

Mining and Community Development in Indonesia:
A Case Study

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Abstract

Mining industries are widely perceived as damaging the environment and local communities. The Indonesian government requires mining industries to undertake Corporate Social Responsibility including community development activities. This study investigated the implementation of community development by a mining company on Sumbawa Island, West Nusa Tenggara Province, Indonesia. It focussed on the participation of the local community in decision making processes for the implementation of the mining company's community development programs. The study also examined how the mining company has involved other parties, including NGOs and local government in its community development program implementation.

This research falls within the critical social research tradition, in that it examines issues of power, and seeks to contribute to bringing about change for disadvantaged communities. A case study approach was utilised, with data collection methods including semi-structured interviews, review of documents and field observations. Semi-structured interviews were conducted with 42 informants, selected on the basis of their knowledge, involvement and responsibility in the community development programs. The sample included mining company employees, local community members, government officials, and workers in Non-Government Organizations.

This research found that the mining company has implemented community development programs including infrastructure, capacity building (health, education, agriculture, and local business development), charity, and revolving fund programs. The local community has to some extent been involved in decision making. However, the research revealed some local community resistance and some unintended impacts of the implementation of the community development programs. One of these unintended impacts has been the creation of financial dependency on the mining company rather than the empowerment that is an intended impact of community development. The thesis includes recommendations, including more of a role for local government and more participatory development programs, for improving the implementation of community development in Indonesia and other developing countries.

Student Declaration

I, Anif Chawa, declare that the PhD thesis entitled **Mining and Community Development in Indonesia: A Case Study** is no more than 102,543 words in length including quotes and exclusive of tables, figures, appendices, bibliography, references and footnotes. This thesis contains no material that has been submitted previously, in whole or in part, for the award of any other academic degree or diploma. Except where otherwise indicated, this thesis is my own work. This research was approved by the Victoria University Human Research Ethics Committee at 10/12/2009 (Approval HRETH 09/2/10).

Signature

A solid black rectangular box used to redact the student's signature.

Date 4 April 2014

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Table of Contents

Abstract	i
Student Declaration	ii
Acknowledgements	iii
Table of Contents	v
List of Figures	x
List of Tables	xi
Alphabetical List of Acronym and Abbreviations Used	xii
Chapter 1 Introduction	1
1.1 Background of the study	1
1.2 Research Questions	11
1.3 Aim of this study	11
1.4 Contribution to knowledge	12
1.5 Significance	13
1.6 Structure of the thesis.....	14
Chapter 2	16
2.1 Introduction.....	16
2.2 The Implementation of community development programs by mining industries in Indonesia	16
2.3 The nature of community development in the mining industry	25
2.3.1 Community development: how the mining industry defines and practises it	35
2.3.2 Participatory development in the mining industry's community development program	41

2.4 Theories of community development.....	51
2.4.1 Community development in structural and communitarian traditions.....	52
2.4.2 Community development according to Foucault's perspective.....	55
2.5 Summary.....	63
Chapter 3	66
3. 1 Introduction	66
3. 2 Research site	67
3. 3 Approach: Case study methodology.....	68
3. 4 Research methods	72
3.4.1 Interviews.....	74
3.4.2 Sampling procedures	76
3.4.3 Documentary evidence.....	78
3.4.4 Observation.....	81
3.5 Data Analysis.....	82
3.6 Trustworthiness of the study.....	84
3.7 Ethics and the rights of human participation.....	87
3.8 Limitations of the study.....	88
3.9 Summary.....	89
Chapter 4 The Impact of a Copper and Gold Mining Company in West Sumbawa District	92
4.1 Introduction	92
4.2 Social political background.....	92
4.3 Profile of a copper and gold mining company in West Sumbawa district.....	97
4.4 The location of the mining company.....	108
4.5 The impact of the mining industry on the local community	114

4.5.1 Economic impacts.....	115
4.5.2 Changes in local community lifestyle	121
4.5.3 Changes in local community customs and social norms.....	124
4.5.4 Changes in moral and ethical aspects	127
4.5.5 Environment impacts	130
4.5.6 The conflict between the local community members.....	135
4.5.7 Conflict between the mining company and the local community	136
4.6 Summary	143
Chapter 5 Community Development and the Mining Company in West Sumbawa District	147
5.1 Introduction.....	147
5.2 Community development: the mining company's expectations, policies, concepts, and objectives	148
5.3 Company-led approach	159
5.3.1 Infrastructure programs.....	167
5.3.2 Capacity building programs	172
5.3.3 Charity/donation programs.....	178
5.4 Corporate foundation approach	180
5.4.1 Yayasan Pengembangan Ekonomi Sumbawa Barat (YPESB)	181
5.4.2 Yayasan Olat Perigi (YOP)	187
5.5 Summary	199
Chapter 6 Local Community Participation in the Community Development Programs	204
6.1 Introduction	204
6.2 The participation of the local community in the community development programs.....	205
6.2.1 The education programs	206
6.2.2 The health programs.....	209
6.2.3 The agriculture programs	214

6.2.4 The local business development programs.....	233
6.2.5 The revolving fund program	235
6.3 The role of NGOs	241
6.4 The outcomes of the community development programs.....	246
6.5 Summary	251
Chapter 7 The Role of the Local Government	256
7.1 Introduction	256
7.2 The West Sumbawa district and the Local Government Act	257
7.2.1 The process involved in the establishment of West Sumbawa as a new district.....	258
7.2.2 The West Sumbawa district and its mining industry	260
7.2.3 The stock divestiture process	267
7.3 The role of the West Sumbawa government in the implementation of community development programs	271
7.3.1 The West Sumbawa government's perception of community development programs	271
7.3.2 The community development budget	275
7.3.3 Local government involvement in the implementation of community development programs	277
7.3.4 Factors which may impede negotiation.....	285
7.4 Summary	289
Chapter 8 Discussion and Conclusion	292
8.1 Introduction	292
8.2 Participation of the local community in the decision making process.....	293
8.3 Power orientation and participatory development	300
8.4 The role of local government and NGOs	305
8.5 Conclusion and recommendations	311

References	326
Appendix A	348
Appendix B	351
Appendix C	355
Appendix D	359
Appendix E	362
Appendix F	368
Appendix G	373
Appendix H	375

List of Figures

<i>Figure 4-1: Benete Port in the night</i>	<i>102</i>
<i>Figure 4-2: A haul truck.....</i>	<i>103</i>
<i>Figure 4-3: The activities in the open pit</i>	<i>103</i>
<i>Figure 4-4: Concentrate: the final product of the mining company.....</i>	<i>104</i>
<i>Figure 4-5: Loading concentrate at Benete port that will be shipped to buyer countries</i>	<i>104</i>
<i>Figure 4-6: Tailing pipe</i>	<i>105</i>
<i>Figure 4-7: A tunnel which was built by the mining company for the local community to go to other villages in the mining circumference area.....</i>	<i>106</i>
<i>Figure 4-8: A bus which transports the mining company employees to and from the town site and the open pit.....</i>	<i>107</i>
<i>Figure 4-9: A cidomo: traditional transportation of the local community.....</i>	<i>108</i>
<i>Figure 4-10: West Nusa Tenggara Province Indonesia: consists of two Islands, Lombok and Sumbawa Islands.....</i>	<i>109</i>
<i>Figure 4-11 West Nusa Tenggara Province.....</i>	<i>109</i>
<i>Figure 4-12: Sumbawa Island</i>	<i>110</i>
<i>Figure 4-13: A small plane called Travira Air</i>	<i>112</i>
<i>Figure 4-14: A mining company modern, luxury boat.....</i>	<i>112</i>
<i>Figure 5-1: The location where the mining company has conducted community development programs</i>	<i>157</i>
<i>Figure 5-2: The organizational structure of the mining company's External Relations department.....</i>	<i>159</i>
<i>Figure 5-3: The participatory rural appraisal (PRA) method employed by the mining company to establish the community development strategic planning</i>	<i>163</i>
<i>Figure 5-4: The kinds of development programs which have been conducted by the Community Development division of the mining company</i>	<i>166</i>
<i>Figure 5-5 Community development expenditure of the mining company (2000 – 2008).....</i>	<i>169</i>
<i>Figure 5-6: The involvement of the local NGOs in the community development programs' implementation</i>	<i>177</i>
<i>Figure 5-7: YPESB's local business development program</i>	<i>184</i>
<i>Figure 5-8: YPESB's development programs, 1998–2003.....</i>	<i>186</i>
<i>Figure 5-9: The new YPESB's development programs (2005 < now).....</i>	<i>187</i>
<i>Figure 5-10: YOP's revolving fund program.....</i>	<i>189</i>
<i>Figure 5-11: YOP's proposal method.....</i>	<i>190</i>

List of Tables

<i>Table 4-1: The mining regulations in Indonesia and the implications.....</i>	<i>94</i>
<i>Table 4-2 The Mining company activity stages in detail.....</i>	<i>98</i>
<i>Table 4-3: The occupation structure of the local community.....</i>	<i>116</i>
<i>Table 4-4: The household income before and after the mining operation</i>	<i>119</i>
<i>Table 4-5: Local community ownership of prestige assets before and after the mining operation.</i>	<i>123</i>

Alphabetical List of Acronym and Abbreviations Used

AMDAL	<i>Analisis Mengenai Dampak Lingkungan</i> or Environmental Impact Assessment
RKL	<i>Rencana Pengelolaan Lingkungan Hidup</i> or the Environmental Management Plan
RPL	<i>Rencana Pemantauan Lingkungan Hidup</i> or the Environmental Monitoring Plan was
BAPPEDA	<i>Badan Perencanaan dan Pembangunan Daerah</i> or Local Planning Agency
BUPATI	Head of district
CO	Community Organizer
CoW	Contract of Work
CSIRO	Commonwealth Scientific and Industrial Research Organisation
CSR	Corporate Social Responsibility
DAU	<i>Dana Alokasi Umum</i> or General Allocation Fund
GDP	Gross Domestic Product
HDI	Human Development Index
JATAM	<i>Jaringan Anti Tambang</i>
KSB	<i>Kabupaten Sumbawa Barat</i> or West Sumbawa district
KSM	<i>Kelompok Swadaya Masyarakat</i> (a revolving fund program related to the agriculture program which has been conducted by groups of the farmers' wives)
KTP	<i>Kartu Tanda Penduduk</i> or citizen identity card
LBI	Local Business Initiative
MDGs	Millennium Development Goals
MNC	Multinational Corporations
NGO	Non-government Organization
ORLA	<i>Orde Lama</i> is the old order era
ORBA	<i>Orde Baru</i> is the new order era
PAR	Participatory Action Research
PDB	Product Domestic Bruto or Gross Domestic Product
PDRB	Product Domestic Regional Bruto or Gross Regional Domestic Product
PUSKESMAS	<i>Pusat Kesehatan Masyarakat</i> or public medical centre
POSYANDU	<i>Pos Pelayanan Terpadu</i> is a health program which has been established by the Indonesian government to improve the health of mothers and their children
PP	<i>Peraturan Pemerintah</i> or government regulation
PR	Public Relations
RT	<i>Rumah Tangga</i> (a community organization which has been established to support the development activities conducted by the local government at a village level. Each RT consists of 30-50 families)
SMP	<i>Sekolah Menengah Pertama</i> is a junior high school level
SMA	<i>Sekolah Menengah Atas</i> is a senior high school level

S1	<i>Sarjana</i> is an undergraduate level
SRI	System of Rice Intensification
TKI	<i>Tenaga Kerja Indonesia</i> or Indonesian workers
UU	<i>Undang-Undang</i> or law
WALHI	<i>Wahana Lingkungan Hidup</i> (an NGO)
YOP	<i>Yayasan Olat Parigi</i> (a community development foundation of the mining company)
YPESB	<i>Yayasan Pengembangan Ekonomi Sumbawa Barat</i> (a community development foundation of the mining company)

Chapter 1

Introduction

1.1 Background of the study

In developing countries, mining investment has been assumed to boost economic growth and alleviate poverty. It is claimed that mining industries impact upon economic aspects in terms of 'generating revenues for host governments, reducing poverty, facilitating corporate social investments and contributing to the development of local infrastructure, and creating jobs, as well as spurring local economic development' (Sarin et al. 2006, p. 5). It can be argued that mining investment benefits local communities. However, mining industries have also been associated with negative impacts on communities and the environment (Sarin et al. 2006). In practice, mining companies continue to exploit natural resources in remote communities, where the mining industries are mostly located (Kemp, D 2010) .

Indonesia has become one of the developing countries which relies on the mining industry to obtain revenue and benefits from this sector. Included in these benefits is the direct contribution to Indonesia's Product Domestic Bruto (PDB), tax revenues, royalties, and multiplier effects such as employment opportunities and local business development (Kemp, M 2001; Resosudarmo et al. 2009). Compared with other countries in Asia from Kazakhstan to the Philippines, Indonesia is a leader in copper, gold, silver, nickel, tin and coal production (Chairman 2002). The coal and mineral industry sector in 2000 contributed about 3% to Indonesia's Product Domestic Bruto (PDB) and by 2007 this has increased to about 4% of the PDB (Resosudarmo et al. 2009). A further benefit from the mining sector has been obtained from taxes and revenues. It has been reported that total tax revenues from the mining sector, including oil and gas, made up almost 50% of Indonesia's total tax revenues (International Copper Study Group 2002). These taxes and royalties are paid by mining companies for the rights to mine in Indonesia.

It can be argued that the mining industry is linked to the concept of

development. Development has commonly been associated with wellbeing or a better life for human beings. For years 'the development process primarily and often exclusively, (has been) identified with economic growth, usually measured in terms of the average income per head of population of a given country' (per capita GDP, or gross domestic product) (Kingsbury et al. 2004, p. 2). Kingsbury argues that this process has been based on industrialization and modernization as the prominent strategies to obtain the goal of development. However, the development process has been criticised for causing a range of problems, including poverty, inequality, dehumanisation, the exploitation of natural resources, and its side-effects such as water pollution and deforestation (Kenny 2006; Kingsbury et al. 2004; Korten & Carner 1984). This critique of development indicates that the economic growth approach is failing to fulfil another essential need of human beings which is wellbeing, including the capacity to participate in social and cultural life (Doyal & Gough 1991; Korten & Carner 1984). Korten and Carner (1984) argue that the economic approach to development has hindered people from participating in the development process, having control over their lives, and has limited their opportunities for creative individual initiatives. To sum up, the success of the economic development process has been incapable of fulfilling the need of human beings to live in harmony socially, economically and politically, with the environment and others (Ife 2002).

The presence of human and environmental harm as side-effects of development processes has inspired the search for alternative ways to undertake development. One of those alternatives is a people-centred development approach. This alternative approach to development is articulated within community-based development, known as community development. In contrast to the economic growth approach which stresses economic growth achievement, people-centred development or community development seeks to promote human development as the primary goal of the development process (Swanepoel, Hennie & De Beer 2000). Community development puts people at the centre of the development process.

A crucial issue is how this approach is defined and practised to achieve the

betterment of community life. Kenny (2006, p. xiii) states that 'community development is not an easy field in which to practise; it is full of ambiguities, contradictions and paradoxes'. These issues arise in relation to its definition, principles, and even the strategies as to how this community-based development approach should be conducted (Bhattacharyya 2004; Kenny 2006). The definitions of community development are as varied as those who profess to have employed this strategy, ranging from scholars and social workers to the United Nations (Christenson, AJ, Fendley & Robinson 1989). Whatever the different definitions of community development, most exponents share the idea that community development allows the people or community to take control of their own development processes, that is, those processes which have an impact on their life. Kenny (2006) offers a broader view related to the concept of community development. She states that community development refers to processes, tasks, practices and visions for empowering communities to take collective responsibility for their own development to achieve a better life. The key principle and main objective of community development from this standpoint is community empowerment. To pursue this objective, community development must adopt self-help principles which require community participation in the development process (Kenny 2006). Based on the participation principle, community development should be able to enhance the capacity of people so that they can take responsibility for their own development, and thereby enhance their human dignity (Hustedde & Ganowicz 2002; Swanepoel, Hennie & De Beer 2006).

Currently, the concept of participation is linked with the concept of sustainable development which emerged in the 1980s (Korten & Carner 1984; Swanepoel, Hennie & De Beer 2006; Swanepoel, Hennie & De Beer 2000). Swanepoel and De Beer (2006) state that based on the sustainable development concept, the local development effort must be in harmony with the local ecology. This harmonization can be achieved if the development process involves local people who are experts in their local ecology. A similar view of sustainable development is proposed by Lele (1991), who extends the concern to the sustaining of culture. She argues that social and ecological systems evolve together, and are interdependent. It can be argued that the

local people are in the best position to have the appropriate cultural and ecological understanding, as well as knowing what the local priorities are in terms of development (Swanepoel, Hennie & De Beer 2006). Community participation is required directly in community development implementation. Important questions arise in relation to how local people are able to participate in community development implementation.

Larrison (2002) identifies two approaches or models to implement community development programs. They are the top-down and bottom-up models; these two models have different methodologies for conducting community development programs. MacDonald (1995) states that the top-down model is structured around the use of professional leadership provided by external resources that plan, implement, and evaluate development programs. This means that the changes of perception, behaviours and, ultimately, standard of living of a community can occur with the intervention of external leadership. On the other hand, the bottom-up model focuses on how people within communities can direct their own development process (Larrison 2002). It proposes that the participation of communities, which will develop opportunities to learn, and the sense of empowerment that comes with that knowledge, are constructive for obtaining the goals of community development.

In the history of development practice, the top-down model dominated the way development programs were structured, whereas the bottom-up model emerged during the 1960s and 1970s. Some researchers claim that the bottom-up model is a preferable structure for community development programs. For instance, Larrison (2002) in his comparison study of top-down and bottom-up community development interventions in rural Mexico indicated that the bottom-up model was the better approach to accomplish the goals of community development programs in that region. Turner, a community development worker at the Kingsmead Kabin Community Food Cooperative in East London, affirms that shifting the approach from the bottom-up to top-down model eroded organizational capacity to listen and respond to the community priorities articulated locally (Turner, A 2007).

The most important process required in the bottom-up model is community participation (Larrison 2002). This participation, indeed, is a vital component of the self-help and empowerment processes which are articulated within the discourse of community development (Onyx & Benton 1995). In the empowerment process, the decisions are made by the people who have to live with the consequences of those decisions. Ife (2002) and Kenny (2006), suggest that, in particular, these people are groups which can be considered disadvantaged, oppressed or exploited in relation to human rights and social justice issues.

Some scholars strongly argue that participation processes have been associated with the concept of power (Arnstein 1969; Bendell 2005; Onyx & Benton 1995). This explains why the participation concept always goes hand in hand with the concept of *empowerment*. Without power, the participation process becomes empty and ineffective (Arnstein 1969; Swanepoel, Hennie & De Beer 2000). Arnstein (1969) argues further that a high level of participation would be achieved if the people are allowed power in decision making processes. In terms of development, Bendell (2005) states that development processes which consider a participatory approach seek to promote human rights, equity and decision-making at the local or community level. This means that the people or communities have the right to make decisions related to development programs which will influence their lives.

The concept of power is central in community development studies. The redistribution of power provides opportunities for the people or communities to have control over their lives rather than passing this control to professional outsiders, such as community development workers, facilitators and other aid institutions (Onyx & Benton 1995). Korten (1990) argues that people can empower only themselves. They cannot empower another person or other people. Similarly, Taliaferro (1991) argues that one group or another cannot give authentic empowerment; it comes from within. He states that the facilitators who intend to empower communities may not realize that they are concealing their power and keeping control over these communities. In terms of this critique, a crucial question has arisen concerning how the

facilitators who already have 'power over' a local community, such as statutory authorities, financially powerful organizations and the business community, can engage in empowerment.

The research reported in this thesis focuses on questions of empowerment and the implementation of community development in the mining industry in Indonesia. Kenny (2006, p. 15) points out that 'community development approaches are now being employed by government and for profit sectors, as part of a new approach that focuses on the links between financial profit, social development and environmental impact, known as the triple bottom line'. Kenny explains that this approach is based on the idea that business and corporations have a general responsibility, known as Corporate Social Responsibility (CSR), as well as a responsibility to shareholders and owners to make a profit. In terms of mining industries, these social responsibilities consist of four aspects including environmental protection, employee welfare, health and safety, and community development (Yakovleva 2005). However, Newell (2005) and Muthuri (2007) express the view that power inequities between companies and communities have important implications for corporate-community interactions and these inequities should be further investigated.

Corporate social responsibility has been assumed to bring positive contributions to the local community (Sarkar et al. 2010). This is despite the association between the mining sector and issues of poverty and of social and economic conflict, which have occurred within mining industry areas (Salim 2005). Another area of concern is environmental issues, including various kinds of negative impacts which this industry brings to the local community who live in the vicinity of the mining exploration area (Ballard 2001). The negative impacts of the mining industry have been documented in different countries, for example in Russia (Rosenthal 2002; Yakovleva 2005), Suriname (MacKay 2002), the Philippines (Martin & Newell 2008), Ghana (Korsah-Brown 2002), and in Indonesia (Ballard 2001). Environmental degradation, conflicts between the mining companies and communities, the destruction of local economies, and human rights violations are some of these

negative impacts which have occurred in these countries. Some scholars doubt whether business communities could synthesize and/or transform the industry's dual commercial and development agendas, which are often considered incompatible (Harcourt 2004; Kemp, D 2010; Manteaw 2007). Henderson (2001) and Manteaw (2007) argue that CSR is a new approach and experimental; hence it would be influenced by particular circumstances and very much dependent on what a particular company's motives are in any given situation, given that different firms face different circumstances and problems.

Kemp (2010) has discussed the implementation of community development in the mining industry. She states that 'many mining companies now use the language of community development and participation as part of sustainable development and CSR framework' (Kemp, D 2010, p. 199). Kemp argues that community development potentially would deliver the direct benefits from the mining operation to the local community's members, particularly to those who live in the mining circumference area. Haman and Kapelus (2004) point out that further benefits include poverty reduction and human development goals, and implementing value-based commitments to social justice, equity and inclusion where benefits flow even to the most vulnerable. However, Kemp (2010) cautions that there is less agreement related to a mining company's development responsibilities compared with other responsibilities: for instance, ensuring equal employment opportunities, safe working conditions and no child or forced labour (Kemp, D 2010). The mining companies have been required to fulfill their development responsibilities to the local community. However, some scholars argue that there is still a lack of evidence that these development responsibilities have delivered benefits to the local communities (Blowfield 2004; Hamann, R 2003; Newell & Frynas 2007).

Another criticism focuses on how community development has been defined by mining companies. Sirolli argues that, conventionally, mining companies have wanted their community development programs to be immediately measureable (Sirolli 2010). Hence, they have preferred to establish

infrastructure programs, for instance, building schools, clinics, or hospitals, as well as funding or sponsoring health and education programs. These kinds of development programs are the easiest thing for mining companies to do. Sirolli (2010) states furthermore that despite being appreciated as generous gifts to local communities, these kinds of development programs are not sustainable; they finish once the mining operation has ceased. Sirolli has outlined the reasons for this including that the projects: were chosen by the mining company people and/or the local elites; were built or run by outsiders, with little management involvement from local community members; were only accessible by the more affluent members of the community and not by the poorer members; required technology or knowledge not locally available to maintain them; or because the capacity of local people to manage the programs was not built up to a sufficient level.

Community development programs which have been established based on the above reasons have caused many complications (Sirolli 2010). Included in these complications is the way that local community members did not feel any particular ownership of these development programs nor did they have the capability which was needed to sustain them. Sirolli (2010, p. 25) affirms that 'if local communities and government agencies become accustomed to mining companies taking charge of the provision of infrastructure and services, an unhealthy dependency relationship can evolve, which works against sustainability'. Sirolli has provided a case study examining a dependent relationship between a local community and a mining company. This study was located in a mining community in the Amazon. This local community had become the recipient of the mining company's infrastructure programs for 45 years. Included in these programs were a school, sealed roads, the best regional hospital in the State built for the community of 6000 people, and electricity provided for the town. Unfortunately, all these infrastructure programs were no longer in operation once the mining venture had finished. The local community argued that the resources which were needed to maintain those facilities were beyond their capabilities.

Kemp (2010) has also criticised the mining companies' assumptions in regard

to community development. The mining companies assume that they have conducted community development programs by delivering various kinds of development to the local community. Kemp argues, however, that the mining companies have given less attention to some crucial issues including: how these development programs facilitate the participation of the local community what outcomes have been achieved, and what potentially contradictory results emerge from this development program implementation, either positive or negative or mal-development outcomes.

Kemp (2010) and Sirolli (2010) have examined the implementation of community development programs in the mining industries. They discuss the problems which have challenged mining industries in conducting their community development programs. However, Kemp (2010, p. 16) states that 'community development practice in mining at the local and context-specific level has not received sustained scholarly attention, and thus empirical and grounded research is not yet building a broader theoretical understanding of community development in mining'. Kemp (2010, p. 16) argues that research studies which focus on the community development practice have 'the potential to improve understanding of mining and development'. This study aims to address the lack of research focusing on the community development practice at the local and context-specific level; a lack which has been identified by Kemp (2010). This study therefore examines the implementation of mining industry community development programs by focusing on a case study of a mining project located in West Sumbawa district, Sumbawa Island, Indonesia.

The mining company in West Sumbawa district has operated for one decade. On one hand, it contributes about US\$35.90 million per year to the Indonesian economy through royalty and tax. Other economic contributions come through employment for 80.000 people, 60% of which are local workers. It costs about US\$183 million for purchasing goods and service, US\$55 million for Indonesian workers wage, and US\$4-5 million per year to run the community development programs (Mining Company). Included in these development programs are the building of infrastructure. There are about 208 projects for

education, health, tourism, scholarships, roads and irrigations (Lomboknews 2012). The mining company has distributed the economic prosperity not only to central government, but also to local government, at subdistrict, district and province level, where the mining company is located. In 2004, West Sumbawa district was constituted as a new district that is separate from Sumbawa district. It is assumed that the economic benefit from the mining operation has triggered this separation. The mining operation has transformed the West Sumbawa district from a very remote area to become a rich and wealthy district on Sumbawa Island.

The mining company, on the other hand, has been challenged by several issues relating to negative social, cultural and environmental impacts, caused by its mining operation. The mining company has responded to these issues by taking responsibility for them through implementation of Corporate Social Responsibility (CSR) and/or the community development programs. It received several awards for this implementation, for instance, the Tambang Award for the best mining company to conduct health and safety programs awarded from the Energy and Mineral Resources Department (Mining Company 2008) and PADMA Award from the President of Indonesia for the implementation of a community development program (Lomboknews 2012).

Research studies conducted by scholars and NGOs, however, found that there are many problems in the implementation of community development programs by the mining company (Setiawan & Ginting 2008; Tahajuddin, Kusumawardhani & Manan 2006; Leith 1993; Welker 2012; 2011; 2009; 2007; Larmer 2009). The crucial issue relates to the objective and method in which the mining company runs these programs. These studies point out that the mining company has utilized a top-down approach and conducted its development programs only for a pragmatic reason which is to obtain social license from the local people. This objective results in dependency on the mining company, instead of resulting in empowerment of the local community. These problems, moreover, have challenged new local government regarding the sustainability of development programs, particularly after the mine closure. This study explores all these issues further.

1.2 Research Questions

This study seeks to increase understanding of empowerment of the local community in decision making processes associated with community development programs by answering the following research questions:

1. What kind of community development programs have been implemented by the mining company in West Sumbawa district, on Sumbawa Island?
2. How does the mining company involve the local community in decision making processes?
3. How do local community members perceive their involvement in decision making processes and the community development programs of the mining company?
4. What kind of roles do the local government and NGOs play in the implementation of the mining company's community development programs?

1.3 Aim of this study

This study has two main aims. The first aim is to examine the community development aspects of the copper and gold mining industry in West Sumbawa district, Sumbawa Island, West Nusa Tenggara Province, Indonesia. Contemporary ideas suggest that the main objective of community development is to empower a community (Kenny 2006). To achieve this objective, the community development implementation must encourage the participation of the community, particularly by giving them power to make decisions related to development programs which would determine their future. This study seeks to investigate the participation of the local community in decision making processes in the mining company's community development program implementation. Thus, this study aims to analyse the ability of the mining company's community development programs to empower the local community.

The second aim of this study is to examine how the mining company has involved other parties, including Non-Government Organisations (NGOs) and

local government where the company is located, in its community development programs implementation. Based on the Local Government Act which is Law No. 22/1999, central government powers and responsibilities have been decentralized to local government in all government administrative sectors except security and defence, foreign policy, monetary and fiscal matters, justice, and religious affairs. This means that the local government has a chance to have greater opportunities and challenges to develop their region. Wiriosudarmo (2001, p. 84) argues that 'regional government should be in the best position to recognize the interest of the people and also problems as related to the natural resource allocation'. Hence, in terms of community development programs, it is desirable for the mining company to work with local government in the implementation. Moreover, the involvement of local government in mining companies' community development programs has been regulated under the mining law, which is Law No. 4/2009 (Undang-Undang 2009). This regulation requires that mining companies in Indonesia consult with local government in relation to the implementation of their community development programs.

1.4 Contribution to knowledge

This research builds on existing knowledge of the problems of mining industries in relation to the environment and local communities, including research conducted by Leith (1993) in Freeport, Papua, Robinson (1986) in Soroako, and Ballard (2001) in five big mining companies in Indonesia. Some research and media have documented the community development programs conducted by mining and extract industries. However, there is little research on how local communities participate in such community development programs.

This study explores the participation of a local community in decision making processes and the involvement of NGOs and local government, in the context of Indonesia's Local Government Act for community development implementation. This research expects to make an important contribution to conceptualising and improving community development in Indonesia and other developing countries.

1.5 Significance

This research study was undertaken to increase understanding of the implementation of community development programs in the mining industry in Indonesia. There is increasing attention to the contribution of mining industries toward development, particularly in areas where mining industries are located. It has been assumed that community development can bring about benefits, alleviate poverty, and contribute to human development for communities that live in the vicinity of mining areas. Research studies have been conducted to seek models for community development in mining industries in order to achieve these objectives. In addition, toolkits or provisions have been developed as guidelines as to how mining companies must undertake community development programs. However, criticism has emerged which argues that there is still a lack of evidence that these community development programs have delivered benefits to the local communities. Various reasons have been identified. One concern is that there are many problems and possibilities that are faced by mining industries in local-level practice. Thus, research studies about community development by the mining industry, particularly with a practice-based focus, still need to be conducted 'to build a broader theoretical understanding of community development in mining' (Kemp, D 2010, p. 16). This study can make a significant contribution to improving the quality of community development implementation, particularly in relation to the participation of the local community in decision-making processes and the involvement of NGOs and local governments. The present study is significant in terms of contributing a better understanding related to mining and development, as well as contributing to the knowledge base in the domain of community development.

The study provides information for community development practitioners in the mining industry in Indonesia, including mining companies, NGOs, local government and local communities. For mining companies, the research findings of this study can be employed to inform the planning and implementation of their community development programs. This study can be a practical resource for government at various levels, as well as institutions and policy makers, to overcome the issues related to the implementation of

community development in the mining industry sector. This study documents a local community's experiences and expectations, particularly those of the poor and marginalized, in relation to their participation in a mining company's community development.

This study is relevant for other community development practitioners and scholars who are concerned with community development. The research findings of this study can contribute to understanding of the important issue of power in community development implementation and how this interacts with community empowerment which can be seen as the main objective of community development.

1.6 Structure of the thesis

This thesis is organised into eight chapters with each chapter organised around specific objectives

Chapter 1 presents the background of the study. It outlines the aims of the study which include the research questions, the significance of the research and the contribution of this study to knowledge.

Chapter 2 reviews the literature which builds the logical framework of this study. This logical framework is employed as a guide to how the findings of this study are analysed. It discusses community development concepts as perceived and implemented by the mining industries. It reviews the participatory development concepts and principles for the implementation of community development programs to achieve community empowerment. By employing the concept of power, this study follows the critical social research tradition which has an intention to contribute to bringing about change for disadvantaged communities.

Chapter 3 explains the methodological approach utilized in the study, and the rationale for choosing that approach adopted in the research. This is followed by an explanation of case study methodology including: its definition; the philosophical background of this approach; and the strengths and limitations of a single case study. This chapter also discusses data collection processes

including the recruitment processes of various interviewees, data collection procedures and analysis of data.

Chapters 4 to 7 present the findings of the research. Chapter 4 focuses on the impact of the copper and gold mining company on Sumbawa Island including social, cultural and environmental impacts on the local community. Chapter 5 explains how the mining company on Sumbawa Island undertakes community development programs and the ways in which it involves the participation of the local community in decision making processes. Chapter 6 highlights the problems of local community participation in various community development programs. This chapter explains the involvement of the NGOs and the outcomes of the mining company's community development programs. Chapter 7 elaborates the involvement of the West Sumbawa government in the implementation of the mining company's community development programs. It describes the ways in which the Local Government Act supports the role of local government in these development programs.

Chapter 8 discusses the research findings, and the conclusions arising from these findings, with a discussion of their relationship with theory and previous research. This is followed by a concluding section which includes recommendations to overcome the problems, suggestions regarding models or approaches which could be conducted, and recommendations for future research.

Chapter 2

Literature Review

2.1 Introduction

This chapter reviews relevant literature regarding the implementation of community development programs in the mining industry. It covers the main issues including how the mining industry undertakes community development programs and how the issue of power influences community development implementation. To provide information related to those issues, this chapter has been divided into four sections. Following the introduction section is the second section which is the implementation of community development programs by mining companies in Indonesia. Third section examines community development in the mining industry, including the extent to which mining industries can respond to development issues in the context of prioritizing economic growth and corporate profit over the interests of the poor and marginalized (War on Want 2007). Other aspects considered include the involvement of parties such as NGOs, and governments, and the participation of local communities (Kemp, D 2010). This section explains how the mining industries undertake their community development programs, how they define community development and how they conduct these development programs. The fourth section reviews the theories underpinning community development while the last section is the conclusion and summary of this chapter.

2.2 The Implementation of community development programs by mining industries in Indonesia

The mining industries in Indonesia have an obligation to deliver community development programs to local communities. This obligation has been regulated under several laws including Law No. 40/2007 about limited liability company, Law No. 25/2007 concerning investments in Indonesia and the Mining Law No. 4/2009 (Undang-Undang 2009). These regulations state that companies which exploit natural resources have an obligation to conduct

Corporate Social Responsibility (CSR). This obligation has also been applied for foreign investors who put their investment or businesses in Indonesia. These regulations also mention that sanctions would be applied if the regulations are not adhered to. These laws have enhanced the Local Government Act, Law No. 22/1999 which was established by the Indonesian government to ensure that benefits from economic activities, including from mining industries, will go to local government and communities (Miarsono, Ishak & Soemarno 2007; Undang-Undang 1999a, 1999b). The Indonesian government, moreover, has provided the benefit for companies which undertake Corporate Social Responsibility as mentioned in government regulation (*peraturan pemerintah*) No. 47/2012 related to Limited Liability Company. This regulation mentions that 'the realization of budget for the implementation of social and environmental responsibility conducted by a company calculated as the cost of the company'. It brings a benefit which will reduce the income tax of companies, including mining companies that run Corporate Social Responsibility. This regulation has been expected to encourage business communities in Indonesia to undertake CSR programs.

Several research studies have been conducted by various institutions, including such NGOs, scholars and the Indonesian Science Institute (*LIPI*) to examine how the mining companies in Indonesia undertake community development programs. One of the NGOs which is concerned with this issue is WALHI (*Wahana Lingkungan Hidup Indonesia*)¹. WALHI has conducted research in some mining industries, including PT. Dairi Prima Mineral which mines black tin and zinc in North Utara Province; PT. Medco E & P Rimau which is an oil and gas mining company in South Sumatera and PT. Kaltim Prima Coal (KPC) in East Kalimantan Province (Setiawan & Ginting 2008). WALHI has demonstrated that all these extractive industries have caused environmental degradation in the areas where they are located, including deforestation; river, water and air pollution; and the loss of particular fish or other animal species. The findings from WALHI's research studies have shown that these mining industries have conducted community development

¹ WALHI is an umbrella for a non-government environmental advocacy group in Indonesia. Their goals include sustainable environmental and natural resources management; and incorporating the principles of democracy, justice and public participation (Setiawan & Ginting 2008)

as part of their Corporate Social Responsibility (CSR) programs. Some of them designate their community development program as Corporate Social Responsibility.

In its research studies, WALHI reveals several issues related to the implementation of community development programs by these mining companies (Setiawan & Ginting 2008). WALHI (Setiawan & Ginting 2008) explain that these companies have employed their development programs to obscure the environmental degradation issues caused by the mining operations.

WALHI (Setiawan & Ginting 2008) research findings suggest that the mining companies conduct their community development programs in ways which seek to minimize the conflict that occurs between local communities and mining companies. The local communities' protests to mining companies are mainly related to employment problems. They have an expectation that the mining companies will recruit them as employees. Other conflicts have been triggered by land compensation problems and the 'unfair' distribution of the Corporate Social Responsibility's budget to the local communities. The mining companies have sometimes appeared to conduct community development programs as a way of appeasing the local communities and averting community protests against the companies. For instance, they have distributed a greater proportion of the budget and programs of community development to particular groups such as local elites and local community leaders. The mining companies assume that these groups would be able to influence the opinions of other members of the local community, particularly those who have criticised the mining companies. On the other hand, this 'unfair' distribution has caused jealousy and a horizontal conflict between local community members (Setiawan & Ginting 2008). WALHI contends that the mining companies have undertaken community development programs as a strategy to 'seduce' the local communities to accept the existence of the mining companies. WALHI also takes issue with KPC in their implementation of community development programs through 'taking over' the role of the local government in the East Kutai district. This research finding is supported by

KPC survey research which reveals that 78.1 % of the local community members claim that this mining company is the most responsible party in conducting the development process in the East Timur district (Setiawan & Ginting 2008).

Another research study has been conducted by the Indonesian Science Institute on Chevron Pacific Indonesian, an oil and gas mining company which is located in the Riau Province (Tahajuddin, Kusumawardhani & Manan 2006). This study describes how this mining company has delivered various kinds of development programs, with a focus on human development programs such as health and education programs. According to the research study, the company claims that it has employed both bottom-up and top-down approaches in its community development implementation for different reasons. The mining company claims that by using the bottom-up approach it accommodates the interests of its stakeholders, for instance, in community development planning. This study suggests that in the planning process the mining company has accommodated the input or aspirations of the local community through local community proposals and through discussions with the local community members. At the same time, the top-down approach has been employed since the mining company needs involvement and approval from the management level and the mining company's head office for the decision making process. The company claims that this approach is important because these decisions would affect the mining company's operation. The claim of the mining company that it has already employed a bottom-up approach has been questioned in practice.

Tahajuddin, Kusumawardhani and Manan (2006) suggest that in some cases Chevron Pacific Indonesian company has conducted pragmatic, short-term and unsustainable development programs, such as charity programs and community development programs, which do not include training and assistance from the mining company for their implementation. As a result, the local communities have a negative perception and an unsatisfied attitude toward the mining company's community development programs. Tahajuddin, Kusumawardhani and Manan (2006) argue that these kinds of development

programs do not necessarily empower the local community. They also discuss the relatively minor role that NGOs and local community leaders have played in the implementation of the mining company's community development programs.

There are several scholars who conducted their studies on mining companies and other kinds of companies which exploit natural resources in Indonesia. Included in these scholars are Leith (1993), Robinson (1986), Tsing (2005) and Welker (2012; 2011; 2009; 2007). They criticize the development policy of government relating to foreign investment in Indonesia. Taking different sites in Indonesian including very remote areas, they point out that this policy always puts the local people in a marginalized and powerless position toward the foreign companies. Robinson (1986), by using Marxist Anthropology perspective, has conducted her study in a foreign nickel-mining project in Soroako, South Sulawesi. Robinson explores how capitalist mode of production penetration has impacted on life, work and customs of the local people through the existence of foreign company. She illustrates that the operation of a nickel mining project has changed gender roles, traditional marriage practice, the family, and social stratification. For instance, the organization of mining has instituted the inequality between expatriates and Indonesians related to wages, working condition, and privileges that have given rise to the new social stratification.

Tsing (2005) investigates the operation of foreign timber companies in Meratus Mountain of South Kalimantan based on ethnography of global connection's perspective. Tsing explores how global flow known as globalization has moved in different pathways. Instead of creating homogenization, the global movement through foreign timber companies have connected the local people and raiforest dwellers to an awkward engagement with the global world. These companies have brought the product of these rainforests to the global market. The foreign timber companies have destroyed the rainforest where thousands of diverse species live. As a consequence, the local people have lost the forest which they depend on for their livelihood. This global market is not alone. There are village leaders,

environmental activists, nature lovers, university students, who together have started to protest actions against the timber companies related to forest destruction activities. Tsing called these protest actions as frictions, the way in which the local people have been connected globally to the world order. The friction and global market go hand in hand in making globalization possible. Tsing (2005, p. 5) analogises this as 'a wheel turns because of its encounter with the surface of the road; spinning in the air it goes nowhere. Rubbing two sticks together produces heat and light; one stick alone is just a stick'.

Leith (1993) and Welker (2012; 2011; 2009; 2007) add their investigation related to the implementation of community development by foreign companies. Leith (1993) found that PT. Freeport, Papua, has faced many problems in conducting its community development programs. First, PT. Freeport has lacked guidance in undertaking these development programs. As a consequence, it has employed trial and error approaches, learning from experience, to meet with the local community needs. PT. Freeport argues that the central government has less involvement in the implementation of these development programs. The central government only cares about the profit which can be obtained from this mining operation. Second, PT. Freeport has utilized a top-down approach to establish various kinds of development programs, including education, wealth, agriculture and local business development. It has given rise to the protest actions from the local community. For instance in the agriculture programs, the local people argued that this program has ignored local knowledge related to land cultivation that they have been using for thousands of years. The third problem relates to the involvement of NGOs. PT. Freeport reveals two kinds of NGOs: those that have the best interest of the indigenous people at heart and that the company can work with and those that are defined as radical and irrational, driven by ideologies, exploiting the grievances of the indigenous people and operating out of their depth or area of expertise (Leith, 1993:130). This company argues that the second NGOs often impede development process and threaten the relations between the company and local community.

Welker (2012; 2011; 2009; 2007) conducted her research study in a mining

industry area located in West Sumbawa district, Sumbawa Island, West Nusa Tenggara Province Indonesia, where this research was also conducted. Welker (2012) found the same pattern in how this mining company conducted its community development programs as other mining companies in Indonesia. Welker points out that the mining company has employed weak participatory development programs. The mining company has established a top-down approach in conducting these programs, particularly in the agriculture program. The mining company even employs facilitators to introduce the new agriculture programs to the local farmer. Welker argues that this approach has copied the green revolution which was applied in the Soeharto Era to introduce the modern agriculture system to the farmers in Indonesia. These farmers have been encouraged to utilize chemical insecticide and fertilizer to increase their crop. The Soeharto government employed the facilitators, known as Bimbingan Masyarakat (BIMAS) to explain this new system to the farmers. The green revolution had succeeded in increasing the rice paddy production in Indonesia. The green revolution, however, has given rise to the dependency of the farmers on the government to supply the fertilizer and insecticide. Welker outlines that the same dependency would happen in the implementation of community development program by mining company in West Sumbawa district.

Welker (2011; 2009) outlines that corporations have used the implementation of Corporate Social Responsibility (CSR) in place of external controls on corporations. It is employed to secure a social license to operate from the local community. Welker illustrates how CSR has set up capital defenders of the mining company in West Sumbawa district. Included in these defenders are the villages' elites, village representatives, and religious school headmasters who will defend the mining company from the actions of opponents who are against the mining company. On the other hand, these local elites also require the mining company to provide mine jobs, contracts for local businesses, new community infrastructure, and other material flows. If needed, they would demonstrate, asking the mining company to fulfil these needs.

Larmer (2009), using the same mine site as Welker (2009), illustrates that the greed of the mining company to dig gold has caused a negative social and environmental impact on the local people. It changed the local people's livelihood and their perception towards the natural environment. The local people who have been recruited as the mining company's employees do not care about the ecological destruction caused by the mining operation anymore. They only think about how to earn more money from this company. The mining operation has also given rise to a new hierarchy or social stratification among the members of the community. Larmer explains this inequality by showing the different lifestyles between residents who live inside and outside the mine's townsite. Most of the local community members who reside in villages outside those around mining operations still live in poverty; meanwhile 2000 employees who live in the townsites have luxury facilities including in-house television, a free-pizza night at a restaurant and a basketball gymnasium. The mining company has responded to critics of these negative impacts by conducting community development and environmental programs. The implementation of these programs needs to be explored further.

A decade ago, there were some research studies and human rights investigations into the mining industries in Indonesia. These studies have in part examined the implementation of community development programs in this industry (Ballard 2001; Wiriosudarmo 2001). Ballard (2001) in his report claims that the mining industry has conducted community development programs purely for public relations reasons. Moreover, Wiriosudarmo (2001) states that there are uncertainties in the implementation of community development programs by the mining industries in Indonesia. According to Wiriosudarmo, these uncertainties include the target areas for the community development programs, the financial aspects, the degree of involvement of the industry in community affairs, and uncertainty related to the objectives of community development.

The above research studies show that the mining companies in Indonesia have the same pattern in conducting their Corporate Social Responsibility

(CSR) and or community development programs (Setiawan and Ginting, 2008; Tahajuddin, 2008; Tahajuddin, 2007). These companies have delivered various community development programs, both infrastructure and capacity building programs to communities who usually live in remote areas which lack various public facilities. Included in these programs are the building of roads, clean water facilities, sanitation, dams and irrigations, school buildings and public medical centres. Related to their capacity building programs these companies have also established scholarship programs, small and medium scale enterprise development, distribution of micro-credit and rice paddy seed to the local farmers, as well as conventional philanthropy programs, for instance donations for communities' religious and cultural events.

The mining companies have employed their community development programs to obtain social license from local communities (Setiawan and Ginting, 2008; Tahajuddin, 2008; Tahajuddin, 2007). Previously, local communities rejected the existence of these companies in their area. The operations of these companies have relocated many local people to other areas forcing them to leave their land. To solve this problem, the mining companies have cooperated or even recruited local elites including village officers and local community leaders to become their consultants or public relations officer of mine community development programs. As a result, these local elites are too busy undertaking many project for the mining companies instead of protecting other community groups which suffer from negative impacts of mining operations.

It can be argued that there are many issues related to the implementation of community development programs in the mining industries in Indonesia. There is some evidence that these industries have conducted community development programs primarily for pragmatic or instrumental reasons. Mining companies have delivered community development programs as a strategy to avoid conflict or protests from the local community which would affect the mining operations. In general, the mining companies have established short term and unsustainable community development programs that do not necessarily have community empowerment as an essential part of

their implementation. This raises several questions. First to what extent the mining industries embrace the idea of empowerment as an objective of their community development programs. Second, to what extent has the local government, where mining companies are located, been involved in the implementation of mine community development programs.

This study goes beyond research studies which mostly employ conventional perspective of power, for instance Marxist, to explore power relations between a large-scale mining company and local people. This perspective will put the local people always in a powerless position *vis a vis* the foreign corporations which have more power in terms of capital and the ownership of production (Harris 1999). In a subordination position, the powerless people will utilize repressive ways, for instance protest actions to obtain the same power as the dominant group (DuBois 1991). Instead of conventional theory of power, this study employs Foucault's perspective that sees how power relations can always be challenged, changed or reserved through manoeuvres and strategy, including through community development programs. It refers to power relations in a positive and productive way that can be changed in the interest of powerless people. Foucault (1978), moreover, also provides an explanation related to power relation dynamics. This perspective explains individuals more in an active rather than a passive position or merely become objects of oppression of those who have power. This explanation will be discussed further in the following sections.

2.3 The nature of community development in the mining industry

Mining is one of the world's major industrial sectors, which in some cases holds a dominant position in the socio-economic development of many nations and is rapidly expanding into remote areas of the world due to the liberalization of investment regimes in developing countries and economies in transition' (Yakovleva 2005, p. 1). On the other hand, this kind of industry has also been criticized for giving rise to conflict issues and other relational problems with local communities (Humphreys 2000). Kemp (2010, p. 93) identifies various factors that have triggered conflicts stating that these

problems can be related to: 'economic or livelihood security; land or water access, ownership, use or degradation; environmental effects; gendered impacts; impacts on social cohesion and cultural beliefs; treatment and claims of human rights violations and other injustice; disparities between the distribution of benefits and risk; and the very meaning of development'.

It can be argued that the various problems related to the mining industry have occurred due to the nature of this kind of industry. This can be related to the four stages of the mining operation which are: exploration, construction, production and the closure stage (World Bank 2011). Each of these stages has particular implications. The first stage is the exploration stage; this has low economic impact but is critical since it is often the first encounter between the community and the mining company. Encounters can be sporadic but extend over long periods of time as different companies undertake exploration activities in a locality. This is the stage at which the relationship between the community and mining company (industry) is set up, which, depending on how it is managed, can influence perceptions of the industry for a long time, including the later stages of mine development and operation. The second stage is the construction stage, although relatively brief, it probably has the greatest impact in the short-term, as well as having long-term implications. It potentially brings a boom in jobs but can also cause considerable physical and social upheaval, opening up remote areas through the development of infrastructure, thus stimulating migration to the area. The third stage is the production stage which has the longest-term impacts – affecting, for example, income and infrastructure, but also having negative and often unintended repercussions. The impact of the last stage, which is the mining closure stage, depends largely on the degree of forward planning and the available means to sustain benefits, such as institutional capacity and financial resources.

The location of mining activities has an important influence on relationships with local communities. An important issue relates to the type of location of a particular mining operation. Usually, mining companies exploit natural resources in environmentally and socially sensitive locations or areas (Kemp, D et al. 2010). These locations are often inhabited by indigenous people, or

are in remote areas which are home to poor and vulnerable peoples (Kemp, D 2010). In addition, mining companies operate in contexts where political and legal institutions are weak, corrupt, or not trusted and where there are marked imbalances in political, economic, and cultural power (Escobar 2006; Reed 2002). The contexts and locations where mining companies are located have challenged companies to build relationships with the local community and to overcome the problems caused by the mining operations. There are various impacts which have been caused by mining operations (World Bank 2011; Yakovleva 2005). The first impact relates to the economic sector. Included in these impacts are: contribution to government revenues in national and local level; various compensation to local communities including jobs opportunities which are available for the local community; cash which can transform the economic and social basis of communities; the provision of services to mining operations which could become an important source of economic benefits to communities; significant infrastructure improvement, such as roads, sanitation systems, water supplies and electricity; and contribution to other forms of economic activity, such as tourism (World Bank 2011). The second is the socio-cultural impact, which is both destructive and constructive. Positively, the mining companies have contributed to health and education aspects, such as building facilities and providing scholarships for local students. On the other hand, mining operations have caused several social-cultural issues, for instance the spread of diseases such as HIV/AIDS; inflation; shifting marriage patterns; economic dependency; altering economic, livelihood and purchasing systems; the introduction of or increase in prostitution; disruption to local culture; the decline of some local traditions and practices and the rise of new culture or traditions (World Bank 2011). The mining companies are responsible for triggering conflict between: the local community members who may welcome a new mine and those who may oppose it; those who are satisfied with compensation packages on offer and others who will wish for more; those who are reluctant to tolerate any change and others who will eagerly embrace new business opportunities (World Bank 2011). The third impact relates to environmental problems, including: mine waste/tailing disposal; sudden failure of tailings disposal; changes in river regimes;

destruction of habitat and bio-diversity at the mine site; landscape/visual impact/loss of land use; changes in the ecosystem; deforestation and desertification² (Balkau & Parsons 1999; Reed 2002)

The mining industries are required to be responsible in relation to negative impacts which can be caused by mining operations. One way is by conducting Corporate Social Responsibility (CSR) or community development programs. Kemp (2010) argues that perspectives on mining and community development are relatively polarized, with considerable scepticism concerning the double roles of the mining company as both a business institution and an agent of development in conducting community development. Most mining industries have conducted this development as part of their Corporate Social Responsibility obligations. This kind of responsibility in the mining industry is viewed as a mechanism to increase positive contribution and minimize negative social and environmental impacts while continuing to gain profit from the mining operation (Accut, Hamann & Carter 2001; Warhurst 2001).

The expectation of Corporate Social Responsibility means that business communities have a new role as social agents in relation to their internal and external environments including the society or community in the local area (Wartick & Wood 1998; Wood 1994). This role has added to the central role of business, which is to perform as an economic institution through obtaining profit and increasing production. As social agents, businesses are seen as socially responsible to bring wealth to the community. This perspective has been supported by ethical arguments which highlight the issues concerning the negative impacts of business or corporate activities on the community. 'Corporate Social Responsibility is particularly relevant to the mining industries, because they have significant effects upon economic, social and environment dimensions, and are viewed as one of the most damaging and dangerous activities of the industrial sector' (Yakovleva 2005, p. 19).

While there is still no universally accepted definition of Corporate Social Responsibility (CSR), this concept is generally used to refer to business

² Desertification is the process by which a piece of land becomes dry, empty, and unsuitable for growing trees or crops on (Cobuild 2006)

responsibility to society and the environment (Blowfield & Frynas 2005). Corporate Social Responsibility has been defined and interpreted in several ways by theorists, including the argument that business communities should be responsible for addressing social problems beyond the narrow economic, technical, and legal requirements of the firms. Beesley and Evans (1978, p. 13) argued that the 'common ground of CSR lies in the perception of a relative shift from government to companies as the source of social improvement and the means to promote specific items of social welfare'. To summarise, the original idea of corporate social responsibility was 'that businesses were not isolated organizations working to meet a single societal function (that of economic production and distribution), but were integrated with the whole of society and had dramatic effects on that society's problems, structure and future' (Wartick & Wood 1998, p. 68).

In practice, corporate social responsibility policies have resulted in expansion of the involvement of businesses in development activities for communities (Newell & Frynas 2007). Business or private sectors are expected to address various development problems, such as poverty; social exclusion based on gender, race, ethnicity and class inequality; social justice and other development challenges. The role of business in development has been grounded in the socio-political governance approach which assumes that community development is the responsibility of all social actors including non-profit, public and private sectors (Moon 2002). As Beesley and Evans (1978, p. 15) recognised many decades ago: 'corporate activity is seen to help shape changes in society; the company is a principal initiator of change'.

Historically, the increasing role of business in development is 'linked both to the decline in confidence in the role of state as an agent for development and to global deregulation from the 1980s resulting in a more limited role for the state in the economy' (Newell & Frynas 2007, p. 672). This role is associated with the capability of government or state to provide public services including the provision of basic infrastructure and enabling access to water, electricity, health and education. Due to this shift, businesses now have a multitude of roles including as investors, providers of goods and services, creators of

development policies, and as providers of basic infrastructure; furthermore, they are challenged to tackle development problems, particularly poverty alleviation. The question remains as to how a corporation or business will conduct its role as development agent alongside its main function as a profit oriented institution. The other question is related to the power and role of the state or government, as the role of development agent has been largely handed over to business communities. Since these changes, questions have been raised with regard to the capability or effectiveness and also the limitations of business to conduct development programs as part of their CSR.

The groups who are in favour of Corporate Social Responsibility, including the United Nations (UN) and the World Bank, believe in the positive contribution of business to economic and human development and affirm the potential of CSR to alleviate poverty. In particular, in relation to the mining company which is the case study for this thesis, community development is still believed to be the solution to ensure that the local community will directly benefit from the mining investment (Davidson & Braithwaite 2005). Moreover, Davidson and Braithwaite argue that to be effective, community development which is conducted by mining companies should be supported by guidelines that outline the roles, responsibilities and skill requirements and provide practical guidance for mine site managers and practitioners, local communities and government for all stages (Newell & Frynas 2007). Conversely, some theorists have criticised the implementation of CSR as unrealistic and as purely for public relations reasons (Blowfield 2004; Kemp, D 2010; Newell & Frynas 2007). These critics assume that there are limitations to the ability to integrate business interests alongside the obligation to address development issues. One of these limitations is related to the lack of a clear definition of CSR, particularly in relation to its role in overcoming poverty problems (Newell & Frynas 2007). The definition of the activities of CSR is very broad, with theorists pointing out that 'anything from environmental management, health and safety rules and human rights to community capacity building and philanthropic activities has been considered under the CSR umbrella' (Newell & Frynas 2007, p. 673). This lack of clarity means that there is insufficient guidance to determine the strategy by which poverty issues can be addressed

by CSR activities.

The difficulty of defining CSR models or strategies relates to the diverse context or settings where CSR programs are conducted. As Newell and Frynas (2007) point out, factors that will influence CSR implementation are the nature of the private sector and the varying degrees of state capacity and civil society engagement. They argue that 'current CSR models assume responsive business interested in CSR, an active civil society willing to enter into partnership with business and a strong state able to provide an enabling environment for CSR, yet these conditions are absent in the majority of the world' (Newell & Frynas 2007, p. 675). By citing the work of members of the International Research Network on Business, Development and Society in several countries such as Argentina, India, Nigeria, China, Bangladesh and South Africa, Newell and Frynas (2007) attempt to illustrate the various settings or contexts which affect the strategy of Corporate Social Responsibility. For instance, firms in Argentina have been faced with a context of financial collapse in the economy in the wake of the crisis of 2001. These firms have increasingly been expected to get involved in programmes that directly tackle the poverty created by the crisis rather than focussing exclusively on more traditional Corporate Social Responsibility concerns such as working conditions and the environment. In India, despite strong legislation on environmental issues, pollution control at state level is often weak, creating an important role for community-based monitoring and enforcement. In Nigeria, 'community protest and an almost total neglect of oil-producing areas by government agencies have forced foreign oil companies to invest in basic social infrastructure, including building roads, schools and hospitals, performing state-like roles which would be inconceivable and perhaps considered illegitimate in other countries' (Newell & Frynas 2007, p. 675).

From these examples, it can be concluded that business communities through CSR cannot solely contribute to development programs without any support from civil society and the state or government. The state or government is responsible for determining the policies or regulations to address the complexity of development problems, which inherently will involve social and

political factors (Newell & Frynas 2007). The government has a role in constituting and continuing to set the terms and conditions for the role of business in their country's own development, through systems of incentives and disincentives provided through regulation, tax and the like in which the rights and responsibilities of investors and communities will be determined.

The 'ideal' condition of government involvement, as described above, is almost absent in most countries in the world. Newell and Frynas (2007) have recognized the poor cohesion or lack of co-ordination between state and private sectors to determine development programs. Gulbrandsen and Moe (2007) provide the example of British Petroleum (BP), which attempted to contribute to social and economic development in Azerbaijan through its Corporate Social Responsibility, however this was conducted in the absence of a state-led development plan. In this context, the Corporate Social Responsibility effort can act as substitute for the role of government in conducting development programs. However, 'business may then be accused of operating like a state without the appropriate mechanisms for managing and reconciling competing societal demands' (Newell & Frynas 2007, p. 675).

Newell and Frynas (2007) have identified other problems concerning governments' role in the development process. They found that 'patterns of corruption among political elites often override the needs of poorer groups in the rush to access their land and resources or offer their labour to private investors' (Newell & Frynas 2007, p. 677). This situation often occurs in the businesses involved in extraction, particularly the mining industries. Research conducted by War on Want (War on Want 2007) has described the human rights violations and conflicts associated with the operation of British mining companies in several developing countries, for instance, Colombia, The Philippines, Tibet, Uzbekistan, Bangladesh, Peru, Argentina, Zambia and Indonesia. In most of these countries, governments or states have employed military power during mining extraction, making deals with mining companies and using the revenues to fuel civil wars. Thus, governments in those developing countries, hand in hand with mining companies, have contributed

to human rights abuses in their own societies, in particular communities in the vicinity of mining operations (War on Want 2007).

There has been scepticism about the involvement of business in development programs since the objective to achieve greater production and profit is more dominant than the aim of contributing to development programs for community betterment through Corporate Social Responsibility (Blowfield 2004; Cragg 2002; Fox 2004; Hamann, R 2003; Harcourt 2004; Kapelus 2002; Kemp, D 2010; Leisinger 2007; Newell & Frynas 2007; Utting 2007; Wartick & Wood 1998). It has been claimed that business involvement in development programs has been purely for public relations reasons and as tokenistic gestures rather than genuine contributions towards poverty reduction and human development. All these theorists are pessimistic about the potential contribution of CSR and the capability of business to reconcile its main objective of profit with the obligation to be responsible in development programs.

The pessimistic argument is enhanced in the case of Corporate Social Responsibility, as applied by Multinational Corporations (MNC). The critics have argued that MNCs have conducted CSR in developing countries merely as a pragmatic response to consumer and civil society pressures in relation to several issues including human rights, environmental pollution and labour issues (Raynard & Forstater 2002). Previously, transnational mining corporation problems have been emphasized in state-to-state level analyses (Almaric, Kennedy-Glans & Reddy 2004; Reed 2002). These analyses are concerned with the relations between the 'home-state' of a transnational corporation and the 'host-state' where the transnational corporations put their investments (Reed 2002; Zerk 2006). It can be assumed that the powerful transnational corporations have a strong position toward governments in the host-states, primarily located in developing countries. The domination of transnational corporations has also been identified as representing the interests of the home-state and as threat to the sovereignty of government in developing countries (Ballard & Banks 2003; Reed 2002; Zerk 2006). For instance, in Latin America, where most countries are independent, the oil

industry, for example, has used its power to get very low tax rates, relatively low labour costs, and has earned high profits (Reed 2002).

The transnational corporations have put the developing countries in a dilemma. Zerk (2006, p. 10) explains, 'on the one hand, foreign investment was seen as a key to economic growth and prosperity; on the other hand, governments of these countries were reluctant to surrender control over valuable economic resources to those they saw as representatives of foreign economic interests'. The foreign investment policies which are employed by newly independent countries may be seen as merely replacing one form of colonialism with another (Zerk 2006). Moreover, it can be claimed that most discussions of MNCs at this level have shown the negative impact of MNCs in their host countries; for instance, exploitation of labour, inappropriate intervention in internal political affairs, destruction of the environment and elimination of indigenous cultures. Newell (2005) and Muthuri (2007) have identified the issue of inequities that emerge between companies and communities which are integral in influencing the corporate community relations. This issue is relevant to analyse the relation between MNCs as large corporations with superior power and the local communities as much less powerful people. The deep inequalities between Multinational Corporations and local communities have been held responsible for complex relational problems. This suggests that analysis of MNCs needs to move away from the state-to-state level toward a corporate (MNC)-to-local community analysis.

The corporate-to-local community level of analysis has been employed to examine the implementation of community development in the mining industry. There are various reasons for the involvement of this kind of industry in Corporate Social Responsibility and/or community development programs (Yakovleva 2005). First, the mining industries have to consider the existence of public opinions and pressure groups such as NGOs which frequently express negative opinions in relation to mining operations. The second reason is to maintain their ability to operate, since the mining companies have been challenged by social organizations or oppositions which demonstrate their

resistance toward the expansion of mining operations; this resistance occurs due to lack of community engagement, impacts on local agricultural land use, pollution and related health impacts and the influx of work-seeking migrants. Third, community development and/or Corporate Social Responsibility is important for mining companies as this kind of industry frequently operates in remote areas of the world, which are often economically underdeveloped and lack provision of social welfare services. These areas are commonly found in the developing countries. Hence, the existence of mining companies in these countries has been expected to improve the economic and social welfare of the communities in which they operate by conducting social responsibility and/or development programs.

2.3.1 Community development: how the mining industry defines and practises it

The concept of community development has been defined variously by those who profess to practise it, including scholars, business sectors, Non-Government Organization (NGOs) and all levels of government (Denise & Harris 1989; Kenny 2006). It can be assumed that various aspects will influence the community development practitioner in defining community development, including understanding of the term 'community', and their development objectives in a particular context.

It is important for community development practitioners to define the community in which they work. Theorists have envisioned a wide variety of definitions of community according to the particular context (Bhattacharyya 2004; Brokensha & Hodge 1969; Chaskin et al. 2001; Green & Haines 2008; Kenny 2006; Sihlongonyane 2009; Swanepoel, Hennie & De Beer 2000). Kenny (2006) has grouped these definitions into two types; geographical and social. First, the geographical area as a community is identifiable by a set of attributes tied to its physical location, a recognized history, and specific demographic features, such as sex ratio, age, density, culture, religion and the degree of homogeneity (Brokensha & Hodge 1969; Chaskin et al. 2001; Christenson, JA & Robinson 1989; Kenny 2006).

The second perspective, the social definition of community de-emphasizes physical boundaries as the primary community demarcation. According to this perspective, community is defined as 'involving networks of social relations based around common attributes and interests shared by people as a collective entity' (Chaskin et al. 2001, p. 8). By using this perspective, Bhattacharyya (2004, p. 12) has defined community as 'solidarity (shared identity and norms), making it possible to distinguish a community from all other types of social relations'. In line with this idea, Sihlongonyane (2009) describes 'community imagination' as a term used by governments and certain institutions, including the World Bank which stresses the importance of community development activities in its Millennium Development Goals (MDGs).

In terms of the mining industry, there are different categories of community involved in or affected by mining operations (International Institute for Environment and Development 2002). The first is occupational communities: households or families who derive all or most of their income from mining. The second is residential communities: households or families who live within the geographical area affected by mining. They may live in close proximity or many miles away, such as on a river polluted by mine tailings. These communities fall into two types: those in existence before the mine was built and those that have developed as a result of the mining operations. In terms of the concept of Corporate Social Responsibility, the 'local community are considered as one of the most important stakeholders of the mining industry as they are significantly affected by mining operations, economic and social welfare and via mining impacts on the natural environment' (Yakovleva 2005, p. 21). The third category of community is indigenous communities: these are households or families with an ancient and cultural attachment to the land where mining occurs or has an impact.

Besides the term 'community', the definition of community development is influenced by the objectives of community development practitioners in conducting their development programs in a particular context. In formulating their concept of community development, Christenson and Robinson (1989)

included a diversity of definitions taken from hundreds of journals, based on a variety of development objectives that focused on education, democracy, local decision-making, community improvement, communication, and cooperation. Having developed their own definition, Christenson and Robinson (1989, p. 3) argue that community development is 'a group of people in a locality initiating a social action process (i.e., planned intervention) to change their economic, social, cultural, and/or environmental situation'. This development objective has a basic philosophy which 'is to help people become subjects instead of objects, acting on their situation instead of simply reacting to it' (Christenson, AJ, Fendley & Robinson 1989, p. 14).

The objectives of community development have been influenced by the context in which these development programs were undertaken. Previously, community development approaches predominantly referred to poverty alleviation of rural communities (Biddle 1966; Brokensha & Hodge 1969; Swanepoel, Hennie & De Beer 2000) rather than urban communities (Chaskin et al. 2001; Green & Haines 2008). At a macro level, Campfens states that the changing social and political realities at a global level are redirecting the function and roles of community development practitioners. These will differ significantly as the changes have caused massive variations in impacts, as well as in the conditions and needs of diverse population groups (Campfens 1997). Campfens illustrates the different objectives of the implementation of community development programs in six countries including Ghana, Bangladesh, Canada, Netherlands, Israel and Chile. In these countries, community development had been defined by the cultural, social, political and economic realities of communities. For instance, due to the situation in Bangladesh of widespread poverty and a rapidly expanding population fast approaching its ecological limit, and in the context of a traditional rural society based in Islamic culture, development programs are being challenged to prioritize humanitarian issues. In other countries, community development has focused on the elderly (Netherlands) and on single-parent women (Canada). Hence, it could be assumed that at the local level the objective of community development would be influenced by the context where community development programs have been conducted; for instance in rural, urban,

neighbourhood, slum areas and mining industry areas.

In relation to the mining industry, community development describes activities that have been conducted directly or indirectly with local communities. The main objective of these activities is to ensure that local communities will obtain benefits from the mining operations. Included in these benefits are positive economic, environmental and/or social outcomes for communities in which mining industries are located. Kemp (2010) states that the sphere of activity varies from site to site, depending on the context, size of the operation, commodity, impact of the operation and various social and political expectations. On the other hand, Kemp (2010) criticizes the way that the emphasis on what the mining company has delivered to the local community has ignored another crucial aspects, for example the process of how the mining company delivers the development programs to the local community.

Various approaches have been employed by mining companies to deliver community development programs to local communities. Based on her research studies of gold and diamond mining companies in the Republic of Sakha (Yakutia) in the Russian Federation, Yakovleva (2005) describes at least three approaches that mining companies have used to conduct community development programs. These models are different in terms of organizational structure, planning and implementation of initiatives, program evaluation and reporting. Yakovleva states that each model or approach has its benefits and challenges.

The first is a company-led approach, in which companies establish community development in-house corporate programs. In this model, the mining companies have established organizational structures within the company. This means that all the activities related to community development programs involve the mining company's resources. As a consequence, these activities - including the planning of initiatives, their implementation, and the evaluation process - have mostly been conducted by the mining company (the company management). In addition, Kemp (2010) points out that in order to undertake all these programs, the mining companies have often put community development within the core organizational structure, for example, through a

dedicated department. Other organizational structures have included community development as a sub-department under community relations or the external affairs/public relations department. In the company-led model, the mining companies develop various initiatives to address concerns of affected communities including: maintenance and delivery of social services to community members; charity giving; cooperation with government agencies and local authorities on issues related to community projects and state socio-economic programs; and development of corporate social programs that target community members. Yakovleva (2005, p. 257) argues that the company-led approach has some benefits including 'improving communication between mining companies and communities; managing direct impacts of mining operations on communities and addressing needs and concerns of communities immediately near mining operations'. On the other hand, the company-led approach has its drawbacks because it potentially becomes a one-way or one-sided approach when the local community is considered to be a passive recipient of the mining company's initiatives. To overcome this problem, the mining company has been encouraged to be willing to consult or communicate with the local community or perhaps to establish a relationship with an external organization such as an NGO. This would help the mining company to avoid misinterpreting or overlooking the vital or real needs, demands and expectations of the local community.

The second approach to conducting community development programs is the corporate foundation. Yakovleva (2005) explains that in this model the mining company outsources community development through the establishment of a corporate foundation. The role of the mining company can be demonstrated by the inclusion of company representatives on the foundation's board. In addition, in the corporate foundation approach, the funding for community development programs is not only from the donor mining company but also sometimes from external fund-raising. The corporate foundations approach has the potential for being more effective for overcoming the local community's concerns outside the direct impact area of the mining operations. There are other reasons which become the basis why mining companies

prefer to establish corporate foundations to deliver community development programs, including:

tax laws sometimes make it beneficial to set up an independent organization; an independent management structure could allow the community development program to have more community control than would be feasible for a company-managed program; a separate institution can help the company separate legal liability for the actions of the community development program from those of the company; and an independent organization can outlive the company, adding to program sustainability (International Finance Corporation 2000, p. 36)

The third approach is partnership; in this approach, community concerns are addressed through 'the involvement of various numbers and combinations of other parties including company, state or local and/ or central government agencies and/or civil society such as NGOs, which is known as the concept of the tri-sector partnership' (Business Partners for Development 2001, p. 1). Yakovleva (2005) argues that the partnership approach is challenged by various issues including communication between parties; distribution of responsibilities and effective balance of inputs from the parties; accountability and transparency problems; and evaluation of the outcomes of the partnership's operation. On the other hand, this approach also has several potential benefits in establishing effective relationships between the mining industry and the local communities in which it operates. Included in these benefits are involvement of key stakeholders (mining company, government and community) in decision making concerning community initiatives which could lead to a higher degree of consideration of community concerns and demands; input of resources from different parties and involvement of different organizations in the implementation of community initiatives. Another benefit of the partnership approach has been illustrated by Hamann (2003, p. 251) who explains that 'the government will be called upon to provide security and a robust legal framework that ensures property and land rights and facilities support from international funding bodies; meanwhile, civil society organisations will also need to respond to calls for greater accountability'. In addition, the partnership approach would improve 'the quality of community development activities, greater sustainability and increased community capacity to manage its own development and to negotiate effectively with

government and with the private sector' (Sullivan & Warner 2004, p. 262).

It can be argued that community development should be concerned with increasing the capacity of local communities to participate in managing their own development. There are many studies which acknowledge the importance of the participation principle in the development process (Cooke & Kothari 2001). The main objective of this principle is to promote human rights, equity and decision making (Dipholo 2002). Previously, this principle has been employed by NGOs as they shifted their focus from aid and relief to tackling the fundamental problems of lack of assets and voice (Korten 1990).

2.3.2 Participatory development in the mining industry's community development program

Kemp (2010) points out the contradiction in the mining industry's community development practices. This tension has emerged since the mining industry has practised two different frameworks which are the production/commercial oriented framework and the development agenda. The crucial question then emerges as to how participatory development as a method in community development could be employed in the context of mining industries. In addition, Kemp asks: to what degree can a mining industry privilege the interests of the poor and marginalized over or as well as the company's own interests? Some scholars emphasise that the primary objective of community development is to promote human development. Community development practitioners could achieve this objective by strengthening the capacity of the community members to take collective responsibility for their own development (Bhattacharyya 1995, 2004; Kenny 2006; Swanepoel & De Beer 2006). This objective of community development is aligned with a people-centred approach, which Korten and Carner (1984, p. 201) describe as 'an approach to development that looks to the creative initiative of people as the primary development resource and to their material and spiritual well-being as the end that the development process serves'. Hence, it can be argued that participatory or people-centred community development can be employed if mining companies put people first in the development process.

If community development is to promote human agency and human development as a primary objective, it will need principles in relation to its implementation. Swanepoel and De Beer (2006) have described the community development principles as encompassing human orientation, participation, empowerment, ownership and releasing people from the deprivation trap, also known as the poverty cycle in relation to lack of resources and capacity to address their poverty problems. Similarly, but using different terms, Kenny (2006) describes the principles of community development as involving a commitment to powerless people and social justice, citizenship and human rights, empowerment and self-determination. She recommends that all these principles be adopted and used by community developers. It can be concluded that there are three key principles, which are human orientation, participation and empowerment.

The first principle is human orientation which argues that people should be promoted as the main goal of development programs. For instance, Swanepoel and De Beer (2006) state that development programs should address people who live in poverty and lack concrete/physical and psychological resources. These programs not only need to address the issues of adequate food, shelter, and clothing and clean water but also fulfil the psychological needs of happiness, self-reliance and human dignity. The human orientation principles can be analysed from two different perspectives: macro and micro. In the macro perspective, Kenny (2006) reviewed human orientation principles as Marxist concepts of power relations. Kenny strongly affirms that community development has a commitment to empower the powerless or disadvantaged people. Kenny explains that people can be excluded, oppressed, marginalized or disadvantaged when there are inequalities of power and resources. These inequalities are usually caused by state policies or the ways that privileged groups or individuals try to control how people live in order to make profit. Therefore, development programs should be concerned with equity, social justice and fairness to ensure equal distribution of economic resources, housing, health and education, equality of civilians, legal and industrial rights, and also quality of opportunities for participation and decision making in society. On the other side, from a micro

perspective, Bhattacharrya (1995, 2004) promotes human autonomy or agency as the ultimate goal of development. Broadly, human autonomy refers to the capability of individuals to define and have power to control their lives. This perspective promotes human autonomy by enhancing the critical consciousness of people to enable them to address their problems and find solutions (Bhattacharyya 2004). In sum, the micro human orientation principle advocates for power and control to each individual so that they can overcome problems which affect their lives.

The different levels of analysis of the human orientation principle, either macro or micro, will influence the focus and approach in which development programs will be employed. The macro perspective places more emphasis on the structural level, such as state, institution, and privileged individuals or groups as the central problem of community development, and considers structural change as the main solution to the problem. The macro perspective focuses on the people or agencies only in terms of their relationship to the large-scale structure. The micro-perspective, however, places a greater emphasis on the individual level as the main focus and objective in the development programs. In this perspective, the strategy is focused on building the capability of the individual as the agent/subject and object of development. Thus, it is important to identify the factors which can impede the involvement of individuals in the development programs. In relation to this thesis, the different levels of analysis will be discussed later in the section on community development theories. In addition, the appropriate level to analyse the community development programs of the case study mining company on Sumbawa Island, Indonesia, will be considered.

The second principle of community development is the process of community participation as a key concept in community development practices. Although participation has a variety of interpretations, this thesis is concerned with the kind of participation and the extent to which communities should be involved in the development process. This involvement can be seen as the democratic right of the people to make decisions regarding the development program, because it will determine their future (Ife 2002; Swanepoel, Hennie & De Beer

2006). Swanepoel, Hennie and De Beer (2006, p. 9) clearly give the following advice about the participation process: 'don't mobilise people to play a minor role in a project and to fill a subordinate position in relation to professional, bureaucrats and donors. If the people are not the main role-players there is something wrong with their participation'.

To determine at what level community participation is included in the practice of community development, Sherry Arnstein (1969) describes citizen participation at three primary levels which are: *first* non-participation, involving therapy and manipulation; *second* tokenism, encompassing information, consultation and placation; and *third* citizen power, involving partnership, delegated power and citizen control.

On the first level, therapy and manipulation are the non-participatory methods contrived by some developers to substitute for genuine participation. Their real objective is not to enable people to participate in planning or conducting programs, but rather to enable power-holders to educate or cure the participants. On the second level, tokenism: although those without power can hear and have a voice, they cannot ensure that their views will be heeded by the powerful. Here, placation is simply a higher level of tokenism with ground rules that allow have-nots to advise, but retain the rights of power-holders to decide. The third level of citizen power involves a partnership process that enables citizens to negotiate and engage in trade-offs with the traditional power holders. This is the highest level of participation, delegating power and citizen control with have-not citizens achieving the majority of decision-making seats, enabling them to have full managerial power. By dividing the citizen participation into several categories, Arnstein highlights the fundamental point that participation without redistribution of power is an empty and frustrating process for relatively powerless people. This is a strong argument which has been used to explain the ways that the participation process always goes hand in hand with power (Arnstein 1969; Choguill 1999; El Sherbini 1986; Gran 1983; Onyx & Benton 1995). Community developers are encouraged to implement empowerment principles to maximize the power or control in the hands of the community, as well as to ensure the participation process.

The concern remaining in relation to community participation, then, is to ask how much a community should be involved in the participation process. Onyx and Benton (1995) explain that according to the conservative viewpoint, empowerment requires total self-help from participants with minimal outside intervention. In this process, participants should achieve all steps which are: identification of need; identification of options or strategies; decision, or choice of action; mobilization of resources; and the action itself. This point of view assumes that people in impoverished circumstances could develop themselves by using their own latent capacity including the institutions of mutual support and risk sharing without requiring redistribution of resources (Berner & Phillips 2005). In some cases, the total self-help of participants is problematic since there are several factors which influence the process. For instance, case studies done by Marfo (2007) in Ghana and Dorsner (2008) in Africa, demonstrate that community participation has been constrained by internal factors, which are: traditional beliefs, trust in local culture, trust in community representatives, personal benefit, education and literacy. Marfo argues that to overcome these constraints, outside intervention may be needed to stimulate civil interest in the community participation process. McArdle (1989), at the other extreme, claims that the empowerment process could be achieved only by employing participation in decision making through consultation with community members in the identification of need, and over choice of options, whereas implementation is carried out by professionals.

Bhattacharyya (2004) claims that the principle of participation is inclusion: this means inclusion in the process of defining the problem to be solved and how to solve it. In this process, it is important to let people have the opportunity to define their problems clearly and inclusively, and also to encourage them to apply their knowledge/material resources to solve those problems. This participation is the main focus of this research, which examines community participation, by analysing the community involvement in the decision making processes in community development programs.

It has been argued that participation in decision making implies some degree of self-determination in which the local community in a mining industry area

can gain control over their own future (Hamann, R 2003; World Bank 2011). The research studies conducted by the World Bank reveal that participation in decision making is crucial to the sustainability and survival of indigenous communities. It could be assumed also crucial for other categories of local community, for instance residential communities. The decision-making process requires 'recognizing the rights of communities to representation and engagement in processes that affect them, and bases the interaction between the mining project and the community on the values, goals, and aspirations of the community affected' (World Bank 2011, p. 223). Neglecting these local community aspirations would give rise to ineffective or inappropriate arrangements for the distribution of benefits, or in giving resources to institutions that are not able to sustain these benefits after the mining ceases.

Mining companies can utilize participation in decision-making at the local level or for local communities in particular ways (World Bank 2011). Mining companies' careful consultation with the local community is very important as at the national level, the government usually have not consulted with communities in formulating their mineral development policies. For mining projects, the consultation process can foster genuine relationships with mutual respect, shared concerns, and shared objectives among the community, company and other actors. In this genuine relationship, mining companies are required to negotiate with understanding and sensitivity. This is very important as 'communities often feel powerless in the face of large mining corporations and may have heard enough negative stories to be cynical regarding what they can achieve through participation' (World Bank 2011, p. 224). To overcome this problem, mining companies could establish a two-way dialogue or communication with the local community. The communication process should be transparent and up to date and needs to be established in such a way that it does not intimidate local people. On the other hand, local communities themselves might need help in building the capacity required for full participation in decision making. This can be achieved if local communities are involved in determining capacity building programs and controlling the funds which are needed for the implementation of those programs. This involvement develops administrative and managerial skills of the local

communities which could be integrated into the economy after the project is complete (World Bank 2011).

The current discussion related to participation in decision making questions the extent to which consultation implies some degree of shared decision making (World Bank 2011). This debate has emerged as the question of allowing a share in decision making in management of the mining operations is still a major issue for mining companies. At the local level, the participation of communities and other interest groups at management level would diminish questions related to the validity of the consultation process. This kind of involvement demonstrates that community concerns are seen to affect decisions about projects. This also indicates that the involvement of local communities which is moving towards participation rather than consultation, will ultimately mean that local communities are directly involved in the decision-making process.

Kemp (2010) argues that mining companies in particular have been challenged by various problems, including conceptual, organizational, temporal and political problems, in employing the participation approach in their community development programs. As mentioned above, the mining industry has been challenged to blend two different conceptual frameworks: commercial/production and developmental agendas to implement community development programs. Various contradictions or dilemmas are inherent in these two conceptual frameworks. Kemp illustrates another contradiction at the level of policy and practice in which a mining company adopts participatory development. She maintains that at the policy level, the mining companies have emphasized the participation principle in conducting their community development. However, in practice, mining companies demonstrate a heavy orientation toward service-delivery rather than participatory or people-centred development. The implementation of a service delivery approach has been limited by structural characteristics which are embedded in communities including the familiar structural inequalities of gender, race, class and caste. Hence, the service delivery approach potentially may not embrace all local community members in its project.

Meanwhile, participatory development requires engagement with individuals, families, households and small groups which are embedded in a community.

In relation to the implementation of community development, a crucial issue emerges concerning the skill of community development practitioners in the mining industry context. They must be able to facilitate participation from the local community in various groups and at various levels of community development implementation. Muthuri (2007) suggests that community development practitioners must have a research agenda which seeks to understand the conditions that support and limit community participation in development. Hence, community development practitioners should have a thorough understanding of organizational cultures, structures and environments where they work. Kemp (2010) argues that, conceptually, the skills of community development practitioners in the mining industry must combine the work of community development (CD), public relations (PR) and community relations (CR).

Temporal issues have challenged participatory development in the mining industry. This can be related to the three stages of mining industry: exploration, construction and production. The implementation of the participation approach aims to ensure the sustainability of community development programs and establishing self-help capacities of the local community. However, Kemp (2010) argues that in the beginning this approach would need considerable investment in staff training. The earliest stage of the mining industry usually involves high set up costs, and this kind of investment could be problematic for a mining company. Another temporal issue is related to mine closure. Once the mining operation has finished, the question emerges as to the continuation or sustainability of community development programs.

Political issues are the final aspect which challenge the implementation of the participation approach in community development undertaken by the mining industry. This aspect emphasises the role of power and politics in corporate social responsibility (CSR) (Fraser 2005; Hamman & Kapelus 2004; Harcourt 2004). Kemp (2010) states that the mining industry discourse on community

development at the company level is almost devoid of a discussion of power. This political issue goes beyond the generic reference to empowerment in community development discussions. As mentioned above, the key principle of community development is empowerment. It can therefore be assumed that empowerment is the desired outcome of community participation in development programs. The key concept of empowerment is to have power in decision-making (Kenny 2006; Rowlands 1995; Swanepoel, Hennie & De Beer 2006). Kenny (2006) argues that the empowerment process involves the community's ability to have control over knowledge and information, social relationships, decision-making and resources. Thus, empowerment will succeed if communities are able to do things in their own way, using their own knowledge, information, social relations and their own resources to make their lives better.

It can be argued that, in achieving empowerment, community developers should be aware of the context of power as is evident in the term 'empowerment'. This awareness will help community developers to analyse the power relations which are always evident in community development activities. As a guiding principle of development practice, the concept of empowerment requires precise and deliberate definition and use (Rowlands 1995). This would help community developers to design a plan of action in development programs.

The concept of empowerment utilised in this thesis draws on both the power relations perspective (Fook 2012) and Foucault's (1980) ideas about dispersed power. The power relations perspective emphasizes the power that one person or group has over another: for instance, distributed predominantly by men over women and by dominant social, political, economic or cultural groups over those who are marginalised. Fook (2012) describes this power relations perspective as groups which have binary oppositional or inequality relations, for example between the powerful and the powerless. Power in this form could be internalized very subtly by the powerless people or groups who do not realize they have been dominated. Mullaly terms this process internalized oppression, and explains that this is the reason 'why people will

often develop loyalty to and defend a social system that discriminates against them' (Mullaly 2010, p. 30). Referring to this power relations notion, therefore the process of empowerment is about reducing the inequality, meaning that all people and groups become the same or equal (Fook 2012). Fook (2012) then points out that the process of empowerment based on this perspective seems unachievable or futile.

Different from the previous concept, in the context of community development, empowerment is used in a positive and collective sense. Kenny (2006, p. 163) explains that the empowerment process in this context 'refers to the ways that power relationships are changed in the interest of disadvantaged, oppressed or exploited groups'. Kenny (2006) states that the empowerment process should fulfil two conditions: raise awareness of the ways power is exerted and identify the rights of subordinate groups; and increase their access to and control over resources and information. Previously, on the same notion as Kenny, Rowland (1995, p. 102) states that the empowerment process refers to 'the process by which people become aware of their own interests and how those relate to other interests, in order both to fully participate in decision-making and be able to influence such decisions'. Rowland (1995) affirms that in the empowerment process people should be encouraged to actively participate and be involved in the decision making process. In practice, the process of empowerment involves forms of group work, which require the role of outside professionals who become helpers and facilitators (Rowlands 1995).

The role of professional outsiders as facilitators could however be misleading. Although facilitators ostensibly plan to empower the community, they often still conceal their mechanisms of power and the ways in which they maintain control of the community; for instance, through professional outsiders who already have 'power over' the community such as statutory authorities, financially powerful organizations, and the business community. In terms of business communities, the 'power over' issue has influenced the relationship between companies and communities, which has in turn had important implications for corporate-community interactions (Muthuri 2007; Newell

2005). This issue also underlies much of the discussion of mining and development. The mining companies have already had power over the local communities due to the great benefit which has been obtained from the mining operation. In addition, the nature of the mining industry has been associated with the concept of power, including control over production processes and also in relation to managing social and environment impacts. On the other hand, participatory development requires mining companies to *surrender* power or control to local communities to determine their own development programs. The question emerges then as to how this control or power orientation would be employed to coincide with participatory development. Hence, the following discussion provides information related to community development from the perspective of power.

2.4 Theories of community development

It can be argued that community development is weak on theory. As Hustedde and Ganowicz (2002) point out, many community development texts and studies place much more emphasis on the process or content rather than theory. There are various reasons which engender the limitations of theory for community developers. First, as a profession, community development is a part of many disciplines and it is impossible to discuss them all here. There are community economists, community psychologists, social workers, sociologists and others who have their own disciplinary approaches and publications. Hence, community development does not have a fixed theoretical framework. Second, 'the balkanization of theory is compounded by theoreticians whose language is cumbersome and fraught with jargon that scares away most practitioners' (Hustedde & Ganowicz 2002, p. 2). For example, many community developers find it hard to apply the communicative action theory of Habermas and even claim that this theory is irrelevant (Hustedde 2008). Third, community developers are practice oriented, which means that they prefer to work with particular issues that need immediate attention rather than engaging with theory.

If theory is vital for community development practice, the next consideration that should be taken into account is what theory is most useful for community

development. Hustedde and Ganowicz (2002, p. 2) argue that 'a good theory can be stated in abstract terms and can help develop strategies and tools for effective practice'. They argue that since community development constitutes the promotion of solidarity and agency, the theories of community development should refer to the achievement of these objectives.

A number of scholars have reviewed the intellectual traditions which have become the basic theory of community development practices (Campfens 1997; Hustedde & Ganowicz 2002; Ife 2002; Kenny 2006). These intellectual traditions are grounded in the classical theoretical frameworks: structural functionalism, conflict theory, symbolic interactionism, shared meaning, communitarianism and post-structuralism. Both structural functionalism and conflict theory include macro perspectives which focus on structure and are preoccupied with large-scale social phenomena, such as social class, societal systems, culture, and norms. Symbolic interactionism, on the other hand, is considered a micro approach which emphasizes individual and small group behaviour, psychological characteristics and properties of interaction. Post-structuralism is a relatively new tradition in community development practice which is based on the work of Foucault. Drawing on these scholars' reviews, the following discussion provides an overview of the implications of these theories for community development practices, as well as considering the theory which is most relevant to this thesis.

2.4.1 Community development in structural and communitarian traditions

The first theory with a macro perspective which has influenced community development practices is structural functionalism: this has been associated with the work of Talcott Parsons and Robert K. Merton. According to this theory, societies contain interdependent structures, each of which performs certain functions for the maintenance of society. Structures refer to organizations and institutions such as health care, educational entities, business and non-profits and informal groups (Hustedde & Ganowicz 2002). The interdependent concept means that the function of one structure will need the function or the existence of other structures in order to achieve stability,

conformity and social order in society. For instance, business institutions will need the education sector to provide educated and qualified employees. In relation to development programs, the agents of development will need other organizations and institutions to conduct their development programs.

Structural functionalism theory has been criticized because it fails to offer change, diversity and choice as the value of community development work (Kenny 2006). Functionalism also fails to realize the social dynamics and structure which already exist in society (Hustedde 2008). Thus, community developers who employ this theory tend to ignore the existing power relations and conflict in the community which could impede development activities. Criticisms of the first perspective have led to interest in the second perspective, conflict theory, which is based on the work of Marxists and neo-Marxists.

Marxism pioneered of conflict theory and has had a strong influence on the work of community development (Kenny 2006). In contrast to functionalist theory, conflict theory argues that conflict is an integral part of social life. It might occur among economic classes, ethnic groups, young and old, male and female, among races and between developed and less developed regions (Hustedde 2008). This perspective argues that conflict emerges because there is unequal distribution of power, wealth, prestige and decision-making processes among people in society (Hustedde 2008; Rowlands 1995). The groups who receive a greater proportion of these distributions will have much more power and will dominate others who have less or who do not have these distributions; at the same time these groups will keep trying to maintain and protect their superior position.

The central tenet of Marxist thought is the concept of class which refers to a large social group linked together in which their relationships are determined by the means of production. Capitalists or the bourgeoisie refer to the class which owns the means of production and the workers or proletarians refer to those who do not (Schmitt 1997; Vincent 1987). Marx claimed that the relationship between the classes is exploitative. He explained that the working class were forced to work for the bourgeoisie and paid below the

'standardized' wage (Schmitt 1997). The Marxist framework focuses on economic relations which determine other social and political relations. According to this view, it is inevitable that political institutions, laws, belief systems, and even forms of the family, will all conform to the basic requirements of the economic system. The most important thing is that all the parts of a social system will inherently contribute to the capitalist or bourgeois class. For instance, laws constituting protection of private property and the state are viewed as little more than an agent of this class.

Conflict theory is important for community developers since power differences exist in society, whether stemming from economic or non-economic factors. Community developers need to pay attention to this difference and consider the potential conflict that might occur when the development process is undertaken. If the conflicts have already taken place, conflict theory would help community developers to analyse the power relations in a community by answering some questions; for instance why these conflicts occur, which groups have been involved, and what were the differences between and among class, economic interests, gender, religion and culture which probably led to the conflict. Based on this analysis, community developers can offer solutions to problems or conflict resolution, and thus the development process will be undertaken effectively.

In contrast to the structural perspectives, the communitarian tradition rejects all forms of authority in structural systems including the state as the principal vehicle through which to order civil society (Campfens 1997). Instead, it offers the concept of 'alternative communities', through which the community is seen as the central agent of development. By promoting humane ways of living and self-governing communities, communitarians prefer employing voluntary, mutual-aid and self-help methods rather than political action. Furthermore, Krotz (1989) argues that mutual aid is a natural law which is needed in the evolution process of all species including human nature. In relation to change, communitarians have promoted grass roots mobilization, with peaceful means and co-operation to achieve it.

The communitarians' perspective emphasizes social capital as important for

self-regulation or interaction in society. Putnam (1993) has developed his notion of 'social capital' in line with the perspective of the communitarians. Social capital is a set of social relations, such as trust, norms and social networks, which are important and enable people to build communities. Putnam's concept of social capital implies that community building can be achieved by employing voluntary, mutual aid and cooperation principles. However, this concept of social capital has been criticized because it fails to understand the issues of power in the production of community and because it is divorced from economic capital (DeFilippis 2001).

While Putnam has disconnected his concept of social capital from the economic capital aspect, Bourdieu as the pioneer of social capital, has included capital or economic aspects as well as social networks and relationships (Siisiainen 2000). Capital for Bourdieu consists of both economic aspects and a set of power relations that produce other non-economic social interactions. Thus, Bourdieu's concept of social capital can be used to understand the production of classes and class division which have occurred within society. Community developers may be misguided by Putnam's concept of social capital, as it fails to consider the power relations which have already existed in a community or society.

2.4.2 Community development according to Foucault's perspective

It can be argued that the study of power is imperative for community development (Hustedde & Ganowicz 2002; Kenny 2006). Various authors have focused their studies on power, for instance, Marx, Coser, Dahrendorf and Simmel, and Foucault. Of these authors, it is work of Foucault that has been discussed most extensively by scholars who are concerned with community development studies (Fook 2012; Kenny 2006). The question arises as to why the work of Foucault has been influential in development studies, including community development. To answer this question, this section examines Foucault's theory by exploring its concepts of power, its contribution to development studies, with a particular focus on its contribution to community development practices, and how this can be applied to the context of the mining industry.

Power in Foucault's work goes beyond the Marxist viewpoint which sees power from an economic perspective (Harris 1999). Put simply, Marx argues that conflict in society emerges because of the inequality or power difference in economic assets such as material, capital and the ownership of production. Groups who are wealthier in economic assets will dominate and have power over other groups who have not: for instance, the bourgeoisie over the labourers, men over women, and even developed over underdeveloped countries. Power in the Marxist point of view can be treated as a 'commodity', which can be possessed by a person, groups of people and state; moreover power as a commodity 'can be traded or given away, or transferred from one person or group to another' (Fook 2012, p. 56). Consequently, power in the Marxist perspective sometimes has been perceived in a negative way (DuBois 1991; Smart 2002). 'People or groups who possess more power tend to use this power as a repressive force that limits, controls, forbids, masks, withdraws, punishes, excludes and subjugates others who have less' (DuBois 1991, p. 5). On the other hand, people or groups who have less power will use repressive force to get the same power or position as possessed by groups who have more power (DuBois 1991).

In the context of community development practices, Fook (2012) states that power in the conventional perspective could be problematic for the process of empowerment in several ways. First, the empowerment process in modernist notions is 'always at the expense of one group or person towards another' (Fook 2012, p. 56). This means that a person or group who have more power should give some of their power to empower others who have less power. Thus, the process of empowerment for a person or group will cause disempowerment of others. Second, the process of empowerment is about striving for equality; however, the concept of equality is often oversimplified as sameness. The empowerment process in this perspective requires all people and groups to become the same. This perception might ignore inequity and heterogeneity within communities (Berner & Phillips 2005). Third, Fook (2012) points out that modernist notions of power tend to split people and groups into two oppositional relations, the powerful and powerless. In this binary opposition, the process of empowerment seems unachievable. In addition,

Fook (2012) argues that defining one's identity as 'powerless' can have a disempowering effect.

Power in Foucault's analysis shifts away from the conventional or modernist perspective. Foucault criticizes the negative perspective of power in the conventional theory of power. Foucault argues that power is something which performs more like a strategy than a possession (Foucault 1978). Foucault affirms that theories of power must be concerned about the ways in which power has been practised and exercised through the apparatuses of knowledge and through dispositions, manoeuvres, tactics and techniques. The practice of power can emerge in 'the multiple forms of subjugation that have a place and function within the social organism' (Foucault 1980, p. 96). Thus, Foucault refuses the notions which perceive power localized in certain locations in the formal or legitimate form. Instead, power is operated and practised in capillary form and occurs in everyday life 'at the level of on-going subjugation, at the level of those continuous and uninterrupted processes which subject our bodies, govern our gestures, dictate our behaviours' (Foucault 1980, p. 97).

Foucault gives an example of a technique or strategy of subjugation or domination in the notion of the panopticon (*panopticism*) (Foucault 1977). Foucault develops his notion about the panopticon by utilizing Jeremy Bentham's design for prisons built in the late eighteenth century. These prisons had a one way vision system which enabled the guards to see and control the prisoners without the prisoners seeing the guards. This system was effective in increasing the consciousness of the prisoners that they were being monitored and seen by the guards and so inducing self-monitoring by the prisoners. Thus, 'the major effect of the Panopticon: (is) to induce in the inmate a state of conscious and permanent visibility that assures the automatic functioning of power' (Foucault 1977, p. 201). Foucault states that 'this Panopticon system is polyvalent in its applications so it could be adopted to treat patients, to instruct schoolchildren, to confine the insane to supervise workers, to put beggars and idlers to work' (Foucault 1977, p. 205). Based on these examples, Foucault affirms that 'whenever one is dealing with a

multiplicity of individuals on whom a task or particular form of behaviour must be imposed, the panoptic schema may be used' (Foucault 1977, p. 205). Foucault's idea on the panoptic schema exposes the way in which surveillance, control and domination are practised on inmates and which is permanent in its effect (Foucault 1977). This could minimize or prevent the opportunity for the resistance that Foucault states always exist in the power relations (Foucault 1978) of those being supervised, exercised, controlled and dominated. In summary, Foucault has seen power in a positive or productive way as a kind of strategy – rather than viewing it as a possession which needs to be operated or exercised by institutions or the state upon individuals. Foucault argues that power is not located in institutions or structures and not restricted to a certain place. Rather, power is dispersed everywhere and in every social interaction and has an unstable or open-ended element, which means it can always be challenged, changed or reversed.

In the context of community development, Foucault's concepts can be utilized to identify the operation of power and potentially to bring about change. 'It refers to the ways that power relationships are changed in the interest of disadvantage, oppressed or exploited groups' (Kenny 2006, p. 163). Fook (2012, p. 60) adds to this by explaining that it is conceivable that the power relations in Foucault's perspective mean that 'both less and more powerful people – or both community development workers and communities – can work together to create situations in which all experience empowerment'. However, Kenny (2006, p. 163) affirms that the empowerment process requires several circumstances including 'changes to the material living conditions of those who are oppressed and disadvantaged in society; it requires changed access to resources; it alters the balance of power towards subordinate groups, who increase their access to, and control over, assets and information'.

Another important aspect of Foucault's thought is the emphasis on the concept of resistance. Besides focusing on the application or operation of power, Foucault's power also involves the concept of resistance which is an inherent process in power relations. As Foucault (1978, p. 95) writes, 'where

there is power, there is resistance'. Foucault's concept of resistance moves away from the conventional concept which is based on the power-as-a-restraining-force perspective, and assumes that resistance is more or less a binary response to the exercise of power. This perspective views resistance in a single locus of revolt, rebellion or in an opposite position toward the power over or power domination that already exists. In contrast to this perspective, Foucault provides the concept of resistance based on the power-as-a-productive-force perspective (Biesecker 1992). This means that resistance is not viewed as the opposite of power, but rather 'as inherent in the exercise of power'; in other words, 'resistance is an integral part of the exercise of power or always exists within a network of power relations' (Karreman & Alvesson 2009, p. 1120).

The work of Foucault is important for the community development field as his ideas focus on human beings as the subject in his study of power relations. This focus is relevant to the definition or objective of community development which is to promote human autonomy or agency (Bhattacharyya 2004). As discussed in the previous section, this objective relates to the capability of individuals to define and to have power to control development activities which affect their lives. Furthermore, the human autonomy concept also could be associated with the potentially dehumanizing impact of the development process for the local community. This may occur in the context where the community development workers are more powerful and have dominated the life of communities they work with, for instance in the mining industry context.

The following discussion provides other explanations of the way in which Foucault's thought in relation to the concept of power and resistance has contributed in community development studies and practices. His notion that power is placed in every social interaction - not only concentrated in the state or institutions - has potentially revealed the forms of domination, power relations and how power is exercised or operated either through the development process or by the institutions of development (Brigg 2002; Coveney 1998; DuBois 1991; Escobar 1984/1985). Particularly in the community development field, Foucault's ideas have been employed to reveal

the relationship between developers and the community, the role of community developers, and the relationship between evaluators and the community (Hudson 2004; Wallerstein 1999).

The first author to employ Foucault's concept of power in a development context was Escobar (Escobar 1984/1985). He argued that the deployment of development has enabled the domination or control of developed countries over the Third World. Furthermore, Escobar describes how this domination or control has been maintained through three kinds of strategies of power which includes disciplinary and normalizing elements. The first is the problem of progressive incorporation problem. The developed countries claim that there are various development problems which could hinder development processes in developing countries including malnourished people and illiteracy. They argue that these problems need to be addressed and fixed. Thus the involvement of the developed countries is required in order to provide better solutions to these problems. The necessary strategy is to control, or as Escobar said, a field of intervention of power is necessary for the First or developed country over the Third World. The second is the professionalization of development; this strategy has been employed through development studies and involves the professionalization (technification) of the development discipline, and the removal of the experts from the political realm to the more neutral realm of science. Through development studies, furthermore, development problems and their policy formulations have been 'constructed' in which a regime of truth and norms underpin development. As Escobar writes: 'this second strategy sought the formation of a field of control of knowledge by which 'truth' (and, so, power) was produced'. The third strategy is the institutionalization of development. The developed countries constitute and disseminate the doctrine and theories of development, through various levels of institutions or organizations.

In the same framework, DuBois (1991) and Brigg (2002) have analysed how power is exercised or operated through the discipline and normalization elements in the development process, which causes the subjection of the Third World by the First World. DuBois analyses the work of power related to

the population issues in the Third World. It has been assumed that 'population has emerged as an economic and political problem in contemporary Third World societies' (DuBois 1991, p. 10), and this has therefore been accused of causing the problem of poverty in the world. Development has been considered to overcome these problems as 'it has goals "ostensibly" to increase economic productivity, the wealth of the nation, the level of health or education of the people – in short, to increase public welfare'. Therefore, the First World has determined a discipline and normalization process through a variety of planned control programs, such as family planning programs, immunization campaigns and nutritional education programs which might be implemented in Third World countries.

By using Foucault's concept of bio-power, Brigg (2002) has analysed the role of the World Bank in the development projects which have been adopted widely in Third World countries. Brigg argues that 'development is synthetically bound with bio-power, which operates by bringing forth and promoting, rather than repressing, the forces and energies of human subjects' (Brigg 2002, p. 422). In this process, the World Bank has a crucial role as the agent of development since it has become the largest single lender to the Third World to implement development projects. The World Bank acts as the designer and 'supervisor' of those programs. Brigg argues that the operation of power has possibly been done by the World Bank through one kind of bio-power, namely, a panopticon. Foucault (1977, p. 205) presents the panopticon not only as a localised and specific disciplinary technology which allows the supervision of inmates, but also as a 'generalizable model of functioning and the diagram of a mechanism of power reduced to its ideal form'. In short, the World Bank has operated a panopticon process through its essential role by maintaining the 'one way' flows of information related to development projects that enable it to have control over the Third World 'while remaining protected from scrutiny' (Brigg 2002, p. 432).

It can be concluded that Escobar (1984/1985), DuBois (1991), and Brigg (2002) have similar notions in the way they employ the conceptualization of power from Foucault to reveal domination practices which have been

established in the development process in the Third World. They argue that Foucault's perspective, which sees power in a positive or productive way, is more constructive for analysing power relations in the development process rather than the sovereign or total domination concept used in conventional theories of power. Viewing power in a productive way enables theorists to disclose the strategy of power or the work of power in development by revealing the bio-power elements, both discipline and normalization, which engender the domination of the First World over the Third World. This work of power in the development process has been performed through the development doctrines and theories, particular issues of development, and has even been implemented by the agent or institution of development.

Escobar (1984/1985) explores the resistance movement which has emerged along with development processes. As Escobar writes: 'if it is true that this deployment of development made possible the advance of social control over the Third World, it is also true that at the same time it made possible the emergence of opposing discourses' (Escobar 1984/1985, p. 390). This resistance has been constituted in various strategies such as the emergence the concept of PAR (Participatory Action Research), which rejects the subject/object division of Western philosophy and transforms it into a subject-subject project, particularly in the development process. This philosophy leads to an alternative development strategy which promotes the participation process and considers the involvement of individuals as the subject of development (Escobar 1984/1985).

Moreover, the participation rhetoric has been employed to deliver development programs at a community level, which is known as community development programs. Some studies have shown that Foucault's framework of thinking has contributed to revealing the problems involved in the implementation of community development, particularly in relation to the question of how community developers perceive and practise community development. Hudson (2004) in his study argues that Foucault's concept of power relations encourages community developers to consider the power relations which already exist in the community and 'allows community

development to be created and re-created in line with particular political contexts and purposes' (Hudson 2004, p. 264).

Another study related to community development has revealed the power relations issues between evaluators and the community in which development programs have been conducted (Wallerstein 1999). This study assumes that the implementation of community empowerment has been challenged by the unequal relationship between evaluator and community due to the greater power/knowledge of the evaluator/community researchers. In practice, this power/knowledge would be confronted by the subjugated knowledge of the community, which would try to find their own power. Furthermore, through this subjugated knowledge, less powerful communities will potentially constitute resistance that is articulated in hidden and public discourses to retrieve their power. Instead of being external, resistance is inherent in power relations (Foucault, 1978). It moves and manifests as dynamics of power change.

The literature mentioned above shows the significant contribution of Foucault's perspective of power to development studies. Foucault's concept of power provides clear explanations of how power has operated or worked in development programs and in particular, in the relationship between developers and communities in the implementation of community development programs. Some of these writings examine the resistance which is inherent in power relations as a form of power of the powerless, for instance communities and third world countries who try to reclaim their own power, such as through participatory action research (PAR) as a new rhetoric of development. Thus, Foucault's concept of power has been acknowledged in a productive and dynamic way. The power in this context is not static. It sees individuals as active and the subjects of power relations rather than merely the objects of oppression of those who have power. This perspective perceives power relations in development programs as reversible, meaning that the relations that already exist can potentially be changed.

2.5 Summary

In the mining industry context, the implementation of community development

programs has been assumed to bring about benefits: social, economic and environmental for the local community living in the mining circumference area. However, previous research indicates the importance of participatory development or people-centred approaches in undertaking community development. A central objective of this principle is the promotion of human rights, equity and decision making. However, in practice, this approach has been challenged by various factors: conceptual, organizational, temporal and political. Conceptual problems emerge as the mining industry has a double role, which is to act both as a profit institution and an agent of development. The mining industry has been challenged in its efforts to conduct these two roles at the same time. In addition, organizational problems challenge the mining industry to facilitate the participation of the local community. Another problem has been associated with the continuity of participatory development implementation. It is a challenge for the mining industry to be able to ensure the implementation of participatory development throughout the three stages of the mining industry: exploration, construction and mine closure. The last problem is related to the power or political aspect. This problem emerges as the nature of the mining industry has been associated with power and control, including control over production processes and also in relation to managing social and environment impacts. In addition, as a financially powerful institution, the mining industry has already had power over local communities due to the profit which it obtains from the mining operation. In this position, the mining company has been challenged to implement the participation principle which requires mining companies to surrender or give power or control to local communities, particularly to determine their own development programs.

It can be argued that the implementation of community development in the mining industry has been associated with the issue of power. This concept of power plays an important role revealing the work of power in everyday life including in development practices. Foucault examines the concept of resistance which is always inherent in the work of power. This concept acknowledges that individuals exercise active resistance in power relations, rather than being the objects of domination and repression. With regard to community development implementation, Foucault's concept of power is

relevant to the work of power which is potentially hidden in the development process and blamed for causing a contrary result including disempowering communities. Moreover, inherent in the work of power is the resistance process which will affect the participation process which in turn is crucial in the effective implementation of community development. Besides concerns about the issues of power, the implementation of development programs by community developers such as private sectors or businesses will require support from NGOs and the state or government. This relates to government responsibility in establishing the policies or regulations to address the complex problems, including social and political problems in development processes.

To conclude, the implementation of community development by mining industries is required by Indonesian government law, and has the potential to bring benefits to local communities. Research conducted to date indicates that development programs do not necessarily empower local communities, and that the implementation of community development by mining industries in Indonesia is mostly pragmatic, short-term and unsustainable. This study utilises community development theory and Foucault's ideas about power and resistance as a theoretical framework to explore participation and empowerment in a mining company's community development programs.

Chapter 3

Research Methodology

3. 1 Introduction

This chapter presents the research methodology employed in this research study. Kaplan states that methodology is the description, explanation and justification of the methods employed (Kaplan 1964). In more recent literature, methodology has been explained as an approach or the way in which research is constructed and conducted (Creswell 2013; Sarantakos 2005). Henn, Weinstein and Foard (2009, p. 9) argue that research design includes consideration of 'the ethical implications and consequences of their research, negotiating access to the field, and the role of values'. This chapter begins with an explanation of the philosophical basis of the research. It then introduces the case study methodology, followed by a description of the methods utilised, and the sample. It includes a description of the data analysis, trustworthiness of the study, ethics, and limitations of the study.

This research is underpinned by a philosophical approach combining interpretive and critical paradigms of social research (Sarantakos 2005). Sarantakos states that an interpretive approach focuses on understanding people's experiences and the meaning of those experiences from their own perspectives. Meanwhile, the critical approach encompasses an intention to contribute to bringing about social change that will make life better for disadvantaged people. This study examines what the people think, feel and act related to community development programs based on their experience of being involved in the implementation. Within this overall critical interpretive approach, this study seeks to answer several questions, including : what kind of community development programs have been implemented by the mining company in West Sumbawa district, on Sumbawa Island; how does the mining company involve the local community in decision-making processes;

how the local community perceive their involvement in decision making processes and the community development programs of the mining company; and to what extent these programs involve the local government, NGOs and the local community. The critical approach is employed in order to examine the extent to which the community development programs have empowered the local community, which could be seen as the main objective of community development. This study also examined the role of NGOs and the local government to support the implementation of these development programs. Following this analysis, recommendations are provided regarding future community development implementation.

3. 2 Research site

West Nusa Tenggara Province, where West Sumbawa district and its mining industry are located, is one of the poorest provinces in Indonesia. Based on the Human Development Index (HDI), this province is 32nd of the 33 provinces in Indonesia (West Nusa Tenggara Province Government 2008). Rural communities in this province depend on having sufficient rainfall to grow crops, and are prone to suffering from famines in years of low rainfall and during the dry season. By having agricultural areas with minimum irrigation, this province is known as a poverty area based on both economic and non-economic indicators. The local government has prioritized addressing poverty as the main objective in development programs. The statistics for poverty in this province were 24.99% in 2007, a decrease from 30.14% in 2001. Other poverty indicators of West Nusa Tenggara province are based on the percentage of the population suffering from malnutrition, the rate of illiteracy, and health statistics. The malnutrition of babies and toddlers in this province increased from 19.9% in 1998 up to 32.7% in 2005. The percentage of the population who are illiterate in this province is also high, about 80.18% (Badan Pusat Statistik or Central Agency on Statistics 2009). In terms of health indicators, this province is threatened by an HIV/AIDS epidemic which is increasing year after year (West Nusa Tenggara Province Government 2008). In addition, malaria is still one of most serious diseases in the West Nusa Tenggara Province (West Nusa Tenggara Province Government 2008).

Compared with other world-class mining industries in Indonesia, the copper and gold mining company in West Sumbawahas been relatively quick to establish its community development programs, for instance, by creating two development foundations: West Sumbawa Economic Development Foundation (YPESB) and Yayasan Olat Perigi (YOP) foundations which conduct these development programs. This mining company has spent US\$5 million every year for the implementation of its community development programs and first established its community development programs in the construction stage in 1996. As a result, the company has received three awards from the Indonesian government for its community development program implementation.

3. 3 Approach: Case study methodology

A case study approach was chosen for this research study. Yin (2009, p. 18) defines case studies as 'empirical enquiry that investigates a contemporary phenomenon within its real-life context'. Yin (2009) states that the case study approach is useful for researchers who are exploring *what*, *how*, or *why* questions relating to a situation over which they have little or no control. Hence, the case study approach is quite flexible and can be employed in descriptive, exploratory or even evaluative types of research (Hakim 1987; Simons 2009; Yin 2009). The case study approach can also be used a variety of situations, to contribute to our knowledge of individual, group, organizational, social, political and related phenomena (Yin 2009). As Simons (2009, p. 21) states, 'the case study approach is useful to generate in-depth understanding of a specific topic (as in a thesis), programme, policy, institution or system to generate knowledge and/or inform policy development, professional practice and civil or community action'. This study needs to consider detail and comprehensive understanding regarding the implementation of community development programs from various data and evidence. The case study approach enables the researcher to obtain a fuller, more rounded and complete account of a particular phenomenon than other research design, for instance surveys and experiments, by using multiple data collection methods (De Vaus 2001; Hakim 1987). The use of multiple sources

of evidence makes the case study one of the most *powerful* research designs (Hakim 1987).

It can be argued that the case study approach facilitates research studies which require an extensive and in-depth description of a particular social phenomenon (Yin 2009). Gerring (2004) argues that the case study approach provides an opportunity for the researcher to study a single unit in great depth, and that this constitutes one of the primary advantages of the case study methods. This in-depth or detailed description can be achieved by employing either single or multiple case studies (Hakim 1987; Yin 2009). Hakim (1987) argues that a single example often forms the basis for research on typical, deviant or critical cases. The complexity of problems and issues which emerge in the community development programs in the mining industry, and the involvement of many parties in the implementation of these programs, including the mining company, the local community, NGOs and the local government, led to the choice of the single case study method. The thorough description and in-depth understanding of this complexity would not be able to be achieved if more than one case was employed in this research study, or a different methodology such as a survey was employed. As Gerring (2004, p. 345) notes 'the more case studies one has, the less intensively each one is studied'. This research study also attempts to analyse and critique community development in the mining industry in the interests of better implementation, as well as for the improvement of community life. Hence, it is appropriate that the case study approach, particularly the single case study, is employed in this research.

Relying on one single case, however, can make this research study vulnerable to criticism. These criticisms relate to various issues including the influence of the researcher's bias and a limited ability to generalise the findings from a single case (Yin 2009). Flyvbjerg (2006) and other scholars, including Wynsberghe and Khan (2007), and Ruddin (2006) provide arguments which answer these criticisms. They argue that the problem of generalization emerges from the positivism which assumes that a 'single case' (a single case has been associated with a 'sample of one' in quantitative

research) could not represent a population. A case is not a sample. A case represents itself rather than a population. As a consequence, when a case becomes the object of a research study, it requires a comprehensive and holistic investigation which is needed to provide a full and complete description about this case. This holistic research approach makes a significant contribution to knowledge enrichment and development. This contribution could be achieved as a single case study provides the opportunity to both test and build theory (De Vaus 2001; Yin 2009).

A successful case study requires a theoretical framework as guidance for data collection. Yin (2009, p. 36) notes that 'theory development is an essential step for doing a case study as it provides strong guidance in determining what data to collect and the strategies for analysing data'. De Vaus (2001, p. 221) clearly affirms that 'collecting and analysing information from case studies must be guided by theory'. As outlined in chapter 2, several definitions and principles of community development are reviewed to find the appropriate *theory* to guide in this study. Although it has various definitions, community development implementation has a primary objective which is to promote human development. In practice, this objective can be achieved by employing human orientation, participation and empowerment principles which are tied to the issue of power. Based on this frame of thinking, theories of power, particularly Foucault's perspective, are utilised.

The theory of power in the Foucauldian perspective provides an explanation of how power has operated or worked in development programs, for instance through the relationship between community developers and the community in community development implementation. This theoretical framework has been employed to examine the implementation of community development by a gold and copper mining company on Sumbawa Island. It reveals how this mining company defines and establishes its approaches to community development programs. It also reveals to what extent the community development programs' implementation has facilitated the local community in making their own decisions in relation to the development programs.

It can be argued that a case study must be employed in a real context. Yin

(2009, p. 18) states that 'a case study is an empirical inquiry that investigates a contemporary phenomenon within its real-life context; when the boundaries between the phenomenon and the context are not clearly evident'. Similar to Yin's definition, Creswell (2007) defines a case study as an exploration of a 'bounded system' or a case (or multiple cases), for instance a program, an event, an activity, or individual, which is conducted over time through a detailed process of in-depth data collection involving multiple sources of information which are contextually bounded. Both definitions emphasize that the case study approach must be conducted in a real context which is bounded by particular systems, including an activity, an event, or a program. Wynsberghe and Khan (2007, p. 4) point out that the bounded system could be 'a place and time which brings context to the structure and relationships that are of interest'. This approach contrasts with some other approaches such as the experimental approach which must be conducted in a laboratory with particular conditions which have been arranged appropriately according to the objectives or purpose of the researcher (Yin 2009). Yin states that this kind of approach is not suitable for a case study.

As the real context, a copper and gold mining company in a mining-district in West Sumbawa district, Sumbawa Island, Nusa Tenggara Barat Province, Indonesia, has been identified as a 'case' for the proposed research for various reasons. The first is that this mining company has explored, built and operated in two different social and political conditions: the new order (ORBA) or Soeharto regime era and the reformation era after the Soeharto government ended. This provides invaluable insights related to these differing conditions. The exploration phase of this mining company was conducted from 1986 involving the agreement between a foreign investor and the centralistic regime of Soeharto (Indonesian Government and the Mining Company 1986). However, the mining operations commenced in 2000 during the reformation era. At this time, the mining company was challenged to fulfil the greater demands of the Indonesian people, particularly the local community who live in the mining circumference area, to achieve direct benefits from mining investment. This mining company was located in the Sumbawa district, but in 2003 the mining company area was split from the

Sumbawa district and renamed the West Sumbawa district which is officially independent from the Sumbawa district. The creation of the West Sumbawa district is closely associated with the Local Government Act and the existence of a mining company in this area (LPEM UI 2006).

It was necessary to employ a number of different research strategies, and gather data from multiple sources, because of the complexity of the case study. Creswell (2007, p. 221) states that 'since many cases will consist of different elements, different methods of data collection may be required for the different elements'. Other scholars including Yin (2009), Stake (1995), and De Vaus (2001) who are concerned with the case study approach also emphasize the utilization of multiple sources of information in conducting a case study approach.

3. 4 Research methods

This research study involves a thorough description of the mining company's community development implementation. It has therefore used qualitative research methods which facilitate exploration of social and human phenomena in a complex and holistic picture by analysing words, reporting detailed views of informants, and conducting the study in a natural setting (Creswell 2007). Qualitative research allows the researcher to explore the subjective experiences of the various actors involved, and the meanings attached to their experiences (Denscombe 2010). As Berg (2007) states, qualitative research methods provide a means of accessing unquantifiable facts about the actual people researchers observe and talk about or people represented by their personal traces (such as letters and newspaper accounts). These methods are relevant for describing and examining important aspects of the implementation of the mining company's community development programs.

As Creswell (1998, p. 17) states, qualitative research explores research questions which mostly 'start with a how or a what so that initial forays into the topic describe what is going on'. This also involves the questions concerning

how the mining company perceives its community development programs, how these development programs have been implemented, and how other parties including NGOs, the local government and the local community have been involved. The rationale for the case study approach is to investigate the individuals in their *natural setting*. This is in line with Denzin and Lincoln's (1994, p. 2) definition of qualitative methods that argues that 'qualitative research is multi method in focus, involving an interpretative, naturalistic approach to its subject matter; this means that qualitative researchers study things in their natural settings, attempting to make sense of or interpret phenomena in terms of the meanings people bring to them'. Related to this definition, this study attempts to examine the interpretation or the perception of people about community development programs in the mining district setting and discover the meaning which they have already made in relation to these programs. The qualitative research method has been employed to fulfil the needs of this research study to present a detailed picture of the community development programs' implementation. As outlined above, this study aims to explore the participation of the local community and the involvement of other parties in the mining company's community development programs.

In order to achieve the aims of this study, the three methods of data collection employed were semi-structured interviews, review of documents, and observation. Interviews can provide 'valuable information by contacting the key informants or key players in the field who can give privileged information' (Denscombe 2010, p. 174). As Merriam (1998, p. 87) states, 'interviews are a primary source of data in doing case study research; so too are observations'. Both interviews and observation are commonly interconnected in the real world of collecting data. Observation methods are employed for numerous reasons. First, observation provides a firsthand account of the situation under study. Hence, it gives the researcher an opportunity to use his or her knowledge and expertise in interpreting what is observed. Second, observation provides potential data which cannot be gathered using other methods. As Merriam argues, observation is the best technique to use when participants are not able or willing to discuss the topic or do not feel free to

talk about or may not want to discuss it. Merriam (1998) explains that another major data source for case studies is documentary material. This can ground an investigation in the context of the problem being investigated. Documents are important sources since they are accessible, free, and contain information that would take a researcher an enormous amount of time and effort to gather on his or her own. Merriam lists documentary evidence as including public records, personal papers, physical traces and artefacts.

3.4.1 Interviews

This research study employed interviews as a major source of information. Interviewing has been defined as ‘the methods of maintaining and generating conversations with people on a specific topic or range of topics and the interpretations which social researchers make of the resultant data’ (May 2011). Intensive interviewing will enable individuals to talk freely and present their interpretations or perceptions by using their own stories in language with which they are familiar (Devine 2002). This study explored how the multiplicity of informants which include people from the mining company, the local community, NGOs and the local government, perceive the community development programs, as well as revealing how they have been involved in their implementation. Interviews were done individually and face to face (Berg 2007). The interviews were digitally recorded, transcribed in the Indonesian language, and translated into English as necessary. For data storage, the researcher recorded the interviews by using a recorder which required the interviewees’ permission (May 2011). These recordings are useful for checking the congruency of perceptions with informants (Sarantakos 2005). All the informants in this research study allowed the researcher to record their interviews.

There are several types of interview methods including structured, semi-structured and unstructured interviews. ‘Structured interviews are guided by a predetermined set of questions that use the same wording and order of questions with each respondent’ (Kumar 2011, p. 145). ‘The sequence of questions and the pace of interview tend to force interviewees to choose between fixed responses’ (Esterberg 2002, p. 85). Hence, structured

interviews will allow a researcher to have significant control over the interviewees. It can be argued that structured interviews are the most formal and the most rigidly controlled type compared with the two other types of interview. This formal interview type could not provide the detailed information required to reveal the potential problems which might occur in community development implementation. Conversely, in unstructured interviews, a researcher does not have a set of questions prepared in advance; instead questions arise more naturally (Esterberg 2002). Yin (2009) states that the nature of unstructured interviews is essentially guided conversations rather than structured queries. These interviews are characterised by openness, flexibility and an absence of standardisation. Completely unstructured interviews were considered inappropriate as this research study requires investigating the relationships between all the parties who have been involved in the community development program's implementation. To reveal these relationships, there were key questions to which it was essential that all the parties respond.

This research employed semi-structured interviews. May (2011, p. 135) argues that the semi-structured format allows people to answer more on their own terms than the standardized interview permits, but still provide a greater structure for comparability over that of the focused or unstructured interview. Similarly, Esterberg (2002, p. 87) claims that 'this type of interview is less rigid than a structured interview and allows interviewees to express their opinions and ideas in their own words'. Moreover, she explains that by utilising semi-structured interviews, a researcher can explore a topic in more detail and more openly. Thus, semi-structured interviews were deemed appropriate for this research study as they facilitate the researcher in examining the expression and perception of interviewees related to their involvement in the community development programs. By using semi-structured interviews, the researcher avoids having too much control over the interviewees and allows them to respond to the questions about community development programs in their own way, but this type of interview still provides a thematic guide in order to ensure that the interview process is aligned with the topic of this study.

A range of semi-structured interviews were conducted with the research study's informants (see Appendix A, B, C and D). For these informants, the key questions were to find out how they have been involved in the community development programs. In relation to the mining company representatives, the interviews were designed to reveal how the mining company has perceived its community development, the kind of community development programs which have been implemented, and how these development programs have involved the local community, as well as NGOs and the local government. For the local community members, the key questions aimed to reveal how they participated in the community development implementation: how decisions related to the choice of development programs were determined; the negotiability of the programs; their expectations of the community development programs; and how they wished to participate and the reasons behind their expectations. The questions were open-ended which encouraged the informants to express their views and opinions in relation to the mining company's community development programs. Findings from the interviews prompted ongoing theoretical and methodological adjustments. The data and theory thus constantly interacted in a way that informed the interview process (Gerson & Horowitz 2002).

3.4.2 Sampling procedures

This section explains sampling procedures to set the informants who have been involved in this study. Semi-structured interviews were conducted with forty-two informants who were selected based on their knowledge, their involvement and their responsibility in the community development programs. This number of informants was set after data was saturated. 'Saturation indicates the stage in the research process at which no new or relevant data emerge, the category is well developed' (Sarantakos 2005, p. 349). By interviewing this number of informants, this study was able to gather the opinions and information from the various groups of informants as follows:

1. The mining company. There were nine informants: two informants represented two community development foundations: YOP and YPESB;

seven informants were from the community development, community relations and government relations division.

2. Government. There were six informants: one informant was from the provincial government; one informant was *Badan Perencanaan dan Pembangunan Daerah (BAPPEDA)* or *Local Planning Agency* of the West Sumbawa district; two heads of districts or *bupati*³ were from the Sumbawa and the West Sumbawa districts; and two members of the House of Representatives (legislators) were from the West Sumbawa district.

3. The NGOs and their CO (community organizer): there were six interviewees. This researcher interviewed two kinds of NGOs: NGOs who are against the mining company and local NGOs which have been created to take advantage of the mining company's community development programs.

4. The local community. There were 21 informants: one informant was a community leader; 15 informants were local community members who became members of the community development groups: YOP, YPESB and Community Development section. The other five informants were the local community members who were not members of the community development groups. They were from different backgrounds and generations, including students, elderly people, farmers, and local entrepreneurs. The aim was to explore their perspectives and opinions regarding the mining company's community development programs and the impact of their implementation.

To select the informants, the researcher employed two sampling strategies: purposive sampling and snowball sampling. When employing purposive sampling, researchers use their special knowledge or expertise about some groups to select informants (Berg 2007). Meanwhile, the basic strategy of snowballing involves 'first identifying several people with relevant characteristics and then interviewing them' (Berg 2007, p. 44). These participants are then asked for the names of other people who possess attributes similar to their own. Most informants were chosen by using this

³ There are two kinds of government in district level in Indonesia: urban or city with a mayor as the leader and district with the head of district or *bupati* as the leader

sampling technique. Purposive sampling was used to gather the informants from the government, both legislative and executive. They were from the provincial government, *Bappeda*, and two majors from the West Sumbawa and Sumbawa districts. Sumbawa is the former district where the mining company was located. In 2003, this district was divided into two districts: Sumbawa and West Sumbawa districts. Now, administratively the mining company is located in the West Sumbawa district.

Snowball sampling was employed to gather informants from the mining company, the local community and the local NGOs. The researcher identified a key informant from the Community Development Division of the mining company. This informant then provided the information related to other informants who were connected with the mining company's community development programs. These informants were chosen based on their responsibility or their contribution to the implementation of community development programs. Based on the community development section information, the researcher was able to choose the informants from the local NGOs who have been involved in the mining company's community development.

Informants from the local community members were collected in different ways. Local community members involved in the mining company's development programs were chosen based on the information gathered from the local NGOs and two community development foundations: YOP and YPESB. Meanwhile, the local community members not involved in the mining company's community development programs were gathered based on information from the local community leader. The person who was considered as the local community leader in this study is a person whose family has lived in this mining area already for many generations, even before the mining industry started operating. From this local community leader, the researcher obtained referrals to other local community members.

3.4.3 Documentary evidence

As outlined earlier, the utilisation of multiple sources of information will

maximize the effectiveness of the case study to present a thorough understanding of a case or phenomenon. Yin (2009) argues that the utilisation of multiple sources of information is one of three principles required to increase case study quality substantially. Other principles are a case study database and a chain of evidence (explicit links among the questions asked, the data collected, and the conclusions drawn). In terms of documentary evidence, 'this source of information provides an opportunity for the researcher to make a comparison between the researcher's interpretations of events and those recorded in documents relating to those events' (May 2011, p. 191). 'Documents, read as the sedimentations of social practices plays a significant role in informing and structuring the decisions which people make on a daily and longer term basis' (May 2011, p. 192).

Bryman (2008) points out the kind of documents which can be utilized as complementary evidence in the research process; these documents are not produced specifically for the purpose of social research but are still relevant to the concerns of the social researcher. Bryman describes examples of documentary evidence including personal documents in both written form (such as diaries and letters) and visual form (such as photographs), official documents derived from the state and private sources (such as documents produced by organizations), mass-media outputs and virtual outputs, such as Internet resources. Merriam (1998) includes other kinds of documents including the records of corporations, the already completed studies of other scholars, and personal accounts or official documents. In relation to this study, the researcher gathered data about the mining company, the government, the NGOs, and other institutions from various document sources. The documentary evidence can be described as follows:

- Government: documents were gathered from government sources such as CoW (Contract of Work) between the Indonesian government and foreign investors to mine gold and copper in Sumbawa Island. The mining legislations including the new mining law and the government regulation (PP) related to the mining industry. Other government documents related to the Local Government Act and various kinds of government document bulletins,

newspapers and magazines, which are published by the local government. The researcher also used historical data which describes the establishment process of the West Sumbawa district.

- NGOs: most of the documents from NGOs were books, which are published based on NGOs' research findings related to the mining industry in Indonesia.

- Mass media output: many kinds of documents were collected including: printed documents such as national and local newspapers and on-line documents from the internet including the Millennium Development Goals' (MDGs) report of West Nusa Tenggara Province, Indonesia. Some of these media discuss the relational problems occurring between the mining company and the local community on Sumbawa Island, particularly conflict and environment degradation, and the newest issue related to the mining stock divestiture process.

- Other institutions: conference presentations from the Indonesian Mining Association (IMA) and research findings from The Indonesian Science Institute (LIPI) related to mining industry problems and the implementation of community development by mining industries in Indonesia.

- Mining company: the researcher has had an opportunity to gather various documents from the mining company related to community development programs and other forms of documents or reports such as environment impact analyses, community development strategic planning, brochures, leaflets, and internal publications of the mining company. The researcher utilised the mining company's documents based on its current community development strategic planning which is 2009 - 2013.

- Universities: the researcher gathered several research studies which focus on the impact of the mining industry on the local community on Sumbawa Island.

3.4.4 Observation

As Yin (2009) states, observation is beneficial to provide additional evidence or information about the topic being studied. The technique of observation was employed to obtain many kinds of information directly through a field visit related to the implementation of the community development programs. The researcher observed several development programs: for instance, *sekolah lapang* (field education), which has been conducted by the local NGOs to educate and encourage *traditional* farmers to apply the modern system of agriculture. The researcher was involved in community organizers' (CO) activities as they have a direct relationship with the local community to implement development programs such as revolving fund, integrated care program for mothers and their children or *Pos Pelayanan Terpadu* (POSYANDU), and many others. The researcher also participated in the local community's informal activities in their everyday life such as religious activities and women 'chatting' to gather information about many issues which could enhance this study analysis.

Observation was utilized to capture other phenomena, for instance social and economic impacts of community development programs for the local community and data about the loss of local culture and environmental degradation. The researcher had an opportunity to live in two environments, both inside and outside the mining company. For several weeks, the researcher stayed in a 'town-site' (inside the mining company): a little town that has been built by the mining company full of facilities and services for their employees. For the remaining weeks, the researcher stayed in the villages in the vicinity of the mining area. The researcher built a relationship with the local communities and got involved in their everyday life. During staying with the local community, the researcher was able to have informal conversation and observe the problems related to social, cultural, economic and environmental impacts of mining operations on the local community. From these observation activities, the researcher observed the deep gap between the life of the 'mining people' and that of the local community members.

3.5 Data Analysis

As Yin (2009) states, techniques for the analysis of case study data have not yet been well defined. In this instance, the analysis of the case study data focused on examining the data, finding links between materials collected from different sources, and recombining the evidence in order to, as Yin (2009, p. 126) writes, 'draw empirically based conclusions'. In a similar idea, technically, Merriam (1998, p. 123) outlines 'several dimensions of data analysis including analysis during data collection, the devising of categories, and the building of theory'.

The researcher commenced analysis during the data collection. It can be argued that data collection and analysis of data are interconnected. As Merriam (1998, p. 124) affirms, 'the final product of a case study is shaped by the data that are collected and the analysis that accompanies the entire process explaining that without ongoing analysis one runs the risk of ending up with data that are unfocused, repetitious, and overwhelming in the sheer volume of material that needs to be processed.' Analysis of data was conducted while the data collection process had not yet finished. While conducting the data collection, the researcher transcribed the data from interviews as soon as some of the interviews had finished. The researcher worked with transcribing assistants. The researcher was required to recheck each transcription, and to identify whether anything needed to be added or deleted from it. This process provided an opportunity for the researcher to commence data analysis before moving on to other interviews. This gave opportunities for the researcher to identify emerging themes and then develop other questions for further interviews. Meanwhile, other sources of information such as documents were organized topically. For instance, there are some documents which describe the participatory rural appraisal which contributes information on the topic of local community participation. Yin (2009) describes these organized materials as the case study data-base, while Patton calls these the case record (Patton 2002). Patton explains that 'the case records include all the major information that will be used in doing the case analysis and case study' (Patton 2002, p. 449). The information is edited, redundancies are sorted out, parts are fitted together, and the case record is

organized for ready access either chronologically or topically. Merriam argues that the case record is useful to locate specific data during the intensive analysis (Merriam 1998).

A second level of analysis involves developing categories, themes, or other taxonomic classes that interpret the meaning of the data (Merriam 1998). According to Merriam 'devising categories is largely an intuitive process, but it is also systematic and informed by the study's purpose, the investigator's orientation and knowledge, and meaning made explicit by participants themselves' (Merriam 1998, p. 179). The researcher organised and classified the data into several major themes:

- Community development: concept and definition
- Community development in practice: planning, implementation, evaluation
- Capacity building principles
- Top-down and bottom-up approaches
- The roles of the NGOs
- The roles of the local government
- The local community participation
- The outcomes of the community development programs
- The local community's expectations of the community development programs

The next step is synthesizing the data by linking, assembling and locating them in a certain pattern. Based on this process, the researcher builds the thesis report chapter by chapter. As required, the chapter building process was corroborated by interrelated references. This process shifts the researcher to the third level of analysis, as Merriam (1998) explains drawing inferences and developing theory. This level seeks to explain a large number of phenomena and to demonstrate how they are interrelated. Miles and Huberman (1984, p. 261) describe this process as 'moving up progressively from the empirical trenches to a more conceptual overview of the landscape'. Hence, the researcher, as Miles and Huberman state (1984, p. 261), is 'no

longer just dealing with observables but also with *unobservables* and are connecting the two with successive layers of inferential glue’.

3.6 Trustworthiness of the study

Trustworthiness is a term utilized in qualitative research as a measure of the quality of research. It is associated with ‘the concept of rigour which refers to the quality of qualitative enquiry and is used as a way of evaluating qualitative research’ (Liamputtong 2009, p. 20). Liamputtong explains that the concept of rigour is similar to the concepts of reliability and validity in quantitative research or positivist science (Liamputtong 2009; Merriam 1998). However, qualitative research has different strategies to obtain the rigour or trustworthiness of qualitative enquiry compared with quantitative research. There are several strategies or techniques that can be applied to ensure rigour in qualitative research including theoretical rigour, methodological or procedural rigour and interpretive rigour (Liamputtong 2009; Rice, PL & Ezzy 1999). Theoretical rigour is related to how appropriate the theories used in the study are in relation to the research aims. The researcher should provide reasonable arguments to support the theoretical rigour of her study. Methodological rigour refers to ‘the selection of the methodological framework which adds to the strength of research design’ (Liamputtong 2009, p. 24). The researcher has provided a detailed and clear explanation regarding methodology and procedures of the study in the previous section. Interpretive rigour relates to the process in achieving interpretations explained by the researcher and how this interpretation is accurate to explain informants’ experiences (Wilkinson 2008). This study also provides four criteria to ensure the trustworthiness of qualitative data and their analysis proposed by Lincoln and Guba (1985), as described below.

Credibility

Credibility is comparable to internal validity which testifies that the research findings can be trusted (Liamputtong 2009). Carpenter and Suto (2008, p. 149) explain that credibility is established ‘based on the constructivist assumption that there is no single reality but rather multiple realities that are constructed by people in their own contexts and require authentic

representations of experience that can be seen as plausible by the participants'. Based on this assumption, the selection of participants becomes one of strategies which gives the research credibility. This study has chosen the participants or informants selectively and carefully based on their knowledge, their involvement and their responsibility in the community development programs, and with attention to as complete coverage as possible of the different perspectives of different people.

Transferability

Transferability is comparable to external validity which is used in an effort to provide a foundation for the generalizability of qualitative research (Liamputtong 2009; Merriam 1998). The transferability and generalizability of qualitative research is achieved if the research findings can be applied into other contexts or settings outside the actual study context (Carpenter & Suto 2008). Seale (2002, p. 105) explains some techniques to achieve transferability including 'a detailed, rich description of the setting studied to provide the reader with sufficient information to able to judge the applicability of the findings to other settings that they know'. According to Liamputtong (2009) a rich (thick) description refers to a detailed explanation about the research settings, the participants, the methods and process of undertaking their research.

In relation to the research setting, the researcher provides a detailed explanation regarding the mining industry area which becomes the context of this study in Chapter 4 including: the profile of mining industry; the location of this industry; the social and cultural conditions of the local community; negative impacts caused by mining operation; and the social political backgrounds which potentially influence the implementation of the mining company's community development programs. Moreover, the researcher also provides a thick description in Chapter 5 explaining the process and approaches employed by the mining company in its community development programs. This information will assist readers interested to apply the study insights in other situations. As Liamputtong (2009) states, this comprehensive explanation will enable readers to make decisions about transferability.

Moreover, since this study adopts a single case study, the generalizing process is developed from the context of the research study itself to other settings or contexts known as 'inferential generalization' (Ritchie & Lewis 2003). This process requires the researcher to provide justification regarding the methodological approach and describes in detail the critical processes and procedures supporting the researcher to construct, shape and connect meanings regarding the study topic. This work has been undertaken in the previous chapter, this chapter and the following chapter.

Dependability

Dependability can be compared with reliability which refers to the consistency of the research findings with the data from which they have been derived (Carpenter & Suto 2008; Merriam 1998). Merriam (1998) suggests several techniques that can be employed to achieve this consistency including: explaining the assumptions and theories behind the study; using multiple methods in the data collection process; and explaining in detail how data was collected to allow for an audit trail if necessary. In this study, the researcher utilized multiple sources of data collection: interviews; documents; and observation. As Seale (2002, p. 61) explains, this approach serves to 'enhance the credibility of a research account by providing an additional way of generating evidence in support of key claims'. Furthermore, the researcher shared and discussed the data and ideas with her supervisors and other PhD students who applied qualitative research in their studies. This process enables other scholars to examine and give useful feedback for this study.

Confirmability

Confirmability is analogous to objectivity which refers to the extent a researcher is aware of individual subjectivity or bias in the study. To achieve this confirmability, a researcher can establish an internal auditing in which a researcher can make the provision of a methodological self-critical account of how the research was done (Seale 2002). Moreover, a researcher can provide archives and well-organized data which are accessible and available for external auditing from other researchers, in case the research findings are challenged. As explained previously, the researcher had consultation with

supervisor and peers to gain critical opinions during the analysis process, and the data archive has been preserved.

3.7 Ethics and the rights of human participation

As Silverman (2005) explains, researchers who employ qualitative research will encounter an ethical issue when they enter the private spaces of the participants. These researchers should address these ethical issues during and after the research study to minimise the risk of harm potentially occur to participants either physically, socially, psychologically, emotionally, financially or legally, as a result of participating in the research. Prior to the field work, the researcher obtained ethics approval from the Victoria University Human Research Ethics Committee on 10/12/2009. The researcher had to fulfil ethics standards which are required to protect the rights of the participants as well as to minimise risk of harm which are discussed below.

Non-judgmental environment

The researcher tried to create a friendly environment and an equal sharing of power that could encourage the participants to talk and express their ideas freely in the interviews. Further, the researcher tried not to overreact in a way that could influence how the participants talk and give opinions. As and if required, the researcher would meet with the participants for several times to build a trusting relationship with the researcher. This would overcome any feeling of being judged or pressured by the researcher.

Information gathered during data collection including transcripts of interviews and the mining company's documents and the participants' information details were documented and saved in a locked cabinet. Meanwhile, computer files were protected with a password which is accessible only by the researcher. Data will be stored until at least five years from the date of any publication based on this research.

Informed consent

Prior to the interview, the researcher explained to the informants regarding the purpose of the study and how the data would be used. The researcher also

explained to the participants that their information would be used for data analysis and as necessary would be quoted in the research writing process; that the participants' original names would not be used for reasons of confidentiality. The researcher used two procedures for obtaining informed consent from the informants as appropriate. The format is given in Appendix F. For cultural reasons, the researcher obtained verbal rather than written informed consent from local community members. In general, they are reluctant to sign written documents unless they are being paid. Thus verbal consent is more culturally appropriate.

Confidentiality

As mentioned previously, the researcher has documented and saved the data from the participants including the file of interview process and interview transcripts in a locked filing cabinet or in the computer with a password protection. These data are only accessible and available for the researcher and her supervisor.

Anonymity

In this study, the participant identity information is protected by using pseudonyms. Only the researcher recognises which pseudonym is matched with each participant.

3.8 Limitations of the study

Although the data collection process was successful, there were however, some limitations that the researcher experienced during this process. The first drawback experienced was the researcher could not reach and interview several potential participants in this study. These informants are the local community members who live in the very remote areas. These areas have bad terrains which are difficult to reach and where there is no public transport. From additional information from the local community members, there were many car accidents in these areas; one of those had caused the loss of life of the mining company employees' family members.

The problems in the interview process can be very difficult with some

informants, particularly informants from the government officials' groups. The bureaucracy system involved convoluted and lengthy processes for the researcher to secure interviews with these officers. There were some informants who declined to have interviews with the researcher; these informants then appointed other government officials to have interviews with the researcher. As a result, a selection bias could have potentially occurred. The officials designated by seniors to meet with the researcher may have been chosen on the basis of being particularly cautious or diplomatic in providing information in relation to the mining industry.

Time and budget constraints were also a limitation for the researcher as the time frame given by the Indonesian government's scholarship to do her study was limited for three years. This became a challenging factor for the researcher's effort to gather enough data within the time available to provide a comprehensive and holistic analysis to explain the way in which the community development programs have been conducted by the mining company on Sumbawa Island.

3.9 Summary

This chapter provides a detailed explanation of the methodology and research design employed in this research study. This study has combined interpretive and critical paradigms of social research. Relying on these two philosophical approaches, this study examines what the people think, feel and act related to community development programs based on their experience, as well as examining any empowering impacts of these development programs. The case study approach was deemed appropriate for this study. It facilitates this study to achieve its purpose of obtaining an extensive and in-depth description of the community development programs which have been conducted by a gold and copper mining company on Sumbawa Island. The complexity of problems and issues which emerge in the community development programs in the mining industry, and the involvement of many parties in these programs' implementation, including the mining company, the local community, NGOs and the local government, led to the choice of the single case study method.

To obtain a full and in-depth description of the community development implementation, the case study approach accommodates the utilisation of multiple sources of information. Hence, this research study employs three main research methods: interviews; observation and documentary evidence. The primary source of information to gather empirical data was a series of semi-structured interviews which were conducted with informants: the mining company, the local community, the local NGOs and the local government. The data from these interviews was analysed and checked in the context of other information from observation and documentary evidence. All the data findings have been analysed based on the successive and interconnected steps of analysis include organizing data, categorizing or classifying data, synthesizing or linking the data and finally, building the inferences or conclusions of this thesis.

The following chapters present the findings of the research, based on the analysis of the data collected. Chapter four illustrates the impact of the copper and gold mining company on Sumbawa Island. Chapter five discusses community development and the mining company on Sumbawa Island. Chapter six examines local community participation in the community development programs. Chapter seven reveals the role of the local government. Chapter eight consists of discussion and conclusion of this study.

Chapter 4

The Impact of a Copper and Gold Mining Company in West Sumbawa District

4.1 Introduction

This chapter focuses on the mining industry area, West Sumbawa district, on Sumbawa Island that was selected as the case study for this research. It examines the various contexts and features of the mining operation in this area, including: the profile of the mining company; the geographic location of the mining industry; and the social and political context, including provisions or regulations that require the implementation of the mining company's community development programs. All these aspects have played a role in the implementation of the community development programs.

An analysis of interview transcripts, documents and observation activities revealed that the existence of the mining industry in West Sumbawa district was associated with a variety of impacts on the local community. The researcher divided these impacts into several categories including: the economic impacts; the changes of local community life-style, local customs and social norms, moral and ethical aspects; environmental impacts; conflict within the local community; and conflict between the mining company and the local community. Democratic reform, commencing in 1998, brought regulations that forced all mining companies operating in Indonesia to undertake community development programs in recognition of the negative impacts on local communities.

4.2 Social political background

The mining company on Sumbawa Island has been operating in two different social and political circumstances: 'The New Order' (1966-1998) and democratic reform (post 1998) periods. The exploration and construction stages of this mining company were conducted in the new order period. The operational stage commenced when the democratic reform period began. These two periods involved different systems of mining regulation: the

centralization system in the new order and decentralization system in the democratic reform period. Table 4-1 illustrates the mining regulations in Indonesia and their implications during four periods: the colonial, 'The Old Order (ORLA)', 'The New Order' (ORBA), and democratic reform periods. Detail about the history of the mining industry in Indonesia may be found in Appendix H. Table 4.1 presents a summary of this material.

Table 4-1: The mining regulations in Indonesia and the implications

Periods	The mining regulations	The implications
Colonial period (...< 1945) The concession system	<i>Indische Mijnwet (IMW)</i> This regulation enabled and gave the protection to Dutch government and Dutch residents to undertake mining exploitations in Indonesia. Under the concession system, the private mining companies had two kinds of authority: authority to undertake mining operation and authority over the lands where they conducted the mining operations.	The Dutch mining regulation attracted private companies to undertake mining exploitation and exploration in Indonesia. The Indonesian people had to compete with the Dutch government for mineral resources to be mined which caused many conflicts between them.
The old order period (1945-1965) The centralization and nationalization system	Law No. 44 Prp Tahun 1960 The mining industry sector was owned and controlled by the central government. The Indonesian government nationalized mining companies which operated under Dutch government. The Indonesian government also closed the doors for foreign investment, including in the mining sector based on the Ordinance No. 10/1959.	The Indonesian government focus to address political instability occurred during this period. This abandoned the development of the economic aspect, including the mining sector. Consequently, there was no new mining exploration and exploitation conducted during this period. The benefits from the mining sector were derived only from the Dutch mining industries which were nationalized by the old order's government.
The new order period (1966-1998)	Law No. 11/1967	The CoW system had the power to secure the interest of the foreign investors

<p>The centralization system</p>	<p>The mining operations were conducted by the Indonesian government. The government could involve contractors to undertake mining operations, if the government had limitations in conducting those operations.</p> <p>The Indonesian government re-opened its doors to foreign investors to undertake mining operations in Indonesia through a contract system known as <i>Kontrak Karya</i> (KK) of the Contract of Work (CoW).</p> <p>The obligation of mining industries to undertake community development programs was mentioned clearly at fifth generation of the CoW (1986-1996) (see Appendix E)</p>	<p>from possible nationalization which occurred in the old order period. As a result, there were growing numbers of foreign mining investors conducting mining operations in Indonesia.</p> <p>Under the CoW system, these contractors had to pay taxes and royalties to the Indonesian government. The mining sector in this period made significant contribution to the economic development in Indonesia.</p> <p>However, the implementation of the CoW was disrupted by the autocratic system and corruption that characterised the Soeharto government; this caused various negative impacts on mining operations:</p> <ul style="list-style-type: none"> - The Indonesian government relieved foreign mining investors from any social obligations and focused on seeking profit from the mining operations. - This led to the neglect of many issues, particularly the human rights issues and environmental degradation problems. - The central government in this period monopolised benefits from the mining operations and failed to ensure that some of these benefit would go to affected local communities.
<p>The democratic reform or <i>reformasi</i> period (1998<...)</p> <p>The decentralization system</p>	<p>a. Law No. 40/2007</p> <p>b. Law No. 4/2009 (is compounded by PP. No. 23/2010</p> <p>Based on these laws, the mining regulation is decentralized to local</p>	<p>The local governments in Indonesia can establish local regulations regarding mining affairs, including the implementation of a mining company's community development programs. This authority is regulated under the Local Government Act about decentralization process from the central government to</p>

	<p>or district (<i>kabupaten</i>) level.</p> <p>These regulations have required mining industries in Indonesia to undertake Corporate Social Responsibility (CSR) and community development programs.</p> <p>The implementation of these development programs must involve local government and local communities.</p>	<p>local or district level.</p> <p>The implementation of the Local Government Act has encountered many problems; one of these is high level of authority practised by government officers at district or <i>kabupaten</i> level. This was associated with bad management or regulation of the mining industry at this level.</p> <p>The mining regulation at local level has worsened the negative impacts of mining operations which had already occurred in the new order period.</p>
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Table 4-1 summarises the mining regulations in Indonesia in four periods. The government in these periods established different systems regarding the mining regulations in Indonesia. The most influential regulation was established by the Soeharto government in the new order period. The mining sector was re-opened for foreign mining investors which was absent in the old order era. However, under the autocratic system and corrupt practices of the Soeharto government, mining industries in Indonesia have been associated with human rights violations, environmental degradation problems and the abandonment of affected communities in obtaining direct benefits of mining operations. In the democratic reform period, these problems have worsened (Haymon 2008), although the Indonesian government has established several regulations and provisions regarding the implementation of CSR and mining companies' community development programs.

The mining company in West Sumbawa district has been operating in two different periods. This company signed its Contract of Work with the Indonesian government in 1986 to conduct mining exploration on Sumbawa Island. The mining company commenced its mining operation in 1999/2000 at the beginning of the democratic reform period. During 1997-2001, the business institutions in Indonesia encountered the instability of social, economic and political issues which occurred due to the transformation period, from the new order to democratic reform period (Soelistijo 2011). This social and political background has influenced the way in which the mining company on Sumbawa Island has conducted the community development programs and has built its relationships with the local community and local government. These issues will be discussed later in Chapters 5, 6 and 7 of this thesis.

4.3 Profile of a copper and gold mining company in West Sumbawa district

This first section describes the nature of the mining industry located on Sumbawa Island, West Nusa Tenggara Province, Indonesia. Since 1999/2000, a foreign mining company has been operating to exploit copper and small gold deposits on this Island. This mining industry area covers

87,540 hectares, and the mine site itself is 1,476 feet above sea level. Prior to the operation stage, the mining company conducted exploration and construction. The mining company stages can be described in Table 4-2 as follows:

Table 4-2 The Mining company activity stages in detail

Years	Project Activity
1986	Contract of Work (CoW) was signed by Indonesian government and the mining company
1990	The mining company found copper and gold deposits on Sumbawa Island
1996	<i>Analisis Mengenai Dampak Lingkungan</i> (AMDAL) or Environmental Impact Assessment, <i>Rencana Pengelolaan Lingkungan Hidup</i> (RKL) or the Environmental Management Plan and <i>Rencana Pemantauan Lingkungan Hidup</i> (RPL) or the Environmental Monitoring Plan was approved
1997	The mining of construction project commenced
1999	The mining construction project (costing US\$1.8 million) was completed
1999/2000	The mining company entered the production/operation stage
2025/2027	Expected closure of the mine

Source: The mining company's intranet 2010

Table 4-1 illustrates the activity stages which are conducted by a mining company. There are four stages: exploration, construction, production and closure of the mine. In 1986, this mining company, which is a foreign mining investor, signed a *Kontrak Karya* or Contract of Work (CoW) with the Indonesian government to conduct mining exploration on Sumbawa Island. Based on this *Kontrak Karya*, this foreign mining company received permission to undertake exploration and exploitation activities in five dispersed potential mineral deposit areas: (1) Batu hijau, (2) Elang, (3) Lunyuk Utara (4) Rinti (5) Teluk Panas (LPEM UI 2006). Four years later, in 1990, the mining company found copper and gold deposits in Batu hijau, and became the first mining industry area on Sumbawa Island. At that time, Batu Hijau was located in Sumbawa district. In addition, this mining company is the

first and only foreign mining company which has operated on Sumbawa Island.

After finding mineral deposits in Batu Hijau, the mining company started its construction project in 1997 to build various facilities needed for the mining operation. From the interviews with the employees of the mining company, it is evident that this foreign investor was prepared to spend very large amounts of money on initial establishment, and did not set precise limits on its budget for this construction stage. The mining project brought considerable change to the local community. The mining company recruited 17,000 employees and workers for the mining construction project. These workers were recruited from local community members and people who came from other regions in Indonesia. It is evident that the existence of the mining company attracted people from other regions in Indonesia to come to this area looking for jobs, either in relation to the mining industry or other kinds of jobs. In informal conversations, local community members described the construction stage, and commented how their village changed from being a small and quiet village in a remote area to become a large town with many people from other regions in Indonesia living in it.

Before the mining construction began, the mining company submitted its *Analisis Mengenai Dampak Lingkungan* (AMDAL) or environmental impacts assessment to the Indonesian government (Mining Company 1996). The Indonesian government has established several regulations in relation to AMDAL to manage or control any activities that potentially cause significant impacts either positive or negative on environment. This environmental assessment is required to assess the potential impacts on biological, geo-physical/chemical, socio-economic-cultural, and public health aspects; these assessment are required for projects undertaken in several sectors⁴ (Spitz & Husin 2009). This environmental impact assessment is compulsory and is a

⁴ 'The type of activity and scale of projects that require a full AMDAL process are defined in Minister of Environment Regulation No. 11 of 2006 covering the following sectors: (1) defence, (2) agriculture, (3) fishery, (4) forestry, (5) transportation, (6) satellite technology, (7) industry, (8) public work, (9) energy and mineral resources, (10) tourism, (11) nuclear development, (12) hazardous waste processing, and (13) genetic engineering. Any project located at the border or inside a protected area, no matter of type or scale, requires an AMDAL' (Spitz & Husin 2009, p. 4)

prerequisite for starting any new mining project⁵. There are several regulations related to AMDAL in Indonesia including: Environmental Law No. 23 of 1997, which was replaced by Environmental Protection and Management Law (Article 22) dated 8 September 2009 (Undang-Undang 1997). In addition, the latest guidance on the AMDAL process is provided by The Ministry of Environment Regulation No 08 of 2006 (Peraturan Menteri 2006). The objective of AMDAL is to determine the feasibility of a project and is the means by which the authority grants the necessary permits for the project or activity. AMDAL report is compounded by other operational documents: *Rencana Pengelolaan Lingkungan Hidup* (RKL) or the Environmental Management Plan and *Rencana Pemantauan Lingkungan Hidup* (RPL) or the Environmental Monitoring Plan (RPL). These documents contain details concerning commitments to prevent, control, mitigate and monitor the environmental impacts at all stages of the project; they also specify reporting requirements of the environmental management and monitoring activities. In addition, RKL addresses commitments of business communities to conduct community development/Corporate Social Responsibility (Spitz & Husin 2009). These environmental impacts assessments have the objective of seeking to ensure the sustainability of business or development activities (Kementrian Lingkungan Hidup 2009).

The implementation of AMDALs has been criticised for several weaknesses (Edorita 2007; Pusat Penelitian Sumber Daya Alam dan Lingkungan Hidup 2005). The critics argue that AMDALs have been utilised by economic or development institutions only for administration or formality reasons to gain permission from the government to build their projects or conduct their activities. These institutions have misunderstood and/or not fully complied with AMDAL requirements. AMDAL is intended as a planning tool to address environmental issues caused by their activities, rather than just for permission documents. The critics also point out the lack of quality of the AMDAL document because it does not include other important instruments, for instance: risk assessments; base line studies, particularly related to social and

⁵ In regard to mining, the following activity requires an AMDAL: (1) mining concession area is ≥ 200 ha; (2) open area for mining activity ≥ 50 ha/year; (3) mining of radioactive ore; (4) sub-marine mining or sub-marine tailings disposal; and (5) ore processing using cyanide or amalgamation

cultural aspects; and the mechanism of communities' participation. AMDAL has been criticised for not involving the experts in the evaluation and assessment process of the AMDAL document and the absence of a monitoring system in the implementation of RKL and RPL. These weaknesses led to ineffectiveness of AMDAL in addressing the environmental impacts caused by business or development activities in Indonesia (Pusat Penelitian Sumber Daya Alam dan Lingkungan Hidup 2005)

The AMDAL of the mining company on Sumbawa Island was approved in 1996 (Mining Company 1996). It included details regarding the potential social, cultural and environmental impacts that could occur during the three stages of the mining operation and the potential benefits that could be derived by the local community and government from this mining industry. This meant that this company could start its construction project for the mining operation. From the mining company's documents and the researcher's observation activities, the researcher found that the mining company built several facilities in the construction projects, and details of these are outlined below:

1. Benete port

Benete port provides general facilities as well as more specialist facilities for the filtration and storage of copper concentrate. In this port, the mining company has built its own coal fired electricity generator to support the mining operations. From this port, copper concentrate is shipped to the buyer countries. This port also provides transportation facilities, including a modern boat for the mining company employees and the local community. The researcher observed that, at night, the view of the Benete port is like a big city with a giant light soaring from the mining company's coal electricity generator.

Figure 4-1: Benete Port in the night



This picture was taken at Benete Port and shows well-lit mining equipment at night. Having built its own coal fired electricity generator at Benete Port, the mining operation can undertake its mining operations 24 hours a day. From this port, the mining company ships the concentrate to the buyer countries.

2. Open mine area (Pit)

This area is the main area where the mining operation has been conducted. The pit is a big hole in the shape of a giant ice cream cone. The pit plunges 1.05 km into the ground and measures 2.574 km in diameter. Electric shovels work 24 hours a day, seven days a week putting the ore into 240 ton haul trucks. These trucks convey the ore outside the pit to be crushed and then four miles away to the concentrator. Compared with other mining areas, this pit is the most dangerous part of the mining operation. For example, one month before the researcher visited this area, a mining employee was buried in the pit while working. There are important issues in relation to the closure of the mine, particularly in relation to the closure of this mining area. The company will need to determine how this huge pit can be safely closed after the mining operation has ceased.

Figure 4-2: A haul truck



Figure 4-3: The activities in the open pit



Figures 4-2 and 4-3 show haul trucks conveying rock from the bottom of the pit to the concentrator.

3. Concentrator

The concentrator is the mining company 'factory' where the ores are processed to become copper and gold concentrate. This factory employs two grinding mills and five flotation lines to separate the copper and gold from the

rock slurry. The flotation lines use physical processes only, rather than chemicals, in the separation process. The concentrate is then pumped through a pipeline (belt conveyor) to the port at Benete, where it is filtered and then shipped to smelters in Asia and Europe. On average, this company mines 784,000 tons of rocks per day. Since the mining company started its operation, it has mined a total of 3.8 billion tons of rock.

Figure 4-4: Concentrate: the final product of the mining company



Figure 4-5: Loading concentrate at Benete port that will be shipped to buyer countries



The rock which has been mined from the open pit is processed in a factory (concentrator) to become concentrate; this is the final product of the mining company (Figure 4-4). This concentrate is pumped using pipelines to the

Benete Port, and then loaded on to a ship which transports it to the buyer countries (Figure 4-5).

4. Tailing waste facility

Tailings are the waste of the mining company activities that are dumped in the deep sea of the Senunu Gulf. The mining company maintains that tailings are nothing more than the left over portion of finely crushed rock after the valuable minerals have been removed (Mining Company 2005a). The mining company claims that these tailings are non-hazardous, non-toxic and chemically similar to the sand at the bottom of the sea around the island of Sumbawa. The mining company uses the method of Sub-sea Tailings Placement (STP) to deposit material that looks like mud deep below the biologically productive areas of the sea (Mining Company 2005a; Sinoel 2005). However, issues surrounding the tailings waste often trigger conflict between the mining company and the local communities. These issues will be discussed in detail in the environmental impact section of this chapter.

Figure 4-6: Tailing pipe



Figure 4-6 shows the tailing pipe which takes the waste from the mining operation to Senunu Gulf. This tailing waste is then dumped in the sea to a depth of about 112 metres in Senunu Gulf.

5. The employees' settlement (town site)

The town site is a small *town* that has been built as the settlement for thousands of the employees of both the mining company and its subcontractor companies. The researcher had the opportunity to stay in the town site for several weeks. This town site has full facilities including a school, sports hall, swimming pool, guest house, employees' housing, a large canteen, medical centre, supermarket, mini bank, mosque, golf and other sport facilities, library, and internet facilities.

Figure 4-7: A tunnel which was built by the mining company for the local community to go to other villages in the mining circumference area.



The mining company built many tunnels under the road which was built by the mining company as the main access for going to the town site and the open pit. This road has also become the main access which connects the open pit location to Benete port. This road is only accessible to the mining company's employees, their families and the guests of the mining company. Therefore, the mining company provides buses as a main transportation for these employees in a terminal departure or station as illustrated in Figure 4-8. Before entering this access road, every bus and the employees' cars will be stopped at a gate by several security guards to have their identities checked. This access road has become the border which separates the mining company location and the villages where the local community live. It is conceivable from the researcher's experience, that once she entered the

access road, the circumstance and environment seemed completely different compared with the living area of the local community. Moreover, from the informal conversations with the local community members, it appears that many of them have intensely curiosity and seek to actually visit the mine site.

Figure 4-8: A bus which transports the mining company employees to and from the town site and the open pit



Figure 4-8 shows the type of bus which has been provided by the mining company for its employees. From this terminal or station, these employees take these buses to go to the town site or the open pit by the access road and also go back from the town site or the open pit to this terminal. The researcher found the living conditions of the town site to be quite luxurious during her stay of several weeks: 24 hour air conditioning, housekeeping facilities, free food (both Indonesian and Western food) provided in the huge canteen, and free transportation to and from the town site. This was in contrast to the conditions experienced by the researcher when she was staying with the local community: a loss of electricity could happen any time and occurred each day for several hours; the environment was dusty and dirty; and there was a lack of transportation to go to and from other subdistricts.

The mining company commenced commercial production in 2000. Since then, the mining company has provided significant financial contributions to the Indonesian government of approximately US\$35.90 million per year in

royalties and taxes (Sinoel 2005). Economic impacts have come from multiplier effects including employment, local business opportunities and local economic development for Sumbawa Island. The mining company operation will end in 2025-2027. It can be argued that the mining industry is a major project that will involve large expenditures and will employ thousands of people over its planned period of operation. Hence, the existence of the mining industry will cause various changes in the area where this project is located. The next section describes the location where this mining company is conducting its mining operation.

4.4 The location of the mining company

This section illustrates the location where the mining company on Sumbawa Island has been operating. Geographically, the location of this mining company is now known as the West Sumbawa Barat district or Kabupaten Sumbawa Barat/KSB, West Nusa Tenggara Province, Indonesia. The mining operation was established in the Jereweh subdistrict. The local people described this subdistrict at that time as like a small village in a remote area and surrounded by mountains, hills and the ocean. As a result, community members who lived in this subdistrict had difficult transportation access to the other villages. They used to travel by *cidomo* which is a traditional form of transportation pulled by a horse, or else they simply rode a horse.

Figure 4-9: A *cidomo*: traditional transportation of the local community



Figure 4-9 shows a *cidomo* which was the main transportation for the local

community before the mining operation. This traditional transportation is still used by the local community despite the introduction of other kinds of modern transportation such as buses, motorcycles and cars. The location of the mining operation is illustrated in these figures below.

Figure 4-10: West Nusa Tenggara Province Indonesia: consists of two Islands, Lombok and Sumbawa Islands



Figure 4-11 West Nusa Tenggara Province



Figure 4-12: Sumbawa Island



Figure 4-11 illustrates West Nusa Tenggara Province, Indonesia. This province consists of two big Islands: Lombok and Sumbawa Island. Meanwhile, Figure 5-12 shows the location of the mining company which covers three subdistricts: Jereweh, Maluk and Sekongkang, in the West Sumbawa district on Sumbawa Island. Before the mining operation, there was only Jereweh subdistrict in this area. The existence of a large mining industry in this subdistrict attracted many people⁶ from other villages, subdistricts and other regions outside Sumbawa Island (BAPPEDA Kabupaten Sumbawa Barat 2008). This subdistrict was subsequently divided into three subdistricts: Jereweh subdistrict, Sekongkang subdistrict which was established in 2001, and Maluk subdistrict in 2007 (Karyadi et al. 2001; Mahkamahkonstitusi 2007).

In relation to the community development programs, an interviewee from the mining company explained that the mining company has conducted its development programs most intensively in the three subdistricts as illustrated in Figure 4-12. The mining company refers to these subdistricts as *daerah lingkaran tambang* or the mining circumference area because they are the closest areas to the mining operation. Therefore, the mining company has

⁶ Before the mining operation, there were also the arrivals of people from Lombok, Bali and Java in 1990 through the Indonesian government program, called *transmigrasi* (Mining Company 1996). At that time, the *transmigrasi* program aimed to resettle the people from the regions with dense populations to others which lacked population. Most of these people live from the agriculture sector and had introduced the new cultivation system to the local people, from the plantation system in the forest to the cultivation in the rice fields and farms.

made these villages the first priority in their community development programs. The mining company assumes that local community members who live in the mining circumference area are suffering the worst negative impacts of the mining operation. For instance, the mining company has opened up the forest and polluted the water from the rivers located in Tongo Village in the Sekongkang subdistrict for the mining operation. As a result, the local community members who live in this subdistrict could not consume the water from their river anymore and lost their access to the forest where they used to source animals, woods and honey. Meanwhile, Maluk and Jereweh have now become the home for thousands of mining company employees who chose to live in these subdistricts, instead of in the town site. Maluk subdistrict moreover has become the urban centre of the mining circumference area. Many local community members and people who came from outside West Sumbawa district built stalls, restaurants, hotels, dormitories, shops, and supermarkets in this subdistrict. This small city is busy for 24 hours a day to serve the needs of thousands of mining company employees. On the other hand, the interaction between the local community members and these employees has caused a change in way the local community lives: for instance their life style, norms, customs, ethics and morals. These impacts are explained in the next section.

It normally takes six hours to reach the West Sumbawa district by public transport from Mataram which is West Nusa Tenggara Province's capital city (based on the researcher's observation). This involves taking a small bus and a ship/ferry. The main transport connecting these two Islands is a ship/ferry which can make the journey in three hours. Information related to transportation between the islands is available on the West Sumbawa district web page (Sumbawabarat 2012). However, this long journey can be shortened to one hour if you have access to the mining company's transportation system. The mining company has built its own quay or port and provides a modern boat for employees who live in Mataram (Lombok Island) so they can reach the mining company location easily. Instead of the boat, the employees and guests of the mining company also have access to the company by chartering a small plane called Travira Air; the flight from

Bandara Selaparang at Mataram to Benete, Maluku takes one hour.

Figure 4-13: A small plane called Travira Air



Figure 4-14: A mining company modern, luxury boat



Figures 4-13 and 4-14 depict the modern transportation provided by the mining company for its employees and guests: a small plane and a luxury boat. These forms of transportations are a lot quicker than other public transportation such as ferries or ships which connect Lombok Island and Sumbawa Island. In recent years, the mining company's transport system, particularly the boat, have also been made accessible to the local community; however this is still a very expensive option for most of the local community.

Before the mining company operated in the West Sumbawa district, most of the local communities made their living from traditional agriculture, gardening and raising animals. Sometimes they would go to the forest to hunt for animals, cut timbers and gather the wild honey - which is famous in this area. Local communities lived at subsistence level, consuming their harvest to fulfil

their basic needs rather than for commercial reasons. The agriculture in this district had low productivity due to the lack of water which caused the farmers to depend on the wet season to cultivate their land. Based on these circumstances, the mining company built two large dams for irrigation in order to increase agricultural productivity in this area.

The local communities have a low education level due to the fact that their district lacked educational infrastructure. Most of the population were illiterate with approximately 90% of the population educated only to primary school level. The remaining proportion went on to secondary school or higher levels of education (Mining Company 1996). The low education level and the lack of specific skills of the local community members have hampered their involvement in the mining company's operation. From an interview with a mining company employee, it evident that at the operation stages it was very difficult to find skilled and educated employees from the local community members:

At the construction stage, there were many local workers who could be recruited in the mining construction project because this project did not require people who have certificated education or specific skills. The construction stage only needed the physical attributes of the local workers. At that time, the mining construction project could recruit 14,000 local workers. (Ali: a Community Development division staff member)

This interviewee describes the issue of employment which began at the construction stage. At that time, the local community members were recruited as unskilled workers in the mining construction project. At the end of the construction project, the mining company needed to recruit employees who have higher level skills for the next stage of the mining operation. The mining company chose to recruit people who came from other regions such as Java, Kalimantan, Lombok/Mataram as these people possessed the required skills. Meanwhile, the mining company had been conducting training programs for local community members so that they would achieve a level of formal education, and would be able to be recruited as mining company employees.

However, there were still many local community members who could not be involved in this employee recruitment process. As a result, they protested to the mining company to be recruited as employees.

The issue of employee recruitment has become the main source of conflict affecting the relationship between the mining company and the local community in the mining circumference area. Some community members claim that the employee recruitment process of the mining company is unfair (Kusmayadi 2011a, 2011c). These members argue that the mining company has prioritized the recruitment of the employees from outside the mining circumference area and the family members of the heads of villages. They held protest actions against the mining company by closing the main access road used by the employees to go to the open pit.

In summary, the existence of the mining industry has brought various changes in the area where this industry is located. Previously, the West Sumbawa district was a remote area with a small population, and little in the way of facilities and public services. The copper and gold mining company currently operating in this district is the first and the largest-scale mining industry on Sumbawa Island. The operation of this mining industry has become a pilot project for the feasibility of the operation of four other potential mining areas on Sumbawa Island. The most important indicator of this feasibility is the increase of local economic development to achieve community wealth in subdistricts surrounding the mining industry. However, the existence of the mining company in this area has also been associated with many negative or destructive impacts on the local communities which are discussed in the following section.

4.5 The impact of the mining industry on the local community

The mining industry has operated in West Sumbawa district since 2000. Since then, the mining company has affected the local community, both negatively and positively. The main benefit of this company can be seen from its contribution to the economic sector. Overall, this company has contributed US\$324 million to the national economy. Included in this amount is \$84 million in salaries for national employees, \$135 million in the purchase of

domestically sourced goods and services, \$101 million in government taxes and royalties, and \$4 million in community development projects. In addition, the mining company has contributed to the export product of West Nusa Tenggara, the province where the mining company is located. The value of this export product is US\$1,039 million or 99.91% of the revenue of West Nusa Tenggara Province (Muhammad 2012).

Other impacts of the mining company can be viewed as destructive or negative. These negative impacts have been assessed previously in the mining company's Environmental Impact Assessment, including the social, economic, and cultural impacts. The mining company is required to renew this assessment regularly. Hence, the mining company has made annual reports regarding this assessment each year. The mining company collaborated with a local university in West Nusa Tenggara Province to produce these reports. These reports identify the changes to the social, economic, cultural and health aspects of the local community each year. In addition, research studies have been conducted previously which are concerned with the impacts of the mining company on the local community. Furthermore, the researcher conducted observations and had informal conversations related to these impacts with local community members. Based on all these sources of information, the following section overviews the impacts of the mining operation on the local community.

4.5.1 Economic impacts

The economic contribution of the mining company in West Sumbawa district to the local government has been derived from various sources. Included in these sources are: royalties; land, corporate, and income taxes; and a variety of lesser payments to the local government (Mining Company 1996). These contributions could not be delivered to the local community directly. They go to the central government; the central government then re-allocates these benefits to local government at provincial and district levels through *Dana Alokasi Umum* (DAU). This economic distribution is very important in terms of increasing the wealth of the local community and can be measured by various indicators including the amount of income and expenditure of the local

community members, the different occupations that have developed, and the economic facilities which have been built in the mining circumference area (Karyadi et al. 2001; Sundjojo 2007).

The first economic impact of the mining company is the emergence of various new occupations for the local community members. Before the existence of the mining company, most of the people in the West Sumbawa district lived as subsistence farmers⁷. They had low productivity as they always depended on the wet season for their land cultivation. The local community also did gardening, raised cows, goats and horses, and worked in the forest taking wood and honey to fulfil their basic needs. However, the local community members have started to have other kinds of occupations since the copper and gold mining company has operated in this area (Karyadi et al. 2001; Sundjojo 2007). Table 5-3 below indicates the kinds of occupations that have emerged since the existence of the mining company:

Table 4-3: The occupation structure of the local community

No.	The kinds of Occupation	1995 (%)	2003 (%)	2004 (%)	2005 (%)	2006 (%)	2007 (%)
1.	Agriculture/Farmers	63.72	42.21	44.54	46.85	44.53	44.44
2.	Fishermen	6.69	7.90	8.04	0.57	3.73	2.74
3.	Commerce	8.16	10.45	11.67	1.71	11.57	11.52
4.	Handicraft	1.47	5.45	6.48	1.43	4.23	4.12
5.	Services (transportation, tourism, machine shop etc)	3.74	8.90	8.24	8.00	8.58	8.37
6.	Public employment	6.80	8.97	9.12	1.71	10.32	11.11
7.	Private employee	2.38	9.56	9.96	2.0	13.06	15.36
8.	Forest gathering	7.03	6.58	2.00	2.86	-	-
9.	Others	-	-	-	10.57	3.98	2.33
	Total	100	100	100	100	100	100

Source: (Padusung et al. 2008)

Table 4-3 illustrates the various kinds of occupations of the local community in West Sumbawa district. It demonstrates that the local community is no longer dependent only on the agricultural sector as their main occupation. Instead, various kinds of occupations have emerged since the mining company started operating in this area. In the construction stage, the mining company recruited

⁷ This means that these local farmers can only harvest their land once per year. The crop is only enough to feed family members and contribute in the social and cultural events for one year. There is no surplus from their land which can be sold.

members of the local community for its employees and workers in the mining operation. In the table, these local community members are included as the private employees. In addition, the influx of thousands of workers has triggered other new occupations including local businesses/small shops (commerce) run by local community members to fulfil the needs of these people. In addition, there are local community members who conduct local businesses as the mining company's suppliers.

The local community members in the mining circumference area are now seeking their livelihood from other occupations, thus moving away from the agricultural sectors. In some cases, the local community members have had other jobs as their second occupations, such as non-agricultural labouring, *ojek* or motorcycle drivers for the company's employees, as well as becoming involved in various kinds of commercial activities (Padusung et al. 2008). One interviewee from the local community, Totok describes two reasons the local community members are trying to get other occupations, and are moving away from the agricultural sector. The first reason is related to the new life style of the local community. Totok explains that the economic life of the local community members has changed since the mining company has been operating in their area. The existence of the mining company has created a gap between local community members who are employed by the mining company and those who are not. The first group can afford more due to the high incomes from their jobs as the mining company employees. Meanwhile, the other groups want to compete and follow the life improvement which has been achieved by the former group. Therefore, the latter groups have an expectation that they can increase their income by becoming involved in service and commercial businesses that serve the needs of the mining company and its employees.

The second reason members of the local community are shifting away from employment in the agricultural sector is related to the fulfilment of basic needs. Totok maintains that since the mining operation, living costs in the mining circumference area have become very high. As a result, local community members have been forced to leave their land to find other

occupations as their second job. The local farmers can no longer rely solely on their land to fulfil their basic needs. However, they still go back to their land in order to cultivate it and harvest the crops. These local community members seek other jobs in the period of time between these two activities.

As mentioned previously, living costs in the mining circumference area have become very high (inflation) since the mining operation. For instance, before the mining operation the price of fish was Rp. 5000 per kg; this is now five times more expensive at about Rp 25,000 per kg (Setiawan & Ginting 2008). From personal observation, the researcher has found that the prices of various things in the mining circumference area are very expensive compared with the prices in the areas which are not near the mining industry. For instance, in the Taliwang subdistrict (which is the capital city of the West Sumbawa district, about one hour from the mining circumference area by public transport), the researcher found that prices were not as expensive as in the subdistricts near the mining circumference area. A further example illustrates the inflation which has occurred in the mining circumference area. The wage for a casual worker in the mining circumference area is Rp. 35,000 – Rp. 50,000 per hour; while in Taliwang wages are only Rp. 25,000 per hour. These inflation impacts were not identified or discussed in the mining company's Environmental Impact Assessment (Mining Company 1996)

Other economic impacts of the mining industry can be demonstrated through the increase of the local community's income and the proportion of this income that has been spent on various kinds of expenditures or consumption (Padusung et al. 2008).

Table 4-4: The household income before and after the mining operation

No.	The income sources	Household income (Rp)					
		1995	2003	2004	2005	2006	2007
1.	Agriculture	51,172	243,290	608,000	384,000	404,000	356,000
2.	Fishery	10,189	42,685	60,000	50,000	92,000	63,000
3.	Forest gathering	9,107	1,280	30,000	17,000	9,000	2000
4.	Commerce & service	31,296	277,881	297,000	335,000	429,000	643,000
5.	Home industry	3,668	53,316	42,000	207,000	164,000	162,000
6.	Public employee	30,095	183,617	183,000	209,000	276,000	367,000
7.	Private employee	10,654	433,492	433,492	614,000	722,000	1,129,000
8.	Casual worker	4,322	26,677	26,677	35,000	29,000	105,000
9.	Non-labor income	4,865	77,924	77,924	108,000	161,000	145,000
	The amount	155,369	1,340,161	1,640,000	1,959,000	2,283,000	2,972,000

Source: (Padusung et al. 2008)

Table 4-4 demonstrates increase in local community income after the mining operation based on several occupations. For instance, in the agriculture sector, the local community income increases dramatically, from Rp. 51,172 per month in 1995 or before mining operation to become Rp. 243,290 per month in 2003 after the mining operation. However, from 2005 until 2007, the local community income from this sector decreased slightly. Conversely, the local community income from other sources, particularly from commerce/service and private employees increased significantly. The increase in income of local community members who have worked in the mining company has triggered a further problem. This condition has caused jealousy among local community members, triggering them to seek different occupations, in particular those related to the mining operation. As a result contributions to the local community income from the agricultural sector, including farmers, fishery and forestry have decreased slightly. The increase of the local community's income is accompanied by an increase in expenditure. Before the mining operation, the local community's expenditure was 118,375 rupiahs (US\$12) per month. In the exploration and construction stage, this amount increased six times to about 693,000 rupiahs (US\$60) per month. In the 2006/2007, the local community's expenditure was 2,10 juta rupiahs (US\$200) per month, while in 2007/2008 this amount increased 23% and was 2,58 juta rupiahs (US\$250) per month.

It is apparent from the interviews that becoming a mining company employee is the dream for many of the local community members. This can be

illustrated in the following extract from an interview:

Anif (researcher): What do you want to do after you finish your sekolah menengah atas (SMA) or high school?

A local high school student: Yeeeeeaaahhh I want to be a mining company employee...but it requires specific skills....just wondering whether I could be recruited or not. (Putra)

It is not only mining company employees who can earn a lot of money. For example, someone who sells 'pisang goreng/gorengan' (fried banana) might have a higher income than these employees... We already told the local community that this opportunity has been taken by them (people who came from other areas outside West Sumbawa district). Why don't we try it? However, the local community members want to be recruited as the mining company employees and this might be because of the prestige. (Sony: a Government Relations Division staff member)

The above interview extracts show that the favourite occupation of many of the local community members is to become a mining company employee. There are two factors which might motivate the local community members to get a job in the mining company: the higher income/salary, and the prestige which is associated with the job. Meanwhile, other occupations such as merchants or other local businesses have been run by people from Jawa, Lombok and Bali. These people came to the mining circumference after the mining operation started.

Another economic impact of the mining operation is the establishment of various kinds of economic facilities in West Sumbawa district. Included in these facilities are hotels, restaurants, supermarkets, banks, traditional markets in good condition, shops, stalls and home-made industries. From her observations, the researcher has found that some of these facilities represent significant luxuries for the local community. These luxury facilities are usually used by the mining company guests, researchers conducting studies of the mining company, and tourists who come to the mining circumference area.

These economic variables discussed above indicate that the existence of the mining company in West Sumbawa has given rise to local economic development for this area. This has other implications on the local community life, particularly in its social and cultural aspects. Several implications in these aspects were anticipated or mentioned in the AMDAL report of the mining company, including changes in local community lifestyles, norms and values. Unfortunately, the AMDAL report failed to anticipate the inflation issue and the impacts of inflation on local community life.

The following section will examine other impacts of the mining operation on the local community in terms of social and cultural aspects.

4.5.2 Changes in local community lifestyle

The mining operation has had an impact on social and cultural aspects of the local community, including changes in lifestyle, social values, social structures, social institutions, conflicts and social security. These changes have their own indicators, for instance the change in lifestyle can be seen from consumption and expenditure patterns, ownership of assets and priorities of expenditure. On the other hand, indicators of the changes in social norms include effects on traditional community functions, social gatherings, local knowledge and changes in the local community's morals and ethics. This section discusses the mining company's social and cultural impacts on the local community.

The change in lifestyle has primarily been influenced by the increase in local community income and through social interactions with people who came from other regions outside West Sumbawa. These people have been attracted to staying in the mining circumference area to obtain higher incomes compared with their previous jobs in their homelands. They came to the mining circumference area mostly as skilled workers, as explained by an interviewee:

When the construction project began in 1996, the mining company needed many workers, but mostly they came from other regions, for instance Mataram, Jawa and Sumatera. At

that time, the local community in this area was a traditional or non-industrial society living in subsistence from the agriculture sector. But, since the local community knew that they could earn money or salary from the mining operation, then they left their lands to become the workers in the mining construction project. (Hasan: a Community Development division staff member)

The interview extract above illustrates that the mining company had recruited many people from other regions outside Sumbawa Island as workers in the mining construction projects. This decision had been made by the mining company due to the fact that at that time it was difficult to involve the local community in the mining construction projects. Most of the local community members had lived from the agriculture sector and had never been connected to industrial activities. The interviewee explains that the local community were interested in being involved in the mining construction projects since they knew that they could obtain some money or salary from these projects. Since then, many local community members left their lands to be involved in the mining operations. The involving of people from outside West Sumbawa in the mining operation has caused another problem in relation to the employee recruitment process, and potentially became a source of conflict with the local community. This issue will be discussed in another section of this chapter.

The mining employees who came from other regions have had a main role in introducing modern living to the local community. Most of them earn their living as mining company employees or as successful business people. The local community has been motivated to adjust to the modern or luxury lifestyle that has been introduced by these people. Some of the local community members have made adjustments by changing their consumption patterns. They tend to be more consumption oriented. The local community members started to buy or consume things for prestige reasons or following new lifestyles, instead of fulfilling their basic needs. The change in consumption patterns of the local community can be illustrated in the following excerpts from these interviewees:

The local community's consumption orientation has changed. Previously they bought food as their basic need; but now they buy food only for survival reasons and tend to prioritize purchasing things other than food such as mobile phones or laptops. They do not really need these fashionable electronic consumables, but they want to buy them just for prestige reasons. They build big houses, but if we look inside, these houses do not have clean water and lack electricity...they become very competitive. (Hasan: a Community Development division staff member)

Sometimes the local community members buy something because they want it and not because they need it....if they want to buy a motorcycle, the most important thing is they can buy a shogun (a famous motorcycle brand). (Deni: a local NGO member in the agriculture program)

Both interviewees explained the change in the local community lifestyle, particularly related to their ownership of prestige assets. Table 4-5 below demonstrates the increasing numbers of the local community members with prestige assets before and after the mining operation.

Table 4-5: Local community ownership of prestige assets before and after the mining operation.

No.	The kinds of prestige assets	Percentage of the local community members (%) who have the prestige assets		
		Before mining operation (1995)	Production stage (2006)	Production stage (2007)
1.	Television	12.0	59.0	62
2.	Radio/tape recorder	19.4	50.0	48
3.	TV aerial	4.0	26.6	32
4.	VCD player	1.4	1.4	3.7
5.	Refrigerator	3.7	11.1	19.4
6.	Washing machine	-	2.0	4.0
7.	Gas stove	-	2.0	3.7
8.	Mobile phone	-	56.8	65
9.	Motorcycle	2.0	11.1	13
10.	Car	-	0.5	1.4

(Padusung et al. 2008)

Table 4-5 illustrates the increasing number of local community members who own prestige assets. Included in these prestige assets are motorcycles, televisions, refrigerators, cars, washing machines, gas stoves and mobile phones. This correlates with the increasing income of the local community as discussed in the previous section. Before the mining operation, the local community used their income from the agriculture sector to fulfil their basic needs. The existence of the mining company has provided many opportunities for the local community members to seek other occupations or casual jobs that could increase their income. This higher income facilitates the local community members to buy or consume other non-food items including those prestige assets.

Another indicator of the changes in the local community lifestyle can be seen from the priorities of their expenditure. Before the mining operation, on average the local community spent 54% of their income on food (Karyadi et al. 2001). This percentage decreased slowly after the mining operation began. For instance, in 2007/2008, the local community members spent their income mostly for non-food consumption or about 62% (Padusung et al. 2008). The local community members have prioritized fulfilling other needs, instead of foods, which can be ranked based as follows: (1) business investments, (2) education costs (3) transportation and social participation, (4) housing, (5) health treatment and clothes (Padusung et al. 2008). The expenditure for higher education could be influenced by the need of the mining company to recruit skilled workers when the production or construction stage began. The local community then developed a willingness to obtain higher education with an expectation that they could be recruited as mining company employees.

4.5.3 Changes in local community customs and social norms

Another socio-cultural impact of the mining company in West Sumbawa is the change in local community customs and social norms. These changes can be illustrated through various indicators including the local community's traditions, social gatherings, local knowledge, morals and ethics. Traditionally, the local community lived in a communal way with strong cohesiveness between the members. They used to apply traditions of helping each other or

gotong royong in their everyday activities. For instance, the local community has a social norm, namely *basiru*, which is the tradition of helping other community members in their cultivation activities. Another social norm is referred to as *basanata/nyanthek*, and this involves supporting other local community members in building a house. In these traditions, local community members help each other as non-hired casual workers or for free. However, now these customs have almost disappeared. Hasan describes this issue as follows:

After the mining company's construction project finished many local community members went back to their lands. However, their lifestyle had changed. For instance, they do not want to participate in the basiru to cultivate the land ... They have left this tradition behind since they got used to receiving amounts of money or salary from the construction projects (Hasan: a Community Development Division staff member)

Hasan describes the cessation of the local community traditions which has been caused by the mining operation. The mining company has influenced the local community traditions by introducing regular salaries to pay their employees and workers. The company also hired casual workers to build various social facilities. Since then, the local community members have realized the importance of money to support their activities, including land cultivation and purchase of consumer goods. It can be argued that the regular salaries and the system of recruitment have replaced the *basiru* and *basanata/nyanthek* traditions. This illustrates there is a change in the social customs of the local community in the agricultural system from an exchange economy to more of a cash economy.

The new agricultural system has replaced the subsistence system with a commercialization system. In the commercialization or productive system, farmers have been motivated to increase their land productivity so they can sell their harvest to the market and receive money from this. In the new cultivation system, the local community members tend to hire casual workers or use a hand tractor to cultivate their lands. They assume that a casual

worker is more productive compared with the free workers provided by the *basiru* tradition. As a result, the local community has slowly left behind the *basiru* custom for cultivating their land. On the other hand, the local farmers have complained that the new cultivation system is very expensive as they have to pay a lot for the hired workers. These casual workers have asked for the same standardization of their wages as the mining company employees' salaries.

The changes in local community customs and traditions have influenced participation in social activities, communal ties and social stratification (Karyadi et al. 2001; Padusung et al. 2008). For instance, the local community members prefer to give money as their contribution to other members who have wedding ceremonies and to those who are in difficult circumstances. Previously, according to the local traditions, the local community used to give food in both these circumstances. This monetary approach has also influenced the solidarity and communal ties among the local community members. For instance, the local community members prefer to participate in productive activities that benefit them individually, rather than in *besiru* or *gotong royong* customs which prioritize communal ties. An interviewee illustrates the weakening of communal ties between the local community members in the following interview extract:

Living costs are high and social living in the mining circumference area is very cruel. They have become more individual. For instance, although they live in the same building, they only say hello to their neighbours. They no longer care for each other. They do not try to think how they could become closer or friendlier. (Totok: a YPESB community development worker)

This interviewee argues that the local community members in the mining circumference area, particularly in Maluk, have become more individualistic. As an example, he points out that the local community members in this subdistrict no longer develop close or friendly relationships with each other. There has now been over a decade of influence of mining in the mining circumference area. Consequently, its influence has permeated to the

everyday life of the local community members, including the social relationships between them.

The influence of mining has also had an impact on social cohesion between the local community members. An interviewee describes this impact as follows:

The mining company must be responsible and pay the cost related to the change of local culture, including the change of social stratification of the local community, for example now there is a deep gap between the local farmers and the mining company employees. There is also a deep gap between the local farmers' housewives and the mining company housewives. (Deni: a member of local NGO in the agriculture program)

The local community members who failed to be recruited as the mining company employees want to compete with or follow their friends who have worked in the mining company. (Totok: a YPESB community development worker)

These interviewees illustrate a new social stratification in the mining circumference area. This social stratification arose due to the deep gap, in terms of income and lifestyle, between the local community members who have been recruited as the mining company employees and those who have not. The mining company employees have a different lifestyle compared with other local community members; for instance they build big and luxurious houses and buy goods which are very expensive due to the inflation. This has caused jealousy and competition with other local community members who have not yet been involved in the mining operation. This also has weakened social cohesion and damaged the social cement of the local community members.

4.5.4 Changes in moral and ethical aspects

The operation of the mining company in the West Sumbawa district has given rise to changes that are seen locally as moral and ethical degradation.

Research studies have outlined these impacts including prostitution, sexual promiscuity and juvenile delinquency (Karyadi et al. 2001; Padusung et al. 2008). These research studies (Karyadi et al. 2001; Padusung et al. 2008) suggest that the youth generation in the mining circumference area tends to ignore traditional social norms and avoid mainstream social participation. They prefer to follow the new lifestyle which is assumed to have been introduced by the people from other regions of Indonesia: for instance, drinking alcohol, practising sexual promiscuity and becoming involved in prostitution, particularly those who have been involved in the mining operation. These studies suggest the workers from other regions have introduced these lifestyles to the youth generations in the mining circumference area.

There are a number of cafés and pubs that have been built at Maluk beach since the mining company has been operating in this subdistrict. The local community members suggest that these places have also become sites for prostitution. The researcher has found information related to this issue of prostitution based on observations and informal conversations with the local community members. Some of the local community members explain that prostitution is more obviously noticeable on the 25th of every month when the mining company employees receive their salaries. On that day, the sex workers who come from other regions such as Banyuwangi, Lombok, Makasar and Bali come to the Maluk subdistrict, particularly to the cafes and pubs around Maluk beach, offering their services to company employees. According to the researcher's observations, from 25th of each month until two weeks later, the Maluk sub-district changes and becomes a small crowded town that never sleeps at night. The cafés at Maluk beach turn on music very loudly all night long.

It can be argued that for the sex workers in this region, the mining company employees have become their favourite customers. However, the rate charged by the sex workers for their services may be very expensive. Informal conversation with local community members indicates that sometimes some employees (two or three employees) have joined together to have a single transaction with a sex worker. This means that the sex worker has to serve

more than one customer or employee at the same time. Prostitution has been assumed to have caused the growing number of HIV/AIDS cases in the West Sumbawa district (West Nusa Tenggara Province Government 2008). This district rates as the second most severely affected. Mataram, the capital city of West Nusa Tenggara Province, is the most severely affected epidemic area for HIV/AIDS in West Nusa Tenggara Province, after it became one of the favourite tourist destinations (apart from Bali). In addition, the West Sumbawa province has been included as one of the poorest provinces in Indonesia (West Nusa Tenggara Province Government 2008). Consequently, many people from Mataram city and other regions in the West Nusa Tenggara province become *Tenaga Kerja Indonesia* (TKI) or Indonesian migrant workers in other countries. It has been suggested that these workers have spread HIV/AIDS in this city.

Another implication of prostitution for the local community is discussed in the following extracts from interviews:

There are many mining company employees who cannot manage their income. They have followed the new lifestyle ... in the night when we go to Maluk beach we can see many cafes and pubs there. In these places, many company employees spend their money. They argue that they want to entertain themselves, but actually they are involved in prostitution ... I would say, the deterioration of morals has occurred in almost 60% of the local community in the mining circumference area as has the moral degradation. (Totok: a YPESB community development worker)

Don't follow other friends who often use prostitution services. If you join with them, you will be finished and you will have to sell your motorcycle. I have a friend from Java who often uses prostitution services. He spent a lot of money which he had received from his wife. I feel sorry for his wife. She is a hard worker, but her husband has spent all her money on prostitutes. (Rahmat: a motorcycle driver or tukang ojek)

The above interview extracts illustrate the implications of prostitution for the local community members who live in the mining circumference area. Totok and Rahmat explain that many local community members in this area (almost 60%) have been involved in using prostitution services. Included in these people are not only the mining company employees, but also other local community members such as *tukang ojek* (a motorcycle driver). These local community members have spent their money, selling their motorcycles and even neglecting their family because they have become involved in using prostitution services. Totok notes that the mining company employees who have been affected by prostitution could not manage their income; as a result they have not been able to achieve economic improvement.

4.5.5 Environment impacts

According to research undertaken in Russia by Yakovleva (2005, p. 1) the mining industry is 'demonstrably responsible for causing a wide range of negative environmental and social impacts at local, regional and global levels. Included in these impacts are the disruption of river flows, degradation of land and forest resources, impacts on livelihood of local communities near mines and disturbance of traditional lifestyles of indigenous people'. This study found that the same environmental issues have occurred in the mining industry area in the West Sumbawa district, Sumbawa Island. There are two main negative environmental impacts in this mining industry area: deforestation and water pollution problems.

The first environmental issue relates to water pollution caused by the tailing waste from the mining operation. As mentioned in the section outlining the profile of the mining company, the mining company has claimed that the tailing waste from the mining operation is not harmful to the environment (Mining Company 2005a; Sinoel 2005). The mining company argues that it does not use cyanide to produce concentrate as the outcome of the mining operation. The mining company also argues that they have dumped this tailing waste in the deep sea in the Senunu Gulf and after a long time the tailing waste will become sand sediment. From the observation and an interview with the mining company employees, the researcher found that the

mining company has been trying to convince the local community that tailings are not harmful to the environment. When the researcher conducted her fieldwork, the mining company was conducting a research study in conjunction with a University to investigate the local community's perceptions toward the tailing waste issue. A mining company employee also explains that the company had worked with the CSIRO⁸ to gather evidence related to the tailing waste. However, there have been various incidents related to this tailing waste which have been assumed to have had a negative impact on the environment.

It is evident that several accidents have occurred related to the mining company's tailing waste in West Sumbawa district (Setiawan & Ginting 2008). The tailing pipes containing the tailing waste have leaked several times (Khafid 2001; Setiawan & Ginting 2008). The first incident was in January 2000: on both the 4th January 2000 and in mid-January there were leaks that caused explosions on the tailing pipe. The second accident with a tailing pipe explosion occurred in 2001, on 25th and 27th August; these accidents occurred in the middle of the night. The third incident occurred on 11th September 2005 (Khafid 2006). The local communities protested to both the mining company and to the local council in relation to these accidents involving tailing waste. However, there was no real action or response in relation to overcoming this tailing waste issue from either party.

The local community has been concerned that these tailing waste accidents could have a negative impact on the environment. They assume that this negative environmental impact is dangerous and could affect their lives. The local fishermen in several areas such as in Talonang, Emang, Snutuk, Rantung, Benete, Labuan lalor, Labuan balad and Sagena also claim that the number of fish has been reduced due to tailing pollution. They claim that the tailing waste has caused sea pollution and killed *nener*⁹ and mata tujuh which are the particular species of fish in this region. From the interviews conducted by an environmental NGO, some of the local fishermen describe the water

⁸ CSIRO, the Commonwealth Scientific and Industrial Research Organisation, is Australia's national science agency and one of the largest and most diverse research agencies in the world.

⁹ Nener is a kind of fish which demonstrably can adapt well in the highly polluted water. If this species has finished, it indicates that there are no other kinds of fishes in the sea (Setiawan & Ginting 2008).

pollution issue as follows (Setiawan & Ginting 2008, pp. 165 - 6):

Previously, when we sailed to catch the fishes we could get 15 buckets or the same as 360 kg, but now only one bucket ... or previously they could get 10 ton of fishes in one month, but now only 4 ton or nothing (a local fisherman).

Before the sea pollution, we did not need to buy squid and fishes to eat because there were so many (a local fisherman).

The local fishermen claim that their catch has diminished since the mining operation. They also claim that there are various kinds of fish which are now almost extinct due to the sea pollution including tongkol, kerapu tipis, dapak, lemuru, cotek, trijo, layur, and cumi (squid). It is now difficult for the local fishermen to catch these kinds of fishes. As an illustration, previously they could get 40–60 kg of fish; this has now diminished to 6–8 kg of fish. In addition, at particular times of the year there are turtles that go to the beach to lay eggs and bury them in the sand. Since the mining company dumped their tailing waste in the sea, the number of turtles has diminished. The fishermen in Lombok Island, which is 3-4 hours from Sumbawa Island, have faced the same issues. To overcome this problem, the local fishermen have to sail to locations further away, about 4–10 hours from the beach (Setiawan & Ginting 2008). However, this means that they have to spend extra money to buy fuel and this then reduces their income. The fishermen point out that the tailing waste of the mining company has caused the sea water to become dirty and polluted. As a result, the local fishermen could lose their livelihood.

The researcher interviewed a provincial government employee of West Nusa Tenggara Province who had conducted a research study in this area, focusing on the environmental impact of the mining operation. He claims that the tailing waste from this mining company will not cause pollution such as poisoning the sea directly. However, he argues that the tailing waste is dangerous for other reasons. He compares the tailing waste to coffee grounds. Coffee grounds will make the sea darker and gradually change the sea ecosystem. In addition, Sumbawa Island is in an earthquake area. In 1977, this island was hit by a huge tsunami that killed 198 people (pulausumbawanews 2011). According to

the researchers' experiences, there were often tremors when she was staying in the mining circumference area. It can be assumed that once a big tsunami occurs, a big wave potentially will bring this tailing waste to the land (Setiawan & Ginting 2008).

Further environmental issues are deforestation, water pollution and water drought. The mining operation has used the mountain and forest that are located in Tongo Sejong Village. Previously, the local community members who lived in the mining circumference area could gather honey, hunt for animals, and collect timbers and candlenuts from this forest. The local community also claims that this forest contains their ancestors' graves. However, they have lost their access to this forest since the mining exploration began and used this as the location of the mining operation. In addition, the rivers in Tongo Sejong Village are low. Harun, a community leader, describes how the mining operation has used the forest and polluted the river in Tongo Sejong Village as follows:

The local community in Tongo Sejong has suffered from the mining waste... now Tongo Sejong people cannot have a bath in their own river as the water is too dirty and low ... even now we cannot see the crocodiles in Tongo Sejong's river any more. (Harun: a community leader in the mining circumference area)

Before the mining operation, we used to get gaharu wood in that mountain (in Tongo Sejong Village) which has now become the mining area. (Harun: a community leader in the mining circumference area)

An environmental NGO has drawn attention to the environmental issues suffered by the local community in Tongo Sejong Village in the following extract from an interview (Setiawan & Ginting 2008, pp. 158-9):

Previously, before the mining operation, in the fasting month usually we're waiting for the fasting break by catching the fish from the river ... the river was very clean; we could see the rocks in the ground and various kinds of fish. (a local community member)

Before the mining operation, the local community usually used the river to take a bath, wash clothes, to fish, bathe their animals, irrigate their rice fields, and to consume the water for drinking. (a local community member)

Harun describes some of the environmental degradation including deforestation and the reduction in river flow caused by the mining operation. Harun and his extended family lived in the mining circumference area before the mining operation began. Hence, he is well informed in terms of local knowledge, local customs and the changes in environmental conditions caused by the mining operation. Before the mining operation, the local people used to gather *gaharu* in the forest. Now, they cannot access any resources from the forest due to the fact that the mining company has taken over this forest for its mining operation.

Another research study related to the negative environmental impacts from the mining operation on Sumbawa Island has been conducted by *Wahana Lingkungan Hidup* (WALHI) (Setiawan & Ginting 2008). From interviews with the local community members, this environmental NGO revealed that the local community, particularly in Tongo Sejong Village, could not use or consume the water from their river. This river has become polluted by the mining operation. The mining company has built a dam near the river to process their waste. Since then, the local community members have tried to reduce their use or consumption of the water from the river as the water was causing itchiness. In addition, in the dry season, this river is now low and has been reduced to water ponds or puddles. As a consequence, the mining company has to provide clean water facilities or potable water to the local community in this village. There have been several protest actions from the local community in this village in relation to these facilities. They asked the mining company to repair the water facilities. In another protest, they asked the mining company to distribute the clean water to the local community houses. In addition, the mining company also built the same clean water facilities in other villages, including in Aik Kangkung, Tatar and Benete (Mining Company 2009c)

4.5.6 The conflict between the local community members

Two kinds of horizontal conflict have occurred in the mining industry area in West Sumbawa district. These conflicts have occurred between the local community members and between the local community and people who came from other regions outside West Sumbawa. One of the issues triggering the social conflict between the local community members is the distribution of the mining company's community development programs. From various interviews with local community members, it is evident that they assume that some of the local community members have obtained more community development programs, while other members have received fewer programs. For instance, a local community member complained about the distribution of community development programs as follows:

One day in the meeting with the mining company, I tried to ask the company, why didn't the company give that grant to us? I assume that this grant is distributed by community development foundation only for their family members. (Anik: a KSM member)

The interviewee complains about unfair distribution of the mining company's community development programs. She assumes that the mining company has distributed more development programs to particular members of the local community, while other members received less. This has given rise to jealousy among the local community members which could trigger conflicts between them.

Another area of social conflict is between the local community and the people from other regions of Indonesia. Local community members perceived that the people from other regions of Indonesia have received more access to being involved in the mining operation, particularly as mining company employees. Having the opportunity to live with the local community, the researcher gathered information related to this issue from conversations with local community members. The researcher found that this problem has occurred since the construction stage. As mentioned in the CoW, the mining company on Sumbawa Island has been required to prioritize the local community in the recruitment of company employees. However, the mining company has only

relied on formal evidence, for instance the *Kartu Tanda Penduduk/KTP* (citizen identity card), for the local community identification process. At the construction stage, there were many people from other regions of Indonesia who tried to buy a local community identity card to get a job in the mining company. In an interview for this research, a mining company employee claims that these illegal practices were supported by local government staff who received bribes from the people from other regions of Indonesia.

4.5.7 Conflict between the mining company and the local community

Conflict between the mining company and the local community primarily has been triggered by the employment and recruitment process problems. This situation was alluded to by an interviewee from the local community.

The researcher: why has Deni failed to be recruited as the mining company employee?

A local community member: because his wife is from Alas (a subdistrict outside the mining circumference area). It is common that people will claim that they are from the mining circumference area in the employment recruitment process of the mining company. They have an expectation that they could be recruited as the company employees. (Umi: a community organizer for the KSM program)

The interviewee indicates that the problem in the employment recruitment process has been associated with the way in which the mining company has defined the term 'local' in the local community. In an interview with a mining company employee, he explained that the mining company use the term 'local' for the local community who live outside the mining circumference area, including from Lombok Island, the Sumbawa district and other subdistricts in the West Sumbawa district. Meanwhile, the mining company utilizes the term local-local for the local community members who live in the mining circumference area. The local community in the mining circumference area assume that the mining company prioritize the local community members from outside this area in the employment recruitment process. Consequently, many 'local-local' community members have failed to be recruited as the mining

company employees. Moreover, another problem in defining the local community emerged due to the existence of people from other regions of Indonesia who became workers in the mining construction projects, then assimilated and live with the local community in the mining circumference area. Since then, the local community members in the mining circumference area have kept demonstrating to protest to the mining company in order to prioritize them in the employment recruitment process (Daniel 2011b; Kusmayadi 2011a, 2011c).

In addition to the problem of employment, there is another problem that is potentially causing conflict between the mining company and the local community. This problem relates to the planning of the mining company to expand its operation area. As mentioned in the previous chapter, the mining company on Sumbawa Island has four exploration licences for mineral deposits with potential to be mined as copper and gold mining industries on Sumbawa Island: (1) Elang (2) Lunyuk Utara (3) Rinti (4) Teluk Panas. Conflict has emerged since the mining company needs to conduct exploration in Elang (the local community call it Elang-Dodo) to investigate it as a potential mining area. The mining company has predicted that the mineral deposits in this area are 1.5 times bigger than in the previous mining area in the West Sumbawa district. The provincial government has supported this exploration process which it perceives as generating a significant benefit for all regions in the West Nusa Tenggara Province, particularly for the local community. On the other hand, some of the local community who live around the Elang-Dodo area have refused to allow the exploration activities. Various factors that have triggered the resistance of the local community toward this new exploration will be described in detail in this section. The description of the Elang-Dodo case has been reviewed in the newspaper and in a research study conducted by an NGO¹⁰ (Amrullah 2008).

The local people who live in Elang-Dodo have a unique culture (Amrullah 2008). Some of them use a language or accent which is different from the

¹⁰ This NGO, namely Institut Titian Perdamaian (Peace Building Institute), focuses on several issues including peace, law, justice and the development of non-violence culture. This NGO has conducted a research study related to the conflict which occurred in Elang - Dodo

others. Although they speak in different languages or accents, the local people in Elang-Dodo do not employ any social level, status or prestige to differentiate between each other. The local people still employ their local cultures, kinship and customs such as *besiru*, *batulung* and *nganyang* (animal hunting custom). Also included in their traditions is pilgrimage to their ancestors' graves.

Similar to other regions on Sumbawa Island, Elang-Dodo has been characterized as a remote or less developed area (Amrullah 2008). This area features forests and mountains which are rich in natural resources such as rotan¹¹ and gaharu¹² wood, honey, palm or *sugar trees*, candlenut trees and mineral deposits (gold and copper). Most of the local people live near these forests and depend on the agricultural sector for their livelihood. Some of them also go to the forests to gather candlenuts, honey, rotan and gaharu wood or produce palm sugar from palm trees. However, Elang-Dodo could also be considered as a less developed area due to the lack of infrastructure: for instance, roads, schools, clean water, and communication and health care facilities. Some of the villages in this area can only be reached by walking or by using particular forms of transport such as off-road vehicles. The local people in this area also have low levels of education. In addition, the problems related to this lack of infrastructure and the fulfilment of basic needs have triggered a potential conflict between these people. Some conflicts which have occurred are related to land issues such as fields for dry rice cultivation or *huma*, *land forest* and rice paddy fields or *sawah*.

Elang-Dodo is a potential area of conflict (Amrullah 2008). People who live in this area have competed for rice paddy cultivation land or *huma*, *land forest* and rice paddy fields or *sawah*. The potential for conflict has strengthened due to the exploration activities that have been undertaken by the mining company on Sumbawa Island to expand its mining operation area. The local people in Elang-Dodo have asked the mining company and the Sumbawa

¹¹ Rotan is kind of wood which is useful to make various kinds of furniture.

¹² Gaharu is basic material to make perfume, cosmetics and medicines.

government to communicate about the exploration activities with them (Amrullah 2008).

The local people in Elang-Dodo insisted on having communication or discussion with the mining company and the local government in relation the mining industry. However, both parties - the mining company and the local government – failed to respond to this demand until 19th of March 2006, when a conflict occurred in which hundreds of local people in Elang-Dodo rioted by burning the mining company employees' camps and the mining company's exploration activities (Amrullah 2008). There were no lives lost in this riot. However, on the 26th March 2006 the police arrested some local people. The police also tried to arrest other people who had been accused of riot provocation. The police persuaded the local people that they would let the arrested people go if the most wanted persons surrendered to the police. The local people agreed to this negotiation and took the most wanted persons to the police. However, the police opened fire on this crowd of local people, and seven local people were injured in this incident (Amrullah 2008)

A research study conducted by a NGO found that the conflict between the mining company and the local people in Elang-Dodo has divided the local people into two groups (Amrullah 2008). The first group is comprised of the local people who agree or welcome the exploration activities of the mining companies, but with some conditions including infrastructure building, community development budget, land compensation and recruitment of local people as mining company employees. This group of local people in Elang-Dodo would therefore allow the exploration if the mining company would be able to provide or build infrastructure for the local community. These local people have also requested a fund from the mining company of about Rp.10 milyar (US\$1 million). A proposal has been drafted and submitted to the mining company in relation to this fund. This group of local people in Elang-Dodo argue that they will utilise this money for community development programs. However, the mining company has not given a positive response to this local community proposal. The mining company argues that they would fulfil the stipulations of the proposal if they were already at the exploitation or

production stage. Furthermore, the mining company argues that the proposal of the local community should instead be submitted to a foundation which has been constituted by the mining company and the *camat* or local government in Ropang where the potential mining area in Elang–Dodo is located. The motivation behind the constitution of this foundation has not yet been made apparent. This foundation could become the source of conflicts between local community members due to a problem concerning representation, as the local people want to be involved as foundation members. Other conditions which have been requested by the local people are that the mining company should prioritize local people in the employee recruitment process and give them compensation for the lands which have been used for the mining operation.

The second group is made up of local people who refuse to allow the mining company's exploration activities. Various factors have triggered this resistance but they are primarily related to concerns about environmental degradation. The local community in the potential mining area in Elang–Dodo have learnt about the negative impacts caused by the mining company's operation in their neighbouring area, in the West Sumbawa district. As mentioned above in the section on environmental impacts, the local community members in the mining circumference area, particularly those who live in Tongo Sejorong Village, have lost access to their forest due to the mining operation: for instance, they can no longer hunt animals, or gather honey or timber from the forest. These local community members are also unable to drink water from their rivers because the mining company has polluted the water, as well as causing these rivers to run low. Based on these negative environmental impacts, this group of local people in Elang-Dodo do not want the same negative impacts to occur in their area. It can be argued that the possibility of environmental degradation due to the mining industry operation has triggered this second group to refuse exploration activities for the new mining operation. This group also argues that the existence of the mining industry in their area would disturb local cultures which have been in place for hundreds of years.

After the Elang – Dodo incident thousands of local people from the area conducted a peace demonstration for the local government in the Sumbawa district (Administrator 2006). These people wanted the mining company to continue its exploration activities in Elang–Dodo. They relied on the existence of the mining industry for employment and expected to be recruited by the mining industry. In the demonstration, these local people in Elang–Dodo also promised that there would not be another riot in this area, and aimed thereby to guarantee the safety of the investors in their area.

The researcher gathered further information related to the conflict in Elang-Dodo in informal conversations with mining company employees and local community members. From these conversations, she discovered that a considerable problem related to mining exploration activities and concerns about the uncertainty over whether the mining company would build a new office in the Elang–Dodo district. The mining company has been trying to manage its new mining operation area from its former office in Batu Hijau. For efficiency reasons, the mining company will expand its mining operation area without relocating the office. The local community in the Elang–Dodo district assume that this situation will hamper the surrounding community in achieving any direct benefit from the mining operation. The existence of the mining operation, including its managerial office, would ensure robust local economic development in the surrounding community. The expansion only of the mining operation area, on the other hand, would be seen as a negative impact without giving the local community the chance to achieve direct benefit from the existence of the mining company and the activities of its sub-contractor companies in their area. This mining company policy will impede the local community in Elang–Dodo from being involved in the mining operation activities including the chance to be recruited as mining company employees. This finding provides an explanation as to why the local people in Elang–Dodo conducted a ‘peace’ demonstration encouraging the mining company to continue its exploration activities.

The mining company finally resumed its exploration activities in the Elang – Dodo area in September 2011 (Administrator 2011). In contrast to the first

failed exploration activities, the mining company and the local government began this time by conducting a communication process with the local community in Elang – Dodo. In addition, the mining company has undertaken community development programs in this new mining industry area; these are discussed in the following interview extracts (Administrator 2011):

Before we start exploration activities in Dodo, we ask for permission and we would have communication with the local community. (a mining company employee)

We cannot refuse the existence of this mining company because it has already been mentioned in the Contract of Work (CoW) between the mining company and the Indonesian government. We have to ensure that the exploration activities would be conducted effectively with the support of the local community and the local government. (a local government employee)

The above interview excerpts illustrate the processes involved in the mining company's exploration activities and expectations associated with these processes. In contrast to the initial exploration, in the current exploration process, the mining company has first asked for permission from the local community and conducted a communication process related to these activities for the local community in Elang–Dodo. In the previous exploration, this communication process had been ignored by the mining company, resulting in the riots and a cessation of the exploration activities. In the following exploration activities, the mining company seems to have received the support from the local community in Elang – Dodo due to their demand for employment and the community development programs from the mining company (Administrator 2006; Ismu 2012a, 2012b). In the peace demonstration, the local community guaranteed that there will not be other incidents as occurred before.

The communication process between the local community and the mining company has been followed by the implementation of the mining company's community development programs in Elang–Dodo (Administrator 2012). The mining company has spent Rp.18 miliar or about US\$1,8 million to conduct

the development programs in this area, both for infrastructure and capacity building programs. As was the case with the first mining industry area in West Sumbawa, the mining company has contributed to building various infrastructure projects which were lacking in the Elang – Dodo area. These infrastructure projects included repairing roads, providing clean water facilities, building mosques and renovating medical centres.

4.6 Summary

This chapter discusses the context of the community development programs located in a mining industry area on Sumbawa Island. These community development programs have been conducted by a copper and gold mining company which has been operating since 1999/2000. This mining company has operated during two different social and political periods. The exploration and construction stages of the mining company were conducted in the new order era, which employed a centralised governing system, which impacted the mining regulations. At that time, the mining company on Sumbawa Island as a foreign mining investor had to sign *Kontrak Karya* or the Contract of Work (CoW) with the central government of Indonesia in 1986 to exploit five mineral deposits on Sumbawa Island. One of these has been exploited, becoming the first mining industry on Sumbawa Island. Meanwhile, the mining company started its production stage in 1999/2000 when Indonesia entered the democratic reform period, known as *reformasi*. The democratic circumstance and demands for transparency have been growing among Indonesian peoples, including those who live on Sumbawa Island. This can be illustrated from many protest actions conducted by the local community against the mining company, for instance in relation to the employment recruitment issue and the demand of the local community to have open communication with the mining company. In addition, the mining regulations in this period require mining industries in Indonesia to conduct community development programs and involve the local government and the local community in their implementation.

The existence of the mining company in West Sumbawa district has brought significant changes to Jereweh subdistrict where this company is located.

Before the mining operation, Jereweh was a small subdistrict, with a small population and located in a remote area surrounded by mountains, hills and the ocean. Thousands of people then came to this subdistrict when the mining construction project began. Moreover, at this stage, the mining company built roads, medical centres and other infrastructure for mining operation including a port, town site for the employees' settlement, open mine area, concentrator and tailing waste facility. These infrastructure projects provide access and facilities for the local community as well as supporting the mining operation. The existence of people from other regions of Indonesia and many development projects conducted by the mining company has transformed a small subdistrict of Jereweh to become a busy town on Sumbawa Island. Jereweh subdistrict then was expanded to become two subdistricts, Maluk and Sekongkang subdistricts. The mining company called these three subdistricts the mining circumference area due to the fact that they are the closest areas to and have suffered the most from the impacts of the mining operation. These subdistricts also receive the mining company's community development programs most intensively compared with other subdistricts outside the mining circumference area.

The economic development that has occurred in the mining circumference area has changed the way of life of the local community. After the mining operation, the income of the local community has increased significantly. This has transformed the consumption orientation and the life style of the local community from subsistence to become more consumptive. The local community has utilized their increasing income to fulfil non-food expenditure including: education; business investment; and consuming prestige assets, such as mobile phone, television, and motorcycle. However, this local economic development has been accompanied by inflation, something that was not anticipated by the mining company in its environment assessment report (AMDAL). Consequently, the prices and wages of casual workers in the mining circumference area became double compared with other subdistricts. It seems that it is only the local community members who have been recruited as the mining company employees who can adjust well to the inflation issue. This has built a new social stratification in the local community members

between those who have been recruited as the mining company employees and those who have not. This becomes a source of social jealousy that has weakened social cohesion and damaged the social cements of the local community.

The influence of mining, which has now been operating over a decade, permeates the local community's everyday life. This study suggests that this influence has several impacts, including the change in the customs and social norms of the local community. The mining company has introduced a cash economy that now tends to become a new social norm and custom in the local community. For instance, the local community members now prefer to hire casual workers who have replaced the role of communal systems, called *basiru* and *basanata/nyanthek* customs, practised by the local community to cultivate the land and build a house. The local community also replaces their social participation with amounts of money. The weakening of social norms has an effect on the changes in moral and ethical aspects of the local community, particularly those who have been recruited as the mining company employees. They tend to follow new life styles introduced by the people from other regions which sometimes contradict the local social norms, for instance drinking of alcohol, practise of sexual promiscuity and involvement in prostitution. Furthermore, the existence of these people becomes a source of hidden conflicts between the local community members in relation to the employment recruitment process. The local community has assumed that the mining company keeps continuing to prioritize people from other regions outside the mining circumference area to be recruited as the mining company employees. Consequently, most of the local community protest actions against the mining company have been triggered by this employment recruitment issue.

Besides economic, social and cultural impacts, the existence of the mining company on Sumbawa Island also has environmental impacts. Included in these impacts are deforestation, water pollution, the leaking of the tailing waste occurring at any time and the large hole of the open pit which will be left by the mining company after the mining operation has finished.

It can be argued that the mining company on Sumbawa Island has played an important role in conducting the development process in the mining circumference area. The mining company also has a commitment to undertake community development programs to deliver benefits to the local community and counteract the impacts of the mining operation. The questions are to what extent the mining company's community development programs could achieve these objectives, and how the mining company ensures the sustainability of these programs after the mine closure. The following chapter will examine the implementation of community development programs by the mining company in the West Sumbawa District of Sumbawa Island.

Chapter 5

Community Development and the Mining Company in West Sumbawa District

5.1 Introduction

Chapter 4 illustrated the context of the community development programs located in a mining industry area in West Sumbawa district. It showed the profile of the mining company which conducted these programs. It then demonstrated the economic contributions of the mining company which brought significant changes in Jereweh subdistrict where this mining company is located. Included in these contributions are the building of infrastructure projects such as roads, medical centres, communication and clean water facilities. This economic development improves the quality of life of the local community by increasing income, employment, and expenditure on non-food needs, particularly education and business investment. Chapter 4 also identifies and analyses a number of problems associated with several negative impacts - economic, social, cultural and environmental – which have resulted from the mining operation.

Chapter 5 focuses on the implementation of community development programs which have been conducted by the mining company in West Sumbawa as part of its Corporate Social Responsibility (CSR), as required by the Indonesian government (Undang-Undang 2007a, 2009). It has been expected that the implementation of community development programs could deliver direct benefits and overcome the negative impacts of the mining operation. This chapter examines the implementation of the mining company's community development programs on Sumbawa Island. It discusses how the mining company perceives its community development programs and the approaches employed in the implementation. The mining company attempted to involve the local community in the mining company's community development programs. However, the mining company also used these development programs for pragmatic reasons to secure the mining operation by calming protest actions of the local community against the mining

company. Further, the mining company used the community development programs to deliver compensation for local communities which suffered from the negative impacts of the mining operation. This has led to a culture of dependency on the mining company and this situation has resulted in an unintended consequence of problems in the implementation of the community development programs.

5.2 Community development: the mining company's expectations, policies, concepts, and objectives

Contemporary understandings of community development entail that the mining company in West Sumbawa should observe such principles of community development as: promoting human development, participation, empowerment, ownership, self-determination; and releasing people from the deprivation and poverty traps in the implementation of the community development programs (Kenny 2006; Swanepoel, Hennie & De Beer 2006). This section examines how the mining company perceives the implementation of its community development programs. The mining company in West Sumbawa has an obligation to undertake community development programs as mentioned in its Contract of Work (CoW) with the Indonesian government and required under current regulations, particularly UU No. 40/2007 about Proprietary Limited Companies (Undang-Undang 2007a) and new mining regulation UU No. 4/2009 (Undang-Undang 2009). The compliance of the mining company with the community development regulations can be demonstrated from its policy in relation to the implementation of these development programs. This policy has been referred to the mining company's vision and mission document as follows:

The objective of the Mining Company's CSR is to be the most valued and respected mining company through industry leading performance which can be achieved by demonstrating leadership in safety, stewardship of the environment and social responsibility

The mining company in West Sumbawa has established a policy relating to their corporate responsibility, both social and environmental (Mining Company

2009a, 2009e). According to these documents, the mining company has emphasized several commitments in undertaking its social responsibility. Included in these commitments are: to comply with the laws and regulations which relate to the mining company's obligations; to minimize the risk and danger to the local community; to identify the social impacts; to involve stakeholders relating to the problems, values and their aspirations in terms of the mining development; to admit the correlation between economic, social and cultural aspects; to conduct an auditing process regularly and follow up on the feedback or recommendations; to deliver economic contributions to the local community through local business development, employment, training and community development; to integrate the social aspects into the mining company business activities including exploration, project development, acquisition, divestiture, and mine closure in order to avoid or minimize the negative social impact and increase the social advantage; to acknowledge the rights of custom, culture and other rights related to mining operations and to ensure that the mining company employees at all levels have been trained to realize and appreciate these rights (Mining Company 2009b) .

Another aspect of the mining company's community development programs can be illustrated from the implementation of local business development programs. The Contract of Work article 27 mentions that the mining company is required to undertake local business development for the Indonesian people and also for the community members who live in the vicinity of the mining industry area (Indonesian Government and the Mining Company 1986). This requirement is focused on the local economic development programs of the local community. The mining company contributes to this program by involving local businesses as its sub-contractors to provide products or services which would be needed for the mining operations. Included in these local businesses are 'trade stores', canteens, restaurants, laundromats, cafés, plumbing services, building developers and other kinds of small businesses. The mining company has been required to support these local businesses and provide them with opportunities to become the company's suppliers. This article also states that in order to conduct the local business development programs, the mining company should consult with the

government and submit three-monthly reports related to: the training and employment aspects of the local business development; the implementation of the local business development program and the purchasing of local products and services.

To accommodate the CoW requirement in conducting the local business development, the mining company has established an institution, called the Local Business Initiative (LBI). This institution has an important role to educate the local community how to establish local businesses in order to become the mining company's suppliers, for instance in administration, management and finance skills, and how to obtain loans or capital from banks. The mining company has succeeded in encouraging the local community to establish local businesses, as explained by an interviewee.

There is an increasing number of the local community members who establish local businesses. Previously, we were only involved in three local community businesses. Now, there are three hundred local community businesses in the mining circumference area, and one hundred of them have become our suppliers or contractors (Zainal: a Community Development division staff member)

The interviewee indicates that the Local Business Initiative of the mining company has succeeded at involving the local community members to become the suppliers or the contractors of the mining company through their local businesses. However, he explains that LBI encountered several problems, particularly in relation to the provision of capital needed as a supplier business for the mining company. Only a few of the local community members have enough capital to have contracts actively with the mining company. Moreover, the aims of LBI have to an extent been offset by the emergence of some local people as brokers for other local community members who want to obtain contracts from the mining company, either as the suppliers or contractors.

The implementation of the mining company's community development programs have been perceived in various ways by the mining company employees. Some of those interviewed explained that the mining company

has conducted community development with the dual objectives of obtaining the wealth and empowering the local community, as well as overcoming the negative impacts of the mining operation. On the other hand, other interviewees argued that the mining company has undertaken the community development programs just for pragmatic reasons to ensure the security of the mining operation from protest actions by the local community.

Some of the interviewees argued that the mining company has sought to prioritize a main objective of community development to promote human development in its community development programs. The following quotes refer to different parameters, the Millennium Development Goal (MDGs)¹³ and Human Development Index (HDI)¹⁴:

If we want to improve the wealth of the local community, we have to increase their income to US\$2 per day per person, as mentioned in MDGs. This is not only related to the money, but also in terms of calories they have consumed such as meat or other kinds of food. (Hasan: a Community Development division staff member)

That is our idea to use MDGs as a benchmark of our community development programs. There is no benchmark from the government. (Hendro: a Community Development division staff member)

The mining company focuses on three programs: agriculture, health and education programs because these aspects are used by Human Development Index (HDI) to measure the wealth of the local community. (Cahyo: a Community Development division staff member)

¹³ The United Nations Millennium Development Goals are eight goals that all 191 UN member states have agreed to try to achieve by the year 2015. The United Nations Millennium Declaration, signed in September 2000 commits world leaders to combat poverty, hunger, disease, illiteracy, environmental degradation, and discrimination against women. The MDGs are derived from this Declaration, and all have specific targets and indicators (World Health Organization (WHO)).

¹⁴ The measurement of human development popularized by UNDP global Human Development Reports which include three basic dimensions of human development—a long and healthy life, knowledge and a decent standard of living (UNDP)

The interviewees explain that the mining company has prioritized the wealth of the local community as a main objective of its community development programs. To achieve this objective, the mining company focuses on three development programs including health, education and the increasing of income of the local community to about US\$2 a day. Another interviewee explains that these indicators have been established by the mining company due to the fact that there is no benchmark from the government to measure the success of the community development programs. In relation to the agriculture program, an interviewee argued that the mining company has chosen this sector in order to reduce the dependency of the local community on the mining company. After the mine closure, the mining company has an expectation that the local community could go back to cultivating their land. Therefore, the mining company has built infrastructure programs, such as water dams and irrigation systems for the local farmers to support this program.

These interviewees explained that the mining company has employed a main principle of the community development program to empower the local community. They utilized other terms to illustrate the empowerment principles, including independence, self-reliance, and self-sufficiency of the local community. To express this principle, the mining company has established two main kinds of development programs: infrastructure and capacity building programs. In relation to the infrastructure program, the mining company has built various programs on Sumbawa Island near where the mining company is located which was lacking in infrastructure. Included in these infrastructure programs were roads, clean water, medical centres and other services which were needed by the local community on this Island. In addition, the mining company also built infrastructure programs to support the capacity building programs, for instance *Pos Pelayanan Terpadu* (POSYANDU) buildings to support the health program. As well as the infrastructure programs, the mining company has delivered such capacity building programs as: health, education, agriculture and local business development. These different kinds of development programs will be described in detail in another section of this chapter. Interviewees' opinions concerning two kinds of development

programs, infrastructure and capacity building programs, are expressed in the following quotations:

However, if it is only infrastructure building, this will be not sustainable, so it needs capacity building... if the infrastructure and the capacity building programs have already been implemented, hopefully when the mining operation finishes, all these programs will be conducted continually by the local community. (Hasan: a Community Development division staff member)

One of the community development's missions is to make sure that the local community become independent in the future. This means they will be able to fulfil their own needs or be self-sufficient and self-reliant, as well as being able to conduct their own development. (Hasan: a Community Development division staff member)

Community development is the part of CSR that has long-term programs, not only for fulfilling an obligation; the long-term programs are employed for preparing an independent local community after the mining operation has ended ... therefore, we only undertake development programs that are appropriate to the local community needs because this district will not have another big mining company anymore after this mining company has finished. (Haris: an External Relations department staff member)

Community development has been utilized to develop the potential of the local communities, by implementing infrastructure and capacity building programs, so they become 'independent'. (Sofyan: a Community Relations division staff member)

Empowerment is a long-term program about how we develop, educate and make them (local community) independent. (Cahyo: a Community Development division staff member)

According to the above interviewees, the mining company is concerned with the independence of the local community after the mine closure. One of the

interviewees, Cahyo, also relates the independence of the local community to the concept of empowerment. The mining company realizes that the local community will be independent if they are able to continue the community development programs after the mining operation has ceased. Hasan argues that the local community must be able to fulfil their own needs or be self-sufficient and self-reliant, as well as being able to conduct their own development. To obtain the independence of the local community, the mining company has established a capacity building program as part of its community development program.

Besides achieving wealth for the local community, the mining company sought to undertake the community development programs to overcome the negative impacts of the mining operation. This objective is explained by an interviewee:

The implementation of community development programs of this mining company has been expected to mitigate the mining operation impact on the local community. For instance, the forest has changed and become a mining area (pit) and town site, the river has changed and become a different place. Therefore, the mining company has been responsible for providing infrastructure building, for example the mining company should repair the districts road that was damaged due to mining activities. (Hasan: a Community Development division staff member)

According to this interviewee, the mining company should be responsible for the negative environmental impacts caused by the mining operations such as deforestation and water pollution. The mining company has built many infrastructure projects, including roads as compensation to the local community members who suffer from these impacts. However, the interviewee did not provide an explanation of how the mining company would overcome the environment degradation caused by the mining operation, particularly the emergence of the large open pit and the loss of the forest of the local community. In a long interview with the researcher, he explained that in the mine closure period the mining company has a plan to use the open pit as a tourist destination place. They could see the open pit used by the mining company to exploit the mineral resources. Meanwhile, in terms of the forest

degradation, from the researcher's observation, the mining company has rehabilitated by planting the new trees in the affected lands or forest.

Other mining company employees have a different opinion related to the implementation of the community development programs. They argue that the mining company has conducted community development programs for pragmatic reasons: one of those is to obtain the support from the local community. The local community's support is needed for the continuity of the mining operation. It would therefore be risky if the mining company did not undertake community development programs. The local community might protest against the mining company and threaten the mining operation. These opinions are reflected in these interviews:

We want to be a good neighbour and have development together. So after we leave this area, they (community) could be independent. We don't want to live alone. We want to move forward with the community by implementing development programs ... We learnt how to build good relations by demonstrating that our existence will be beneficial for the community. We not only have a license to operate, but also support from the local community...We mine and the local community supports our activities. (Sony: a Government Relations division staff member)

In my opinion, Corporate Social Responsibility (CSR) is a grey area ... grey means anything can be. The mining company has social responsibility by implementing its community development programs. Whatever the conditions, this development program becomes a commitment of the mining company, and should be implemented. The budget and the programs have already been constituted. I think it would be risky if the mining company does not undertake this commitment...how about if the local community will protest by blocking the road, so we cannot go to the open pit to mine ... that's why I name it a grey area. (Zainal: a Community Development division staff member)

The interviewee gives an example by referring to Freeport, the largest mining

company in West Papua Province, Indonesia. In this province, there have been serious incidents in which mining company employees have been killed or shot. He claims that these kinds of incidents never happened in West Sumbawa district. Furthermore, he maintains that the mining company on Sumbawa Island is more conducive to working with the local community compared with Freeport of West Papua Province. He emphasizes that there would be a big risk if the mining company in West Sumbawa district did not undertake its commitment to implement community development. From the long discussion with this interviewee, the researcher found that 'the grey area' mentioned by this interviewee means that community development might be conducted to fulfil different or various kinds of the mining company's objectives. The mining company conducts the community development programs to achieve two objectives. The first is as part of its social responsibility to the local community. This social objective will bring about the support or social licence to operate from the local community, and will offer protection to the mining operation protection so that they are able to achieve their second objective. This is the economic objective of ensuring the mining company derives substantial profit from its operation. It can be assumed that the local community's support is very important for the mining company as it ensures the safety of the mining operation. This condition has been required for the continuity of the mining operation, as well as ensuring that the mining company achieves its main objective of deriving substantial profits from the gold and copper exploitation on West Sumbawa district.

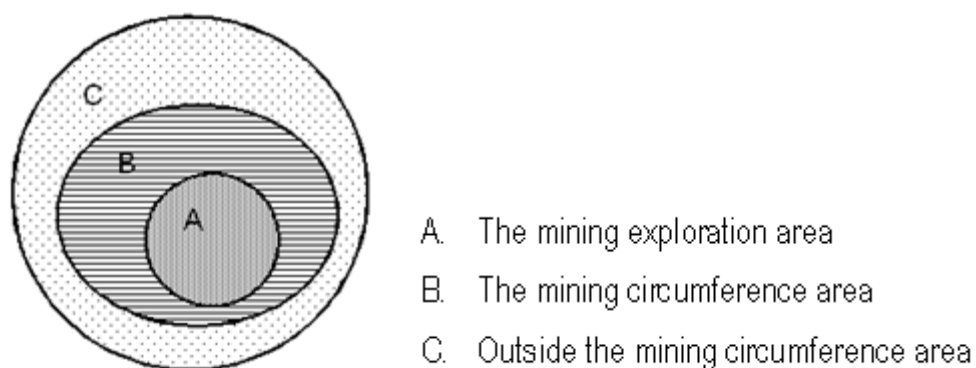
The mining company has delivered community development programs, most intensively to the local community members who live in the mining circumference area, as has been explained by the interviewees in the comments below:

Community development programs have been conducted only in the mining circumference area or in three subdistricts: Jerawah, Sekongkang and Maluk. Previously there was only one subdistrict, but because of the increasing numbers of population this subdistrict has been extended to become three subdistricts (Iwan: a Community Development division staff member)

The mining company's community development programs have embraced eight subdistricts, but intensively these development programs have been delivered in the three subdistricts nearest to the mining operation area: Jereweh, Sekongkang and Maluk (Arif: a Community Development division staff member)

The interviewees describe the local communities which have become the mining company targets in undertaking community development programs, based on their location or area where they lived, as illustrated in Figure 5-1 below:

Figure 5-1: The location where the mining company has conducted community development programs



Source: observation

Figure 5-1 illustrates the location where the mining company has delivered community development programs. The first part (letter A) is the area where the mining company has conducted the mining operation where the open pit, offices, town-site and Benete port are located. The second part (letter B) is the mining circumference area which is the area nearest to the mining operation, known as the mining circumference area. There are three sub-districts in this area: Sekongkang, Jereweh and Maluk. According to the mining company, these three subdistricts are the areas that suffer most from the negative impacts of the mining operation. Therefore, the mining company gives them priority by distributing community development programs intensively in these subdistricts. The third part (letter C) is the area outside the mining circumference area. There are five subdistricts in this area: Taliwang,

Brang Rea, Brang Ene, Seteluk, and Pototano. These subdistricts have been provided fewer development programs compared with the three subdistricts located in the mining circumference area.

To summarise, the mining company in West Sumbawa district has demonstrated its compliance with the fulfilment of its obligation in conducting the community development programs mentioned in the CoW and more recent regulations in relation to community development programs. This compliance can be illustrated from the mining company policy which mentions its commitment to undertake the community development programs. In addition, the mining company has established a Local Business Initiative institution to boost local economic development of the local community as mentioned in its CoW. An interviewee from the mining company argued that the implementation of Corporate Social Responsibility and community development programs would not be burdensome for the mining company because it has spent less than 1% of the mining company profit. Moreover, the mining company could employ the implementation of its community development programs to obtain support of the local community to ensure the security of the mining operation from the protest actions of the local community.

The mining company sought to achieve the wealth and empower the local community. Most of the interviewees associated the concept of community empowerment with reducing the dependency of the local community on the mining company; the local community is expected to be more self-reliant and self-sufficient after the mine closure. Because of the lack of community development guidelines from the government, the mining company has determined the community development programs based on their own ideas and perception. For instance, the mining company has decided to utilize the MDGs and HDI to measure the increasing wealth of the local community. In another example, the mining company has assumed that the local community members would be able to go back to the agriculture sector as their main occupation after the mine closure. This is despite the fact that there are various changes in the local community's life, as discussed in Chapter 4,

which would become challenging factors. The significant role of the mining company potentially would facilitate the mining company to exercise much more power than the local community in the implementation of the community development programs. This issue will be discussed in the following sections in relation to the kind of approaches employed by the mining company in conducting its community development programs.

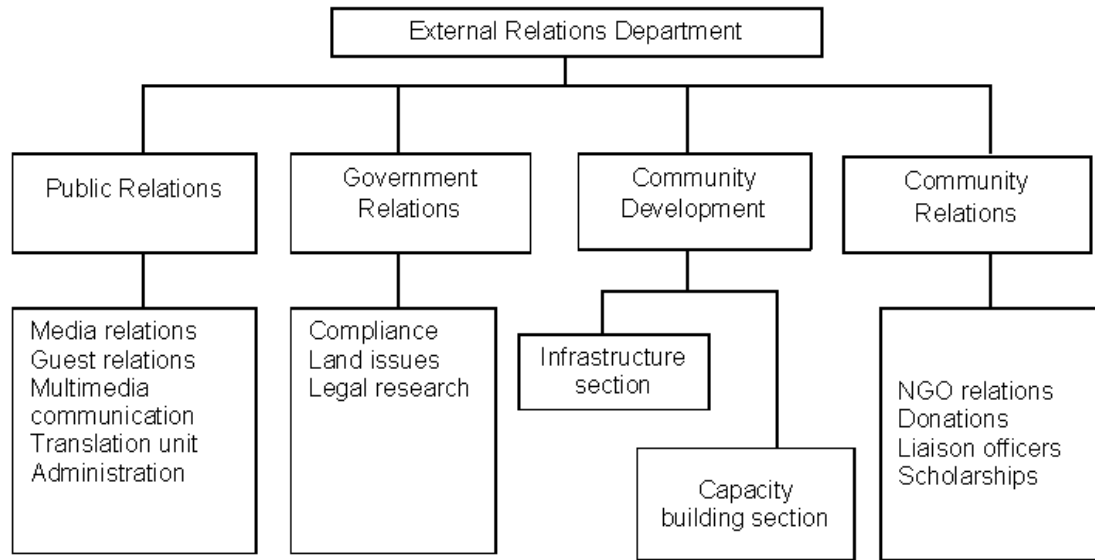
5.3 Company-led approach

As discussed in the literature review, there are three most common approaches employed by companies for community development: company-led, corporate foundation and partnership approaches (Yakovleva 2005). The mining company in West Sumbawa employs two approaches, company-led and corporate foundation approaches. In the company-led approach, the mining company has utilized its own initiatives and resources in governing community development programs. These are including: maintenance and delivery of social services to community members; charity giving; cooperation with government agencies and community consultation. Yakovleva (2005) outlines that the company-led approach is effective for a local community that lives in the immediate impact zones. To avoid a one-sided approach of the mining company in initiating community development programs which cast the local community only as the passive recipients, the mining company must have consultation and communication with the local community and cooperate with NGOs and local governments.

To employ the company-led approach, the mining company in West Sumbawa has established a division to deliver the mining company's community development programs directly to the local community. This division has been put under the External Relations Department of the mining company as illustrated in Figure 5-2 below.

Figure 5-2: The organizational structure of the mining company's External Relations

department



Source: Compiled from the mining company's intranet and the interviews

Figure 5-2 shows the divisions of the External Relations Department of the mining company. The mining company established the Community Development division in 2001 which has been responsible for delivering the mining company's community development programs. It divided into two sections: infrastructure and capacity building. Each section is responsible for conducting development programs, in the form of either infrastructure or capacity building programs. Apart from the community development division, other divisions include: public relations, government relations and community relations, each with particular roles.

The Community Development division has delivered the community development programs to the local community in the mining circumference area as illustrated in Figure 5-1. As discussed previously, this area is the immediate impact zone which suffers the most from the mining operation. The local community received the mining company's community development programs most intensively compared with other regions in the West Sumbawa district.

The mining company argues that they deliver the community development programs as needed by the local community. The mining company have

consulted with the local community regularly to determine the kinds of community development programs which would be conducted by the Community Development division. This process was explained by an interviewee:

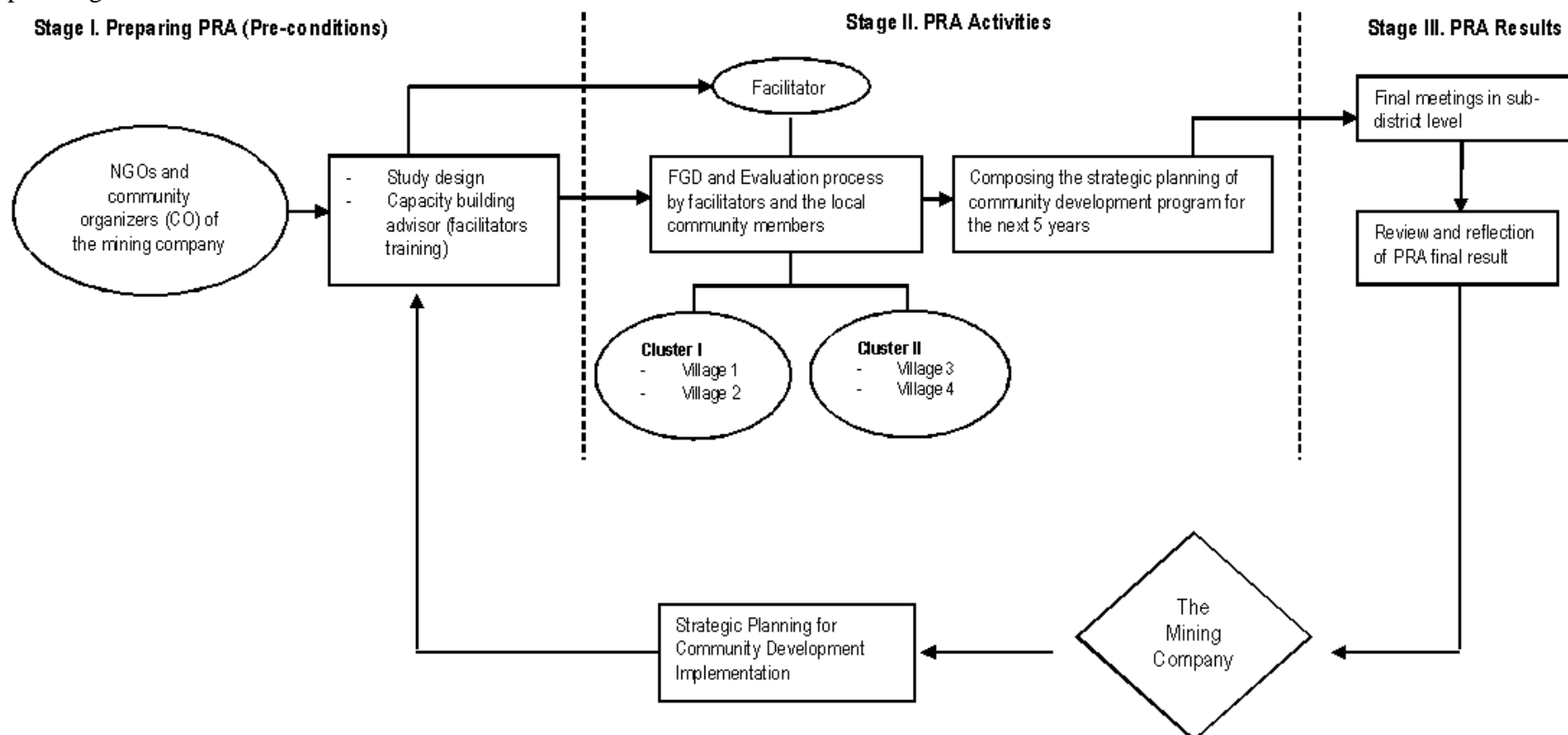
We employ Participatory Rural Appraisal (PRA) to accommodate the demand and needs of the local community. Previously, when we started to undertake the community development programs in 1997 we utilized top-down to design our development programs. But, now we change our strategy by using Participatory Rural Appraisal. (Cahyo: a Community Development division staff member)

The interviewee explains that the mining company has consulted with the local community in order to be responsive to their concerns. To accommodate the demands and needs of the local community, the mining company undertakes a Participatory Rural Appraisal (PRA) regularly every five years with the local community. Chambers (1994, p. 953) explained PRA method as 'an approach and methods for learning about rural life and conditions from, with and by rural people'. He states that this method enables local people to share, enhance and analyze their knowledge of life and conditions, to plan and to act. In addition, this also enables outsiders to gather various kinds of information from the villagers' point of view directly, on site and face-to-face, therefore benefitting from indigenous physical, technical and social knowledge. Thus, the PRA method provides greater autonomy for the villagers to give their information in discussions or they could even change the agenda of the discussions which are held during PRA. The information gathering techniques mostly employed in the PRA method are visual media, for instance, social and census mapping, resource mapping and modelling, seasonal analysis, and Venn diagramming. The mining company claims that the PRA method will provide opportunities for the a to participate by revealing their various concerns, and expressing their needs and expectations in relation to development programs based on their village's characteristics (Mining Company 2009d). This is illustrated in the following comment from an interview:

We employ PRA which involves the local community, the local NGOs and the local government, particularly from Badan Perencanaan Pembangunan Daerah (BAPPEDA) or the region planning and development institution. Five years ago we did the mapping: what was it in the past? What is it now? Why? What will happen for the next five years ... there was not dams in the past and school buildings; now, there are ... the local community could evaluate and understand easily. (Cahyo: a Community Development division staff member)

This interviewee refers to the activities which emerge in PRA. In the PRA process, the local community could participate in activities including the problem identification stage, planning, program implementation and the expansion of the development program. By employing PRA, the Community Development division would have an opportunity to identify the local community needs and appreciate the local community's life. In turn, this division can absorb local knowledge and the local community's experiences and expectations in the community development implementation, thus ensuring its sustainability. The implementation of the PRA method has been supported by various parties including: the local government; NGOs as the coordinators and facilitators; community organizers (CO) of the mining company; and representation of the local community's members who have been involved in the focus group discussions (FGDs) and other meetings in the PRA process. PRA has been undertaken in all subdistricts in the mining circumference area. The process of PRA employed by the mining company in Sumbawa district can be illustrated in a simplified version in Figure 5-3 as follows:

Figure 5-3: The participatory rural appraisal (PRA) method employed by the mining company to establish the community development strategic planning



Source: Compiled from the mining company's documents (Mining Company 2008a, 2008b, 2008c, 2008d) and the interviews

Figure 5-3 illustrates the process of participatory rural appraisal (PRA) which has been employed by the Community Development division. The result from PRA was used to constitute the strategic planning of the community development programs. This process consists of three stages: the pre-conditions stage, PRA activities, and PRA results. In stage I or the pre-conditions stage, the NGOs and community organisers of the mining company prepare the PRA activities by designing material and all the aspects that will be discussed in the PRA activities. They also organize the capacity building advisory process by introducing the materials or studies as the main topic in the focus groups discussions (FGDs) and other meetings in the PRA activities to the facilitators. This is an important process since all the facilitators who become the leaders in the discussions or meetings will have the same perception related to the topic of the PRA process.

In stage II, the facilitators guide the representation of local community's members from the villages of one subdistrict to have several meetings and focus group discussions (FGDs). In these activities, they have an opportunity to identify the local problems that could be addressed by the community development programs' implementation. In the discussion activities, the local community members also determine the strengths and weaknesses of the development programs that have been determined in the previous PRA. Based on these discussions, the local community decides the strategies and planning of the development program for the next five years.

In the final stage, the results of the discussion of all the clusters in village level will be brought and formulated with the local government in the sub-district level to achieve the final result. The result from PRA from subdistrict level then goes to the mining company to be consulted with the top-management of the mining company who will make the final decision of the PRA process:

We employ two approaches: bottom-up and top-down. We adopt PRA. This method has been employed by the local community to design the kinds of community development programs; this is bottom-up. However, from the company's point of view, we have to adjust to the company's budget. Thus, it does not mean that all

the development programs designed by the local community must be conducted. From 100% development programs designed by the local community, we can implement 90% of them; we can't undertake 10% or the rest of it. This means that 10% of the development program is top down. It can be concluded that in terms of budget, 100% is top-down, but from the local community's aspiration, it is bottom-up. (Hasan: a Community Development division staff member)

The interviewee explains the decision making process related to the PRA result. He claims that PRA represents a bottom-up approach that has been employed by the mining company to include the aspirations of the local community. PRA facilitates the local community members to participate in designing the development programs. However, he argues that these development programs must be adjusted to the mining company's budget. Hence, the mining company makes the final decision in relation to the kinds of development programs that will be conducted by the Community Development division. He states that this decision making process is a top-down approach. Hasan concludes that the mining company has employed two community development approaches: bottom-up and top-down. The bottom-up approach is employed to gather information from the local community through PRA; meanwhile, the top-down approach must be used in terms of the community development budget.

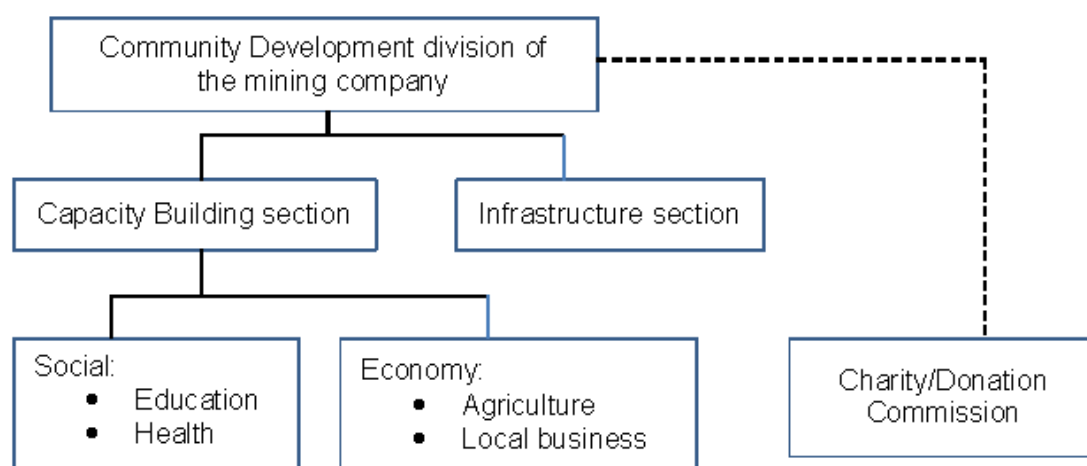
The results of the PRA process are then incorporated into the strategic planning of the Community Development division. The strategic planning consists of various kinds of development programs, both infrastructure and capacity building programs, which are delivered by this division to the local community in the mining circumference area. Therefore, as illustrated in Figure 6-2, the Community Development division has two sections: infrastructure and capacity building sections, which are responsible for conducting these different kinds of development programs.

The infrastructure section undertakes physical development programs, for instance, various kinds of public services and their maintenance. Meanwhile,

the capacity building section implements non-physical development programs: for instance, skill improvement or introducing new systems or knowledge to the local community. This program has focused on three kinds of programs: health, education and agriculture programs. Another program is local business development. This has been conducted by one of the mining company's foundations. A detailed explanation of this foundation is provided in another section of this chapter.

The kinds of community development division programs can be illustrated in Figure 5-4 as follows:

Figure 5-4: The kinds of development programs which have been conducted by the Community Development division of the mining company



Source: Compiled from the mining company's intranet and interviews

Figure 5-4 shows the kinds of development programs which have been delivered by the Community Development division, the infrastructure and capacity building programs. The capacity building section is concerned with the development of three aspects: education, health and agriculture. This concern has arisen due to Sumbawa Island being among the poorest regions in Indonesia (West Nusa Tenggara Province Government 2008). As Eade (1997) points out, the capacity building program is embedded in the social, economic and political environment where this program will be conducted. Based on the poverty issue faced by the people on Sumbawa Island, the mining company on Sumbawa Island has established education, health, and

agriculture programs for its capacity building program. A detailed explanation of these programs is provided below.

5.3.1 Infrastructure programs

As discussed in Chapter 4, the mining company has built various infrastructure projects in the West Sumbawa district. The mining company claims that the infrastructure program has been a priority and has been conducted by the company since the construction stage. The mining company has built various kinds of infrastructure to support the mining operation in the next production stage, as well as facilities for the local community. Before the mining company started operating on the Island, the West Sumbawa district was a remote area which lacked infrastructure. The interviewees have described the infrastructure programs of the mining company as follows:

Since the construction stage of its operation, the mining company has prioritized the infrastructure program. Ten or twelve years ago, the mining company built infrastructures for the local community including schools, roads and public medical centres (PUSKESMAS) which were very limited in this area. There were no proper medical centres and school buildings at that time. Moreover, a school built by the local government was in 'bad' condition. But, we realize that it is not enough if we only build the infrastructure; there should be capacity building programs ... for the agricultural sector infrastructure, we have built a water dam and irrigation system ... for the capacity building we are trying slowly to change the traditional agriculture. (Iwan: a Community Development division staff member)

During this time, we only focussed on the infrastructure due to the lack of facilities in the local community. Now, we are shifting to the capacity building programs. In terms of local community wealth, personally I argue that the capacity building programs are the most important point. (Hendro: a Community Relations division staff member)

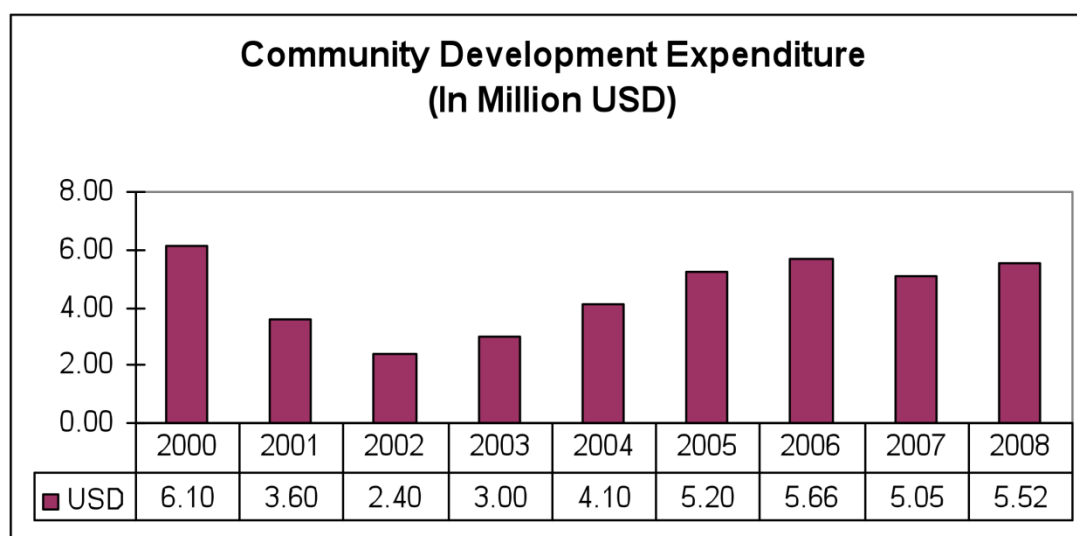
The comments of both interviewees show that the mining company has prioritized infrastructure programs. The mining company argues that the

mining circumference area has lacked various kinds of infrastructure, including medical centres, schools and dams for irrigation. However, there is a realisation that the capacity building programs are also required. Iwan gives an example in the agricultural sector. The mining company has introduced System of Rice Intensification (SRI) to the local community. By employing the new cultivation system, the local farmers will be able to crop their rice fields two or three times per year. To support this program, the mining company has built dams for the irrigation system. In the previous cultivation system, the local farmers only cropped their land once a year due to lack of water for the plantation process.

Various types of infrastructure projects have been undertaken by the mining company. Included in these projects are: the development and asphaltting of the road, as well as the maintenance of the roads in the subdistricts in the vicinity of the mining project on average about 43.65 km per year; the development of drainage construction in eight villages in Jereweh and Sekongkang subdistricts for about 70,098 m; the development of clean water facilities that employ windmills and electric pumps. These clean water facilities serve seven villages and fulfill the needs for clean water of 2358 families. The mining company also built facilities for garbage disposal in some villages. In addition, these facilities are supported by the provision of trucks for garbage transportation. Other infrastructure projects are: the development of 24 school buildings in Jereweh and Sekongkang subdistricts that have been completed with the learning equipment; the development of three traditional markets in Sekongkang Atas, Maluk and Jereweh subdistricts; the development of 13 public medical centres (PUSKESMAS) in several villages around the mining industry; the development of four bridges; the development of tourism facilities in Maluk and Sekongkang beach; the development of public facilities (public toilet and bathroom) in several villages; and the development of community halls in several villages.

The above list demonstrates the various infrastructure projects that have been built by the mining company. These projects have spent most of the mining company's community development budget as illustrated in Figure 5-5 below.

Figure 5-5 Community development expenditure of the mining company (2000 – 2008)



Source: (Mining Company 2009c)

Figure 5-5 illustrates the mining company's community development expenditure. In total, the mining company has spent about US\$ 40.63 millions or a average of US\$ 5 millions per year for various kinds of community development programs that can be described in detail as follows:

1. Infrastructure project US\$21,73 millions
2. Community capacity building programs (health, education, economic) US\$3 millions
3. Scholarships and education assistance US\$1,1 millions
4. Donation or charity for 33 villages of West Sumbawa US\$9,5 millions
5. Partnership with local government and NGOs US\$5,3 millions

From the expenditure distribution above, it can be seen that the mining company has built many infrastructure projects for its community development program, having spent US\$21,73 millions or 70% of the budget on these programs. Meanwhile, the rest of it or about 30% or US\$3 million has been spent to undertake the capacity building programs.

Through observation, the researcher has found that not all the local communities have received intensive infrastructure programs from the mining company. The researcher found one possible answer from a community leader. He explains that the local community in Tongo Village has received many facilities from the mining company following negative environmental impacts as illustrated in his discussion:

We are different from the local community in Tongo Village ... the mining company will fulfil everything that Tongo's people ask of the company. It is because people in Tongo have suffered the major side effects from the mining operation compared with other regions ... the mining company has used their river for the mining operation and for its employees. The local community in Tongo have also suffered from the mining waste... now Tongo's people cannot have a bath in their own river as the water is too dirty and is low ... Tongo's people are like an upset or crying toddler... so the mining company will fulfil everything he wants to stop his crying. (Harun: a local community member)

From the community leader's viewpoint, the mining company has delivered an intensive development program to calm down the members of the local community who live in this village. One interviewee describes this exceptional treatment:

We have an obligation to 'help' local community ... we help to build their house ... in Tongo Village for example ... they just need to turn on the tap to take the clean water, the electricity is free as we support for about US\$5000 per month. (Sofyan: a Community Development division staff member)

The interviewee refers to various aspects related to the infrastructure programs that have been provided by the mining company to the local community in Tongo Village. As described in this chapter, the local community members who live in Tongo Village suffer the most from the negative environmental impacts caused by the mining operation: deforestation, water pollution and reduced river flows. The river in this village is polluted by the mining operation. Another part of the river is low because the mining company

has used the river water for the mining operations. As Harun said, the local community in Tongo Village is like a crying toddler who is upset because he suffers from the negative impact of the mining operation. To calm down these local community members, the mining company has delivered many infrastructure programs to this village. Included in these programs are home renovations, clean water facilities and free electricity. To support this free electricity, the mining company spends US\$ 5000 per month.

The mining company encountered the sustainability issues in undertaking the infrastructure programs, as explained by an interviewee:

In the infrastructure programs for example, we have already handed over these facilities to the local community, but they still depend on the mining company to maintain these facilities. The local community assume that the mining company still exists in their area. Therefore, they still ask the mining company to maintain these facilities for instance clean water facilities, repair of the road and school building, medical centres and the garbage dump facilities ... this is the weakness of the infrastructure programs. (Arif: a Community Development division staff member)

The interviewee draws attention to the dependency of the local community on the mining company in conducting the infrastructure programs. This interviewee argues that the local community members see that the mining company is still operating in their area. Therefore, they have an expectation that the mining company could continue support the maintenance of these facilities, including clean water facilities, medical centres, roads and school building. In terms of the education programs, some of these programs would potentially face the same issues; for instance the scholarship, mobile library, internet network and incentives for hiring teachers. The question, therefore, arises as to the continuity or sustainability of these programs, particularly after the mine closure.

5.3.2 Capacity building programs

The mining company in West Sumbawa has sought to undertake capacity building programs in the education, health and agriculture sectors. The first capacity building program of the mining company relates to an education program. This program has as its main objective to increase the standard of human resources in the area where this mining company is located. Eade (1997) states that education and training are crucial programs in the capacity building approach because they represent an investment in people. In addition, Eade argues that lack of access to education will impede people's ability to increase their capacity to participate in the social, economic, and political processes affecting them. To provide wider access to education, the mining company has funded various kinds of education programs including scholarships for 7441 students, student tutoring, an internet network, a mobile library, incentives for hiring teachers and other donations for school equipment. In contrast to other community development programs, education has been provided not only for the local community in the mining circumference area but also for the local community members who live outside this area.

The mining company argues that the education program is very important for human resources development in West Sumbawa district, particularly in the mining circumference area. Hence, the mining company has provided scholarships for the local students ranging from primary school to postgraduate programs. In addition, the mining company has established the 'gold' scholarship program which prioritizes local students who take studies related to the fields of medicine, engineering and mining. The mining company states that the West Sumbawa district needs local people who are experts in these particular subject areas as illustrated by these interviewees:

A new problem was raised when the construction stage had finished and the production stage started ... the local workers wanted to be recruited as the mining company employees, but these workers lacked specific skills or a high level of education ... This mining company is the first mining industry on Sumbawa Island; as a result this region was lacking people with specific

skills related to mining; this is different from Kalimantan province which has many mining industries. (Iwan: a Community Development division staff member)

The company conducted a lot training for the local communities so they could be recruited as the mining company's employees. At that time, the standard for an employee required by the mining company was very high. They must be able to achieve 70% on the test arranged by the company ... However, the local community members in that time mostly did not want to join these training programs due to the lower salary that they would receive during the training programs (Rp 300. 000 for three months) compared with the salary they would obtain from the construction projects ... They realized they mistake after the construction stage had finished. (Iwan: a Community Development division staff member)

It is evident from the above interviews that the mining company has been faced with the issue of a lack of human resources in the local area. This issue occurred in the production stage when the mining company required people with a high level of education or with specific skills to be recruited as its employees. This is different from the construction stage which was labour intensive, and in which the mining company needed workers with no specific skills or particular levels of education. To overcome this problem, the mining company conducted many training programs for the workers who wanted to be recruited as mining company employees. By joining these training programs, these workers could pass several tests and be recruited as the mining company employees. However, these workers mostly refused to join these training programs because the salary they would receive during these programs was lower compared with the salary they received from the construction projects. The problem arose when the construction stage finished. There were many local community members who did not join the training programs, had not passed the test, and therefore were not recruited as the mining company's employees.

The second capacity building program introduced by the mining company is

the health program. The objective of this program is to improve the local community members' health standards and their productivity. The mining company is concerned with the issue of health due to the malaria epidemic, tuberculosis and children's malnutrition; most of the local community members have experienced these health problems, predominantly before the mining company was operating in this region. This program has successfully addressed some of the major health problems suffered by the local community (Sinoel 2005).

The biggest achievement of the health program is the decreasing number of local community members who suffer from malaria from 26.04% of the population in 1999 to 2.29% of the population in 2009 (Mining Company 2009c). To achieve this percentage, the mining company sprayed the mosquito breeding grounds in the mining circumference area. The mining company has also attempted to change the habits of the local community members which have been blamed for contributing to children's malnutrition, as illustrated in the following comment:

The problem relates to the eating patterns or child-raising patterns of the local community members. There are many cases of malnutrition which have been observed by the mining company, even when the local families have a better economic life. The mother in these families was not careful in the way she raise her children. (Denok: a community organizer for the health program)

The interviewee draws attention to the habits of the local community members which could trigger the children's malnutrition problem. One of these habits is there are many housewives of mining company employees' families who give the inappropriate food to their children. For instance, they often feed their children instant foods or snacks, instead of nutritious foods. As a result, there are many children of the mining company employees who suffer from malnutrition problems. The interviewee argues that this habit emerged because the life style and consumption patterns of these families has changed. They have assumed that consuming fast food and 'famous' snacks,

such as potato chips, would give them prestige rather than other foods. She explains that these fast foods and snacks have lower nutrition compared with the local foods usually consumed by the local community. To overcome this problem and other health issues, the mining company has contributed to improve the building of the *Pusat Kesehatan Masyarakat* (PUSKESMAS) or public medical centre and has trained health assistants from the local NGOs to give health counselling to the local community members. The mining company also supports the government health programs including contributing for *Pos Pelayanan Terpadu* (POSYANDU)¹⁵, the provision of clean water and sanitation, and the provision of medical equipment for PUSKESMAS.

These health programs have sustainability issues. For instance, the malaria epidemic reduction program would require a substantial budget, particularly for the activities involved in spraying the mosquito breeding grounds. The mining company has conducted these activities regularly to address the malaria epidemic in the mining circumference area. The question remains, however, as to who would be responsible for continuing to spray the mosquito breeding grounds after the mining operation has finished.

The third capacity building program relates to the agricultural sector. The main objective of this program is the improvement of the abilities of the local community members in the agricultural sector. The mining company claims that the agricultural sector is crucial for its community development programs. The mining company has set itself the aim of bringing the local community members back to their former livelihood in the agriculture sector. As was explained in Chapter 5, many of the local community members in the mining circumference area have changed their livelihoods from occupations in the agricultural sector to the new occupations connected to the mining sector. These new occupations would provide them with better economic circumstances than they were getting from the agricultural sector. As a consequence, many local community members have left their land for other occupations which are related to the mining company operation. However, the

¹⁵ A health program which has been established by the Indonesian government to improve the health of mothers and their children

local community members cannot rely on these occupations indefinitely due to the fact that the mining operation will end. The mining company has provided another option for these local community members, which is to return to their previous jobs in the agricultural sector. Therefore, the mining company has conducted various agricultural programs, including building small-scale dams and water irrigation system for the local community. Some of the community development division staff members have discussed this program:

One of our community development commitments is to reduce the dependency of the local community on the mining company ... I think this dependency is normal because we (the mining company) are still operating in these sub-districts. However, we must inform the local community that someday we will leave them ... One of our community development missions is to bring the local community members back to their previous livelihood in the agricultural sector and find other occupations, thus the local community will be independent after the mining operation has ended. (Iwan: a Community Development division staff member)

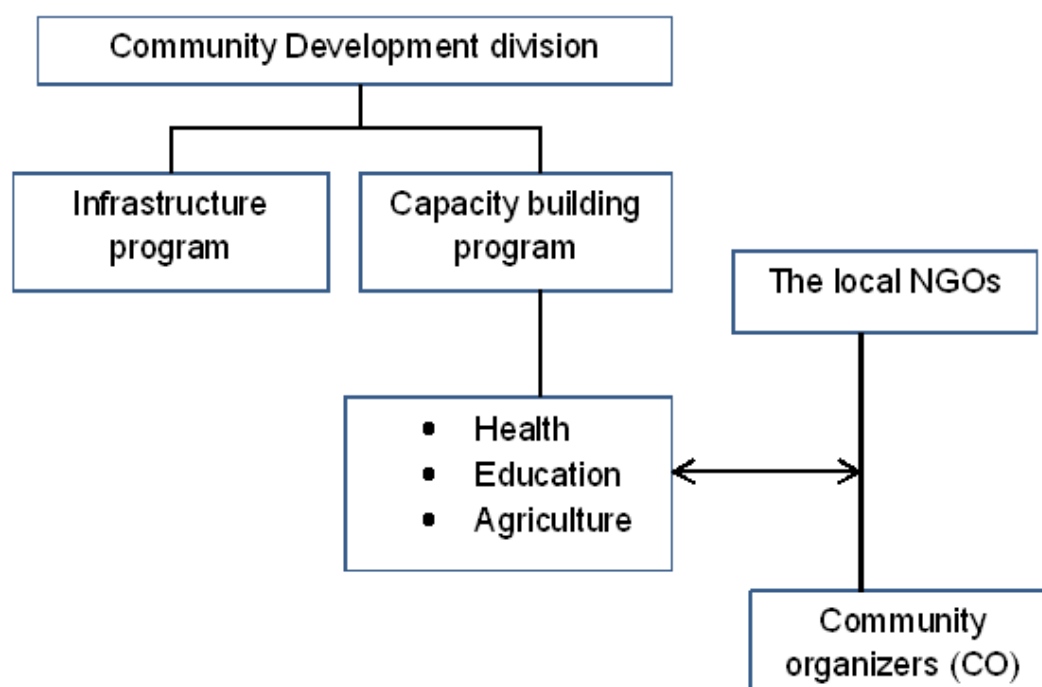
We don't want the local community to be fully dependent on us as then we will leave them without any development after we have finished our operation. Therefore, the community development program has one mission: to bring the local community to their land. To obtain this objective, we have been preparing the infrastructure to develop the agricultural sector, for instance, by building some 'small-scale dams' for an irrigation system. Thus, the local community will be able to use this irrigation system to cultivate their land after the mining operation has finished. (Sony: a Government Relations division staff member)

The mining company has assumed that developing the agricultural sector is one of the solutions to overcoming the dependency problem of the local community. Therefore, the Community Development division has trained these local community members with 'new' knowledge, for instance how to cultivate the land with a 'modern' system (SRI), and providing revolving fund programs for the farmers and fishermen to buy equipment. The mining

company has built some dams, although on a small scale for irrigation systems, to address the problem of a lack of water which has been suffered by the local farmers.

To deliver capacity building programs, the Community Development division has involved the local NGOs. Each of the NGOs is responsible for a particular capacity building program: the health, education or agriculture program. The involvement of these local NGOs is illustrated in Figure 5-6 as follows:

Figure 5-6: The involvement of the local NGOs in the community development programs' implementation



Source: Compiled from the mining company's intranet and the interviews

Figure 5-6 shows that the Community Development division has involved *Lembaga Swadaya Masyarakat (LSM) mitra* or the local NGOs in conducting capacity building programs, particularly the agriculture, education and health programs. The Community Development division has contracted the local NGOs to support the implementation of health, education and agriculture programs. The mining company provides the fund for these NGOs to undertake these development programs, as well as pays the salary for the Community Organizers (COs). These COs have the role of providing

assistance to the local community in conducting the development programs.

5.3.3 Charity/donation programs

In addition to infrastructure and capacity building programs, the Community Development division also provides charity or donation programs, as described in the interview extracts below:

We give the donation by distributing rice paddy seed for free to the local farmers. (Cahyo: a Community Development division staff member)

Included in the Community Development division's expenditure is charity or donation programs, for instance donation for Tsunami victims in Yogya and activities in the villages that are held by the local government ... for the West Sumbawa district, we conduct donation programs through the local government or social groups for their programs' implementation ... the donation programs also include the regions outside the West Sumbawa district. (Arif: a Community Development division staff member) The interviewees explain the charity or donation program which has been conducted by the Community Development division. These programs are needed to support the implementation of the capacity building programs. For instance, in the agriculture programs, the Community Development division provides rice seed for free to the local farmers. The mining company has included the provision of the rice paddy seed for free as a charity program. To undertake the charity programs, the Community Development division has established a charity or donation commission.

The Community Development division has conducted monitoring and evaluation in relation to the implementation of its development programs regularly. This evaluation process has been undertaken for a number of reasons: 'it serves as a system for all stakeholders to regularly review the developments and make necessary improvements in order to ensure that the objectives are achieved; the mining company (as the donor) should be informed and reported to that the funds have been used properly; the mining company's experience in managing community development programs may contribute to a collective understanding of what programs are working and not working as a reference for future programs (Mining Company 2005b, p. 5).

To achieve this objective, the Community Development division has established two kinds of evaluation processes which are described in the interview: We employ two kinds of evaluation: internal and external. In the internal evaluation, the LSM mitra or the local NGOs will conduct the presentation in front of the Community Development division management. Meanwhile, in the external evaluation we employ the participative monitoring and evaluation model. (Arif: a Community Development Division staff member)

The interviewee mentions two kinds of evaluation processes conducted by the Community Development division in monitoring and evaluating its development programs. The first is internal evaluation. In this process, the Community Development division invites its LSM *mitra* (partner) from the local NGOs to make presentations related to the community development implementation in front of the Community Development division management. These local NGOs conducted the development programs that were established and funded by the mining company. In the internal evaluation, both the mining company and the local NGOs reviewed the implementation of their development programs.

The second is external evaluation and the mining company claims that for this process they use participative monitoring and an evaluation approach. According to the mining company, the participatory approach in the evaluation process has benefits which include: 'ensuring efficiency and effectiveness, upholding partnership, capacity empowerment, scope expansion, enhanced accuracy for targeted groups, sustainability, empowerment of marginal groups and accountability improvement' (Mining Company 2005b, p. 5).

In the external evaluation process, the mining company involves parties including the local NGOs and the local community members. These parties have actively collected information in terms of the community development programs' implementation. Included in this information are: the opinion of the targeted groups related to particular development programs; their perception

related to the objectives and the effectiveness of the development programs; their satisfaction and the level of participation of these groups in the development programs' implementation. To gather this information, the Community Development division uses various methods including focus group discussions (FGDs), field observations, group discussions and interviews with community organizers (COs).

The results or findings of this participatory evaluation then have been analysed and presented through tables, figures and graphics in a monitoring and evaluation report. As mentioned in the previous section, based on these evaluation processes, the mining company constituted a strategic plan as the guidelines for the implementation of community development programs for five years:

These processes (evaluation and PRA) shows that we do the establishment and assesment of the development programs together, from that we will have a strategic planning and printed in a book. (Arif: a Community Development Division staff member)

The mining company argues that it has conducted the monitoring and evaluation proccesses with the local community members and the local NGOs. The mining company intends to shows that it has employed a participatory based approach in the community development programs.

5.4 Corporate foundation approach

Besides the Community Development division, the mining company in West Sumbawa has established two foundations to deliver its community development programs. The establishment of a community development foundation is potentially effective for several reasons including: independent management structure could allow for more community control than would be feasible for a company managed program; a separate organization can help the company to separate legal liability for the actions of the community development program from those of the company; an independent

organization can outlive the company, adding to program sustainability (Yakovleva 2005, p. 218).

Based on these reasons, the mining company established its foundations: *Yayasan Pengembangan Ekonomi Sumbawa Barat* (YPESB) and *Yayasan Olat Perigi* (YOP). The mining company has a plan that either YPESB or YOP could continue to undertake the community development programs after the mine closure. An interviewee explains that the mining company has installed several employees to become the supervisors and 'connectors' who assist these foundations in undertaking their community development programs. In addition, they also have the task of monitoring the effectiveness of the budget provided by the mining company for both foundations to undertake their community development programs. YOP and YPESB have delivered the community development programs to the local community members who live both in and outside the mining circumference area (part B and C in Figure 5-1). The differences between these foundations will be discussed in the following subsections in relation to the kinds of development programs and the approaches employed to undertake these programs.

5.4.1 Yayasan Pengembangan Ekonomi Sumbawa Barat (YPESB)

The mining company established YPESB as the first community development foundation at the construction stage (in 1998). According to the mining company, the establishment of YPESB was related to the mine closure planning, as described in the interview excerpts below:

The mining company won't be here forever. From the beginning the mining company has realized there should be a foundation to continue conducting community development programs after the mine closure. (Ardy: a Community Development Division staff member)

Previously, all YPESB community development workers were the mining company employees ... thus in 1998 all the company's development programs had been conducted by using YPESB's name, although the local community knew that this foundation belonged to the mining company. (Ardy: a Community

Development Division staff member)

Ardy explains that the mining company realized that its operation would finish at a certain time. Therefore, there should be an institution or foundation that would continue the implementation of community development after the mine closure. The company therefore established YPESB as a foundation to undertake the community development programs under the auspices of the mining company. Hence, all of YPESB community development workers were the employees of the mining company. The 'double' role of these employees - as the community development workers of YPESB and the mining company employees - gave rise to administration and financial problems. As a result, the mining company closed YPESB temporarily in 2003.

At that time YPESB had undertaken various kinds of development programs, but these were predominantly the infrastructure programs for the local community in the mining circumference area. Included in these infrastructure programs were several facilities both for the mining company operation and the local community including roads, drainage projects, the community's medical centre and police office. This priority changed in 1999 as YPESB started to undertake non-infrastructure programs, for instance training and counselling programs for community health, education, agriculture and local business development programs.

In terms of local business development, the conducting of these programs by YPESB was related to the end of the construction stage. Thousands of workers who had been recruited by the mining company for the construction projects had lost their jobs. Most of them could not be recruited any more as mining company employees because the company required people with a certain level of education and skilled workers for the mining operation. At that time, these unskilled workers who had been involved in the construction project became the target groups of the mining company's community development programs. YPESB conducted local business programs that would assist these unemployed workers to find other jobs in various local business activities.

YPESB established the kinds of local businesses which would involve the mining company in their activities, namely inward looking businesses. Ardy describes this program as follows:

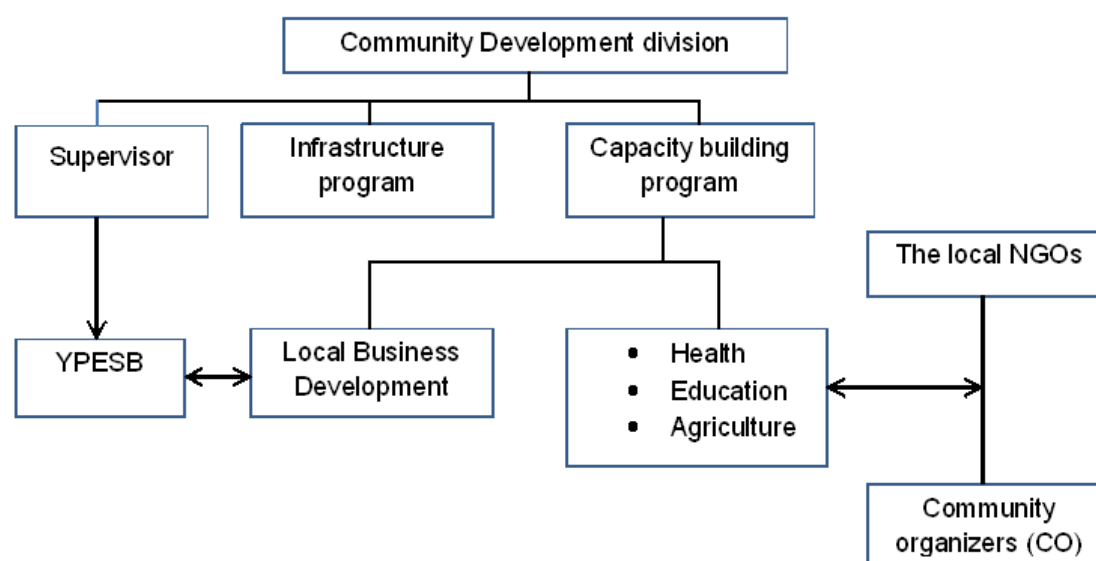
The former YPESB had to facilitate the workers in the construction stage who could not be recruited as the mining company employees in the production stage ... we encourage them to undertake non-mining local businesses and the mining company would buy their business products ... All these businesses were mining company oriented or inward looking businesses, but now we reduce these kinds of businesses because they are not sustainable. We move to outward looking businesses. (Ardy: a Community Development Division staff member)

Ardy explains that the former YPESB conducted the local business development programs to address the unemployment problems which emerge at the production stage. The workers who failed to be recruited as mining company employees instead became involved in various kinds of local businesses, for instance paving stone and clothing businesses. In these businesses, the mining company was involved as the main investor and customer or buyer that would purchase the products from these paving stone or clothing businesses. Ardy describes this kind of business as orientated toward the mining company or as inward looking business. This business depends fully on the mining company as the funders, as well as being the main customer or buyer of the business products. Ardy goes on to explain that the local business development program was expected to reduce the protests and demonstrations from local community members which may have occurred when these people failed to be involved in the mining operation.

Two years after YPESB was closed temporarily in 2003, the mining company activated the 'new' YPESB in 2005. In contrast to the former YPESB, the 'new' YPESB also recruited local community members as its community development workers. The role of the mining company can be shown by the inclusion of its employee as the supervisor or manager of YPESB. The new YPESB undertakes local business development programs of the Community

Development division, as is illustrated in Figure 6-7 below:

Figure 5-7: YPESB's local business development program



Source: Compiled from the mining company's intranet and the interviews

As illustrated in Figure 5-7, the new YPESB was established to undertake the local business development program which is part of the capacity building program of the Community Development division. The mining company has contracted and paid the local community members as the community development workers of YPESB. They have been supervised and funded by the mining company to undertake YPESB's local business development programs.

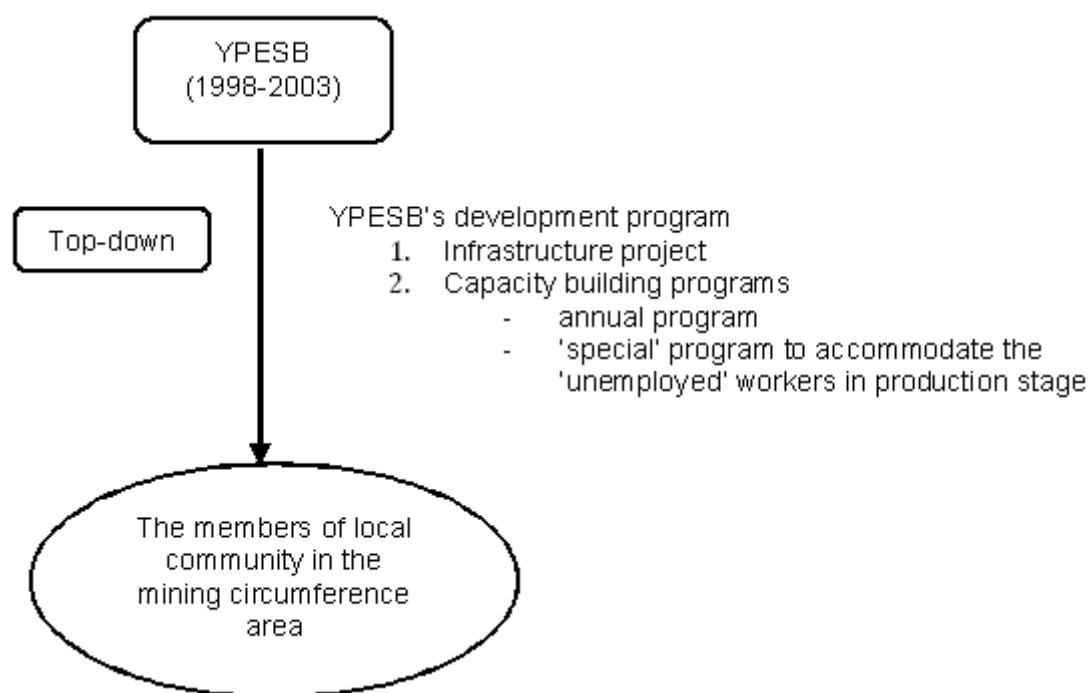
The new YPESB has changed the orientation of the local business development. As mentioned in a previous interview excerpt, YPESB changed its orientation from being orientated towards the mining company business or being an inward looking business to being orientated towards non-mining company business or being an outward looking business. In relation to this outward looking kind of business, the new YPESB has established various local businesses which do not fully depend on the mining company operation. These businesses have involved the mining company as the funder or investor for the businesses activities. These businesses explore the local economic potential of West Sumbawa that is rich in natural resources, and has potential for tourism, and coastal economic development (such as

seaweed cultivation) and other kinds of local businesses (such as Aloe Vera and mushroom businesses). YPESB has established these kinds of businesses since they are more sustainable and could be conducted by the local community, even after the closure of the mine. In addition, YPESB has facilitated the members of the local community who want to develop their small businesses or home industries by providing training and counselling programs, and introducing them to financial institutions, such as the local bank, to obtain funding for their businesses. It can be argued that YPESB has employed a top-down approach to deliver its development programs, as explained by an interviewee:

*The two foundations represent two approaches, YOP (another mining company's foundation) employs the bottom-up approach; another foundation (YPESB) adopts the top-down approach.
(Ardy: a Community Development Division staff member)*

This interviewee claims that the former YPESB was adopting a top-down approach to deliver the development programs. Ardy argues that the top-down approach has been employed since YPESB's development program must be set up and adjusted according to the interests of the mining company. Figure 6-8 below illustrates the way in which the former YPESB had undertaken its development programs:

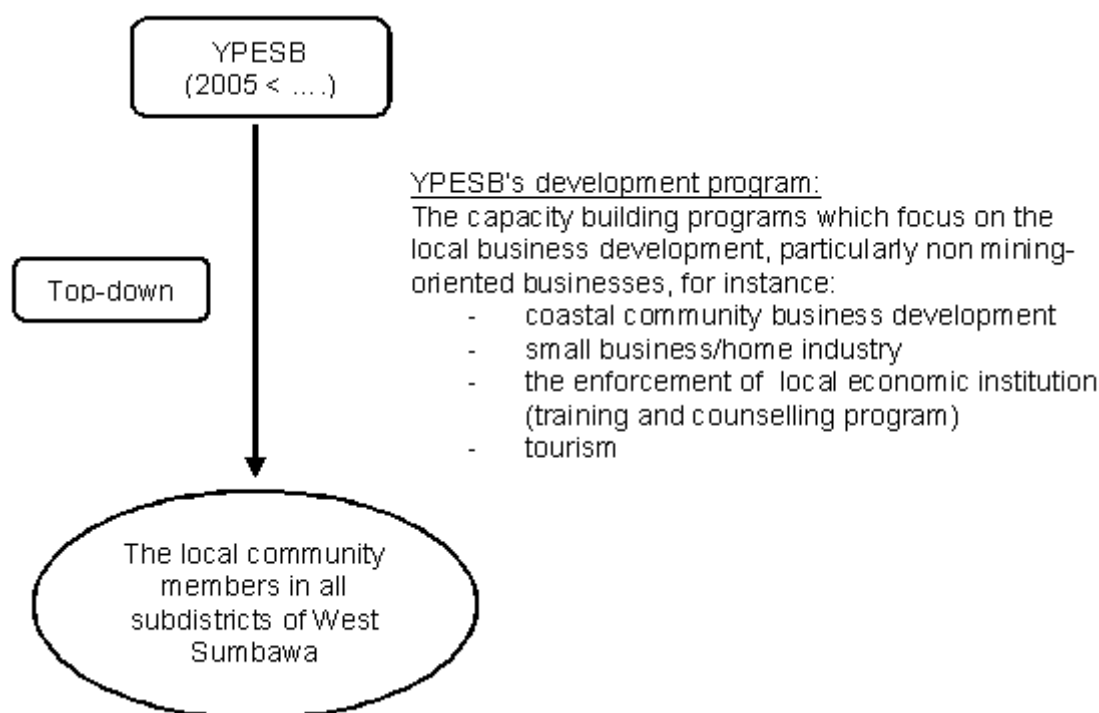
Figure 5-8: YPESB's development programs, 1998–2003



Source: Compiled from the interviews

Figure 5-8 shows the top-down approach which has been employed by YPESB to undertake their development programs between 1998 and 2003. The mining company established annual development programs to be delivered to the local community through YPESB. In addition, the mining company also determined special programs for YPESB, for instance the local business development to address the unemployment problem in the production stage. During this time, YPESB's development programs were conducted in the mining circumference area. The same approach was used by the 'new' YPESB, as illustrated in Figure 5-9 below:

Figure 5-9: The new YPESB's development programs (2005 < now)



Source: Compiled from YPESB's website (<http://www.ypesb.com/>) and the interviews

Similar to the former YPESB, the new YPESB employed a top-down approach in conducting its local business development. By employing a top-down approach, YPESB established three or four kinds of local business development programs per year. These local businesses developments would be delivered to the local community members not only in the mining circumference area, but also in all West Sumbawa sub-districts.

5.4.2 Yayasan Olat Perigi (YOP)

The mining company constituted *Yayasan Olat Perigi* (YOP) or Olat Perigi foundation as the second community development foundation in 1999. In the local language, Olat Perigi means a mountain with a *sumur* or well. Three parties consisting of the local community, local government, and the mining company inspired the establishment of this foundation in 1999. In contrast to YPESB, YOP has been 'appointed' to be the local community's foundation as illustrated by these interviewees:

YPESB belongs to the mining company, but we do not (YOP); all of our employees come from the local community members. (Andi:

a Community Relations Division staff member)

YPESB's development programs have been designed by the mining company; meanwhile YOP's development programs from the beginning have been designed by the local community members. (Arif: a Community Development Division staff member)

YOP and YPESB are different because YOP was constituted for the local community. Therefore, all YOP's community development workers have been recruited from the local community members. (Joko: a Community Development Division staff member)

The above interview excerpts illustrate the differences between the two mining company foundations: YOP and YPESB. YPESB has been closely associated with the mining company foundation. This can be shown in the fact that the mining company and YPESB have established most of the development programs for the local community by employing a top-down approach. In addition, the mining company has had a dominant role in establishing both the former and the new YPESB. In contrast, YOP is seen as the local community foundation. The establishment of YOP involved the local community members. Moreover, YOP has employed a bottom-up approach which provides opportunities for the local community members to establish their development programs. The role of the mining company in this instance has been as the main funder for YOP's development programs. The mining company has placed its staff as a 'connector' between the mining company and YOP, as illustrated in the following interview excerpt:

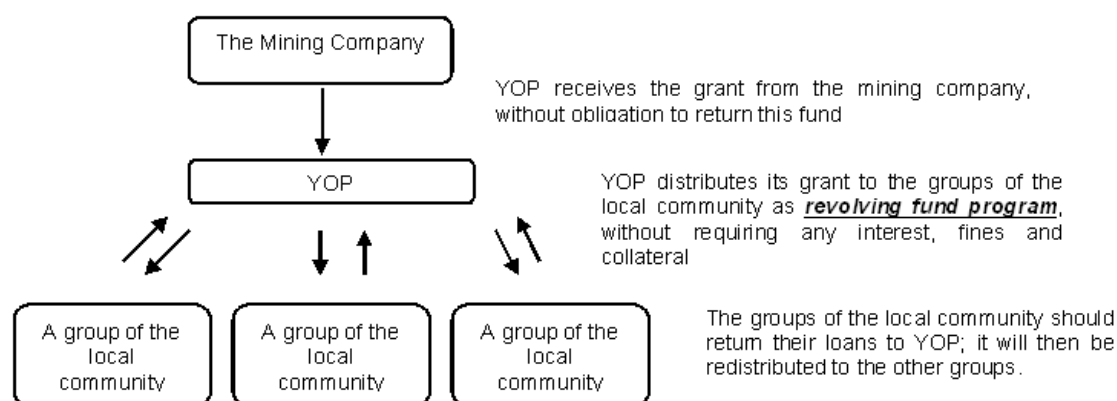
The mining company has assigned me to 'watch' the YOP activities, whether they have been done correctly or not with according to the budget they get from the company ... we also have to audit this foundation ... that is my function. (Andi: a Community Relations Division staff member)

Andi explains that the mining company has appointed him as a 'connector' between YOP and the mining company. His job involves 'watching' YOP activities, particularly those in which YOP uses the budget from the mining company. Andi goes on to explain that the mining company audits or

evaluates these YOP activities regularly.

The mining company has allocated an amount of money regularly for YOP (Mining Company 2005c). This money is about US\$650 for three months. The mining company has given this fund as a grant for YOP. This means that YOP does not have an obligation to return the fund to the mining company. The mining company has established YOP foundation related to the company's closure plan. The mining company argues that YOP could continue to use this grant after the mine closure to conduct the community development programs. YOP has employed this grant to conduct its main development program, namely the revolving fund program. In addition, YOP also uses the fund from the mining company to pay the salary of its community development workers. Figure 6-10 below illustrates how YOP distributes the grant from the mining company as the revolving fund to the local community:

Figure 5-10: YOP's revolving fund program

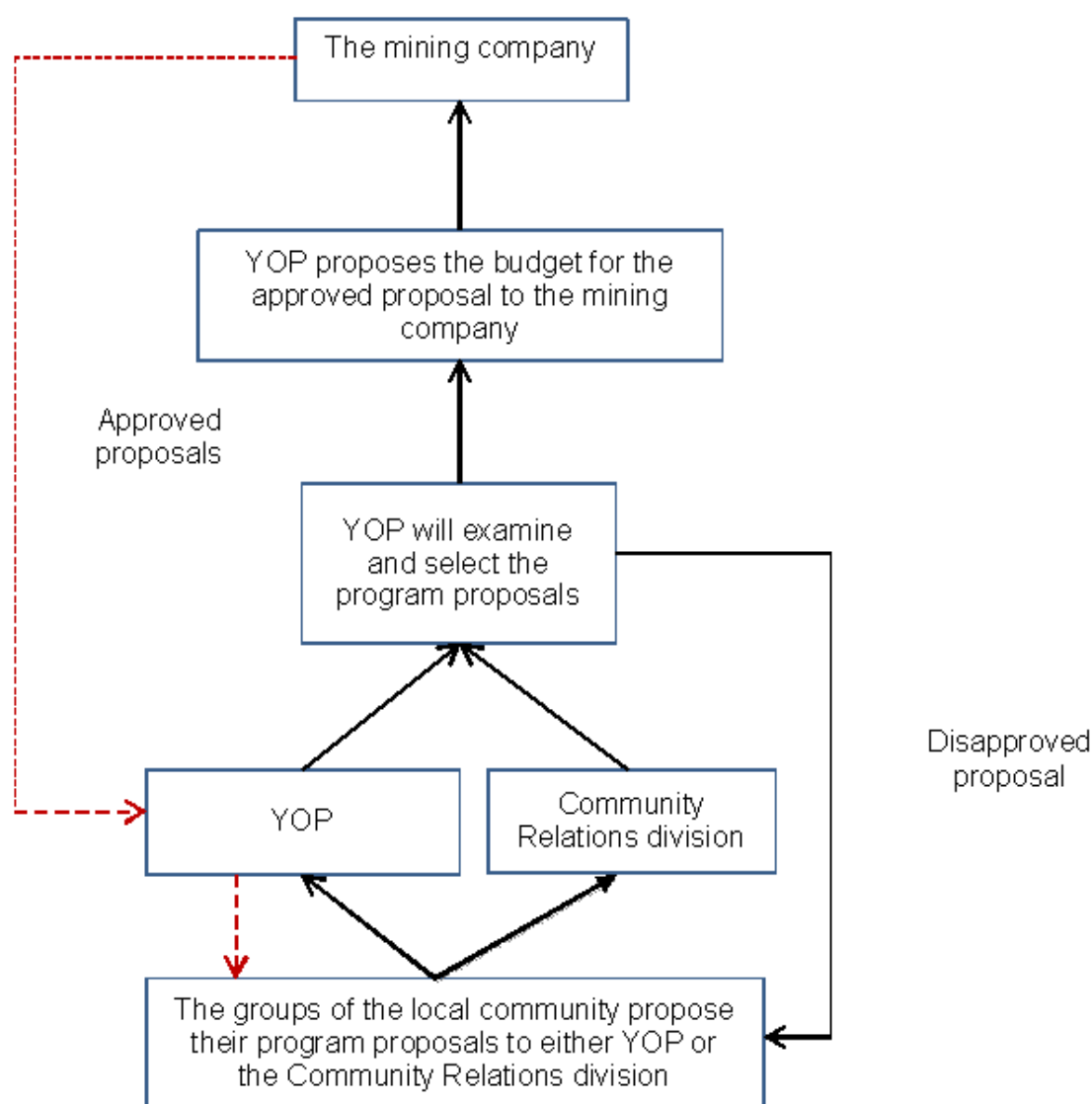


Source: Compiled from the interviews

Figure 5-10 describes YOP's revolving fund program. The figure shows that YOP has received the fund as a grant from the mining company without an obligation to return this fund to the mining company. YOP will then distribute this grant to the local community members through the revolving fund programs. In this program, YOP lends money to the local community to conduct their development programs. The local community should return these loans to YOP; YOP will then redistribute these loans to other local community members. In addition, YOP has provided this revolving fund program without any interest, fines or collateral to the local community.

YOP is also different from YPESB in terms of the method or approach employed in conducting the community development programs. While YPESB employs a top-down approach, YOP has adopted a bottom-up approach to deliver its revolving fund program to the local community. By adopting the bottom-up approach, YOP has provided opportunities for the local community to choose or establish their own development programs. To accommodate the development programs from the local community, YOP has employed two methods: proposals and application forms. Figure 5-11 below illustrates the process by which the local community members could make suggestion about their development programs through the proposal method:

Figure 5-11: YOP's proposal method



Source: Compiled from the Mining Company (2005c) and the interviews

Figure 5-11 illustrates the proposal method employed by YOP. This method facilitated the local community members in proposing their development programs to YOP. First of all, the local community members must form a group because YOP distributes the revolving fund program only to groups in the local community. This policy has an objective as described in the following interview excerpt:

The revolving fund program needs a strong kinship or relationship. If one person can't return the loan another group member can help to pay or return this loan. (Cahyo: a Community Development Division staff member)

This interviewee explains that YOP's revolving fund program requires groups with a strong kinship or relationship between the members. The reason is that if one member of a group cannot return the loan, the other members could help to pay or return this loan. These groups then must propose their program proposals to either YOP or the Community Relations division. In the proposal, these groups should provide a detailed explanation of their programs, as well as the budget they would need for the programs' implementation. YOP then selects or evaluates these program proposals. Once a proposal has been approved, YOP will propose the budget as outlined in the proposal to the mining company. Based on these amounts, the mining company will deliver the fund or grant to the groups of the local community which is distributed through YOP's revolving fund program. In some cases, there are proposals from groups which are not approved. However, YOP provides these groups with another chance for these groups to propose another proposal as the mining company distributes grants for YOP every three months.

The groups from the local community can propose various kinds of programs to YOP; ranging from small to large scale development programs. The scale of the development programs would have implications in its implementation. For instance, 'special' or large-scale development programs would require involvement from other parties such as NGOs and particular local government institutions. Examples of large-scale development programs include: pond fishery programs; dried land cultivation; large-scale businesses; *broiler*

chicken, *tempeh* and *tofu* businesses; and free-range chicken businesses. On the other hand, examples of small-scale development programs include: vegetable and fruit farms; water pumps; hand tractors; home industries and various kinds of small businesses such as small shops, restaurants and home industries.

The above explanation illustrates that both YOP and YPESB have established local business programs. There is no difference in terms of which target group would receive the local business programs either from YOP or YPESB. The local community members can choose whether they want to be YOP or YPESB's members to establish local business programs. As discussed previously, if the local community members want to choose their own business program, then they can choose YOP and ask for the funding to run these local business programs. This study, however, found that there are several issues that have been faced by the local community if they want to obtain the funds from YOP. These issues will be discussed further in the next chapter. The local community members, moreover, if they intend to conduct particular business programs, for instance seaweed and *Aloe Vera*, then they can become YPESB's members.

To distribute YOP's revolving fund program more easily, the mining company has built branch offices for YOP and the Community Relations division. The YOP branch offices have been expected to bring YOP closer to the local community members in subdistricts in West Sumbawa (Sinoel 2005). YOP's branch offices are located in several subdistricts: Jereweh, Maluku, Sekongkang and Taliwang. This is different from YPESB and the Community Development division which have offices only at the headquarters of the mining company.

In relation to the Community Relations division's branch offices, an interviewee explained as follows:

The Community Relations division is responsible to secure the mining operation. It builds the relationships with the local community, NGOs and governments, as well as dampens the issues that would become big problems. In relation to the local

community, the mining company puts several branch offices of the Community Relations division in Tongo, Maluk, Sekongkang, Jereweh, Benete and Taliwang subdistricts, to communicate to the local community members who condemn the mining company. (Sofyan: a Community Relation division staff member)

The interviewee explains the reason why the mining company has established the branch offices of the Community Relations division in several subdistricts. The Community Relations staff members in these branch offices have been expected to respond directly and quickly in relation to issues which could trigger relational problems between the mining company and the local community. Through the Community Relations division's branch offices, the mining company could investigate any issues and prevent the protest actions of the local community against the mining company which potentially threaten the mining operation. In relation to YOP's revolving fund program, as seen in Figure 5-11, the local communities also can send their proposals through the branch offices of Community Relations division.

The proposal method employed by YOP in the revolving fund program has encountered various problems. These problems are related to the selection or evaluation of the program proposals. The local community has claimed that YOP gives priority to its own workers and to other particular groups of the local community in the proposal selection process. Included in these groups was the problematic group and the local community members who have a close relationship with YOP's workers. The problematic groups refers in part to a group of local community members who often make a lot of commotion in their bids to obtain loans from YOP. Other problematic groups include local community members who protest against the mining company, particularly in relation to employment recruitment issues. These issues concerning the problematic groups are discussed by these interviewees:

We do not have any standard to select community groups who will receive a loan from YOP ... some of the local community members who have received the revolving fund program are the community groups who protest against the mining company by doing demonstrations. (Arif: a Community Development division staff

member)

If I can say, YOP is like a fire brigade, so if there is a reaction/demonstration, YOP will give them the money/loan, there is another reaction/demonstration YOP give the money/loan and so on. (Tony: a local council member of West Sumbawa)

One of the problems is related to special 'orders' from the mining company ... so it is clear that YOP is not an independent institution. For instance, there is a text message from the Community Relation division to YOP, "There is a demonstration, please give the fund to these people". (Tony: a local council member of West Sumbawa)

We (YOP) have been associated with the Community Relations division's job, for example if there are local community members who protest to the mining company concerning employee recruitment by doing demonstrations, while there are actually not vacancies in this company, how can accommodate these people? ... one of the solutions is we 'send' them to YOP to receive the revolving fund or charity program. (Andi: a Community Relations division staff member)

The above interviews extracts explain how YOP has been pressured to accommodate the problematic groups in its revolving fund program. These groups have protested to the mining company for employee recruitment opportunities. To accommodate these groups, the mining company has sent them to obtain the money/loan from YOP's revolving fund program. The mining company requires this kind of solution to settle the protests from the local community. The crucial role of YOP to maintain good relationships between the mining company and the local community has put YOP under the Community Relations division of the mining company.

YOP has been associated with particular roles, for instance, as the 'fire brigade' or 'panadol' to calm or address the riots and protests of members of the local community against the mining company. These negative reactions of the local community would potentially threaten the mining

operation. Therefore, YOP has given priority to these groups in relation to receiving loans from its revolving fund program.

In its implementation, YOP's revolving fund program has encountered a number of challenges. One problem is that there are a number of groups from the local community which have failed to return their loans to YOP. There are various reasons for this. Firstly, there were local community members who sold their agriculture equipments, including hand tractors and animals such as cows or buffalo, which they obtained through YOP's revolving fund program. They sold their equipments or animals to get enough money to fulfill their basic needs, particularly their consumption needs. Some interviewees have discussed this issue:

The local community members often sell their hand tractors. (Andi: a Community Relations Division staff member)

There are local community members who have succeeded in the revolving fund program, but there are others who do not intend to return their loans ... they use this money to fulfill the family needs. (Andi: a Community Relations Division staff member)

In Sekongkang subdistrict, the revolving fund program has been returned 60%, and has been used for various kinds of development programs, while the rest of it or 40% has been used by the local community, mostly the local farmers for consumption needs. (Tony: a local council member of West Sumbawa)

The above interview excerpts illustrate that many local community members have not yet returned their loans to YOP. Instead, they used the money to fulfill their basic needs. Secondly, some local community members have assumed that they do not need to return their loans. They argue that the revolving fund program is a grant from the mining company; this means they do not need to return the money which they have obtained from the revolving program. This has been explained by this interviewee:

The obstacle of the revolving program is, the local community members assume that the loans which they obtained from the

revolving fund program is a grant from the mining company. They argue that there are many people who have the same opinion. (Andi: a Community Relations Division staff member)

The local community members have assumed that the loan and other stimulant programs from YOP are grants or 'gifts' from the mining company. Thus, they do not want to return their loans to YOP. As mentioned previously, the mining company has allocated grants to YOP on the understanding that this foundation will continue to undertake community development programs when the mining company has ceased to operate in the area. If YOP can distribute grants as a revolving fund program to the local community, this revolving fund program would be sustainable or could be undertaken continually by YOP, even after the mining operation has finished.

The third reason that local community members decide not to return their loans is because they have seen or they copy what other members have done, as illustrated in this interviewee:

"Why I should return this money while the other members should not" the local community members often say (Ardy: a Community Development Division staff member).

This comment demonstrates that some local community members do not want to return their loans because they have seen other members do the same thing.

Andi reveals other problems related to the program proposal method, as illustrated in the following interview excerpt:

Previously, YOP employed the proposal method, but many proposals used the same 'language' because they were made by the same person ... so if we did not approve these proposals, it would cause other problems ... and sometime they asked for excessive budget that almost amounted to US\$1 million. (Andi: a Community Relations Division staff member)

Andi explains that there are many cases in which the groups' proposals have been made by the same person. Andi claims that was evident from the fact these proposal used the same language. Another problem emerged when some groups from the local community made proposals to implement development programs which involved enormous budgets of almost US\$1 million.

It seems that the role of YOP is being used to overcome the relational problems of the mining company with the local community. This is why the mining company has put the regulation of YOP under the Community Relations division. YOP has distributed the grants from the mining company as compensation for the local community members who conduct protest actions against the mining company. YOP also prioritizes these 'problematic' groups to receive the revolving fund program and releases them from the obligation to return these loans to YOP. Other YOP members want to get the same privileges as the problematic groups by refusing to return their loans to YOP. In addition, there is also an assumption among YOP members that their loans are a grant or gift from the mining company. As a result, YOP's revolving fund program has changed from a stimulation program to encourage the local community to participate in the community development program to become merely a charity or donation program. This has decreased the role of YOP in conducting the mining company's community development programs, as well as achieving its objective of sustainability following the cessation of mining operation. Moreover, this has given rise to social jealousy from other local communtiy members who do not receive compensation and privileges from YOP. The local community members have already jumped to the conclusion: "if we want a charity program we can just ask YOP, but if we require a development or empowerment program we should make a proposal to YPESB or the Community Development division".

An interviewee from the Community Development division staff has identified some factors which might have contributed to the above problem. Firstly, YOP's revolving fund programs is not a settled micro finance

system; it does not have any enforcement components, for instance fines, interest, collateral or social control such as a group penalty to ensure that its members will return their loans from this program. YOP only requires the groups of the local community to make a program proposal without any obligation to provide any kinds of collateral to obtain the loan from its revolving fund program. Furthermore, YOP has not determined the amount of interest from the loans that have been distributed to the local community. In addition, YOP does not impose fines or any kinds of penalty for the groups from the local community who have failed to repay their loan.

The second factor is the lack of human resources to undertake community development programs. As explained above, YOP's community development workers have been recruited from the local community members. Most of these members do not have a background or experience in conducting community development programs. In contrast to YPESB, the mining company has not included its employees in YOP's management to supervise the implementation of YOP's community development programs. The mining company has only employed their own staff members as a 'connector' to YOP in relation to the grant which the company has given to this foundation. The interviewee argues that these factors have caused many problems in the implementation of YOP's revolving fund program.

To address this problem, from 2003 YOP decided that the application form method would replace the program proposal method. The application form method is different from the proposal method in several aspects. Firstly, in the application form YOP already stipulates the amount of budget or loan for the development program's implementation, which can range from Rp 250.000 – Rp 10. 000. 000. This amount of budget has been classified into three groups: for individuals, groups and *koperasi* (cooperative). Secondly, YOP also mentions in the application form various kinds of development programs which can be proposed or chosen by the local community, for instance: the kinds of animal; the kinds of agricultural equipments (hand tractors, water pumps, and winding machines and so on); the kinds of agriculture programs (rice, fruit and vegetables, fertilizer and others); and

car and motorcycle repairing businesses. Finally, the application form method requires a cross check process to evaluate the feasibility of the development program that has been proposed by the local community member. Based on the feasibility of the development program, YOP will evaluate the applicants who should be accommodated in its revolving fund program. Furthermore, YOP has involved local government such as police and other government institutions from the beginning to certify the feasibility of the development programs. The application form method has reduced the protests from the local community members as there is better transparency in the selection process of the development programs that have been approved by YOP.

5.5 Summary

This chapter examines the implementation of the community development programs by a copper and gold mining company in West Sumbawa District. This mining company has established a policy related to the implementation of their community development programs. The mining company undertakes this community development program as part of its Corporate Social Responsibility (CSR). The mining company's community development programs have been divided into two programs: the infrastructure and capacity building programs. According to the mining company, the focus of the capacity building programs related to health, education and agricultural sectors. Another program, the local business development program, has been conducted to demonstrate the compliance of the mining company toward the requirement mentioned in the CoW. This program also supports the development of the agriculture sector in the mining circumference area. The mining company claims that capacity building programs are more sustainable compared with the infrastructure programs. The local community could continue to conduct this kind of program, after the closure of the mine. According to the mining company, the main objective of the community development program's implementation is to achieve the independence of the local community. The other objective is to deliver an economic contribution from the mining operation to achieve local community wealth. The mining

company has employed the Millennium Development Goals (MDGs) and Human Development Index (HDI) variables as the wealth indicators or parameters. The mining company realizes that the local community cannot depend fully on the mining company because the mining operation will finish at a certain time. The mining company has delivered the community development programs intensively to the local community members who live in the mining circumference area. This area is the region nearest to the mining operation which includes three subdistricts: Jereweh, Maluk and Sekongkang. The mining company argues that these subdistricts suffer the most from the mining operation. On the other hand, the mining company also realizes that the implementation of the community development program is very important in obtaining the support from the local community. The mining company needs this support to ensure the security of the mining operation, as well as to ensure that the company will obtain significant profit from its operation.

Based on the mining company's community development program expenditure, the mining company has spent most of its budget on the infrastructure programs. The mining company argues that the West Sumbawa district where the company is located has lacked various kinds of infrastructure such as roads, clean water, school buildings and medical centres. Therefore, the mining company has provided these kinds of infrastructure both for the local community and for the mining operation. There are some villages which received more intensive infrastructure programs from the mining company. It is evident that the local community members who live in these villages suffer most from the negative impacts caused by the mining operation, for instance, deforestation and water pollution. The infrastructure programs were used as a kind of compensation, and to reduce opposition to the mining operations.

The mining company in West Sumbawa has employed company-led and corporate foundation approaches in conducting the community development programs. In the company-led approach, the mining company has established a Community Development division to deliver the development programs to the local community, including the capacity building and infrastructure programs. This division has been put under the External Relations

Department regulations. The Community Development division has involved the local NGOs to undertake the capacity building programs, particularly the health, education and agriculture programs. Meanwhile, the local business development program has been conducted by YPESB, one of the mining company's community development foundations.

In the corporate foundation approach, the mining company has established two foundations to deliver the development programs, namely *Yayasan Pengembangan Ekonomi Sumbawa Barat* (YPESB) or the economic development institution for West Sumbawa and *Yayasan Olat Perigi* (YOP). According to the mining company, there needs to be a foundation to undertake community development programs, particularly after the closure of the mine; this might be YPESB or YOP. YPESB and YOP are different in several aspects, including the community development program's implementation methods, the kinds of development programs offered, and the regulations. The mining company has appointed YPESB the local business development program which is part of the Community Development division's development programs. Therefore, in the regulations, YPESB has been put under the Community Development division. This division also appoints its staff to become the supervisors for YPESB. Consequently, YPESB has effectively become the mining company's foundation. The crucial role of YPESB has been necessary for the mining company as it aims to accommodate 'unemployed' workers from the mining construction projects. YPESB has provided other jobs for these workers through its local business development program. YPESB has adopted a top-down approach in conducting local business development programs. By employing the top-down approach, the mining company has arranged various kinds of local business development programs regularly (three or four programs per year) for YPESB.

The mining company has established YOP as its second foundation to undertake the community development programs. In contrast to YPESB, YOP has been viewed as the local community's foundation. This is reflected in the constitution process of YOP which involves three parties, the mining company, the local government and the local community. In addition, all the

YOP's community development workers including its manager have been recruited from the local community members. The role of the mining company is to be the main funder for YOP's development programs. The mining company has delivered this budget as a grant for YOP. This means that YOP does not need to return the grant to the mining company. The mining company argues that YOP could use this grant to undertake the development programs on a continual basis, particularly after the mining operation has finished. YOP distributes grants for the local community members through its main development program, namely the revolving fund program. The local community members who obtain the revolving fund program should return their loans to YOP; YOP then would redistribute these loans to others local community members.

In contrast to YPESB, YOP has employed a bottom-up approach in conducting its revolving fund program. By employing this method, YOP provides opportunities for the local community to choose or establish their own development programs. YOP's role includes distributing the budget to undertake these development programs through the revolving fund program. To accommodate the development programs from the local community members, YOP has employed two methods: the proposal methods and the application form methods. It is evident that the implementation of the revolving fund program through the proposal method has been challenged by various problems. The mining company through YOP has given priority to 'problematic' groups of the local community to get loans from YOP. These problematic groups are made up of the local community members who often protest against the mining company for various reasons including employment recruitment issues. Another problem is that a number of local community members have failed to return their loans to YOP. Some of them do not intend to return their loans because they assume that the loans or amounts of money obtained from YOP are a grant or gift from the mining company. Thus, they assume that they do not need to return the money to the mining company. Other groups of local community members have used the proposal to try to obtain programs involving extensive budgets from the mining company.

The mining company aims to conduct community development programs that will be able to continue following the closure of the mining operations. However, the past use of community development funds as a form of compensation for local communities, and the distribution of these funds as a strategy to quieten protests against the mining company have led to the gradual development of a culture of dependency on the mining company.

Chapter 6

Local Community Participation in the Community Development Programs

6.1 Introduction

Chapter 5 examined the ways in which the mining company in West Sumbawa District has conducted the community development programs. Although this company has conducted two kinds of development programs, infrastructure and capacity building programs, it has spent most of its significant community development budget on the infrastructure programs. The findings in Chapter 5 demonstrated that the effective implementation of these development programs has been constrained by issues of sustainability as well as various other problems which could hinder the participation of the local community. One of these problems is the transformation of some of these development programs into merely charity or donation programs. This chapter will examine the participation of the local community in the mining company's community development programs. Furthermore, this chapter will discuss the role of the NGOs in the implementation of these development programs.

The research interviews reported in this chapter indicate that the local community has become frustrated due to the many problems they have faced in relation to their participation in the community development programs. As a result, they have felt increasingly powerless and their relationship with the mining company has developed in the direction of dependency rather than empowerment. At the same time, the local NGOs have failed to voice local community concerns, due to the fact that their role has been diminished to being merely the workers of the mining company in conducting the community development programs.

6.2 The participation of the local community in the community development programs

This section discusses the participation of the local community in the mining company's community development programs, particularly in relation to the capacity building programs. As mentioned in Chapter 5, this mining company has conducted two kinds of programs: infrastructure and capacity building programs. In relation to the capacity building programs, the mining company is concerned with three main programs: education, health, and agriculture programs. The implementation of these three programs has been installed under the Community Development division of the mining company. In terms of the education program, this division has distributed scholarships, education support programs for local students, and various training programs for teachers, students and mining company employees. In relation to the health program, this division is concerned with significant health issues which have been suffered by the local community including tuberculosis and malaria. In addition, it supports the implementation of the government's health program in the mining circumference area, particularly *Pos Pelayanan Terpadu* (POSYANDU)¹⁶, a community based scheme established with the aims of improving child survival and development, and of addressing the issue of children's malnutrition. In relation to the agriculture program, the Community Development Division has introduced a new agricultural system to the local farmers to increase the yield from their crops. It has also established a revolving fund program which has primarily been conducted by the farmers' wives to increase their family income.

Other programs include the local business development program and another revolving fund program. The local business development program provides additional support to the agriculture program. This program has been conducted by YPESB. A second revolving fund program, on the other hand, has been conducted by YOP. In contrast to the program developed by YPESB and the Community Development Division, YOP acts as a financial institution,

¹⁶ The role of POSYANDU is to overcome the major health problems faced by the women and children, for instance the mortality of mother and babies, and children's malnutrition issue. Included in POSYANDU activities are nutrition, contraception, immunization, and diarrheal control at the village level (Leimena 1989; Sembiring 2004)

and distributes the revolving fund program for the local community members to undertake their own development programs. The participation of the local community in the various development programs is examined in ensuing sub-sections.

6.2.1 The education programs

In terms of education programs, the local community members have primarily participated as the recipients of the scholarships distributed by the mining company. As mentioned in Chapter 5, the mining company is concerned with the lack of education of the population in the mining circumference area. The mining company, through the Community Development division, has distributed scholarships to the local students individually. The scholarship program has been running since the mining company was at the construction stage (1998-1999). At that time, the mining company prioritized awarding scholarships to students whose families live in poverty in the mining circumference area. Therefore, the mining company named this program 'educational support' rather than a scholarship program. This program aims to reduce the number of dropout students in the mining circumference area. The mining company has paid their tuition fees and provided uniforms, shoes and school tool kits for free for these students. It was expected that these students would keep continuing their study to the higher level. At that time, there were only 184 students (150 SMP¹⁷, 180 SMA¹⁸ and 100 S1¹⁹) who received the educational support program from the mining company.

Since 2000, the Community Development Division started to distribute scholarships for local students based on significant achievement in their education, and they referred to this as the 'silver scholarship program'. The aim of this scholarship is to encourage the students to get good achievement at their schools to improve the quality of human resources on Sumbawa Island. This scholarship has been given to 700 students who study in SMP, SMA and university. These students have received the living allowances from the mining company per month per student: for SMP student about

¹⁷ Sekolah Menengah Pertama (SMP) is a junior high school level

¹⁸ Sekolah Menengah Atas (SMA) is a senior high school level

¹⁹ Sarjana tingkat pertama (S1) is an undergraduate level

Rp. 60,000, SMA about Rp. 85,000, and undergraduate students about Rp. 175,000. These scholarships have been distributed not only to local students in the mining circumference area but also to students in other subdistricts outside this area. As a consequence, local students from the mining circumference area have to compete with students from other subdistricts outside this area.

The local community in the mining circumference area protested to the mining company because if their children did not meet the competitive achievement standard, they were not able to obtain these scholarships. In reaction to this protest, the mining company reinstated the educational support as well as the achievement scholarship programs in order to provide an opportunity for students within the mining circumference area to obtain scholarships from the mining company, although their achievements in education might have been at a lower level.

The mining company also established another scholarship program, known as the 'gold scholarship program'. This scholarship is distributed to local students for assistance with specific educational fields, such as medical and mining subject areas. In addition, these students must choose the public universities which have been assumed to have good quality compared with private universities. This scholarship has a purpose of encouraging the local students to choose specific fields that are in demand so that human resources in the mining circumference area would increase. The mining company will give this scholarship for 100 students per year for their tuition fees and living allowances for up to five years. The amount of the scholarship fund is depends on the university's tuition fee. In terms of living allowance, the mining company will provide Rp. 175.000 per month per undergraduate student. The most recent initiative is that the mining company has delivered scholarships for postgraduate students at masters and doctoral levels, and these are called platinum scholarship²⁰.

The scholarship program has faced significant problems in relation to issues

²⁰ Please note the researcher who is the author of this thesis is not supported by one of these scholarships.

of transparency involved in the distribution process. The local community have assumed that the mining company is biased towards distributing scholarships to local students whose families have connections within the mining company. To address this concern, the mining company has held several meetings with the local community to discuss possible solutions to this problem. In reaction to these discussions, the mining company has included various local community members as a team within the Community Development Division to be involved with the administration of the scholarship programs. Until now, the mining company has distributed scholarships to 7,441 students or 620 students per school term, spending funds to the value of approximately Rp. 11,574,180,000 or US\$1,157,418. The proportion of students who received the scholarships is *Perguruan Tinggi* or University 39%, *SMA* 30% and *SMP* 31% (Mining Company 2009c). In addition to the scholarship program, the mining company also provides training programs for school teachers to improve their capabilities. In relation to students in primary, secondary and high school, the mining company conducts training programs regularly for the students at these levels when they are working towards their *Ujian Nasional* or the National Examination. The mining company states that this training program has succeeded in increasing the number of students who pass their study. For instance, in senior high school level or *SMA*, the percentage of students who pass in this level (259 students) is 65.25%. The target is 75% target (Sinoel 2005).

The mining company supports informal education by conducting various training programs for the local community members. Included in these groups are: dropout students; school teachers; and local communities with illiteracy problems. For the dropout students, the mining company gives them training programs to improve their skills, for instance in automotive, administration and computer. From 354 dropout students who attended these training programs, almost 44% of them have been recruited as the employees in government departments, the mining company, its sub-contractor companies and local contractor companies, or has established their own automotive businesses (Sinoel 2005). The mining company also supports the government program in reducing a number of local communities with illiteracy problem. From 348

local community members with illiteracy problem, 281 of them passed their study in the mining company's illiteracy training program (Sinoel 2005).

Another training program has been conducted by the mining company for local community members who want to be recruited by the mining company and its sub-contractor companies. These members are mostly unskilled workers. The first training programs were conducted at the construction stage for construction project workers; these workers required training before they could be recruited as mining company employees.

6.2.2 The health programs

As mentioned earlier in this chapter, the mining company is concerned with two important health issues in the mining circumference area: children's malnutrition and the malaria epidemic. The mining company has conducted various development programs to address these problems. For instance, the mining company has supported the implementation of POSYANDU to reduce the number of children suffering from malnutrition. In conjunction with this government sponsored program, the mining company has distributed funds through a local NGO to support mothers in providing nutrition for their children if the children are suffering from malnutrition. In addition, this local NGO has educated the mothers to overcome the problem of children's malnutrition. This education process has been supported by health assistants who are mostly local women. It is assumed that increasing women's capacity and knowledge in addressing malnutrition problems should ensure the sustainability of the program. In terms of the issue of children's malnutrition, the mining company claims that this program has been successful, as the number of children who are suffering from this health issue has decreased from 10.1% in 2004 to 0.6% in 2009 (Mining Company 2009c).

While, the support of the mining company in these health programs brings immediate health benefits to the local community, it also reinforces the financial dependency of local community on the mining company. The local community members participate in the health programs, for instance the children's malnutrition program, primarily on the basis and understanding that the mining company supports this program by giving the funding to provide

good nutrition for their children. An interviewee explained her pessimism about the idea that the local community would continue to give good nutrition to their children without the funding support of the mining company:

The local community members are dependent on the mining company. We are concerned about the continuity of this program after the mine closure because the local community always expects funds from the mining company. (Denok: a community organizer for the health program)

The most crucial issue is that the local community is very spoilt and always depends on the mining company, for instance when someone got injured in a minor traffic accident, they asked for money from the company. (Denok: a community organizer for the health program)

This interviewee argues that during the time of the mining operation, the local community has become dependent on receiving support from the mining company, and to an extent opportunistic in demanding this support. As mentioned above, through the interviewee's NGO, the mining company has distributed funds to provide food with good nutrition to the children, as well as educating the local women so they have adequate knowledge to address the malnutrition problems. The interviewee, however, is pessimistic about the women continuing in this practice of giving good nutrition to their children, even though they have attained this knowledge. The problem is that these women keep expecting the mining company to give them funds to provide healthy nutrition to their children. The question remains as to the continuity of the children's malnutrition programs after the mine closure.

Community organizers in the health programs seek to reduce the financial dependency of the local community on the mining company. They're concerned with the way the local community members keep continuing to ask for support from the mining company, as illustrated by an interviewee:

What we want is if the mining company already gone, we still could run these health programs. We don't want the local community

keep depend on the mining company. We are trying to solve this problem, for instance by improving the capacity and knowledge of the local community in conducting these programs. I think the most important thing is we have to change the local community's mind so they are not too depend on the mining company. For instance, we have teachers and students, but we don't have school buildings; the mining company then could help us by building these schools. But, they keep asking for the fund from the mining company and never think that they would continue these programs by themself. (Denok: a community organizer for the health program)

Community organizers are concerned with the sustainability of the health programs after the mine is closed. The local community also depends on the mining company to run these programs. They have tried to reduce this dependency by increasing the capacity of the local community in conducting the health programs. Community organizers, moreover, argue that this attempt would not succeed if it is not followed by a change in the local community's mind set. The local community members continue to think that the mining company should give them full support, particularly related to the funds to undertake development programs.

The research for this thesis has indicated that the lack of involvement by the local government has worsened the financial dependency of the local community on the mining company. The local community has been disappointed by the inadequate services in the health programs which have been delivered by the local government. On the other hand, the local community feels more satisfied when these programs are conducted by the mining company through a local NGO. Some interviewees gave the example of the POSYANDU program, which has achieved good performance when it has been conducted by the mining company. Conversely, this program has faced many problems since it has been conducted by *pusat kesehatan masyarakat* (PUSKESMAS), which is a public medical centre belonging to the government. These interviewees suggest that the bureaucratic system along with the lower income and fewer incentives offered to the government officials

in PUSKESMAS have caused the inadequate service in the implementation of POSYANDU. As a consequence, members from the local community think that the mining company should continue to be in charge of POSYANDU, instead of the local government. This problem has been discussed by the following interviewees:

When the mining company gave funds for POSYANDU through PUSKESMAS, it caused many problems in its implementation, such as the unfriendly services and the cutting of the POSYANDU funds. But now, the implementation of POSYANDU has been much better since the mining company has undertaken this program through a local NGO. (Husna: a health program assistant)

A mother who is going to deliver her baby would only get help from the mining company, instead of from PUSKESMAS. (Denok: a community organizer for the health program)

The local government, moreover, tends to hand over the responsibility of undertaking POSYANDU programs to the mining company. It relies on support from the mining company to conduct this health program. As a result, the mining company has dominated the implementation of POSYANDU by providing the funds as well as incentives for the health assistants. This has resulted in the financial dependency of both the local community and the local government on the mining company, as explained in the following interview extracts:

POSYANDU should become the village officials' responsibility. But they seem not to give enough attention to this program and only rely on the support of the mining company in terms of funding and incentives. As a result, when the mining company was late to distribute funds for several months, they had difficulty undertaking POSYANDU. There were many health assistants who resigned and refused to give their support to this program any more. (Denok: a community organizer for the health program)

POSYANDU seems to have become the mining company's health

program rather than belonging to the government. (Denok: a community organizer for the health program)

This interviewee explains the lack of a role assumed by the local government in conducting the POSYANDU program. This role has been replaced by the mining company which has dominated the implementation of this program. This has increased the dependency of the local community on the mining company, particularly in relation to the financial aspect in conducting POSYANDU.

The participation of the local community in health programs has also been influenced by changes in the lifestyle of the local community. As explained in Chapter 5, the existence of the mining company has changed the local community lifestyle, from subsistence to a consumption oriented community. As a result, the local community uses monetary considerations in valuing things, including their participation in the health programs. This means that the local community's participation in the health programs is dependent on being financially rewarded for their participation.

The ladies only want to go home as soon as possible. I heard that they said, "Why must I be so busy in this health program?" As I heard this, I wanted to fire them. But if there is some money they want to participate. (Husna: a health program assistant)

We have difficulty in finding local community members who could be self-sufficient and independent in conducting the health programs in this area, compared with other regions such as Bima and East Lombok. I assume this is because the existence of the mining company in this area created different income levels among the local community members. As a consequence, they are competitive and value everything in terms of money. The local community members always count their hours in everyday life with money. (Agus: a member of an NGO for the health program)

These interviewees' responses indicate that the change in the local community lifestyle has hindered the participation of the local community in

the health programs. They have become money oriented and have an expectation that their participation in these programs should result in financial reward.

Another change in lifestyle has also created an additional obstacle for the local community members in terms of participating in the health programs. These members do not want to participate in POSYANDU due to the fact that this health program is a community based health program. Many women prefer to take their children to see general practitioners or specialists even though this is considerably more expensive. They make this choice based on prestige, as going to a specialist rather than attending POSYANDU demonstrates that they are financially well off. The study found that the women who do not want to participate in POSYANDU are mostly from the families of mining company employees who have higher incomes compared with other local community members, as illustrated in the following interview extract:

The local community members do not want to participate in POSYANDU because they prefer to go to the general practitioners or a specialist. These members are mostly the mining company employees' wives. (Denok: a community organizer for the health program)

The change in lifestyle and values is also the basis of the problems mentioned above with the eating habits of the mining company employees' families. As explained by this interviewee in previous chapter, these families often assume that consuming fast food will give them more prestige. Yet this can be expected to trigger further malnourishment problems for their children.

6.2.3 The agriculture programs

Most of the local community members in the mining circumference area make their living from the agricultural sector. The local farmers in this area, however, have lacked the capability to cultivate their land effectively. The Community Development Division, therefore, has introduced a new agricultural system to the local farmers, namely System Rice Intensification

(SRI)²¹, which is able to increase the yields from the farmers' crops. The following interview extracts illustrate the limited capability of the local farmers in cultivating their lands:

There are many local farmers who cannot cultivate a rice paddy properly. (Cahyo: a Community Development Division staff member)

There is a lack of capability in terms of human resources in this area. This condition is similar to the human resources in Java province ten years ago. (Deni: a member of an NGO for the agriculture program)

To introduce SRI, the Community Development Division and the local NGOs have conducted *sekolah lapang* (field school) for the farmers. In this school, the farmers have learnt how to cultivate their land in a better way, so they can increase the yield from their crops. It has been assumed that this school will increase the capacity of the local farmers to cultivate the land, as well as ensuring the sustainability of the agriculture program. To support this program, the mining company has built water dams for irrigation and distributed hand tractors and water pumps to the local farmers. The Community Development division through YPESB, furthermore, has introduced a commercial planting program. In this program, the farmers can cultivate commercial plants such as melon, shallots, *Aloe Vera* and sea weed, instead of rice paddies. These farmers, further, can 'transform' these plants into various food products for the local businesses. In addition, the Community Development division delivers other agriculture programs, including compost and revolving fund programs.

The revolving fund program related to the agriculture program has been conducted by groups of the farmers' wives, namely *Kelompok Swadaya Masyarakat* (KSM). The objective of this program is to increase the farmers'

²¹ System rice intensification (SRI) is an agro-ecological methodology for increasing the productivity of irrigated rice by changing the management of plants, soil, water and nutrients. SRI originated in Madagascar in the 1980s and is based on the cropping principles of significantly reducing plant population, improving soil conditions and irrigation methods for root and plant development, and improving plant establishment methods (<http://sri.ciifad.cornell.edu>)

family income. This revolving fund program aims to facilitate the farmers' wives in undertaking various economic activities to support their family income. Previously, these farmers' wives were encouraged to use their loans from KSM program to run small shops which sell the tools needed by the local farmers to cultivate the lands, such as hoes, axes and insect sprayers. But, now the KSM program has assisted in the development of various local business activities, such as small shops and home industries, and groups of revolving fund programs. In order to do this, the Community Development division has connected the KSM members with local banks to have access to the revolving fund program. This division has supported these members by providing the collateral so they are able to borrow money from these banks. The KSM members then use their loans to establish their economic activities. The KSM program, furthermore, aims to release the farmers' families from the trap of 'moneylenders'. KSM members are able to borrow money from the local banks at a lower interest compared with the interest charged by the moneylenders.

There have been various problems which have hindered the participation of the local community in these agriculture programs. These have included, firstly, the strong orientation of the local community toward the mining company; secondly, the money-orientated character of the local community; and thirdly, the lack of assistance.

Firstly, the strong orientation of the local community to be involved in the mining operation has hindered local community participation in the agriculture program. This orientation has caused members of the local community to lack the motivation to participate in the agriculture programs.

The local community's orientation toward the mining company can be divided into four levels. The first or highest level is the orientation to be involved as mining company employees. The second level is the motivation to be recruited as the mining company's subcontractor companies' employees. Local community members who fail to be recruited as an employee either of the mining company or the subcontractor companies sometimes try to be involved by being suppliers for the mining company. The mining company

connects with local community businesses to fulfil various needs of the company's employees, such as food and clothes for its numerous employees. However, a large budget is needed in order to establish these supplier businesses. As a consequence, there are not many local community members who can establish these supplier businesses. Finally, local community members who cannot be involved in the three ways mentioned above may be involved in the mining company's community development programs. This has become the last alternative for the local community members to be involved in the mining operation. This situation is described in the following interview extracts:

The local community members are lacking in motivation to participate in the agriculture program. They only want to be recruited either as the employees of the mining company or the mining company's subcontractor companies. Becoming a farmer is the last alternative for them. The local community members would go back to the agriculture sector if there is no chance to be recruited as employees. (Deni: a member of an NGO for the agriculture program)

The local community tend to compare the agriculture sector with the mining or the sub-contractor company employees. They say, "Why should I exhaust myself, I prefer being jobless". Previously, they only had loose change, but now they have changed, they are very consumption oriented. (Deni: a member of an NGO in the agriculture program)

The orientation of the local community to be involved in the mining operation has been influenced by changes in the local community lifestyle. The local community has observed that the mining company employees have attained a higher income and more prestige compared with what they could obtain from the agriculture sector.

The second problem is related to the money-orientation of the people in the local community. This has influenced the way in which local community members have participated in the agriculture programs. Similar to the health

programs, the local community are willing to participate in the agriculture programs if they can earn money from these development programs, as explained by these interviewees:

The local community members would attend the meetings conducted by the mining company, but we must give them 'sitting money' or some money for their attendance. (Wawan: a KSM member)

We realize that the local community has participated in the community development programs. But we also found that there is less participation if they won't get any money from the community development program's implementation. We found it difficult to conduct the development programs that need volunteers from the local community members. (Joko: a Community Development Division staff member)

This orientation toward money is not in the traditional nature of the local community character. An interviewee explains that this change in character has been caused by the money-focussed or financial approach which has been pursued by the mining company to address its relational problems with the local community. One interviewee explains the process which led to the creation of this money-oriented character. He states that this problem began at the construction stage. In this stage, the mining company recruited members of the local community as workers in its construction projects and they were paid wages. However, moving into the production stage, the mining company required only skilled workers to conduct the mining operation. As a consequence, the mining company recruited only a small number of local community members who had specific skills as the company employees. Meanwhile, other local community members had been left without a job. Since then, a gap has developed in terms of income between the mining company employees and other local community members. The latter group was disappointed and unsatisfied with this situation and started to protest to the mining company for more benefits from the mining operation. To overcome this problem, the mining company employed a financial approach by distributing charity or donation programs through YOP to 'cool down' the

protesters. YOP, therefore, has had to act reactively: if there is a protest from the local community members, YOP will always give them money or charity programs. As a result, the local community has become accustomed to receiving money 'for free' from the mining company. This approach has caused the emergence of the money-orientated character of the local community, as illustrated in the following interview extracts:

The local community members protested, the mining company gave them money, the local community members protested, the mining company gave them money. Finally, they have become 'a spoilt community'. I assume that the mining company might not have realized its mistake. (Wawan: a KSM member)

Whatever obstacles from the outside could impede the construction project, the mining company addressed these obstacles by employing a financial approach. But this became a bad precedent. We have made a mistake. We should have stopped using the financial approach after the construction stage finished and should have employed another approach. But we didn't, we are still employing this financial approach. This approach has become a blueprint for our community development program. (Hendro: a Community Relations Division staff member)

It can be argued that the recruitment process has become one of the most significant issues in the mining industry area in the West Sumbawa district. The local community has protested that the mining company has not yet prioritized recruiting them as its employees. These protests aim to make the mining company give more attention to the local community members. However, the mining company has seen these protesters as a threat to its operation. To address this problem, the mining company has chosen a financial approach. This kind of approach mimics paternalism in the parent-child relationship. Some parents spoil their children by giving them everything they want, such as candies or toys when they are upset. Other parents try to make up for not being able to give attention to their children by giving them money. Both parenting patterns may lead to character traits such as being

spoilt, dependent and demanding.

The financial approach employed by the mining company is similar to this approach to parenting. This pattern has changed the local community mindset as the local community members have now developed an expectation of receiving money for participation in the community development programs. An interviewee explains that it is difficult to change the money-orientated character of the local community. When the mining company has sought to conduct other community development programs, it has been faced by the money-orientated character of the local community members which will influence their participation in these programs:

If I can make a comparison we can cure a cough but it is difficult to change a character (money orientation) from the local community members. (Wawan: a KSM member)

The third problem which has influenced the participation of the local community in the agriculture programs is related to lack of assistance in their implementation. The local farmers need more assistance from the mining company in relation to the negative impact caused by the mining operation. As mentioned in Chapter 4, the mining operation has caused inflation which has increased the price of all goods and services, as well as the wages of casual workers in the mining circumference area. Inflation has had an impact on the local farmers because it increases the production costs in the cultivation process. These farmers have to pay more for casual workers who assist them. On the other hand, the local farmers can no longer rely on the *besiru* tradition which previously provided free labour for land cultivation. This tradition has disappeared in many villages since the establishment of the mining operation. As a result, the price of the local farmers' crops has become more expensive (sometimes doubling) compared with other areas outside the mining circumference area. These farmers have become powerless because they have difficulty in selling their crops to the market, as has been explained by these interviewees:

The local farmers could plant rice paddies on a massive scale; however they would not be able to sell their crops to the market

because the price of their crops would be very expensive. For instance, I tried to cultivate tomatoes. It was a success; however, I could not sell these tomatoes to the market because their price was too expensive. (Deni: a member of an NGO for the agriculture program)

The farmers only want to cultivate rice paddies instead of other plants such as melons because they found it difficult to sell them to the market. (Umi: a community organizer for KSM)

The farmers need assistance from the mining company in order to overcome this marketing problem. The mining company previously offered assistance to the local farmers in addressing this problem, from assistance with the cultivation systems through to the crop marketing. At that time, the mining company would buy the local farmers' crops to fulfil their employees' needs. This became a 'mutually symbiotic' process between the mining company and the local community. The mining company gave their support to the farmers by providing the assistance and materials needed for land cultivation; on the other hand, these farmers supported the mining company by fulfilling the needs of the employees through the provision of their crops. This process is illustrated by this interviewee:

She (a Community Development Division staff member) gave assistance to the local farmers and fishermen from 'upstream' to 'downstream'. She assisted the farmers in choosing plants, on how to cultivate the plant, and provided the seeds until they could sell their crops. At that time, the mining company would buy crops from the local farmers. The local community was very happy with this approach. But Miss X had been replaced by another person because the mining company claimed that this kind of approach had wasted the budget. Then, the mining company changed this approach with another format. (Totok: a YPESB community development worker)

While the local farmers have a continued need for this kind of assistance, the Community Development Division has no longer been able to afford to offer this level of support. It had seen that this kind of assistance expends

significant amounts of the budget in its implementation. Since the cessation of this assistance, the local farmers have become powerless because they are not sure how they can sell their expensive crops to the market. As a result, the local farmers have lost hope and have been forced to leave their land and look for other jobs to fulfil their basic needs. There are many local farmers, moreover, who do not want to participate in the agriculture program due to this lack of assistance:

Now there is no assistance from the mining company. The local farmers have to do and provide everything related to the cultivation and the marketing process. (Totok: a YPESB community development worker)

I would like to say, not all local farmers want to participate in the agriculture program. (Wahyu: a local farmer)

Furthermore, it is evident from the research of this thesis that there are many local farmers who do not want to adopt the SRI program as a new system to cultivate their lands. The local farmers used to cultivate their land with the previous system which is simpler and they could obtain the crops more quickly. With SRI, the local farmers need to acquire new knowledge and it would take a longer time to experience the effectiveness of this system. A community leader explains that the local people previously had a traditional agricultural system which complements the SRI program. This system, however, has been replaced by the modern agriculture system:

If we can see, there is a huge differences between traditional and modern agriculture system. At that time we utilized the natural insecticide, not a spray insecticide. We had 'rice paddy witch doctors' who could find the natural insecticide. We treated our rice paddy like our children. If one of them got sick we would take the sick to a doctor, as well as our rice paddy. Now, none knows about this traditional knowledge. They only know how to get money from their rice paddy. (Harun: a community leader)

The interviewee explains that the local people had the traditional agriculture system which complements the SRI program. This system had utilized agro-ecological methodology to cultivate the land. The local farmers, however, have left this traditional knowledge and prefer to utilize the modern agriculture system which gives them immediate results from their cultivation, so that they can harvest their crops, sell them to the market, and get money to fulfil their basic needs. Thus, for the local farmers, the most important thing is that they are able to sell their crops to the market to get the benefit from their crops. The local farmers, therefore, need more assistance from the mining company to deal with the marketing issue; this is currently more important to them than assistance with how to cultivate the land with the new agriculture system.

The issue of lack of assistance has caused problems with unpaid debts in the KSM program. The KSM members have protested to the mining company in relation to this lack of assistance. These members argue that they need assistance, instead of money or loans, from the mining company. The KSM members assume that the Community Development Division could introduce new skills through various training programs, so they could become more productive. The KSM members argue that they could employ these new skills to become more productive by doing various economic activities, for instance by producing home-made products, handicrafts, catering, and selling agriculture products. This issue is discussed in the following interview extracts:

We made a lady's bag, but when we showed this product to the mining company, they said that our product is old fashioned ... I did not expect this kind of response ... all we need is to know how to make this old fashioned product marketable ... the mining company's response has made our group feel disappointed and hopeless. (Anik: a KSM member)

The mining company said they wanted to buy us the cassava fried chip machine, but it will cost us a lot for the electricity. We could receive this machine, but only as long as there was training or assistance from the mining company so that our members would understand how to use that machine to fry our cassava

chips product. If the mining company only gives us that machine without any assistance, we might not be able to use that machine well. (Rodiah: a KSM member)

If they are able to be more productive, the KSM members could use their loans from the revolving fund program to produce something marketable and could earn money from it, and they could then repay their loans to the bank. Without the acquisition of these new skills, KSM members tend to use their loans for non-productive activities such as fulfilling their basic needs. As a result, most of the KSM members' loans become unpaid debts because these members are unable to repay their money to the banks:

The mining company gives loans/money to KSMs without any assistance. KSM members do not understand and are confused about how to use their loans in productive activities. As a result, KSM members cannot use their money in productive activities to increase their family income. They spend their loans only on basic needs. This problem has caused the 'unpaid debts' issue in the KSM program. (Totok: a YPESB community development worker)

Similar to the local farmers, the KSM members also need assistance from the mining company in terms of the marketing aspect. This kind of assistance is very important due to the fact that most KSM members have made their living from the agricultural sector. They do not have experience in how to sell their products to the market. The KSM members expect the mining company to assist them in finding the markets to sell their products. An interviewee explained this expectation as follows:

There are farmers' wives who are creative in producing local craft. The mining company could give them loans to conduct this business. After this, the mining company should support these ladies in finding a market to sell their product, for example the mining company could sell this product as a souvenir for the employees who are from outside Sumbawa. The mining company should offer assistance like this, but they do not. (Totok: a YPESB community development worker)

This lack of assistance has caused many KSM members to become trapped in unpaid debts. Most of them have not been able to repay their loans to the bank because they have spent this money to fulfil their basic needs, instead of for productive activities. As a result, the community organizers (CO) who should provide assistance to the KSM members about how to conduct productive activities have now become the debt collectors. Their main role has been reduced to collecting money from members who have not yet returned their loans:

The main role of community organizers (COs) is to urge KSM members to return their loans, then collect this money from these members to be returned to the bank. (Cahyo: a Community Development Division staff member)

Now, the main job of a community organizer (CO) is to act as a debt collector rather than as a KSM assistant in conducting development programs. (Totok: a YPESB community development worker)

On the other hand, another interviewee reveals that many community organizers do not have the capability to assist KSM members to establish their own development programs. She argues that a community organizer has an important role in assisting KSM members in conducting their development programs, and that the mining company should be responsible for improving the skills of these community organizers, for instance by providing them with training programs. The mining company, however, has not been concerned with this issue:

The mining company should improve the capability of the community organizers (COs) because they have a crucial role in teaching or assisting the farmers' wives. It should be the responsibility of the mining company to give the training programs to these Cos. (Neni: a local council member of the West Sumbawa district)

The issues involved in the KSM program illustrate that the mining company has focused more on the economic aspect in delivering the community

development programs. The mining company has seen that the local community members need money in order to establish economic activities which could increase their income. The local community members, however, expect the mining company to assist them with acquiring new skills through various training programs. By using these skills, the local community could become more productive in engaging in various economic activities. Moreover, they would need the money as capital to establish these activities. Without the productive skills, however, the local community are not able to use the money that they have obtained from the bank constructively, and instead they tend to spend it on fulfilling their basic needs. As a result, most KSM members have an unpaid debt and this has caused them to become more powerless in relation to both the mining company and other economic institutions, such as the local banks.

Both the mining company and local community members have put forward ideas to improve the community development programs. A reward system for local community members who are successful in undertaking their development programs has been proposed. This reward system could motivate the local community to participate in these programs, as has been explained by an interviewee:

The mining company proposes to give a reward to KSM members if they are successful in conducting their development programs. I think it is important to boost their motivation. What has happened is the mining company only gave KSM members money, that's all, there was not any effort from the mining company in relation to how to improve KSM programs. (Neni: a local council member of the West Sumbawa district)

Another form of support from the mining company is related to the materials needed by the local community for their development programs. Included in these materials are rice seed, fertilizers and raw materials for home-made products. The local community expects the mining company to support them by providing these materials until they become successful and independent in conducting the development programs:

The mining company have offered to assist us to make bedcovers. They said we could learn how to make them in the town-site, but we have to bring our own material. We refused this offer by saying thank you. In my opinion, if the mining company really wants to conduct a training program, they should be responsible for providing everything. However, next time, if we can make the bedcovers by ourselves, we would buy all the materials we need to make it ourselves. (Anik: a KSM member)

I want the mining company to help us by providing the rice seed and fertilizer for free. (Rusdi: a leader of a farmers' group)

On the other hand, the Community Development division has made a different assumption in relation to these forms of support. They argue that the local community members have not participated in the implementation of the development programs. The Community Development division has had to provide comprehensive support for the local community in the community development programs, including developing the programs and providing the materials needed for their implementation. For instance, in the SRI program, the Community Development division has not only distributed knowledge related to this program, but also provided the materials including rice seed and fertilizer for free to the local farmers in its implementation. The mining company argues that they should deliver the development programs to the local community, including training and assistance on how to conduct SRI programs. They would prefer the local community to be self-sufficient by providing the rice seed and the fertilizer themselves; however the division feels that the poverty issue has become an obstacle, hindering the local community from participating in the agriculture programs. This issue is discussed in the following extracts from interviews:

We distribute the rice seed for free for them, covering about 20%-50% of their needs in terms of cultivating their lands. The most important thing is that they intend to employ the SRI system to cultivate their lands. In this case, I think SRI is an empowerment program, while the free rice seed is a charity program. (Arif: a Community Development Division staff member)

The point is the local community has a lower participation in conducting the development programs in terms of materials and the budget required for their implementation. For instance, in the agriculture program, if we want to introduce a new program, we have to fund everything. (Arif: a Community Development Division staff member)

Our obstacle in the KSM program is that most of the KSM members are living in poverty. If they receive money, they might use it for other needs. We have found that one KSM group became a success because their leaders are from families who are better off financially. (Cahyo: a Community Development Division staff member)

It can be argued that the mining company and the local community have different expectations in terms of the implementation of the development programs. The local community complains that the mining company has given less support to them in conducting the development programs, for instance: a lack of assistance/training programs; a lack of rewards; and limited support in terms of providing materials needed in the programs' implementation. Furthermore, the local community argues that they need these supports until they have become successful in undertaking the development programs. On the other hand, the mining company expects the local community to be more participative and independent in terms of the funding and materials needed in the development programs. However, the mining company has argued that the issue of poverty has hindered the local community's participation in these programs.

The different understanding of this issue of participation between the mining company and the local community appears to have transpired due to a lack of communication between the two parties. Some local community members complain that the mining company does not seem to want to listen to and respond to their problems concerning the implementation of the community development programs. This can be illustrated from the way in which the mining company has communicated at several meetings with the local community members. Some local community members have described these

meetings, and have claimed that the mining company often sends people from the Community Relations division to represent the mining company. The local community members maintain that these people structured the meetings in various ways in order to obstruct the local community members from giving feedback or making complaints to the mining company. The local community has also become frustrated with the meetings since the mining company always sends a representative of the Community Relations division, rather than a higher ranking person who may be able to take action on their complaints. An interviewee outlined this problem:

*If there is a meeting with the mining company, they always appoint the same person ... we are tired of this ... we want a person from a high level, so they can listen to our complaint.
(Anik: a KSM member)*

*In the meeting, the mining company always sends their person from the Community Relations division. They act as the mining company's bodyguard. If someone has been trying to complain to the mining company, they will protect the mining company.
(Anik: a local community member)*

This interviewee explains the problem of communication between the mining company and the local community. An effective communication process would provide further support from the mining company to the local community. The mining company, however, has employed an approach which could obstruct the communication process between the mining company and the local community members, for instance by sending people from the Community Relations division as its representatives. As a consequence, communication between the mining company and the local community has been limited to a one-way process, instead of being a constructive dialogue.

The same complaint has been explained by another member of the local community. This interviewee argues that the mining company should conduct a cultural or religious approach in order to communicate effectively with the local community. As an example, he suggests that people from the mining company could 'sit down' together with local community members at 'Friday

prayer', and that this might help to build effective communication with the local community members. He explained this approach as follows:

In my opinion, there should be regular meetings between the mining company and the government, as well as the mining company and the local community. (Tony: a local council member of the West Sumbawa district)

The mining company could get closer to the local community members by sitting together with these members for 'Friday prayer' at the mosque in the mining circumference area. Through these events, the mining company could create more understanding with the local community members and might change the demanding character of the local community in relation to the mining company. (Tony: a local council member of the West Sumbawa district)

The interviewee suggests that a religious or cultural approach might be an effective way of communicating with the local community members as the people living in the mining circumference area are mostly part of religious communities. A religious approach might therefore bring the mining company closer to the local community, and this in could might help to overcome the problem with participation in the development programs. For instance, this approach may mean that the mining company is able to respond more constructively to the demanding character of the local community, and decrease the expectations of the local community that the mining company should provide them with whatever they ask. In addition, the interviewee suggests that there should be regular meetings between the mining company and the local community in relation to the implementation of the community development programs.

In summary, it is evident that the provision of adequate and constructive assistance, as well as effective communication and other support from the mining company are crucial aspects which need to be addressed in order to achieve sustainability and empowerment through the community development programs. In the mining industry context, support and assistance should be

provided by the mining company to the local community until they are successful and have become independent in conducting their own development programs. This could be connected to the occupation of the local community members, who mostly derive their living from the agricultural sector. These members need new knowledge and skills to increase their crops or to do other productive activities in order to achieve economic betterment. This, however, might have some implications for the mining company in terms of budget and the time needed to implement the community development programs. This issue of time has become another factor which has challenged the mining company in delivering development programs to the local community. The following interviewees refer to the issue of the sustainability of the development programs:

The Community Development Division has conducted instant development programs. For instance, in the middle of the implementation of one development program, this division will suddenly establish another development program. As a result, the implementation of the previous program is not optimal. They should focus on one at a time, until one program has finished being conducted. (Totok: a YPESB community development worker)

The KSM members have changed their programs often. At one time they produced cassava chips, but this program finished. Then, they changed their program by producing fruit chips, but this finished also. (Neni: a local council member of the West Sumbawa district)

The interviewees explain that the Community Development Division has not been focused in conducting agriculture program. They argue that there are many different agriculture programs which have been conducted at overlapping times. This division does not undertake and assist with one development program until it becomes a success. One interviewee gives the example that the Community Development Division had given his NGO the responsibility for conducting an organic fertilizer program. Unfortunately, he did not succeed in implementing this program because this division then

introduced another development program to his NGO.

The mining company seems to intend to conduct a multitude of community development programs. For the mining company, the most important aim appears to be to deliver numerous development programs to almost all local community members. In relation to this problem, one interviewee complains that the mining company should not deliver the community development programs to all local community members. Instead, it should select members who would be most likely to conduct the development programs effectively, which would then provide role models or pilot projects for other members to do the same thing; this would, however, require longer lengths of time in the implementation:

I think the mining company does not need to give money to all the people, just some people who potentially would be successful in implementing the development programs. If they succeed, other local community members will follow them. (Wawan: a KSM member)

The mining company, however, might have pragmatic reasons for delivering an excessive number of development programs to the local community members. These reasons are associated with stopping the local community members from protesting against the mining company, which could threaten the mining operation. This security issue has remained the mining company's priority in conducting the development programs. As a result, the mining company's community development programs tend to be short-term, unsustainable and unfocussed.

On the other hand, there are some local farmers who have succeeded in undertaking some of the agriculture programs, particularly the commercial planting program. These farmers cultivate Aloe Vera and seaweed and transform these into various food and drink products. The cultivation of commercial plants has been included in the local business development program. In the implementation, therefore, the local farmers have been assisted by *Yayasan Pengembangan Ekonomi Sumbawa Barat* (YPESB), a community development foundation which has been responsible for

conducting the local business development program. YPESB has employed a different approach compared with the Community Development Division in conducting its program. This approach will be discussed in the following subsection.

6.2.4 The local business development programs

The local community members have participated in the local business programs which have been established by YPESB. As mentioned in Chapter 6, YPESB has been responsible for delivering the local business programs to the local community. In contrast to the Community Development Division which has distributed a massive number of development programs, YPESB has employed a top-down approach and has established only about three to four local business programs per year. Furthermore, YPESB will provide assistance to local community members in undertaking these programs until they are successful, before establishing other local business programs:

YPESB only focus on distributing 3-4 business programs per year to be conducted by the local community. (Ardy: a Community Development Division staff member)

YPESB has employed the approach of providing comprehensive assistance to the local community members in undertaking their businesses. For instance, in the Aloe Vera business, YPESB would assist the local farmers in how to cultivate the Aloe Vera, how to make the food and drink product from Aloe Vera, and the packaging of these products. To support this program, YPESB has connected these farmers with the local banks to obtain loans. In relation to product marketing, YPESB has assisted its members in finding other business institutions which could buy their Aloe Vera products. This process has been described by several interviewees:

YPESB gives comprehensive assistance to the local community for a year until they become successful. For example, we have conducted an Aloe Vera business. We assist the local community members in how to cultivate Aloe Vera, how to make various kinds of food products made from Aloe Vera such as jelly and

jelly drinks, and the packaging of these products. Then we assist these members to make a contract with other business institutions to sell their product. (Totok: a YPESB community development worker)

We deliver a business program to the local community. Then we connect them with the bank or other local government institutions because we are not a bank that could continually give money to the local community (Ardy: a Community Development Division staff member)

Some of the local farmers have been successful in conducting their Aloe Vera business programs. They state that YPESB often provides them with training programs to increase the quality of their products:

In the beginning, YPESB funded all the activities in this business including paying the salary for the workers. After the local community members businesses become successful and earn a profit from its production, they have to pay the workers by themselves. However, YPESB does not abandon this business; it still keeps providing training if needed. (Umi: a community organizer for KSM)

There are many training programs to increase our product quality. (Yayuk: a local community member who has participated in an Aloe Vera business program)

The interviewees describe how YPESB has provided comprehensive assistance to the local community members to conduct the business programs. YPESB, moreover, keeps giving assistance to the members who have been successful in developing their business programs. The local community members have responded positively to their involvement in YPESB's Aloe Vera and seaweed business programs. Some members stated that the community development programs have fulfilled the needs of the local community. They explain that YPESB has involved them in various kinds of training programs to help them make progress in their businesses. As a result, some local community members have become successful and independent in

developing their business programs.

The participation of the local community in YPESB's local business programs, however, has been challenged by an issue related to unfair distribution, as not all local community members have been able to participate in these business programs. One interviewee claims that the YPESB development programs in his village have been distributed mostly to the head of the village and his family members:

If you (the researcher) can see in front of my house, there are local businesses which have been assisted by YPESB including Aloe Vera, but these programs could only be enjoyed by the head of the village and his family. (Tony: a local council member of the West Sumbawa district)

The mining company might choose to distribute some of its development programs based on particular reasons. For instance, it might distribute particular development programs to powerful people in the mining circumference area as the mining company needs to build good relationships with these people as part of the social license to operate. This would ensure the security of the mining operation. This kind of issue has also been identified in many YOP revolving fund programs, which will be discussed in the following subsection.

6.2.5 The revolving fund program

YOP has a different role compared with YPESB and the Community Development Division. YOP has acted as a financial institution which distributes amounts of money through the revolving fund programs to the local community members. Different from YPESB, YOP has employed a bottom-up approach which gives an opportunity to the local community members to establish their own development programs. These members, furthermore, could borrow some money or loans from YOP's revolving fund program to undertake their programs. The local community members have established various development programs, including agriculture and local business programs.

It has been found that YOP's development programs overlap with YPESB and the Community Development Division programs. This means that YOP has also undertaken some of YPESB and the Community Development Division's development programs. For instance, the same as YOP, the Community Development Division has also established a revolving fund program which has been distributed to *Kelompok Swadaya Masyarakat* (KSM) members. YOP conducts agriculture programs by distributing hand tractors, rice seed, fertilizer, baby fish and water pumps to the local farmers. YOP also gives funding for other farmers in undertaking compost programs, fishery, animal husbandry, and various plantations. Similar to YPESB, YOP also fund the local business development. There are many the local community members, furthermore, who have received the loans from YOP to establish their local business, such as small shops and stalls.

Although YOP has conducted the same development programs as YPESB and the Community Development Division, the mining company has given more privilege to YOP. The mining company has given different treatment to YOP related to the crucial role of this community development foundation. As mentioned in Chapter 6, YOP must be responsible to maintain the good relationship between the mining company and the local community. The mining company has employed YOP's revolving fund program to 'calm down' and to give monetary incentives to the protesters or the problematic groups who protest against the mining company. The mining company has asked YOP to distribute money to these community groups. In other cases, the mining company has asked YOP to prioritize these groups to get the loans from YOP's revolving fund programs. As a result, YOP's revolving fund program has changed from stimulation programs to charity or donation programs. Some interviewees revealed this issue:

Historically, when there were demonstrations or protests from the local community, the Community Relations Division manager called me to 'take care of' them by giving foods or anything so the mining company would be safe, we have to do that because we are on the mining company side. But, it does not often happen now. (Yanti: a YOP's community development worker)

If there is a demonstration from the local community for employee recruitment and the company could not receive them, we would send them to YOP to receive the stimulant or charity programs. (Andi: one of the Community Relations Division staff)

The mining company seems to have tried to employ YOP's revolving fund programs to maintain its power over the local community. The mining company therefore has distributed a significant budget as a grant to YOP's revolving fund program. This means that YOP does not need to return this money to the mining company. The mining company, furthermore, has stated that YOP is a local community's community development foundation. YOP's manager and community development workers have been recruited from the local community members. In contrast to YPESB, the mining company does not need to put its employees as the supervisors of YOP. The mining company, however, has put YOP under the Community Relations Division which has been responsible to address the relational problems between the mining company and the local community. The safety of the mining operation becomes the main reason of the mining company to distribute the monetary incentives to the problematic groups which protest to the mining company. The mining company has hidden these monetary incentives under YOP's revolving fund program. This has developed an assumption among the local community members that YOP is the fire brigade or the body guard of the mining company. On the other hand, YOP would side the mining company because it has received the grant from the mining company. The role of YOP has been explained by an interviewee:

YOP has political power. As we can see YOP's manager has now become the head of local council of the West Sumbawa. YOP has been put under the Community Relations Division regulation because the mining company is very afraid about the safety of the mining operation. The civilians from this area, therefore, have been recruited by YOP. (Deni: a local NGO member)

The previous discussion has shown that there is a different approach in the implementation of YOP's revolving fund program. On the one side, the mining

company has delivered this program as part of its community development program. This revolving fund program provides an opportunity for the local community members to decide the kinds of development program they want. They just need to approach to YOP's revolving fund for the funding of these programs. The mining company, however, also employs YOP's revolving fund program to overcome the problematic groups which would threaten its relationship with the local community. The ambiguity of YOP's revolving fund objective has led to some unfair distribution in the implementation of this program. It has been found that YOP distributes its revolving fund for particular groups, including the local elites and their families and particularly for the problematic groups. Some interviewees complained:

I'm still thinking to ask YOP, but it would be difficult for me because I don't have a family member in YOP. (Anik: a KSM member)

The mining company has given the money to the peoples whom it loves, even though they are not farmers or fishermen, so the company gave the money to the wrong people. (Roni: a local fisherman)

In the implementation, however, the role of YOP as a community relations institution is more dominant compared with another role as a community development foundation. YOP tends to give less attention to the community empowerment process. For instance, YOP's revolving fund program has given little assistance to its members with how to employ their loans to establish the development programs. An interview argues that the mining company just delivers the loans or other stimulant programs to the local community members, but without giving comprehensive assistance and supervision to them how they could use their loans to conduct the development programs and tend to use it to fulfil their basic needs:

YOP had distributed the hand tractors. But without assistance from YOP, these hand tractors were sold by most of the local community members. That is why this program should be supervised and assisted until we are successful and independent to conduct this

program. (Wawan: a KSM member)

The mining company has donated for a lot of money; unfortunately, it has not controlled and assisted in the implementation. Therefore, this money has finished. (Wawan: a KSM member)

An interviewee explained that the mining company has distributed a lot of money to YOP as a grant for its revolving fund program. This has some implications for the implementation of this program. One of these is the local community assumes that the loans they borrow from YOP's revolving fund program are in fact a grant from the mining company. Moreover, YOP will not force the local community members to return their loans, as illustrated in these interviewees:

The local community think that YOP's revolving fund program is a grant from the mining company. Yes, it is true, but the grant is for YOP and not for the local community members who obtain the loans from YOP. (Andi: one of the Community Relations Division staff)

The local community members said, "This is the mining company's money, why should we return it back? Although we do not return this money, the mining company won't punish us, won't send us to prison". (Iwan: one of the Community Development Division staff)

YOP conducts the revolving fund program only based on trust. We give the local community members loans as long as they make a good effort and have a willingness to return their loans. (Yanti: a YOP's community development worker)

These interviewees' responses suggest that there is no interest, collateral or fines applied for those members who do not return their loan. YOP do not give comprehensive assistance to the local community to utilize their loans and other stimulant programs from YOP in conducting their community development programs. This has resulted in the local community members being unwilling to return their loans to YOP and has led to the unrepaid debt problem in YOP's revolving fund program. On the other hand, the mining

company states that this grant has been distributed only for YOP and not for the local community directly.

For other local community members who have not obtained the loans from YOP, the mining company has distributed another revolving fund program through *Kelompok Swadaya Masyarakat* (KSM). As mentioned before, KSM is part of the agriculture program which has an objective to support the farmers' wives to increase the family income. The mining company, however, has given different treatment to both revolving fund programs. The mining company has awarded YOP with the grant for its revolving fund program without any interest fines applied to its members. Meanwhile, for KSM's revolving fund program, the mining company has connected KSM members to the local bank to obtain the loans. The mining company provides the collateral, so KSM members could borrow the loans from the bank. As a consequence, KSM has overburdened its members with two interest payments: the bank interest and the KSM revolving fund's interest. The KSM members are shocked since they misunderstood the loans which they obtained from the mining company. Previously, they thought that the loans from the KSM programs were a grant, the same grant as has been given by YOP's revolving fund program from the mining company. Some KSM members have complained about this different treatment:

Previously, we wanted to join the KSM program because we thought the loan was a grant from the mining company; but, actually it is not. I'm the first person who knew about this. I'm very a shame because I told everybody in other provinces that I had received a grant from the mining company. (Anik: a KSM member)

A local council member from the West Sumbawa district commented:

I think there is different treatment between YOP and KSM. For instance, YOP's members could return only 80% of their loans; if their borrow one million rupiah, they could return eight hundred thousand rupiah. Meanwhile, we KSM members must return all of our loans including the interest from the bank. (Neni: a local

council member of West Sumbawa)

My question is why YOP distributes the rice seed and the money for free to its members, while we in KSM should provide rice seed ourselves and go to the bank to obtain the loans. (Neni: a local council member of West Sumbawa)

The different treatment between YOP and KSM's revolving fund programs has caused some jealousy from KSM members.

Why the mining company gives the grant to YOP, not for KSM members directly. (Anik: a KSM member)

Give us more money, but it should be from the mining company, not from a Bank ... This Company is the third biggest gold mining company in the world, why it can't give us Rp 15.000.000. (Anik: a member of KSM)

The local community, it seems, could do nothing and felt powerless in relation to receiving differential treatment from the mining company. This has given rise to an unwritten rule between the local community and mining company that if the local community members want to get the charity programs they will go to YOP, although not all of them would obtain these programs. Meanwhile, if they want to get the empowerment program they should go to either YPESB or the Community Development Division.

6.3 The role of NGOs

As one of the biggest copper and gold mining industries in the world, the mining company on Sumbawa Island has been associated with various NGOs at national, provincial and local levels. These NGOs can be grouped into three different kinds of organisations: first, NGOs which are anti or against the existence of the mining company; and those which are pro or support its presence. The NGOs which are against this mining company have mostly objected to the issues of environmental degradation and pollution caused by the mining operation (Setiawan & Ginting 2008). There are also NGOs which have supported this mining company, for instance in conducting a

participatory rural appraisal (PRA) and through acting as a consultant for its community development programs. The mining company in the West Sumbawa district has tried not to involve the anti-mining NGOs in these community development programs. The mining company states that these NGOs do not want to build a relationship with the mining company:

Actually, we want to cooperate with the anti-mining NGOs, but they don't want to. If they build relationships with the mining company, their funding would stop. These NGOs, therefore, only see or watch us from a distance. (Hasan: a Community Development Division staff member)

The anti-mining NGOs like WALHI²² and JATAM²³ have an idealism which is anti the mining industry. That is why we cannot have a relationship with them. They don't want to have interactions or open communication with us as a Multi-National Corporation mining industry. (Hendro: a Community Relations Division staff member)

The anti-mining NGOs are sceptical about community development programs delivering benefits for the local community. These NGOs state that the mining company will have a purely negative impact on the local community, particularly through the environment degradation caused by the mining operation. Furthermore, they argue that the prosperity of the society should be the Indonesian government's responsibility. They disagree with the handing over of this responsibility to business corporations, including the mining industry, through the community development programs. Representatives of these NGOs stated:

The mining industry is similar to drugs which could damage people. This damage could not be 'fixed' by conducting Corporate Social Responsibility (CSR) or community

²² WALHI or *Wahana Lingkungan Hidup* is an umbrella group for a non-government environmental advocacy group in Indonesia. Their goals are: sustainable environmental and natural resources management; incorporating the principles of democracy, justice and public participation.

²³ JATAM or *Jaringan Anti Tambang* is a network of non-governmental organizations and community organizations working on behalf of human rights, gender, the environment and indigenous people's rights impacted by mining policies and activities.

development programs. This is not a solution to the problem. Community development programs weaken the resistance of the local community. JATAM has a vision that in the future Indonesia would be free of extractive industries. (Rudy: an NGO member)

In the Corporate Social Responsibility, the responsibility of the corporations has become more significant than the government. The wealth of society should become the government's responsibility because the relationship between the corporations and the local community is very weak. (Budi: an NGO member)

In contrast to its distant relationship with the anti-mining NGOs, the mining company in West Sumbawa district is closely connected to the local NGOs in the mining circumference area. The mining company claims that these local NGOs are different from the 'real' NGOs. These NGOs have been established by the local community as a result of the existence of the mining industry in the mining circumference area. Their main objective is to obtain benefits from the mining operation. To achieve this objective, these NGOs have taken different approaches. Some of the local NGOs have protested against the mining company concerning two main issues: employment problems and environmental degradation. The mining company has seen that the protests from these NGOs might threaten the mining operation. The mining company, therefore, has chosen the easiest and fastest way of addressing this problem by employing a financial approach to induce these NGOs not to protest against the company anymore. The interviewees claim that the mining company has acted dismissively and has not been taking concerns seriously in relation to these environmental and employment issues:

Actually, there are no local NGOs ... a 'real' NGO should have credibility, legitimacy, programs, budget and projects. But in here, the NGOs have been established by the local community members for their livelihood. Previously, they tried to be involved in the mining operation as employees or as suppliers for the mining company, but they failed. Therefore, they have established the local NGOs to obtain benefits from the mining operation. (Hasan: a Community Development Division staff member)

These NGOs have protested to the mining company in relation to two main issues: employment and the environment. But actually they just want 'a piece of the cake' from the mining operation ... in the construction stage, we wanted to address the protests from these NGOs as quickly as we could, so it wouldn't hinder the mining construction project. Even, if we had to employ a financial approach by spending a significant amount of the budget on it. (Hendro: a Community Relations Division staff member)

At the construction stage, the mining company recruited thousands of workers for the mining construction project. This attracted people from other regions in Indonesia to come to the mining area to be involved in the construction project, as well as for the next stage of the mining operation. As mentioned in Chapter Five, Sumbawa Island does not have any history of involvement in the mining industry. It can therefore be argued that the people living on this Island do not have the experience or capability to work in the mining industry. The mining company, therefore, did not want to recruit people from the local community as either its skilled and unskilled workers. Instead, it tended to recruit people from outside the area as its employees. Since then, the issue of employment has become the biggest problem which is continually threatening the relationships between the mining company and the local community in West Sumbawa district. The question remains as to the role of the local government in addressing this problem. The changes made in the reformation era should have given greater authority to the local government in this district to manage the mining industry which is located in its area, including addressing employment problems in this industry. This issue of the local government's involvement is discussed in detail in Chapter 7.

Some of the local NGOs have employed a cooperative method of involvement in order to obtain benefits from the mining industry. They have been involved in the implementation of the mining company's community development programs, particularly in the Community Development Division and YPESB's development programs. These NGOs have supported these programs by giving assistance to the local community to undertake the development programs. These NGOs, however, have become community development

workers for the mining company. This issue can be illustrated in several ways, including through an examination of how the local NGOs supported the implementation of the community development programs, and how they have communicated with the mining company. Some interviewees explain:

The mining company has cut the budget about 70% for the programs' implementation and 30% for the salaries of the community development workers; whereas we have to conduct many programs to the local community such as how to cultivate the land, providing the rice seeds and the fertilizers. (Totok: a YPESB community development program worker)

The small institutions (NGOs) under the Community Development Division have only become the workers of this division. (Neni: a local council member for the West Sumbawa district)

These NGOs are not consultants for the mining company. They only become the workers who would do the programs that have been requested by the mining company. (Tony: a local council member for the West Sumbawa district)

These interviewees explain that the local NGOs have depended on the mining company in terms of the programs and the budget required for their implementation. They have therefore essentially become workers for the mining company as they fully depend on the mining company for their livelihood. They complain if there is a problem related to their salary from the mining company.

There are also communication problems between the mining company and the local NGOs as there is a lack of two-way communication between the two parties. By employing a top-down approach, the mining company has established various development programs to be conducted by these NGOs as the mining company's workers. The local NGOs argue that the mining company seems not to want to coordinate with the NGOs in conducting the community development programs. This can be shown from the lack of communication between the mining company and the local NGOs. Some

interviewees explained this communication problem as follows:

If there is no communication, the mining company can't listen to our problems promptly, for example we need more funds to buy rice. Unfortunately, we can't communicate with the mining company straight away. We have to make a sort of report first before we can tell our problems to the mining company. (Nanang: a member of a local NGO involved in the agriculture program)

If we complain about our problems, there is a long time before there is a response from the mining company ... the local community members even blamed these problems on me because I am a Community Organizer. (Umi: a community organizer)

These interview extracts illustrate the communication problems between the mining company and the local NGOs in conducting the community development programs. The NGOs argue that the mining company never seems to provide a prompt response to their complaints in relation to the problems they have encountered in the implementation of these development programs. This would potentially hinder these NGOs in voicing complaints from the local community related to the implementation of the mining company's community development programs.

6.4 The outcomes of the community development programs

The implementation of the mining company's community development programs in West Sumbawa has resulted in three outcomes: the empowerment of some local community members; the dependency of some on the mining company; and the resistance of other members to the mining company. It is evident that the community development programs have in fact empowered some members of the local community. These members have succeeded in establishing their local businesses, such as shops, tempeh home industry and stalls funded by YOP and KSM revolving fund programs. These members have now become independent without support from the mining company any more. Some of them, further, have found other sources

to fund their business, instead of relying on the mining company. YOP and KSM revolving fund programs could not provide sufficient budget to fully develop these businesses. In this instance, the mining company's community development programs are simply a stimulant for these people to establish their own productive business. One of the members, Yuni, who has been successful in developing her small business, described her experience:

However, of the members it is only me who has already returned that loan. I used this money to sell many kinds of vegetables. In 2004, YOP increased the loan for me to about Rp 1.000.000. Now [2010], I've got Rp 5.500.000 from YOP. Now I have my own shop and sell a wider variety of things, particularly petrol ... I have also got a loan from a bank to build my boarding business since I know I could not get more money from YOP. (Yuni: a YOP revolving fund program member)

Yuni is an example of how a community development programs, particularly the revolving fund program, has empowered a local community member. This program has facilitated the local community members in undertaking their own development programs. By undertaking these programs, it has been assumed that the local community members would be able to increase their income from various kinds of businesses. Yuni is one of several local community members who have succeeded in developing their businesses without any dependency on the mining company. Another example related to local community empowerment can be seen from one of the KSMs which had members who were successful in developing their revolving fund programs, into both economic and social programs:

We obtained another fund source from INKOWAN, about Rp. 25 million; now our KSM business is valued at about Rp 80 million. We use this money for our revolving fund program. Our difference from other KSMs is that we employ a religious event (Qur'an recitation) regularly as an approach to encourage our members, so that they are willing to return their loans. Through this event, furthermore, we can select the members who will obtain the loans. (Anik: a KSM member)

Anik's KSM has employed a cultural approach in its revolving fund program. By employing this approach, this KSM has been able to establish closer connections with its members and has succeeded in encouraging these members to be creative and to observe a code of conduct in managing their revolving fund program. As a result, this KSM has never been faced with any bad debts; moreover, its revolving fund program has become bigger, is well developed and healthy. The members of this KSM have established various productive activities, such as *koperasi*, home-made products and catering. They also undertake social programs such as *Pendidikan Anak Usia Dini* (PAUD) or early childhood education in their neighbourhood.

Some community development programs, however, have also given rise to a dependency of the local community on the mining company. As mentioned previously, there are many problems in the implementation of the mining company's community development programs. Included in these problems are the short-term nature of many of the programs; the lack of comprehensive assistance; the lack of local community participation; and the numerous unsustainable and unfocussed development programs. These problems could potentially hinder the process of achieving community empowerment. The community development programs have therefore often resulted in the local community becoming disempowered and increasingly dependent on the mining company.

There are local community members who fully depend on the mining company for their livelihood. Included in these groups are the local community members who have obtained their income from the mining company's community development programs, such as the local NGOs. As has been explained above, these local NGOs have come into existence due to the implementation of the mining company's community development programs. The local community members have established these NGOs because they want to be involved in the mining operation activities. Their main objective is to derive direct benefits from the mining operation, for instance from the community development programs. As mentioned previously, these local NGOs have not conducted development programs before and do not have

independent funding. Therefore, the mining company is expected to provide all the materials, including the budget needed in the implementation of the development programs. It can be argued that these local NGOs have become workers for the mining company and that they fully depend on the mining company in conducting the programs. Some interviewees described this situation as follows:

We hope that when we have gone, the infrastructure and capacity building programs will be conducted on a continued basis. This is the theory, Ma'am. But I'm not sure. I think that when the mining company finishes, the employees will go, consumption will decrease; eventually the local community will look for other 'sweets' because the sweet (the mining company) has finished. (Hasan: a Community Development Division staff member)

If I can make an example, if we free an ant in a bowl with the water inside, I'm sure it will try to go back to the edge of the bowl. The same as the local community, if the mining operation has finished, they would go back to the occupations that still exist in this area, such as agriculture and tourism or other occupations that might emerge in the future. Therefore, we are preparing the local community in terms of their education, the economic programs which are based on agriculture and small businesses. (Arif: a Community Development Division staff member)

Both interviewees illustrate the problem of the local community's dependency on the mining company. They describe the local community as the ants which always depend on sweets for food and a dry place to live; without these two things they will not survive. The interviewees use this analogy of the local community as ants, with the sweets and dry place representing the mining company. Therefore, these interviewees are considering what the local community might do in terms of their livelihoods after the mining operation has finished. Extending the analogy, they postulate that the local community might look for other sweets and dry places after the mine closure so that they can continue to live. It is evident that the local community will need to find other kinds of jobs or occupations in order to replace those related to the mining

industry. Arif argues that they might return to their previous occupations as farmers or other occupations within the agricultural sector such as fishing and animal husbandry. The community development programs established by the mining company, namely the infrastructure and capacity building programs, are the proposed solution to this problem. It has been assumed that these programs could be continued after the mining company has finished. Moreover, the capacity building program has focused on the agricultural sector which is likely once again to provide the main occupations for the local community. The mining company has also developed the small business and tourism sectors as providing potential occupations for the local community in the future.

As the last outcome, the implementation of the mining company's community development program has encountered resistance from the local community. The resistance of the local community has been expressed in two ways. The first resistance has been shown by the local community's members who refuse to participate in the community development programs. These non-participating community members believe that the community development programs would not give them much benefit from the mining operation. An interviewee from the local NGO which focuses on the agriculture sector has illustrated this problem:

A mining company employee who lives in front of my house gets a salary Rp 11.000.000 per month. Although he has lower skill than us, he has higher income than us. Meanwhile, as a farmer, we should go to work at the early morning and go home at the very late afternoon, but we get nothing ... that is why many local community members do not want to participate in the agriculture program and keep expecting that one day they could be recruited as a mining company employee ... I often said to them, "how many years more will the mining company be operating, have you prepared yourself?" (Deni: a member of an NGO for the agriculture program)

Deni in his interview explains the reason why local community members have refused to participate in the community development program, particularly in the agriculture sector program. Deni complains that those members have

made a comparison that they would not get higher income from the agriculture sector, not as much income as if they could work as an employee in the mining company. Therefore, they still have an expectation to be recruited as a mining company employee and refuse to participate in the agriculture programs. Deni has tried to urge those local community members to be involved in these development programs as the mining company will cease at a certain time, explaining that they should prepare themselves to find other occupations, particularly in the agriculture sector instead of in the mining company.

Some local community members have expressed their resistance by refusing to return the money which they borrowed from the revolving fund programs, either from YOP or KSM revolving fund programs. This refusal was triggered by the different treatment in YOP's revolving fund programs. As discussed in Chapter 5, YOP has privileged the problematic groups who are against the mining company by absolving them or not forcing these groups to return their loans to YOP. This privilege has led to protests from other local community members. They express this protest by asking for the same treatment as the problematic groups and refusing to return their loans to YOP. This has led to the 'unrepaid debt' issue in the YOP and KSM revolving fund programs.

It can be argued that the resistance from the local community emerges due to the fact that they want to ensure that some benefits of the mining operation would go to them. The local community seems to doubt that they could derive these benefits from the community development programs.

6.5 Summary

This chapter has reviewed the participation of the local community in the mining company's community development programs: namely the education, health, agriculture, local business development and revolving fund. This discussion has demonstrated that there are many problems which influence the participation of the local community in these development programs, particularly those which have been conducted by the Community Development Division and YOP. Included in these problems are the lack of

motivation of the local community; the money-orientated character of members of the local community; and the lack of assistance in the implementation of these programs. Strong enthusiasm to be involved in the mining operation as employees has been one of the primary causes for the lack in motivation of the local community to participate in the community development programs. In addition, the money-orientation of the local community has weakened their participation in these development programs. Many of the local community members are only willing to participate in the development programs so long as they are able to earn money or other benefits from it. Changes in the local community lifestyle and the financial approach adopted by the mining company have been blamed for causing the people in the local community to become very focussed on money.

Another significant problem relates to the lack of assistance in the implementation of the programs. The local community needs more assistance from the company, including the provision of materials and various training programs to improve their skills in conducting productive activities so that they are able to increase their family income. The local community members, furthermore, need assistance from the mining company because they are powerless to overcome the negative impacts from the mining operation. On the other hand, the mining company has claimed that the local community members have lacked participation and always depend on the mining company to conduct these development programs, particularly in relation to the budget and the materials needed in their implementation. The different perceptions between the mining company and the local community as to how the community development programs should be conducted has affected the participation of the local community, for instance many people have become indifferent toward these programs.

However, some of the community development programs have secured substantive participation, and adequate assistance has been provided for the local community. For example, comprehensive assistance has been conducted by YPESB in its local business development programs. By employing the top-down approach, YPESB has established and focused on three to four programs per year for the local community. YPESB provides

assistance from the beginning of the programs, until the local community members become independent and successful in conducting these development programs themselves. As a result, some of these members have succeeded in their businesses and no longer depend on YPESB to support their businesses. Nevertheless, YPESB's development programs have been faced by issues of unfair distribution. Members of the local community claim that YPESB distributes their programs only to people in positions of power and their families. It can be assumed that the mining company has used YPESB's development programs to obtain social license from the local community to ensure the safety of the mining operation.

The mining company has established the revolving fund program to support the implementation of the community development programs. This program has been conducted by YOP which acts like a financial institution for the mining company. In relation to the community development programs, YOP has employed a bottom-up approach to facilitate the local community members in establishing their own development programs; YOP supports the members by providing the funding for the implementation of the programs. As a consequence, YOP's development programs have overlapped with the Community Development Division and YPESB's development programs. Furthermore, it has been shown that there is a clash of interests in the implementation of YOP's revolving fund program. YOP has been assuming two roles, being to both deliver the community development programs and to overcome the relational problems between the mining company and the local community.

The mining company has adopted YOP to employ its financial approach. Furthermore, the mining company, through YOP, has distributed monetary incentives to various groups including protesters, 'problematic' groups who are against the mining company, and local elites and their families; these groups have been provided with preferential treatment by giving them money or prioritizing them in obtaining loans from YOP's revolving fund program. The mining company, therefore, has given priority to YOP by providing the grant for its revolving fund programs. This has had several implications in terms of

the local community's participation in the development programs. Firstly, the local community has misunderstood the terms with which they have obtained loans from the mining company. As a result, many of them are not willing to return their loans and this has caused an issue with unpaid debts. Secondly, the privileging of YOP by the mining company has caused jealousy from the local community toward the mining company's preferred groups who have had special treatment from the mining company.

The participation of the local community members has been supported by the local NGOs which have provided assistance to these members in undertaking the development programs. These NGOs, however, are not able to voice the protests and complaints from the local community in relation to problems they face in conducting the development programs as their role has been limited to being the mining company's community development workers. These local NGOs have been established by the local community as their main source of livelihood in relation to the mining operation. Therefore, they depend fully on the mining company in terms of the development programs, the budget for the programs, and their salaries as workers for the mining company. Meanwhile, there are local NGOs who have protested against the mining company concerning two main issues: employment and environment degradation. Similar to the situation with YOP, the mining company employs a financial approach by giving monetary incentives to these anti-mining NGOs. It can be argued that the mining company's main way of addressing relational problems has been the adoption of this financial approach, which has also had the aim of ensuring the safety of the mining operation. This has become the simplest and most effective approach as this mining company cannot rely on protection from the central government in Jakarta.

The outcomes of the community development programs demonstrate the problem of dependency and the resistance of the local community to participating in these development programs. The local community members have financial dependency on the mining. They doubt that their participation in the community development programs will bring about economic betterment. Furthermore, the local community has seen that there are many problems in

the implementation of these programs which have given rise to their frustration and resistance to participating in the mining company's community development programs. These dependency and resistance problems suggest that there will be issues relating to the implementation of the mining company's community development programs until and after the mine closure. The mining company needs to consider its approach in conducting the community development programs which seems not to have taken account of this sustainability issue. In addition, this raises the issue of the role of the local government in relation to responsibility for continuing the implementation of community development in the mining circumference area. The role of the West Sumbawa government is discussed in the following chapter.

Chapter 7

The Role of the Local Government

7.1 Introduction

The previous chapter discussed the participation of the local community members in the community development programs; it demonstrated that while some of these programs have resulted in successful empowerment of parts of the community, others have created a problem with financial dependency on the mining company and resistance of the local community. This chapter examines the role of the West Sumbawa government in the implementation of the mining company's community development programs. It discusses how the Local Government Act has given greater authority to the local government in managing the mining industry in the local area, as well as opening up the possibility of deriving increased benefits from this industry. To discuss these issues, this chapter has been divided into four sections. Following an introduction, the ensuing section explains the constitution of the West Sumbawa district as a new district on Sumbawa Island. This outlines some of the implications involved in the new West Sumbawa district managing the mining industry, as well as the ways in which they obtain the benefits from the industry. The third section examines the role of the government of West Sumbawa district in the implementation of the mining company's community development programs. The final section provides a summary of the chapter.

The Local Government Act does not automatically assign a significant role to local government in relation to their involvement in the community development programs' implementation. This act in some respects does not alter the major, if not overriding, role of the central government in relation to accessing benefits from natural resources. Barriers affecting the local government accessing these benefits include the way in which the local government perceives community development; and factors affecting the implementation of the local government's role in community development programs associated with the mining operations, including the nature of the bureaucracy system and distrust toward the local government.

7.2 The West Sumbawa district and the Local Government Act

Following the *reformation* or democratic era, the Indonesian government stipulated the Local Government Act which is Law No. 22/1999. This resulted in several implications. One of these is the devolution of central government authorities to local government²⁴ in all sectors, with the exception of security and defence, foreign policy, monetary and fiscal matters, justice, and religious affairs. The major aim of the Local Government Act in Indonesia was to narrow the fiscal and political disparity between the local and central governments and, by so doing, to decentralise power, enhance democracy and to improve the social welfare of regional communities (Haymon 2008, p. 5). This means that the Local Government Act envisages greater authority to the local governments to determine their own policies, including those related to the management of natural resources, such as the mining industries located in the local areas.

The Local Government Act has also facilitated the formation of new regions at various levels in Indonesia including at the provincial and local levels (districts, subdistricts and villages). Since the formation of this Act, many new governments have been established which have separated themselves from their former main land or main government. The separation of these governments has been regulated under another provision: *peraturan pemerintah* (PP) or Government Regulation No. 129/2000. Based on this regulation, at least six new provinces and 341 new governments at district level have been established in Indonesia since 2007 (Suryanto 2008). One of the regions which has separated itself from its former government is the West Sumbawa district on Sumbawa Island.

The formation of the new regions has resulted in two main issues (Suryanto 2008). First, there is a gap between the new and former regions in terms of administration and public services. Second, the new and former regions have received different portions in relation to the benefits generated by the development activities. Suryanto (2008) maintains that this second factor has

²⁴ The government in Indonesia has been divided into three main levels: the central government, the provincial government, and the local government; local government, in turn, consists of three levels: district, subdistrict and village governance.

been related to economic factors, for instance the conflict between the former and the new governments which have competed for the benefits from natural resources. The new government has assumed that as the producer region of the natural resources, they should obtain a greater benefit compared with the other regions. Whatever the reasons, Suryanto (2008) points out that the main objective of the formation of the new regions was to obtain wealth for society, particularly for those who live in these regions. However, there has also been criticism that this objective has only been used to constitute the new government within newly defined regional boundaries to fulfil the self-interest of various policy elites (Turner, M et al. 2003).

The local government of the West Sumbawa district employed the Local Government Act to constitute their own authority as a new district which has separated from the Sumbawa district. This means that the West Sumbawa government could expect to exercise greater authority in managing their region, including the management of the copper and gold mining industry located in this district, and that they should also derive benefits from this industry. It has been assumed that the existence of the mining industry was the main reason for the formation of West Sumbawa as a new district on Sumbawa Island. The new government of the West Sumbawa district has competed with the Sumbawa District Government as its former government in procuring the benefits that could be obtained from the third biggest mining industry in the world which is located in the West Sumbawa district. This situation will be discussed in the following sub-section.

7.2.1 The process involved in the establishment of West Sumbawa as a new district

The West Sumbawa District Government was formed three years after the establishment of the mining operation. Previously, the mining industry's location was within the Sumbawa district. Various factors, however, led to the people living in the western part of Sumbawa Island where this mining industry is located seeking successfully to establish their own district government separate from the Sumbawa district (West Sumbawa Government 2003). The first factor was a political issue related to the local

leader election process in the Sumbawa district. The problem began when a local leader election of the Sumbawa district for the 2000–2005 period was held in 2000. The result of this election was that a head of district or *Bupati* candidate who came from the eastern part of Sumbawa Island was chosen.

The results of the head of district election caused much concern from the people who live in the western part of Sumbawa Island. They had an expectation that the new *Bupati* would be a person who came from the western part of Sumbawa Island. The people from the western part argued that previously, the people from the eastern part had dominated the head of district election process. They assumed that it was this situation that had caused the development process in the western part of Sumbawa Island to be abandoned. They realized that there had been an imbalance in development between the western and eastern parts of Sumbawa Island. In addition, the people from the western part found another problem causing the lack of development in their region. This problem related to the long distance which separates the eastern and western parts of Sumbawa Island which are approximately 130 km apart (three hours by public transport). Moreover, the capital city of the Sumbawa district was located in the eastern part of Sumbawa Island which was difficult to reach by the people who live in the western part of this Island.

The second factor is associated with the formation of many new regions in Indonesia, including new provinces, districts and subdistricts, as a consequence of the constitution of the decentralized system in Indonesia. This fact motivated the people in the western part of Sumbawa Island to establish their own district, which eventually became the West Sumbawa district. The constitution of this new district occurred over a period of several years. The administration process took three years, from 2000 until 23 April 2003, when West Sumbawa was finally constituted as a new district on Sumbawa Island and was included as part of Nusa Tenggara Province, Indonesia.

The third factor relates to the existence of a big copper and gold mining industry in the western part of Sumbawa Island (LPEM UI 2006). The people

in this region have an expectation that they will attain more benefits from this mining industry for local economic development: for instance, the provision of various public facilities which were lacking in their region. They were suspicious that benefits from this mining industry mostly had been dominated by people in the eastern part of Sumbawa Island. These three factors triggered the motivation of people in the western part to establish their own district, called West Sumbawa district which is now separate from Sumbawa district. The following discussion examines how the new government of the West Sumbawa district has managed the mining industry and sought to derive benefits from it.

7.2.2 The West Sumbawa district and its mining industry

The West Sumbawa government was established with the expectation that it would have greater authority to manage the natural resources, including the mining industry in their area, and obtain benefits from it (Sarjadi 2001). There are various benefits of the mining industry which could be obtained by the West Sumbawa government to increase the local government income (Gross Regional Domestic Product) or *Produk Domestik Regional Bruto* (PDRB). In this context, the PDRB consists of four components: the wages of the mining company's employees; the depreciation of the capital goods (machines and buildings); taxes; and income from the mining operation directly such as employment. In addition, studies have revealed that the biggest contributions of the mining industry sector in Indonesia have been derived from its multiplier effects including from the economic activities resulting from the mining operation such as local business development (PriceWaterHouseCoopers 2008).

Before the constitution of the Local Government Act, most benefits from the mining operation went to the central government in Jakarta. Under the Local Government Act, some of these benefits could be delivered to the local governments. The Indonesian government, therefore, promulgated two regulations: UU No. 25/1999, and its more recent form: UU No. 33/2004. These laws have regulated the fiscal balance between the central government and other governments at provincial and district levels, and have provided an

opportunity for the governments at provincial and district levels to increase their income. In relation to the mining industry, particularly the mineral and coal mining industry, the fiscal balance regulation stipulates that the benefits from the mining industry should be shared between the central government and the local government at provincial and district levels. These parties should give about 80% of benefits to the local government and 20% to the central government. From the 80%, furthermore, 16% will go to the provincial government, 32% to the mining producer district, and 32% to other districts (Undang-Undang 2004). These budget allocations can be derived from three components: specific allocation fiscal, general allocation fiscal, and royalties or non-tax revenue.

Unfortunately, the evidence suggests that it can be demonstrated that mining producer districts have not increased their income from benefits of mining industries which are located in their regions. The interviewees from the local government officials illustrate that based on the fiscal balance regulation, the central government has reduced the budget allocations (from general allocation fiscal) for the mining producer districts due to the fact that these districts have received another income, which is from the royalties of mining industries. The central government has used this budget to support or subsidize other districts which do not have mining industries. As a result, the mining producer and non-mining producer districts receive almost the same income. This sharing budget mechanism has been protested about in the mining producer districts in Indonesia. The governments in these districts assume that they should receive more benefits or income rather than other non-mining producer districts due to the fact that they have suffered directly from environment degradation problems caused by mining operations. The interviewees quoted below express the view that there are few benefits to be gained by the local community from the mining industry:

It would be better if there was no mining industry in this area because it has given us nothing. The mining company on Sumbawa Island profited about Rp 12 Trilyun (US\$ 12 billion) in 2009. From this, the central government received Rp 2 Trilyun; meanwhile we (the West Sumbawa district) obtained the least,

about 70–80 M. If the central government really wants to support the local government, it should give more benefits from the mining operation, about 500–600 M to the West Sumbawa government. (Dedy: bupati of the Sumbawa district)

I would like to say, before the Local Government Act, almost 90% of mining company benefits were sent to the central government in Jakarta. Under this act, we should receive more benefits from the mining industry through three components: specific allocation fiscal, general allocation fiscal, and royalties. Based on these three components, a formula has been created to obtain local government income. The result of this formulation, however, still gives us almost negligible income from the mining industry. (Pandu: the head of local planning agency or BAPPEDA of the West Sumbawa district)

The interviewees claim that most of the benefits from the mining operation still go to the central government in Jakarta. The Local Government Act has not, therefore, automatically changed the dominance of the central government in deriving benefit from mining industries in Indonesia. Moreover, it can be argued that the Local Government Act is not a complete regulation. In this act, the Indonesian government only transfers greater authority to local governments. The Local Government Act, however, does not include the regulations which support these local governments in increasing their income. The question remains as to how these local governments could employ their authority to develop their regions without an adequate income.

The West Sumbawa government still expects to obtain other benefits from the mining operation from a number of factors including employment, the multiplier effects, and the community development programs conducted by the mining company. It can be demonstrated, however, that most of the multiplier effects have already gone outside West Sumbawa. This means that the economic activities resulting from the mining operation have primarily occurred outside this district. For instance, the mining company prefers to use resources from outside the West Sumbawa district rather than buying them from the local markets. As a result, there are few economic activities that

could provide benefits for the local community in this district. Two interviewees provided examples of this phenomenon:

We have never supplied the meat for 3000 mining company employees due to reasons related to quality and authority. The employees eat three times per day and each of the employees spends Rp. 225. 000 per day. How much money do they spend in one month? I can imagine the benefit we could get if we supplied their needs for meat, eggs and vegetables. Therefore, we are building an international abattoir. (Pandu: the head of BAPPEDA of the West Sumbawa district)

The mining company has bought meat and eggs from Java province. (Dedy: bupati of the Sumbawa district)

In order to create opportunities to become the mining company's supplier, the West Sumbawa government has built an abattoir which could supply the meat needed by the mining company employees. The local government has conducted several meetings with the mining company to encourage them to buy their meat from this abattoir. According to current information, however, the mining company has not yet bought the meat which has been produced by this local abattoir (Saputra 2011).

Another form of multiplier effect, being the various expenditures which have been made by the mining company employees, also occurs outside the West Sumbawa district. The employees spend their salary to fulfil their basic needs as well as on other kinds of consumption. From observations, the researcher found that the busiest economic activity in the mining circumference area occurs on the 25th day of each month, as this is the day the mining company employees receive their salaries. On this day of the month, there is always a long queue of employees withdrawing their money from the local bank's ATM. Unfortunately, most of these employees spend their money outside the mining circumference area, particularly in Mataram which is the capital city of West Nusa Tenggara Province. These employees maintain that in Mataram they can buy everything they need and want. As a capital city, Mataram, which is located on Lombok Island, has many shopping centres, including the only mall

in West Nusa Tenggara Province. For two weeks from the 25th day of each month, this mall is full of employees who spend their money shopping there. The researcher also found that the employees from the middle and upper levels of the company tend to spend their weekends and their leave in this city. It can therefore be argued that the multiplier effect in the form of economic activities conducted by the mining company employees has primarily gone outside West Sumbawa.

The West Sumbawa district is also unable to obtain benefits from employee recruitment. In relation to this benefit, there is a difference of opinion between the mining company and the West Sumbawa government. The mining company claims that it has prioritized the local people in the recruitment process since this has been stipulated in the Contract of Work (CoW). One interviewee stated:

The commitment of the mining company in the production stage is 60:40. This proportion illustrates that we have to recruit 60% our employees from the local community and 40% from outside regions. I think 60% is a significant number for the local community. (Haris: the mining company employee)

According to the mining company, most of its employees have been recruited from the local community, about 60%, while the rest are from outside the West Sumbawa district. The West Sumbawa government, however, refutes this argument. The government explains that while the mining company has recruited from the local community, this amounts to only a small proportion of the total recruitment. The government argues that there are very few local community members who have been recruited as employees of the mining company and its sub-contractor companies. In addition, most of these people have been recruited as employees at the middle and bottom levels, as an interviewee explains:

There are only a few local community members who become the mining company and its sub-contractor companies' employees; and most of these members have been recruited as the employees at the middle and bottom levels. (Pandu: the head of BAPPEDA of

the West Sumbawa district)

In order to increase the benefits from the recruitment process, the West Sumbawa government has constituted a local regulation about employment development in West Sumbawa: *Peraturan Bupati* or *Perbup* No. 9/2010 (Peraturan Bupati 2010). This regulation requires the mining company's sub-contractor companies to prioritize the local community in recruitment of employees and stipulates that about 50% of their employees need to be from the local community. These companies are expected to coordinate with the West Sumbawa government in the recruitment processes, for instance by informing the human resources department of the West Sumbawa government of any employment vacancies. This local regulation also requires the sub-contractor companies to provide job training which is needed for their employees. An interviewee explained this regulation:

We have managed not only the mining company but also anything associated with the mining operation. For instance, we established a local regulation which requires the mining company's sub-contractor companies, hundreds of companies, to prioritize the local employees. (Pandu: the head of BAPPEDA of the West Sumbawa district)

The West Sumbawa government realizes that the existence of the mining company and anything associated with it could potentially boost local economic development. The local government, therefore, constituted the *Peraturan Bupati* or *bupati* regulation which requires the mining company's sub-contractor companies to recruit local employees. There are hundreds of sub-contractor companies in the West Sumbawa district. It has been expected that the constitution of local government regulations in relation to the local employment recruitment process would be able to force these sub-contractor companies to prioritize local people in their employment recruitment process. The effectiveness of this regulation further needs to be explored.

Another benefit from the mining operation comes from the community development programs. As mentioned in Chapter 6, the mining company in the West Sumbawa district has conducted community development programs

and spent millions dollars on their implementation. The West Sumbawa government realizes that most of the benefit from 'its' mining industry will go to the central government. The local government, furthermore, does not assume that the central government will send any of this benefit back to the West Sumbawa district. The West Sumbawa government, therefore, has an expectation that it can derive benefit from the community development programs conducted by the mining company. The local government, however, has lacked a role in the implementation of these development programs. This issue is revealed in the following extracts from interviews:

The mining company has the community development program's budget, this year about Rp 40 M. The mining company has managed this budget by themselves for the implementation of the community development programs. The mining company prioritizes conducting these development programs, about 90% in the mining circumference area. The rest of it has been conducted in five districts outside this area. These development programs have boosted the local economic development and the building of infrastructure (Pandu: The head of BAPPEDA of the West Sumbawa district)

We cannot rely on the central government's generosity in giving the local government larger portions of the benefits from the mining company. We could, however, maximize benefits from the community development programs. This is more useful for the local community (Dedy: bupati of the Sumbawa district)

There are the community development programs. But these development programs have been managed by the mining company itself or under the authority of the mining company. This means that the local government has not yet had a role in the implementation of the mining company's community development programs (Dedy: bupati of the Sumbawa district)

In summary, it can be argued that the Local Government Act has given greater authority to the West Sumbawa government in managing the mining company which is located in their regions. For instance, the local government

has constituted a local regulation which requires the mining company's sub-contractor companies to recruit people from the local community as their employees. In addition, the West Sumbawa government has been trying to encourage the mining company to develop local businesses by prioritizing the procurement of goods and foods from the local market. Nevertheless, the increased authority of the West Sumbawa government through the Act has not resulted in an opportunity to increase their income from the mining industry. Instead, the central government has for the most part maintained its dominance in terms of the economic benefits gained from the mining industry. Most benefits from the mining industry, including those from the multiplier effects, have been found to go outside the West Sumbawa district. As a result, fewer economic activities have been triggered by the mining operation in West Sumbawa. The West Sumbawa government only expects to obtain benefits in the areas of employment and the community development programs conducted by the mining company. The local government, however, has lacked a role in the implementation of these development programs. This issue will be discussed in more detail in another section of this chapter.

Another opportunity for the West Sumbawa government to attain greater authority in managing the mining industry and to achieve greater benefits from it is the stock divestiture process. In this process, the West Sumbawa government has an opportunity to be involved in investing in the mining company stocks. It has been assumed that by investing in some of these stocks, the West Sumbawa government would have greater authority related to the mining industry, which would then ensure that benefits from this industry would remain inside the West Sumbawa district. The next sub-section will discuss the stock divestiture process that occurs between various parties: the mining company, the central government, the West Nusa Tenggara province, and the West Sumbawa and Sumbawa districts.

7.2.3 The stock divestiture process

The mining company in West Sumbawa has an obligation to sell 51% of its stock to the Indonesian government as mentioned in its CoW, article 24 point 3-4, called the stock divestiture process (see Indonesian Government and the

Mining Company 1986). If the Indonesian government does not intend to buy this stock, the mining company could offer it to other Indonesian companies. The stock divestiture process of the mining company in West Sumbawa has been undertaken step by step, starting from the fifth year of mining operation, or in 2005 and finishing in 2010. The percentage of the stock to be sold to the Indonesian government is: 15% in 2005, 23% in 2006, 30% in 2007, 37% in 2008, 44% in 2009 and 51% in 2010. Previously, one Indonesian company already had 20% of the mining company stock. This means that the mining company only needed to offer 31% more of its stock to either the Indonesian government or Indonesian companies. By having some portion of the mining company stock, it has been expected that either the Indonesian government and/or Indonesian people could derive profit from the mining operation directly.

The stock divestiture process is not yet complete (Daniel 2011a; Hertanto, L 2011; Nurismarsyah, Akhmad 2011a; Nurismarsyah, Akhmad 2011b, 2011c). There is still a 7% final portion of stock left to be sold to either the Indonesian government or Indonesian companies. Meanwhile, 24% of this stock has been bought by a joint venture company which involves PT. Multicapital, the branch of Bumi Resources Mineral company (Bakrie groups) which belongs to the private sector, and Daerah Maju Bersaing company which belongs to three regional governments: West Nusa Tenggara Province, Sumbawa district and West Sumbawa district. It had been expected that the local government at province and district levels could obtain the bigger portion of the mining company stock in the stock divestiture process. However, these governments must share this stock with a private company due to the fact that these local governments do not have enough money or budget to buy the mining company's stock. Hence, the local governments have involved PT. Multicapital in a joint venture company to buy the mining company stock. From 24% of the mining company stock bought by this joint venture company, Multicapital Company²⁵ owned 75%, while the local governments (through

²⁵ A negative perception has, however, arisen because Multicapital Company is owned by Bakrie groups. One of the Bakrie mining companies has caused a burst of hot mud flood that buried thousands of houses from villages, and the industries in the vicinity of this mining company. At the time of this research, this burst of hot mud flood was still occurring and there had been no adequate solution to address this problem. Unfortunately, Bakrie groups, as the mining company's owner, has refused to give

their company, Daerah Maju Bersaing) received the remainder (25%). From this 25%, West Sumbawa government received 6%.

The handover of 24% of the mining company's stock to the local government has triggered new problems (Kusmayadi 2011b). It has been found that Multi Daerah Bersaing consortium, which consists of a private company (Multicapital) and a local government company (Daerah Maju Bersaing), has given its stock as collateral to a foreign credit company. Multicapital has borrowed money from this company to buy the mining company's stock. In order to pay its debt, this private company gave its stock as collateral to this foreign credit company. This has become a controversial issue, and it has been argued that the local governments, through their company, Daerah Maju Bersaing, have included their stock to pay off the Multi Daerah Bersaing consortium's loan. The local governments have contested that this is the case. However, if this claim is in fact true, it would mean that the local governments would not receive the money from their stock. This would then hinder the local governments on Sumbawa Island from obtaining profit from their mining industry.

The stock divestiture process has caused complicated problems and conflict between many parties. Included in this conflict are disagreements between the governments: the legislative (local council) and executive governments at central level; between departments at central level; and between the central government and the local governments. The current disagreement is occurring between the executive and legislative governments at central level. This conflict arose in relation to the executive government's plans to buy 7% of the final portion of the mining company stock. Both governments are arguing over the way in which the central government should buy this stock. The legislative government has argued that the executive government need their permission in order to buy this stock. However, the executive government argues that they can buy this stock without the permission of the legislative government.

compensation to the hot mud flood victims. They argue that the burst of hot mud flood was a natural disaster and therefore not their responsibility (Simanjuntak 2010)

An executive government officer in a report published in a newspaper stated the objectives for the central government wanting to buy the final stock of the mining company on Sumbawa Island. This objective was quoted by a media as illustrated in the following interview extract (Sutianto 2012):

By having 7% stock, we hope the Indonesian government could be included in the stock holder's meetings. In these meetings, the government could give suggestions to the mining company in order that they could obey the government regulation and pay more attention to the environment issue. (The general secretary of the ministry of finance of Indonesia)

This government officer explained that although 7% is only a small portion, it is very important for the regulation of the mining industry, as well as for addressing the environmental issues caused by the mining operation. The plan of the central government to buy this final stock might be triggered by the fact that the most of the other mining company stock offered to the government and public in Indonesia in the stock divestiture process has been dominated or bought by a private company. Meanwhile, the local governments where this company is located could only obtain a small portion of this stock. Through investing in a portion of the mining company's stock, the central government aims to learn about the way in which the mining companies in Indonesia, particularly the mining industry in West Sumbawa, have managed this industry. Through direct involvement in the industry, the Indonesian government would be better informed to establish appropriate policies and regulations concerning the management of the mining industries in Indonesia. The Indonesian government is concerned with important issues related to the mining industry including environment degradation and the level to which the mining companies comply with government regulations.

In terms of bargaining position, the stock divestiture process could potentially give greater authority to the West Sumbawa government to manage the mining company. The West Sumbawa government has so far been unable to obtain this authority either from the Local Government Act or the mining regulations. However, the existence of the mining company in West Sumbawa

has attracted many parties to compete for the profit from this industry. This mining company is the second biggest copper and gold producer in Indonesia and in Asia. In addition, this mining company also has four other potential mineral sources to be mined on Sumbawa Island: Elang, North Lunyuk, Rinti and Teluk Panas. As a result, the stock divestiture of this mining company has become a complicated and contested ongoing process.

7.3 The role of the West Sumbawa government in the implementation of community development programs

The community development programs conducted by the mining company in the West Sumbawa district would potentially give benefits to the local community, particularly those who live in the mining circumference area. The local government of West Sumbawa, however, has not been involved in the implementation of these development programs. Issues relating to the implementation of the community development programs include to what extent the mining company should assume the role of the local government as the main development agent in the West Sumbawa district, particularly in the mining circumference area. The temporal issue is an important factor, as the mining company will finish their operation in the district within two decades. Another factor is related to the capability of the government in undertaking development programs. In this specific context, with reference also to the fact that West Sumbawa has recently been constituted as a new district, it has been assumed that this government lacks the necessary experience to conduct the development programs, as well as the authority to manage the mining industry in their regions. These issues will be examined in the following section.

7.3.1 The West Sumbawa government's perception of community development programs

This study found how the local government of West Sumbawa district perceives the implementation of the mining company's community

development programs from interviews with several local government officers. They argued that community development programs are part of the public sector. The local government has an obligation or responsibility to deliver these development programs. This means that the mining company should not undertake the community development programs, but instead, as part of the private sector, their role is to obtain profit from the mining operation and to adequately provide for the costs associated with protecting the community and environment, both during the mining operation and on a sustainable basis thereafter. The mining company, however, should contribute towards the community development programs in terms of the budget needed for their implementation, and to their wider financial obligations to the various levels of government.

In relation to the mining company's obligation to conduct community development programs, the Head of BAPPEDA of the West Sumbawa district argues that the mining company has conducted the community development programs primarily for the pragmatic reasons of protecting the mining operation from the protest actions of the local community. If, however, the West Sumbawa government could guarantee the security of the mining operation, the mining company would only need to focus on obtaining profit from its operation. The local government therefore would conduct the community development programs for the local community, while the mining company would support the budget needed in their implementation:

The researcher: But, the new mining law has mentioned that a mining company has an obligation to conduct community development programs.

Pandu: I know that community development programs will deliver direct benefits from the mining operation, as well as ensuring the safety of the mining operation. But if the mining company never needs to worry about the security of its operation, it could conduct its main role as a private sector to obtain profit from the mining operation. The mining company just needs to give money to the local government to conduct the community development programs. The local government, however, has to keep its promise

to ensure the security of the mining operation. (Pandu: the head of BAPPEDA of the West Sumbawa district)

The BAPPEDA Head describes a possible allocation of responsibility, and claims that the implementation of the community development programs is part of the local government's task. The mining company could support the local government by providing the funds for the implementation of these development programs. The way in which the local government perceives community development programs has, however, influenced how it contributes to the mining company's community development programs. For instance, the local government will not give their support in terms of the budget needed in the development programs' implementation, as the following interviewee explains:

The community development programs should become our development programs together. They (the mining company) should support the funds and we conduct the development programs. (Pandu: the head of BAPPEDA of the West Sumbawa district)

The local government, therefore, plans to put the mining company's community development budget in the *Anggaran Pendapatan dan Belanja Daerah* (APBD) (local government budget/income):

Community development budget should be included as the regional government budget (APBD), so the mining company could continue to play its private sector role of gaining profit from the mining operation. The mining company would not conduct the community development programs which have been included as the responsibility of the public sector. (Pandu: the head of BAPPEDA of the West Sumbawa district)

On the other hand, the mining company is concerned that the local government has another agenda related to this APBD planning. The local government and the mining company, therefore, have yet to come an agreement in relation to this planning. It can be assumed that the APBD planning could also become one of the mechanisms for the local government

to obtain more benefits from the mining industry due to the fact that it currently only receives a small portion from royalties and other benefits from the mining industry. An interviewee explained this APBD issue:

I'm not sure what happens in relation to the issue to include the mining company's community development budget into the local government budget (APBD). Do the local government feel more competent to undertake the community development programs or is there another agenda? (Hendro: a Community Relations Division staff member)

According to the mining company, the local community members are also sceptical about the APBD planning issue. Some members may assume that the West Sumbawa government is not capable of conducting the development programs because it has only recently been constituted as a new district. Furthermore, some members of the local community are concerned that the West Sumbawa government might not distribute the budget of the community development programs in full to the local community:

The interesting thing is the local community distrust the local government's performance. As a result, when the APBD planning issue came up, the local community said, "Don't; it would be better if the mining company undertook those development programs." (Hendro: a Community Relations Division staff member)

As the newest district on Sumbawa Island, the West Sumbawa government has been more focused on developing their new region, and they need a significant budget to conduct this development process. The mining company is suspicious that this factor is connected to the APBD planning issue as the main objective of this planning is to increase local government income. This has caused the local government to ignore the main problems faced by the local community in the mining circumference area, including the issue of environmental degradation:

In my opinion, the local government have never given their response to the Corporate Social Responsibility issue or to other

impacts of the mining industry. Having just been established as the newest district, the West Sumbawa government is more concerned with obtaining profit from the mining company. This local government has employed the Local Government Act to increase the local government budget. (Hendro: a Community Relations Division staff member)

The local government is too focused on managing its new regions. As a result, the local government forgets to establish the policies which regulate the relationships between the local government and the mining company, for instance those related to employment problems. (Totok: a YPESB community development worker)

One interviewee revealed a different opinion in relation to the APBD planning issue. While he admits that the local government wants to include the mining company's community development budget into APBD, he claims that the main objective is to give greater control to both the local government and the local community over the implementation of the community development programs:

The mining company could keep the money from their community development budget. We just require them to put a proportion of this budget into APBD, so that all parties – the local government, the mining company and the local community – could have greater control over the community development programs. (Dedy: bupati or head of the Sumbawa district)

Dedy argues that to become effective, the mining company's community development program needs to be controlled by all parties including the local government and the local community.

7.3.2 The community development budget

It is evident that the local government has not contributed in terms of the budget needed for the implementation of the mining company's community development programs. This study found that the mining company has become the main funder for the implementation of these development

programs. As mentioned in Chapter 5, this company has provided an average of Rp. 5 milyar (US\$ 5 million) per year for its community development programs. The local government states that this budget would be useful to increase local economic development in the mining circumference area. The local government, therefore, needs to have discussions with the mining company in relation to the implementation of the community development programs in this area:

We have to optimize the funding for the community development program. It is more valuable for the local community. Its value is also very significant as it reaches almost one trillion rupiahs. I think, therefore, we need to have a discussion about the planning and distribution of the community development programs with the mining company. (Dedy: bupati of the Sumbawa district)

On the other hand, the mining company has complained that the local government has never contributed towards the community development budget in the mining circumference area. The mining company had expected to share this budget with the local government:

There is no contribution in terms of budget either from the local government or from the local community. (Hasan: a Community Development Division staff member)

We want to share the budget, for example in the program aimed at reducing children's malnutrition, 50% from the mining company and 50% from the local government. But, we could not. (Arif: a Community Development Division staff member)

The same complaint was made by an interviewee from the local NGO. He explained that his NGO often failed to obtain support from the local government in relation to the funding to conduct their development programs in the mining circumference area:

We have tried to get support from the local government to fund our development programs. But the local government often said, "You have a big mining company, why don't you ask them". (Totok: a YPESB community development worker)

The role of the mining company as the main funder for the community development programs is connected to the fact that they have taken on the primary responsibility and commitment of delivering the community development programs to the local community. This dominance, however, has put the local community in the mining circumference area in a direct *face-to-face* relationship with the mining company in relation to the implementation of the community development programs. This situation has implications, for example the local community may get used to and depend on the mining company for receiving the funds for conducting the development programs. Another implication is that the West Sumbawa government will lack a role in the implementation of these development programs. This issue is examined in the following subsection.

7.3.3 Local government involvement in the implementation of community development programs

As mentioned above, the local government has not contributed towards the budget needed in the community development programs. In terms of the implementation of these development programs, the local government claims that the mining company has never involved the local government in its community development programs. As a consequence, the local government argues that the mining company is potentially functioning as if it were the government alongside the government in the mining circumference area. Meanwhile, the mining company claims that the local government has never conducted the development programs in the mining circumference area and tends to give this responsibility to the mining company. This has led to sustainability issues in relation to these development programs. The mining company needs to consider involving the local government in its community development programs from the beginning of their implementation. On the other hand, the local government could be more proactive to encourage the mining company to conduct these development programs. This is associated with the role of the local government as the main regulator which has an authority to conduct the development process in the West Sumbawa district, including in the mining circumference area. The partnership of the mining

company and the local government would be able to ensure the sustainability of the community development programs since the West Sumbawa government could continue to conduct these programs after the mine closure.

This study found, however, that there is no partnership between the mining company and the local government in the implementation of the community development programs. Conversely, they have argued against each other and have blamed each other for the situation. The local government complains that the mining company has established the community development programs based on its own interests, such as for the security of the mining operation, and that they therefore have failed to involve the local government in the implementation:

The local government has never been involved in the community development programs. But, the mining company does not have authority over the local community. If they want to have relationship with the local community, they should involve the local government, so it would not create a government inside the government. Now, the local communities in some villages of the West Sumbawa might more appreciate the mining company rather than the head of villages and the head of sub-districts. (Dedy: bupati of the Sumbawa)

They have money, they have established the development programs, and they implement these development programs. Are we conducting these programs together...Of course not....The mining company said, "I conduct these programs with my money, according to my own 'way', that's all. (Pandu: the head of BAPPEDA of the West Sumbawa district)

In the planning of development programs, we have already coordinated with the mining company. However, in this coordination process, both the mining company and the local government were only concerned with what each party needs. The mining company said, "We have to establish these programs because somebody has asked for these programs, because he would disturb the mining company". (Pandu: the head of

BAPPEDA of the West Sumbawa district)

One interviewee provided two examples of the way in which the mining company has established the development programs based on their own interests. Firstly, the mining company has built an international school in the town site. The mining company has provided this facility for the expatriates' families who live in the town site. The interviewee, however, maintains that there are not many local students who could go to this school. This means that this international school would not bring benefit to the local community. Another example is related to the scholarship program for local students. The interviewee claimed that the mining company has never consulted with the local government in relation to these two programs:

I'm hopeful that we could do the planning process of the development program together. But now, each of us has established our own program, for example the mining company has built an international school. I think it is useless. (Dedy: bupati of the Sumbawa district)

The mining company should support youth development. I know that they provide scholarships for local students. But the mining company established this scholarship program based on their own ideas. They should have consulted with the local government. (Dedy: bupati of the Sumbawa district)

On the other hand, the mining company argues that the local government has failed to deliver the development programs to the local community in the mining circumference area. The mining company has tried to involve the local government in delivering these development programs, but the local government has tended to give this responsibility to the mining company:

In my opinion, the role of the local government is just ceremonial. We have been trying to involve the government, for example in the clean water program, but there was no response from them. (Ardy: a Community Development Division staff member)

The mining company and the local government are at odds over funding in

relation to the kinds of community development programs that should be delivered to the local community. The mining company argues that the local government has prioritized unsustainable or short term development programs which lack an empowerment process. Meanwhile, the local government has argued that the mining company has done the same thing, as explained in the following two interview extracts:

The local government needs to conduct a sustainable development program. The mining company, however, has established short term development programs that only last one year. These are not sustainable and lack empowerment. (Pandu: the head of BAPPEDA of the West Sumbawa district)

We are different from the local government in our understanding of Corporate Social Responsibility (CSR). In terms of CSR programs, the mining company has established long-term programs which aim to prepare the local community to become independent after the mining closure. However, the local government does not prioritize long-term development programs. (Haris: a mining company employee)

The lack of partnership between the mining company and the local government can also be demonstrated through the way in which the mining company has consulted with the local government in relation to its community development programs. Some interviewees explained that in this process the mining company simply makes a presentation in front of the local government regarding the kinds of development programs which they plan to deliver to the local community in the mining circumference area. The mining company and the local government then discuss the distribution of the various kinds of community development programs, and the locations or areas where each party plans to conduct the development programs. If the mining company plans to conduct a particular development program, the local government then ensures that they conduct a different program. In terms of location, the mining company tends to deliver the development programs intensively within the mining circumference area. It has been assumed that there will be no overlapping of development programs within the one area. The local

government, therefore, look for other locations, mostly outside the mining circumference area. The local government does not deliver development programs in areas if it knows that this particular area has received the same development programs from the mining company:

We have already had the blueprint of our community development programs; we need to talk to the government to make sure that it does not overlap with the local government's development programs. We make presentations in front of the governments, both legislative and executive. After we have got their consent, we launch our strategic planning of the community development program. (Hendro: a Community Relations Division staff member)

Every year we sit down together with bupati of the West Sumbawa district, the local council and BAPPEDA, to make sure there will be no overlap in relation to the community development programs. (Cahyo: a Community Development Division staff member)

The local government will seek other areas which have not received the same program from the mining company. (Arif: a Community Development Division staff member)

We discuss what kinds of development programs should be conducted by the mining company and in which village they should undertake these programs. We talk about this so there is no overlap in the implementation of development programs in one area. (Pandu: the head of BAPPEDA of the West Sumbawa district)

The mining company should consult with the local government in relation to the planning of the community development programs, so they would be effective. If the mining company conducts program A, the local government, then, conducts program B. (Dedy: bupati of the Sumbawa district)

The lack of involvement of the local government in the implementation of the

community development programs has had various implications. One of these implications is the dominance of the mining company in conducting the development programs in this area or what Dedy called 'functioned as if it were the government alongside the government'. The mining company has acted like a 'government' in that it has taken over the role of the West Sumbawa government in undertaking the development programs in this area. This is explained in the following interview extracts:

This mining company has operated in a very remote area which was less developed. Therefore, we act like a government in undertaking our community development programs; we have to conduct the 'complete' development programs because this area lacks infrastructure related to education, the health sector and many other aspects. Therefore, we conduct the government's role; we have to cover everything. (Ardy: a Community Development Division staff member)

We have done many things for the community development programs. We are acting as a government. If you (the researcher) could do a survey, the local community members would have the opinion that the mining company has given more to the mining circumference area compared with the local government. The mining company has built the roads, school buildings, and the clean water facilities. (Ardy: a Community Development Division staff member)

If you ask the local community members, they will answer their government is the mining company. (Cahyo: a Community Development Division staff member)

As a result, the local community members have become accustomed to seeing the mining company as their 'government' in the mining circumference area. They make requests to the mining company in any matters related to the development programs. They tend to be more satisfied with a community development program if it has been conducted by the mining company rather than by the local government. The mining company will fulfil what the local community asks them to, as they feel that otherwise their mining operation

may come under threat:

The local community will refuse development programs which have been conducted by the local government, even if the mining company has supported the implementation. The local community will ask, "Where is the mining company?" They always want the mining company to conduct a development program directly. Although we have already paid the taxes to the government, the local community will view us as doing nothing. We explain to the local community that we have already given the money to the local government, but they do not care, they want the mining company directly. Meanwhile, the mining company has seen that these problems may threaten the mining operation. (Ardy: a Community Development Division staff member)

The kind of consultation process which has been conducted by the local government and the mining company has given rise to some important questions in relation to the continuity and sustainability of the community development programs in the mining circumference area after the mining closure. These questions include: who should be responsible for continuing the implementation of the community development programs; and what is the consequence for the local community in this area which has become used to receiving the development programs from the mining company?

To overcome the dependency of the local community on the mining company, the West Sumbawa government has established a community development program, namely *koperasi berbasis rukun tetangga/RT*²⁶. As part of this scheme, the local government will build *koperasi* or a financial institution in every *Rukun Tetangga* areas in the West Sumbawa district. The local community members who live in these *Rukun Tetangga* will become the members of *koperasi*. This *koperasi*, further, will distribute revolving fund programs to their members as a stimulus program, so they can employ these funds/loans to develop small and medium local businesses. The local

²⁶ *Rukun tetangga* (RT) is a community organization which has been established to support the development activities conducted by the local government at a village level. Each RT consists of 30-50 families.

government realizes that the West Sumbawa district will no longer be able to rely on the mining industry to develop their regions. The *koperasi berbasis RT* program aims to address the dependency of this district on the benefits they currently receive from the mining industry.

The *koperasi berbasis RT* program is, however, another example of the lack of partnership between the mining company and the local government in the implementation of community development programs. As mentioned in Chapter 6, through YOP, one of its community development foundations, the mining company has also delivered a revolving fund scheme as a stimulus program to the local community in the mining circumference area. The local community has been expected to use their loans from YOP's revolving fund program to establish their own local businesses. Thus, both the local government and the mining company have conducted revolving fund programs. As explained in the following interview excerpt, this potentially signifies an overlap between the two parties:

There are many community development programs from the government, including koperasi. The local community has become bored. I know that they would be happy to get the money/loans from these programs, but I think it would become a bad debt. (A member of the local council of the West Sumbawa district)

It is evident that the local government and the mining company have not undertaken the partnership needed in order to effectively support each other in conducting the community development programs. This has caused two problems in the implementation of the programs. The first problem is the absence of a role for one party, either the mining company or the local government, in undertaking the development programs. The second problem is there is sometimes an overlap when both parties have conducted the same program, such as the revolving fund program.

The local government could use the mining company's community development programs as a positive opportunity, in which both parties support each other to deliver these development programs to the local community. In

order for this to occur, the West Sumbawa government would need to demonstrate their willingness and capability of negotiating with the mining company. One interviewee explained that the West Sumbawa government had received funds to build their infrastructure programs after negotiating with the mining company:

There is no hope if we want the support from the central government to receive more benefits from the mining industry. But we can change this situation through good communication with the mining company, so we could get more benefits from it. I had an experience related to this problem when I became the head of BAPPEDA of the West Sumbawa district. When the West Sumbawa government built the roads, we could not pay the wages for the workers, so we negotiated with the mining company and finally they gave loans which we have received from the mining company to build these roads as a grant. This means that we did not need to return this loan to the mining company. (Dedy: bupati of the Sumbawa district)

In summary, the lack of partnership between the mining company and the local government has led to a lack of involvement of the local government in the community development programs. It is evident from the research that an improvement of this situation would require willingness from both parties to communicate and negotiate in relation to conducting these programs. There are, however, some influencing factors which could potentially hinder this process, as will be discussed in the following subsection.

7.3.4 Factors which may impede negotiation

Research for this thesis has indicated that there are some influencing factors which could potentially impede the negotiation process between the mining company and the local government in conducting the development programs. One of these factors is related to the nature of the bureaucratic system. According to the mining company, the complexity of the bureaucratic processes and procedures employed by the West Sumbawa government is one factor explaining why the mining company has not involved the local

government in the community development programs. The mining company could not adjust to the local government's bureaucracy because it needs to deliver the community development programs quickly in order to avoid protests from the local community:

We coordinate with the local government at district level; however it always gets stuck at the lower level. I'm not sure why this always happens. The local community want us to deliver these development programs faster. Therefore, we have to conduct these programs by ourselves. Sometimes, the local government says that we conduct community development programs based on our interest. But if we ask the local government to do these programs, they take action very slowly.
(Ardy: a Community Development Division staff member)

Another interviewee discussed the fact that the mining company and the local government have different budgeting systems. The mining company's community development budget is issued in January of each year, while the local government's budget is issued in June or September. This problem may hinder both parties from sharing the budget to conduct the development programs. It would take a long time for the mining company if they had to wait for the local government to issue the budget needed to undertake the development programs:

We want to align our development programs with the local government. However, we have a different bureaucratic system from the local government in relation to the budgeting system. We issue our budget program in January, but the government issues its budget in July or September. (Cahyo: a Community Development Division staff member)

Other interviewees reveal that the complexity of bureaucracy has impeded the local community in getting local government support in conducting their development programs. As a result, the local community prefers to get support from the mining company which is closer and employs a shorter or simpler bureaucratic system compared with the local government:

The local community members also prefer to ask for donations from the mining company rather than from the local government, because they have to wait a long time for the local government budget to be issued. Compared with the local government, the mining company has a shorter bureaucratic process and is more proactive because it is closer to the local community. (Ardy: a Community Development Division staff member)

The local community found it difficult to get subsidies from the local government for the fertilizer needed in the agriculture programs due to the fact that there are many procedures which have to be followed. (Totok: a YPESB community development worker)

Distrust of the local government is another factor which could hinder the negotiation or communication process between the local government and the mining company in conducting the development programs. The mining company has had a negative experience of the local government. According to the mining company, the local government tends to 'use' the mining company in relation to the community development budget. The local government does not seem to intend to contribute towards this budget. The local government might assume that the mining company has adequate funds to budget for the community development programs and that they therefore do not have to contribute. This factor is discussed in the following interview extract:

Eventually, the local government cheated the mining company. We want to share the budget for the community development programs. We agreed to that the first time we used the budget from the mining company because our budget is issued earlier in January. But when the local government issued its budget in July or September, they used this budget for other purposes based on their own interests. That is why we don't want any sharing in terms of budget with the local government anymore. Finally, we will do it by ourselves as long as it does not overlap with the local government's development programs. (Cahyo: a Community Development Division staff member)

An interviewee claimed that West Sumbawa government has diverted the mining company funds away from their intended purpose. It seems that the West Sumbawa government might be misusing the mining company's funds and this has led to distrust on the part of the mining company towards the local government.

The above discussion demonstrates the factors hindering the mining company from having a positive relationship with the West Sumbawa government. Previously, before the Local Government Act had been promulgated and followed by the constitution of West Sumbawa as a new district, the mining company used to have a direct relationship with the central government in Jakarta. As it was established in the new order era (ORBA), this mining company had been put under the central government regulations. At that time, the foreign mining investors, including the mining company in the West Sumbawa had to sign a Contract of Work (CoW) with the central government of Indonesia. The constitution of the Local Government Act, followed by the new mining regulation, has forced the mining company in West Sumbawa district to have intensive relationships with the local government rather than with the central government. On the other hand, as a new district, the West Sumbawa government is still trying to develop its performance and capability. It might be difficult, therefore, to find local government staff members who are capable of managing the mining industry issue. From observation activities, the researcher found that there were some local government employees who have work experience which is not compatible with their positions in a particular department. For instance, the head of the energy and mineral resource department has a career background as a high school religion teacher, so he delegated the task of being interviewed to another staff member who he thought would be able to provide the researcher with more relevant information.

This situation between the local government and the mining company has several significant implications, one of the most important being that the mining company tends to maintain its compliance to the regulation mentioned in the Contract of Work, rather than to the West Sumbawa government

regulations. For instance, the local government had passed regulation No. 148 A/2011 to stop the mining operation temporarily for one month due to the stock divestiture problems. The mining company, however, neglected this regulation and maintained its compliance to the Contract of Work by continuing the mining operation.

7.4 Summary

This chapter has discussed the role of the local government in the mining company's community development programs. As mentioned in the previous discussion, these development programs have been expected to deliver benefits from the mining operation to the local community in the West Sumbawa district; however, most of the benefits have in fact gone to the central government in Jakarta. Although the Local Government Act stipulates that 80% of the mining industry benefits should go to the local government, in the implementation these benefits still in fact go to Jakarta. In addition, financial balance regulations have reduced some of these benefits to subsidize other non-mining producer regions. This sharing regulation seems unfair for mining producer regions including the West Sumbawa district because they suffer from the environment degradation caused directly by the mining operations and yet are not receiving adequate compensation for this. This situation has deteriorated due to the stipulations of the new mining law which state that the mining industries which have already signed a Contract of Work (CoW) should continue to send most of the benefits to Jakarta as state revenue. The West Sumbawa government should have opportunities to obtain more benefits from 'its' mining industry through the stock divestiture process. However, this process has become a complicated and ongoing process. Most of the mining company stock offered in the stock divestiture process is owned or has been bought by a private company, while the local government has received only a small portion of it.

Another advantage expected to come from the mining industry consists of benefits due to multiplier effects, including employment and the economic activities which emerge as a result of the mining operation. Unfortunately, these economic activities have also gone outside the West Sumbawa district.

It has been found that the mining company prefer to buy various resources, including meat, vegetables and eggs for its thousands of employees from other regions, such as from Lombok and Java province, instead of from the West Sumbawa district. In addition, the mining company employees also prefer to spend their money outside this district. Thus, there are not many economic activities which could boost economic development in the West Sumbawa district. The final expectation of benefit comes from the employment aspect. The West Sumbawa government argues that the mining company and its subcontractor companies have not yet prioritized the local community to be recruited as its employees. To overcome this problem, the West Sumbawa government has constituted local regulations which are expected to be able to force the subcontractors' companies to prioritize the local community members in the recruitment process.

The West Sumbawa government has lacked partnership with the mining company in relation to the implementation of the community development programs. The West Sumbawa government states that the mining company has never involved the local government in their community development programs, while the mining company argues that the local government tends to hand over its responsibility in conducting the development programs in the mining circumference area to the mining company. In addition, the local government and the mining company also blame each other in relation to which party has conducted unsustainable and short-term development programs. The only consultation process between the mining company and the local government has been conducted in relation to sharing information about the kinds of community development programs being planned, and the locations or areas where each party proposes to conduct the development programs. In general, the mining company undertakes the development activities in the mining circumference area, while the local government is responsible for conducting the development programs outside this area. This situation has various implications; one of those is the dominance of the mining company in conducting the development programs within the mining circumference area, as well as replacing the role of West Sumbawa government to undertake the development programs in this area. Other

implications have been related to issues including the sustainability of the development programs after the mine closure, and the dependency of the local community on the mining company which has tended to view this company as an alternative 'government' in the mining circumference area. Another example relating to the lack of partnership between the mining company and the local government can also be illustrated from the overlapping of the community development programs in the mining circumference area. The West Sumbawa government has established a revolving fund program through *koperasi* to overcome the dependency of the local community on the mining company. This program, however, has overlapped with a similar program that the mining company established previously through the YOP and KSM programs.

It was expected that the role of the local government in the implementation of the community development programs would be more significant. This could be achieved through willingness and capability on the side of the local government to communicate and negotiate with the mining company. There are some influencing factors, however, which may potentially hinder this process, including the complex bureaucracy conducted by the local government and the distrust of the mining company toward the local government. The mining company still appears to be uncomfortable about having a closer connection with the West Sumbawa government; it is still negotiating the way in which and with whom it should build these relationships. On the other hand, as a new district which has relatively recently been constituted in 2003, the West Sumbawa government has nevertheless tried to develop its performance despite the lack of experienced and capable staff who are used to dealing with mining industry issues. The latter problem has hindered the existence of partnership between the local government and the mining company in conducting the community development programs.

Chapter 8

Discussion and Conclusion

8.1 Introduction

While there have been considerable expectations about the positive contribution of community development as a way of creating benefits and minimizing negative impacts caused by mining operations (Accut, Hamann & Carter 2001; Ite 2004; Warhurst 2001), this study has provided evidence that, in practice, the implementation of community development programs is far from straightforward. Through a case study of the implementation of community development programs by a mining company in Indonesia, this study aimed to investigate the participation of the local community in the decision-making processes related to the implementation of these programs. This study also aimed to examine the involvement of NGOs and local government in the mining company's community development programs. The study contributes to knowledge about community development schemes associated with the mining industry. As Kemp (2010) points out, such research studies are needed to build a broader theoretical understanding of community development in mining, as well as contributing to the knowledge base in the domain of community development.

The researcher interviewed various informants who were selected on the basis of their knowledge, their involvement and their responsibility in the community development programs. These informants included: mining company employees; members of the local government including officers and local council members; the NGOs, consisting of both anti-mining and cooperative NGOs; and local community members. The informants from the local government were collected from two districts: the Sumbawa and the West Sumbawa district. The Sumbawa district was the location of the mining company from the exploration stage in 1986 until 2002. In 2003, West Sumbawa was designated as a new district on Sumbawa Island and at this

time the location of the mining company was renamed formally as West Sumbawa.

To discuss the findings of this study, this final chapter has been divided into five sections. Following introduction section is three sections which are a summary of the research findings, and the conclusions arising from these findings, with a discussion of their consistency with relevant theories and previous research. The initial section discusses the participation of the local community in the decision making process. The next section discusses the practice of power in the mining company's community development programs. The following section explains the involvement of NGOs and the local community in the mining company's community development programs. The final section includes conclusions and recommendations in relation to future research and potential strategies for significantly improving the implementation of community development programs in mining industries and more broadly in Indonesia and other developing countries.

8.2 Participation of the local community in the decision making process

This section discusses the findings in relation to the first aim of this study which was to examine participation of the local community in the decision-making processes in relation to the implementation of community development programs. As discussed in the literature review, the participation principle is required to promote human development and in order to achieve community empowerment as a primary objective of community development (Kenny 2006; Swanepoel, Hennie & De Beer 2006). This study, however, found that the participatory development employed by the mining company has not led to the empowering community outcomes that these theories suggest. In contrast, the community development programs have given rise to the financial dependency of the local community on the mining company. This study illustrated several factors which have contributed to this issue of financial dependency.

This study found that the financial approach utilized by the mining company to address its relational problems with the local community became the main

factor which led to the financial dependency of the local community on the mining company. As explained in the interviews with the local community members in Chapter 6, the mining company distributed money in order to placate the protest actions of the local community who were against the mining company. The mining company assumed that these protest actions would threaten the mining operation, and would therefore hinder them in obtaining profit from its operation. In the research interviews, the local community members explained that this financial approach influenced the development of a money orientation and expectations of the local community. The people became used to seeing the mining company as the source of grants which were a form of charity or compensation from the mining operation. Participation in the community development programs was negatively impacted upon by these characters; the mining company then complained that this lack of participation hindered the achievement of the community development objective.

This study found that the production/commercial oriented framework of the mining company, with its primary focus on profit, has dominated and influenced the way in which the mining company on Sumbawa Island has been conducting its community development programs. The mining company seems to have prioritized its own interests in achieving profit from its operation, rather than the interests of the local community (many of whom are poor and marginalized) to obtain benefits from the mining operation, including from the community development programs. As Kemp (2010) states, the two contradictory frameworks, the production/commercial oriented framework and the development agenda, always challenge the implementation of community development programs in the context of mining industries. This study reveals how the tension between these two different agendas emerged in the implementation of community development programs by the mining company in West Sumbawa district. For instance, as discussed in Chapter 6, the mining company has changed Yayasan Olat Parigi's (YOP) revolving fund program to become merely charity programs. The funds or grants from this program were distributed by the mining company to 'calm down' the protest actions from the local community. Another example illustrated in Chapter 5 shows that the

mining company utilized its community development programs to compensate the local community who suffered from the negative impacts, particularly the water pollution caused by the mining operation. The mining company built clean water facilities and provided a diesel electricity generator for these community members. As explained by the local community members, these facilities compensate the local community, but did not alleviate the water pollution.

While it is understandable that the mining company puts profits first, this goes against a people-centred approach to development which puts people as the subject and primary resource who conduct the development processes, and seeks to achieve the fulfilment of their material and spiritual well-being as the end or outcome of the development process (Korten & Carner 1984). In line with this people oriented notion, some scholars point out that these outcomes could be achieved if community development practitioners focus on increasing the capacity of local community members, so they have power and control in designing, conducting, and identifying problems that occur as well as finding the solutions to these problems; this is known as the empowerment process (Bhattacharyya 2004; Kenny 2006; Swanepoel, Hennie & De Beer 2006). In the case of the revolving fund program, this could theoretically empower the local community. By adopting a bottom-up approach, this program accommodated the local community's interests in having control and power to design and undertake their own development programs. However, as discussed previously, the mining company used these funds or grants more as charity programs rather than as a stimulant for the local community to undertake various development programs. This created an expectation in the local community that they would receive charity from the revolving fund program and thus led to financial dependency on the mining company. For the mining company to put the local community's interests first, it would need to place emphasis on increasing the capacity of the local community members to have power and control in conducting their development programs, for instance by giving them various training programs to improve their skills and capacity to undertake these programs. From the interviews with the local community members, it is clear that they wanted to acquire these skills so that

they could produce and sell various marketable products to increase their family income, as well as avoiding the debt trap issue in the revolving fund programs. As illustrated in Chapter 6, the lack of productive skills has meant that many local members, due to their subsistence culture and issues of poverty, tend to spend their loans on fulfilling their basic needs; this then leads them to have debt problems.

Based on the above discussion, it is clear that the local community has become the object rather than the subject in the community development programs. This is illustrated by the way that the local community has not yet become the main role-player in the implementation of the mining company's community development programs. This means that, as Swanepoel, Hennie and De Beer (2006) state, there are problems with the local community participation. Many scholars have highlighted that the empowerment process can occur only if the implementation of community development programs involves participation of community members to make decisions in relation to the community programs that will affect their future (Arnstein 1969; Bhattacharyya 2004b; Kenny 2006). As discussed in Chapter 5, the mining company claimed that it has already involved the local community in decision making processes through the Participatory Rural Appraisal (PRA). However, this study found that this process is a weak form of participation. As illustrated in Chapter 5, the mining company employed the PRA system once every five years to give the local community an opportunity to say what they wanted or needed in relation to the community development programs. The mining company failed to have an ongoing engagement with the local community in conducting these development programs. In the meantime, many problems occurred during the implementation of these programs, for instance inflation and the changes in the local community lifestyle. From interviews with several local community members, it is clear that they sought to inform the mining company of these problems and expected to get further intervention or assistance from the mining company to overcome these problems. However, the mining company seems to have ignored or been unwilling to listen to the complaints and feedback from the local community, which has resulted in communication problems between the mining company and the local

community.

This study identified several communication issues which have been occurring between the mining company and the local community. As explained by several interviewees from the local community, it was clear that although the mining company has conducted regular meetings with the local community, in several meetings, the mining company sent members of the Community Relations division as the mining company's representatives. As explained by an interviewee, these people have structured the communication processes between the mining company and the local community in ways that discourage two-way communication. For instance, they control the meetings by blocking or dominating the discussion process between the mining company and the local community. As a result, the local community have become reluctant to give their feedback and complaints in relation to the problems they have identified in the implementation of their community development programs. Other interviewees from the local community explained that in other meetings, the mining company always appointed the same person who could not meet the expectations of the local community: for instance, a low-ranking person who could not answer the questions or respond to the local community's complaints and feedback directly.

The one-off PRA system and the communication problems that have occurred between the mining company and the local community illustrate the level of participation of the local community in the mining company's community development programs. By adopting Arnstein's (1969) concept of the level of citizen participation, this study found that the mining company seems to have involved the participation of the local community only at a tokenistic level, rather than at a more substantive and comprehensive level which would indicate a genuine form of community participation. This study found that the mining company tended to ignore the complaints and feedback from the local community and seems to have retained power to make decisions in relation to the community development programs. As a result, the local community have become increasingly powerless and frustrated because they cannot ensure that the mining company will take notice of their voice. Arnstein (1969) states

that participation without redistribution of power is an empty and frustrating process for powerless people. Arnstein argues that in contrast to the tokenism level of partnership, the highest level of participation will place emphasis on partnership with communities and will maximize power and control in their hands.

Paradoxically, such a high level of participation as described by Arnstein (1969) was put into place in a very limited way by an initiative of *Yayasan Pengembangan Ekonomi Sumbawa Barat (YPESB)*, one of the mining company's community development foundations, but unfortunately the company did not replicate this approach across the board. The YPESB initiative incorporated four aspects: it was well planned by the mining company; it accommodated the participation of the local community; it provided an ongoing resources and assistance which are needed by the local community in conducting their community development programs; and was conducted by community development practitioners who have experience or capability in conducting this approach. As illustrated in Chapters 5 and 6, by using a top-down approach, YPESB established various local business programs, for instance Aloe Vera, mushroom and seaweed, which are new kinds of local businesses in the mining circumference area. The local community could then decide and choose from these different kinds of local businesses as to which would become their development programs. To increase the capacity and skills of the local community, YPESB continued to gives comprehensive assistance to the local community in conducting these programs until they achieved success and independence in managing these businesses independently. For instance, in the *Aloe Vera* business program, YPESB gave full assistance to its members from the beginning of the process: the cultivation and provision of the *Aloe Vera* seedlings; the processing of *Aloe Vera* into various food and drink products; the packaging of these products; and finding the network and the market for these members so they could sell their product to consumers. YPESB provided additional support: for instance, providing various training programs, finding financial resources, and temporarily paying employees the salary needed in all these processes. YPESB offered this comprehensive support and assistance until these

members become successful in conducting *Aloe Vera* businesses and paying their own employees. The same support and assistance was employed in other YPESB programs, such as seaweed, fried cassava and mushroom business programs. By giving ongoing assistance, YPESB attempted to empower the local community step-by-step so they will have power and control, as well as enhancing their sense of belonging in undertaking these local business programs. As a result, many local community members involved in YPESB's business programs were successful and have become independent in undertaking their own business programs.

Another kind of full intervention or comprehensive assistance approach was conducted in the agriculture program. Some interviewees from the local NGOs explained that the former Community Development division manager employed a mutually beneficial process between the mining company and the local community to undertake the agriculture programs. Similar to YPESB, under the former manager, the Community Development division gave comprehensive assistance to the local farmers, including: choosing productive plants, such as vegetables; cultivating the vegetables; and assisting with the harvesting process. This manager gave additional support by buying the vegetables from these farmers for the procurement of vegetables needed by the mining company employees in the town-site. Thus, the local farmers did not have difficulty selling their land crops to the market because the mining company would buy their crops. This mutually beneficial process succeeded in encouraging the motivation of the local farmers to participate in the agriculture programs. The mining company, however, found that the full assistance or support which had been given to the local community involved a significant budget in its implementation, and chose a new manager who was not as sympathetic to the local community, for the Community Development division.

This study suggests that the mining company needs to consider continuing the long-term and empowering community development programs conducted by the YPESB program and the former agriculture programs. In these programs, the local community was involved in the decision-making process

on an ongoing basis in undertaking the community development programs, recognizing the problems that occur, and finding the solutions to the problems. YPESB has a central role as a facilitator which gives assistance and support to the local community to go through these processes. This will require a longer time and more extensive budgets. As illustrated in Chapters 5 and 6, this process was successful, in the case of the few programs where it was applied, in increasing the local community's capacity to have power and control over their own development programs, as well as ensuring the sustainability of these programs. Research studies conducted by the World Bank also demonstrate that participation in decision-making implies some degree of self-determination in which the local community in a mining industry area can gain control over their own future (World Bank 2011). This process will ensure an effective distribution and sustainability of benefits for the local community after the mining operation ceases. As illustrated in previous discussions, several local community members involved in the YPESB's local business programs have been successful and are independent in conducting their businesses. This means that they could continue undertaking these businesses without support from the mining company when the mining operation has finished and will not depend on the mining resources anymore.

8.3 Power orientation and participatory development

This section discusses the issue of power; an important aspect of the community empowerment objective in the implementation of community development programs. Empowerment involves increasing the local community access to and control over resources and information (Kenny 2006). The local community can obtain this control, if they actively participate and are involved in the decision-making process and they should be able to influence decisions (Rowlands 1995). Rowlands (1995) states that in practice, the process of empowerment involves forms of group work, which require the role of outside professionals who become helpers and facilitators. The sharing of power with the local community has been demonstrated by YPESB and has led to the empowering community outcomes in YPESB's local business programs. In conducting these programs, YPESB has played its role as a

facilitator which has the power to increase the capacity and skills of the local community to undertake their business programs. On the other hand, YPESB has tried to involve the local community in the decision-making process, including: choosing the kinds of business programs which have been established by YPESB; informing them of problems in conducting these businesses; and assisting them in finding solutions to these programs. For instance, as illustrated in Chapter 6, YPESB has introduced local banks to the local community, and they have become familiar with dealing with these banks if they need funds to conduct their businesses. This has increased the power of the local community to control and conduct their own business programs.

The mining company needs to consider applying across all of its community development programs the same strategies as used in YPESB, such as providing ongoing intervention or assistance to the local community in relation to their participation in the community development programs. This strategy, however, will present challenges to the mining company due to the fact that the participatory development requires mining companies to *surrender* some power or control to local communities to determine their own development programs. The mining company already has power over the local community in terms of economic resources, knowledge and technology (Muthuri 2007; Newell 2005). By using this power, the mining company has the capacity to dominate the ongoing intervention process with the local community. However, this results in disempowerment or dependency of the local community on the mining company. The mining company needs to consider employing strategies which could align its power orientation with the participatory development principle. Similar to YPESB's role, the mining company could become a facilitator of the local community in finding solutions to problems emerging in the implementation of community development programs. The local community could be involved in decision-making by choosing and determining the solutions to the problems.

This study found that the other mining company community development practitioners, YOP and the Community Development division, have not yet played the same 'ideal' facilitator role as YPESB. As a result, the

implementation of community development programs has primarily become a frustrating process resulting in the financial dependency and disempowerment of the community. As discussed in Chapter 2, some scholars believe that community disempowerment outcomes will occur if professional outsiders as facilitators keep trying to maintain their power over communities in implementing community development programs (Muthuri 2007; Newell 2005). This practice is more likely to develop if community development practitioners already have 'power over' the community such as statutory authorities, financially powerful organizations, and the business community, including mining companies. By utilizing Foucault's theory of power, this section discusses the way in which the mining company has asserted its power over the local community in the implementation of the community development programs.

As discussed in the literature review, Foucault (1978) has viewed power in a productive way. Foucault states that power acts as a strategy which is practised and exercised through the apparatuses of knowledge, dispositions, manoeuvres, tactics and techniques. This strategy can be practised in multiple forms of domination and subjugation, for instance in the way doctors treat their patients, teachers/schools instruct their students, and managers supervise their workers. The Foucauldian concept of power has been adopted to reveal the forms of domination, the power relations, and how power is exercised or operated either through the development process or by the institution of development (Brigg 2002; Coveney 1998; DuBois 1991; Escobar 1984/1985). In the community development field, Foucault's concept of power has been employed to reveal the forms of domination and subjugation practised by community development practitioners in the implementation of community development programs. This practice of power will hinder the community empowerment process which is ostensibly the main objective of community development programs.

Based on Foucault's concept of power, this study found that the mining company has asserted its power over the local community in conducting its community development programs. The practice of power of the mining

company can be illustrated from the communication problems occurring between the mining company and the local community. As discussed in the previous section, the mining company have primarily maintained one-way flows of information regarding the implementation of community development programs. The mining company appears to be neglecting the local community's aspirations by ignoring their complaints and feedback in the regular meetings conducted by the mining company. The local community have not been able to influence decisions that have been established by the mining company related to the implementation of the community development programs. It is clear that the mining company has practised a domination strategy through one-way communication to maintain its power and control over these programs. As a result, the local community has become increasingly powerless *vis-à-vis* the mining company.

This study reveals another practice of power employed by the mining company to maintain its power over the local community. As discussed in the previous section, the mining company utilized the revolving fund program as a monetary incentive to 'calm down' the protest actions of the local community. Theoretically, this revolving fund program was established to stimulate the local community to conduct productive activities to increase their income. However, as explained in Chapter 6, the mining company privileged the problematic groups who were against the mining company when distributing the revolving fund programs. The mining company has changed its community development programs so that they have merely become charity programs; this demonstrates the way in which the mining company has utilized its power as a large-scale economic corporation to maintain its power over the local community, partly through its community development programs.

This study found that the operation of power practised by the mining company through the community development programs has been supported by the Community Relations division which is responsible for overcoming the relational problems occurring between the mining company and the local community. As discussed in Chapter 5, the mining company has deployed

branch offices of the Community Relations divisions in the subdistricts of the mining circumference area. The work of these branch offices can be understood with reference to Foucault's idea of the 'panopticon' (Foucault 1977). The panopticon provides surveillance, control and domination, for instance the guards over inmates, schools over students, hospitals over patients, and in relation to this study, the mining company over the local community. By adopting a panopticon approach, the presence of staff members of the Community Relations division in the branch offices achieves surveillance of the local community, detecting and responding to issues emerging within the local community. These issues have been assumed by the mining company could trigger relational problems between the mining company and the local community and potentially threaten the mining operation. This local surveillance and response controls protest actions of the local community against the mining company, as well as ensuring the security of the mining operation. As illustrated in Figure 5-11, the mining company involved the Community Relations division (including its branch offices) in receiving proposals from the local community members to get loans from YOP's revolving fund program. This mechanism was relatively effective to 'calm down' the protest actions of the local community. Once a protest action emerged, these Community Relations branch offices would respond quickly by either distributing cash or coaxing the problematic groups to make program proposals and then privileging them to get loans from YOP's revolving fund program.

This study found that in their relatively powerless position, the local community has demonstrated their resistance toward the community development programs. As Foucault (1978, p. 95) writes, 'where there is power, there is resistance'. Foucault explains that resistance always becomes an integral part in every practice of power and exists within a network of power relations. A form of resistance can be articulated by less powerful communities in both hidden or public discourses to retrieve their power (Wallerstein 1999). The mining company may find that its panopticon strategies succeed in calming down the protest actions from the local community. However, this study found that these protests actions may

emerge in different form. The local community has articulated their protest actions in different ways, for instance by not returning their loans and refusing to participate in the community development programs. This form of 'hidden' resistance continues and could be seen as responses to the disempowerment experienced.

The resistance of the local community members toward community development programs can be seen as the power relations dynamics in Foucault's concept of power (Foucault 1978). On the one side, the mining company has power over the local community in terms of money, knowledge and facilities in conducting community development programs. In this situation, the local community seems become powerless *vis a vis* the mining company. As discussed in above paragraphs, the mining company tends to retain this imbalance relationships by controlling the local community through community development programs. However, Foucault (1978) sees individuals as active and the subjects of power relations rather than merely the objects of oppression of those who have power. In their powerless position, the local community members often conduct protest actions to the mining company. This indicates that the local community also has power over the mining company. The mining company has seen that if the local community becomes too independent, it would be serious threat for the mining company. This explains how the mining company has employed its community development programs, supported by Community Relations division, to control and maintain its power over the local community.

8.4 The role of local government and NGOs

This section discusses the involvement of the local government and the NGOs in the mining company's community development programs. As mentioned in the literature review, the research studies conducted by Newell and Frynas (2007) show that business communities cannot solely contribute to development programs through Corporate Social Responsibility (CSR) without any support from civil society and the state or government; the state or government should be the key actor responsible for determining the

policies or regulations to address the complexity of development problems, which will inherently involve social and political factors. Newell and Frynas (2007) have viewed the involvement of NGOs and government from a structural functionalist perspective. According to this perspective, societies contain interdependent structures, each of which performs certain functions for the maintenance of society; the function of one structure will need the function or existence of another structure in order to achieve stability, conformity and social order in society (Hustedde & Ganowicz 2002). Based on this perspective, business communities that undertake CSR will need other institutions including the government to establish regulations which could address social and political problems in the implementation of CSR.

This study has viewed the involvement of the local government and NGOs from a different perspective. Based on conflict theory perspective, this study found that the implementation of community development has been challenged by issues of power relations which have hindered the achievement of the community empowerment objective. As discussed in the previous section, this study found that there is an unequal relationship between the mining company and the local community due to the superior power of the mining company as community development practitioners in terms of knowledge, economic resources, and technology. The previous section also reveals how the mining company has subjugated and disempowered the local community through its community development programs. This practice of power has been conducted by the mining company to ensure the security of its mining operation against the protest actions of the local community. This has caused the local community to become increasingly powerless *vis-à-vis* the mining company. The acknowledgement of the dynamics of domination and subordination in the community development programs can therefore be beneficial and constructive for community empowerment. As Kenny (2006) states, the power relations could potentially be changed in the interests of the disadvantaged, oppressed or exploited communities in order to achieve the objective of community empowerment.

Based on the above discussion, this study suggests that the successful implementation of the mining company's community development programs in

West Sumbawa will need the involvement of NGOs and the local government. NGOs and the local government could become the balancing power between the mining company and the local community. For instance, they could play a role as the 'watch dog' to monitor and even criticize the mining company's community development programs so that the implementation of these programs are always on track in working towards the community empowerment objective. However, this study found that the local government has lacked a role and involvement in the implementation of the mining company's community development programs.

Chapter 6 of this thesis illustrates that the mining company in West Sumbawa has employed two approaches in undertaking its community development programs: the company-led approach and the corporate foundation approach. In the company-led approach, the mining company has delivered the community development programs to the local community through one of the mining company's divisions: the Community Development division. The mining company has positioned this division under the External Relations Department. Meanwhile, in the corporate foundation approach, the mining company has established two foundations: *Yayasan Olat Perigi* (YOP) and *Yayasan Pengembangan Ekonomi Sumbawa Barat* (YPESB). According to the mining company, these foundations would continue the implementation of the mining company's community development programs after the closure of the mine.

This study found that the company-led and corporate foundation approaches do not involve other parties, particularly local government, in the implementation of the mining company's community development programs. This has given rise to several outcomes including the domination of the mining company which has become the main actor, or which has acted like a state authority, in the area affected by the mining operation. Although the Indonesian government regulations require mining companies in Indonesia to consult with local government in conducting their community development programs, the mining company on Sumbawa Island seems to have ignored this requirement.

As explained in Chapter 4, the Indonesian government has established several regulations which require mining industries in Indonesia to conduct Corporate Social Responsibility (CSR) and/or deliver community development programs to the local communities who live in the vicinity of mining operations. Included in these regulations are the Local Government Act No. 22/1999 and the new mining law No. 4/2009. Furthermore, these regulations require mining companies in Indonesia to involve and consult local governments and local communities in the areas where their companies have been established in relation to conducting their community development programs.

This study found, however, that the community development regulations are not yet effective in ensuring that the mining company and the local government engage in substantive two-way consultations in relation to the implementation of the mining company's community development programs. This can be illustrated from the type of consultation process conducted between the mining company and the local government. In this process, the mining company does in fact make presentations to the West Sumbawa government in relation to the kinds of development that they plan to deliver to the local community. However, an interview with a local government official indicated that there is no consultative session in this process that could accommodate complaints and feedback from the local government regarding these development programs. Based on this presentation process, the mining company and the local government then decide on the distribution of responsibilities for the various kinds of community development programs, and the locations or areas where each party plans to conduct their community development programs. Both the mining company and the local government argue that they need this type of coordination in order to avoid overlapping in terms of the kinds of development programs offered and the choice as to where these programs would be delivered to the local community.

The lack of partnership between the mining company and the local government in the implementation of the mining company's community development programs has two implications. One of these implications is the

decline of the local government's role in the implementation of the development programs in the mining circumference area. The mining company has become the main development agent in the mining circumference area, while the local government mostly delivers the development programs outside this area. This means that the mining company is responsible for conducting development processes in the mining circumference area, from the planning and the implementation to the evaluation of the community development programs. The mining company, moreover, has to provide the funds needed in the implementation of these programs. The dominance of the mining company's role can be illustrated from the community development programs which have been delivered to the local community in the mining circumference area; these have included many infrastructure programs, capacity building (health, education, and agriculture), local business development and revolving fund programs. As a result, the mining company seems to have replaced the role of the West Sumbawa government in fulfilling the needs of the local community through these development programs.

Another implication is the problem of potential overlap between programs which would be received by the local community. As discussed in Chapters 5 and 7, both the West Sumbawa government and the mining company have established the same program, namely a revolving fund program. The mining company, moreover, has delivered two revolving fund programs: YOP and *Kelompok Swadaya Masyarakat's* (KSM) revolving fund programs (see Chapter 6). Meanwhile, the local government established another revolving fund program, namely *koperasi berbasis rukun tetangga/RT*. On the one hand, these revolving fund programs partially support the local community in terms of the funds needed to establish their own development programs. However, these funds could potentially exacerbate the unrepaid debt problem of the local community. From these two implications, it can be argued that both the mining company and the local government have failed to support each other in delivering the community development programs.

This study found other factors which may have influenced the partnership

between the mining company and the local government in the implementation of the community development programs. As explained in Chapter 7, these factors include the nature of the bureaucratic system and the mining company's distrust toward the local government. The mining company tends to view the new West Sumbawa District Government, constituted in 2003, as not having sufficient experience and as still being at the stage of trying to develop its performance and capacities, particularly in relation to mining affairs. As a consequence, the mining company has been reluctant to trust the West Sumbawa government to build relationships with such a large-scale enterprise as the mining industry. Due to these factors, the mining company seems to have found it difficult to establish a constructive relationship with the local government.

On the other hand, the current West Sumbawa government seems not to have established enough power to regulate the mining company which is located in its area. The mining company focuses on maintaining its compliance to the Contract of Work (CoW) which was signed with the central government, rather than working closely with the local government. This can be illustrated through various cases which have been discussed in Chapter 7. For instance, in relation to stock divestiture, the West Sumbawa government established a local regulation No. 148 A/2011 to stop the mining operation temporarily for one month. However, the mining company on Sumbawa Island maintained its compliance to the Contract of Work (CoW) by neglecting this regulation and continuing its mining operation. In relation to the implementation of the community development programs, one salient example is the West Sumbawa government has encouraged the mining company to buy meat from the local community for its numerous employees. This would assist in increasing the income of the local community, as well as improving local economic development. However, the mining company has not yet responded to the local government's suggestion.

This study provides some empirical evidence that the mining company in West Sumbawa has involved the NGOs in its community development programs. As discussed in Chapter 6, most of these, however, have been

established to directly or indirectly employ the community development workers of the mining company are dependent on the mining company in terms of the kinds of community development programs offered, the budget needed in their implementation, and the salary they receive regularly from the mining company. As the community development workers of the mining company, these NGOs are not able to voice the interests of the community members in relation to the problems that have arisen in the implementation of these programs. The interviewees from the mining company claim that these NGOs have been established by the local community members to obtain benefit from the mining industry. The mining company has contracted these local NGOs to provide assistance for the local community members in conducting their community development programs. There are also the NGOs at provincial level which have occasionally been involved in the mining company to conduct its participatory rural appraisal (PRA) system with the local community members. Meanwhile, the mining company has never built relationships with the anti-mining NGOs due to the fact that these NGOs are sceptical about whether the mining company's community development programs will actually deliver benefits for the local community.

8.5 Conclusion and recommendations

This concluding section presents the key findings based on the discussion presented in Chapters 4 through to 7. Based on these findings, a number of recommendations for policy are outlined and areas for future research are suggested. This study found that the mining company has demonstrated compliance in delivering community development programs to the local community as outlined in its Contract of Work (CoW) and the community development regulations, for instance as stated in the Mining Law No. 4/2009. Further, the study found that the community development programs which have been conducted by the mining company since the construction stage have delivered benefits in terms of economic development for the local communities. This can be illustrated from the establishment of various infrastructure projects by the mining company and the improvement of health and education of the local community through the mining company's

community development programs. This development process has transformed a small and quite remote area into a new, busy and wealthy district on Sumbawa Island. This study found, however, that these positive contributions are outweighed by the negative impacts of the mining operation, and that these negative impacts have not yet been adequately addressed.

Chapter 4 demonstrated that the presence of the mining company in West Sumbawa district has resulted in various negative impacts on the local community. Included in these impacts are: inflation; changes in lifestyle; changes in local community customs and social norms; demoralizing impacts, such as prostitution and alcoholism; and severe environmental degradation problems. This study found that the benefits from the implementation of the mining company's community development programs have been outweighed by these negative impacts. For instance, while the mining company has succeeded in increasing the farmers' crops through the agriculture programs, inflation has meant that prices have doubled. This has led to marketing problems which hinder these farmers from benefitting from their crops.

This study found that the implementation of the mining company's community development programs has resulted in financial dependency and disempowerment of the local community. This is because the mining company has failed to increase the capacity of the local community so that they will have power to make decisions related to their own development programs. To achieve community capacity at this level, the community development practitioners should encourage the participation of communities in the decision-making process. This study highlights the fact that the participation of communities in the decision-making process should be conducted as an ongoing process during the implementation of community development programs: from the determining of the program, through to identifying problems occurring during the implementation, and finding solutions to these problems. This would give the local community the power to have control over their own future.

As illustrated in Chapter 5, the mining company claimed that it had already involved the local community in the decision-making process through the

Participatory Rural Appraisal (PRA) and the revolving fund programs. However, this study found that these processes are one-off or weak forms of participation. In the PRA and revolving fund programs, the mining company provided an opportunity for the local community to say what they needed and to choose the kinds of community development programs to be implemented. This participation was not followed by ongoing intervention or assistance in developing the capacity of the local community to conduct and manage their development programs. This led to unsustainability issues in the mining company's community development programs. Included in these programs were clean water facilities, a diesel electricity generator, spraying the malaria mosquito breeding grounds, children's malnutrition programs, scholarship programs, revolving fund programs and the construction of water dams. The question that emerges is how the local community could continue to conduct, maintain and finance the implementation of these programs after the mine closure.

This study reveals that the mining company involved the participation of the local community at a tokenistic level. At this level of participation, communities are not involved in decision-making processes that imply the distribution of power and place control in their hands. As discussed in Chapter 6, the mining company seems to have neglected the local community's aspirations and has failed to share or transfer knowledge and information regarding the implementation of the community development programs. The mining company should undertake these processes due to the fact that many problems emerged and were faced by the local community during the implementation of these programs, and it was necessary to find solutions for these problems. Several local community members who were interviewed indicated that the mining company has failed to listen to their complaints and feedback in relation to these problems in the regular meetings they had with the mining company. The local community has become increasingly powerless *vis-à-vis* the mining company and feel disheartened concerning the problems which have arisen in undertaking the development programs.

This study has identified the main factor which is causing community

participation issues in the mining company's community development programs as being the unequal power relations which exist between the mining company and the local community. As illustrated in Chapter 4, the mining company already has power over the local community in terms of economic resources, information and technology. In this unequal relationship, it is clear that the mining company intends to retain its power over the local community to ensure the security of its mining operation from the possibility of protest actions from the local community. Utilizing Foucault's concept of power relations, this study has discussed some of the pattern of power in the relationships between the mining company as a community development practitioner and the local community. It has been illustrated that the mining company has used its knowledge and employed strategies to maintain its power over the local community through its community development programs. One tactic or strategy that has been adopted by the mining company is utilizing a financial approach in order to cool off the protest actions of the local community. This tactic has been implemented to ensure the security of the mining operation. As discussed in the previous section, this approach has led to financial dependency on the mining company, and the mining company has then claimed that this dependency has been a major factor hindering the achievement of the community empowerment objective.

This study reveals another instance in how the mining company has practised its power through the implementation of its community development programs. The mining company has changed these development programs to become charity programs and compensation to the local community who have suffered from negative impacts caused by the mining operation. As discussed in the previous section, the mining company has distributed the revolving fund programs to calm down the protest actions of the local community. The mining company has therefore privileged the problematic groups in obtaining this funding. This study also found that the mining company has delivered the community development programs to distract the concerns of the local community in relation to the environmental impacts of the mining operation. For instance, as discussed in Chapter 4, the mining company has built clean water facilities and supplied a diesel electricity generator for the local

community who live in the area most affected by environmental degradation.

As discussed in the previous section, the practice of domination and subjugation conducted by the mining company has led to the resistance of the local community. This resistance has been articulated in several ways by the local community, including by either rejecting or returning their loans to the revolving fund programs or refusing to participate in the community development programs. It is clear that by demonstrating resistance, the local community want to inform the mining company that they are disappointed with the implementation of these development programs and the failure of the mining company to provide solutions to the problems that have occurred.

The implementation of the community development programs has enabled the domination or control of the mining company as a community development practitioner over the local community. In this situation, the community development programs that theoretically should be able to empower the local community, in contrast, have led to the disempowerment of the local community. The same strategy has been practiced by the developed countries to maintain their control and power over developing countries.. For instance, developed countries have disseminated the doctrines and theories of development which claim that there are many problems which could hinder the development process in developing countries, and that the involvement of developed countries is therefore required to provide adequate solutions to these problems.

As discussed in the literature review, Foucault views power relations in a productive way. This perspective perceives power relations in development programs as reversible, meaning that the relations that already exist can potentially be changed. By adopting this perspective, this study suggests that the power relations which already exist (and will continue to exist) between the mining company and the local community, and which have, to this point in time, hindered the achievement of community empowerment, could potentially be changed. This study found that other parties should be involved in the implementation of the mining company's community development programs, for instance NGOs, particularly who are qualified and experienced in

conducting community development programs in mining industry, and the local government. The involvement of both the NGOs and the local government is required in order to balance the power distribution in the unequal relationship between the mining company and the local community. For instance, as illustrated in Chapter 7, the West Sumbawa government has established several regulations, for instance employment and meat procurement regulations, which could force the mining company to involve the local community to a greater degree in the mining operation. However, this study has revealed many problems which have hindered the involvement of the local government, including the nature of the bureaucratic system and distrust toward the local government.

Recommendations for the mining company in West Sumbawa district

The above discussion demonstrates that the implementation of the mining company's community development programs has led to financial dependency which has in turn resulted in the disempowerment of the local community. The following section includes recommendations, based on the findings of this research, for overcoming or at least minimizing the financial dependency of the local community on the mining company.

It is recommended that the mining company develop clear guidelines for management in conducting three different activities: the community development programs, charity programs and compensation program to the local community. Figure 5-2 shows how the mining company has formally distributed these three activities between different areas of management. The implementation of community development programs is put under the Community Development division; the distribution of charity or donations is put under the Community Relations division; and compensation to the local community, particularly in relation to land issues, has become the responsibility of the Government Relations division. However, this study found that in practice, the mining company has blurred the boundaries between these three activities in the implementation of the community development programs. For instance, the mining company has delivered compensation to the local community who suffered from environmental degradation impacts

through the community development programs, for instance by building clean water facilities. Other compensation has been given by the mining company through grants in YOP's revolving fund programs. On the other hand, the Community Relations division has been involved in YOP's revolving fund programs, to the point that they are responsible for the regulation of YOP. This has led to the transformation of YOP's revolving fund program to become merely a charity program. The failure to delineate responsibility clearly for the different areas of charity, community development programs and compensation has caused many problems including the financial dependency of the local community.

The clear separation between the three kinds of activities – charity, community development programs and compensation – will provide increased benefits to the local community. This would also ensure that the mining company conducts a fair and transparent distribution of the community development programs. For instance, the mining company could distribute the charity programs or donations to support the local community in conducting cultural or religious events. The mining company could then focus on delivering the community development programs to achieve the community empowerment objective. The mining company should realize that its operation has caused many negative impacts on the local community. These impacts can only be reduced by giving compensation to the local community, rather than through the distribution of the community development.

In relation to compensation to the local community, the mining company needs to consider employing forward-looking strategies. This means that the mining company must plan ongoing compensation of the mine closure. This will ensure that the benefits of this compensation could be received on an ongoing basis by the local community until the mine closure. For instance, in terms of longer term compensation, this study suggests that the mining company could develop the mining circumference area to become a tourist destination area. From observation activities, the researcher recognised that this area has many beautiful beaches and has become a favourite destination for surfers from around the world. Unfortunately, this local economic potential

has not been well managed. The mining company could start to build partnerships with the local community and the local government to develop this area to become a surfer's destination area. To achieve the sustainability of this development process, the mining company would need to consider employing locally available knowledge and technology. To take another example, from interviews with a local community member, it is clear that there are many farmers' wives who are creative in producing local craft. This study suggests that the mining company could encourage the local community to sell these crafts as tourist souvenirs.

This study suggests that the mining company should stop using a financial approach in overcoming its relational problems with the local community and in conducting its community development programs in the very near future. As the findings of this research have demonstrated, the way in which a 'community development' program is delivered can result in dependency rather than empowerment. When payments are made to local community members to compensate them for environmental damage, or distract them from other concerns, the long-term outcome is financial dependency on the mining company. The community members see the mining company as a potential source of cash grants. Instead a similar amount of money spent on participatory bottom-up community development has the potential to create empowerment rather than dependency. Participatory community development programs aim to ensure long-term and sustainable benefits to communities. These kinds of community development programs involve ongoing processes for the local community: to identify their immediate needs; to develop solutions to the problems that emerge during mining operations; and to consider and work towards establishing the kind of community development they want in their local area following the mine closure. For example, the mining company funded water dams in the agriculture program in order to increase the productivity of the paddy crops. As discussed in Chapter 5, the local farmers had low productivity due to the lack of water which caused the farmers to depend on the wet season to cultivate their land. However, these programs must not be viewed in isolation. This study found that during the implementation, the farmers faced the issue of inflation which caused

marketing problems. Inflation has increased the cost of cultivating land and hiring casual workers. The price of rice paddies and other crops doubled which made it difficult for local farmers to sell these crops to other areas. The mining company needs to continue its involvement and work with the local community to address this marketing problem. These ongoing processes would enable the involvement of local communities in making decisions in relation to development processes that affect their lives, and would help them to establish their self-help capacities. The mining company could employ community development practitioners, perhaps in consultation with NGOs who are qualified and experienced in these kinds of community development programs.

The mining company needs to consider creating a trust fund for the local community. This could ensure that the benefits from these programs will be sustained after the mine closure. It will not be difficult for the mining company to give significant amounts of capital to the local community because it already expends a relatively high level of resources on community development. As illustrated in Chapter 5, the mining company has spent millions of dollar on delivering various community development programs to the local community. This study suggests the mining company could invest this grant money or capital into a local bank for the local community: this is the same mechanism which has been utilized by the mining company in the revolving fund programs. For instance, the mining company could put grant money or capital for the local community of about US\$10 million in a local bank as part of the mine closure planning. Following the mine closure, the local community could then derive interest (5%-10%) from this capital every year, and utilize this fund to continue the implementation of the community development programs.

In addition, the mining company needs to consider providing access and information to the local government in relation to its community development programs. Based on the researcher's experience, the mining company has not yet undertaken a dialogue or open communication with the local government. For instance, the researcher was involved in a meeting

conducted by the mining company which included a discussion of a plan to improve its scholarships programs. In this meeting, the mining company involved only the External Relations Department staff members, consultants from universities and other scholarship funding bodies; the local government, also community members and the NGOs, however, were not invited or involved in this meeting.

This study recommends that the central government should ensure the fair distribution of benefits from the mining industry at the local level. This study found that the Local Government Act and mining regulations have not yet provided an opportunity for the local government of West Sumbawa to derive benefits from the mining industry which is located in its area. Most benefits of the mining industry still go to the central government in Jakarta. In addition, based on the fiscal regulations, the West Sumbawa government has had to share the benefits from the mining royalties in equal proportions with other districts in the West Nusa Tenggara Province which are non-mining producer regions (see Appendix F). This seems unfair as the West Sumbawa district as a mining producer region encounters many direct and costly negative impacts caused by the mining industry. As a result, the West Sumbawa government does not have a sense of belonging in relation to this mining industry. This has become a factor impeding the West Sumbawa government in establishing good communication and coordination with the mining company in relation to the implementation of the community development programs, as well as other issues related to the existence of the mining industry in its area.

General Recommendations

Policy level recommendations

Mining industry

This study encourages mining industries in Indonesia and other developing countries to avoid using a financial approach in overcoming relational problems with communities and in conducting community development programs. As the findings of this study have illustrated, a financial approach is only effective in the short term, while its *boomerang* effect will continue over long periods of time and influence the relationship between mining companies

and local communities. Once a mining industry employs a financial approach, local communities will always perceive this industry as a source of grants. On the other hand, once a mining industry adopts a participatory development approach, the local community will get used to seeing this industry as an agent of development.

This study suggests that mining companies should utilize a well-designed community development program by involving various members and combinations of other parties including company, state or local and/or central government agencies and/or civil society such as NGOs; this is known as the concept of the 'tri-sector partnership'. These parties should be involved from the beginning of the mining operation so that the mining company will have sufficient information to design its community development programs. In addition, these parties should be involved in the implementation and evaluation of the mining company's community development programs. It is assumed that the involvement of third parties will provide a balancing power in the unequal relationships which already and always exist between mining companies and local communities. As the findings of this research demonstrate, this unequal relationship can give rise to the issue of power relations that have negatively influenced the implementation of the mining company's community development programs on Sumbawa Island. The mining company utilized a financial approach in conducting these development programs which led to financial dependency outcomes.

Government

It is recommended that the government play a significant role in relation to the implementation of mining company community development programs. The government's role is required particularly to provide clear guidelines that stipulate the way in which mining companies should undertake community development programs. This study found that formal regulations at a national level were not sufficient to become durable guidelines for these companies to conduct community development programs. Governments need to consider establishing guidelines at a local level which explain how the mining company could: improve the quality of community development activities; achieve

greater sustainability; increase community capacity to manage its own development and negotiate effectively with the government and with the private sector; and establish effective relationships with the local communities in which it operates. This study suggests that the local government should have the main role in establishing these local guidelines. This is because the local government understands the potential and the social and cultural backgrounds of the local communities that live in the mining circumference area.

This study recommends that local government should become the main actor and regulator in the implementation of community development programs. The local government could establish a master plan for the mining company's community development programs. This master plan would ideally be established before the mining operation and the implementation of community development has begun. This would prevent the mining company from using its own perceptions in conducting community development programs which are potentially unsustainable. For instance, if a local government has a master plan for a mining industry area to be transformed as a tourist destination after the mine closure, the mining company should take this master plan as a guideline for the implementation of the community development programs. The mining company could then build infrastructure projects and increase the knowledge and capacity of local communities in relation to this master plan.

Local governments also need to consider developing effective coordination with government at higher levels including provincial and central governments. This coordination could address the lack of ability and experience of local government at district level in regulating mining industries in their areas. This coordination would also be useful in building new mining industry areas, including preparing local employees and workers needed in the mining operation. This would maximize some benefits from the mining operations going to local communities. If needed, the government at a higher level could provide training programs for local government staff members in order that they could develop their knowledge and abilities regarding the implementation of mining company community development programs.

Finally, the government needs to consider ensuring the effectiveness of *Analisis Mengenai Dampak Lingkungan* (AMDAL) or the environmental impacts assessment as a requirement of conducting a mining operation. In this assessment, mining industries should clearly outline the rehabilitation process that will be conducted to overcome negative impacts on cultural, social and environmental levels. This would avoid or at least minimize the local community suffering from these negative impacts over long periods of time after the mine closure.

Practice level recommendations

The mining companies need to consider establishing an intentional or designed community development approach. This approach tends to become more a top-down rather than a bottom-up process. On the other hand, theorists in the community development field believe that participatory development through a bottom-up process is more effective and constructive for achieving the community empowerment objective. This bottom-up approach focuses on how communities can have direct control over their own development process. However, the findings of this study show that there are many complex factors, including both external and local factors, which could hinder the participation of local communities in community development programs. This study found that local communities who live in the mining circumference area face immediate and very direct complex problems associated with the negative impacts from the mining operations. In addition, these local communities are mostly sustained by the agricultural sector and practise a subsistence culture and economy. Community development operates in the context of many constraining factors which can lead to a contradiction between theories and practice. The context in which community development programs are conducted will influence the implementation of the community development program, including the nature of the private sector and the varying degrees of state capacity and civil society engagement. This opens a critical question concerning to what extent the participation principle would be effective in empowering communities.

This study suggests that an intentional approach which combines top-down

and bottom-up approaches is required in the case study mining industry area. To conduct this approach, by employing a top-down model, mining companies could establish the kinds of community development programs based on local economic potential of the mining industry area. This top-down approach, moreover, should be improved and modified so that local community ideas and reactions are incorporated so that the community can feel that it 'owns' the program. One of the strategies is the mining company could provide opportunities for local communities to choose between these options which would enable a bottom-up approach. The mining company, moreover, needs to consider providing ongoing intervention and assistance by employing two-way mechanism, which consists of a combination of the top-down and bottom-up approaches. This mechanism is conducted in the same way as when a person flies a kite; that is, he controls the motion of the kite in two different actions: sometimes by pulling and in another time releasing the kite string.

Recommendations for future research

As case study research, this study provides a holistic and detailed analysis in relation to the implementation of the community development programs in a mining industry area in West Sumbawa, Sumbawa Island, West Nusa Tenggara Province, Indonesia. In summary, this study found that the mining company on Sumbawa Island has attempted to incorporate the participatory development principle in the implementation of its community development programs. However, this study demonstrated that employing this principle has not on the whole led to empowering community outcomes. In contrast, this research highlighted the financial dependency of the local community on the mining company and the resistance to participation from various sections of the community. It has been revealed that a financial approach has been utilized by the mining company to address its relational problems with the local community. The lack of a substantive local government role has been identified as a major limitation.

This study suggests that these research findings could be utilized as a basis for seeking solutions to the problems and avoiding problems in similar situations in the future. Future research could go a step further by

investigating actions based on these findings. One suggestion is a further study, including an action research study, to investigate strategies for addressing the identified problems. In the process, the action research would need a team involving the local community, researchers, the mining company, NGOs and local governments. Building on the participatory rural appraisal (PRA) process which has already been conducted by the mining company, the action research study would seek to continue this process of involving the local community to find solutions to the problems that emerge in the implementation of the community development programs. The combination of research and action could support local communities in obtaining their goals to have economic betterment, as well as empowering themselves in a reciprocal relationship rather than dependency on the mining company.

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Appendix A

Semi-Structured Interview Schedule (Komunitas Lokal)

Tambang dan Pemberdayaan Komunitas Lokal: Sebuah Study Kasus

Tanggal wawancara:

Identitas diri:

1. Jenis kelamin :
2. Umur :
3. Pekerjaan :

Daftar Pertanyaan:

1. Apakah anda terlibat dalam program-program pengembangan komunitas yang dilakukan oleh perusahaan pertambangan?

Jika Ya (Lanjutkan ke pertanyaan No.2)

Tidak (Lanjutkan ke pertanyaan No.10)

2. Dalam program-program pengembangan komunitas apa saja anda terlibat ?
3. Dengan cara seperti apa anda terlibat dalam program-program pengembangan komunitas?

Bisakah anda menceritakannya lebih banyak kepada saya?

4. Apakah anda dilibatkan dalam pengambilan keputusan sehubungan dengan program-program pengembangan komunitas?
5. Apa menurut anda program-program pengembangan komunitas telah tercapai?
6. Apakah program-program pengembangan komunitas yang dilakukan oleh pihak perusahaan telah memenuhi kebutuhan komunitas local? Bagaimana menurut pendapat anda?

7. Apakah perusahaan tambang meminta respon balik dari komunitas local terkait dengan program-program pengembangan komunitas? Menurut anda, apa kebutuhan dari komunitas local yang belum terpenuhi?

8. Jika anda dapat memberikan saran tentang suatu program pengembangan komunitas yang baru, program seperti apa yang anda inginkan?
9. Bagaimana anda memahami tentang peran dari perusahaan tambang, NGO, pemerintah dan anggota komunitas yang lain dalam pelaksanaan program pengembangan komunitas ?
10. Jika anda tidak berpartisipasi dalam program-program pengembangan komunitas, dapatkah anda menceritakan kepada saya mengapa demikian?

APPENDIX A (English Translation)

Semi-Structured Interview Schedule (Local Community)

Mining and Community Development in Indonesia: A Case Study

Interview Date:

Demographic questionnaire

1. Your gender
2. What is your age?
3. What is your occupation?

Interview questions:

1. Are you involved in the mining company's community development programs?

Yes (Go to question No.2) No (Go to question No.9)

2. In what kind of community development programs are you involved?
3. In what ways have you been involved in community development programs?

Can you tell me more about that please?

4. Have you been involved in decision-making about the community development programs?
5. What do you think the community development programs have achieved?
6. Has the mining company's community development program met the local communities' needs? What do you think?
7. Has the mining company sought feedback from the local community regarding its community development programs?

- What do you think are the community's unmet needs?

8. If you could suggest a new community development program, what kind of program would you want?
9. If you do not participate in the community development programs, can you tell me why?
10. How do you perceive the role of mining company, NGOs, local government and other community members in the implementation of community development programs?

Appendix B

Semi-Structured Interview Schedule (Perusahaan Tambang)

Tambang dan Pemberdayaan Komunitas Lokal: Sebuah Study Kasus

Tanggal wawancara:

Identitas diri:

1. Jenis kelamin :
2. Umur :
3. Department/Section :

Daftar Pertanyaan:

1. Program-program pengembangan komunitas apa saja yang diimplementasikan oleh perusahaan anda?
2. Apa tujuan dari program-program pengembangan komunitas tersebut?
3. Bagaimana anda mengembangkan program-program tersebut?
4. Bagaimana anda mengimplementasikan program-program tersebut?
5. Apakah perusahaan telah melibatkan komunitas local dalam program-program tersebut?
6. Apakah komunitas local telah berpartisipasi dalam pengambilan keputusan dalam program pengembangan komunitas?
7. Dapatkah anda mengemukakan hasil-hasil apa saja yang diperoleh komunitas local dari program pengembangan komunitas?
8. Dapatkah anda mengemukakan faktor-faktor apa saja yang mempengaruhi implementasi dari program pengembangan komunitas ?
9. Apakah pihak perusahaan mencari respon balik dari pemerintah daerah, NGO dan komunitas local terkait dengan program-program pengembangan komunitas?
10. Apa tanggapan perusahaan anda tentang pelaksanaan program pengembangan komunitas secara keseluruhan?
11. Apakah mungkin menurut anda program-program pengembangan komunitas tersebut dapat memberdayakan komunitas local?

12. Bagaimana perusahaan anda memahami peran dari pemerintah, NGO dan komunitas local terkait dengan pelaksanaan program pengembangan komunitas?
13. Apakah perusahaan anda telah melakukan evaluasi terhadap program pengembangan komunitas?
- Jika ya, apakah mungkin sekiranya saya dapat memperoleh fotocopy dari hasil evaluasi tersebut?

APPENDIX B (English Translation)

Semi-Structured Interview Schedule (Mining Company)

Mining and Community Development in Indonesia: A Case Study

Interview Date:

Demographic questionnaire

1. Your gender
2. What is your age?
3. Which division/section of the company are you in?

Interview questions:

1. What kind of community development programs are conducted by your company?
2. What are the aims of those community development programs?
3. How have you developed these programs?
4. How have you implemented the programs?
5. How have you involved the local communities in these programs?
6. Have local communities participated in decision-making about the community development programs?
7. Can you tell me what the outcomes of community development programs are for local communities?
8. Can you tell me what factors influence the implementation of community development programs?
9. Does your company seek feedback from local government, NGOs and local communities regarding the implementation of the mining company's community development programs?
10. What is your company's overall impression of the implementation of community development programs?
11. Do you think it is possible for community development programs to empower local communities?
12. How does your company perceive the role of government, NGOs and local community in the implementation of community development programs?
13. Has your company evaluated the community development program?

If yes, may I have a copy of the evaluation?

Appendix C

Semi-Structured Interview Schedule (NGOs)

Tambang dan Pemberdayaan Komunitas Lokal: Sebuah Study Kasus

Tanggal wawancara:

Identitas diri:

1. Jenis kelamin :
2. Umur :
3. NGO :

Daftar Pertanyaan:

1. Apakah organisasi anda terlibat dalam program pengembangan komunitas yang dilakukan perusahaan tambang?

Jika Ya (Lanjutkan ke pertanyaan No.2)

Tidak (Lanjutkan ke pertanyaan No.11)

2. Dalam program-program pengembangan komunitas apa saja organisasi anda terlibat?
3. Dengan cara bagaimana organisasi anda terlibat dalam program-program pengembangan komunitas, seperti berikut :
 - Mengajukan inisiatif/menjadi innovator dalam program-program pengembangan komunitas tersebut secara keseluruhan.
 - Menjadi pelaksana program-program pengembangan komunitas
 - Membantu atau menjadi fasilitator dari komunitas local dalam pelaksanaan program pengembangan komunitas.
4. Menurut anda, apakah program-program pengembangan komunitas yang dilakukan oleh perusahaan tambang telah meningkatkan taraf hidup dari komunitas local? Jika belum, dapatkah anda menceritakan mengapa demikian?
5. Dapatkah anda mengemukakan factor-faktor apa saja yang mempengaruhi pelaksanaan dari program-program pengembangan komunitas?

6. Apakah perusahaan tambang meminta respon balik dari organisasi anda terkait dengan program-program pengembangan komunitas?
7. Terkait dengan partisipasi dari komunitas local, dapatkan anda mengemukakan dengan cara seperti apa mereka berpartisipasi?
8. Apakah menurut anda komunitas local telah berpartisipasi dalam pengambilan keputusan terkait dengan program-program pengembangan komunitas?
9. Apakah mungkin menurut pendapat anda program-program pengembangan komunitas dapat memberdayakan komunitas local?
10. Jika organisasi anda dapat memberikan saran tentang suatu program pengembangan komunitas yang baru, program seperti apa yang menurut anda dapat memberdayakan komunitas local?
11. Jika organisasi anda tidak terlibat dalam program pengembangan komunitas perusahaan tambang, dapatkah anda menceritakan mengapa demikian?

APPENDIX C (English Translation)

Semi-Structured Interview Schedule (NGOs)

(English Translation) Interview Date:

Demographic questionnaire

1. Your Gender
2. What is your age?
3. NGO's name?

Interview questions:

1. Is your NGO involved in the mining company's community development program?
Yes (Go to question No.2) No (Go to question No.11)
2. In what kind of community development programs is your NGO involved?
3. In what ways is your NGO involved in the community development programs, as follows:
 - Initiate/innovate/plan the community development programs;
 - Undertake these community development programs;
 - Assist or facilitate local community members to undertake community development programs.
4. Do you think community development programs conducted by the mining company have improved the local community life? Can you tell me in what ways they have improved life, or why they have not improved life?
5. Can you tell me what factors influence the implementation of community development programs?
6. Does the mining company seek feedback from your NGO regarding the community development program outcomes?
7. Regarding the local community's participation in the community development programs, can you tell me in what ways they participate?
8. Do you think local communities participate in decision-making about the community development programs?

9. Do you think the community development programs have empowered the local communities?
10. If your NGO could suggest a community development program, what kind of program do you think would empower the local community?
11. If your NGO does not involve in the mining company's community development programs, can you tell me why?

Appendix D

Semi-Structured Interview Schedule (Pemerintah Lokal)

Tambang dan Pemberdayaan Komunitas Lokal: Sebuah Study Kasus

Tanggal wawancara:

Identitas diri:

1. Jenis kelamin :
2. Umur :
3. Department :

Daftar Pertanyaan:

1. Apakah pemerintah daerah terlibat dalam program-program pengembangan komunitas yang dilakukan perusahaan tambang?

Jika Ya (Lanjutkan ke pertanyaan No.2)

Tidak (Lanjutkan ke pertanyaan No.9)

2. Dalam program-program pengembangan komunitas apa saja pemerintah daerah terlibat?
3. Dengan cara bagaimana pemerintah daerah terlibat dalam program-program pengembangan komunitas?
4. Bagaimana Undang-undang Otonomi Daerah mempengaruhi program-program pengembangan komunitas yang dilakukan oleh perusahaan tambang?
5. Menurut pendapat anda, apakah komunitas local memperoleh kesempatan untuk berpartisipasi dalam proses pengambilan keputusan terkait dengan perencanaan program-program pengembangan komunitas?
Jika ya, dengan cara seperti apa mereka berpartisipasi?
6. Menurut pandangan anda, apakah program-program pengembangan komunitas memenuhi kebutuhan komunitas local?
7. Menurut pandangan anda, apakah program-program pengembangan komunitas tersebut memberdayakan komunitas lokal?

8. Apakah perusahaan tambang meminta respon balik dari komunitas local terkait dengan program-program pengembangan komunitas?
9. Jika pemerintah daerah tidak terlibat dalam program-program pengembangan komunitas, dapatkah anda menceritakan mengapa demikian?

APPENDIX D (English Translation)

Semi-Structured Interview Schedule (local government)

Mining and Community Development in Indonesia: A Case Study

Interview Date:

Demographic questionnaire

1. Your gender
2. What is your age?
3. What department are you in?

Interview questions:

1. Has the local government been involved in the mining company's community development program?
Yes (Go to question No.2) No (Go to question No. 9)
2. What kind of community development programs is your department involved in?
3. In what ways is your department involved in the community development programs?
4. How do the Local Government Act and the mining law influence the community development programs being conducted by the mining company?
5. Do you think that local communities have the opportunity to participate in decision-making processes related to community development programs planning?
If so, in what ways can they participate?
6. In your view, do the community development programs meet community needs?
7. In your view, do the community development programs empower the local communities in any way?
8. Does the mining company seek feedback from the local government regarding the community development programs?
9. If local government is not involved in the mining company's community development programs, can you tell me why?



PEMBERITAHUAN KEPADA PESERTA YANG TERLIBAT DALAM PENELITIAN

Bapak/Ibu diundang untuk berpartisipasi

Bapak/Ibu diundang untuk berpartisipasi dalam proyek penelitian yang berjudul: Mining and Community Development in Indonesia: A Study of Copper and Gold Mining In West Nusa Tenggara Province, Indonesia/Pertambangan dan Pengembangan Komunitas di Indonesia: Studi tentang Pertambangan Nikel dan Emas di Propinsi Nusa Tenggara Barat, Indonesia.

Proyek ini sedang dilaksanakan oleh seorang mahasiswa peneliti bernama Anif Fatma Chawa sebagai bagian dari studi PhD di Victoria University dibawah bimbingan Associate Professor Dr. Marty Grace dari School of Social Science and Psychology, dan Professor Michael Hamel-Green, dari Faculty of Arts, Education and Human Development/Jurusan Ilmu Sosial dan Psikologi, Fakultas Sastra, Pendidikan dan Pengembangan Manusia.

Penjelasan Proyek

Studi ini dimaksudkan untuk mengkaji seberapa jauh program pengembangan komunitas yang diimplementasikan oleh perusahaan nikel dan emas di Sumbawa, melibatkan partisipasi dari komunitas lokal dalam proses pengambilan keputusan. Penelitian ini juga akan mengkaji tentang harapan dari komunitas local dan pengaruh dari penerapan Undang-undang Otonomi Daerah terhadap program pengembangan komunitas, serta bagaimana perusahaan tambang, NGO, pemerintah daerah dan komunitas local memahami program pengembangan komunitas yang diimplementasikan di wilayah tersebut. Penelitian ini akan mendeskripsikan kesimpulan tentang bagaimana program pengembangan komunitas yang iimplementasikan oleh industri tambang di Indonesia, dan negara-negara berkembang lainnya dapat ditingkatkan.

Tujuan khusus dari proyek penelitian ini adalah sebagai berikut:

- Mengkaji keterlibatan pemerintah daerah, NGO dan komunitas loakl dalam program-program pengembangan komunitas.
- Mengkaji adanya keterkaitan antara pengimplementasian Undang-undang Otonomy daerah dan program pengembangan komunitas.
- Mengkaji partisipasi dari komunitas local dalam proses pengambilan keputusan pada perencanaan pengembangan komunitas.
- Mengkaji seberapa jauh program pengembangan komunitas yang diimplementasikan oleh perusahaan pertambangan dapat memberdayakan komunitas local.

Apa yang akan saya lakukan?

Setiap peserta akan diberikan beberapa pertanyaan terkait dengan latarbelakang, pengetahuan dan keterlibatan mereka dalam program-program pengembangan komunitas (daftar pertanyaan terlampir) dan direkam dengan tape recorder. Direncanakan setiap wawancara akan mengambil waktu sekitar 30 sampai 60 menit.

Apa yang akan saya dapatkan dengan berpartisipasi

Informasi yang disampaikan oleh semua peserta dalam wawancara akan memberikan

kontribusi penting terhadap implementasi program pengembangan komunitas yang lebih baik di Indonesia dan meningkatkan kualitas hidup komunitas local di daerah pertambangan di Indonesia. Peserta akan menerima kompensasi sebesar Rp. 15.000 untuk mengganti kerugian waktu dan biaya transportasi.

Bagaimana Informasi yang saya berikan akan digunakan?

Informasi yang disampaikan oleh semua peserta akan digunakan untuk mencapai tujuan penelitian and publikasi yang dihasilkan dari proyek penelitian. Beberapa publikasi tersebut diantaranya dalam bentuk multimedia (CD), artikel yang dipublikasikan oleh journal-journal Universitas, buku, paper yang dipresentasikan untuk konferensi yang bersifat akademis, surat kabar dan media populer lainnya

Apa potensi resiko dengan keikutsertaan saya dalam proyek ini?

Saya akan menghargai keinginan tiap peserta untuk tidak mencantumkan identitas diri, kecuali kalau peserta berkehendak sebaliknya, dan nama peserta tersebut tidak akan dipublikasikan. Partisipasi dari para peserta sepenuhnya bersifat sukarela dan dimungkinkan untuk mengundurkan diri sebagai partisipan, sampai waktu pengumpulan data penelitian akan selesai pada tanggal 3 Maret 2012.

Jika beberapa pertanyaan saya terlalu sensitive atau bersifat pribadi, atau mulai mengganggu para peserta, mereka diperkenankan memberhentikan wawancara dan beralih pada pertanyaan yang lainnya. Jika peserta terganggu atau merasa proses wawancara terlalu melelahkan, saya akan menghentikan wawancara dan akan melanjutkan jika peserta menghendakinya.

Bagaimana proyek ini akan dilaksanakan?

Saya akan melakukan wawancara selama satu jam atau lebih dan merekamnya dengan tape recorder. Jika peserta tidak mau informasinya direkam, maka saya hanya akan mencatat hasil wawancara tersebut. Selama masa studi, saya akan mengamankan hasil wawancara dalam filing cabinet yang terkunci di kantor saya di Footscray Park Campus, Victoria Univeresity, dan/atau menggunakan password computer. Jika peserta menginginkan identitas dirinya disamarkan, kerahasiaan akan dijaga dengan menyimpan identitas asli secara terpisah. Saat penelitian berakhir pada tanggal 3 Maret 2012, semua bahan/hasil wawancara akan disimpan di office research/kantor bagian penelitian di Victoria University selama 5 tahun dan kemudian akan ditransfer ke Victoria University Archives/kantor dokumentasi Universitas Victoria terkait.....

Siapa yang akan melaksanakan penelitian ini?

1. Principal Researcher
Associate Professor Marty Grace PhD
School of Social Sciences and Psychology
Ph 61-3-9919 2920
Email: Marty.Grace@vu.edu.au
2. Co-Investigator
Professor Michael Hamel-Green PhD
Faculty of Arts, Education and Human Development
Ph 61-3-99194449
Email: Michael.Hamel-Green@vu.edu.au

3. Student Researcher
Anif Fatma Chawa
School of Social Sciences and Psychology
Faculty of Arts, Education and Human Development
Victoria University
www.vu.edu.au
Footscray Park Campus 3011
Victoria- Australia
Email : aniffatma.chawa@live.vu.edu.au
Mobile : (+61)425622806

Semua pertanyaan terkait dengan keikutsertaan Bapak/Ibu dalam proyek ini dapat dialamatkan kepada Peneliti Utama sebagaimana tersebut di atas.

Sekiranya Bapak/Ibu mempunyai pertanyaan atau keberatan dengan cara Bapak/Ibu diperlakukan, Bapak/Ibu dapat menghubungi the Ethics and Biosafety Coordinator, Victoria University Human Research Ethics Committee, Victoria University, PO Box 14428, Melbourne, VIC, 8001 phone (03) 9919 4148.

APPENDIX E (English Translation)



**VICTORIA
UNIVERSITY**

**A NEW
SCHOOL OF
THOUGHT**

INFORMATION TO COMMUNITY PARTICIPANTS INVOLVED IN RESEARCH

You are invited to participate

You are invited to participate in a research project entitled 'Mining and Community Development in Indonesia: A Study of Copper and Gold Mining in West Nusa Tenggara Province, Indonesia'. This project is being conducted by Anif Fatma Chawa as part of a her PhD study at Victoria University under the supervision of Associate Professor Marty Grace from School of Social Science and Psychology and Professor Michael Hamel-Green from Faculty of Arts, Education and Human Development at Victoria University.

Project explanation

This study will examine how the community development programs which have been implemented by the copper and gold mining company in Sumbawa; involve the participation of the local community in the decision making process. It will explore the expectations of the local community, the influence of the regional autonomy law and how the mining company, NGOs, regional government and local community perceive the community development program implemented in this region. It will draw conclusions about how the mining industries' community development programs in Indonesia, and other developing countries as well, could be improved.

The specific aims of the Project are to:

- investigate the involvement of regional governments, NGOs and local communities in community development programs.
- explore the interrelationship between the implementation of regional autonomy laws and community development programs.
- investigate the participation of the local community in decision making processes related to community development planning.
- analyse the ability of a mining company's community development programs to empower the local community.

What will I be asked to do?

Each participant will be asked some questions relevant to their background, knowledge, and involvement in the community development programs (list of questions is attached) and be recorded by tape recorder. It is expected that each interview will take between 30 to 60 minutes. All the participants will be given the opportunity to re-check the information their give by listening to the tape recorder.

What will I gain from participating?

By participating in an interview, you will have the opportunity to make an important contribution to the implementation of community development program in Indonesia. The report will increase understanding

of community development processes in developing countries and policy making regarding community development programs. Your participation will make an important contribution to a better implementation of community development programs and to improve the living of local communities in mining-districts in Indonesia. You will be offered recompense AUD\$ 2 for your time and transport costs.

How will the information I give be used?

Your information will be used for the research purposes and publications produced from this research study. Potential publications include a multimedia (CD), academic articles published in scholarly journals, a book, papers presented to academic conferences, newspapers and popular media.

What are the potential risks of participating in this project?

I will respect your wish for anonymity, unless you designate otherwise, and will not disclose your name in publications. Your participation in the interview is entirely voluntary and you may withdraw from participation until the data collection phase of the research is completed on 3 March 2012.

If any of my questions are too sensitive or personal or begin to upset you, please tell me to stop and change for another question. If you are bothered or find the interview too tiring, I will stop the interview and will continue only if you want to do so.

How will this project be conducted?

I would like to interview you for up to one hour and record the interview by tape recorder. If you do not want to be recorded, then I will only take notes. During the study, I will secure the interview materials in a locked filing cabinet in my office at the Footscray Park Campus, Victoria University, and/or on a password protected computer. If you request a disguise, anonymity will be protected by your real identity being stored separately from materials bearing a disguise. When the research study ends on 3 March 2012, materials will be lodged with the Office for Research at Victoria University where they will remain for five years and will then be transferred to the Victoria University Archives where they will be subject to statutory regulations regarding the retention and disposal of records.

Who is conducting the study?

1. Principal Researcher
Associate Professor Marty Grace PhD
School of Social Sciences and Psychology
Ph 61-3-9919 2920
Email: Marty.Grace@vu.edu.au
2. Co-Investigator
Professor Michael Hamel-Green PhD
Faculty of Arts, Education and Human Development
Ph 61-3-99194449
Email: Michael.Hamel-Green@vu.edu.au
3. Student Researcher
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Victoria University
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Footscray Park Campus 3011
Victoria- Australia
Email : aniffatma.chawa@live.vu.edu.au
Mobile : (+61)425622806

Any queries about your participation in this project may be directed to the Principal Researcher listed above.

If you have any queries or complaints about the way you have been treated, you may contact the Ethics and Biosafety Coordinator, Victoria University Human Research Ethics Committee, Victoria University, PO Box 14428, Melbourne, VIC, 8001 phone (03) 9919 4148.



Appendix F

FORMULIR PERSETUJUAN UNTUK PARTISIPAN YANG TERLIBAT DALAM PENELITIAN

INFORMASI UNTUK PARTISIPAN:

Kami mengundang anda untuk berpartisipasi dalam studi tentang tambang dan pemberdayaan masyarakat. Studi ini akan meneliti tentang bagaimana sebuah perusahaan tambang di pulau Sumbawa melibatkan masyarakat dalam proses pengambilan keputusan dalam implementasi program pemberdayaan masyarakatnya. Studi ini lebih lanjut juga akan meneliti tentang harapan masyarakat local, pengaruh undang-undang Otonomi Daerah dan bagaimana perusahaan tambang, lembaga swadaya masyarakat, pemerintah di tingkat kabupaten dan masyarakat lokal menanggapi dan memahami implementasi dari program pemberdayaan masyarakat tersebut. Studi akan memberikan kesimpulan dan ulasan yang menyeluruh tentang implementasi dari program pemberdayaan masyarakat di kawasan tambang di Indonesia dan negara-negara sedang berkembang lainnya.

Informasi yang anda berikan akan digunakan untuk keperluan studi ini. Identitas anda akan dijaga kerahasiaannya.

BUKTI PERNYATAAN DARI PARTISIPAN

Saya,
dari

menyatakan bahwa saya paling tidak telah berumur 18 tahun dan saya dengan sukarela menyatakan kesediaan saya untuk berpartisipasi dalam study tentang: Tambang dan Pemberdayaan Masyarakat di Indonesia: sebuah Study tentang Perusahaan Tembaga dan Emas di Provinsi Nusa Tenggara Barat, Indonesia yang dilakukan di Victoria University, dan dibimbing oleh Associate Professor Marty Grace PhD, Prof. Michael Hamel-Green dan Anif Fatma Chawa.

Saya menyatakan bahwa tujuan dari studi ini, dengan segala resiko dan perlindungan yang berhubungan dengan proses wawancara telah sepenuhnya dijelaskan kepada saya oleh Anif Fatma Chawa, sebagai mahasiswa peneliti.

Saya dengan sukarela menyatakan untuk ikut berpartisipasi dalam proses wawancara dan saya menyetujui bahwa wawancara ini akan direkam.

Saya menyatakan bahwa saya telah mendapatkan kesempatan untuk mendapatkan semua jawaban atas pertanyaan saya dan saya memahami bahwa saya dapat mengundurkan diri dari studi ini kapan pun dan proses pengunduran diri ini tidak akan membahayakan saya dengan cara apapun.

Saya telah diinformasikan bahwa informasi yang saya berikan akan dijaga kerahasiannya.

Tanda tangan

Tanggal

Segala pertanyaan tentang partisipasi anda dalam penelitian ini mungkin akan diarahkan kepada peneliti

Associate Professor Marty Grace PhD

Telephone 61-9919 2920

Jika anda mempunyai pertanyaan atau complain tentang bagaimana anda diperlakukan, anda bisa menghubungi the Ethics & Biosafety Coordinator, Victoria University Human Research Ethics Committee, Victoria University, PO Box 14428, Melbourne, VIC, 8001 Telephone (03) 9919 4148.

APPENDIX F (English Translation)



**VICTORIA
UNIVERSITY**

**A NEW
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CONSENT FORM FOR PARTICIPANTS INVOLVED IN RESEARCH

INFORMATION TO PARTICIPANTS:

We would like to invite you to be a part of a study into mining and community development in Indonesia. This study will examine how the community development programs which have been implemented by the copper and gold mining company in Sumbawa, involve the participation of the local community in the decision making process. It will explore the expectations of the local community, the influence of the regional autonomy law and how the mining company, NGOs, regional government and local community perceive the community development program implemented in this region. It will draw conclusions about how the mining industries' community development programs in Indonesia, and other developing countries as well, could be improved.

The information provided will be used for this study. Your identity be kept confidential

CERTIFICATION BY PARTICIPANT

I,
of

certify that I am at least 18 years old* and that I am voluntarily giving my consent to participate in the study: Mining and Community Development in Indonesia: A Study of Copper and Gold Mining In West Nusa Tenggara Province, Indonesia being conducted at Victoria University by: Associate Professor Marty Grace PhD, Professor Michael Hamel-Green and Mrs. Anif Fatma Chawa

I certify that the objectives of the study, together with any risks and safeguards associated with the interview have been fully explained to me by Mrs. Anif Fatma Chawa, the student researcher.

I freely consent to participate in the interview and I have agreed that the interview be recorded.

I certify that I have had the opportunity to have any questions answered and that I understand that I can withdraw from this study at any time and that this withdrawal will not jeopardise me in any way.

I have been informed that the information I provide will be kept confidential.

Signed:

Date:

Any queries about your participation in this project may be directed to the researcher

Associate Professor Marty Grace PhD

Telephone 61-9919 2920

If you have any queries or complaints about the way you have been treated, you may contact the Ethics & Biosafety Coordinator, Victoria University Human Research Ethics Committee, Victoria University, PO Box 14428, Melbourne, VIC, 8001 Telephone (03) 9919 4148.

Appendix G



**VICTORIA
UNIVERSITY**

**A NEW
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THOUGHT**

MEMO

TO A/Prof Marty Grace
 School of Social Science & Psychology
 St Albans Campus

DATE 10/12/2009

FROM Prof Carolyn Noble
 Deputy Chair
 Arts, Education & Human Development Human
 Research Ethics Subcommittee

SUBJECT Ethics Application – HRETH 09/210

Dear A/Prof Grace,

Thank you for submitting your application for ethical approval of the project:

HRETH09/210 Mining and Community Development in Indonesia: A Study of Copper and Gold
 Mining in West Tenggara Province, Indonesia.

The proposed research project has been accepted and deemed to meet the requirements of the National Health and Medical Research Council (NHMRC) 'National Statement on Ethical Conduct in Human Research (2007)', by the Deputy Chair, Faculty of Arts, Education & Human Development Human Research Ethics Committee. Approval has been granted from 10/12/2009 to 03/03/2012.

Continued approval of this research project by the Victoria University Human Research Ethics Committee (VUHREC) is conditional upon the provision of a report within 12 months of the above approval date (by 10/12/2010) or upon the completion of the project (if earlier). A report proforma may be downloaded from the VUHREC web site at: <http://research.vu.edu.au/hrec.php>

Please note that the Human Research Ethics Committee must be informed of the following: any changes to the approved research protocol, project timelines, any serious events or adverse and/or unforeseen events that may affect continued ethical acceptability of the project. In these unlikely events, researchers must immediately cease all data collection until the Committee has approved the changes. Researchers are also reminded of the need to notify the approving HREC of changes to personnel in research projects via a request for a minor amendment.

If you have any queries, please do not hesitate to contact me on 9919 2917.

On behalf of the Committee, I wish you all the best for the conduct of the project.

Prof Carolyn Noble

Chair

Faculty of Arts, Education & Human Development Human Research Ethics Committee

Appendix H

The History of the Mining Industry in Indonesia

Introduction

This discussion explains the social and political contexts which have influenced the regulation of mining industries in Indonesia. This context is divided into four periods: the colonial, the old order, the new order, and democratic reform period. The implementation of community development programs relies on the state or government to provide policies or regulations to overcome the social and political problems in the development process (Newell & Frynas 2007). In the mining industry context, these regulations are needed as the guidelines which outline the role of mining company, the government and the local community (Davidson & Braithwaite 2005; Newell & Frynas 2007).

The document review undertaken as part of this research revealed that concern about the implementation of Corporate Social Responsibility and community development programs by mining industries in Indonesia dates from the democratic period (*reformasi* era). In this period, the Indonesian government established regulations in relation to the community development programs. These regulations mention that mining companies must involve local governments and local communities in the implementation of community development programs. This is in line with the Local Government Act which decentralized the regulation of mining industries to local governments in Indonesia. In the previous period, the regulation of mining industries in Indonesia, including most benefit from this industry was centralized in the central government. The decentralization of mining regulations would bring benefits from the mining industries to local governments, as well as to local communities. However, several research studies found that, in practice, the implementation of these regulations has been challenged by various problems which hindered the local communities from obtaining the benefit from these

industries. These issues are explained in the following discussion.

The mining industry in the colonial period (... < 1945)

The mineral resources in Indonesia have been exploited since in the colonial period. At that time, the regulation of the mining industry enabled the Dutch residents or companies to undertake mining operations in Indonesia. In some cases, this hindered the Indonesian people from exploiting the mineral resources, as well as deriving benefits from the mining sector (Susilo & Maemunah 2009; Zulkarnain et al. 2005). As a consequence, the Indonesian people had to compete with the colonial government for mineral resources which caused many conflicts between them.

The brief history of mining industries in Indonesia started when a Dutch businessman in 1871 tried to exploit oil sources in Cibodas West Java Province (Palupi 2011). This exploitation was unsuccessful due to the lack of mining operation devices. In 1885, oil mining was successfully established commercially in Telaga Tunggal-1 in North Sumatera. Other minerals which were exploited during the colonial government were tin deposits which were mined in Bangka, Belitung, and Singkep Island (Ballard 2001; Wiriosudarmo 2001). 'The tin mining in Bangka Island was owned and operated by the colonial government, while those in Belitung and Singkep Island were owned and operated by private companies under the protection of the colonial government' (Wiriosudarmo 2001, p. 75). All those mining operations are still in operation. Tin deposit exploitation has placed Indonesia as one of the biggest tin producers in the world, supplying 27% to 40% of the demand for tin in the world (Susilo & Maemunah 2009; Zulkarnain et al. 2005). In the colonial era, tin became a strategic commodity utilized for money production in Indonesia and canned food manufacture in Europe.

During the colonial period, mining was important economically. In 1938, mining contributed 30.9% of total exports (Singawinata 2002). At that time, the mining industries were predominantly nickel, oil and coal mining industries. Under the Japanese occupation (1942-1945), some of these mining industries were closed due to war damage of some mining facilities. Singawinata (2002, p. 55) explains that 'Japanese occupants realized the

importance of mining to support their war campaign; therefore through 16 *zaibatsu* and 13 other big companies, they made investments that were worth 198.872 million yen’.

During the colonial government, the mining industries were regulated under the Dutch mining regulation known as - *Indische Mijnwet (IMW)* (Hertanto, AW 2008; Singawinata 2002). Under this provision, mining was regulated under the concession system. This system gave two kinds of authority to the private mining companies: the authority to undertake mining operations and the authority over the lands where they conducted these mining operations. At the end of 1938, the total number of concessions and licenses operating in the Dutch Indies was around 471. The amendment of *Indische Mijnwet* contains protection for the mining operations which were conducted by the Dutch residents and mining companies. One of the articles of *Indische Mijnwet* states that the Dutch government could undertake the exploration and exploitation of mining industries or make an ‘agreement’ contract with an individual or company as mentioned on the provision; furthermore this individual or company had obligations in conducting their own exploration and exploitation activities (Hertanto, AW 2008). This regulation was successful in attracting private investors to undertake mining exploration in the Dutch Indies. It can be assumed that in the colonial period the mining regulations provided an opportunity for private investors to conduct their businesses in the mining sector.

The old order (ORLA) period (1945 – 1965)

The regulation of mining industries in Indonesia entered a new era when Indonesia achieved its independence on 17th August 1945. Since then, mining industries’ regulation has been the responsibility of the Indonesian government. At that time, the spirit of nationalism was stronger and influenced the way in which the Indonesian government managed the mining industries in Indonesia. In addition, in this period the Indonesian government was focused on managing the political and security instability due to the change in

the political system. Under the Soekarno government, Indonesia changed its political system, from a parliamentary democracy system (1949-1959) to a guided democracy (1959-1966). The political instability in Indonesia worsened with many rebellion movements struggling to have their independence, for instance *Perjuangan Rakyat Semesta (Permesta)* in North Sulawesi, *Darul Islam/Tentara Islam Indonesia (DI/TII)* in West Java, Central Java and Aceh, *Republik Maluku Selatan (RMS)* in Maluku; the most famous rebellion was conducted by the Indonesian Communist Party or *Partai Komunis Indonesia (PKI)* (Rieffel 2004; Singawinata 2002).

A crucial economic policy was established in this period by President Soekarno, known as the Guided Economy system (Singawinata 2002). Under this system, the Soekarno government centralized planning and controlled economic policy in Indonesia. Soekarno called this system 'Socialism *ala* Indonesia'. Singawinata (2005) states that this system had important implications for business communities in Indonesia. President Soekarno had constituted Ordinance No. 10/1959 which caused Indonesia to close its doors to foreign investment, especially for the national vital industry sectors. A primary objective of this was to protect the country from the power of 'neo-colonialism'. By employing this regulation, the Indonesian government seized all the Dutch and foreign companies' assets under a nationalization program; furthermore these assets were run by state corporations/companies established by the government.

It is fair to say that under the Soekarno government, the authority of government was enhanced; meanwhile the role of the private sector was reduced. As a consequence, Soekarno's government controlled almost every business sector, including the mining industry, under state companies. To implement this system, President Soekarno established a task force under the ministry of mining called *Badan Pusat Penguasa Perusahaan-Perusahaan Industri and tambang* (BAPPIT) or the central board of the industrial enterprises and mines (Singawinata 2002). BAPPIT was responsible for preparing and establishing the state mining companies that would take over all the Dutch mining companies which operated in Indonesia. The

nationalization program successfully took over the big mining companies (Singawinata 2002; Wiriosudarmo 2001); for instance, the tin mining operations in Bangka, Belitung and Singkep were nationalized under the Indonesian government's company known as *Perusahaan Negara* (PN). Tambang Timah. The mining of tin deposits in Bangka Island was fully nationalized in 1953, while Belitung and Singkep Island followed soon after in 1957.

The nationalization process of the mining companies in Indonesia was conducted based on the mining regulations UU No. 44 Prp Tahun 1960 (Undang-Undang 1960). This regulation was promulgated based on Undang-undang Dasar (UUD) 1945 or the 1945 constitution article 33 which states that '*The land, the waters and the natural resources within shall be under the powers of the State and shall be used to the greatest benefit of the people*' (Undang-Undang 1945). Included in these natural resources were oil and gas sources. UU No. 44 Prp Tahun 1960 mentioned that only the state's companies had the right to undertake the exploitation of oil and gas sources in Indonesia. There was another series of mining regulations which had been constituted by the Indonesian government in the old order period. However, these regulations related only to the establishment of state mining companies, for instance: Government Regulation No. 3/1961 about the establishment of *PN. Pertamina* for oil mines; Government Regulation No. 86/1961 about the establishment of *Badan Pimpinan Perusahaan-perusahaan Tambang Batubara*; Government Regulation No. 87/1961 about the establishment of state mining companies for tin mines such as *PN. Tambang Timah Bangka*, *PN. Tambang Timah Belitung* and *PN. Tambang Timah Singkep*; and others which constitute similar regulations (Sangaji 2002). It can be argued that in the old order period, the government played a dominant role in mining operations. Under President Soekarno, the mining industry sector was owned and controlled by the government. As a result, the role of the private sector had been restricted in conducting mining industries in Indonesia.

The new order (ORBA) period (1966 – 1998)

The new order period is the most influential phase in the mining regulation in Indonesia. In this period, the Indonesian government started to re-open mining exploitation to foreign mining investors which was absent in old order period. The Indonesian government and the foreign mining investors had to sign a contract, known as *Kontrak Karya* or the Contract of Work (CoW) which details the agreement between the Indonesian government and the foreign mining investors to conduct mining operations. However, in practice, the implementation of CoWs was disrupted by the corruption and nepotism practised by Soeharto's government (Leith 1993; Singawinata 2005; Wiriosudarmo 2001). Consequently, in this period, the mining sector was associated with various negative impacts of the mining operations. The government in this period also neglected to ensure that affected local communities obtained benefits from the mining operations.

Following the fall of President Soekarno in 1996, Indonesia entered the new order period, known as ORBA. The fall of the old order period under the Soekarno government was triggered by two crucial political movements (Singawinata 2002). The first was the failure of the Indonesian Communist Party attempted military coup known as the *Gerakan 30 September PKI 1965* or G30S-PKI /1965. At that time, Lieut Gen. Soeharto, Chief Kostrad, by his own initiative, had taken action to control the country's situation. By employing army special force, *Resimen Para Komando Angkatan Darat* (RPKAD), now known as *Kopassus*, and mobilizing the anti-communist people who were people from Islamic groups (Pemuda Anshor NU/Banser), nationalist groups (front Pancasila) and students, Soeharto destroyed the power of PKI which had spread throughout areas in Indonesia. *The second* was a demonstration rally which was conducted by the students known as Angkatan 66 activists asking for Soekarno to step down. At the end, the controversial letter of *Surat Perintah 11 Maret 1966* or *Supersemar* was given to Soeharto, facilitating him to hand over the authority and power from Soekarno. These two political movements have been controversial in political history in Indonesia; for instance, the original letter of *Supersemar* has disappeared and still has not been found today.

Under Soeharto's government, Indonesia achieved a stable political environment and remarkable economic growth. Cassing (2000, p. 160) points out that this achievement was rooted in sound macroeconomic management, investment in human capital, and a reorientation of the economy toward more use of the market. It has also been claimed that the achievement in economic development in Indonesia was supported by encouraging foreign investment in Indonesia (Rice, RC 1983). The rich and diversified natural resources, a huge potential domestic market, a competitive and productive labour force and a market-oriented economic policy are some other factors that attracted foreign direct investment in Indonesia (Rajenthiran 2002).

It can be argued that during Soeharto's government, foreign investors contributed significantly towards economic development in Indonesia. In relation to the mining industry, there was a growth in foreign investment in Indonesia. From 1997-2001, activity in exploration and development in coal contracts of work increased, production increased in the metals sector but exploration declined (Wahju 2002). From 1967 to 1990, inflow of foreign investment in the mining industry reached US\$ 2,339.9 million (Sangaji 2002). Ballard (2001) notes the mining boom in Indonesia which occurred in the late 1980s and early 1990s. President Soeharto realized the importance of the mining sector for economic development in Indonesia. Hence, he issued a new mining regulation to manage the investment in this sector which was UU No. 11/1967 (Undang-Undang 1967). Based on this regulation, all the mining operation were to be conducted by the Indonesian government. However, the government could involve contractors to undertake mining operations, if the government had limitations in conducting those operations. The government supervised and monitored the contractors that were conducting the mining operations in Indonesia. This coordination was determined based on an agreement or *Kontrak Karya* (KK) or the Contract of Work which had to be approved by the Indonesian government and *Dewan Perwakilan Rakyat* (DPR) or parliament (Coutrier 2001; Hertanto, AW 2008). The *Kontrak Karya* or CoW facilitated foreign investors to put their investments in the mining sector in Indonesia. It guaranteed them exclusive rights to perform operations from the pre-exploitation until the final marketing of the processed mining

commodities. In detail, this includes 'general survey (1 year), exploration (3 years), feasibility (1 year), construction (3 years) and production (30 years)' (Singawinata 2002, pp. 78 - 9). The CoW details the main objective of the contract, technical issues relating to the mining operation which would be conducted, legal issues, arbitrage (national and international), financial and tax issues, foreign exchange and other issues (Coutrier 2001). It can be assumed that the establishment of the CoW system attracted foreign investors to undertake mining operations in Indonesia (Kiroyan 2000).

Another observation about the CoW system has been discussed by Wirisudarmo (2001, p. 77). He argues that the stipulation of the CoW system 'was triggered by an accidental need in late 1967. In that time a foreign investor, which is Freeport McMoran, was applying for a mining permit in West Papua region in Indonesia'. There was a debate between Freeport McMoran, and the Indonesian government in terms of the mining regulation. The Indonesian government refused to give a mineral concession which had been asked for by Freeport. This kind of grant had been practised during the colonial era. On the other hand, Freeport McMoran refused to follow the new Indonesian Mining Law. As a consequence, the Suharto government established the CoW system which had the power to secure the interest of the foreign investors from possible nationalization. Another foreign investor who obtained a mining exploitation permit based on the CoW system was PT. Koba Tin which mined the tin deposits in Bangka Island. Thus, there are two kinds of company which operate on this island: PT. Timah as the state-owned company and PT. Koba Tin as a foreign investor which obtained the CoW from the Indonesian government (Susilo & Maemunah 2009; Zulkarnain et al. 2005).

Ballard (2001) argues that under the Contract of Work system, the foreign mining investors who worked as contractors for the Indonesian government had some obligations. These contractors had to pay taxes and royalties to the Indonesian government. Since the CoW had been constituted, there were a numbers of contracts that had been signed by the Indonesian government and the foreign mining investors as illustrated in Table 1-1below:

Table 1-1: Numbers of foreign mining investors under the CoW regulation

CoW generations	Years	Total	Terminated	Active
I	1967-1968	1	1	-
II	1968-1976	16	12	4
III	1976-1985	13	10	3
IV	1985-1986	95	79	16
V	1986-1996	7	1	6
VI	1996-1997	65	17	48
VII	1997	38	8	30
Total		235	128	107

Source: (Wiriosudarmo 2001)

Table 1-1 illustrates that there were seven CoW generations which had been signed by the Indonesian government and the foreign investors from 1967-1997. The CoW generations were established based on the matter of time. The first generation of CoW had been signed during 1967-1968. The most phenomenal mining industry in Indonesia which is Freeport McMorran in West Papua, was included in the first generations of CoW. The second generation was during 1968-1976, the third was 1976-1985, the fourth was 1985-1986, the fifth was 1986-1996, the sixth was 1996-1997 and the last generation was 1997' (Soelistijo 2010, p. 1). The contract requirements mentioned in Contract of Work (CoW) are different in each generation (Soelistijo 2011). The kinds or requirements depend on the willingness or policies of the government when the generation of CoW is established. For instance, CoW in the first generation provided a 'tax holiday' (tax free) facility to the mining investor. This facility is not available anymore for further generations of CoW. In addition, the requirement to undertake community development programs has only been mentioned since the fifth generation of CoW.

Under the CoW regulation, foreign investors accepted the exclusivities from the Indonesian government (Wiriosudarmo 2001). The Indonesian government has relieved the foreign mining investors from any social obligations including being responsible for land compensation, environment

degradation and ensuring the involvement of the local community in the mining activities. It was assumed that the Indonesian government should be responsible for social endeavours, while the mining industry only had the mission of seeking great profit from its operation. Furthermore, Wiriosudarmo argues that during the new order (ORBA), the autocratic government had practised growth-oriented development which prioritized the economic sector rather than other sectors. To achieve this objective, the government gave protection to foreign mining investors since this sector was believed to bring great benefit by increasing economic development in Indonesia. In addition, the centralized Soeharto government was worsened by corruption and a ruthlessness of military power (Ballard 2001; Leith 1993; Wee 2002). The Indonesian government had even employed military power to protect mining operations. The privileges which were obtained by foreign mining investors during the long-lasting Soeharto regime caused many problems in the mining industry. Some research studies have discussed these issues, for instance, Leith (1993) discussed human right abuses in the Freeport McMoran case in West Papua; Perlez and Bonner (2005), who also comment on the Freeport McMoran case in West Papua; and Ballard (2001), who discusses various problems of the mining industries in Indonesia including the Ombilin mine in West Sumatera, PT. Inco at Soroako (South Sulawesi), Freeport at Grasberg (West Papua) and Rio Tinto at Kelian (East Kalimantan). Problems discussed by these researchers include human rights violations; unresolved claims for land compensation; local communities being excluded from all decision making; environmental degradation; resettlement problems and local health and safety.

The democratic reform period (reformasi) (1998<...)

The mining regulation in Indonesia has changed since the democratic reform period began. In this period the mining industries have been required to be more responsible to the local community and environment by delivering the Corporate Social Responsibility (CSR) and or community development programs. This means that the mining regulations give local communities the rights and opportunities to obtain benefits from the mining operation which had been neglected in previous periods. The democratic reform period or

reformasi was started when President Soeharto resigned in May 1998. This change was triggered by the Asian Monetary crisis which caused economic chaos in Indonesia (Acharya 1998). The economic crisis gave rise to the 'de-legitimizing effect'. The Soeharto government was seen to have failed to deal with the national problems; furthermore, Soeharto had difficulties in restoring confidence in the Indonesian economy. Other factors which have been held responsible for the fall of the Soeharto government are: corruption, nepotism, cronyism in politics, economics, and the social segmentation; the destruction of democratic life through the use of military power; human rights violations in some regions of Indonesia such as DOM in Aceh, Papua, and East Timor and the Tanjung Priok riots (Acharya 1998; Liddle 2000). These factors 'emboldened the opposition, not just the traditional anti-Suharto elements such as *Partai Demokrasi Indonesia* (PDI)'s Megawati Sukarnoputri and the "modernist" Islamic forces which had provided support to the regime in the early 1990s' (Acharya 1998, p. 2). This was compounded by the kidnapping, torturing and killing of student activists who had conducted demonstration rallies (Liddle 2000). Acharya (1998, p. 2) states that 'the economic crisis forced the issue of political succession in Indonesia culminating in Soeharto's resignation'. Since then, Indonesia has been led by various presidents: Burhanuddin Jusuf Habibie (1998-1999); Abdurrahman Wahid or Gus Dur (1999- 2001); Megawati Sukarnoputri (2001-2004) and Susilo Bambang Yudhoyono or SBY (2004 – the present).

Soon after the Suharto government ended in May 1998, Burhanuddin Jusuf Habibie, who was Minister for Technology and Science in the Suharto era, took over the presidency (Forrester 1999). During his short period in power, Habibie had to deal with a diverse and complex political environment (Seymour & Turner 2002). This included escalating demands from peripheral regions for more autonomy, and in some cases independence (Brodjonegoro & Asanuma 2000). As explained above, Indonesia under its two presidents, Sukarno and Suharto, developed into a highly centralized state with decision making and control of the country's resources concentrated in the hands of

the central government²⁷ in Jakarta (Rabasa & Chalk 2001). As a result, as soon as Indonesia entered democratic reform, the desire for autonomy on the part of the regions started to grow and reached a peak. To overcome this problem, Habibie issued an ordinance related to *Otonomi Daerah* or the Local Government Act which was Law No. 22/1999 on local government (Undang-Undang 1999a). The Local Government Act was compounded by the promulgation of Law 25/1999 about Fiscal Balance between the Centre and Regions (Undang-Undang 1999b). There was a controversial issue that President Habibie's constitution of the Local Government Act had a main objective to distance himself from his role in Soeharto's New Order government and his close personal relationship with the former president (Haymon 2008). Previously, the Soeharto government had already introduced the Local Government Act through Law No. 5/1974 (Undang-Undang 1974). However, the implementation of this law was not maximal. 'It was skewed heavily toward the centralized way of local administration, having local governments take over the implementation of various services without transferring the powers of the central government to them' (Matsui 2003).

The social and political changes which occurred in the *reformasi* had many implications for the mining industry in Indonesia. This influenced the relationship between the mining companies, the local community and the Indonesian government, particularly the local government where a mining industry was operating. Yudarwati (2008) claims that while no longer receiving facilities and protection from the ORBA regime, the mining companies in Indonesia considered building a new kind of relationship with local governments where they operated. Moreover, since the end of the Soeharto government, the local communities have had different perceptions toward mining companies. On the one hand the local communities have great expectations toward the mining companies in terms of alleviating their poverty (Wiriosudarmo 2001). On the other hand, the local communities, supported by

²⁷ The structure of government in Indonesia begins with national (central) government on the top, led by the President, Vice-President and assisted by Cabinet Ministers. Below the national government are local governments, including the provincial (*provinsi*), led by Governors (*Gubernur*); districts/urban (*kabupaten/kota*), led by head of district (*Bupati or Wali Kota*), and sub-districts (*kecamatan*), led by the head of sub-district (*Camat*). The fourth and lowest level of government are the villages (*desa* or *kelurahan*), led by the chiefs of Village (*Kepala Desa or Lurah*)(Hapsah 2011)

Non-Government Organizations (NGOs), have courageously criticized and protested against the operation of the big mining companies in Indonesia (Rosser, Roesad & Edwin 2004). They have claimed that the mining companies have caused significant environmental and social problems to the local community. In a democratic context demands for transparency have increased among Indonesian people, and require wider responsibilities from the business communities in Indonesia (Koestoer 2007). Yudarwati (2008) explains that for the mining industry, these responsibilities include responding to local communities in relation to land compensation, social injustice and human rights abuses which occurred under the Soeharto regime.

The *reformasi* period is different from the new order era. Wiriosudarmo (2001) and Ballard (2001) argue that the reformation era has put the platform of democratic process within the nation's way of life. In this period, there is a growing demand of Indonesian people for transparency and social justice in the process of development, which in the former era was ignored. One fundamental change that occurred in the reformation era was the promulgation of the Local Government Act in the UU No.22/1999. In simple words, under this law, the centralistic government of the former period should decentralize its authority to province and local government in all regions in Indonesia (Ballard 2001; McMahon et al. 2000; Wiriosudarmo 2001). This change has influenced the regulation of the mining industry in Indonesia which was very centralistic in the new order era. One of the regulations has given greater authority to regional or local governments in Indonesia in managing natural resources, including the mining industries which have been operating in their regions. For instance, the Department of Energy and Mineral Resources has issued a Standard Operating Procedure (SOP) on the transfer of mining supervision from the Central Government to the decentralized regions. Another provision which is Government Regulation or PP No. 75/2001 (Peraturan Pemerintah 2001) states that all contracts signed prior to the issuance of Law No 22/1999 on Local Autonomy will continue to be administered by the Central Government; meanwhile new mining contracts will be administered through the empowered regional governments with full assistance of the central government. The Minister of Energy and Mineral

Resources has established a Task Force assist transferring mineral title technology and mining administration to the decentralized regions (Wahju 2002). As a consequence, foreign mining investors no longer received the position as 'les specialist' from the Indonesian government since the new order/ORBA ended.

The crucial implication of the democratic reform period for the mining sector is related to mining regulations. The Indonesian government issued the new mining regulation which is Law No. 4/2009 (Undang-Undang 2009). Specifically, this law, particularly Chapter XIII article 95, mentions the obligation of mining industries in Indonesia to conduct community development programs. The detailed explanation regarding this obligation is in the government regulation/*peraturan pemerintah* (PP) No. 23/2010 (Peraturan Pemerintah 2010). These regulations generally outline that mining industries in Indonesia must deliver community development programs to local communities who are directly affected by mining operations. These regulations also state that the mining company must involve the local community and conduct consultation with the local government in undertaking community development programs.

Previously, the implementation of community development programs in the mining industry was regulated under UU No. 40/2007 (Undang-Undang 2007a). Under this regulation, as mentioned in Chapter V article 74, companies operation that related to natural resources exploitation have an obligation to conduct Corporate Social Responsibility (CSR). It is also mentioned that sanctions would be applied if the regulations are not adhered to. This regulation has been compounded by the promulgation of ordinance or UU No. 25/2007 concerning investments in Indonesia (Undang-Undang 2007b). Chapter IX article 15 of this ordinance states that investors have an obligation to conduct corporate social responsibility (Undang-Undang 2007b). It can be argued that in the democratic reform period, the Indonesian government started being concerned about how business communities in Indonesia could deliver positive contributions, not only in terms of economic aspects but also in relation to the social, cultural and environmental aspects of

the local community which live in the vicinity of industries or companies.

Since then, the implementation of Corporate Social Responsibility has become a controversial issue in Indonesia (Rosser, Atje & Edwin 2008; Rosser & Edwin 2010). There are groups which support the government's decision to establish the obligation of Corporate Social Responsibility for business communities in Indonesia. These groups argue that in the former period, the existence of the mining industry was always related to negative issues such as human rights abuses and environmental degradation. Hence, they support the Indonesian government issuing the regulations in relation to the obligation of the mining industries to undertake social responsibility, rather than only doing this as a part of charity programs. On the other hand, the groups of business institutions have objections regarding their obligation to undertake CSR. These groups argue that the CSR regulation has restricted the CSR activities only to a local level. This prevents the business institution from delivering benefits from their CSR to wider communities. Another objection describes CSR as another form of tax. The business communities also argue that they could deliver more benefits from their business activities, rather than just from the CSR activities.

The mining industry and the Local Government Act

As discussed previously, the constitution of new mining regulations in the democratic reform period is in line with the implementation of the Local Government Act. This act details the decentralization system which enhances the role of local governments in the mining regulation at local or district level (*kabupaten*), including the role of local governments in the mining companies' community development programs. However, in practice, the implementation of the Local Government Act has encountered many problems which have also influenced the regulation of mining industries at local or district level. The Local Government Act No. 22/1999 has been employed in such a way. 'In principle, the essence of the Local Government Act in Indonesia was to narrow the fiscal and political disparity between the provincial and central

governments and, by so doing, to decentralise power, enhance democracy and to better the social welfare of regional communities' (Haymon 2008, p. 5). 'This law has devolved central government authorities to local government in all government administrative sectors, except for security and defence, foreign policy, monetary and fiscal matters, justice, and religious affairs' (Usman 2002, p. ii). A decentralized system means changing the basic decision making and problem solving from top-down to bottom-up (Wahju 2002). This decentralized system has had some consequences for the local governments in Indonesia. Usman (2002, p. ii) explains: 'one of those is local government have had to reform their internal structures to accommodate the huge increase in responsibility that has been passed on from the central government, for instance placing a large number of central government employees under the regional governments and increasing their financial capacity to implement regional autonomy'.

The Local Government Act provides benefits for Indonesia for several reasons. The first, 'decentralization does have potential to transform some of the most significant actors and relationships, including the developmental capacity of the states at the local level' (Seymour & Turner 2002, p. 35). The Local Government Act has given greater authority to the regional government to determine their own policies in managing natural resources, including having power and responsibility over mining affairs (Singawinata 2006). The second, the decentralized system has been expected to increase the responsiveness of the government due to placing the government closer to the people (Singawinata 2002). The implication is that this will promote better delivery of government services and will raise the level of local government accountability (Usman 2002). It can be assumed that local governments should be in the best position to understand the needs and aspirations of their communities rather than the central government. The third, the implementation of the decentralized system has empowered and put the local parliaments in a strong position, for instance they have the right to formulate local regulations; they also have the right to elect and even impeach the governors or head of districts without any intervention from the central government; the heads do not have any obligation to be responsible to the

governors but they are responsible to the district or municipal parliaments (Hapsah 2011). In the past, all these responsibilities were in the hand of the central government. It can be assumed therefore that Local Government Act has facilitated the transfer of significant power and revenue to 30 provinces and 365 districts (*kabupaten*) in Indonesia (Thorburn 2004).

Despite positive contributions to the democratic climate in Indonesia, the implementation of the Local Government Act has been challenged by several problems. The first is that 'the absence of a detailed plan for the transition process and the lack of supporting regulations to clarify the procedures which need to be undertaken, have hampered this sweeping devolution of authorities' (Usman 2002, p. ii). The second, the lack of capability of local government employees, for instance a lack of initiative and support from government employees for the policy; local government employees are accustomed to being the implementers of centralized government policies; and previous government characteristic such as corruption, collusion and nepotism which potentially could influence the performance of local government employees (Usman 2002). The time scale on which autonomy was implemented has been blamed for causing this problem. It has been argued that the local government needs a certain time to deal with the responsibilities from the Local Government Act.

The third problem is related to the inappropriate autonomy level; this has caused a crucial implication (Seymour & Turner 2002). Based on Chapter II of law 22/1999, which details the administrative divisions of Indonesia (Undang-Undang 1999a), greater autonomy has been given to the *kabupaten* or district and *kotamadya* or urban level, rather than the provincial level. This policy has given rise to the scepticism how Local Government Act could be implemented due to the expectation that most of the intellectual capacity which could deal with the autonomy mandate is likely to be in the provincial level (Seymour & Turner 2002). It has been demonstrated that the implementation of this policy has been based on the suspicion that if autonomy were given to the provinces, there would be a strong likelihood that those provinces would secede. On the other hand, this policy has also encouraged areas to break

away and form a new *kabupaten* or district. The fourth problem relates to fiscal autonomy. There is still a tendency for the central government to dominate Indonesia's public finances, for example from the taxes policy (Seymour & Turner 2002). The central government still collects 85% of revenue from oil, 70% from gas, 80% share of income tax, and 100% Value Added Tax. This means that taxes remain limited at the local level. This policy would trigger local governments to raise the local taxes in order to increase their income. In addition, the fiscal issues are also related to the disparity between the regions which are rich in natural resources and those which are not.

The fourth problem relates to fiscal imbalance issues. Previously, in the centralized system, fiscal imbalance issues mainly occurred between Jakarta where the central government is located and other provinces in Indonesia. Under this system, the central government generated 90% of revenue and reallocated a minor part of this to the provinces in the form of development funds and civil service salaries (Haymon 2008). With the Local Government Act, the disparity of fiscal issues is now between the resource rich and the resource poor provinces. Based on UU 25/1999 about Fiscal Balance between Central and Regions, 80% of revenue from natural resources is allocated directly to provinces. This provision is compounded by new Ordinance or UU 33/2004, which clarifies how the functions given to regional government will be financed. This regulation is favourable for the regions or provinces which are blessed with natural resources, but not for resource poor provinces. Haymon (2008) states that a 'special allocation fund' has been allocated for areas that are not resource rich, however, this policy does not prevent resentment between those regions. In terms of the mining industry sector, the fiscal regulation states that the provinces where the mining is located will receive 80% of mining royalties. From this percentage, 32% is apportioned to the *kabupaten* where the mine is located; another 32% is divided equally and given to the other *kabupaten* within the province; and the remaining 16% remains with the provincial authorities.

The problems which have challenged the decentralized system have given

rise to instability of the political environment in Indonesia. In the mining sector, this kind of political environment has several implications for the operation and regulation of the mining industry. The first implication is related to mining industry investment. The political instability caused by the decentralized system has given rise to a drop in the number of mining industry investments. It can be illustrated that by the end of 1998, 34 out of 38 (about 90%) foreign companies which had signed 7th generations of CoW with the Indonesian government cancelled or postponed them (Haymon 2008). It can be estimated that the exploration investment dropped from nearly US\$160 million in 1996 to less than US\$22 million in 2001 (McBeth 2002). Haymon (2008) explains that since the implementation of the new autonomy laws in 2001, political instability, which gives rise to uncertainty in relation to the administration, interpretation, and enforcement of existing regulations and regulatory duplications and inconsistencies, has consistently been of the greatest concern to investors. It has also been stated that the regulatory inconsistencies, uncertainty over the new regime's capabilities and the level of corruption at the district level do not promote a stable investment climate in Indonesia. It has been claimed that more than 30% of 639 regional regulations showed a 'lack of sensitivity with respect to the creation of a conducive business atmosphere' (Haymon 2008, p. 12).

The second implication is related to the ambiguous areas of Local Government Act, which are causing confusion regarding key areas of government control (Seymour & Turner 2002). In relation to the mining industry, Law No. 22/1999 mentions that the central government should control and develop natural resources. But this law also allows the local governments to make decisions on investments for explorations and exploitation of natural resources, including the mining sector. This ambiguity has confused stakeholders about whom they should dealing with in natural resources exploitation.

The third implication is related to human resources at the local level, particularly local government employees' capabilities. Foreign mining investors have 'anxiety' because they are afraid to deal with inexperienced

local governments eager to obtain a share of the mining profits (Schwarz 1994). It has been demonstrated that the powers and responsibilities for mining were transferred to the regions without adequate mechanisms in place, including skilled human resources and government officials and educated and experienced community leaders in mining and related fiscal affairs (Singawinata 2002). It can be argued that the local governments have a lack of experience and readiness to manage natural resources in their districts. This has many consequences for foreign mining investors, particularly for those who in the past already signed CoW with the Indonesian government. President Habibie has stated that the past contracts of foreign mining investors would be recognised and protected (Seymour & Turner 2002). However, under the Local Government Act, the local governments will continually govern the mining industries which have been operating in their regions. As a consequence, these mining industries would never be able to rely on the central government as a patron which can give protection to ensure the safety of their mining operations and to solve their relational problems with the local communities. For instance, this problem was faced by Newmont gold mine in *Kabupaten* Minahasa North Sulawesi Province (Seymour & Turner 2002). That mining company has been forced by local *Bupati* (Mayor) of *Kabupaten* Minahasa to agree to an out-of-court settlement. Whatever the result is, the move of *Bupati* Minahasa has shocked the gold mine company since it must deal directly with the local government. From this instance, it can be assumed that there is no certainty for the foreign mining investor as soon as the Local Government Act has been implemented. There is always a possibility that the foreign mining company will face problems which occur at the local or district level.

Furthermore, the implementation of the Local Government Act has been challenged by corruption issues at *kabupaten* or district level. It has been shown that government officers utilized their authorities to enrich themselves from the mining sector Haymon (2008). For instance, one head of district or *bupati* in the resource-rich regions of East Kalimantan sold the forest to a local mining company. Another *bupati* in East Java sold a national park to local miners despite the presence of endangered leopards in this park. One

bupati in South Sumatera province exported tin illegally to local entrepreneurs. This has caused a drop in profit for some big mining companies, such as PT. Tambang Timah, which is the world's largest tin producer. The profit of this company has been reported to have dropped about 92% due to this problem. Haymon (2008, p. 12) reveals another example that the local governments of South Sumatera and Bangka provinces issued a local mining regulation which requires the mining investors to pay tax of US\$85 million to commence their exploration activities. The corruption issue which occurred at local or district level, caused many implications. One of those was creating an uncondusive investment environment for investors to commence other new mining operations in these regions. Moreover, the corruption issues have worsened environmental degradation and deforestation problems caused by mining operations.

Despite the above drawbacks, The Local Government Act provides opportunities for the government at local level in Indonesia to obtain benefits from mining companies, particularly in relation to the implementation of CSR and or Community Development. There are some ordinances which outline this policy as follows (Miarsono, Ishak & Soemarno 2007):

I. Article 1 (5) UU No. 32 /2004, states that local governments have a right, authority, and obligation to manage and regulate their government affairs, such as mining sector.

II. UU No. 25/2000, states that the national development program requires the energy and mineral resources industry to prioritize the implementation of community development.

III. UU No. 22/2001 relates to the oil and gas industries (article 40 clause 5), states that the extraction industry has an obligation to be responsible for developing the environment and local community.

IV. UU No. 10/2004 is about the constitution of ordinances. Chapter X article 53 (communities' participation) states that communities have a right to give recommendations, either verbal or written in preparing the draft for the ordinances and regional ordinances.

The regulations associated with the Local Government Act provide a framework to support the implementation of community development programs by mining industries in Indonesia. The question that remains is how local governments then would be able to utilize these regulations to manage the mining affairs, including the implementation of community development programs by mining industries which are located in their regions. The desired outcome would be that some benefits of mining industries go to local regions, as well as local communities who live in the vicinity of mining areas.

Summary

The above discussion demonstrates the social and political conditions which have influenced the regulation of the mining industry in Indonesia. In the three periods: the colonial, old order and new order periods, the mining regulations were centralized under the central government. Particularly under Soeharto's government in the new order period, mining industries have been associated with various negative impacts, including the abandonment of human rights issues, environmental degradation problems, neglect of local communities, and failure to ensure that they derive direct benefits from mining operations.

The mining regulation changed during the democratic period or *reformasi*. In this period, the Indonesian government established a new mining regulation and other provisions which require mining industries to be more responsible to local communities and the environment by conducting Corporate Social Responsibility (CSR) and community development programs. The community development programs have been expected to deliver direct benefits from the mining operation to local communities who live in the vicinity of the mining areas. These community development regulations are in line with the Local Government Act which also has been constituted by the Indonesian government in the *reformasi* period. The Local Government Act enhances the role local governments to manage the mining affairs at local or district level, which was absent in the previous period. In relation to the community development programs, the new mining regulation has required mining industries to involve local governments and local communities in the

implementation of these development programs.

The implementation of the Local Government Act has been disrupted by corruption practised by government officers at local or district/*kabupaten* level. The decentralization system has brought the corruption issue down to local or district level. The government officers at district level tend to use their authority to obtain benefits from mining industries which operate in their regions for their personal interests. This has worsened the negative impacts of mining operations which had already occurred in the new order era (ORBA).