



Environmental and Social Monitoring Report

Project Number: 38919
April – October 2011

INDONESIA: Tangguh Liquefied Natural Gas Project Integrated Social Programme Tangguh LNG – Operations Phase

Prepared by BP Berau Limited
Tangguh LNG Project Operator

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Asian Development Bank



**Operator's 6 Monthly Social Report
Integrated Social Programme
Tangguh LNG – Operations Phase**

April – October 2011

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1. OBJECTIVE AND SCOPE

This is the 12th report provided for the Asian Development bank (ADB) and Japanese Bank for International Cooperation (JBIC) Lenders Group per the requirement under Section 1.12 of the ADB Tranche PSC Parties Agreement (or Section 1.18 of the JBIC Tranche). Scope of report includes monitoring of ISP Program Implementation for the period of April to October 2011 and program evaluation.

LARAP has been closed out during the External Panel visit in November 2011 with the completion of the outstanding remedial actions recommended by EP-1. Starting end 2011, there is no requirement for the operator to provide a separate section on Land Acquisition and Resettlement Action Plan (LARAP). All the resettled villages will continue to be the beneficiaries of the social programs along with the rest of the directly affected villages.

2. REPORT METHODOLOGY

This report has been prepared with reference to ISP monthly reports, site visits, discussions with various programme managers, and reports from ISP implementing partners, including British Council, Mediatama Cipta Citra (MCC), Bina Swadaya and the University of Gajah Mada (UGM).

3. TANGGUH SOCIAL PERFORMANCE – EXECUTIVE SUMMARY

The Tangguh LNG social programme continues to be implemented in the community based on the 2nd ISP Strategy that has been put in place. The program focuses in five areas such as Livelihood, Education, Health, Governance and Community Relation. In this second five-year period, the government and community are expected to increase their involvement and role in ensuring the socio-economic development of the areas, with Tangguh acting as a partner in these efforts.

The outcomes of the social programs have been enjoyed directly or indirectly by the beneficiary. Agriculture program and stocking points have provided significant contribution in the household income. The declining of Malaria prevalence and Diarhea Case Fatality Rates has contributed positively to community health, while student graduation rates showed an increase in the quality of education.

Moving on, Tangguh LNG will continue to keep its commitments to both the communities and the local government to accelerate the social economic development in Teluk Bintuni.

4. TANGGUH LNG UPDATE

Performance of both Train-1 and Train-2 has improved after the completion of major maintenance in Turn Around (TAR) project activities. TAR 1 was executed in February 2011 and TAR 2 in June 2011. Tangguh delivered 49 LNG Cargoes and 12 Condensate Cargoes between May and October 2011.

Tangguh maintains a strong focus on all aspects of HSE. Journey to Zero Incident campaign series has been started in 2011 early; the first round focused on PPE compliance campaign and the second round on marine safety campaign. Tangguh is also on track in the implementation of OMS (Operating Management System) and Safety & Operations Audit actions.

One Recordable Injury (RI) happened in May and another one in June; more detailed information is available in the Operator EHS 6-Monthly Report. Both cases have been thoroughly investigated and lessons learned have been circulated internally. Safety performance in the second half of 2011 was excellent with zero recordable injuries up to November. Tangguh is expected to maintain zero recordable injury until year end to ensure achievement of 2011 safety targets.

5. INTEGRATED SOCIAL PROGRAM

5.1 The Social Management Plan

The Tangguh social program continued as planned during these reporting periods of April – October 2011. The second strategy of Integrated Social Program (ISP-2) is being implemented with focus on the five sectors i.e. Livelihood, Education, Health, Governance and External Relation & Communication. The highlights of the programs are summarized as follows:

5.1.1 Livelihood

Micro-enterprises and Micro-finance

The programs provided the communities with wider economic opportunities to increase the incomes of both individuals and households through support for capacity building and access to finance and wider markets. During this period, the activities became more focused on agricultural and fishery programs as well as support for the development of local financial cooperatives. To ensure that these programs are delivered as planned, Tangguh LNG has established a contract with Bina Swadaya to help farmers, fishermen and local businesses develop capacities, assets and markets.

Bird's Head Business Empowerment Program

In the Papua "Bird's Head" level, business empowerment program continued the programs of mentoring local business people in Sorong, Manokwari, Fakfak and Bintuni, as well as supporting Regional Chamber of Commerce (KADINDA) and the Forum of Oil and Gas Partners (FPMPM) Papua Barat on organization management and linkage.

Workforce Management

During the operational phase, the Tangguh workforce management continues to maintain manpower commitments to their targeted Papuans. The recruitment process still follows the previous procedures established during the construction phase. Employee recruitment from the DAVs through the Tangguh Workforce Management (WFM) is based on contractor requests. The WFM sends a letter to the heads of villages to obtain recommendations regarding the names of community members who are selected for further health and administration processing. Applicants from outside the DAV recruitment process apply through respective contractors companies; they are then acknowledged administratively by the Manpower Agency of Teluk Bintuni, Sorong, Fakfak or Manokwari..

5.1.2. Education

Basic Education

This program aims to improve the basic quality of education by assisting the local Teluk Bintuni administration to manage the education sector as well as to increase the participation and teaching-learning process of the students and educational providers. A partnership was established between Tangguh LNG and the British Council in 2006 to supply technical assistance for the Education Agency of the Teluk Bintuni Regency. This ended in 2010, and the British Council was again awarded for an additional 3 years to continue the education program until 2013. A partnership was also formed with the Sampoerna Foundation to accelerate improvements to the quality of the schools in Tanah Merah to meet national standards. The schools in Tanah Merah are expected to be a model for other schools in Teluk Bintuni.

5.1.3 Health

Mediatama Cipta Citra (MCC) signed a 3-year contract to provide community health programs and technical assistance to the local Bintuni government to improve its health services, especially in the DAV areas. The programs focus on 5 areas such as mother and child health program, sanitation and clean water program, malaria control, diarrhea, tuberculosis (TB) and HIV/ AIDS preventions.

Mother and Child Health Program

MCH programs provide support to the local clinic health center (PUSKESMAS) in DAVs to cover the following activities: (i) Nutrition posts, which encourage families to deal with their children's nutritional problems. These integrated health posts (Posyandu) are used to identify malnourished children and to catch-up immunization program for children under five.. (ii) The Pregnancy Post, which involves village midwives who perform antenatal examinations, and provide both blood/iron supplement tablets and education to pregnant mothers. Midwives are also kept on call to help with maternal emergency cases.

Sanitation and Clean Water Program

One of the strategies to promote and sustain the effectiveness of health programs has been the establishment of the Community-Led Total Sanitation (CLTS) program, which is, as the title suggests, spearheaded by the community. This concept aims to facilitate the community in understanding the sanitary problems and fixing them by using these principles: no subsidies, no lecturing, the community as the leader and total participation of the community. This program starts with analyzing and planning, which then leads to executing and evaluating activities as well as maintenance.

The CLTS method also emphasizes the importance of improving awareness of behavioral changes to promote sanitation, especially in terms of developing habits of using proper and safe restrooms.

Malaria Control

This program supports the Bintuni administration and village communities to control malaria. A survey was conducted to determine the malaria prevalence rates in each DAV during the rainy and dry seasons; this survey involved the Village Malaria Workers (JMK). The malaria control approach was also conducted by JMK through social marketing; the campaigns in many areas were also supported by posters that were put up in various places in the villages as well as information disseminated through a film on malaria and the role of JMK.

Diarrhea Prevention

This program supports the Bintuni administration to control diarrhea, which has become a seasonal epidemic in the DAVs. The awareness campaign has continued through information sessions and promotions involving Posyandu (Integrated Health Post) cadres, News from Teluk (*Kadate*) bulletins, posters and radio broadcasts. Prevention efforts have also included providing Oralit at the houses of the Posyandu cadres and village drugstores (KOT3).

HIV/ AIDS Prevention

To anticipate the spreading of STDs, including HIV/AIDS, throughout the area and among the Tangguh LNG's workers, ASP has developed programs to improve the awareness of the risks of such diseases through communication, information and training as well as the promotion and distribution of condoms to workers within the LNG site, Babo Base Camp and the DAVs. ASP has also partnered up with the Regional HIV/AIDS Prevention Committee (KPAD) in FakFak, Manokwari and Bintuni regencies.

5.1.4 Governance

Governance programs assist the local government in delivering public services in the villages, districts and regencies. The program covers three areas of sub-program such as Government capacity building program, Community Action Plans (CAPs), Integrated Community based Security (ICBS) and Civil Society Strengthening.

Government

The program aims to improve capacity of local government staffs in the Teluk Bintuni regency, districts and villages level. Partnerships to implement the program at the regency and district village level have been awarded to Center of Population and Policy Studies University of Gadjah Mada (PSKK-UGM), while at the level of Bird's Head area Media Cipta Citra (MCC) continued awareness program on revenue management for

government officials and interested stakeholders through workshop, seminar and media communication.

Community Action Plan (CAP) and Infrastructure development

This section describes the community development activities conducted in Weriagar, Mogotira, Tomu, Ekam, Taroi, Tofoi, Otoweri, Tomage, Tanah Merah and Saengga which are the Directly Affected Villages (DAVs), and Irarutu III and Sebyar Rejosari as Non-DAVs as per Tangguh ISP-2 commitments.

PBM Evaluation

Community participatory planning (PBM or Perencanaan Bersama Masyarakat) is the process to ensure that community aspirations have been adopted. CAP documents produced from the PBM process will ensure that the communities can make their own development priorities. Principally, "PBM and evaluation" is conducted annually in the DAVs, but some villages conduct it once every two years because some programs need to be integrated.

Clean Water Program for the Community

This program aims at providing people in the DAVs with access to clean water. The availability of clean water is a necessity that directly affects the improvement of community health quality.

Infrastructure Development

This program aims to support the improvement of the social and public facilities in the DAVs, which indirectly affect the quality of health, education and local economic growth. The implementations of infrastructure projects need the participation of community members in terms of manpower and materials.

Capacity Building

This program aims to improve the communities' livelihood skills. The training and mentoring include generators motor repairs, cooking, sewing, fisheries, agriculture, post harvesting, management skills etc.

5.1.5 Community Relation

Tangguh LNG recognizes that the success of the project depends on the relationships with various stakeholders, including the communities, government and non-government organizations.

The Community Relations (Comrel) Team manages the communities' aspirations and interests in the DAVs. Grievance procedures were implemented in the DAVs to give the communities a chance to channel their complaints or comments related to the project and the social programmes.

5.2 The Social Monitoring Plan

During this reporting period of April – October 2011, the Tangguh social programs implemented the activities as outlined in the Annual Plan issued in the beginning of the year.

5.2.1 Livelihood

Micro-Enterprises and Micro-Finance

Micro enterprises activity continued to focus on agriculture and financial management with several training and mentoring sessions conducted during this reporting period:

- Agricultural training ; 5 farmers participated
- Household financial training (PERT) in Weriagar, Mogotira, and Tomage; 51 households participated
- Continued cultivation, plant protection, and fertilization training in Tanah Merah; and Saenga in DAVs; 112 farmers participated
- Continued mentoring subsistence agricultural in DAVs; 49 farmers participated
- Continued subsistence agriculture program in DAVs; 64 farmers participated
- Conducted agricultural training in Babo; 12 farmers participated
- Conducted agricultural training in Tomage; 5 farmers participated
- Mentoring on shrimp gear in DAVs; 6 group of communities participated



Picture 1. Fertilizer Training in Tofoi

Bird's Head Business Empowerment Program (BHBEP)

The BHBEP continued the mentoring session for mentees in the Bird's Head area and capacity building of local institutions Regional Chamber of Commerce (*Kadinda*) and Forum of Oil and Gas Partners Papua Barat. During this reporting period several activities have been delivered, as follows:

- Conducted 125 sessions of mentoring on business, financial and administrations for local business firms in Sorong, Manokwari, Fakfak and Bintuni
- Conducted 40 sessions of mentoring and assistance on organization management for Kadinda and Forum of Oil and Gas Partners Papua Barat
- Facilitated workshop on "Opportunity of local business doing business with oil and gas companies operates in Papua Barat" in Sorong, and participated by BPMIGAS, BP, Pertamina and Petrochina.
- Facilitated workshop on "Improving local business opportunity in oil and gas industry supply chain" in Sorong, the events hosted by BPMIGAS and participated by oil and gas companies and contractors in Papua Barat.

Workforce Management

The number of Operations workers continued to increase; as of September 2011 a total of 2919 people work in LNG Tangguh site of which 53% workers come from Papua. The updated numbers of workers are summarized below

Table 1. Number of Operation Workforce at Tangguh LNG Site

Skilled Level	DAV	Bird's Head	Rest of Papua	National	Expatriate	Total
Unskilled	60	25	0	0	0	85
Low Skilled	304	371	5	0	0	680
Semi Skilled	82	278	32	63	0	455
Skilled	20	223	90	1004	7	1344
Managerial/Supervisor	3	40	12	277	23	355
Total	469	937	139	1344	30	2919
Percentage	16%	32%	5%	46%	1%	100%

Source: Tangguh WFM Team, September 2011

During this reporting period, the number of workers employed in Tangguh has decreased due to completion of TAR and waste water treatment projects. According to Table 1, 16% of workers come from DAVs of which most of them in the low skilled level, however the number of workers in managerial/ supervisory level have increased i.e. from 1 to 3 during April - October 2011. Workers from Papuan Bird's Head also has a similar trend where most of people are still in low level skilled although the number

of workers in managerial and supervisory level continued to increased, i.e. from 32 to 40 workers.

5.2.2 Education

British Council continued the programs on capacity building for the Education Agency of Teluk Bintuni Regency and the school supervision in DAVs. Sampoerna Foundation ,in cooperation with Local Government of Teluk Bintuni, continued the program to improve quality of school and learning process in Tanah Merah.

- Continued training and mentoring sessions in improving the capacity of officials and teachers in Bintuni
- Supervisory training for Education Agency officials in Bintuni, 11 school supervisors attended.
- EMIS operational training in Bintuni, 24 education officials attended
- Pedagogy mentoring for kindergarten teachers in Babo
- Conducted organizational and management training, 30 staffs participated
- Conducted effective school supervision training, 20 participated
- Facilitated middle management training in Bintuni, 33 education staffs participated
- Facilitated independence learning group (KBM) in some schools in Bintuni, 22 participated



Picture 2. Pedagogical training for kindergarten teachers in Babo

5.2.3 Health

Mediatama Cipta Citra (MCC) has already fully handed over the community health program from Anak Sehat Papua (ASP). During this reporting period, community health program continued to support the Health Agency of Teluk Bintuni in providing health services for community particularly in DAVs.

- Refreshing hand washing campaign in DAVs, attended by 139 students and 69 communities.
- HIV/TB education in DAVs, 153 communities attended
- Malaria prevalence survey in Aroba and Aranday, 225 slides performed
- Collected blood smear from malaria survey and supervision, 5 positive cases detected in Magarina
- Continued diarrhea surveillance and handled diarrhea cases in DAVs, 77 cases reported
- Conducted clean water campaign in DAVs, 122 communities attended
- Nutrition training for mothers with malnourished children in DAVs, 51 mothers attended
- Conducted JMK/KOT3 supervision in DAVs, IDAV, and Bintuni, 22 cases reported positive for malaria



Picture 3. Diarrhoea survey by the village cadre in Weriagar

5.2.4 Governance

CAPs and Infrastructure Development

- Completed Community Participatory (PBM) planning in Mogotira, Tomage, Irarutu III, and Sebyar Rejosari
- Construction of stocking point building in Taroi
- Classroom renovation in Toweri
- Mosque renovation in Ekam and Otoweri
- Renovation of drainage in Onar and Saengga,
- Completed 200 m pathway in Weriagar Baru and 50 m in Saeangga
- Education assistance for 214 students in DAVs
- Provided 10 boat machines for fishermen in Ekam
- Provided 60 Fishing gears in Saengga
- Provided Sago machine in Tofoi
- Genset reparation in Tanah Merah
- Provided religious equipment including Islamic books for community in Otoweri
- Provided sports equipment in Tomu, Ekam, and Taroi

Government Capacity Building

- Completed 28 sessions on training for role and responsibility (tupoksi), budgeting & planning, administrative and management in DAVs by UGM; 202 government officials from districts and village level attended. Mentoring sessions continue after training.
- Training and mentoring session on Population and Administration Information System (SIK) in Babo; 19 government officials from Teluk Bintuni Population Agencies as well as District Tomu and Babo attended
- Continuing mentoring and training sessions in Strategic Planning for 77 Teluk Bintuni Government Officials
- Technical assistance for Teluk Bintuni legislative; 10 parliament member and government officials attended
- Completed final evaluation of Government Capacity Building in Districts level as well as Regency level
- Workshop of Oil & Gas Revenue Sharing in Manokwari; 43 local government officials and parliament members attended



Picture 4. TUPOKSI (roles and responsibilities) training for village government officials in Taroy

6. EXTERNAL PANEL ANNUAL REVIEW AND NON-COMPLIANCE STATUS UPDATE

The External Panel visited Jakarta and Papua in November 2011. This is the first visit of the new External Panel (EP-2) with the objective of performing a compliance review of ISP-2 and a close out review of the LARAP outstanding actions from EP-1. During their visit, the External Panel found no Level-2 non compliance related to the environment or social section. There was one Level-1 non compliance proposed on the social program and also some recommendations to address social risk areas. These recommendations will be considered to be included in the 2012 Annual Plan.

The outstanding LARAP actions were considered completed by EP-2, therefore LARAP is considered closed out. Development actions for the RAVs, which have now become DAVs, will continue as part of ISP-2.

As per the Tangguh ADB Loan Tranche Agreement non-compliance is defined 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. KEP056/1994);
- Has resulted in or is reasonably likely to result in material damage or harm to, or a material and adverse impact on, the lives, livelihood, quality of life, health, safety, security, property or cultural heritage of affected people; or
- Has resulted in or is reasonably likely to result in the revocation of, or the refusal to grant, any approval, consent, permit or other authorization required for the implementation of the Tangguh E&S Project (but only to the extent that such approval, consent, permit or other authorization is required for implementation of the Tangguh E&S Project at that time.”

7. EVALUATION RESULT

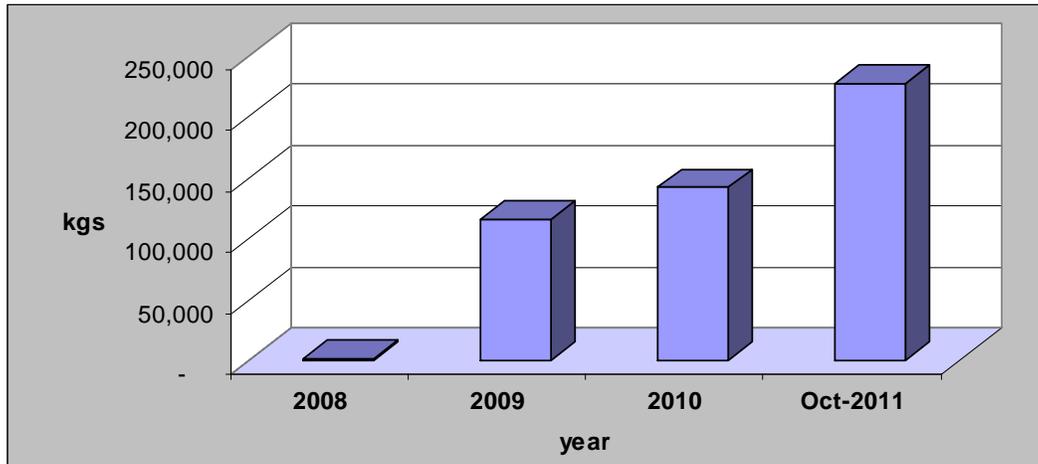
The implementation of the social program in Tangguh continued as planned; currently the program is implementing the 2nd ISP strategy with the stated intention of “*working with the community*”. During this reporting period the program encouraged local government to take a greater role in the social economic development of the region. The British Council and Media Cipta Citra (MCC) as the key partners take the role of providing technical assistance for Teluk Bintuni Regency officials in education and community health programs. PSKK-UGM provided training and mentoring for government officials at the village, district and regency level.

The Livelihood program continued to make good progress in the areas of agriculture, fisheries and micro-finance. Several activity programs have been implemented in the villages to support the development of agriculture. The fishery program continued through the monitoring of fishermen’s activities and provision of mentors.

There are two strategies in the agricultural development program; the first one is to develop commercial agriculture by planting crops that can be sold to the LNG site or to the market. This strategy is implemented in Tofoi, Tanah Merah, Saengga and Babo villages with Tangguh LNG catering as main market. The second strategy is to develop sustainable subsistence agriculture to provide better nutrition in the households. This strategy is being implemented in Weriagar, Mogotira, Tomu, Ekam, Taroy, Otoweri and Tomage which have low levels of soil fertility.

Currently there are seven gathering and distribution points for agriculture and fishery products: Bintuni, Arguni, Tanah Merah, Babo, Tofoi, Taroy and Weriagar. In 2011 a total of 203 tons of fruit and vegetables and 24 tons of fishery products (fish, crab, shrimp) were delivered to Tangguh LNG Catering. Alternative markets are being assessed to bring wider opportunities, for example Bintuni and Sorong.

Figure 1. Vegetables, Fruit and Fish delivery from Stocking Points to Tangguh LNG Catering (kg)



Source: Tangguh Livelihood Program, October 2011

To strengthen the financial position of communities in the DAVs, Tangguh ISP is supporting the establishment and operation of local financial institutions in villages with the aim to provide community access to financial services including savings and loans. There are now recently established financial providers operating in the region: the Bank of Indonesia People (Bank BRI) operating in Babo and Tofoi, the Damai Sejahtera Cooperative operating in Sebyar Rejosari and the Credit Unions (CU) in Tanah Merah Baru and Saengga.

In the villages that have no access to financial services, Tangguh ISP has supported the establishment of Community Saving and Loan Units (UBSP). Currently, three UBSPs are functioning well in Taroi, Onar and Otoweri to provide saving and loans services to their respective communities. In addition, four new UBSPs have started and are in the process of improving their organization and management standards in Weriagar, Mogotira, Tomu, Ekam and Tomage. Several training programs in management, organization and finance have already been established by Tangguh Binaswadaya for the UBSP committees.

The presence of Tangguh LNG Plant in the Bintuni region has provided wider livelihood alternatives for communities through employment in this industry. Recent data in September 2011 shows that 2919 people are employed in Tangguh LNG, of which 53% came from Papua. The target of Papuan Workforce in the AMDAL against the achievement is as follows:

Figure 2. AMDAL Workforce Achievement vs. Actual during Operation Phase

SKILL LEVEL	2009				2011			
	DAV		Rest of Papua		DAV		Rest of Papua	
	Target (%)	Actual (%)	Target (%)	Actual (%)	Target (%)	Actual (%)	Target (%)	Actual (%)
Unskilled	100	70	0	30	100	71	0	29
Low skilled	50	44	50	56	70	45	30	56
Semi-skilled	2	15	27	61	8	18	41	68
Skilled	0	0	8	20	0	1	14	24
Managerial/ Supervisory	0	0	3	11	0	1	7	15

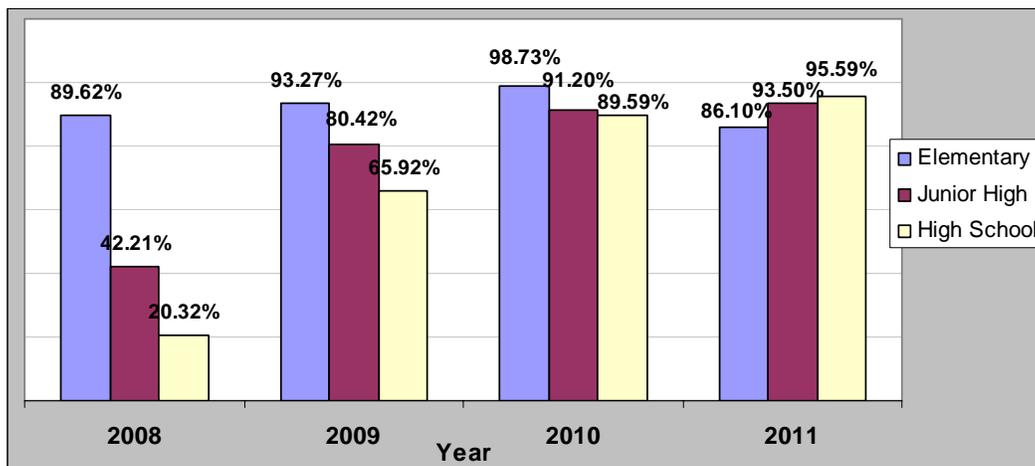
Source: Tangguh Workforce Management, September 2011

Generally, the actual progress of Papuan workforce shows that most targets have already been met. However, the numbers of unskilled and low-skilled workforce in DAVs are below target; these low numbers are compensated by the number of unskilled and low skilled level workers from Irirutu III, which is non-DAV, hired to work in the Babo Operation facility and resulted in Papuan worker numbers exceeding the target for non-DAV employment

The table above also shows that the skills of local manpower have increased since 2009 to 2011. Currently many of the locals are employed in the skilled and semi-skilled level and even one of them has reached the position of supervisory level.

In the education sector, the British Council continues to provide technical assistance for the officials of Teluk Bintuni Education Agency. Good progress has been achieved at the outcome level as indicated by the high rate of student graduation in the national exams.

Figure 3. Student Graduation in National Exams in Teluk Bintuni Regency



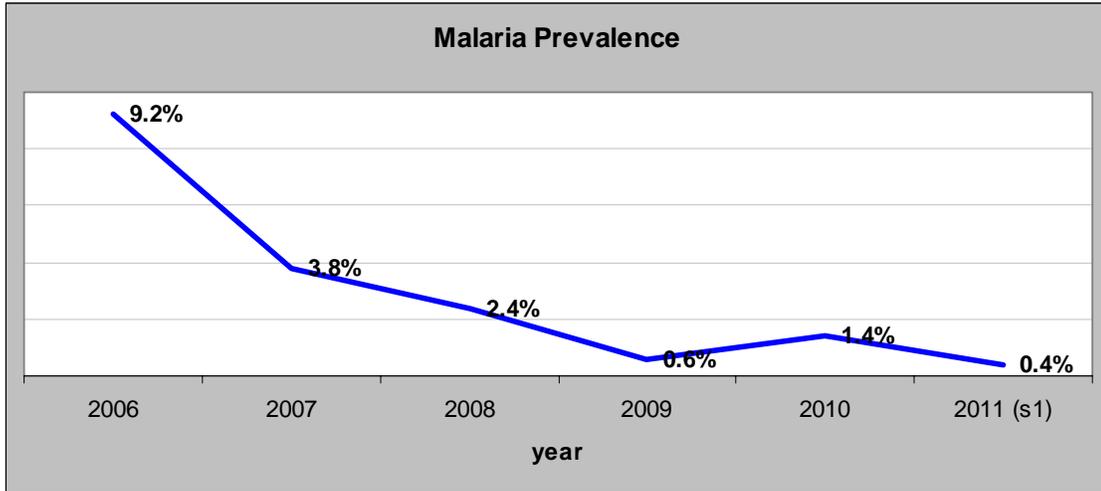
Source: Tangguh Education Unit, Sept 2011

The graduation rates of Junior and Senior High School students showed an increase in 2011. However the elementary student's graduation rates decline in 2011 which is due to a less intensive effort by the school in preparing the students for the national exams. Some actions have been implemented to increase student preparedness, such as teacher trainings and students exam exercises.

In the Health sector, MCC has been awarded the contract to continue implementation of community health program with the focus in providing technical assistance to Teluk Bintuni Health Administration. Various programs have been delivered in community through of local health center (Puskesmas) such as Mother and Child Health, Sanitation and Clean Water, Malaria Control, Diarrhea and HIV/ AIDS prevention programs.

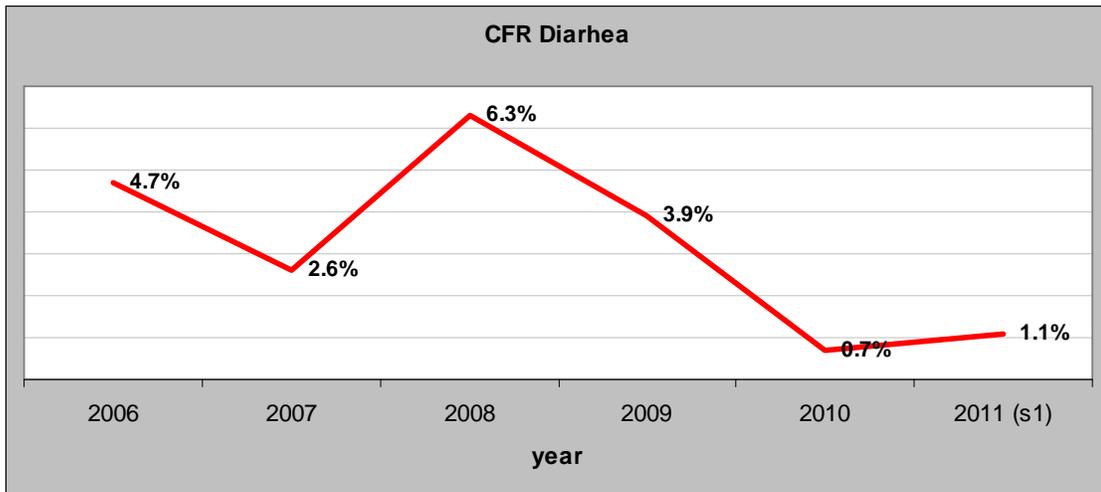
To support local government in providing health services for community, the Public and Environmental Health (PEH) have set the indicators to measure the success of the program implementation. The outputs and outcomes of the programs continued to be monitored.

Figure 4. Malaria Prevalence in DAVs



Source: *Tangguh PEH, Sept 2011*

Figure 5 . Diarrhea Cases in DAVs



Source: *Tangguh PEH, Sept 2011*

The two tables above show the Malaria Prevalence and the Case Fatality Rate due to Diarrhea until mid of 2011. In 2002, when Tangguh Project started in Teluk Bintuni,

Malaria and Diarrhea were major and common diseases in DAVs community. In cooperation with the local government authorities, Tangguh Community Health Unit has contributed in supporting local health center (Puskesmas) against Malaria and Diarrhea. Malaria prevalence declined from 9.2% (2006) to 0,4% (2011 - October update) and Case Fatality Rate due to Diarrhea declined from 6.3% (2008) to 1.1% (2011).

As part of the communities living in Teluk Bintuni, Tangguh LNG has been contributing in the welfare of the community surrounding the area. Community Development Program has been delivered in DAVs with community participation. At the earlier stage, the ISP program focused on the infrastructure and economic development with the approach of "working *for* community". Since 2009 community development has started to be delivered by community themselves where the community develop the plan as well as implement and monitor the development in the villages. Since 2011, community development program in DAVs has started to be integrated with the government planning and development consultation (Musrenbang) at the village level. Tangguh LNG has shifted its role into supporting the local government to lead the development in this region, consistent with the ISP-2 approach of "working *with* community"

Tangguh LNG also realizes that local government role is significant in the development process in Teluk Bintuni. On the other hand, government official's capacity is still a challenge in driving social and economic development. The governance program supports local government official improvements in their capacity to create budget and planning as well as to monitor and evaluate the implementations.

Several training and mentoring has been delivered by UGM and MCC to improve government capacity and awareness. The governance program has been implemented in the village, district and regency level by the University of Gadjah Mada (UGM). At the Bird's Head level, MCC provides awareness on the revenue sharing and transparency. Currently local government has developed some documents on strategic planning, budgeting and planning. The most important milestone is that the local government officials has started to lead the development process in their region