

REPORT OF THE:

**INDEPENDENT
ENVIRONMENTAL & SOCIAL
CONSULTANT**

**SOCIAL
COMPLIANCE MONITORING REPORT**

**PAPUA NEW GUINEA
LNG PROJECT**

Social Site Visit: February 2015

Prepared for

Export-Import Bank of the United States

Export Finance and Insurance Corporation

Japan Bank for International Cooperation

Società Italiana di Assicurazione dei Crediti all'Esportazione

Export-Import Bank of China

Nippon Export and Investment Insurance

Commercial Banks

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Prepared by: D'Appolonia S.p.A.
Via San Nazaro, 19
16145 Genova, Italia
www.dappolonia.it

Monitoring Team Member:
Kerry Connor – Social Development Specialist (IESC Team)

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ABBREVIATIONS AND ACRONYMS

ANUe	Australian National University enterprise
CDS	Community Development Support
CRP	Communal Resource Plan
ECA	Export Credit Agencies
EMPNG	ExxonMobil PNG
IESC	Independent Environmental and Social Consultant
IFC	International Finance Corporation
LNG	Liquefied Natural Gas
PNG	Papua New Guinea
PS	Performance Standard
RAP	Resettlement Action Plan

IESC SOCIAL COMPLIANCE MONITORING REPORT PNG LNG PROJECT

1 PURPOSE OF REPORT

The report presents the findings of a special field visit to Papua New Guinea (PNG) made by the Social Expert of the D'Appolonia S.p.A. of Genoa, Italy serving in the role of the Independent Environmental and Social Consultant (IESC) for the Papua New Guinea Liquefied Natural Gas (PNG LNG) Project with ExxonMobil PNG (EMPNG, formerly EHL – Esso Highlands Limited) as the Operator on behalf of Export Credit Agencies (ECAs) and commercial banks providing Project financing (Lenders). This visit was conducted from 16 to 24 February 2015. The purposes of this visit were to (i) review the status of actions needed to close out the resettlement process and to provide recommendations for closure of any outstanding actions for the following items and (ii) to review the Community Development Support Program planning status. Specific topics included:

- finalization of the internal outcome evaluation process of affected households' standard of living and livelihoods;
- achievement of the agricultural livelihood restoration program (the main component);
- completion of IESC verifications of a sample of households' outcome evaluation results;
- development of a format and content for the resettlement outcome report;
- finalization of arrangements for the resettlement completion audit;
- review of and recommendations for the Community Development Support plan;

Activities during this visit included:

- outcome evaluation verification interviews with the remaining households categorized by the internal outcome evaluation as experiencing declined conditions post-displacement and some households in the maintained conditions category;
- working sessions with the resettlement team management and team members;
- working sessions with the Community Development management and team members;
- close out discussions with EMPNG management.

The IESC report, to be prepared following its scheduled May 2015 visit, will contain observations on the status of the resettlement at that point. This visit will occur coincident with the field work of the Resettlement Completion auditor.

2 RESETTLEMENT

2.1 STATUS OF RESETTLEMENT COMPLETION ACTIVITIES

2.1.1 Compensation at Full Replacement Value

The project has completed the assessment, requested by the IESC, of compensation for crops and trees at full replacement value. The assessment adequately demonstrates that compensation was at or above full replacement value and that many households qualified for several forms of compensation, some of which were not included in earlier calculations of total household compensation.

2.1.2 Internal Outcome Evaluation and IESC Verifications

The team has made excellent progress toward completing the evaluations of standard of living and livelihood restoration, rectifying data inconsistencies, and following up with households in declined conditions to determine if the condition is related or unrelated to displacement and if related to displacement, identifying additional assistance to be provided either immediately or as part of the community support program. Note that the team has not been able to locate some displaced households that relocated outside the Project area or reside in insecure areas where the team has not been allowed to visit. The IESC notes that team members have become more open in expressing their valuable opinions, and this behavior, combined with the experience and expertise they have acquired, will greatly improve their ability to secure future employment opportunities.

The evaluation surveys for both standard of living and livelihood restoration (three iterations) have been completed. Careful analysis of results and follow up on the IESC October 2014 recommendations has been done. Results are now in a final desk top confirmation stage.

The IESC verifications for a sub-sample of affected households have been completed. Nearly all households assessed by the internal evaluation to have declined conditions were verified, except for a few located in insecure areas. Some sample households shown by evaluation to have maintained their pre-displacement conditions were also verified.

2.1.3 Livelihood Restoration Program

The Project is working closely with ANUe (Australian National University enterprise) to ensure that the agricultural livelihood commitments are met. ANUe has completed a preliminary food adequacy survey, and is currently confirming results against pre-resettlement data. Household ability to produce sufficient food adequacy has replaced the original measure against a target of 600 m² of sweet potato because the latter measurement did not consider individual household characteristics (number of people, ages, etc.). The IESC considers the food adequacy per household to be a more useful measure. The 207 legitimate Type 1b or Type 2 displaced households are eligible for livelihood program participation (physically and economically displaced or economically displaced). This number initially was 208, but the members of one household are now deceased. ANUe has completed garden surveys for 134 of these households. Based on the initial analysis of 97 households, 73% of the 134 households have either improved or maintained their food supply. Of the remaining households, 68 surveys were outstanding at the time and five households had been surveyed, but analysis was not yet complete at the time of the visit. The remaining household surveys and analysis of results are scheduled to be completed by the end of March 2015.

ANUe cites the reasons for cases of decreased food adequacy as:

- on-farm labour diverted to paid employment;
- customary land access limitations and rights of use - as a result of displacement resettled households are granted access to customary land at new sites from principal landowners, but the extent of these rights are dependent on the line of ancestry to the relocation site and the inclination of the host. As a result, some households were unable to replace the full extent of pre-relocation garden area and are unable to use other kinds of livelihood resources, such as trees and forest land.

Additionally, delays to delivery of inputs may have caused some activities to be rushed, particularly in terms of the adequacy of the training. Poultry shelter construction, for example, was set as a pre-requisite contribution by households, yet in many cases, households received poultry without constructing a shelter.

The project is now identifying any unmet commitments. The program will continue for several additional months in order to fill gaps. Lack of earlier monitoring and evaluation and reporting is an important lesson learned for Community Development Support (CDS) program. It has been noted by the CDS Team and contractual requirements and careful contract management are incorporated into the CDS Plan.

2.1.4 Obstruction of Water Sources for Some Physically Displaced and Non-Displaced Households

The construction of some project facilities (e.g., Komo airport and HGCP) has obstructed water flow from underground streams to some communities. The obstruction, in effect, created another category of project affected persons (some who were displaced, as well as some other households) whose standard of living was adversely affected as they now must depend solely on seasonal rain water. The Project was aware of issue and provided community water tanks as a mitigation measure. This measure was unsuccessful in many areas as water tanks were quickly fenced off by the person on whose land they were constructed and who then would charge other community households for water. The IESC requested a new assessment of the impact and mitigation measure in 2012 and 2013. The IESC subsequently was informed the assessment was done and the issue resolved by provision of water tank kits. The internal outcome evaluation and IESC verifications, however, have found that water tank kits were given to some, but not all, of the physically displaced households and not to non-displaced water affected households, all of whom are now dependent on seasonally available rainwater.

2.1.5 Under-Estimation of Garden Loss Significance to Affected Households

Self-relocation combined with tenure related restrictions on post-displacement land use have intensified the significance of land use losses, that is, some displaced households have been unable to replace the amount of garden and other resource land they lost, and are currently experiencing fragile livelihood conditions, e.g. the Kela peoples whose clan relationship structure greatly limited their access to land.

2.1.6 Inaccurate Identification of Person (FN) Entitled to Compensation and Livelihood Assistance

Review of data from the outcome evaluation surveys and verifications revealed some cases wherein the person identified as entitled to and receiving compensation and other entitlements was not the correct person.

2.1.7 Resettlement Outcome Report

The outcome evaluation of standard of living and livelihood restoration was done by the Project and verification of a sub-sample done by the IESC. The Project, assisted by the IESC, is thus responsible to prepare a final outcome report for the lenders and the resettlement auditor. A template/outline was provided by the IESC and agreed with the resettlement team during this visit. The team and IESC discussed the content of each section, and the team began to populate the report during the visit. The team will prepare a draft report and submit it to IESC and EMPNG management (mid-March). The IESC and EMPNG management will review the draft and recommend any necessary changes and additions. The final report should be completed by the end of March and circulated to the Lenders/IESC and the resettlement auditor. It is not necessary to make this report public, though it would be wise to make it available to interested parties.

2.1.8 Resettlement Completion Audit

A resettlement completion auditor (Ted Pollett) has been identified and a proposal for implementation of the completion audit has been received by EMPNG. EMPNG and the IESC have reviewed the Proposal and find it to be acceptable, with the exception of one IESC proposed change. The Proposal defines the purpose of the audit as “to determine whether the RAPs/CRPs and their implementation comply with the requirements of IFC PS5 and relevant portions of PS7.” The IESC recommends that words “the RAPs/CRPs” be removed because these documents were already accepted by the IESC/Lenders as complying with the relevant performance standards, as long as the Project has responded to any changes indicated by implementation and reviews/evaluations are made. In the opinion of the IESC, these changes have been or are in the process of being made.

During the February visit, EMPNG and the IESC discussed the role of the IESC in the audit. It was agreed that the IESC will play an information and explanatory role, allowing the auditor to conduct his work independent of the IESC’s direct involvement.

2.2 RECOMMENDATIONS

2.2.1 Obstruction of Water Sources Caused by Construction of Project Facilities

1. For physically displaced households, the Project will undertake a final review to identify any households that do not have access to water and have not received water tanks/kits or selected the option for cash payment as part of compensation;
2. For non-displaced water affected community members, the Project will conduct an assessment (Environment working with resettlement team) to identify the affected households;
3. These assessments will identify appropriate remediation measures which may be implemented as a priority activity of the community support program. The IESC requests written commitment to implementation timing. This commitment should be made available also to the resettlement completion auditor.

2.2.2 Under-Estimation of Garden Loss Significance to Affected Households

1. These households have been identified. The Project will implement remediation measures to ensure it has made every effort to increase production on existing land. If necessary, implementation could be done as a priority community support activity. IESC will need written commitment to implementation timing. This commitment should be available also to the resettlement completion auditor.

2.2.3 Inaccurate Identification of Person Entitled to Compensation and Livelihood Assistance

1. The Project should make the compensation and other entitlements available to the correct person prior to closing out the resettlement program. The team is in the process of final identification of these cases;
2. The Project will report to the IESC on the outcome of compensation/entitlements delivery and make this information available to the resettlement completion auditor.

2.2.4 Livelihood Restoration

1. Submit the final food adequacy results to the IESC for information purposes prior to finalization of the Resettlement Outcome report. The food adequacy results should identify any outstanding activities and the schedule for their implementation, including any remediation measures that will be carried over into the community development project. These results and remediation measures should be included in the Resettlement Outcome Report.

2.2.5 Resettlement Outcome Report

1. The project will prepare a draft report and submit it to IESC and EMPNG management (end March);
2. The IESC and EMPNG management will review the draft and recommend any necessary changes and additions;
3. The Project will complete the final report by the end of March and circulate it to the Lenders/IESC and the resettlement completion auditor.

3 COMMUNITY DEVELOPMENT SUPPORT PLANNING

3.1 OBSERVATIONS

The Project has made good progress toward developing a plan for the initial CDS implementation period (three years). Additional staff are likely to be needed to oversee preparation of execution plans for activities to be implemented in each of the four overarching program components, as well as for contract administration tasks, and M&E. The IESC focused this visit on streamlining the planning process, staffing, and contractor requirements and administration.

3.2 RECOMMENDATIONS

1. Planning facilitation: Develop an execution plan (sequential flowchart) for the planning process to facilitate sequencing of each task and to inform decisions on additional staffing. The execution plan would include all tasks (e.g., assessments, ToR preparation, procurement, etc) for each of the components in the four program level categories. Each of the plans should schedule activities in sequence working backward from the date each project is intended to begin. The flowchart should include a column for the responsible party for each task;
2. Collaborate with the Resettlement Transition team to ensure that priority is given to legacy needs from the resettlement program (e.g., water provision, additional agricultural support);
3. Ensure that all CDS project contracts include specific language on monitoring, evaluation, and reporting. Implementation progress monitoring should measure against the approved execution plan (detailed flowchart). Reporting formats should be included in the contractual agreement. The Monitoring report format should include for each activity, at minimum:
 - responsible party;
 - monthly achievement against target date;
 - reason for any delay;
 - any assistance needed to resolve delay;
 - re-scheduled completion date.

The Project should decide very soon whether outcome evaluation will be done by the contractor, the Project, or an independent entity. Each project execution plan, to be drafted by contractor and agreed with the Project, should include outcome evaluation indicators. The Project should agree with the contractor or the independent entity on evaluation processes and report templates.

The IESC recommends that the Project Contract Administrator arrange for periodic engagements with participants to get their input on program value and suggestions for improvements.

APPENDIX 1
IESC SITE VISIT SCHEDULE



IESC Monitoring Visit

16-24 Feb

AGENDA

The IESC will consist of one member as follows:

Kerry Connor **Social**

EMPNG Representatives accompanying the IESC will be:

Stella Moretti **Lender Advisor**
Maree Holden **L&CA Planning & Compliance Manager**
Additional L&CA representatives as noted

A summary of the agenda is as follows:

DAY	DATE	SOCIAL (IESC: K Connor)
0	Mon 16 Feb	Travel to PoM
1	Tues 17 Feb	Meetings in PoM CDS Workshop
2	Wed 18 Feb	Travel to Komo Monitoring & Evaluation (M&E) Verifications
3	Thurs 19 Feb	Monitoring & Evaluation (M&E) Verifications
4	Fri 20 Feb	Monitoring & Evaluation (M&E) Verifications
5	Sat 21 Feb	Travel to PoM
6	Sun 22 Feb	Social event
7	Mon 23 Feb	Meetings in PoM Close out preparations
8	Tues 24 Feb	Close-out meeting Depart PoM



IESC Monitoring Visit

16-24 Feb

Detailed Agenda

Time	Topic	Participants
Monday 16th February		
1.40 pm	QF313 arrives from Sydney	SM
1.45 pm	QF349 arrives from Brisbane	KC
2.30 pm	Travel to hotel	SM, KC
Overnight	The Grand Papua Hotel	SM, KC
Tuesday 17th February		
8.00 am	Travel to HQB	SM, KC
8.30 am – 9.00 am	Agenda review	SM, KC, MH
9:00am – 9:30am	Introduction to Susil Nelson-Kongoi (National Content Manager)	SM, KC, MH Susil Nelson-Kongio
9.30 am – 10.00 am	New L&CA organization	SM, KC, MH Dan Worrall (P&GA Manager)
10.00 am – 3.30 pm	CDS Workshop	SM, KC, MH, Sisa Kini
5.00 pm	Travel to hotel	SM, KC
Overnight	The Grand Papua Hotel	SM, KC
Wednesday 18th February		
5.30 am	Travel from hotel to airport Check-in open until 6.30 am	SM, KC
7.00 am	CG100 departs Port Moresby	SM, KC, MH
8.50 am	CG100 arrives at Komo	SM, KC, MH
9.00 am – 11.30 am	Briefing at Komo – Review FNs Travel from Komo to HGCP	SM, KC, MH, SI, field team
11:30am	Arrive HGCP Camp – check-in	
1.00 pm – 5.00 pm	Monitoring and evaluation verifications Reviews in camp	All
Overnight	HGCP Camp	All
Thursday 19th February		
07.00 am – 5.00 pm	Monitoring and evaluation verifications	All
Overnight	HGCP Camp	All
Friday 20th February		
07.00 am – 5.00 pm	Monitoring and evaluation verifications	All
Overnight	HGCP Camp	All



IESC Monitoring Visit

16-24 Feb

Time	Topic	Participants
Saturday 21st February		
7.00 am	Check out at HGCP Camp Office (same location as car pickup)	SM, KC
7.00 am – 8.00 am	Travel HGCP to Komo Airfield Check in open until 8.50 am	SM, KC
8.00 am – 9.20 am	Group discussion: <ul style="list-style-type: none"> • Audit prep • Draft schedule for May IESC visit / audit • Alignment on February visit close-out comments 	All
9.20 am	CG101 departs Komo	All
11.00 am	CG101 arrives Port Moresby	All
11.00 am – 12.00 pm	Travel to hotel Check-in	SM, KC
Overnight	The Grand Papua Hotel	All
Sunday 22nd February		
Until 3.50 pm	(Free time)	All
4.00 pm	Depart hotel and travel to Maree's House	SM, KC
4.00 pm – 7.30 pm	Drinks & Nibbles at Maree's House	SM, KC, MH
7.30 – 7.45 pm	Travel to hotel	SM, KC
Overnight	The Grand Papua Hotel	SM, KC
Monday 23rd February		
8.00 am	Travel from Hotel to HQB	SM, KC
10.00 am – 12.00 pm	CDS Discussion with Sisa	KC, SM, MH, SK
After 11.00 am	(Free time)	KC
Overnight	The Grand Papua Hotel	SM, KC
Tuesday 24th February		
8.45 am	KC to check out of hotel Travel to HQB	SM, KC
9.30 am – 10:30 am	Close-out discussion	SM, KC, MH, Daniel Worrall, Dennis Vidmar, Ian McKay
12.30 pm	Travel to airport Check-in	KC
2.50 pm	QF352 departs Port Moresby for Brisbane	KC