning Group (SEPG) and meet regularly

to discuss both safety and environmental issues as a part of their coordination meetings. Development of the Health Safety and Environment manual continues, with a focus on developing occupational health policies and practices. The University of Utah's Rocky Mountain Centre for Occupational and Environmental Health is providing guidance, with a 2003 completion date set for the current version.

Conclusions/Lessons Learned

1. CDI's program design continues to evolve and develop not only in content but also in understanding and application of tools and support and participation from different stakeholders. Communities/cultures are different and need different approaches to enable optimal entry into each community.

    Recommendation
    Through continuing to build capacity using participatory development approaches, CDI can engage a range of stakeholders and thereby help to ensure that its programs and activities are culturally sensitive and appropriate.

2. JVP representatives want strengthened communication and involvement with CDI. The current documents distributed and level of communication is not sufficient.

    Recommendation
    CDI and the JVP need to engage in dialogue to explore a range of communication mechanisms, including occasional site visits that can strengthen understanding and support.

3. Staff continues to learn from and see the value in participatory approaches.

    Recommendation
    Continue to build capacity in this area within CDI staff as well as with partners and government.

External Components:

The following sections describe the conclusions, lessons learned and recommendations for the components of the CDI model that are outside of CDI's direct control.

5.6   Impact on Stakeholders

Although the case study did not set out to evaluate CDI, stakeholders are interested in its progress, and the case study did provide insight into CDI's impact and relevance during its 3-year existence. This section highlights some of those impacts.

5.6.1   Impact on Communities

NGOs can run community development programs more effectively than oil companies can. The NGO can focus on self-reliance, capacity building and sustainability, which communities will more readily accept from the NGO. The oil company's CA's shorter-term focus on immediate mitigation of problems results in communities expecting handouts. CDI is turning this around with a longer-term focus aimed at sustainable development. Some key impacts to date include the following. Details are available through CDI's annual reports and program evaluation reports.

- Immunization/outreach clinics held throughout project area
- Containment of measles/whooping cough outbreaks
- Medical support staffing at Pimaga and Kikori
- Training Centres at Moro, Kikori, and Samberigi
- Registered CODE/IDCE Study Centres
- Established vanilla production
- Established model villages in Gulf Province
- Local theatre group established for community awareness
- Local Level Government Training in Gulf Province
- CDI FM community radio station
- Partnerships established increased presence with Universities, NGOs, and aid donors in the area.

A Quality Action Team was established by CNGL in 1995 to assess the impacts of a continuing decline in government social services within the project area communities. The team found "basic health/medical and education services to be the highest priority services needed in the project area community"[6] Expressed another way $1 spent on health and education achieves more community benefit and community satisfaction than $1 spent on any community development program. The findings of 1995 were found to be equally true in 2003. CDI has responded to this need by making health and education its largest programs and establishing a number of useful initiatives in these arenas. The most significant accomplishments have come from the Public health program to date, a sample of examples includes:

- In 2003 572 children -- over 90% of the children of Samberigi -- have been vaccinated against measles.

---

[6] Government Services Quality Action Team Final Report 10th December 1995. Page 2

- Outreach clinics delivering basic health care have reduced medivacs and the patient load on Company medical facilities
- 70% of SHP villages are now current with immunizations.

CNGL, CDI, and the JVP recognized that those living in the project area would initially have difficulty understanding that these former CA employees were no longer part of the oil company, and had new roles as CDI staff. This was doubly difficult to grasp because the former CA staff members were implementing programs similar to those that CA provided. Although an awareness campaign was designed and implemented, it took nearly two years before communities recognized CDI's independence. CDI's move moving out of the camps helped.

Mitigation of negative community perceptions of CDI and the need to get news of CDI's plans, programs, activities and successes to stakeholders requires a well-planned and accurately delivered communications program. CDI found, as CA found before it, that the communities outside the immediate oil project impact area are much more constructively engaged in development processes than those within. While funding comes primarily from the oil project developers, there must be a focus within the project area. Ironically sustainable development in model villages (more typical of villages from outside) is the greatest stimulus to changing the difficult attitudes found within the project area.

5.6.3 Impact on PNG Government and Government Agencies

CDI has focused capacity building on Local Level Government, Provincial Government and National Government plans. In cases such as in the Gulf Province where there was no 5-year plan or LLG plans, CDI is building capacity of government institutions and councilors to develop the necessary plans. There CDI's capacity building process and proven delivery of services has resulted in the Governor becoming a champion of CDI increasing the likelihood that the relationship with the Gulf Provincial Government will be long and fruitful one.

The Southern Highlands Provincial Government and associated Local Level Governments have existed only in name since 1997, so CDI's involvement in the Southern Highlands Province has been restricted to the Moro, Samberigi and Pimaga areas.

5.6.2 Impact on the JVP (including the operator)

> *Managing social issues and community expectations is what grants us (the oil company) the license on a daily basis.*
>
> -- CNGL employee

The JVP, particularly the operator, has benefited from association with CDI by being seen as supporting a socially conscious organization.

The initiatives are earning statements from senior industry managers such as:

"WWF was mentioned and the Norway bid benefited from it. ChevronTexaco picked up the license."

"Both CDI and KICDP received incredible acknowledgement in the international arena."

"Reputation-wise – yes. CDI is a model we can use in production areas or in "green field" sites."

"Association with WWF has been a real benefit, especially in these times of increasing awareness of need for corporate responsibility."

Company officials would like to see CDI's operations maintain a high level of independence and not be perceived as "a tool of the JVP". Despite this they still feel that a high level of collaboration and communication needs to be maintained between operations and CDI as they are working in the same area and with the same people.

CDI's focus was geographically different from CA's. For example, CDI operates in at least one non-project village, and does not operate in project area villages that have not yet embraced sustainable development. CDI's option to work only with communities that want to be involved is an excellent basis for closure planning. Not all communities may want to be involved after the industry closes down, and resources should be devoted to those who choose to be involved.

> *The traditional use of CA programs was a way to "keep close to the community" through daily talking. The single biggest concern is that when an intermediary steps into that role, the communication capacity is lost, and the company's relationship with the community may suffer.*
>
> --OSL Representative

Although not originally planned, CDI has proven to be a mechanism for eventual closure planning at the end of CNGL's time in PNG as well as for the operator in the future.

5.6.4   Impact on the Oil Operator's Community Affairs (CA) Department

CDI distanced itself from the company, as was the plan. But in doing so, it distanced itself from CA, too. Although pleased with CDI's role and feel it is carrying out its intended role, CA has relinquished some elements that contributed to building a more positive relationship with communities. Now, some feel CA only intervenes in time of crises.

The CA organization capacity to gather and analyze community information declined when it ceased performing the CD function as there was no longer a sound CA reason for having a continual presence in the field that allowed the CA staff to be the "eyes and ears" of the oil company. Having to send someone out deliberately to find something out is less desirable and more obvious than having somewhere actively involved in the community all along. Being the "eyes and ears of the company" would of course be a serious conflict of interest for CDI, so this critically important function of information management was adversely impacted. By not having an on-going CA presence in the community, the developer also loses the capacity to influence the community and achieve its desired outcomes, according to some oil company

stakeholders. Because CDI is not, and should not be seen as, a tool of the JVP, CDI cannot be used in this direct way.

5.6.7 Impact on Partners

In terms of partners, except for the PNG Government, CDI's greatest impact has been on WWF's KICDP. During the early years of the WWF-KICDP, many landowners looked to the KICDP for non-conservation related community development. Over time the KICDP has been able to emphasize its conservation science role with communities, making it an ideal partner for CDI, which focuses on development. Some WWF staff report that without CDI, KICDP's work would be much more difficult because communities would still be looking to it for development activities – some still do. The two organizations report that they continue to learn from each other, share facilities outside the oil camp so that they can more easily collaborate and be more accessible to those from the project area that they serve, and KICDP also benefits from the oil company infrastructure.

5.6.5 Impact on CDI staff

> *CDI should have started at the same time as oil operations rather than later, as this is causing a lot of confusion over its role and that of the company. The handout mentality would be easier to manage if CDI had started earlier*
> –CDI Staff
>
> *Transition from CA to CDI was a big challenge because we knew the community CDI deals with, and we had dealt with them in our CA role. We met the challenge.*
> -- Past CA employee in CDI.

In the initial stages of CDI, CDI hired some former CNGL-CA staff that were being retrenched because of a cost-cutting down-sizing that resulted in elimination of many community development functions. This transition went fairly smoothly because relationships had been established earlier in CA; CDI had strong leadership clear organizational purpose. Former CA employees who comprised the initial CDI staff members were trained, skilled and experienced in the oil industry project area where CDI planned to work; and they also brought CNGL corporate culture to CDI.

CDI was established is a very short time, which also meant that some staff was involved in building facilities while also trying to implement programs. Programs could have become more effective sooner if facilities, including communication systems, could have been in place prior to implementation.

A theme from the interviews was that CDI learned "what not to do" from CA. As some CDI staff were recruited from CA ranks, they brought with them the knowledge of what did and what did not work during their former employment.

Conclusions/Lessons Learned
1. Even though some in Community Affairs feel that its information gathering capacity has diminished with the community development function being transferred to CDI, most also expressed "relief" and a "burden being lifted" by CDI taking over the community development function.

Recommendation
Both CDI and CA should explore ways that CDI could share information with CA, as long as this does not jeopardize CDI's role in the community or confuse its role with community members.

2. Although both CDI and the JVP see CDI continuing to operate in the area, long after oil production ceases, some see CDI as an important part of closure planning. Others do not – feeling that such association with closure has a negative connotation.

    Recommendation
    CDI and JVP should begin now to address its "best guess" related to closure planning and CDI's potential role. CDI should then begin to plan and build capacity that might be needed in the future.

5.7 Implementation of Communications Strategies

Communications formed an essential part of securing the support and approvals necessary to establish CDI. In 2000, CNGL developed a communications strategy to guide communications during this critical approval stage. Within the company and amongst the JVP, this strategy worked well and secured the necessary approvals in a timely manner. With the national government and Gulf Provincial government, CNGL secured support within the time frame expected. Communications with the Southern Highlands Provincial Government however, suffered from early misconceptions developed by the Governor about CDI and interest in some parts of the government to see the JVP provide direct funding to their departments for social service delivery instead of CDI. As this issue unfolded, the Southern Highlands Governor was suspended for misconduct in office and the resulting confusion in the province made it extremely difficult to identify and maintain stable contacts that could develop regular communications about CDI. These early obstacles remained in the province throughout the establishment of CDI and have limited its ability to develop an effective partnership with the Southern Highlands provincial government.

Since its establishment, CDI's communications systems and personnel have grown. Even before the case study, many stakeholders indicated that the level of communications from CDI were not sufficient. CNGL and JVP personnel first voiced this resulting in a number of briefings and updates to communicate the progress of CDI to date. CDI also increased the number of communications staff to improve the frequency and timeliness of its communications. CDI also started to broaden the distribution of reports and newsletters at that point as well.

Feedback from the stakeholders during the case study indicates that there are still strong expectations that CDI should communicate more frequently and more effectively than it has in the past. The following lessons learned summarize their feedback.

Conclusions/Lessons Learned
1. Poor communications about funding strategies and plans impacted perceptions of how and why CDI was funded, generating confusion and concerns about continuity of funding and support.

Recommendation

When starting an organization such as CDI, communicate clearly and transparently from the outset how and why the organization is funded to eliminate confusion and alleviate concerns about continuity of funding and support.

2. Stakeholders recognize CDI's Public Health communication approaches including strong networks and frequent information communication as most effective.

Recommendation

Learn from those within CDI who others have identified as effective communicators.

3. CDI's strategies for communicating progress to the JVP were not effective in widely disseminating information throughout their organizations. Communication came primarily through approvals (board, budget, OCM) and the dissemination of reports. Reports tend to be an inappropriate means of communicating progress with most stakeholders as few have the time to read them.

Recommendations

- CDI needs to improve how it communicates plans and progress to its stakeholders, particularly its donors. Donors also need to identify the level of information they need and ensure they have people appropriately assigned to maintain regular communications with CDI.
- Identify direct ways to demonstrate progress to Operator and JVP through site visits and individual briefings.
- Improve and increase communications between CDI and stakeholders at more levels, not just amongst communications staff or management. Assign counterparts at different levels of the organization with stakeholder representatives for regular informal contact.
- Develop capacity to use more varied media forms, such as videos and documentaries.

5.8 Funding History

CNGL's Community Affairs' budget originally funded social development programs. Although the social development programs commenced during the construction phase of the KPDP in 1991 and have been carried out continuously since then, cost data is only available from 1994 onwards. The following table shows actual and projected costs:

Cost of CNGL's Social Development Programs

	Total Costs*	Costs - $$/Bbl	Costs – % Opex
1994	2,234	0.05	3.1%
1995	2,177	0.06	3.4%
1996	2,131	0.06	2.9%
1997	1,316	0.05	1.7%
1998	1,220	0.06	1.6%
1999	1,073	0.03	1.4%
2000	975	0.03	1.1%
Total	**11,126**	**0.05**	**2.1%**

* US$ Thousands

The above costs represent a portion of Community Affairs (CA) expenditure specifically related to social development programs. This excludes activities and expenditure involved in interfacing with the community for business needs such as land acquisition, landowner company contracting and local labor relations.

In CNGL's presentations to the JVP in 2000, the following funding strategy was identified:

- CDI funding timed to start with KICDP Phase 3 grant period. KICDP funding beyond Phase 3 should go through CDI.
- Funding approvals form a part of the budget approvals. CDI funding would start with 3-year nominal amounts and then reverting to a formula for remainder of Project life based on a percentage of absolute operating costs.
- Use 2000 social development expenditure of $975,000 as a baseline and target operational funding for CDI and KICDP to reduce by 30 - 50% by end of 3-year period.
- Separate, one-time donations were needed for the Training Centres, which would eventually reduce operating funding needed.
- Options would be available for individual JV participants to fund specific programs or facilities for better public relations benefits.
- Proposed to provide incentive for fundraising with matching funds up to specified limit.

In 2001, CDI was given an operational grant of US$975,000 plus a one time capital grant of US$650,000 to establish its initial facilities outside of the company's operations. The following graph shows how much was spent in establishment costs and actual operating grants to CDI since 2001.
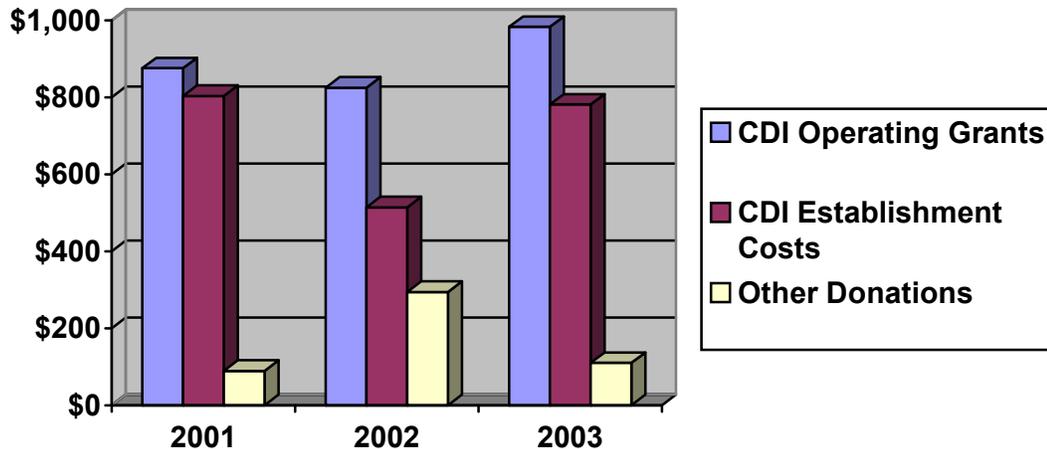
Fig.5 - CDI Funding History in US$ Thousands

Total establishment and operating costs stayed on target throughout 2001 and 2002. At the end of 2002 however, a 2003 budget increase for both CDI's Operational and Establishment costs was proposed and endorsed by the JVP at the October Operating Committee Meeting. This was based upon the following factors:

- Moran Project community extension services in health and agriculture were originally funded out of the Moran construction budget. After completion of construction in late 2002, CDI would assume responsibility for this support and extend its other development programs into the Moran area villages.
- CDI would assume responsibility for matriculation studies for CNGL and contractor employees, previously administered by CNGL's Training department.
- The PNG Dept of Environment and Conservation required socio-economic impact monitoring to be carried out on a continual basis and a study report to be produced at least once every three years. CDI would conduct socio-economic impact monitoring on an annual basis and produce the data and analysis that could be incorporated into a company social report that would meet the DEC requirements.
- An interest in developing better synergies between company medical support and CDI's community health initiatives resulted in Dr Nadeem Anwar's assignment to CDI to develop strategies to address those synergies in the most cost-effective manner. His costs were added to the budget for CDI's establishment phase.
- Localization progress took longer than the three years projected at CDI's commencement. The budget for the expatriate Sustainable Development Manager position (budgeted under establishment costs) was extended to the end of 2004.

Other donations represented a variety of sources, including:

- Grants from conservation international for a socio-economic impact study of the Lakekamu basin.
- Donation from Halliburton for educational supplies to the community.
- CNGL donations for College of Distance Education (CODE) studies in the Gobe area committed under the project MOA.

- CNGL public affairs donations for individual projects including immunizations, CODE centres, HIV awareness, and scholarships.
- Community affairs donations for CDI FM that include costs for producing regular informational broadcasts on the company's activities in the area.

Within CNGL, all producing licenses for 2001 and 2002 evenly shared the funding for CDI. This included PDL2 (Kutubu Project fields), PDL3/4 (Gobe Project Fields) and PL2 (the pipeline). In 2003 however, production from the Moran fields commenced and CDI extended its activities into the Moran area villages. PDL2 funding, which incorporates Moran expenditures, was therefore increased to 40%, with PDL3/4 and PL2 funding adjusted to 30% each.

A summary of the key differences between CDI's and CNGL's cost structures was outlined in a paper presented in the 2002 World Petroleum Congress.

"To reduce operational costs, CDI developed a cost structure reflecting the norms and standards of NGOs operating in PNG. It would have been difficult for CNGL to apply this cost structure to a part of its own organization without creating several anomalies in its systems and policies for human resources, contracting and procurement.

Personnel Costs:
- The pay scales of NGOs are typically lower than those of the private sector. CDI developed a pay scale in line with NGO norms, aiming to pay slightly above the average salaries of similar positions in other NGOs to attract high potential employees. The resulting pay scale lowered the annual costs per employee by an average of 22% from what CNGL had been paying its employees doing the same work.
- CNGL employees at its remote field operations work on a rotational basis with four weeks on and four weeks off, each position requiring two employees who work twelve hour days, seven days per week. This type of schedule however, is not well suited to social development work, which must match the pace and schedules of the local communities and cannot therefore achieve the full benefits of the long days and weeks involved. CDI's employees in these remote areas work on a six weeks on and three weeks off rotation, ten hours per day six days per week and scheduling their activities accordingly. This therefore allows CDI to have one employee per position and spread its personnel over a wider range of positions and functions.
- CNGL has overheads associated with each field-based position to comply with the policies and requirements of a large company involved in highly technical operations. CDI has been able to reduce these overheads associated with each of its positions, reflecting the policies and requirements of a small NGO and freeing more of its employees' time for social development work.

Facilities Costs:
- CNGL employees in its remote field locations share a set of office and accommodation facilities reflecting the standards required for a highly technical and specialized international workforce. CDI has established office and accommodation facilities for its field staff that reflect the standards required for a local workforce with

limited technical requirements. This has reduced the accommodation and messing costs per employee by 34%.

- The cost of contracting services and procuring supplies at CNGL's operations are impacted by PNG petroleum regulations; agreements with the government and the community and the high standards established by the company itself. As a separate organization, CDI has been able to establish its own policies and standards more suited to those of an NGO. CDI rarely engages contractors to perform services, opting instead to utilize trainees and local laborers wherever possible and subsequently taking the time to accomplish tasks more slowly. As CDI is a non-profit organization, there is no Net Present Value to increase through timely completion of capital projects, providing more opportunity to develop projects and secure services with a high training component involved.

Training Costs:

- As a member of the NGO community in PNG, CDI has been able to participate in several training workshops and learning opportunities available for NGOs at no cost to the participants. It also participates in several training attachments and reciprocal visits with other NGOs that considerably improve the skills and experiences of its staff.

CDI is also able to develop cost synergies between its development programs in the community and the support it requires for its facilities and staff. Some examples of this include:

- Part of the vocational training for villagers in carpentry and mechanics is applied to CDI's building and vehicle maintenance needs.
- Part of the training in domestic skills for local women is applied to some of CDI's catering and cleaning needs.
- Agricultural extension work helps CDI to maximize its purchases of produce from local farmers for its own catering needs.
- Training resources applied to government officials and community members are also applied to the training needs of CDI's own staff." (Flemming, 2002)

Conclusions/Lessons Learned

1. The original CDI plans and funding strategies were too ambitious. What took three years to accomplish needed between four and five. CNGL and CDI underestimated the amount of time and effort needed to develop systems, establish facilities and recruit the right team of people. Expectations from the JVP that all deliverables would be met within schedule and cost reduction targets were equally unrealistic. Expectations on all sides within the industry reflected the general misconceptions as to what it takes to develop and establish an effective community development NGO.

   Feedback from most NGO partners reveals a perception that what CDI was able to achieve since its inception has been truly remarkable. CNGL's experience and ability to "mobilize" projects made the difference in the speed with which some things were accomplished. The learning and adaptation of NGO approaches, tools and systems, were new to many involved in CDI and took time to be developed within the organization.

Recommendation
Future initiatives based upon the CDI model need to plan and budget for a sufficient establishment period that provides sufficient contingencies for slower than expected progress. The more unique the project and its programs, the larger the contingent funding and establishment period should be allowed. As a general rule of thumb, an initiative similar in size and scope to CDI should allow for a 5-year establishment phase.

2. CDI was successful in reducing many of the unit costs associated with its programs from their original CA levels, demonstrating that it can accomplish more development than its CA predecessor programs for a given level of expenditure. Growing interest from a number of stakeholders however, placed more pressures on the total amount of funding provided to CDI, most notably from CNGL itself in identifying additional functions and activities more appropriately outsourced to CDI.

The cost-cutting environment of 2000 placed the opportunities to reduce unit costs high on the priority list of CNGL/JVP expectations, particularly amongst those with limited understanding of the broader long-term benefits to community and government relations also inherent in the model. As CDI's total activities grew with increased interest and support, this produced confusion amongst donors as to whether CDI was in fact reducing or increasing costs and whether cost cutting was still a primary objective.

Perceptions about the JVP's cost-cutting objectives also impacted initial support from the government, community and NGOs. Many stakeholders were cynical about the Developers' true motives for establishing CDI in the face of ambitious cost-cutting initiatives the Operator was pursuing.

Recommendation
Future initiatives based on the CDI model should not use cost reduction as a key objective or priority nor should it be implemented in the middle of any company cost-reduction initiatives. Using an NGO cost structure with its lower associated unit costs is a secondary benefit of the model and not a primary focus. Long-term projections of lower operating costs should only be determined after its cost structure is established and the organization is beyond the initial 3-5 year phase of establishment.

3. CDI is recognized as an implementing agency that can facilitate and coordinate contributions/donations funding for specifically targeted organizations (such as CODE or the Pimaga Hospital) or social needs (such as the scholarship for female students). Individual GAPA and CA donations proved to be an effective tool to not only target these donations, but also to get more active engagement and involvement of GAPA and CA personnel in addressing community needs together with CDI.

Recommendation
Future funding scenarios should allow for individual project donations focused on strategically identified needs that the Operator wishes to champion on behalf of the JVP. Individual JV participants should identify key projects and activities that they wish to associate their companies' names with and develop specific grant agreements

with CDI for those projects. CDI should plan such funding opportunities prior to preparing budgets so they can incorporate the opportunities into overall operating plans and budgets.

4. Key benefits identified in the CDI model included the potential to generate external sources of funding from other donors. Expectations on the part of both CNGL and the JVP were too ambitious as to the amount of time it would take to not only satisfy donors that CDI has the capacity to successfully implement projects, but can do so as an NGO without being compromised by the corporate influences that spawned CDI. The Rossing Foundation advised that it took nearly 12 years for them to be truly accepted into the NGO and donor community in Namibia.

CDI has been able to pursue its own external fundraising opportunities at a much quicker pace due to the general move to NGO funding the major international donors in PNG are pursuing. CDI has already secured small amounts of funding through its growing contacts amongst donors outside the petroleum industry. Additionally, successful partnerships have enabled CDI to secure additional non-financial resources such as expertise, services and training support that are often more valuable than funding as they tend to be more focused on specific needs and gaps within CDI's existing programs.

Perceptions of some NGOs in PNG has provided useful guidance for CDI in how stakeholders feel an organization can be compromised by simply following any funding opportunity that comes along. To date, CDI has avoided funding opportunities outside of its goal and objectives.

Recommendation
CDI and OSL should review external fundraising strategies together and identify how to structure funding/oversight mechanisms to avoid negatively impacting external donor's perceptions of CDI. Joint CDI/OSL strategies should ensure CDI leverages JVP funding with external sources of funding that grow CDI's impacts towards a widening geographic scope whilst reducing the cost base of its existing operations in the license areas.

6.0   Where Do We Want to Be?: Looking to the Future

The previous section includes lessons learned and recommended actions from stakeholder perspectives. This section consolidates those specific recommendations and hopes to create a collective vision that stakeholders hold for CDI's future. This vision, although realistic, also challenges CDI, its Board of Directors, the oil company operator, the Government of Papua New Guinea, NGO partners, communities, and other stakeholders to stretch and reach for the possible, not merely settle for that which is within easy reach. As we look into the future – *imagine CDI!*

A Collective Vision

The year is 2010. CDI is well known throughout PNG as a sustainable NGO having strong capacity to effectively deliver high quality services where most needed, while being a good steward of resources. CDI has exceptional visionary, and team-focused leadership and management, with strong and effective internal and external communication systems. Staff members are committed, highly professional, well trained, and diverse – reflecting PNG diversity as well as a healthy international/PNG mix – all of which contribute to low staff turnover.

Many regard CDI programs as models for the country. Numerous well-functioning model villages reflect CDI's effective and well-integrated approaches to community development, not only in the Gulf Province, but also in the Southern Highlands. CDI continues to utilize participatory approaches both within CDI's internal systems, as well as in stakeholder engagement. Agricultural projects are thriving providing a sustainable income and improved food security to those involved. General health has improved in the areas CDI serves, with noticeable changes in immunization levels and n maternal and child health. Outbreaks of diseases, such as measles and whooping cough, are largely prevented, but quickly controlled when they do occur. CODE and IDCE Centres boast steadily increasing enrollment and completion rates, including females. CDI's approaches, tools, and systems have continued to evolve, with staff adapting and experimenting with new ideas. CDI-FM has become a purveyor of effective development, as well as entertainment. It is now being broadcast to new areas and has attracted an even larger following, listening especially because of the station's creative communication of development-related information.

Leadership, management, and staff all contribute to CDI's ever-evolving learning organization culture, which reflects CDI's organizational values and is in harmony with staff members' values. CDI has also become a gender-conscious NGO. It also prides itself in its safety record, reflecting its strong health, environment, and safety-conscious approach to development

Government and CDI regard each other as true partners in development – planning, learning, and implementing effective programs together. In spite of close government relations, CDI has managed to remain neutral and uninvolved in politics. Other NGOs regard CDI as a solid collaborator and provider of quality professional services, such as conducting evaluations, offering training, and providing a link with government. Although the WWF KICDP has ended, former staff members have joined CDI and continue to conduct conservation science research in the areas in which CDI operates. Some communities have become true partners as well. They are increasingly involved in planning, monitoring and evaluation that affect them; their capacity continues to build; and they express ownership of development activities in their communities. CDI operates from several training and service delivery centres, all located outside the oil project camps. CDI continues to work within the project area with communities desiring such involvement, and has expanded to reach those in areas previously excluded.

The current operator enjoys benefits of enhanced reputation through its affiliation with CDI. CDI has observably reduced the operator's risk, through active stakeholder engagement in sustainable development activities. The operator has also benefited from CDI's training and social analysis opportunities; appreciates the information available to it on community needs, issues, and priorities; and continues to experience an easing of pressure on company medical services, and reduced costs of social development activities. The link between CDI and the operator's Community Affairs department is strong with clearly defined roles, and effective communication.

The Board of Directors has evolved into a highly aware and active group. CDI's emphasis on sustainability is paying off. It has been able to diversify funding sources by attracting diverse donors with its sound financial systems, fiscal track record, strong investment, and – perhaps most of all – continuing cost-effective delivery of high quality programs.

7.0   Business Value

CNGL and its joint venture participants spent a total of US$4.78 million in operating grants and internal budget and staff resources on CDI during the three year period from 2001 to 2003. What benefits did they actually receive in return for this funding support? How aligned was this support with the company's business objectives? What trade-offs were involved?   These are the questions posed by the case study team to CDI's corporate donors.

Most people, when asked questions about business value focused on either of two primary topics – reputation enhancement or operational support. Some comments however, addressed the topic of the company's capacity for community engagement. Responses in relation to each of those three topics are addressed in the sections below.

7.1   Reputation Enhancement

Demonstrating a responsible corporate image is the first benefit that most donors recognized from supporting CDI. Many saw CDI as a display of their credibility in terms of corporate responsibility, proof that they "walk the talk". CNGL's efforts to promote CDI within the company and the petroleum industry helped to provide a tangible example of what corporate social responsibility in PNG actually meant. These efforts drew upon their experiences in promoting the KICDP and their partnership with the WWF as an example of corporate environmental responsibility.

In local circles, CNGL used the CDI model to demonstrate its commitment to leaving a lasting legacy for the project area communities, a part of its strategic vision statement for years. This helped to build the reputation of not only CNGL, but the whole petroleum industry in PNG, who supported CDI through the joint venture operating budgets. Most stakeholders saw this as a genuine attempt to create something sustainable for the project area communities and commended the effort. When asked what legacy ChevronTexaco was leaving behind in PNG, nearly all stakeholders referred to CDI.

> *All of the JVP echo the same view of needing to leave a legacy long after the oil fields have been depleted. The community needs to be strengthened to be able to sustain itself.*
>
> - ChevronTexaco Manager

In the region, the CDI model has been promoted in Cambodia as part of the "social bonus" that would come with a ChevronTexaco development. This has generated considerable interest amongst the Cambodian government, who sent a delegation of officials to visit CDI firsthand. The ultimate business value of this approach is long from being determined, but at least ChevronTexaco's image has already been firmly impressed upon the government officials that ChevronTexaco not only has the intent to operate responsibly, but the proven capacity to do so.

In the international arena, conference presentations and continued networking produced recognition for ChevronTexaco's efforts to establish CDI amongst the industry, NGOs and

multilateral development agencies. These efforts helped to build ChevronTexaco's reputation as a company of choice amongst important stakeholders.

> *There is growing awareness by NGOs of the CDI model and its applicability. As a result, ChevronTexaco is regarded as a more responsible corporate entity.*
> - ChevronTexaco Manager

Amongst ChevronTexaco corporate staff, some felt the corporation itself had received little benefit from CDI's establishment as they had not leveraged it much. The Case Study team looked for specific examples of where and how the corporation benefited from its support for CDI. References were made to the KICDP as a comparison and how the relationship with WWF had assisted ChevronTexaco's chances in an exploration bid round in Norway. CNGL leveraged the reputational benefits of the KICDP by highlighting the role WWF played in guiding the development of CDI and intents for CDI to assume an increasing role in promoting conservation in the future. This won ChevronTexaco the Environment Award from the Institute of Petroleum in 2001. For the other donors, Oil Search executives mentioned that the International Finance Corporation (IFC) advised that JVP support for CDI and WWF had reduced their political risk insurance by half a percentage point.

The CDI experience was not without its trade-offs in terms of reputation however. Amongst the government and local communities, both CDI and CNGL's expended considerable effort to ensure communities understood where CDI received its support from and that CNGL and the JVP were not ceasing their development assistance to the community. Determining the "length of the arm's length" involved a sometimes contradictory process of trying to recognize Operator support while establishing a sense of independence from them at the same time. This raised many questions about the company's reputation benefits in the eyes of some corporate stakeholders.

> *We don't do a good job giving ourselves credit for Community Development as it is. With an NGO doing it, we remove ourselves even farther from the credit. The question is whether there really is a paradigm shift needed about how we do CD and whether we do it in-house or not?*
> *That's really one of our questions here. What have been some of the tradeoffs – Control? Identity? Vulnerability?*
> - ChevronTexaco employees

CNGL employees managed CDI throughout its first three years of establishment, so the trade-offs in terms of control and vulnerability have yet to be determined. But identity is an issue given considerable attention throughout CDI's development. CDI has given continual recognition to CNGL and the JV participants in government, community and industry circles. Several of CDI's donor representatives were asked about the trade-offs in reputation and what was being sacrificed by not having the company or industry reflected in CDI's name. Most of the stakeholders in PNG recognized the value in portraying CDI as an independent, sustainable entity and saw the name as an important demonstration of that independence, even though that meant extra effort was required to recognize CNGL and JVP support. Amongst some of the public relations professionals however, there was a stronger concern that too much reputation was lost through the arm's length.

Many of the JVP representatives felt ChevronTexaco had received most of the reputation benefits from CDI without sufficient recognition of their larger financial contribution. This was seen as a benefit of Operatorship that would transfer to Oil Search Limited, though a few recognized that securing the reputation benefits required an active strategy to do so, regardless of whether the company was Operator or not.

7.2   Operational Support

The topic of Operational Support covers a broad range of business benefits aligned with the Operator's objectives to efficiently maximize production in compliance with all regulations and in a safe, secure working environment. Part of the role CDI plays within the project area communities is to help ensure neglected social needs do not become major operational risks in the future.

> *The ones in the community are the ones that grant us the license on a daily basis.*
> - Oil Search Employee

Respondents to the case study team's questions recognized a wide range of benefits. While some saw these benefits primarily in terms of risk management through information gathering, social analysis, and strong relations within the community, others saw beyond those benefits to the value of putting something back into the communities impacted by Operations.

> *CDI has been accused of not meeting oil company needs. But that's not what it's about. It's not valid to expect business benefits or responding to the oil companies' needs. What's important is putting back into the community. This is also linked to the overarching need to keep communities happy.*
> - JVP Representative

A summary of key benefits identified by the case study respondents includes the following:

- CDI's public health initiatives reduce community pressures on company field medical personnel and facilities. They also help lower the risk of infectious diseases spreading amongst the workforce from local employees.
- CDI provided CNGL with an opportunity to outsource functions that were seen as necessary, but outside of the company's core area of business. What was considered a non-core function to the company was seen as a core requirement to the community. Placing these functions in CDI as somewhat of a middle ground between the developer and the community enabled the functions to focus on development without being compromised by disputes between the community and the company surrounding benefit streams.
- CNGL was able to provide community development assistance in a more cost effective manner. CDI's freedom to operate under an NGO cost structure enabled it to do a lot more for a given level of resources.

- CDI contributes to the Operator's ability to identify and manage social issues. It addresses some of the issues and generates goodwill the company does not tend to see. It generates trust within communities by engaging stakeholders in relation to their identified needs. CDI provides useful entry points into some communities for the company.
- CDI provides access to world class expertise and best practices through its partnerships and linkages. It is a readily available service provider of social analysis and training, including socio-economic impact studies, monitoring and reporting.

But what were the trade-offs in terms of Operational Support? While most of the CA respondents felt relieved that CDI had taken some of the community engagement burden off of their shoulders, others felt CDI took away an important capacity that needed to be maintained and improved by the Operator.

> *Community Affairs has been able to efficiently and effectively carry out their responsibilities. But now, they deal only with contentious issues. There's no longer a balance between 'good guy' and 'bad guy'.*
>
> - Chevron Niugini employee
>
> *I would have wanted CA doing it better – Why CDI? Why could CA not do it themselves? Some answers might be:*
> - *High cost*
> - *Sustainability*
> - *Other CA functions hinder CD*
> - *Access to external funds*
>
> - Oil Search Manager

7.3   Capacity

CDI also provided considerable business benefits to its donors, particularly ChevronTexaco and Oil Search, in terms of building capacity to identify and manage community issues at new or existing operations. The concepts, approaches and systems pioneered by CDI and documented in detail provide a benchmark for these companies to use as a measuring stick for future efforts.

> *CDI set the requirement or is the poster child for where ChevronTexaco wants to be going with Community Engagement, now we need to mesh or link the two approaches.*
> - ChevronTexaco employee

Some of the corporate donors expressed an interest in learning from CDI, exploring its approaches and capacity to determine what functions it can outsource to CDI that it does not want to be directly involved in.   They see CDI's mission and vision are totally different from the company and much better suited to addressing social issues. The depth of expertise available through CDI's partnerships offers new solutions to complex social problems. All of this establishes CDI as a useful tool for managing social impacts that did not previously exist for the developers.

> *By being resident and functional in a community CDI has delivered socio economic impact statements for industry use in petroleum operations. No one is better placed that an NGO with a primary focus on sustainability to monitor socio economic impacts.*
>
> - Oil Search Employee

Conclusions/Lessons Learned

1. The process of defining and developing the CDI model and securing the necessary stakeholder approvals was effective for achieving early alignment for the project with the objectives of its donors. Local development and control of the initiative helped to maximize the local business benefits. Wherever stakeholder engagement was weakest, that is where the benefits were limited.

    The business benefits from an initiative like CDI do not flow automatically with the funds. Many of CDI's donors recognized its value because they were informed of its progress and benefits were identified. ChevronTexaco's and CDI's investment in communications paid off for them and generated considerable recognition and support. Taking an active, strategic approach to communications remains the key to maximizing the business value of donations to CDI and similar such initiatives.

    Recommendation:
    Oil Search should work together with CDI and WWF to develop strategies for maximizing the reputation benefits of JVP support for CDI and the KICDP. Strategies should be adequately resourced to reach key audiences through conferences, publications and the media.

2. Few in the industry argue the importance of demonstrating that the company tries to leave impacted communities better off than they found them. But many struggle to determine how much support is realistically appropriate.

    > *How do we as a business judge what is the right level of support to do what's necessary to support the business, and what for "the greater good"?*
    >
    > - ChevronTexaco Manager

    At this point in time, there is no easy formula or limit to use in determining the right level of community development assistance. It is highly driven by a complex set of local conditions, issues and risks overlaid by company reputation strategies. CNGL's high level of assistance to communities surrounding its operations may have been an extreme case within the ChevronTexaco world, but was within the norms of the mining and petroleum industry within PNG. Places like PNG however, are starting to build expectations of what corporations should be doing in all developing countries.

    Recommendation:
    ChevronTexaco should establish a set of indicators to monitor its community development assistance along with socio-economic data in countries where it has significant operations. Over time, the company should look for trends and norms to

emerge that will help guide the company in determining appropriate levels of assistance in the future.

4. A critical benefit sought by all stakeholders is the sustainability of CDI's efforts to foster development in the project area communities. A goal of the JVP is to enable CDI to continue its programs and activities with growing support from additional donors while JVP funding continues to decline with production. To accomplish this goal however, CDI needs to be perceived by potential donors as an independent NGO and not a simply a "tool of the Operator".

Recommendation:
Oil Search should support CDI's efforts to establish and demonstrate its independence of the Operator. Communications and public relations protocols should be clearly defined and documented in grant agreements to ensure the right image and messages are portrayed to the government, public and potential donors.

8.0   Sustainability

In its strategic plan, CDI defines the word "sustainability" as the continued availability of a resource in the future. When asked questions about sustainability, most people responded in terms of continued funding for CDI. Some however, recognized the issue of sustainability in terms of continued benefits from the development interventions implemented by CDI. The case study addresses Sustainability in both of these contexts below.

8.1   Sustainability of Program Benefits

One of CDI's key values is to maintain "effective practices for promoting sustainable development and community self-help". CDI seeks to ensure that its programs generate benefits for the communities which are sustainable. In most cases, this means supporting community and government efforts to help themselves with initiatives that build capacity – to "help out, not hand out". This is described as a guiding principle for CDI's work in its strategic plan.

> *CDI will strive to work with the Government and Community to improve the educational, cultural, economic and social well being of the targeted communities by facilitating self-reliance and self-help to avoid dependency.* [7]

CA's efforts to promote development amongst the community since first oil taught CNGL how challenging it was to promote the sustainability of good development practices in communities receiving substantial monetary benefits for the first time. Lessons learned by CA identified that sustainability of projects and programs was an issue. Learning from these experiences, CDI is promoting sustainability to the community through its Community Development Program. Sustainability comes with participation and ownership. If the

---

[7] from CDI 2003-2007 Strategic Plan

community does not fully participate, they will have no sense of ownership. If there is no sense of ownership, no one takes the responsibility to follow through on projects. If no one takes the responsibility, no benefits are sustained.

In evaluating the issues surrounding sustainability, the case study team reviewed the difference between "service delivery" and "development" in the context of CDI. Service delivery is defined as delivering social services without necessarily ensuring they are sustainable or developing some form of dependency. They give people what they need right now, such as medical treatment, education of their children, or establishment of village infrastructure. Such services are generally seen as the role of the government in PNG. Development, on the other hand, is a process. It builds upon inputs from the community and other stakeholders, following a philosophy that reinforces key values such as self-sufficiency and sustainability. Its activities can involve the delivery of services or the development of infrastructure, but only in a manner that gets each stakeholder to share in the responsibility without depending on continued external sources of support.

> *If people are starving after a drought or flood, you aren't going to take the time to teach them gardening. In these circumstances, "relief" (short-term) efforts are more appropriate than "development" (long-term efforts). I'm sure the same would apply in many situations in PNG. But many times relief efforts continue once the crisis has passed – making people more dependent upon the relief efforts – when actually there should have been a shift over to "development," which is longer term, but more sustainable because of the self-help and empowering focus.*
> — Case Study team Member

In its program planning and monitoring, CDI looks at the issue of sustainability and continues to ask itself questions about the role of the services it provides. Are these services sustainable? Is this real development?

> *CDI is involved in service delivery in some areas such as CODE, the Expanded Program on Immunization, Outreach Clinics, etc. These are done in conjunction with the relevant government agencies, who rely upon CDI's support to fulfill their own objectives. Such assistance, although still focused on service delivery to the community, helps to form the basis for real development if it addresses the capacity building components of the long term service providers and enables them to take increasing responsibility for the service.*
> — CDI Manager

CDI has established the systems and processes to address sustainability in program planning and monitoring. Program evaluations regularly explore questions of sustainability to ensure program designs are increasingly improved to produce lasting results. Ultimately, the real ownership of sustainability however, is in the hands of the community.

> *We have our own way. We can carry on with just a little help.*
> — Community Leader

8.2   Sustainability of CDI

The sustainability of CDI as an organization will depend upon its success in continuing to secure resources for development. But before assessing its potential for doing so, the question of whether CDI needs to be sustainable should be considered.

> *Sustainability should not be tied to CDI's existence but to its purpose or the purposes of its programs.*
>
> - ChevronTexaco Employee

Given CDI's primary mission to serve rural communities and build the capacity of social service providers, feedback from these stakeholders provides an indication of their perceived need for CDI to continue providing support. Community and government respondents to the case study team's questions on sustainability were unanimous on the need for CDI to remain. Some of their comments are shown below.

> *What CDI is doing is very important. They are creating new things in terms of development.*
>
> *When production finishes, there will be a lot of problems if CDI goes away.*
>
> -Community Leaders
>
> *"CDI is needed to address the difficult social issues in the community after project closure. CDI won't be able to solve them, but can help minimize them.*
>
> *There is an economic crisis in the country and the government does not have the capacity to continue the level of services CDI provides in all sectors. CDI should seek donor funding to remain."*
>
> -Government Officials

CDI's current strategies for securing a sustainable flow of program funding are to:

- Work with Oil Search to secure JVP grant funding and in-kind support throughout the period of oil and gas production to cover operational costs and an annual contribution to an investment trust.
- Build up a rapport and track record with other donors to fund projects within and near CDI's targeted communities. Gradually replace declining JVP funding with project funding from a diverse range of donors.
- Generate revenues through training and consulting services to NGOs, aid donors, and project developers.
- Establish an investment trust which will not be used until oil & gas production ceases. Make annual contributions to the investment trust from a percentage of JVP operating grants and other earned sources of revenue.
- Build and manage the investment trust towards a portfolio of assets which can generate sufficient returns to sustain a base level of continued program operations.

CDI has made steady progress in building its reputation amongst aid donors in PNG, particularly with the Australian Agency for International Development (AUSAID), as the single largest bilateral aid donor in PNG. CDI has received some project funding from AUSAID's Community Development Scheme and is currently developing a project proposal for AUSAID's PNG Incentive Fund. CDI has also raised small amounts of funding from other donors and is gradually establishing the contacts necessary to secure small project grants on a regular basis. It is well suited to attract funds because of its balanced focus rather than a sectoral approach to human development. Its stringent financial controls and twice yearly audits have also positioned CDI well to secure project funding amidst concerns that many other NGOs and government agencies do not have sufficient transparency and accountability to achieve real project results.

CDI has also made steady progress in building its reputation as a training and consulting organization. It has secured income for conducting socio-economic impact studies, facilitating NGO workshops and performing stakeholder analysis. CDI continues to build its capacity for this work by contracting students and recent university graduates to help in fieldwork and workshop support.

Where CDI has made steady progress towards some of its sustainability strategies, there has been little progress towards the establishment of its investment trust. CDI focused its annual budgets on completing its training centers, which left no surplus funds to deposit into an investment trust.

Stakeholders were asked to identify the biggest threats to CDI's sustainability and what could be done to mitigate those threats. Uncertainty over future JVP funding support was the most commonly identified threat to CDI's sustainability by the stakeholders. All saw the need for CDI to diversify its funding sources.

> *CDI has JV link to oil fields, but hasn't established a link to other non oil donors. The Foundation needs to find out who is interested in PNG and its issues and want to be a benefactor to invest.*
>
> - CDI Manager

Many stakeholders recognized that perceptions of CDI and its capacity represent significant threats to CDI's sustainability in terms of its ability to secure project funds and training/consulting revenues. Their suggestions for mitigating these threats included:

- Maintain strong communication with current donors
- Maintain a high level of communication and teamwork amongst and between CDI's programs
- Have good professional staff
- Maintain strong financial management and accountability
- Provide good leadership and teamwork at the management level
- Stay out of politics, but work with the government and build its capacity
- Do a professional job so that CDI will be marketable as an NGO

Conclusions/Lessons Learned

1. The sustainability of program benefits ultimately relies upon the concepts of capacity building and self-reliance. CDI's values and policies are on track to ensure those concepts are incorporated into all program plans and activities. The challenge remains to ensure the targeted communities and local government officials adopt these concepts and change their focus from what others are doing for them to what they are doing for themselves. It will take CDI years to show signs of improvement that can be considered truly sustainable.

   Recommendation:
   CDI should identify the key program indicators that measure sustainability of program benefits across a broad range of program outputs and activities. These indicators should be analyzed collectively on an annual basis to evaluate the effectiveness of CDI's approaches to the sustainability of its efforts.

2. CDI's sustainability as an organization is not unlike that of a company. Just as businesses have to benefit their customers to survive and continue generating income, CDI has to benefit the community to survive and continue generating funding. It needs to not only demonstrate tangible community benefits, but also to remain responsive to changing community needs, providing the benefits communities see as most important. CDI's track record in accomplishing this will ultimately determine its ability to secure continued project funding. CDI's reputation is best built amongst potential donors through its accomplishments.

   Recommendation:
   CDI should strategically cultivate its reputation with potential donors. Key strengths and potential growth areas should be highlighted along with significant accomplishments in appropriate donor communications and press releases. Frequent communication with key donor contacts with regular invitations to CDI functions and events will help maintain donor awareness of CDI's potential.

3. CDI is not considered sustainable by many because of its dependence on JVP funding. CDI has solid strategies for ensuring its own sustainability as an organization, but time will tell whether these strategies will be successful. The critical point will be when oil & gas production in PNG ceases and the Developers are no longer there to provide operating grants. CDI's role in helping the communities to deal with project closure is seen by all stakeholders as one of its primary aims.

   The projected project closure date of 2010 therefore becomes the critical horizon for financial planning and CDI will need to aggressively build its investment trust between now and then. Continued progress in securing additional donor funds and generating revenues through training and consulting activities will ease CDI's dependency upon the investment trust after project closure.

   Recommendations:
   - CDI needs to complete establishment of the investment trust and develop plans for building the trust through annual JVP contributions, profits from training and

consulting activities, and year end budget surpluses. A target for the investment trust to reach in 2010 should be determined based upon the projected returns on investment required to fund a minimum level of program activity in the project area.

- Oil Search and CDI should meet and discuss CDI's potential role in project closure planning and what the Operator's expectations are in terms of CDI efforts to identify the social impacts of project closure and appropriate post-closure community projects. Closure planning should clearly address the financial resources needed by both the Operator and CDI to fulfill those expectations.
- CDI should diversify its sources of funding and become less dependent on JVP funding. It should continue to seek donor funding from a broad range of sources.
- As CDI secures more funding from other sources, it needs to ensure new project opportunities fit CDI's mission and strategic vision and reinforce its key values. It should avoid seeking funding simply because the opportunity has arisen. CDI's Management Team and Board of Directors should review all major new projects initiatives for strategic fit before approving.
- CDI should continue to seek opportunities to generate revenue through appropriate training and consulting activities. It should not only build its capacity and reputation within PNG, but should also pursue consulting and training opportunities overseas, taking advantage of international interest in emulating the CDI model.

9.0   Replicability

There is a keen interest within the petroleum industry to learn more about the CDI model and identify elements that could be replicated at other projects and countries. Industry observers seek to understand what aspects of the model are uniquely required for the social, economic and political conditions of PNG, and what aspects of the model would have universal application. The case study team has tried to identify these aspects through feedback from CDI's stakeholders and others within the industry.

CDI was established to address a set of social, political and economic challenges faced by CNGL in its relations with the project area communities. These challenges include:

- The area and communities surrounding CNGL's operations are remote and underdeveloped. The Operator represents the only source of infrastructure development within these communities through a tax credit scheme whereby the Operator constructs government infrastructure and receives a tax credit for the expenditure.
- Health and education services are extremely limited and steadily declining throughout the project area.
- The government has little capacity in the project area and is increasingly compromised by political interference. An extremely high level of absenteeism amongst public servants continues to increase.
- There are no indications that government capacity will improve before project closure is scheduled to occur sometime around 2010.

- The lack of government presence in the project area motivates communities to look to the Operator for support in meeting their basic social needs. Community expectations are high that the Operator should deliver socio-economic development as a part of the overall benefit streams from the petroleum development.
- There is limited law enforcement in the project area and increasing tribal and political conflicts that often impact operations. The Operator often has to take a proactive stance in addressing problems and conflicts within the community to avoid operational disruption that cannot be easily contained by the police.
- The project area economy is solely dependent on the oilfields with no existing basis for maintaining a post-project economy.

It can be noted from the list above that government capacity is the predominant factor. A local government presence that is well resourced and responsive to the needs of the community would probably have negated the need for CDI in PNG. Some of the above conditions may be present in other countries and it would depend on the availability of existing local NGOs or social service providers as to whether a CDI-type model would be suitable in such a location.

Case study respondents were asked to identify the core concepts of the CDI model that would be applicable for any similar initiative, regardless of where it is located. Their responses identified the following characteristics of CDI as universally applicable:

- Find the right people with the right attitudes and a passion for the work. Develop a shared vision and enthusiasm for the project. Establish strong but participatory leadership.
- There should be strategic company support at all levels of management for mitigating social impacts and building community support for the company. There should be strong recognition of the company's efforts to be a socially conscious corporate citizen.
- The model should be a separate vehicle linked to the company, but with its own identity, culture and set of values which reflect company values, but have their own local stakeholder influence as well. It should have an arms length persona in terms of financial support and program implementation.
- It should apply participatory approaches to everything it does. It should be out in the community actively engaged in the development process and identifying critical needs.
- It should have growing independence and sustainability through stakeholder interest and support from a diverse range of sources.
- It should establish and maintain close links with the Government at all levels. Its strategic vision or plan should be aligned with Government development plans. It should remain neutral of local and regional politics.
- It should build strategic alliances with other organizations and establish effective networks. The concept of partnership should be promoted, sharing resources toward common goals. Each party should bring something to the table.
- It must establish financial transparency and strong financial systems.

- The initiative should establish strong program planning, monitoring and evaluation systems. There should be an emphasis on learning and adaptability with effective organizational development plans.

Respondents were also asked what stage of a petroleum development would an initiative such as CDI best be started. Nearly all stakeholders felt the best time is at the beginning of a project, though there was a wide range of opinions as to what point at the beginning of a project – during exploration, at the start of construction or at first oil. They all recognized however, that CDI should have started earlier in PNG when more resources were available and the project would not be impacted by major business events such as the down-sizing in 2000 and ChevronTexaco's exit in 2003.

> *Starting earlier could have helped to ensure CDI's sustainable future, by making sure it was solidly up and running while the oil company was still at peak operation, rather than when it was downsizing and transitioning to closure.*
> - Case Study Team Member

Conclusions/Lessons Learned:
Stakeholders were asked what lessons were learned from CDI's establishment and development and what advice they could give ChevronTexaco in replicating such an initiative. A summary of their feedback is listed below.

- To effectively build stakeholder support, there needs to be a strong focus on communications from the beginning with adequate staff and financial resources devoted to the function.
- The cost structure of an NGO can make the CDI model more cost effective than a direct company assistance models. But cost reduction should not be made a key project deliverable or the more important benefits will be compromised.
- Something like CDI could never have grown organically up through the Operations environment. It needs to be started with a high level champion and be developed outside of the technical arena.
- Everything takes longer than anticipated. CNGL should have allowed 5 years for development and establishment of CDI instead of 3. The amount of time and effort needed to develop systems, establish facilities and recruit the right team of people was underestimated. CDI was able to achieve a lot in a short period of time, but the pace of growth had to be pushed possibly faster than was appropriate.
- Need to take the time to develop an understanding of what participatory approaches really are and build it into the culture of the organisation. For it to work in the community, it has to work within the organisation as well.
- Take advantage of the reputation enhancement, but wait to make sure you have real things to talk about. Rely more heavily on third party endorsement from beneficiaries and program partners as a means of promoting the initiative than on a lot of internally generated public relations.
- Drawing upon existing examples was particularly helpful in CDI's establishment. The Rossing and Palabora Foundations were very useful models to draw from. The strong relationship built up with Rossing lead to many ideas on how to structure the model, what systems to develop, how to interface with the board and the company, what the

perceptions were about its ability to secure donor funding and the role of community-based training centres.

- Engaging the Executive Director on a rotational basis during CDI's establishment phase proved to be a useful means of a) providing continued opportunities to test the capabilities of delegates; b) keeping the organization from becoming too dependent on the expatriate manager's control; and c) providing easier opportunities for visiting and observing other models.

- People are the most critical assets to the organization and the primary factor in whether it succeeds or fails. Not just people with the skills, but people with commitment, the drive and passion for serving others and wanting to make a difference. Team-work established working relationships that were fundamental to building commitment, not only to the organization but to each other.

- Systematic planning; monitoring and evaluation systems are essential. Not just for ensuring that objectives and targets are met, but also as tools for organizational change and growth. They are useful for continuing to refine and develop an appropriate vision to guide changes that occur within and externally.

- Studies and recommendations need to be incorporated into plans and actioned. Individual learning should be fed into organizational learning. CDI built a reputation of actioning knowledge, rather than just recording it.

- Transparent financial systems with two audits per year and an accounting firm as signatories on the operating account is recognized by donors as an important strength in determining the organization's capacity and funding potential.

- Stakeholder engagement and communication is critical. Actions speak louder than words. People can hear or read about the initiative, but usually don't appreciate the full extent of the effort until they meet staff or visit facilities and see the organization in action.

- When it comes to partnerships, recognize that no two organizations are the same and there will always be issues to work through in a partnership no matter how close. Strong working relationships can help the partnership survive even when there are organizational differences.

- The board of directors needs to be high-powered individuals of public stature who are living and thinking the CDI vision. Oil industry influences on the board need to be balanced by vocal, active independent directors.

- A special effort is required to be recognized as an NGO in the eyes of the community. It takes considerable time and specific awareness efforts. The NGO approach to development has to pervade all dealings with communities and the organization needs to be prepared to walk away from projects that don't have genuine community participation and support.

Recommendations

1. The following recommendations apply to the development of a CDI-type initiative at a new or "greenfield" project:

   A. Over the period of exploration, start to build up a picture of the social issues and challenges that will face an eventual development. Document initial approaches to communities impacted by drilling and identify community needs and expectations early.

B. Once in the FEED phase of a project, start working on the design and planning of the CDI model. Use participatory approaches with all stakeholders to build up the interest, support and vision for the model.

C. Look at the capacity of local NGOs, universities and govt. If strong local capacity exists, structure the model more as a donor entity closely tied to the company in name and control. If the capacity of local institutions is weak or non-existent, structure the model as an implementing agency at more of an arms length from the company.

D. Review and identify the NGO culture present in the country and region. Identify the ones recognized as the most successful and determine which aspects of their culture contribute to their perceived success. Ensure the newly created organization incorporates these aspects into its planning and development.

E. Look for partner organizations that share many of the approaches and values of those most desired from the model. Use them to help build the culture of the new organization.

F. Establish CDI-type training centers immediately after the development license is approved and before major construction activities start. Use these facilities as the main focus for training and interfacing with the communities away from production facilities. Focus heavily on vocational training for local community members, maximizing the local skill base to draw upon for construction as well as operations.

G. The company's community affairs staff should be the primary interface with the new organization and work together in the nearby communities to address needs and expectations and mitigate the potential for a growing handout mentality. As they do this, they should be continuously defining and clarifying roles and responsibilities between the two organizations.

H. Establish a strong cycle of organizational learning with good quality people capable of analyzing their work and applying what they learn. Hire from a diverse range of backgrounds and disciplines to maximize the benefits of a "hybrid" approach. Hire a strong contingent of recent university graduates with strong potential and teach them the organizational culture of this hybrid organization. Train them up to be the next generation of leaders and to help the more experienced personnel stay "fresh" and question old ways of doing things.

I. Develop clear plans for the new organization's path to independence over time if it is an implementing agency. Plan for increasing involvement and support by all stakeholders, turning it into a homegrown NGO that is weaned off company funding and support over time.

J. Begin thinking, in the early stages, about how to nationalize the organization. Then build leadership and management among a team of local professionals from the onset so that when any expatriate staff members leave, the local staff are confident and solidly reading to run the organization without leadership and management skills from the company.

2. The following recommendations apply to the development of a CDI-type initiative at an existing operation:

   A. Evaluate the social context in the area of operations and current social development activities of the company.
   B. Develop a shared vision with all stakeholders of what the ideal state would be in terms of community development in the surrounding communities and how far the impacts go in terms of defining "impacted communities".
   C. Develop the CDI-type model based upon the vision and negotiate the stakeholder input. Develop comprehensive transition plans and openly, carefully address any issues surrounding moving staff out of an existing company relations group into the new organization. Redefine the role of the community relations group.
   D. Resource the new organization well from the beginning and allow enough time for it to develop and clarify its role. Build facilities before moving staff into the new organization so they can focus on program implementation right from the beginning.
   E. Apply recommendations 1E through J above for developing the new organization.