



Environmental and Social Monitoring Report

Project Number: 38919
August 2010

INDONESIA: Tangguh Liquefied Natural Gas Project Seventh Compliance Monitoring Report

Prepared by GHD
External Panel for Environmental and Social Monitoring

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Tangguh LNG Project External Panel Seventh Compliance Monitoring Report

August 2010



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Abbreviation & Indonesian Terms

ADB	Asian Development Bank
AMDAL	<i>Analisis Mengenai Dampak Lingkungan</i> (Environmental Impact Assessment)
BAPEDAL	<i>Badan Pengendalian Dampak Lingkungan</i> (Environmental Impact Control Agency)
BAPPEDA	<i>Badan Perencanaan dan Pembangunan Daerah</i> (Development Planning Board)
BHBEP	Birds Head Business Empowerment Program
BLK	<i>Balai Latihan Kerja</i> (Vocational Training Centre)
BPN	<i>Badan Pertanahan Nasional</i> (National Land Agency)
CAP	Community Action Plan
CRP	Community Relations Program
CSO	Civil Society Organisations
DAV	Directly Affected Village
EP	External Panel
E&S Project	Environmental and Social Project
FJT	Fujian Tranche
INDAV	Indirectly Affected Village
IPB	<i>Institut Pertanian Bogor</i>
IPDF	Indigenous Peoples Development Framework
IPDP	Indigenous Peoples Development Plan
IPSI	Indigenous Peoples and Social Issues
IR	Involuntary Resettlement
IRR	Impoverishment Risks and Reconstruction Model
ISP	Integrated Social Programme
JBIC	Japan Bank for International Cooperation
JSA	Job Safety Analysis
KPI	Key Performance Indicator
LARAP	Land Acquisition and Resettlement Action Plan
LNG	Liquefied Natural Gas
LP3BH	<i>Lembaga Penelitian Pengkajian dan Pengembangan Bantuan Hukum</i>
MONEV	Monitoring and Evaluation
NGO	Non Government Organisation



PERT	<i>Pelatihan Ekonomi Rumah Tangga</i>
PSKK-UGM	<i>Pusat Studi Kependudukan dan Kebijakan-Universitas Gajah Mada (Centre for Population and Policy Studies-University of Gajah Mada)</i>
RAV	Resettlement Affected Villages
RKL	<i>Rencana Pengelolaan Lingkungan (Environmental Management Plan)</i>
TIAP	Tanggung Independent Advisory Panel
TMB	Tanah Merah Baru
TOR	Terms of Reference
UGM	University of Gajah Mada
UNCEN	University of Cendrawasih
WMO	Workforce Management Office
YPK	<i>Yayasan Persekolahan Kristen</i>
YPMD	<i>Yayasan Pengembangan Masyarakat Desa (Foundation for Development of Village Community)</i>



Executive Summary

This is the seventh report of the independent External Panel for the Tangguh E&S Project and is submitted as a Compliance Monitoring Report resulting from the seventh visit to the site.

On this final seventh visit of the External Panel to Indonesia in April 2010 only the Involuntary Resettlement (IR) team visited the site in West Papua during the week of the 19th to 23rd of April and thence after travelling to Jakarta for a further week to prepare their draft report. The Indigenous Peoples and Social Issues (IPSI) team travelled only to Jakarta over the same combined period, where they conducted research and meetings before preparing their draft report.

This final report presents two main areas of reporting required of the External Panel.

The first concerns the Land Acquisition and Resettlement Action Plan (LARAP) and work undertaken by the IR team. This report contains a follow up to the LARAP Completion Report (December 2009) and is in effect a subsequent amendment to that report addressing the progress towards close out of Remedial Actions for compliance and related recommendations identified in the LARAP Completion Audit.

The second concerns the work of the IPSI team and is based on the terms of reference for this 2010 visit which are as follows: "The External Panel will review the status of the ISP1 final report elaborating on lessons learnt and challenges for the operator to address during formulation of the ISP's second iteration."

Land Acquisition and Resettlement Action Plan (LARAP)

With respect to progress towards completion of the LARAP, the findings are that the required remedial actions are well progressed. In summary, of 14 specified outstanding completion requirements 11 are on schedule to be completed by the end of December 2010. Three of these are concerned with the Dimaga Foundation, four are concerned with public utility provision, two are concerned with handover process and agreements, and two are concerned with incomes and livelihood matters.

A further three will either be sufficiently completed by December 2010 (e.g. two livelihood matters) or by 2011-2012 (e.g. monitoring progress in cooperative performance in utilities management) and also extended to be addressed in the Integrated Social Program (referred to as ISP2), or in the case of one (e.g. investigate and address reasons for apparent decline incomes from fish and prawn fishing over the last 9 years) this will be addressed ongoing as part of the ISP2.

The findings are therefore that the LARAP continues to move towards full completion status providing these final initiatives are all addressed. The report makes a range of further observations. These include those associated with changes in the Resettlement Affected Villages (RAV) operating environment, review of remedial actions recommended for completion of the LARAP, and the matter of the special relationship between RAVs and the LNG operating site.

Finally, there are 12 'additional' recommendations made to assist LARAP completion concerning the following:

- ▶ Dimaga Foundation
- ▶ Handover of housing, infrastructure and utilities
- ▶ Land titles in Onar Baru
- ▶ Enhancing livelihoods and living standards



- ▶ Micro-finance, business development and cooperatives
- ▶ Vocational training
- ▶ Employment
- ▶ Education
- ▶ In-migrants
- ▶ The future program in RAVS

The conclusion of this part of the report is that the Tangguh LARAP deserves consideration as a “world class model” for private sector oil and gas projects.

Indigenous Peoples and Social Issues (IPSI) and Integrated Social Program (ISP)

The task of the IPSI team for this trip was to undertake a desk top review of the Operator’s ISP performance and compliance over the six month period following the previous November 2009 visit, and to elaborate on ‘lessons learned and challenges to be faced’ in the second iteration of the ISP (2011 to 2015).

During this visit thirteen components of the ISP were given main consideration, these being:

- ▶ Governance and Revenue Management (P1)
- ▶ Strengthening of Civil Society in the Bird’s Head Region (BH1)
- ▶ Business Empowerment in the Bird’s Head Region (BH2)
- ▶ Workforce and Industrial Relations (BH3)
- ▶ Mitigation of In-migration and Adverse Induced Impacts (BH4)
- ▶ Government and Civil Society in Kabupaten Teluk Bintuni (K1)
- ▶ Integrated Community Based Security (K2)
- ▶ Health (K3)
- ▶ Education (K4)
- ▶ Vocational Training (K5)
- ▶ Women’s Empowerment (K6)
- ▶ Microfinance and Micro-Enterprise (K7)
- ▶ Community Development - Community Action Plans (DAC1)

The ISP six monthly compliance monitoring found that there are no non-compliances.

With respect to effectiveness of the ISP the report makes a number of recommendations to help improve ISP performance and outcomes. These focus on civil society strengthening, Adat strengthening, vocation training, and micro-financing.

The IPSI team considered there are important lessons learned from what is a remarkable program overall. In an abbreviated form these include the following:

- ▶ Successful development interventions are locally adapted interventions, and it is wise therefore to accept that generic or universal solutions are unlikely to be appropriate, especially for such a unique situation as Papua;



- ▶ There must be commitment to continuous experimentation in such programs;
- ▶ Nothing succeeds like success and it is best to reinforce those programs that attain early success and rapidly redesign those that struggle;
- ▶ Effective communication has currency, and in a context like Papua constant good flow of information is essential to keep community positive and offset misunderstanding and rumour in the absence of good information;
- ▶ ISP can make a big difference, both in terms of direct development assistance benefit, and also in pioneering new approaches on many related fronts;
- ▶ Quality facilitators are effective facilitators, and evidence is clear that quality staff produce the best outcomes;
- ▶ There is always a need for systems thinking, whereby the combined value and beneficial outcomes across many programs will result if those running the programs are able to focus beyond their individual programs;
- ▶ Training for improved outcomes is important, and emphasizes on the need to ensure that a great effort and focus on training must be undertaken with equal effort to ensure that training leads to meaningful engagement and opportunity thereafter – there is limited value in training people with no where to gain employment or practice the skills acquired;
- ▶ Women's empowerment is a cross cutting issue, particularly in Papua, and still an area to be emphasized across all aspects of community development. It remains an incredibly important aspect of community strengthening; and
- ▶ Partners need to be managed also, with particular reference to the fact that capacity and performance of 'partner organisations' can be variable and must be improved and maintained at acceptable levels.

Finally, the challenges facing the ISP2 are many including, in summary, the following:

- ▶ A need to achieve a smooth transition to a new development approach with innovative approaches, particularly a the greater emphasis on best practice incorporating flexible design;
- ▶ The refinement of the original ISP programs into 5 streamlined ISP 2 components;
- ▶ To improve the governance and governance performance aspects of ISP inspired programs that reach more widely into the surrounding region;
- ▶ To revise and refine the terminologies and categories used within the ISP, in part to break away from fixed perceptions of the scope and intent of the ISP, particularly those arising from the original AMDAL process and which may becoming increasingly outdated;
- ▶ To give greater recognition to other important communities in the region, particularly the 'indirectly' affected villages (INDAV);
- ▶ To address the issue of continued support for restoring livelihoods of RAV communities which has implications for community perceptions that such assistance will continue indefinitely, or at least beyond a timeframe that is either reasonable or sustainable;
- ▶ The issue of local government capacity to adequately manage ISP derived or related programs, and the degree to which partnerships and buy-in by local government is a critically important part of changing governance in Indonesia; and



- ▶ Social accountability and transparency in governance remains an important objective for both the Operator and Indonesia, hence the potential for ISP 2 to facilitate the development of more effective civil society organizations could be a highly constructive long term outcome of the overall ISP program.



1. Introduction

1.1 General

This is the seventh report of the independent External Panel for the Tangguh E&S Project and is submitted as a Compliance Monitoring Report resulting from the seventh visit to Jakarta and to the site. The activities and conduct of the external panel are specified in the Tangguh LNG Project 'External Panel Terms of Reference' (August 2006), and amended in the Supplementary Agreement dated 3 April 2010 to accommodate this final visit.

The External Panel is required to satisfy the Asian Development Bank (ADB) Tranche Lender's and Japan 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, FJT Lenders/FJT Facility Agent, and Japanese Tranche Lenders. The operator is BP Berau Ltd.

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

The External Panel is initially appointed for a three-year period from February 2007 to April 2010 and another six months to September 2010 to assist the Operator and the lenders with the monitoring, reporting and advising on three aspects of the Tangguh E&S Project. 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 Tangguh and local people, and further discussion concerning the 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, and Indigenous Peoples and Social Issues Team, and an Environmental Team.

On this final visit undertaken in April 2010, the aspects to be reported on by the External Panel are:

- ▶ Involuntary Resettlement (IR);
- ▶ Indigenous Peoples and the Integrated Social Programme (ISP); and

Since the External Panel was appointed in 2007, Involuntary Resettlement, and Indigenous Peoples and Integrated Social Programme aspects have been reviewed and reported twice per year. Environment, Health and Safety aspects have been reported once per year. On this final Compliance Monitoring visit, the two teams, namely Involuntary Resettlement and Indigenous Peoples and the Integrated Social Programme (ISP) of the External Panel are present and reporting.

1.2 Focus and Content of this Report

This LARAP Completion Audit focuses on progress towards close out of Remedial Actions for compliance and related recommendations identified in the LARAP Completion Audit. The findings and recommendations are presented in Section 3.2



The External Panel's Indigenous Peoples and Social Issues (IPSI) Team is required to investigate and report on the Integrated Social Program (ISP). During this seventh and final visit in April 2010, the IPSI team has been asked to conduct a desktop review on the assessment of Operators performance and compliance in the light of ISP obligations over the six month period to the end of March 2010. The findings and recommendations are presented in Section 3.3



2. Objectives and Scope of Work of the External Panel

The objectives of and the scope of work for the External Panel is as follows:

- ▶ For LARAP, as stated in the Supplemental Agreement dated 3 April 2010 the objective of External Panel is “to undertake the first phase of the completion audit (2009) and the second phase of the completion audit (2010)”
- ▶ For IPSI, as stated in the Supplemental Agreement dated 3 April 2010 the objective of External Panel is “to undertake the regularly-scheduled six-month review in April 2010 in lieu of February 2010. To be clear, the External Panel will perform a desktop review of the Operator's performance and compliance where relevant with respect to the ISP obligations over sixth-month period ending March 2010. The External Panel will review the preparation of ISP1 Final Report elaborating on Lessons Learned and Challenges for the Operator to address during the formulation of the second iteration (2011-2015) of the ISP.”

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 *Distrik* is referred to as the *Kepala Distrik* (*Kadis*), and is the equivalent of *Camat* elsewhere in Indonesia.

2.2 Schedule of Work Conducted

The respective resettlement specialist, IPSI team members and Resettlement team members of the External Panel assembled in Jakarta on the 20th April 2010 to commence the compliance assessment. The External Panel team members reviewed documents and were provided briefings on the 21st and 22nd April at BP Jakarta Office. The Resettlement team then travelled to site to conduct fieldwork from the 22nd to 28th November while the IPSI team continued with desktop review and Operators presentation in BP office in Jakarta.

The External Panel Resettlement Team spent the first two days in Jakarta undertaking document review and meetings with LARAP related personnel. Following travel to Biak-Babo and initial LARAP related presentations at Babo base-camp on the first day, over the next five days the team visited all Resettlement Affected Villages (RAVs). For this trip, External Panel Team Leader, Susanna Price, undertook the site visit accompanied by Reviyeno Nasution. Upon return to Jakarta, the External Panel team undertook further research and report preparation before presenting its preliminary findings during close out meeting on 3rd of May 2010.

The External Panel IPSI Team spent the first one week in Jakarta undertaking document review and meetings with the ISP team. The team spent the remaining time in report write-up before presenting its preliminary findings during close out meeting on 3rd of May 2010.

It is also noted, with appreciation, that the Lenders' consultant (ERM) team members were also present



most of the time in Jakarta during the External Panel visit, The ERM team members were:

- ▶ Paul Whincup.
- ▶ Greg Guldin.
- ▶ Lucy Mitchell



3. Findings

This section provides the principal findings of the External Panel. The Section 3.1 provides a summary of the overall compliance outcomes. The Section 3.2 presents the overall findings of the Involuntary Resettlement team, and the Section 3.3 presents the overall findings of the Indigenous Peoples and Social Issues team.

The External Panel presents its advice in this seventh report as both findings and recommendations, as required in the External Panel Terms of Reference (TORs) paragraphs 9.4 and 9.7. 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 authorisation required for the implementation of the Tangguh E&S Project (but only to the extent that such approval, consent, permit or other authorisation is required for implementation of the Tangguh E&S Project at that time).

3.1 Compliance Summary

Given the above definition of non-compliance (Level 1 or Level 2), this report does not identify any non-compliance during this compliance monitoring visit, other than Remedial Actions to complete the LARAP.



3.2 Involuntary Resettlement (IR)

3.2.1 Introduction: Context for the 7th External Panel Report

3.2.1.1 LARAP Model and Implementation

The External Panel's LARAP Completion Audit Report of December 2009 found that the LARAP has a number of positive features that would support the claim to be a "world class model" in resettlement for private sector oil and gas. The Completion Audit found that, in a complex environment, the LARAP generally had been well implemented.

3.2.1.2 Resettlement Completion

The External Panel TORs (paragraph 9.6) stated that: "a satisfactory completion audit with close out of any related corrective actions will represent the fulfillment of project resettlement commitments and the end of external monitoring and reporting on involuntary resettlement aspects of the Tangguh E&S Project".

3.2.1.3 Progress Towards Close Out

For this visit the External Panel focused on progress towards close out of Remedial Actions for compliance and related recommendations identified in the LARAP Completion Audit. The field visit to Papua has allowed a fresh perspective on recent events in the RAV operating environs. The External Panel found that good progress is being made. The Remedial Actions are scheduled substantially to be complete by December 2010, as summarized in the Table below.

Table 1 The Remedial Actions

Remedial Action identified in LARAP Completion Audit of December 2009	Progress	Estimated Completion Date
Dimaga Foundation: Constitute a new board of management with increased representation from the beneficiary groups, and an independent board member with relevant experience.	Operator in 2009 appointed an independent member of the Board of Trustees. It is moving towards local representation with the appointment of clan facilitators for Dimaga Foundation.	Will be substantially completed with appointment of Wayuri and Simuna clan facilitators. December 2010.
Appoint an independent financial advisor to provide investment portfolio advice.	In progress. The Operator is formulating a strategy to hand over management of the Dimaga Foundation to the beneficiaries. An independent financial advisor, with recognised credentials in giving prudent advice, can be appointed at any time	December 2010.



Remedial Action identified in LARAP Completion Audit of December 2009	Progress	Estimated Completion Date
Incorporate inflation-adjusted growth into capital base. Boost net returns to 3-5 percent per annum.	Investment strategy in progress.	December 2010.
Public Utilities:		
Repair the generator system at Onar Lama and agree on a plan for future maintenance with Onar Lama residents.	In progress. The External Panel supports Onar Lama request for overhaul of utilities as a demonstration training exercise.	December 2010.
Rationalise photovoltaic solar technology.	Photovoltaic technology to be removed.	December 2010.
Review utilities to identify cost-effective system improvements, appropriate and sustainable technologies; and back-up arrangements.	In progress. Plans include providing separate generators to water pumps; and reducing electricity capacity from the current 900 to 450 w/h per household in line with current Indonesian standards. Back up water tanks have been provided to houses and public facilities in Tanah Merah Baru through Koperasi Mayri. CAP to be an option for providing water tanks to other RAVs, if RAVs request it.	December 2010. If kabupaten support for utilities fails (see below), the Operator will need to revisit this recommendation.
Socialisation on utility payments.	In progress working through local cooperative units, subject to community level of ability to pay.	December 2010.
Monitor progress in cooperative performance in utilities management.	In progress. New agreements phase in kabupaten financing during 2011-12, with cooperative management. All RAV cooperatives need capacity building for this role, especially Wermina and Yenadu.	2011-12. ISP2 to monitor utilities.
Handover:		
Conduct consultations with RAVs for permitting requirements, pre-conditions and establish rules and regulations for use prior to signing the Handover Agreements for Onar.	In progress for the new kampungs of Onar Lama and Onar Baru.	December 2010.
Complete the agreed list of repairs for all RAVs.	In progress. Contract for repairs to public facilities has been let. This should cover repairs in Onar.	December 2010.



Remedial Action identified in LARAP Completion Audit of December 2009	Progress	Estimated Completion Date
Incomes and Livelihoods:		
Examine and formulate actions to address apparent decline of incomes in Onar Baru and Onar Lama, and loss of trading and small business activities, since the 2001/2 Census. This is to improve incomes and livelihoods in line with the LARAP objectives.	<p>Data disaggregation from UGM now show that household and per capita incomes have risen slightly in Onar Baru and Onar Lama but significantly less than in other RAVs. Income per capita in Onar Baru is well below all other RAVs. Expenditure per capita in Onar Baru has fallen since 2001/2 Census. Livelihood options remain limited in Onar.</p> <p>The External Panel recommends that the ISP/LARAP team focus on diversifying and enhancing livelihood options in Onar, especially Onar Baru, over next 6 months.</p>	December 2010, with follow-up action in ISP2 Livelihood program.
Reconsider and formulate a plan for the introduction of livestock for agricultural development.	The External Panel finds that, although there is insufficient expertise now at the kabupaten level to support systematic livestock introduction in RAVs, the LARAP Salatiga facilitators may assist where requested and where feasible.	To be addressed by ISP/LARAP staff over next 6 months and in ISP2 Livelihood program.
Facilitate approval of prawn and fish products produced and marketed by RAV women.	External Panel finds that BPOM in Sorong is responsible and recommends they be invited to Tangguh to facilitate approval.	December 2010.
Investigate and address the reasons for the apparent decline in fish and prawn incomes since 2001/2.	Under consideration.	To be addressed by ISP2 Livelihood program.

3.2.1.4 Comparison of Progress with External Panel TORs

Two of three of the "principal resettlement activities" identified in the External Panel TORs (paragraph 3.2) are still incomplete or in question:

1. Transfer of infrastructure to communities/district government; and
2. Livelihood restoration and re-establishment of the resource base, for the case of Onar.

3.2.1.5 Timeframe to Completion

By December 2010, assuming progress remains on track, the External Panel should be well placed to advise the Project Lenders that the LARAP is substantially complete, in accordance with the External Panel TORs and the PSC Parties Agreements with ADB and the Japanese Lenders. More detailed findings follow.

3.2.2 Changes in RAV Operating Environment

3.2.2.1 Recent Changes in RAV Kampung Administration

New kampung heads and other kampung officials had been appointed in all four RAVs. In Tanah Merah Baru and Saengga former officials had been replaced. The creation of the new kampungs of Onar Baru and Onar Lama has doubled the number of RAV kampung administrations from two to four and created new positions. This reflects the process of pemekaran in which new administrative entities are created, including new districts and more than 160 new villages in Kabupaten Bintuni. The Kabupaten officers in Bintuni advised the External Panel that the creation of new districts and villages is determined by various factors: primarily population, culture and access. They expect that the pace of pemekaran will now slow. Nonetheless, the External Panel notes that Tangguh social programs are now being delivered to the DAV/RAV population through proliferating kampung administrations, necessitating additional efforts to reach the new leaders.

Figure 1 Newly Elected Village Chiefs and Secretaries for Onar Lama and Onar Baru



These changes in RAV kampung administration need careful management as they come at a delicate time of LARAP transition for all four villages, as follows.

- ▶ **Community Action Plans (CAP):** CAP began in 2009 in the RAVs, as anticipated in the LARAP. One third of the Rp. 300 million CAP budget for Tanah Merah Baru is allocated to Onar Baru and one third of the Saengga CAP budget is allocated for Onar Lama. The first 2009 projects selected through community-based planning are in preparation. The External Panel found that, based on interviews with the RAV kampung heads, some new village administrations are grappling with understanding the CAP process. Several kampung heads found CAP planning procedures lengthy, and asked why the CAP funds do not flow directly to the village administration, as they do for government financing sources for village development. Onar Lama officials wanted to have Rp 300 million CAP budget similar to other DAVs.



► **The External Panel finds that these changes warrant, in all four RAVs:**

- additional socialization for the new kampung officials, perhaps arranged as a special briefing day in Babo or Green Camp, to ensure common understandings and positive support among the new RAV officials of CAP planning, budget and reporting processes;
- Facilitate the community to help expedite the implementation of the prioritized 2009 CAP projects, as a demonstration of the process. This would help to build confidence in achievement of positive final outputs, which would be beneficial if, as seems desirable, CAP elements are to be adopted to strengthen the community involvement in the government process of Musrembang planning and reporting.

- **Handover of RAVs:** Handover requires active partnership of kampung officials and community members generally, particularly since the Handover Agreements detail selected village infrastructure to be managed by the kampung/community. The External Panel heard local perceptions that the Handover Agreement is a document agreed between government and BP. The Handover Agreements in Onar Lama and Onar Baru have yet to be signed. Noting the importance of the Handover Agreements for arranging future responsibilities between kabupaten, communities and third parties for LARAP assets, the External Panel recommends additional socialization on Handover Agreements for the new kampung officials and communities, especially on community-managed assets.

3.2.2.2 Request from Tanah Merah Baru

Village officials raised with the External Panel the issue of new households (by marriage, primarily) created between the time of the 2002 Census and the physical relocation from Tanah Merah Baru (2004). A village official claimed that 11 new households had been formed during this time and that they had been promised both land title and new houses. Whilst they had received land title, these households had not received new houses.

The LARAP (Appendix 8.4) recognized the formation of an additional 15 households (over and above the 2002 census) that would relocate with the community to the new sites. LARAP allocated empty lots in the new village for them. It stated that “While the position that these families will have to build their own houses has been socialized, discussions regarding when and how these families will build their houses is on-going” (Appendix 8.4).

The External Panel finds, therefore, that the LARAP did not require construction of new houses for these households as claimed. It would be desirable for ISP LARAP team to ascertain whether the houses have been built

3.2.2.3 Capacity of the Cooperatives

Establishment of mini-markets in Tanah Merah Baru and Saengga is a significant achievement. Mayri Cooperative reports that the mini-market in Tanah Merah Baru is continuing to make a profit. Whilst the initial interest has leveled out, the mini-market still attracts up to 50 customers daily.

Figure 2 Street Seller in Tanah Merah Baru



Mayri is managing the Indocater contract which requires 65 kg of vegetables, fruit, fish and prawns per week from local suppliers. This may increase as the Bupati has recently diminished the need for Indocater to buy from the north shore producers. Indocater pays for supplies 30 days after the invoice is provided, based on a 3 month rolling contract.

This has led to difficulties with Uno Perta suppliers from Saengga, who had agreement to take a turn every second week to supply vegetables to meet the contract. However, Uno Perta staff told the External Panel that, for the last 2 months, Mayri has not bought vegetables from them. Whilst Uno Perta producers can sell some produce around the village, they cannot sell it all, leading to disappointment and waste. This may be because the Uno Perta producers require immediate payment through a cash and carry system, whereas Mayri can access alternative producers who are prepared to wait longer for payment.

A rolling contract negotiated between Mayri and Uno Perta in vegetable production, that set the terms and conditions for Uno Perta to supply vegetables for Indocater, would help to safeguard Uno Perta's position. The Operator proposes to investigate and take steps to provide security to Uno Perta, whilst also encouraging scheduled payments as a better business practice than cash and carry. The External Panel supports this approach.

3.2.3 Review of Remedial Actions Recommended to Complete the LARAP

Detailed findings follow on progress on the Remedial Actions recommended by the LARAP Completion Audit (underlined).

3.2.3.1 Dimaga Foundation

The Operator is recommended to:

- Constitute a new board of management with increased representation from the beneficiary groups.



and an independent board member with relevant experience:

Progress: BP appointed a Board of Trustees in 2009¹, headed by BP's Country Director, Mr. Nico Kanter. Ir. Augustinus Rumansara, a Papuan and former staff of ADB, is the independent member with financial management experience. Whilst no representative has yet been appointed from the beneficiary group, the Operator hopes that the appointment of one facilitator from Sowai clan (from Saengga) to the LARAP/ISP team, with other facilitators to be appointed from Wayuri and Simuna clans, will pave the way for future beneficiary representation on the Board. The External Panel endorses this approach and considers this item will be substantially complete with the appointment of the Wayuri and Simuna clan facilitators.

- Appoint an independent financial advisor to provide investment portfolio advice (LARAP 11.3.11 (b) required contracted investment services):

Progress: The Operator has not yet appointed an independent financial advisor and is consulting with internal BP investment advisors. The appointment of an independent financial advisor will be reviewed in due course looking at the improvement of community knowledge around investment. The Operator reports that it is facilitating the learning on investment management to the Papuan Board members.

The foundation capital base incorporates an inflation adjusted growth component so that it can sustain distributions over the longer term. Net returns from the fund of 3-5 percent per annum should be readily achieved:

Progress: The Operator is considering options to achieve a higher rate of return, including conversion of some USD to Rupiah to achieve a higher rate on term deposits.

3.2.3.2 Electricity and Water Utilities

- The Operator should repair the generator system at Onar Lama as part of its public infrastructure renovation program and agree on a plan for future maintenance with Onar Lama residents, in view of the LARAP commitment.

Progress: LARAP staff recently assisted Onar Lama to make a plan for managing utilities including household contributions for fuel. Onar Lama kampung officials advised the External Panel that, whilst one generator at Onar Lama is working, the other is not. They requested that the Operator provide the services of a technician for an overhaul of the generator together with the local operators so that the local operators would know how to perform this task in future. The External Panel finds that this work should be done expeditiously and certainly before the Handover is finalised.

- The Operator should reassess the feasibility and operation of the photovoltaic solar technology and either commission its effective operation or remove the facility.

Progress: The Operator has decided to close out the solar technology in Tanah Merah Baru.

- Given the uncertainties surrounding electricity and water utilities in the RAVs, the External Panel recommends that a full technical review of the present systems in the RAVs be undertaken to identify how the system can be improved to operate more cost-effectively; to ascertain whether the present arrangements reflect the most appropriate and sustainable technologies; and to ascertain what back-up arrangements are available to achieve a cost effective service solution.

¹ *Acta Pendirian Yayasan Pengembangan Masyarakat Simuri* prepared by Notaris Sutjipto, 12 August 2009.

Progress: The Operator is taking steps to improve the prospects for sustainable use of these relatively expensive water and power systems. The Operator's technician will evaluate a plan to provide separate generators to the water pumps in Tanah Merah Baru, Saengga and Onar Baru to ensure the water tanks have time to fill. In addition, the technicians will aim to limit the electricity capacity from the current 900 to 450 w/h per household to lower the systems standard in line with the current Indonesian standard.

The Operator has provided back up water tanks to houses (2,200 litres) and public facilities (5,000 litres) in Tanah Merah Baru through Koperasi Mayri. Whilst external laboratory testing results from Jakarta found no impurities in the tank water as a result of the roof treatments, women told the External Panel they do not use this water for drinking because they believe it leads to coughing and sickness. Nonetheless, they are pleased to have an additional source of household water close to hand, which has been generally reliable except during a recent long dry spell. There are still 12 back-up spring shallow wells in this RAV. These back up water sources help households to consume less from the piped system, thereby reducing fuel costs.

Figure 3 Back-up Water Tank in Tanah Merah Baru



Residents and officials of all RAVs expressed concern to the External Panel about the future sustainability of power and water systems after Handover when the Operator's subsidy ceases. The concerns are both technical and financial. Onar Baru residents requested that one of the generators, which they claim has not been operational for 2 years, be repaired; and also asked for an increase in the number of trained generator operators. Whilst they are grateful for the piped water system and satisfied with its performance to date, they presented a request to the External Panel for back up water tanks in case of future system breakdowns given the uncertainty of future management of the water supply system. The Operator has suggested that water tanks be provided under CAPs, if the community members agree. Onar Baru residents also asked for assistance with their blocked drainage systems. Residents of Onar Lama asked for back-up solar



cell power supplies that would be cheaper to operate; and improved water quality. Officials in Saengga requested that the Operator provide them with back up water tanks for houses and public facilities, in case of problems in supply in the future.

- Over the transition phase for power and water service provision in the LARAP communities, the Operator needs to redouble its efforts to 'socialize' the practice of monthly household payments for electrical services, preferably with fees based around metered usage.

Progress: The Operator has made some progress in training community meter readers and is developing a plan to secure a community contribution to water and power costs. The 2009 UGM Socio-economic survey showed that, whilst residents have ability to contribute financially, they could not themselves fully finance the cost of these relatively expensive utilities. Residents in all RAVs expressed concern to the External Panel about their ability to finance the full cost of the utilities. This applies particularly to vulnerable households, including widows with school age children. A sharing of costs between kabupaten and RAV communities appears necessary, with some type of subsidy for poorer households.

- The fledgling RAV cooperatives are now developing successful business models, but their role in managing utilities has proved problematic so far. The Operator should, therefore, carefully monitor progress in cooperative performance in utilities management.

Progress: Kabupaten Teluk Bintuni was formally handed the Tanah Merah Baru water and power utilities in December 2008. The kabupaten has made a new agreement with the Operator on the phasing out of the Operator's subsidy for water and power, with kabupaten support starting in July 2011 and reaching 100% of the cost by June 2012. In a recent meeting between the relevant kabupaten offices (Cooperatives and Mining and Energy), ISP/LARAP staff and Mayri Cooperative, the kabupaten government approved the plan for Mayri Cooperative to maintain the utilities in Tanah Merah Baru and manage the funds from both the Operator and government for this purpose during transition. ISP LARAP staff members are forming a water and electricity unit within Mayri. Mayri would buy the fuel, arrange to read meters, pay the operators and collect payment.

Officials in Tanah Merah Baru expressed concern to the External Panel about the capacity of Mayri to perform this task. Mayri officers point out that, whilst the operation of the generators can be done by the village operators, these people cannot manage generator maintenance. These questions need to be addressed.

The Saengga Handover Agreement (30/11/09), similarly, states that electricity and water infrastructure will be handed over to Kabupaten Teluk Bintuni, with financing from the Operator being phased out over the calendar year 2011. Cooperatives Wermina in Saengga and Yenadu in Onar Baru have even less capacity than Mayri to perform management tasks. This needs to be addressed. Onar Baru representatives told the External Panel that they do not have the capacity fully to finance and manage the power and water themselves, including fixing or replacing broken equipment. At a meeting of the External Panel residents of Onar Baru requested appointing new cooperative staff, capacity building in managing loans in the co-operative and cooperative buildings.



3.2.3.3 Handover

The Operator should:

- Conduct necessary consultations with RAV communities to ensure agreed permitting requirements, pre-conditions and established rules and regulations for use prior to signing the Handover Agreements for Onar.

Progress: The External Panel has recommended additional socialization with the village officials and community members to ensure that management arrangements are in place, particularly for those assets to be managed by the village government and BAPERKAM (for example, Appendix VII of the Saengga Handover Agreement). The Handover Agreement states that “the village government and the BAPERKAM shall draw up rules and conditions for the use of infrastructure in accordance with the intended use of the infrastructure in consultation with the community of Saengga” (Article 4.1). In fact the LARAP (4.4.3.6 and 7.7.4) required such rules and conditions BEFORE the signing of the Handover Agreement.

The Handover Agreements for Onar Lama and Onar Baru are in process. The rules and regulations for use of infrastructure should be set through community consultation before signing the Handover Agreement, in accordance with the LARAP.

The procedures for facilitating land titles for public facilities in the RAVs are set out in the Handover Agreements and are in progress.

- Complete the agreed list of repairs expeditiously for all RAV.

Progress: The renovations and repairs to the public buildings and associated facilities are now due for completion in late-2010. The contracted company, PT Mekar Papua, from Sorong, was mentored under the Bird’s Head Business Empowerment Program supported by ISP. The Tanah Merah Baru and Saengga Handover Agreements both include an Annexed list of agreed repairs, to be commenced within 90 days. In both cases the repair schedule has slipped.

The renovations should include necessary repairs in Onar Lama and Onar Baru. Residents of Onar Lama asked the External Panel for assistance with replacing electricity poles with steel, as some have deteriorated; upgrading of the church, relocating and enlarging the mosque which they claim is sited on a graveyard; upgrading the water supply in the mosque; upgrading of the roads to all weather standards; repairing power and water connections to houses; and improving water quality. Tanah Merah Baru officials complained about low pressure and poor quality piped water.

3.2.3.4 Incomes and Livelihoods

The Operator should:

- Examine and formulate actions speedily to address the reasons for the apparent decline of incomes in Onar Baru and Onar Lama, and loss of trading and small business activities, since the 2001/2 Census, to ensure that incomes and livelihoods are expeditiously improved in Onar Baru and Onar Lama in line with the LARAP objectives.

Progress: Following the Completion Audit, the Operator asked UGM to provide additional analysis on Onar, disaggregating the 2009 Socio-economic Census data by hamlet and comparing 2009 Onar Baru data specifically with the 2002 Census data from Old Tanah Merah. This is a better



comparison of "before" and "after" resettlement. These data now show that household incomes have risen slightly in Onar Baru but significantly less so than in Tanah Merah Baru and Saengga. UGM should clarify whether these data were adjusted for inflation. The rise in per capita incomes in Onar Baru since 2002 is negligible. Onar Lama household and per capita incomes, starting out at a higher base than Old Tanah Merah in 2002, have also risen only slightly since the 2002 Census for Onar Lama.

The disaggregated UGM data show that total household monthly expenditure has risen in all RAVs. However, Onar Baru expenditure per capita and expenditure on non-food items has fallen since 2002. Per capita expenditure in Onar Baru in 2009 was less than half of that of Tanah Merah Baru, Saengga and Onar Lama. UGM contend that an increase in expenditure per capita and a decrease in the proportion of expenditure for food compared to non-food items generally indicate a rise in household welfare. Neither of these conditions is met in Onar Baru. In Onar Lama, also, expenditure per capita has fallen since 2002.

If these data are inflation adjusted, they do show that the LARAP objective of increased incomes technically has been met. Nonetheless the situation in Onar, and Onar Baru in particular, is clearly more fragile than in the other two RAVs. Compared to Tanah Merah Baru and Saengga this reflects more restricted income sources, the lower participation rate in the LNG construction workforce, fewer in situ commercial businesses and credit sources, fewer Credit Union members, a less capable co-operative, a less secure land tenure basis, and, possibly, more competition over the fisheries resource base from recent migrants.

The External Panel heard views that confirmed the fragility of Onar Baru. Residents expressed a fear that the community would empty of people, as opportunities for prawning declined and few other livelihood opportunities arise. ISP/LARAP staff members have recently noted that some households have been living in between Onar Baru and Tanah Merah Baru, apparently citing (a) lack of facilities and opportunities in Onar; (b) problems over land security from the Agofa clan who, ironically, originally invited other clan members to join in the resettlement at Onar Baru; and (c) a wish to join family members. Residents of Onar Baru requested assistance to strengthen the cooperative personnel, management skills and facilities. The reasons for lower incomes and expenditure in Onar need to be explored further and addressed. In the view of the External Panel Onar continues to deserve special consideration during the next 6 months from the LARAP team and, beyond that, in the ISP2 livelihood program.

It is very possible that the recent creation of the two new kampungs in Onar will help to stabilize these communities, as new funds from government and CAP sources start to flow to the village level. The issuance of land title certificates for house land in Onar Baru should also help to stabilize the community through formalizing the basis for land use and providing security to the non-Agofa clan members for productive activities.

The women of Uno Perina have requested a workshed for their fish/prawn processing activities, together with nets and assistance buying salt – perhaps these could be funded under CAPs. Some women have already used Dimaga funds for ingredients and equipment. The residents of Onar Lama requested nets for fishing and prawning, assistance to develop livestock raising (cows), and farming equipment. Additional livelihood training would appear desirable, including in agriculture and fish/prawn processing. Mentoring by the agricultural facilitators from Tanah Merah Baru may



be productive, building on the agricultural activities in Onar Lama. In one recent positive initiative, households in Onar were involved in recent PERT training in household economic management. During the CAP community planning process (Perencanaan Bersama Masyarakat or PBM) ISP staff members sensibly endeavoured to steer community groups towards capacity building and livelihood activities, rather than for more infrastructure.

- Reconsider and formulate a plan for the introduction of livestock for agricultural development, as originally envisaged in the LARAP.

Progress: In Teluk Bintuni, kabupaten staff members told the External Panel that there are some opportunities for livestock development as demonstrated, for example, by migrants successfully producing goats around Tofoi. As yet, however, there is little systematic capacity at the kabupaten level to support such developments with technical expertise, particularly where villagers with fishing experience move into livestock production from a low base of knowledge. Moreover, community members told the External Panel that government extension staff members rarely visit the RAVs. However, the Tanah Merah Baru and Saengga have four resident facilitators in place to support the agricultural program, three of whom are from Salatiga with some expertise in livestock production. The fourth is a local woman who returned from the Salatiga training. They should be able to mentor local residents interested in small scale livestock initiatives.

It is recommended that, in view of the focus of this program on Tanah Merah Baru and Saengga, one or more of the facilitators spend more time working in Onar, for example, to help residents of Onar Lama assess the feasibility of their cattle raising request. A new kabupaten program may in future help to strengthen extension work on agriculture and fishing through establishing local information centres (pos penyuluhan).

- Facilitate the achievement of government approvals to support marketing of fish and prawn products by RAV women.

Progress: In Teluk Bintuni, kabupaten staff told the External Panel that the Sorong-based Office for Control of Medicines and Food (Balai Pengawasan Obat dan Makanan or BPOM) had the powers to approve the fish and prawn products for wider sale. The External Panel suggests that the Operator arrange a visit by POM for expeditious issuance of the letter of approval (surat ijin), especially for Uno Perina women's organization in Onar.

- Investigate and address the reasons for the apparent decline in fish and prawn incomes since 2001/2.

Progress: Local residents told the External Panel that they believed environmental impacts were responsible for declining prawn catches. In other RAVs, residents cited loss of mangrove trees as a reason for declining stocks. LARAP staff pointed to a lack of consistency in marketing arrangements, which are generally directly between and suppliers and buyers and so not easily influenced by LARAP staff.

3.2.4 Special Relationship between RAVs and LNG

The LARAP Completion Audit identified certain features of the RAVs that reflect the "special relationship" between these communities and the Operator, based on proximate location and past history of resettlement. This section reviews progress in addressing the recommendations of the LARAP



Completion Audit on these features.

- Continued consultation in the RAVs, especially on key points of change in Project operations, such as introduction of new LNG trains; and on emerging issues in environmental impact and management around the LNG site and its operations that may impact on RAV communities.

Progress: LARAP staff have been assisting RAVs with environmental measures to mitigate changes, for example, advice on planting mangrove seedlings along the beach at Onar Baru where there is scouring. This is very positive work and can be expanded in ISP2.

- Continued operation of the Grievance Redress System.

Progress: The Operator confirmed to the External Panel that it intends to maintain the Grievance System for ISP2.

- Periodic water quality testing in the RAVs by the Operator in case of health problems.

Progress: Under consideration.

- Continued specialist support for the management of the Dimaga foundation.

Progress: Under consideration.

- Continued consultation over management of cultural sites and interactions with the LNG plant concession area.

Progress: Tangguh as mentioned in the agreement of land release will continue to manage and facilitate visits from the community to cultural sites within the LNG area.

3.2.5 Additional Recommendations from LARAP Completion Report

This section reviews progress in addressing additional recommendations from the LARAP Completion Audit, not already addressed above, that were offered to help resolve problems or improve the impact of different LARAP interventions.

3.2.5.1 Resettlement Management

The External Panel encourages the Operator to prepare a full report on the comparative expenditure over the three-year LARAP phase 2007-9, as part of its commitment to expend \$USD 31,126,451 for land acquisition, compensation and “resettlement with development”.

3.2.5.2 Dimaga Foundation

Recommendation 1:

The External Panel recommended a review of the management of Dimaga and, in addition to remedial actions on Dimaga listed above, it specifically recommended that:

- The Project find a way to renegotiate the distribution of funds to minimise the risk of discretionary consumption expenditure by clan households in favour of a renewed commitment to direct funds into approved productive activities. Since the fund is akin to hak ulayat payments for the use of clan owned natural resources, an approach drawing out parallel strategic interests may present an opportunity to promote re-investment for shared benefits.

Progress: Problems with Dimaga projects persist. Recently, Wayuri clan members developed a



fisheries and fuel business proposal but they could not make it viable because family members wanted to take fuel without paying. The Operator expects that the appointment of the clan facilitators will improve performance. For example, the Sowai facilitator, Mr. Frans Sowai, has recommended to distribute the funds directly to the Program Committee for each proposal thus ensuring that those clan members directly affected can take responsibility for managing and reporting on the funding. The External Panel supports this initiative and notes that facilitators are now required for the Wayuri and Simuna clans.

3.2.5.3 Handover of Housing, Infrastructure and Utilities

Housing

Recommendation 2:

- Future applications of the Tanah Merah Baru house design consider incorporating modification to the breezeway area to expand the covered floor space, and take into account modifications develop for Saengga and Onar Lama.

Progress: The Operator has noted this recommendation for future reference.

Land Titles in Onar Baru

Recommendation 3:

- Given the LARAP commitment to facilitate provision of land titles in Onar Baru, assuming cooperation by the Agofa clan and local government, the Operator should take up the matter of hak milik land titles for Onar Baru residents with Ministry of Forestry, following the achievement of independent village status for Onar. Assuming the continued cooperation by the Agofa clan and local government, and the change in land status from forestry to residential land, the Operator should facilitate the provision of hak milik certificates with BPN. This would put Onar Baru relocatees on a par with those in Tanah Merah Baru.

Progress: Onar Lama and Onar Baru have now attained independent village status. Residents of Onar Baru requested land title at a recent meeting with the External Panel. The External Panel found that the Dinas Kehutanan (Forestry Office) in Bintuni is under the impression that the lands from Onar have already been released to become area penggunaan lain – area for other uses. Whilst the Operator is of a different view, explaining that Onar was not included in the original package of the LNG site and resettlement lands, it does appear that Forestry would have no objection to releasing the lands. Assuming clan Agofa still agree there would not appear to be any impediment to proceeding with facilitation of land titling for Onar Baru as envisioned in the LARAP. Securing land title for these households may help to stabilize the village population and provide a solid basis for productive development. The Operator has stated they will support the Onar Baru residents to attain land title should there is a formal notification from the central government in regards to the land usage status. It may be possible to utilize a new streamlined process of land titling (Prona or Program Pertahanan Nasional).

Residents of Onar Lama requested the External Panel to assist with land titling for house and other land to ensure security for future generations. Whilst the Operator may wish to facilitate this

at some future time, there is no LARAP commitment to land title in Onar Lama.

In Tanah Merah Baru and Saengga most of the 430 hak milik land titles have now been given to residents, except in 17 cases where the couple have separated or left the village, making it difficult to supply the title to both husband and wife in whose joint names it vests. ISP/LARAP personnel are working on the most equitable way to resolve these cases.

3.2.5.4 Enhancing Livelihoods and Living Standards

Fisheries Development

Recommendation 4:

- Given the proximity to the LNG site, the Operator monitor the development of the Manggosa fishing camp and consider management and livelihood implications of increased numbers in the area in terms of the LNG concession and buffer zone.

Progress: The External Panel circled the fishing camp and Manggosa River by helicopter and counted about 10 people in residence. The External Panel noted the swampiness of the terrain that would make larger scale developments difficult.

Figure 4 Rest Camp along Manggosa Pathway



In discussions, residents of both Tanah Merah Baru and Onar Baru described how they had moved to Manggosa in a large group of approximately 150 people for 2-3 months late in 2009 when a prawning vessel with plenty of ice was buying prawns offshore. They travelled by longboat and built makeshift camps on the beach, to supply prawns, whilst also cutting sago from the nearby stands for their subsistence.

Figure 5 Aerial View of Manggosa Fishing Camp



This reinforces the importance of Manggosa, not as a permanent village, but as a backup site for livelihood development at certain times of the year. The site also has important cultural associations through hak ulayat rights including clan lands and past attachments. These factors need to be taken into account in monitoring developments in relation to the LNG perimeter fence.

- The Project considers facilitating the inclusion of fish and prawns and associated products in the Indocater contract with Cooperative Mayri.

Progress: Mayri is now supplying fish and prawns to Indocater.

Micro-finance, Business Development and Cooperatives

Recommendation 5:

- Further facilitation and support of the fledgling producer cooperatives will be needed to build success and resilience. The Project could facilitate the government approval for salted fish and krupuk products to enable Uno Perina members to market products through the Indocater contract. Future business development work and vocational training in business development could focus on Onar as it has lagged behind other RAVs according to UGM (2009).

Progress: The need for BPOM approval for fish and prawn products for Uno Perina has been noted above. PERT training has recently been undertaken for Onar residents. ISP2 may also consider continued mentoring of Yenadu cooperative and facilitation of microfinance credit links to Onar, for example through the Mambuin Credit Union.

Vocational Training

Recommendation 6:

Since the Project did not meet the LARAP target for providing formal vocational training and scholarship opportunities in the RAVs, it is recommended that:



- In future years the Project address this gap through BLK Aranday and other sources;
- The Project assist RAV people, including women, to register for vocational training with the kabupaten Manpower Office;
- The Project implements the LARAP-envisaged scholarship program in the RAVs.

Progress: In Teluk Bintuni kabupaten officials advised the External Panel that they were considering transferring BLK Aranday to the Dinas Perindustrian (Industry Department) in order to facilitate better linkages between the vocational training offered and local requirements for specific trade-based skills. There may also be a new agricultural institute developed in the kabupaten. If they proceed, these initiatives would present new opportunities for vocational training in the RAVs.

Employment

Recommendation 7:

- Given the past sensitivity of the Project workforce issue, it is recommended that both the WMO and ISP staff pay particular attention to ensure that only genuinely-listed workers claiming DAV origins are engaged as DAV workers during the operations phase. Since Onar has benefited from Project employment less than other RAVs so far it is also recommended that Onar be prioritised for future work opportunities in the LNG operations phase.

Progress: The External Panel hopes that LNG workforce monitoring will be sufficiently thorough to prevent non-local people claiming to be locals in order to obtain employment. Onar residents advised the External Panel that 2 workers from Onar Lama and five from Onar Baru have jobs in the LNG Operations workforce, whilst 15 have been recruited from Tanah Merah Baru.

Education

Recommendation 8:

- It is recommended that the Project assist YPK to improve its record of punctual payment for teachers in the RAV schools.

Progress: Teachers in Onar Baru again reported late honour payments to the External Panel. The Operator advised the External Panel that they would send a letter to the Yayasan copied to the teachers about payment arrangements in 2010, whereby the Operator will offer some additional financial support for honour payments. In the longer term, assistance to schools to manage their budgets, including making payments to teachers, may be considered to resolve this problem.

Figure 6 School Children in Saengga



In-Migrants

The issue of in-migrants and their impact on the LARAP resettlement affected communities has been a source of concern and complaint for a number of years.

Recommendation 9:

- The proximity of Tanah Merah Baru and Saengga to the LNG plant make it an attractive site for inmigrants seeking employment and livelihood opportunities. It is recommended the Project continue to monitor in-migration and mitigate any negative impacts.

Progress: The new kampung head in Tanah Merah Baru has taken action to separate the migrant commercial businesses into a commercial centre along the river bank, away from the local market and sensitive mangrove swamp next to it, which was suffering from accumulation of waste. Officials of Tanah Merah Baru told the External Panel that around 30 new migrants arrived last year, but, because they could not find work, they went home, indicating an easing of pressure.

3.2.6 The Future Program in RAVs

Given the long-term tenure of the LNG facility in Teluk Bintuni and the requirement to sustain community engagement and public relations over a commensurate period, the LARAP Completion Report offered several recommendations on the shape and direction of the development futures for these settlements.

Recommendation 10:

- There are benefits in undertaking longer term strategic or scenario planning, particularly for the current LARAP communities, to explore potential new developments and or collaborative development possibilities. Examples might include the implications of a new settlement at Manggosa; the longer term management of the relationship with LARAP communities and their expectations as immediate neighbours of the LNG Plant and LARAP beneficiaries; and possible forms of joint management of the LNG buffer zone (within and beyond the perimeter fence) with



traditional clan groups to facilitate mutually beneficial economic and environmental outcomes.

Progress: Under consideration. The External Panel's field investigations confirm the importance of recognizing the livelihood and cultural significance of Manggosa for the community in Tanah Merah Baru and Onar Baru, and their patterns of seasonal use of the site. The External Panel finds that any program on clan land beyond the perimeter fence would need to be based on careful analysis of the clan uses of the land, and compensation for any loss of usage or access.

Recommendation 11:

- The Operator consider establishing a funded Resource Centre in the RAVs to provide information, feedback and support on a range of issues including education and employment opportunities, government programs and media. The Resource Centre could serve as a focal point for the Operator's continued community relations.

Progress: The Operator aims to ensure a smooth transition and minimize the dependency of the RAVs on the Operators presence. Future community relations will follow this principle. It is expected tha a *pos inap* will replace the larger Green Camp. The *pos inap* will be the centre for providing information, feedback, and support on a range of issues.

Recommendation 12:

- The Operator maintains a specific "LARAP" focused monitoring and evaluation component within ISP 2 to monitor developments and potential sources of disaffection within the communities. TIAP and the 4th EP report recommended that an additional survey 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 check on areas of weakness in achieving LARAP objectives, such as income levels in Onar; migrant inflows and impacts; pressure on the RAV resource bases including the fishing grounds; environmental issues around the LNG site; vulnerable groups, especially the unemployed and those below the poverty line; water quality testing; and progress in operation of the RAV utilities. It would capture villagers' views on the success or failure of Tangguh's programs and form the basis for necessary action under ISP livelihood and community-based programs.

Progress: Under consideration.

3.2.7 Conclusion for LARAP

The LARAP Completion Audit concluded that the Tangguh LARAP deserved consideration as a "world class model" for private sector oil and gas projects. Positive features included:

- LARAP objective to enhance, not just restore, livelihoods and living standards. This takes Tangguh beyond not just GOI standards, but also ADB, WB and IFC standards.
- Dimaga Foundation is an important benefit sharing mechanism that goes beyond a once-off compensation payment to offer revenue streams to the resource losing clans in perpetuity.
- The LARAP recognised that resettlement is a complex process of social transformation, not just a technical or managerial fix, particularly in the context of Papua
- The LARAP recognised the significance of the Papuan Special Autonomy Law passed in 2001, which



specifically protects adat communities and hak ulayat rights.

- ▶ The Project recognised adat traditions, and negotiations with RAV communities were formalised in signed Agreements that covered social and cultural sites and materials.
- ▶ The LARAP recognized the risks of displacement, adopting an impoverishment risk and reconstruction (IRR) model as a benchmark analysis of the impoverishment risks faced by the RAVs.
- ▶ Plans were prepared to contain in-migration to protect the RAVs in the post-displacement period, as an aid to RAV reconstruction.
- ▶ Displaced and host communities participated in the formulation and design of replacement village plans and housing models.
- ▶ The LARAP recognised the importance of providing secure land title as a basis for further development in housing and public land.

Some of these positive features still await full implementation. With a strong conclusion to the LARAP over the coming months, however, the External Panel believes that the Operator will have achieved a record of which to be proud, and a very positive basis for community work in ISP2 going forward.

3.3 Indigenous Peoples and Social Issues (IPSI)

3.3.1 Introduction

The BP Tangguh Project Integrated Social Program [ISP] 2006-2010 forms BP's principal initiative to support socio-economic development and capacity building in West Papua. The ISP has been approved as fulfilling the social, cultural: and economic commitments of the Tangguh Project's AMDAL requirements and the Lenders' Indigenous Peoples policies (IPDF). Under ADB policy the ISP is known as the Indigenous Peoples Development Plan (IPDP) and is specifically intended to:

- ▶ Promote the participation of indigenous people in the construction and operation of the Tangguh LNG facility
- ▶ Ensure that indigenous people benefit from development interventions that would affect them, and
- ▶ Provide effective safeguards against actual and potential adverse impacts of the project on local communities.

Within the ISP there are 14 components designed to fulfil the requirements of the Lenders' policies. One of these components, the Land Acquisition and Resettlement Action Plan (LARAP), has been subject to separate monitoring and review by the Involuntary Resettlement specialist of the External Panel. The LARAP component will conclude with the successful completion of Handover and repairs in 2010. From that time the Resettlement Affected Villages (RAV) will be fully incorporated into the Integrated Social Program (ISP).

The 13 components of the ISP considered here include:

1. Governance and Revenue Management (P1)
2. Strengthening of Civil Society in the Bird's Head Region (BH1)



3. Business Empowerment in the Bird's Head Region (BH2)
4. Workforce and Industrial Relations (BH3)
5. Mitigation of In-migration and Adverse Induced Impacts (BH4)
6. Government and Civil Society in Kabupaten Teluk Bintuni (K1)
7. Integrated Community Based Security (K2)
8. Health (K3)
9. Education (K4)
10. Vocational Training (K5)
11. Women's Empowerment (K6)
12. Microfinance and Micro-Enterprise (K7)
13. Community Development - Community Action Plans (DAC1)

Consistent with the TOR, in previous iterations of the External Panel, the focus of compliance monitoring has alternated between assessments of capacity building in governance and community participation in Project development. Document review and BP presentations have been complemented by verification visits to the LNG project area in Bintuni Bay. In this, the seventh and final visit of the External Panel in its presently constituted form, the IPSI team has been asked to limit its enquiries to a desktop review of the Operators performance and compliance in the light of ISP obligations over the six month period to the end of March 2010. The findings and comments presented here should therefore be read in the light of this more limited assessment.

The External Panel has also been asked to review the status of the ISP1 Final Report, elaborating on lessons learned and challenges for the Operator to address during the formulation of the second iteration of the ISP (2011-2015).

In presenting its findings, the EP notes that there is no consolidated ISP1 Final Report at this time, although there is a range of component reviews and independent evaluations which the External Panel has utilized in making their assessment. In addition the External Panel has participated in discussions over the scope and preliminary thinking around ISP 2 and offers some commentary in relation to that evolving process.

3.3.2 ISP Six monthly Compliance Monitoring

The ISP team continue to support a full range of activities based around the thirteen support components. Highlights of the past six months (to March 2010) include:

- ▶ Successful stakeholder meetings held to publicise revenue sharing arrangements in the oil and gas sector. BPMIGAS has endorsed the ISP presentation format as a consultation model.
- ▶ Continued success demonstrated in the Bird's Head Business Empowerment Component.
- ▶ Micro-enterprise activities are showing good progress, especially in fulfilling Indocater supply chain contracts with the Tangguh LNG plant. The active involvement of women in vegetable production is a



highlight of this program.

- ▶ Building on earlier setbacks, the Integrated Community Based Security component has developed into an innovative and highly effective set of programs that are achieving results and offering replicable models of practice.
- ▶ The British Council has completed its contractual obligations in support of local education policy and practice, and is to be congratulated on its success.
- ▶ The Local governance support program has made substantial headway in strengthening institutional performance from a low base. Achievements with local government have been acknowledged by a recent independent evaluation of the program.
- ▶ Expansion and institutionalisation of the health program's malaria mitigation activities within the Puskesmas system is an important development.
- ▶ Workforce numbers continue to exceed the DAV and Other Papuan AMDAL commitments for 2010 and efforts are being made to introduce talented Papuan students to careers in the oil and gas industry.

3.3.3 Recommendations for improved ISP effectiveness

The External Panel finds that the ISP is currently compliant with its commitments and is likely to remain so until completion of the first phase of implementation at the end of 2010. However, while good progress has been made in a number of areas, there remain some project components where progress has been limited and where additional creative effort will lead to improved outcomes. Each of these component activities has been subject to comment by the External Panel in the past, and they continue to under-perform relative to the overall ISP program. Specifically the External Panel identifies four aspects of the current ISP in this regard.

3.3.3.1 Civil Society Strengthening

This sub-component has struggled for traction since its inception and continues to face problems with coordination and delays in implementation of activities. A range of training and support has been provided by BP to civil society groups, particularly to the advocacy NGO LP3BH. Since November 2009, for example, training has been provided for 11 public advocates (15-27 April), while other training for NGO/CSOs has been planned but not yet implemented. The BP sponsored website, Vogelkoppapua.org is now operational and managed from Manokwari. The website has been developed as a virtual hub for CSO coordination and information dissemination, and attracted some 25,000 hits over the last year. This resource combined with the popularity of the annual CSO forum sponsored by BP provides a potentially strong platform to influence public debate and social accountability. More needs to be achieved however, in terms of energizing the management of the website and the sustainable development of the CSO sector.

Recommendation: greater use of the CSO grant allocations within the component is recommended with strategic application to support CSO capacity and sustainability. To date little use has been made of these funds (commitment for USD50,000 per annum) and the only approved proposal for 2010, to eco-tourism group Paradisea for support work on REDD preparedness, is yet to be dispersed. It is



recommended that there be greater promotion of the availability of the grants, including clear directions on the criteria for selection, the accountability measures required by successful applicants and the process for making an application.

3.3.3.2 Adat Strengthening

Efforts to fulfil the ISP commitments on adat strengthening of customary communities have proved challenging for BP and its partner organisations. Considerable effort has been expended gathering information and consulting with Bintuni Bay Papuan communities to strengthen institutional mechanisms for conflict resolution and advisory services to government. The intense politicking and inter-group rivalry of Bintuni Bay communities however, has to date, thwarted ISP efforts to facilitate more effective traditional governance and representative institutions beyond the level of the clan (*fam*).

In recognition of these challenges, in 2010 a revised approach to the component objectives has been initiated with a new partner organisation, the University of Airlangga (Surabaya) with support from Cendrawasih University (UNCEN) in Jayapura. The focus of the new approach is an effort to revitalise cultural knowledge and tradition among Bintuni Bay customary communities. Specifically the new approach is directed towards action research to promote recording and performative aspects of cultural practice; song, dance, carvings, myths, legends and material culture. The hope is that an enhanced appreciation of cultural identity elements across Bintuni Bay will lead to creative applications of customary forms, knowledge transfer to younger generations and the moral values that accompany it. The revised approach led by UNAIR will culminate in performance festivals on the north and south coast. Future development of the arts and cultural domain will be considered in consultation with representatives of the tribal community and government. Based on the outcome of these activities a revised direction for the adat strengthening initiative will be formulated.

Recommendation: The External Panel supports the new approach to adat strengthening and recommends that this strategy be extended beyond the two initial subject groups of Sebyar and Simuri to include all seven recognised language communities in the regency. We also recommend exploring additional creative outlets for cultural expression including development of appropriate educational materials (*muatan lokal*) for use in schools and community resource centres. BP could consider promoting contemporary art and music expression that incorporates traditional forms through pilot development programs for youth groups.

3.3.3.3 Vocational Training

The Aranday BLK (Training Centre) was constructed as a purpose built training centre under the ISP program, and was transferred to local government management in 2008. However, as has been noted in previous External Panel Reports (Mid-Term Review and 5th Compliance Report) the centre is not being utilized effectively. Reportedly, the last batch of training occurred in May 2009 and it is evident that the local government has not made the necessary arrangements to develop the centre, nor provided a dedicated budget for operation and maintenance of the facility. The ISP team have made a number of efforts to encourage more effective use of the facility, but these initiatives have so far proved unsuccessful.

In these circumstances and given the importance of technical skills training both for regional development and enhanced local employment opportunities, some rethinking of the Vocational Education



Component has been necessary. The ISP team have continued to deliver training through an outreach approach with targeted courses to participants in their home communities or District centres. These efforts include generator maintenance in Rejosari, food preparation in Tofoi, fishing net repairs and agricultural training. These mobile training clinics provide an effective option for the replication of training modules across Bintuni Bay where there is a range of shared technical needs among the constituent communities. However, given the existing investment in the BLK Aranday training centre it is important to continue efforts to develop the facility and BP are reportedly working towards new agreements with the local government on its utilization. One possibility that might be explored is a strategy to promote the BLK (Training Centre) as a more multi-purpose venue which integrates short courses for government staff training in areas such as administration, budget accounting, policy development and project management. The reported plan to shift government management responsibility for vocational training to Dinas Perindustrian during 2010 provides an opportunity for revitalising training efforts and linking with the needs of local industry.

3.3.3.4 Micro- Finance

The ISP commitment to establish an institution to provide financial and capacity building services to village communities and bay wide micro and small enterprise activities, will not be achieved under ISP1. The External panel has commented on this component in the past (see Mid-term Review by External Panel 2008, 5th External Panel Visit 2009). The decision to reconsider the approach and support the existing Credit Union network and to pilot four small scale savings and loan programs (UBSP) in Taroy, Otoweri, Saengga and Onar, is appropriate in the circumstances. The decision reflects an understanding that financial literacy, banking services and micro-finance opportunities in the Bintuni Bay area will take time to develop and face a range of operational constraints.

As ISP approaches the conclusion of its first phase of operations it is appropriate that some revision of the component be undertaken.

Recommendations:

The EP offers two suggestions for consideration.

- ▶ That the household based PERT training (*pelatihan ekonomi rumah tangga*) be linked more closely to savings and loan programs where feasible as an opportunity to put into practice newly acquired understandings of money management.
- ▶ That the ISP team contract a specialist facilitator / partner NGO with a proven track record in credit union/ financial cooperatives/ community banking development, preferably in eastern Indonesia, to advise on the establishment of improved financial services, particularly on the north coast of Bintuni Bay.

While savings and loan programs offer a foundational model for micro-credit and community banking, the ISP program should not be limited to this objective. Rather, savings and loan schemes in selected areas provide a basis for building more complex economic and financial institutions that may grow organically and support wider numbers of member customers. The organisational form that these institutions might take requires further adaptive experimentation, but there are many models available in Indonesia based on the concept of financial cooperatives and other hybrid enterprise arrangements.



3.3.4 Lessons Learned and Challenges in ISP Phase 1

The success of ISP (1) is a testimony to both good design of the interventions and the commitment of BP ISP staff and their development partners. Nevertheless, over the first five year implementation phase of ISP [2005-2010], it has been necessary to undertake a number of revisions and modifications to the program design, in the light of improved understanding of the development context and changing circumstances. This experience offers a complex range of lessons learned and a more informed appreciation of the development challenges ahead. The External Panel offers some general reflections on these issues here, but it is recommended that the BP ISP staff generate their own set of lessons learned and challenges, as a step in the design process for ISP 2. A detailed, component by component analysis of the lessons learned in the process of implementation can also serve as a manual for future practice and program orientation for new staff.

3.3.4.1 Lessons Learned

- ▶ **Successful development interventions are locally adapted interventions:** There are no generic models or approaches that can be automatically transplanted to Papua. All approaches or development models require a period of 'adaptation', closely monitored and evaluated to achieve success. The corollary is that external development agendas need to be locally confirmed.
- ▶ **A commitment to continuous experimentation:** There are no perfect solutions to development challenges, but there are more and less effective approaches. The ISP team should adopt an orientation of continuous experimentation in its implementation program to discover better ways of achieving outcomes.
- ▶ **Nothing succeeds like success:** Failing programs continue to struggle. The experience of ISP 1 is that components that appear successful early in the implementation phase have continued to succeed. They tend to build on the success of their approach and gain momentum. Conversely programs that lack early impact, interest or effectiveness are less likely to be successful. The lesson here is that interventions need to be monitored closely and KPI reviewed early in the implementation of the program. If the activity is not meeting its objectives within a relatively short time frame, there is a need to rethink the approach.
- ▶ **Effective Communication is currency:** In a development context like Papua rumour and misunderstandings are common. This issue extends to community development and interactions with governments and can result in tensions and resentments arising from feelings of exclusion. For example, some government agencies have expressed concerns about limited communication and coordination by BP's partners and ISP component managers in relation to activities, approaches, and problems faced. The criticism highlights the importance of continuing, close and transparent communication in developing mutual understanding.
- ▶ **ISP can make a big difference:** Not just in terms of direct development assistance to Bintuni Bay communities and local government, but also in pioneering approaches to development and poverty alleviation that can serve as models for replication. These include security arrangements, education initiatives, health programs, workforce management and business empowerment, among other highlights. In this respect there are indications that the Local Government (or at least some agencies and staff within it) appreciate these efforts and are looking to emulate aspects of the programs and



strategic interventions in the wider region. These are important multiplier effects that leverage the success of ISP and point to the importance of good relations with local government and the support of influential leaders.

- ▶ **Quality facilitators are effective facilitators:** Lessons from ISP1 indicate that good results are achieved with quality staff both in terms of management and field implementation. High quality staff will produce better outcomes. A program of continuing skills development and training, particularly for locally employed staff is an important complementary activity.
- ▶ **A need for systems thinking:** Under ISP 1 staff has tended to focus on the specific component they are working in and there has been insufficient consultation across components in order to strengthen their respective contributions. This results in a degree of overlap and unnecessary duplication of tasks, as well as a lack of linkages and mutual support between components. As an 'Integrated' Social Program there is a need to continually manage the structural and operational integration of multiple development activities. This highlights both the importance of effective monitoring and evaluation, coordination across components and a holistic approach to design and implementation.
- ▶ **Training for improved outcomes:** There has been a wide range of training and education programs implemented during ISP1. What is less clear is the training effectiveness of all this effort. Much of it appears to have been of varying quality and relevance. Delivered programs were often short, one off activities with limited skills development, no follow up and few opportunities to translate training into paid work. There has been little formal monitoring of impact. Future training of communities, government, civil society organisations and business across all components needs to be carefully planned, building on assessed capacities, needs, and relevance to the local context. Monitoring training effectiveness and its usefulness for participants, needs to form an integral part of the process. This will provide valuable feedback for improving program planning and implementation and should reflect a stronger focus on program outcomes rather than outputs.
- ▶ **Women's empowerment is a cross cutting issue:** While the first ISP stated that a gender and development perspective would be integrated across all activities, component descriptions did not reflect this gender perspective. The focus was on women specific activities, but it was not clear that there was a need to integrate gender throughout, nor how implementers might achieve this in practice. This has meant that limited attention has been given to improving gender equality in critical areas such as education. At the same time there have been some improvements observed in certain areas during the implementation of ISP 1 but these have not been adequately measured nor accorded the recognition they deserve. Future inputs suggest advantages in a cross-sectoral approach to gender equality with clear gender based objectives reflected in component activities and gender sensitive quantitative and qualitative indicators to capture change.
- ▶ **Partners need managing too.** During the first ISP, there was wide variation in the quality of partner performances and their abilities to implement what they had proposed. Some were very good, while others found the local conditions more challenging than they had expected; still others mistook their own development interests for those of their subject communities, or were sidetracked into inappropriate activities at the behest of government. The lesson learned here is that clearer systems of management and monitoring of partner activities are needed by the ISP management team. Some form of objective or independent assessment of Partner performance is needed in addition to regular



reporting from the Partner organisation itself.

3.3.4.2 Challenges

Uninterrupted supply of LNG to buyers is of utmost concern to the Operator. The maintenance of security and management of social tensions in Bintuni Bay is one of the key elements ensuring that cargoes are delivered on schedule. Within this context, the successful implementation of the ISP is a vital supporting factor.

The External panel has been asked to comment on the challenges facing the second Phase of ISP activities. Like lessons learned, there are multiple and inter-related challenges that reflect the specific development context of Bintuni Bay. One of the distinct advantages of planning a second phase of ISP, however, is that it doesn't start from scratch, but builds upon the experience and experimentation of existing achievements and relationships. In this context a key challenge for ISP 2 is to leverage this advantage by consolidating and expanding the development footprint of ISP in Bintuni Bay and the wider region.

The ISP 2 scoping document supports an ASSET based approach to development (Asset Based Community Development – ABCD) and allows for a move away from defining Papuan communities in terms of deficiency and inadequacy, to one that brings into visibility local assets and capacities that may be enhanced to support the diverse economies of Bintuni Bay communities. The approach leads to one where ISP facilitators support community initiatives that build upon their own assets and resources leading to an improved sense of community ownership and empowerment. The approach is consistent with the principal of participatory development that encourages ownership and integration of the activities as a set of sustainable practices. It applies equally to rural communities and local governments.

- ▶ The immediate challenge for BP is to effect a smooth transition to the new development approach and initiate timely implementation beginning 2011. The proposed design of ISP 2 is an innovative one that incorporates a number of 'best practice' strategies to engage participation and direct development assistance where felt and expressed needs are defined cooperatively. These best-practice ideas include flexibility in design through a program approach that defines the overall objectives and expected outcomes but is less prescriptive in terms of the inputs needed to address stakeholder determined priorities. The approach is also fully participatory and in many respects, is designed to actualise the concept of Community Driven Development (CDD) including the requirement for informed choice and demand driven planning. In moving away from pre-defined inputs and targets, however, the onus is placed on greater engagement in the planning and consensus building process.

The revised approach to ISP requires a competent understanding of the principles and practice of community driven development (CDD) throughout the implementing team and its partners. While existing staff and development partners have had extensive experience working with communities and government, there is a need for additional training and mentoring for effective orientation to the new expectations. Similarly DAV communities are currently facilitating themselves under the CAPs program, but given the importance of securing high quality and valid annual plans that reflect thoroughly considered and widely supported ideas of the community, additional outside resources may well be required for at least the first year. Local government understanding and acceptance of



community driven development and the transparency and accountability it requires is also likely to be weak and will require substantial reorientation and capacity building.

Bintuni Bay society is strongly patriarchal and women's genuine and equal participation in the decision making process presents a further challenge. Men need to appreciate that women have an equal voice to men and that community participation in planning processes requires opportunities for everyone to contribute. The commitment of senior men to facilitate these opportunities should be a key objective for ISP 2. Not all villages will have the same constraints on women's participation. The ISP team needs to explore the most appropriate ways to enable women to define development activities and priorities and to be involved in management committees equally with men in each location.

These summary points highlight some of the procedural challenges for ISP planning and in practical terms given the limited preparation time, it is more likely that there will be a transition period from ISP 1 to ISP 2 as ISP staff and development partners adjust and adapt to the new program. The new arrangements need to be reflected in the contractual agreements between BP and its development partners.

- ▶ The proposal to refine the scope of ISP 2 into 5 streamlined components is appropriate and reflects the considered decision of ISP managers on the basis of the experience with ISP 1. Indeed the program is already moving towards that consolidated framework for MONEV reporting. Timely and responsive feedback on the impact of component activities and the socio-political environment will ensure that ISP managers have the necessary information for planning and decision making. An effective monitoring and evaluation framework is fundamental to success here; one that includes a clear set of operating guidelines and KPI, combined with an effective process of annual planning. Greater focus on the quality of outcomes and effectiveness of activities should be reflected in the verifiable indicators of progress.
- ▶ As ISP activities further improve governance and government performance, ISP inspired and facilitated programs will increasingly reach beyond the core Directly Affected Villages (DAV-RAV). In these circumstances ISP 2 Monitoring and Evaluation needs to include Government managed activities that extend into the wider region through multiplier and outreach effects. These activities reflect some of the real multiplier benefits of the ISP model.
- ▶ As the number and range of activities related to ISP components expands in the Bintuni Bay region, the use of the project nomenclature to describe participating communities as RAVs, DAVs, INDAVs, Non-DAVS and so on, will become increasingly complicated and confusing. These categories reflect impacts accorded different Bintuni Bay communities based on the AMDAL assessment, and should be streamlined for implementation purposes. In practice, when community members participate and benefit from engagement in ISP activities they represent people 'affected' by BP Tangguh operations wherever they come from and need to be included in Project monitoring and evaluation. A reassessment of AMDAL reporting requirements may assist in resolving these matters. It may also be helpful to distinguish between AMDAL reporting conventions and project implementation terminologies.
- ▶ Indirectly Affected Villages (INDAV) are recognised as important communities in the AMDAL but are



lumped together (in Appendix D of RKL) as 'other stakeholders' which includes wider communities in the Bird's Head region and West Papua more generally. Some of these communities remain quite impoverished and one of the challenges for ISP 2 is to address development requirements for so-called indirectly affected villages that exhibit the following characteristics. Namely, they have comparatively low socio-economic and welfare levels; they reflect majority local Papuan residents (i.e full members of one of the seven indigenous language communities of Kab. Teluk Bintuni) and have not to date benefitted significantly from ISP activities. Examples are the settlement of Aroba in Simuri District or Mogoi (north of Bintuni). For village communities of this kind it is recommended that appropriate support activities be extended to them to encourage more even development within the Regency.

- ▶ The continuing high level of support for restoring livelihoods among RAV communities threatens to raise expectations to unsustainable levels in those communities. Managing these expectations will prove challenging if the transition to full integration with ISP is delayed beyond 2010. This issue goes to the more general point that community claims for compensation and the jealousies caused by real or perceived uneven distribution of benefits and opportunities work to undermine the social development program. The challenge for BP is to recognize and defuse these tensions before they boil over.
- ▶ Despite significant government capacity-building activities during the first ISP, local government performance in program management and implementation remains weak across all agencies. A major challenge is to shift the relationship that has prevailed during the ISP1, to one of working in partnership with government staff to facilitate their engagement and sense of ownership of development programs in the region, including ISP supported activities. The importance of partnering with local government applies in particular to non-government implementing partners of ISP programs. Communication, joint planning of activities and involvement of local government at all levels are fundamental to working towards a more effective relationship.
- ▶ Social accountability and transparency in governance are important objectives for both BP and democratizing Indonesia. Another challenge for ISP 2 is to facilitate more effective civil society organisations and advocacy or oversight institutions providing constructive criticism in the public realm. One possibility to improve accountability and oversight is to promote the development of regional parliaments (DPRD). While not strictly speaking civil society organisations, parliaments by definition are the elected representative institutions of the community and could have a much more influential role in Bintuni Bay public life. ISP 2 could provide important guidance in this emerging area of Indonesian political affairs.
- ▶ There are opportunities to work with local government and private resource development companies to establish agreements about forms and scope of development assistance and community relations programs. The MIGAS revenue sharing workshops and multi-stakeholder consultations are a good basis for extending this strategy to field programs. There are benefits for BP in facilitating more effective community relations programs by exploration and mining companies in the region. In government capacity-building activities, efforts should be made to assist local government to develop policy and procedures encouraging private resource companies to implement community development activities that complement and strengthen government programs.



- ▶ As part of the continuing risk reduction strategy, BP needs to ensure that its multiple contributions to the development of the Bintuni Bay region are well publicised and understood by local governments and communities alike. A sustained diversified communications strategy is probably the most effective approach. Assessment of the effectiveness of the existing communications and community relations strategy to inform communities, governments and CSOs should be undertaken to ensure that the channels and media currently used are appropriate, that they reach the range of intended target audiences and that audiences are accessing and understanding the information.



Appendix A

Involuntary Resettlement Team – People Met and Interviewed



Date	Location	People Met / Interviewed	Position/Organisation
21 April 10	Jakarta - BP	Ngurah Kresnawan	BP Vice President Tangguh LNG
		Amri Siahaan	BP General Manager
		Erwin Maryoto	BP Papua Affairs Manager
		Arida Wahyuni	BP Lender's Liaison Officer
		Agustinus Poluakan	BP CRP Manager Babo
		Desy Unidjaya	BP Performance Manager
		Agus Suprianto	BP CREA Performance Team
		Yohanes Emanuel Hematang	BP Micro finance and micro enterprise staff
		Riza Primahendra	BP Strategy Specialist
		Alfredo Suebu	BP Papua Affairs Officer
		Dr. Mukti	BP Health Program
		Sonya Haryani	Yayasan Anak Sehat Papua
		Lechana Warikar	BP CRP Staff - Education
		Vengky Osok	BP CRP Handover/land titling officer
Toto Purwanto	British Council		
Paul Whincup	ERM Consultant		
Lucy Mitchell	ERM Consultant		
22 April 10	Jakarta - BP	Agustinus Poluakan	BP CRP Manager Babo
		Rosalina Rumbino	BP CRP Women's Empowerment Officer
		Dr. Hidayat Alhamid	BP NGO Affairs Coordinator
		Erwin Maryoto	BP ISP Manager
		Hendro Hadiyantono	Coordinator, Bird's Head Business Empowerment Program (BHBEP)
		IPB Team, led by Hematang	IPB Bogor
23 April 10	Babo Base Camp	Irma Fernandez	BP LARAP Coordinator
24 April 10	Boat to Onar	Winfrids Mofu	BP CRP Regency Program Coordinator



Date	Location	People Met / Interviewed	Position/Organisation
24 April 10	Onar Baru and Onar Lama	Rafael Agofa Hanok Siwana Onar Baru Community Leaders Antonius Sowai Athar Tj. Mapaita Titus Inanosa Onar Lama Community Leaders	Head of Onar Baru village Secretary of Onar Baru village Head of Onar Lama village Secretary of Onar Lama village Head of Baperkam of Onar Lama
24 April 10	Babo Base Camp	John Lamera Frans Sowai	BP LARAP Dimaga Manager/ Secretary LARAP Dimaga Facilitator, Sowai Clan
25 April 10	Kamp Hijau, Tanah Merah Baru	Anung Rahayu Ropian Yudiantara Fani Aktowardiona	Facilitator, LARAP Agriculture Facilitator, LARAP Agriculture Facilitator, LARAP Agriculture
25 April 10	Kamp Hijau, Tanah Merah Baru	Thomas Mayera Martinus Wayuri Yakomina Masumbau	Head of Mayri Cooperative Threasury of Mayri Cooperative Supervisor for Vegetables, Mayri Cooperative
25 April 10	Tanah Merah Baru – walk through village	Jack Aupe Julie Masumbauw Lucy Rumiya'an 2 farmers Street seller Staff and customers of Mayri Mini Market	BP LARAP Technical Staff Facilitator, LARAP Agriculture Manager, Credit Union Mambuin
26 April 10	Kamp Hijau, Tanah Merah Baru	Arifin Masipa Julius Sabandaba Paskalis Agofa Irma Fernandez	Head of Tanah Merah Baru village Secretary of Tanah Merah Baru village Head of Development Program Bureau of Tanah Merah Baru village BP LARAP Coordinator



Date	Location	People Met / Interviewed	Position/Organisation
26 April 10	Saengga Mini Market for Uno Perta	Sara Simuna Johanna Rengil	Head of Uno Perta cooperative Secretary of Mini Market
26 April 10	Kampung Saengga Balai Kampung	Amandus Simuna Arens Fossa Abel Simuna Stefanus Frans Sowai	Head of Saengga village Secretary of Saengga village Head of Community Relation of Saengga village Community Leader, Saengga LARAP Dimaga Facilitator, Sowai Clan
27 April 10	Bintuni	Wim Fimbay Robert Parinussa I.B. Putu Suratna Godlief Idorpay M. Saiful Adha Untung Widodo Chris Mailoa Musah Budhy E. Faldawer Staff	Asisten 1 Setda Bintuni (Bupati's Assistant) Head of Energy and Mineral Resources Head of Forestry Social Economy Head, Bappeda Head of Environment Division Head of Mineral Resources Division Head of Investment Secretary of Health Department P2PL of Health Department Cooperative Section, Trade and Industry
27 April 10	Babo Base Camp	Erwin Maryoto Winfrids Mofu Jack Aupe	BP Papua Affairs Manager CRP Regency Program Coordinator BP CRP Technical Officer



Date	Location	People Met / Interviewed	Position/Organisation
3 May 10	BP Office, Jakarta	Close-out Meeting with Tangguh Management Team: Fawaz K. Bitar Ngurah Kresnawan Erwin Maryoto Desy Unidjaya Arida Wahyuni Paul Whincup Greg Guldin Lucy Mitchell	BP Executive Vice President, Tangguh BP Vice President Tangguh LNG BP Papua Affairs Manager BP Performance Manager BP Manager, Liaison Officer Lender's Panel ERM Lender's Panel ERM ERM



Appendix B

IPSI Team – People Met and Interviewed



Date	Location	People Met / Interviewed	Position/Organisation
21 April	Jakarta	Ngurah Kresnawan	Vice President Tangguh LNG BP
		Amri Siahaan	General Manager BP
		Agustinus Poluakan	CRP Manager Babo BP
		Erwin Maryoto	Papua Affairs Manager BP
		Arida Wahyuni	Lenders' Liaison Manager BP
		Desy Unidjaja	Performance Manager Communications and External Affairs BP
		Yohanes Emanuel Hematang	Micro finance and micro enterprise BP
		Rosalina Rumbino	Women's empowerment officer BP
		Lechana Warikar	Education officer BP
		Pak Toto	British Council
		Agus Supriyanto	C&EA Performance team BP
		Paul Whincup	ERM
		Lucy Mitchell	ERM
		Sonya Haryani	Yayasan Anak Sehat Papua
Dr Mukti	Health program BP		
Hidayat Alhamid	NGO Affairs Coordinator Communications and External Affairs, BP		
22 April	Jakarta	Riza Primahendra	Strategy specialist BP
		Agustinus Poluakan	CRP Manager Babo BP
		Erwin Maryoto	Papua Affairs Manager BP
		Arida Wahyuni	Lenders' Liaison Manager BP
		Desy Unidjaja	Performance Manager Communications and External Affairs BP
		Alfredo Suebu	Papua Affairs Officer BP
		Vengky Osok	Handover and land titling officer BP



Date	Location	People Met / Interviewed	Position/Organisation
		Rosalina Rumbino	Women's empowerment officer BP
		Yohanes Hematang	Micro finance and micro enterprise BP
		Agus Supriyanto	C&EA Performance team BP
		Bhakti Yudhantora	C&EA Performance team BP
		Hendro Hadiyantono	Birds Head Business Empowerment program BP
		Lucy Mitchell	ERM
		Adiwirman	IPB
		Rudy Priyanto	Animal science IPB
		Asnath Fuoly	Animal science IPB
		Sarwititi	Communication IPB
		Sulioستiono	IPB
		Ikeu	Community nutrition IPB
		Titik Sumarti	Communication and community empowerment IPB
		M Arianto	Secretary MOP
		Syaiful Anwar	Soil department IPB
		Roni Mugu	Workforce and industrial relations BP
23 April	Jakarta	Basrie Kamba	Communications and External Affairs Senior Manager, BP
		Hidayat Alhamid	NGO Affairs Coordinator Communications and External Affairs, BP
		Whisnu Barata	ICBS BP
		Hariato	ICBS BP
		Juni Thamrin	IPGI
		Ibu Winnie	PSKK-UGM
		Riza Primahendra	Strategy specialist BP
		Arida Wahyuni	Lenders' Liaison Manager BP



Date	Location	People Met / Interviewed	Position/Organisation
		Desy Unidjaja	Performance Manager Communications and External Affairs BP
		Agustinus Poluakan	CRP Manager Babo BP
		Lucy Mitchell	ERM
26 April	Jakarta	Hidayat Alhamid	NGO Affairs Coordinator Communications and External Affairs, BP
		Arida Wahyuni	Lenders' Liaison Manager BP
		Agustinus Poluakan	CRP Manager Babo BP
		Pinki Sabtenera	University of Airlangga
27 April	Jakarta	Arida Wahyuni	Lenders' Liaison Manager BP
		Agustinus Poluakan	CRP Manager Babo BP
		Riza Primahendra	Strategy specialist BP

Discussions conducted by Reviyeno Nasution, GHD on behalf of IPSI team

27 April 2010	Bintuni township	Wim Fimbay	Asisten 1, Setda Bintuni
		Robert Parinussa	Kadin Pertambangan Energi dan Sumberdaya Mineral
		I B Putu Suratna	Kadin Kehutanan
		Godliej Idorway	Staf Bappeda
		M Saiful Adita	Kepala Kantor Lingkungan Hidup
		Rintung W Widodo	Kabid Pertambangan
		Chris Mailoa	Kabid Investasi
		Mussa Budhy	Sekretaris Dinas Kesehatan
		E Fakhawer	P2PL Dinas Kesehatan



Appendix C
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), FJT Lenders/FJT 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.



GHD Pty Ltd ABN 39 008 488 373

Jl. HR Rasuna Said Kav C5

Jakarta 12940 Indonesia

T: 62 21 2557 8000 F: 62 21 522 9095 E: jktmail@ghd.com.au

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Document Status

Rev No.	Author	Reviewer		Approved for Issue		
		Name	Signature	Name	Signature	Date
A	S. Price A. McWilliam G. Dawson	Jim Singleton		R. Nasution		June 2010
B	S. Price A. McWilliam G. Dawson	Eviyanti Wafroni		R. Nasution		August 2010