



Environmental and Social Monitoring Report

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February 2009

INDONESIA: Tangguh Liquefied Natural Gas Project Fourth Compliance Monitoring Report

Prepared by GHD
External Panel for Environmental and Social Monitoring

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Tanggung LNG Project External Panel Fourth Compliance Monitoring Report

February 2009



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ABBREVIATION & INDONESIAN TERMS

ADB	Asian Development Bank
Bappeda	<i>Badan Perencana Pembangunan Daerah</i> (Agency for Regional Development)
BPMIGAS	<i>Badan Pelaksana Kegiatan Usaha Hulu Minyak dan Gas Bumi</i>
BPR	<i>Bank Perkreditan Rakyat</i>
BHBEP	Birds Head Business Empowerment Program
BRI	<i>Bank Rakyat Indonesia</i>
CAP	Community Action Plan
CEMSED	Center for Micro and Small Enterprises Dynamics (<i>Pusat Studi Dinamika Usaha Mikro dan Kecil</i>)
CO	Community Officers
CRP	Community Relations Program
CSO	Civil Society Organisations
DAV	Directly Affected Village
INDAV	Indirectly Affected Village
DCA	Direct Community Assistance
DPRD	<i>Dewan Perwakilan Rakyat Daerah</i>
DRP	Local District Parliament
EP	External Panel
E&S Project	Environmental and Social Project
IPB	<i>Institut Pertanian Bogor</i>
IPDP	Indigenous Peoples Development Plan
IPSI	Indigenous Peoples and Social Issues
ISP	Integrated Social Programme
IRR	LARAP adopted risk and reconstruction
JBIC	Japanese Bank for International Cooperation's
<i>Kabupaten</i>	Regency or District
<i>Kampung</i>	Village
KPI	Key Performance Indicator
KPTT	<i>Kursus Pertanian Taman Tani</i>
LARAP	Land Acquisition and Resettlement Action Plan



LGSP	Local Government Support Program
LNG	Liquefied Natural Gas
LP3BH	<i>Lembaga Penelitian Pengkajian dan Pengembangan Bantuan Hukum</i>
M&E	Monitoring and Evaluation or MONEV
NGO	Non Government Organisation
PERT	<i>Pelatihan Ekonomi Rumah Tangga</i>
PSKK-UGM	<i>Pusat Studi Kependudukan dan Kebijakan-Universitas Gajah Mada (Center for Population and Policy Studies-University of Gajah Mada)</i>
Polmas	<i>Perpolisian Masyarakat (Community Policing)</i>
RAV	Resettlement Affected Villages
SME	Small Medium Enterprise
SMP	<i>Sekolah Menengah Pertama (Junior High School)</i>
STIPAN	<i>Sekolah Tinggi Ilmu Pemerintahan Abdi Negara</i>
TCHU	Tangguh Community Health Unit
TOR	Terms of Reference
TIAP	Tangguh Independent Advisory Panel
UGM	University of Gajah Mada
UI	University of Indonesia
UNCEN	University of Cendrawasih
UNDEP	United Nations Development Program
USAID	United States Agency for International Development
WMO	Workforce Management Office
YASP	<i>Yayasan Anak Sehat Papua</i>
YIPD	<i>Yayasan Inovasi Pemerintahan Daerah (Centre for Local Government Innovation-CLGI)</i>
YMPD	<i>Yayasan Pengembangan Masyarakat Desa</i>
YPK	<i>Yayasan Persekolahan Kristen</i>



1. Introduction

1.1 General

This is the fourth report of the independent External Panel for the Tangguh E&S Project and is submitted as a Compliance Monitoring Report resulting from the fourth visit to the site. As explained below, this fourth report focuses on one aspect only of the External Panel's compliance monitoring brief. The activities and conduct of the External Panel are specified in the Tangguh LNG Project 'External Panel Terms of Reference' (August 2006).

The External Panel is required to satisfy the Asian Development Bank (ADB) Tranche Lender's and Japanese Bank for International Cooperation's (JBIC) policy requirements for independent external monitoring and evaluation of environmental and social aspects of the Tangguh LNG Project. The lenders for the Project include the ADB Tranche, Commercial Tranche and Japanese Tranche lenders. The operator is BP Tangguh.

The project location is in *Kabupaten* Teluk Bintuni of Papua Barat Province (formerly part of Papua Province), Indonesia.

The External Panel is appointed for a three-year period from February 2007 to assist the Operator and the lenders with monitoring, reporting and advising on three aspects of the Tangguh E&S Project over the period to 2009. The activities associated with the development of the Tangguh LNG Project began with the preparation of land for the LNG site and planning for the resettlement of Tanah Merah village (NOTE: in fact resettlement planning started earlier than 2002 – there was considerable discussion between ARCO and local people before BP's involvement, and further discussion re choice of LNG site, with initial census of old Tanah Merah in 2001).

The External Panel comprises three specialist skill areas. These include a Resettlement Specialist, an Indigenous Peoples and Social Issues team, and an Environmental Team.

On this fourth, semi-annual visit undertaken in October 2008, the aspects to be reported on by the External Panel are:

- » Involuntary Resettlement;
- » Mid-term Review of the Indigenous Peoples and the Integrated Social Programme (ISP);

Involuntary Resettlement, and Indigenous Peoples and Integrated Social Programme aspects are reviewed and reported twice per year. However, the brief specifies that the External Panel's Indigenous Peoples and Social Issues Team (IPSI), which undertakes the compliance monitoring of the ISP, shall undertake a mid-term review in "lieu of the regularly-scheduled six-month report on the ISP during the latter half of 2008" (p.20, Tangguh LNG Project, External Panel Terms of Reference, August 2006).

This Fourth Compliance Monitoring Report covers only the Involuntary Resettlement. The Mid-term Review of the Indigenous People and Integrated Social Programme is presented in a separate concurrent report.



1.2 Focus and Content of this Report

The task of the External Panel's Resettlement Specialist in this visit is to investigate further and report on the progress of the Land Acquisition and Resettlement Action Plan (LARAP) for the Tangguh LNG Project. The findings and recommendations are presented in Section 3.



2. Objectives and Scope of Work of the External Panel

The Compliance Monitoring Inception Report (July 2007) of the External Panel presented the objectives of the External Panel as stated in the TOR, and the scope of work for the External Panel, as also stated in the TOR. These are not repeated here and readers are referred to the Inception Report (July 2007) for this information, available on the ADB website.

2.1 Definition: “District” and Specialised Local Usage

In Papua, unlike other Provinces across Indonesia, the 4th level administrative unit is known as the District, or *Distrik* in Bahasa Indonesia. The rest of Indonesia uses *Kecamatan* for this level, which is translated in English as Subdistrict. Hence, the head of the District is referred to as the *Kepala Distrik (Kadis)*, and is the equivalent of *Camat* elsewhere in Indonesia.

2.2 Schedule of Work Conducted

The resettlement specialist (and IPSI team) of the External Panel assembled in Jakarta on the 12th October 2008. The External Panel reviewed documents and were provided briefings on the 13th and 14th October, before travelling to site to conduct fieldwork from the 15th to 20th October. The External Panel returned to Jakarta on 20th October and proceeded with further meetings and report write-up through to 24rd October. A close-out meeting took place on 24th October 2008.



3. Findings

This section provides the principal findings of the External Panel with respect to involuntary resettlement and compliance monitoring of the Land Acquisition and Resettlement Action Plan (LARAP).

To assist the reader, the Tangguh ADB Loan Tranche Agreement defines non-compliance as follows:

Level 1 E&S Non Compliance: “means any failure to comply with, or any action or omission which is inconsistent with, any Environmental and Social Requirement, but which failure, action, or omission does not constitute a Level 2 E&S Non Compliance.”

Level 2 E&S Non Compliance: “means any failure to comply with, or any action or omission which is inconsistent with, any Environmental and Social Requirement, but which failure, action, or omission (considered either on its own or in conjunction with any other one or more such failure(s), action(s) or omission(s)):

- » Has resulted in or is reasonably likely to result in material damage or harm to, or a material and adverse impact on, the environment;
- » Constitutes or is reasonably likely to constitute a “significant impact” for the purposes of and as defined in the Indonesian Decree Concerning Guidelines for the Determination of Significant Impacts (*BAPEDAL* Decree No. KEP-056/1994);
- » Has resulted in or is reasonably likely to result in material damage or harm to, or a material and adverse impact on, the lives, livelihood, quality of life, health, safety, security, property or cultural heritage of affected people; or
- » Has resulted in or is reasonably likely to result in the revocation of, or the refusal to grant, any approval, consent, permit or other authorization required for the implementation of the Tangguh E&S Project (but only to the extent that such approval, consent, permit or other authorization is required for implementation of the Tangguh E&S Project at that time.”

Given the above definition of non-compliance (Level 1 or Level 2) the following tables summarise the External Panel’s findings arising from the compliance monitoring undertaken in October 2008. Only non-compliant issues are included in this table.

3.1 Compliance Summary

This section provides a summary of the involuntary resettlement compliance, according to the provisions of the LARAP. This information is provided in Table format. The left hand column summarizes the issues raised in the former Third Compliance Monitoring Report following the External Panel visit in April 2008. The central column summarizes progress observed during the October 2008 External Panel visit.



Table 1 Involuntary Resettlement Compliance Summary

LARAP Non-Compliance Issue Raised in the Third Compliance Monitoring Report	Progress as of October 2008 Review	Compliance Status in October 2008
<p>Project Workforce and Income Restoration:</p> <p>The LARAP stated that opportunities for LNG construction phase employment would be offered:</p> <ul style="list-style-type: none"> » To at least one member of every household of the RAVs and other DAVs (page 199); » That 100% of unskilled craft positions and 10% of semi-skilled positions would be filled with workers from the DAVs (including the RAVs) (Table 9.12) » The LARAP calculations of income generated were based on one job for RAV workers for 30 months each, with one month training provided per worker (Table 9.14) » The LARAP estimated income target for RAVs was USD 1,384,650 (Table 9.14). <p>The LARAP linked RAV workforce employment targets to the objective of income improvement for the displaced and affected RAV people.</p>	<p>The External Panel has previously noted (3rd Compliance Report) a difference between the requirement to fill unskilled craft positions between LARAP and the lower AMDAL targets.</p> <p>The Project has exceeded the AMDAL targets for all work categories (unskilled, semi-skilled, skilled, and supervisory). The Project has exceeded the LARAP target for semi-skilled work. So far 14.84 % of the semi-skilled workers have come from the DAVs (WMO data September 08). However, the Project Workforce audit of 2007 found that many of those jobs earmarked for census-listed RAVs were in fact taken by migrants.</p> <p>The project has not met the LARAP target for unskilled workers from DAVs.</p>	<p>Level 1 Non compliance</p>
<p>Monitoring and Evaluation:</p> <p>The LARAP required internal monitoring benchmarked against the implementation schedule, including periodic assessment of levels of satisfaction of RAV people; and external monitoring and evaluation, based on biannual socio-economic surveys of the RAVs (LARAP pages 252-255). Internal and external monitoring was to start in 2001 and continue through to 2009 (LARAP Table 1.4).</p> <p>The LARAP requires a final M&E in 2009, as a basis for the LARAP Completion Audit in late 2009. The External Panel TORS also require a final household socio-economic survey, to be conducted through the project resettlement team, as a basis for the Resettlement Completion Audit.</p>	<p>The LARAP staff members have been reorganized, under the new Community Relations Program. This highlights the need to ensure continuity of reporting systems, including internal monitoring benchmarked against the implementation schedule.</p> <p>The challenge is now to assess the extent to which the UGM data can be utilized in an M&E framework, and compared to the original LARAP baseline Census of 2001-2002.</p> <p>The 2009 socio-economic survey should be conducted early in 2009 so that the results are available prior to the LARAP Completion Audit.</p>	<p>Level 1 Non compliance</p>



LARAP Non-Compliance Issue Raised in the Third Compliance Monitoring Report	Progress as of October 2008 Review	Compliance Status in October 2008
<p>Handover of RAV built assets:</p> <p>This was scheduled for 2006 for Tanah Merah Baru and Onar Baru, and in 2008 for Saengga. The timetable for handover has, therefore, slipped in Tanah Merah Baru and Onar Baru, and hence, is non-compliant with the stated LARAP schedule.</p>	<p>The Bupati agreed to the latest draft of the plan.</p> <p>Tanah Merah Baru village administration has requested that the migrants be removed from RAV land before handover is effected.</p> <p>The repair requirements for village facilities are being identified. CRP (Community Relationship Program)¹ team has arranged that these repairs will be recorded in handover agreements and completed by government after the handover.</p>	<p>Level 1 Non compliance</p>
<p>Land title:</p> <p>The LARAP required submissions to BPN for <i>hak milik</i> land title applications for Tanah Merah Baru in 2006 (LARAP page 60). It required 94 submissions after completing the house reconstruction in Saengga. This includes house, land together with vegetable and agroforestry plots as allocated to households. The timetable has slipped in Tanah Merah Baru and, hence, is non-compliant with the stated LARAP schedule.</p> <p>The LARAP also undertook to facilitate the grant of certified land title for 26 households in Onar Baru, providing that the Agofa clan and local government supported this endeavour (LARAP page 60)</p>	<p>Good progress has been achieved in Tanah Merah Baru and Saengga. Of 430 households in Tanah Merah Baru and Saengga the project has sent 413 detailed submissions for <i>hak milik</i> certificate to Manokwari Land Title Office.</p> <p>Residents of Onar Baru requested the Project facilitate land title in a recent grievance request.</p> <p>The Project confirmed its willingness to facilitate land title for 26 households in Onar Baru on condition that the village first resolve its land status with the Department of Forestry, The Project has provided indirect informational support to confirm Onar as a distinct village separate from Saengga.</p>	<p>Level 1 Non compliance</p>
<p>Pathway to Manggosa and associated fishing camp:</p> <p>A fishing camp was to be developed in 2006/7 (LARAP Table 1.4), dependent on the Manggosa pathway construction, scheduled for 2006 (LARAP page 237). This would (a) reduce pressure on natural resources around Tanah Merah Baru and Saengga and (b) provide access to Tanah Merah Baru fishing and sago sites once the Marine Exclusion Zone was enforced.</p> <p>The timetable has slipped for the pathway</p>	<p>Significant progress has been achieved. Contract has been awarded to a local company for construction of the pathway, 4 shelters along the pathway and the fishing camp. Construction is scheduled to take 50 weeks.</p>	<p>Level 1 Non compliance</p>

¹ Formerly ISP



LARAP Non-Compliance Issue Raised in the Third Compliance Monitoring Report	Progress as of October 2008 Review	Compliance Status in October 2008
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and fishing camp and, hence, is non-compliant with the LARAP schedule.

The following section presents the findings of the monitoring compliance for involuntary resettlement under the following main headings:

Meeting LARAP Commitments

- » Key achievements
- » Problems

Beyond LARAP

- » LARAP Objective: Resettlement with Development
- » Planning Assumptions for LARAP

This differs from the format in previous third Compliance Monitoring report, however at this important stage of the LARAP, a modified format is provided to help convey the findings of the fourth visit of the External Panel.

3.2 Meeting LARAP Commitments

3.2.1 Key Achievements

Over recent months the CRP (Community Relations Program) team has continued to implement the LARAP activities in the Resettlement Affected Villages (RAVs). This includes addressing the areas of non-compliance identified in the External Panel's Third visit report namely, completion of the Manggosa pathway and fishing camp; the handover of Project-constructed public assets and facilities to government and communities; the land titling for the RAV residents; provision of work opportunities for RAV workers in the project workforce; and monitoring and evaluation.

Several recent key achievements have an underlying strategic importance in the way in which LARAP is being implemented to address emerging risks and opportunities.

Women's Empowerment

This program facilitated large meetings in Tanah Merah Baru and Saengga for women's input to the formulation of village regulations. Not only did these meetings allow women a strategic opportunity to integrate their concerns into a framework that would enhance the safety and security of their village community. The meetings also allowed women to build on work undertaken in the women's empowerment program to voice and address some key concerns arising at least partially from their close proximity to the LNG plant site: in-migration, violence, excessive use of alcohol, and prostitution. This empowerment program has also focussed attention on tabulating areas of women's engagement in the village economy-women predominate in agriculture, small businesses and health care, whilst men dominate local government. These findings have strategic import for the way in which a range of CRP activities may be implemented.



Motors for fishing boats

Motors for fishing boats have been provided to Saengga, together with training in their operation and maintenance for 26 people. It is significant that BP's provision of 69 motors was supplemented by a further 25 motors from Kabupaten Teluk Bintuni government which also delivered the motors—this shared contribution was intended to minimize possible jealousies from other villages from the wider Bay settlements. Although not separately itemized as a LARAP commitment, the motors are provided in accordance with the LARAP intention to assist villagers to counteract the additional pressure on shoreline and fishing resources as a result of the close proximity of Tanah Merah Baru to Saengga village².

Cooperative Development

The RAV Cooperative contract to landscape the grounds within the LNG plant site turned out to be more than an important capacity building and income generating exercise. It also allowed participants to contribute actively to the Project that occupies their former village lands, and to articulate the positive sense that they are more than just “observers” on the “margins” of the massive development that is taking place at their doorstep. Villagers commented favourably to the External Panel on this aspect of the program.

Agricultural Program

The agricultural program is attracting significant interest in Tanah Merah Baru and Saengga where villagers, mainly women, are enthusiastically adopting new methods of cultivation in their own gardens. The project provides support through *Institut Pertanian Bogor* (IPB) and directly through LARAP staff. A demonstration and training plot has been developed at Onar. The Project is distributing seeds to stimulate interest, and promotes organic farming methods, focusing on maintaining soil fertility and safely eliminating pests. The Project has supported 6 villagers to attend a 3-month agricultural course at a non-formal training institute, *Kursus Pertanian Taman Tani* (KPTT) in Salatiga and a further 6 villagers will follow them in November 2008, including several women.

This positive response highlights the pressing need to facilitate market development. Women in several RAVs highlighted to the External Panel the need for expansion of market opportunities if they are not to lose heart in their efforts in agricultural production. Some local women are selling vegetables to Green Camp in Tanah Merah Baru, a positive incentive but not a long-term solution. The Tanah Merah Baru market place is reportedly dominated by outsiders. RAV residents commented on the long time frame needed to turn fishers into farmers—they expressed thanks for the significant amount of training the Project has provided, but also requested refresher courses into the future to sustain the skills and knowledge imparted. Residents also commented on their own lack of capital and business knowledge. Cooperative representatives asked for a study tour of successful cooperatives so that they could learn from good cooperative models. This program is also identifying much needed stocking points for purchase of supplies through cooperatives to support LNG catering. There will be continued community expectations to sell to the LNG plant, which is so close to the RAVs. The LARAP itself specified that “the Project will boost the local economy through purchasing local goods and hiring local labour during plant

² At a meeting with the External Panel on 18 October 2008, residents of Onar Lama also asked for motors on grounds that they, too, are a part of Saengga village. It was not clear to the External Panel that similar pressure on the fishing resources had resulted from the arrival of 26 resettled Onar Baru households. The fishing grounds at Onar are not so proximately affected by the Safety Exclusion Zone as at Saengga. In assessing Project impacts on fishing grounds it might be difficult to establish separate impacts resulting from the arrival of the 26 resettled households, compared to the impact of the growing number of spontaneous migrant households in Onar Tengah, reported at 46 households to the External Panel.



construction and operation” (LARAP Section 1.1). CRP staff informed the External Panel that the LNG plant administrators are preparing a list of needs for local produce. CRP is developing new initiatives to target women’s businesses with microfinance initiatives.

3.2.2 Problems

The External Panel found several problems about which RAV community members expressed their concern.

Education

The NGO YPK supports a kindergarten, *SD* and *SMP* in Tanah Merah Baru, and a *SD* in Onar Baru. The recent delays in teacher’s pay have acted as a disincentive to teachers continuing at their posts. There are particular problems in Onar where the External Panel found only one *SD* teacher responsible for the entire school – this school has a heavy load as it teaches children from Onar Lama and Onar Tengah as well as from Onar Baru. The Secretary in Tanah Merah Baru has suggested initiating a meeting with YPK to address these concerns. YPK has been managed from Jayapura, but is in the process of transferring some of its operation to Bintuni, which should facilitate future communications.

Recommendation:

The External Panel recommends that the CRP support the conduct of a meeting with YPK, involving RAV representatives, to seek a resolution of these concerns.

Grievances

Two recent grievances were lodged from Onar Baru, one requesting *hak milik* land title certificates for the 26 relocated households, and the other a follow-up question concerning the status of Onar Baru village. The issue of land title in Onar Baru is addressed in the External Panel’s Compliance Summary. The greater use of the grievance system in Onar Baru may partially reflect the absence of full time LARAP staff in Onar Baru. In the other two RAVs villagers tend to raise issues directly with LARAP staff in Green Camp. The CRP is providing guidance to assist Onar to secure its status as an independent village, and the External Panel concurs with this initiative as a basis for facilitating land title in Onar Baru.

Dimaga Foundation

LARAP established the Dimaga Foundation to compensate the three resource losing clans from the LNG and village relocation sites. The LARAP also envisaged that the Dimaga Foundation would support sustainable livelihood development objectives into the future (LARAP paragraph 4.6). With the current structure of working through the clan leaders it has been difficult to find profitable business models, and clan members have felt excluded from the process of formulating and implementing proposals for Dimaga financing. Although 26 proposals were formulated earlier in 2008 by clan leaders with assistance from Yayasan Satunama, these proposals have not proved to be acceptable to clan members. Several initially promising projects, including a fuel selling business in Saengga, and a sago processing business in Onar, have not proved to be sustainable. At present most of the Dimaga funds disbursed support household consumption. There is continuing tension between clan dependency and clan members wishes to take over the Dimaga foundation themselves to secure quick yields. There is a gap between the clan recipients and the Dimaga Foundation Board, which currently includes several former Project staff who are not now readily available for meetings.



The 10% of the Dimaga Foundation funds directed to Sumuri education appears to have been spent usefully on supporting local Sumuri students in tertiary institutions around Indonesia. LARAP team is considering whether the education funds could be expanded by additional fund raising from sources outside the Dimaga Foundation. LARAP team is considering another idea to support SMP students to prepare for their final exams at the dormitory that was constructed in Tanah Merah Baru. The dormitory is currently unused, and will be handed over to Government.

Recommendation:

The External Panel recommends that CRP conduct an internal review of the Dimaga objectives, structure, effectiveness, and modus operandi. The review should review the experience to date in starting up and implementing the program. It should determine the extent to which the Dimaga Foundation should be structured so as to maximise participation by clan members, as distinct from clan leaders, and to foster the development of acceptable, sustainable and profitable livelihood proposals.

Project Workforce

The Project workforce is still in transition between construction and operational phases, with a further 5,380 workers demobilized during 2008 so far, 4% of which were DAV workers. Workforce Management Office (WMO) reports that some DAV workers have been retained during this process through re-hire and transfer arrangements, but did not provide new data since the External Panel's 3rd report. The LARAP team is helping to ensure that only those listed in the 2001-2002 Census are considered for recruitment. For the operational phase, the WMO has undertaken to prioritize DAV workers, and is currently working to place a number of DAV workers who performed well during the construction phase. The operational phase will only utilize BP contractors, so it will be easier for the WMO to ensure DAV workers are hired.

For the operations phase, which would significantly reduce the number of Project work opportunities, LARAP intended that 100% of the likely 42 unskilled positions would be filled by the DAVs, with an increasing number of semi-skilled and skilled positions from the DAVs being phased in until 2028 (LARAP Table 9.16). In fact, it is highly likely that there will be more than the 42 unskilled positions specified in LARAP.

Contrary to the LARAP assumption that no DAV villagers would qualify for managerial, supervisory or skilled positions at the start of operations, in fact 1.48 % and 0.26 % of the skilled and managerial positions are currently from DAVs (WMO data September 08). If these workers can be confirmed as genuine DAV workers and not in-migrants recruited in the DAVs³ this shows that the WMO has already succeeded in bringing up a few DAV unskilled workers to higher levels. There is also scope to increase DAV participation further during the operational phase in line with the LARAP intended trends (LARAP Table 9.16).

From comments made to the External Panel it appears that the workforce issue is still a sensitive one in the RAV communities. Community members asked whether RAV residents would have to pay to get a job during the operational phase. They also raised concerns that jobs provided for RAV residents often did not match their skill set, leading to early departure. Continued vigilance on the part of the WMO is,

³ The Project Workforce Audit of 2007 found that a significant number of jobs intended RAV workers had in fact been taken by migrants. See also following section on Assumptions.



therefore, necessary to ensure that, firstly, RAV workers continue to be prioritized for operations work as envisaged in the LARAP; and secondly, that workers are provided with the workforce training as specified in the LARAP.

Recommendations:

- 1. The External Panel endorses earlier recommendations⁴ that the WMO continue to (1) offer jobs to RAV residents on a household-by-household basis, rather than through the village head; (2) offer jobs to RAV residents at other Project facilities beyond the LNG site, such as at Babo or Bintuni; (3) implement the demobilization program in a flexible manner in an attempt to meet LARAP job length and income targets; and (4) increase workforce-related training and vocational training opportunities for LARAP households .**
- 2. The External Panel also recommends that the WMO implement LARAP workforce targets for the Operations Phase that require 100% of unskilled positions being filled from the DAVs (including RAVs); and that WMO ensure an increasing number of semi-skilled and skilled positions from the DAVs (including RAVs) are phased in until 2028**

Compliance Status:

Level 1 Non Compliance

Monitoring and Evaluation

LARAP Targets

As noted in the External Panel's 3rd Compliance Report, the LARAP required a Monitoring and Evaluation (M&E) Framework that defines the means of assessing the overall success of the LARAP and its component programs (page 249). The LARAP specified the importance of measuring whether livelihoods, living standards and incomes of RAVs are improved to a level over and above pre-displacement levels. Thus, the M&E will track LARAP outcomes and impacts against the baseline conditions of the RAVs as established in the 2001-2002 census (page 250). The LARAP required internal monitoring benchmarked against the implementation schedule, including periodic assessment of levels of satisfaction of RAV people; and external monitoring and evaluation, based on biannual socio-economic surveys of the RAVs (LARAP pages 252-255). Internal and external monitoring was to start in 2001 and continue through to 2009 (LARAP Table 1.4).

Progress

The Project commissioned the Centre for Population and Policy Studies of *Universitas Gajah Mada* (UGM) to conduct a Social, Economic and Demographic Census of all DAVs, including the RAVs, in late 2007. Initial reports are available. The writers have explained that the initial reports are not sufficient in themselves to gauge the success of the social programs, including the LARAP. However, they write that "Project management can use the report in the form of profiles to make an assessment of the conditions in the community in the wake of massive social and economic intervention by BP Indonesia and government" (UGM Overview Report page 5).

⁴ See the 3rd External Panel's report; the RAV *Workforce Audit Report* (November 2007); the 6th TIAP Report; and the Second Monitoring Report of the External Monitoring Panel on the *Performance of the Land Acquisition and Resettlement Action Plan* (LARAP) 2007.



The challenge is now to assess the extent to which the UGM data can be utilized in an M&E framework, and compared to the original LARAP baseline, as described above.

The next biannual socio-economic survey of the RAVs is scheduled for 2009. This survey should be timed to form the basis for the Resettlement Completion Audit that is required to be completed not later than November 2009 (EP TOR paragraph 9.8). The External Panel's Terms of Reference that specifies in paragraph 9.6 that the Resettlement Completion Audit "... will draw on the findings of a final household socio-economic survey to be conducted through the project resettlement team".

This 2009 biannual socio-economic survey should be designed to gain information on income data by source of income for both males and females, including both migrants and original residents. It should also include a comparison with income data obtained in the original 2001-2002 Census, in order to determine whether incomes have been restored and surpassed in real terms as envisaged in the LARAP objectives. The results would need to be available by August 2009 for use by the Resettlement Completion Audit.

The 6th TIAP Report recommended that, although not required by the LARAP, an additional survey should be conducted two to three years after the start of operations to measure gains and to ensure the sustainability of the programs the Project has put in place. This survey would be designed to capture villagers' views on the success or failure of Tangguh's programs

Recommendation:

- 1. It is recommended that an M&E system as specified in the LARAP be developed, where possible using UGM data, to measure achievement of LARAP objectives, using a system of household cards and a monitoring study report.**
- 2. It is recommended that the next biannual socio-economic survey of the RAVs scheduled for 2009 be conducted early in 2009, with the results available by August 2009 for the Resettlement Completion Report as specified in the External Panel TOR.**
- 3. It is recommended that the next biannual social-economic survey disaggregate income data by source of income for both males and females, for both migrants and original residents, and also include a careful comparison with income data obtained in the original 2001-2002 Census, in order to determine whether incomes have been restored and surpassed in real terms.**
- 4. It is recommended that consideration be given to the 6th TIAP Report recommendation that an additional survey be conducted two to three years after the start of operations to measure gains and ensure the sustainability of the programs the Project has put in place, the survey being designed to capture villagers' views on the success or failure of Tangguh's programs.**

Compliance Status:

Level 1 non-compliance.

Plans for Handover

There is apprehension in RAV communities that the Project-constructed facilities will not work as well as they have done after handover. In order to give the *kabupaten* time to adjust to the technical,



management and financing requirements of the utilities, the Project intends to phase out the subsidy for water and power utilities gradually over the period 2009–2012.

As a result of community requests, the External Panel recommended, in its 3rd Report, that the Project repair, where necessary, all public facilities to good working order prior to handover. Whilst CRP staff members and communities are currently identifying repair requirements for village facilities, the CRP team has, however, decided that these repairs will be recorded in handover agreements and completed by government after the handover. This raises the risk that the repairs, if not completed in a timely fashion, will form a continued subject for discontent among RAV communities.

No recommendation is provided by the External Panel on this matter at this time.

Compliance Status:

Level 1 non-compliance.

Land title for RAV households

The advice contained in Table 1 is repeated here. The LARAP required submissions to BPN for *hak milik* land title applications for Tanah Merah Baru in 2006 (LARAP page 60). It required 94 submissions after completing the house reconstruction in Saengga. This includes house, land together with vegetable and agroforestry plots as allocated to households. The LARAP also undertook to facilitate the grant of certified land title for 26 houses in Onar Baru, providing that the Agofa clan and local government supported this endeavour (LARAP page 60).

Good progress has been achieved in Tanah Merah Baru and Saengga. Of 430 households in Tanah Merah Baru and Saengga the project has sent 413 detailed submissions for hak milik certificate to Manokwari Land Title Office. Residents of Onar Baru requested the Project facilitate land title in a recent grievance request. The Project is awaiting confirmation of Onar as a distinct village separate from Saengga, and will also provide indirect support for residents in their application for the release of land held by Department of Forestry, on which Onar Baru houses are located.

Compliance Status:

Level 1 non-compliance

Pathway to Manggosa and Associated Fishing Camp

The advice contained in Table 1 is repeated here. A fishing camp was to be developed in 2006/7 (LARAP Table 1.4), dependent on the Manggosa pathway construction, scheduled for 2006 (LARAP page 237). This would (a) reduce pressure on natural resources around Tanah Merah Baru and Saengga and (b) provide access to Tanah Merah Baru fishing and sago sites once the Marine Exclusion Zone was enforced.

Significant progress has been achieved. Contract has been awarded to a local company for construction of the pathway, 4 shelters along the pathway and the fishing camp. Construction is scheduled to take 50 weeks.

Compliance Status:

Level 1 non-compliance.



3.3 Beyond LARAP

The LARAP noted that, after managing the disruption of village relocation, “a key challenge is to develop and promote a sense of community that allows villages to move forward post-resettlement” (paragraph 10.5). Reflecting the socio-economic focus of post-resettlement work, and the need to integrate into Bay-wide socio-economic development programs, the Project integrated LARAP-financed activities into the wider CRP during the period 2005-2009.

The LARAP envisaged that the CRP (ISP) for DAVs would “continue to facilitate development over the following decade” (LARAP paragraph 10.5). The CRP staff are planning to inaugurate the Community Action Plan (CAP) in the RAVs starting late in 2008. LARAP envisaged that CAP funds of RP 3 million per year over 10 years would commence after relocation (LARAP paragraph 10.3.5). The External Panel concurs that the CAP will present an important opportunity to carry forward LARAP and other initiatives as prioritized by the RAV communities. CRP team advised that CAP funds from Tanah Merah Baru and Saengga are expected to be shared with Onar Baru and Onar Lama respectively, as Onar does not yet have full village status.

The LARAP-financed activities draw to a close at the end of 2009. The Operator has reaffirmed its commitment to meet the targets specified in the social programs including LARAP. This report reviews issues which may arise as the CRP DAV Program develops and consolidates within the RAVs. It highlights specific risks and opportunities that have arisen as a result of the process of displacement and resettlement, which are likely to continue to affect development in the 3 RAVs in ways which distinguish them from other DAVs.

3.3.1 LARAP Objective: Resettlement with Development

LARAP defines resettlement with development to mean significant improvement over previous standards of living for the displaced population. This was expected to take time (LARAP 3.2.3.6). Resettlement also includes comprehensive mitigation measures to protect and benefit the host population (LARAP 3.2.3.8).

The LARAP objective was, therefore, to assist resettled and host communities sustainably to improve and surpass their income, standards of living, and livelihoods, in real terms over and above pre-Project levels or expected levels without the Project. The LARAP introduced a comprehensive range of programs to address this objective.

The LARAP adopted a risk and reconstruction (IRR) model as a benchmark analysis of the impoverishment risks faced by the RAVs. The IRR model recognized that risks could undermine this objective. It recognized the risks of losing land- and sea-based productive resources, homes and common property; the risks of food insecurity and increased morbidity; as well as downward mobility, marginalization and social disarticulation (Table 3.1 and Chapter 6).

Although replacing and improving assets and services is important for re-establishing communities, and the construction phase was to provide jobs, the LARAP envisaged that the core resettlement efforts would be medium to long term programs designed to ensure that the affected communities could increase the sustainable productivity of their natural resource based activities (agriculture and fishing), and achieve expanded and diversified income-generation opportunities (employment and small business development, LARAP 3.5).



3.3.2 Planning Assumptions for LARAP

To what extent is the LARAP objective being achieved? The External Panel revisited the LARAP risk and reconstruction model to address this question. LARAP programs addressed the identified risks to relocated and host communities. In addition, the Bay-wide programs of CRP (ISP) were expected to complement LARAP initiatives, for example, in helping to reduce inter-village and inter-tribal jealousies arising from LARAP entitlements, and in reducing the potential influx of migrants through the in-migration program.

This analysis helped to focus on the status of some key assumptions that underpin the LARAP objectives. As experience in LARAP implementation deepens, complemented by the Bay-wide perspectives from CRP programs, it becomes clearer that some risk-mitigation strategies may need revisiting.

Assumption 1: Utilities would be Sustainable in RAVs

The project replaced lost village facilities and provided significantly improved systems for electricity generation and supply; reticulated water and drainage.

LARAP intended the village cooperatives would manage the systems but cooperative development has been slow and is not able to take on the RAV utilities. The Project has been negotiating with Kabupaten Teluk Bintuni to manage the facilities. These negotiations have highlighted the limits to *kabupaten* management skills, technical capacity, and budget to support power and water utilities, especially in light of the recent increasing cost of fuel. The Bupati has expressed reservation about taking on this burden on grounds, amongst others, of the high cost which would skew funds towards the RAVs, possibly at the expense of other DAVs. Meanwhile, the Project has risked community complaints and reduced the utility operating hours.

The External Panel has compared Project calculations of generator set (*genset*) operating costs to income data from an affordability study undertaken by Centre for Population and Policy Studies, Gadjah Mada University in 2007/8. The data, which are subject to confirmation, suggest that 12 hour daily operation of the genset would cost Tanah Merah Baru residents 14% of monthly household income, Saengga 13% of monthly household income, and Onar Baru residents 31% of monthly household income. These high costs are arguably not affordable for RAV residents to bear alone. Reducing the operating hours by half to 6 daily would cost Tanah Merah residents 7% of monthly household income, Saengga residents 7% of monthly household income, and Onar Baru residents 18% of monthly household income. These expenditures are still high and do not include other sources of energy such as kerosene used by some households, or costs of additional water supply and sanitation, that increase overall utility costs.

Assumption 2: Livelihoods would be Restored and Improved

In addition to compensation for lost resources, LARAP provided several strategies to better pre-Project livelihoods.

Small medium enterprise (SME) and vocational training were intended to broaden income generating opportunities and reduce pressure on the limited replacement resource base. Starting from a largely subsistence base, with minimal enterprise experience among community members, and faced with daunting logistical problems, it has been difficult to consolidate capacity building initiatives into profitable, sustainable enterprises capable of contributing quality inputs to supply chains. The Project is responding with a new livelihood development strategy that will address marketing and financing constraints, and



foster appropriate governmental regulatory support. Given women's pre-eminence in RAV small businesses and agriculture, it would make good economic sense to target women specifically, both in income generating programs and in vocational training.

LARAP provided support for agricultural development in new plots to minimize the risk of rapid resource depletion in resettlement sites. The Project took steps to enhance the limited government extension service through hiring IPB. Agricultural programs utilise organic practices to minimize the risk of soil depletion. As noted, whilst programs have taken off among some women in Tanah Merah Baru and Saengga, the lack of marketing prospects reduce the incentive to boost the quality and quantity of produce.

As noted above, the Dimaga Foundation has had limited success in fostering profitable and sustainable businesses among the resource losing clans.

The LARAP mandated positive discrimination for locals through workforce recruitment and management, for employment in RAV reconstruction as well as LNG construction and operation phases. Whilst LNG construction workforce policy mitigated the worst impacts arising from migrant inflows for local people by ensuring recruitment from distant points of hire, nonetheless migrants have taken many of the jobs intended for RAVs. The Project's RAV Workforce Audit Report (November 2007) found that the majority of the so-called "RAV" workers were not listed in the 2001-2002 LARAP census. Some were relatives who had been absent for a period, but the majority were in-migrants. The LARAP census listed workers comprised only 40% of those hired from Tanah Merah Baru, 42% from Saengga, and 54% from Onar. For this reason the original RAV inhabitants, who were the intended beneficiaries, had not benefited as much as non-RAV people from this LARAP objective.

Significantly fewer workforce opportunities will arise during the operations phase. With demobilization from the construction phase there is additional pressure on livelihood development.

Assumption 3: LARAP would Reduce the Risk of Marginalization or Downward Mobility among RAV Communities

As noted, the Workforce recruitment strategy has helped to contain, but not to screen out entirely, migrant inflows that might result in marginalizing local people from jobs and resources.

Migrant inflows have raised security fears in Tanah Merah Baru in particular, where local people blame migrants for a recent spate of crime. Recent disturbances and local tensions resulted in two burnt houses, and have delayed the LARAP programs. The migrant inflow has raised fears of competition for resources and possible loss of village houses to migrants, with resultant breakdown of social networks. Migrants place additional pressure on village infrastructure. In Tanah Merah Baru migrants reportedly dominate trading in the market.

The LARAP team have proactively sought dialogue with villagers on this issue, encouraging them to take part in village patrols (*siskamling*). The Tanah Merah Baru Secretary told the External Panel that original inhabitants wanted the migrants to leave the village, and had asked the *Bupati's* help to achieve this prior to handover of the village facilities. The CRP In-migration program continues to address this issue from a Bay-wide perspective, focusing on strengthening government controls.



Assumption 4: Social Disarticulation could be Contained

LARAP defined social disarticulation to include stress resulting from uncertainties of relocation and uneven impacts and benefit distribution; potential intra-clan conflicts on resource use; and potential inter-tribal jealousy and conflict on distribution of project entitlements.

LARAP assumed that introduction of CRP program, including a significant commitment to employment for non-RAV DAVs, would be sufficient to mitigate jealousies from other communities around the Bay. However, inter-tribal jealousy still significantly impacts the CRP. The high standard of RAV houses and other facilities represents compensation for real losses to the people displaced by the project. The RAV people have been significantly disrupted and impacted most acutely, and the case for mitigation measures specifically for them is very clear.

However, other non-displaced communities around the Bay apparently believe that, in the interests of equity, they also should receive such assets. As a consequence the LARAP team has had to devise ways of distributing benefits in the RAVs that minimize tensions-such as the partnership with government to provide boat motors in Saengga. These developments should not undermine the original LARAP commitments to those people displaced and most immediately impacted. They do, however, reinforce the need for continued careful management, good public relations and close consultation with a wide range of stakeholders on a Bay-wide basis, including through *kabupaten* dialogue and an *adat* framework.

The eventual fate of the LNG site after project completion is still of concern to RAV residents, who asked the External Panel whether the LNG would be returned to the original *adat* owners on completion of the Project. The LARAP states that the *Bupati* of Manokwari issued a letter in 2002 addressed to the Sumuri tribe, stating that, upon completion, the Project will return the land to the government, and that the government will return the land to the *adat* community (the Sowai, Simuna and Wayuri clans of the Sumuri tribe). However, the letter also stated that, because the community had relinquished their *adat* rights to the land, the government had the right to manage the use and future control over the land. The Project undertook to facilitate to the best of its ability any further confirmation for the land losing clans that the land is returned to them (LARAP paragraph 4.5.2.6).

The LARAP Cemeteries Access and Maintenance Agreement (2004) gives RAVs access to LNG site on important religious days. This situation could alter if Tangguh expands the number of trains (LARAP paragraph 4.5.2.1). In that case, existing agreement to conduct *adat* ceremonies and prepare spirit houses around identified sacred sites (mainly Sowai clan) might also be at risk (LARAP paragraph 4.5.2.2).

These sensitive issues need continued careful management.



Appendix A

Involuntary Resettlement – People Interviewed



INVOLUNTARY RESETTLEMENT – PERSONS MET

2008	Location	Persons met	Representing/Position
13 October 08	Jakarta - BP	Fawaz K. Bitar Gerry Owens Ngurah Krisnawan Andy Collins Juanita Darmono Erwin Maryoto Arintoko Utomo Sherwin Pun Albab Akanda Masayuki Kanda Osamu Odawara Paul Whincup	BP Executive Vice President, Tangguh BP Tangguh Business Manager BP Head of CE&A BP Tangguh Operations Director BP Senior Manager Strategy & Planning BP Senior Manager Community Affairs BP Manager, Liaison Officer ADB Team Leader, Tangguh ADB Head of Operations, Private Sector ADB Project staff, Private Sector Mizuho Bank, Environment Manager Lender's Panel
	Jakarta - BP	Juanita Darmono Wisnu Bharata	BP Senior Manager Strategy & Planning BP Security Manager
14 October 08	Jakarta - BP	Tony McMullen	BP Health Manager
15 October 08	Babo Base Camp	Agustinus Poluakan Ahmad Lie	BP CRP Team Manager BP LARAP Coordinator
		Ronny Mugu Demianus Wakman	BP Workforce Management LNG Plant BP Workforce Management LNG Plant
16 October 08	Saengga Village	Henny Simuna Sisilia Fossa Nataliya Sodefa Yohana Rengil Christina Simuna Yohanes Wayuri Delia Kamisofa Simon Simuna Albert Sarkadifat Agus Kambia Kosyan Fossa Philipus Ratu Hurit Hendre Soway Frans Soway Herman Simuna Dula Kamisopa Bonny Hestubun Frans Kabes Samson Sodefa Allo Fossa	Kader Kader Kader Farmer Farmer Community Leader Community Leader Clan leader RK III Village office Youth leader SD Teacher Community Leader Community Leader Community Leader Community Leader Community Fisherman Youth leader Clan Leader



2008	Location	Persons met	Representing/Position
		Yance Wayuri Dorce Wayuri Audit Keman	RT II Head Villager Villager
	Onar Baru Village Meeting at SD (cont).	B. R. Agofa Alex Agofa Arthur W. J.S. Agofa Willem Sowai Markus Agofa Daud Wayuri	RT Head Fisherman Unemployed Guard Villager Villager Villager
18 October 08	Babo Base Camp	Burhamsyah	CRP Project Staff - CAP
19 October 08	Babo Base Camp	Lechana Warikar Rosalina Rumbino	CRP Staff - Education CRP Staff – Women’s Empowerment
		Ferdinand Tetro	CRP Staff - Migration and District Governance
	Irarutu III	Adat Leader Pak Saleh	Sekretaris Kampung
20 October 08	Travel to Jakarta		
22 October 08	BP Office	Basri Kamba Dr. Hidayat	BP Senior Manager Governance, Revenue Management and Civil Society



Appendix B
Consultant (External Panel) Liability



Excerpt From Agreement for Consulting Services between Asian Development Bank (as ADB Tranche Lender), Japan International Finance Management (Tangguh) Corporation (as Japanese Tranche Lender), Mizuho Corporate Bank, Ltd (as Commercial Tranche Facility Agent), and GHD PTY LTD and PT Global Hutama Desain (as Consultant).

23. LIABILITY

23.1

To the maximum extent permitted by law, the Consultant will have no liability to the Operator and the Financing Parties (or any person claiming through them, including the PSC Parties) for any cost, expense, loss or damage, whether arising under or in connection with or for breach of this Agreement, or in connection with the performance or non-performance of the Services, whether such liability arises in contract, in tort (including negligence), under statute, under any indemnity, by cross claim or otherwise, except to the extent that the cost, expense, loss or damage was caused directly by the Consultant's or any of its subcontractors' gross negligence or willful misconduct.

23.2

This Clause shall survive for five years after the expiration or termination of this Agreement. This Agreement has been entered into on the date stated at the beginning of this Agreement.