



Environmental and Social Monitoring Report

Project Number: 38919
April 2009 – October 2009

INDONESIA: Tangguh Liquefied Natural Gas Project Operator's Social Report – Part One Land Acquisition and Resettlement Action Plan (LARAP)

Prepared by BP Berau Limited
Tangguh LNG Project Operator

This report has been submitted to ADB by BP Berau Limited and is made publicly available in accordance with ADB's public communications policy (2005). It does not necessarily reflect the views of ADB.

Asian Development Bank



**Operator's Social Report – Part One
Land Acquisition and Resettlement Action Plan (LARAP)
Tangguh LNG Project**

April 2009 - October 2009

TABLE OF CONTENTS

1	EVALUATION OF TANGGUH E&S LARAP PERFORMANCE	3
2	LARAP IMPLEMENTATION	3
2.1	GENERAL OVERVIEW (SUCCESSSES AND CHALLENGES)	3
2.2	RESETTLEMENT-RELATED GRIEVANCES	4
3	STATUS OF COMPONENT ACTIVITIES	5
3.1	COMPENSATION	5
3.2	CONSTRUCTION	6
3.3	RESETTLEMENT/RELOCATION AND VILLAGE MANAGEMENT.....	6
4	STATUS OF RESETTLEMENT RISKS	9
4.1	ADEQUACY OF RESOURCES	9
4.2	AGRICULTURAL PRODUCTION ON REPLACEMENT SITES	9
4.3	ADEQUACY OF MARINE RESOURCES.....	10
4.4	OPERATION AND MAINTENANCE OF NEW INFRASTRUCTURE	10
4.5	EQUITY OF BENEFIT DISTRIBUTION.....	10
4.6	VULNERABLE HOUSEHOLDS.....	11
4.7	SPONTANEOUS IN-MIGRATION AND ADVERSE INDUCE IMPACTS	11
5	FORWARD PLAN (NEXT SIX MONTHS)	13
6	SUMMARY OF CORRECTIVE ACTION PLANS	13
7	SUMMARY OF PROGRESS MADE IN THE IMPLEMENTATION OF RECOMMENDATIONS FROM THE EXTERNAL PANEL	13
8	OTHER INFORMATION	14
9	NON COMPLIANCE	14

1 Evaluation of Tangguh E&S LARAP Performance

This is the seventh bi-annual report to the Asian Development Bank (ADB) and Japanese Bank for International Cooperation (JBIC) Lenders Group. The Social report consists of two sections: (a) the Land Acquisition Resettlement Action Plan or 'LARAP', and; (b) the Integrated Social Programme or 'ISP' as required under Section 1.12 of the ADB Tranche PSC Parties Agreement (or Section 1.18 of the JBIC Tranche). This report covers implementation and milestones of the LARAP for the period April 2009 to October 2009.

The programmes of the LARAP are a multi-sectored and multi-layered approach for managing the Project's impacts on Resettlement Affected Villages (RAVs). The LARAP addresses the requirements of the ADB policy on Involuntary Resettlement in relation to the involuntary resettlement aspects of the Tangguh Project.

2 LARAP Implementation

The Project has made significant progress in fulfilling its LARAP commitments. Residents of the Resettled Affected Villages (RAVs) have been provided with resettlement assistance relating to house construction and community facilities, and livelihood restoration. The RAV villagers have settled well into their new housing and are adjusting to their new lifestyle. While most LARAP commitments have been fulfilled, several remain outstanding. Core among these include: the handover of Saengga and Onar Baru infrastructure assets, land titling for public facilities in Tanah Merah and Saengga, repair works of public facilities in the RAV as per the Handover Document and rain water harvesting system to replace the drill water well commitment.

LARAP as an administrative unit plans to end in Q2 2010. However, activities and assistance to the RAV communities will continue under the ISP umbrella throughout Tangguh operations. This transition process has begun. Sustainability of infrastructure assets and livelihood activities will require more dedicated attention and effort as the Project moves beyond mere compliance. At the same time, in-migration issues, social jealousies, village government capabilities, and heightened community expectations will need to be carefully managed.

2.1 General Overview (Successes and Challenges)

The Project made major progress with regards to handover, land titling, construction of additional public facilities in Onar Baru, first participatory planning (PBM) implementation, and of the Manggosa pathway. The completion and handover of Manggosa pathway as well as the completion of land certificate for houses in Tanah Merah and Saengga are the two major milestones to comply with the AMDAL commitment on resettlement.

Following the official handover of public facilities at Tanah Merah Baru to the community and local government in December 1, 2008, the repair works are still being done as per the handover agreement. The local government will assume increasing financial and operations and maintenance responsibility in a staged basis over the next two years.

Construction of additional public facilities at Onar Baru have been completed. The handover of Saengga and Onar Baru is scheduled to be done in December 2009. Similarly with Tanah Merah Baru, the handover will include 2 years of support and subsidy, in a declining fashion, while the local government assumes more responsibility in a staged basis.

During this period PBM were conducted for the first time for community in Tanah Merah, Saengga and Onar, as well as for Simuna, Wayuri and Soway clans under Dimaga Foundation project.

Manggosa pathway has been completed, including 1 unit jetty, 13.8 km pathway, 4 rest shelters along the path and another 4 fishing shelters beside the river. The project is monitoring the usage of this pathway, which is intended to restore the TMB community access to the sago forest and the fishing areas.

The 430 land titles for Tanah Merah Baru have also been completed and we are now in the process of distributing the documents to the villagers, while certification for 64 public facilities are still in progress.

Livelihood restoration programmes continued to make progress which includes agriculture, fishery, and micro-enterprises programmes. Seventeen people from Tanah Merah, Saengga and other DAVs were sent to agricultural training in Salatiga, to increase agricultural skill. As a result of this training, the participants have been developed as local mentors to assist their neighbours on agricultural development.

2.2 Resettlement-Related Grievances

No written grievances were received from the RAVs community during the reporting period. As well as in other DAVs, community members prefer to submit their complaint and aspiration directly by verbal grievance. During this reporting period, 4 verbal grievances were recorded; all were related to Workforce including recruitment process and job opportunities in Tangguh LNG Operation.

The Project responded to all verbal grievances submitted verbally or by formal letter.

3 Status of Component Activities

3.1 Compensation

Key Compensation Components

Key compensation components include housing, land title and public facilities, infrastructures and services. The housing, public facilities, infrastructure and services have been delivered in a phased fashion since 2004, with some exceptions on additional public facilities in Onar Baru which are currently just been completed.

Land Title

A total of 430 individual household and garden plot titles in Tanah Merah Baru are now complete and in the process of being distributed to the owners. Land titling for 64 public facilities are progressing in BPN Manokwari and requirement of materials have been submitted.

The Land Titling of Onar Baru will start once the local government and community have completed the process to obtain forestry release. The agreement is that the community will process the land titles directly with the Land Agency with mentoring provided by the Project.

Public Facilities

The RAV public facilities in Tanah Merah Baru have been officially handed over to the community and Local Government of Teluk Bintuni. Handover agreement of the public facilities in Tanah Merah Baru was signed off by Tangguh and the Bintuni Regency on December 1, 2008.

The local government will assume increasing financial responsibility in a staged basis over the next two years after the handover.

All public facilities have been completed including the additional facilities just completed at Onar Baru. Further details regarding the Onar Baru facilities are provided in section 3.2 on construction.

Public facilities in Onar Baru and Saengga are planned for handover in December 2009.

Dimaga Foundation

During the period, the main activity of the Foundation was to conduct Participatory planning for indigenous clans Simuna, Wayuri and Simuna; a total 73 residents from the three clans participated and 45% of them were women. The events went well with some actions and programs listed in the CAPs, mainly for improving capacity of the people in three clans including training and education assistance.

Currently, a total of 123 students from three clans continue to receive educational assistance from the foundation. The program is supported and funded by the foundation in collaboration with the YPA (Yayasan Pelayanan Antarbudaya), an educational organization based in Jayapura. The program is

conducted at the Tanah Merah dormitory, with the support from local teachers. Its aim was to increase the number of Tanah Merah junior high school students in passing the national examination in April 2009.

Training on Management and Organization was also continued for 2 Dimaga Foundation local staffs in Tanah Merah Baru, focusing on team building, transparency, financial management and other simple management principles suitable for village operations.

3.2 Construction

Significant progress has been achieved with regard to construction of additional public facilities in Onar Baru. The construction of the church, village hall, office and integrated health post has been completed.

Repair works of public facilities in Tanah Merah are underway, and expected to be complete mid of 2010. The project is part of handover agreement between the project and the community.

3.3 Resettlement/Relocation and Village Management

There were no resettlement or relocation activities in the reporting period as these were completed in 2006. Tanah Merah relocation was done in 2004 while the Saengga renovation was conducted in 2006. Tangguh continues to support the villagers in managing their villages through various capacity building activities.

Tangguh continues to engage with local government in supporting religious buildings and other public facilities in Tanah Merah and Saengga. As Tanah Merah Baru public facilities have been handed over to the relevant institutions, Tangguh's assistance will be on an ad-hoc basis based on proposals submitted by the relevant institutions. YPK continues to receive funding from the Project to pay for the contract teachers and to support school operations in Tanah Merah and Onar. Electricity generator maintenance is performed by selected villagers trained as operators.

As part of the gradual integration of LARAP with the other ISP activities, this period was the first time participatory planning (PBM) was implemented in Tanah Merah, Saengga and Onar. Some development priorities agreed in CAPs Document include small businesses, agriculture program and education assistance.

Livelihood Restoration Activities

Agriculture

The Tanah Merah stocking point is continuing to supply vegetables, fish and shrimp for Indocater, the catering provider for the LNG project. During this period the total delivery was 9,509 kg vegetables, 559 kg fish and 1,119 kg shrimp.

The IPB team (Tanggung implementing partner) continued to provide agricultural training in several modules covering soil fertility, erosion control, pest control, and vegetables cultivation. The villagers also learned production and use of organic fertiliser (composting) to enhance long-term soil fertility, in total 64 farmers participated in this session. Tangguh continues to provide assistance and mentoring to the farmers. Fertilizer production training was also conducted for 28 farmers from Saengga and Babo.

The Project sent the third batch of six RAVs villagers to participate in an agricultural training program in Salatiga, Central Java Province. During the three month training program, participants are trained in agricultural technology, cultivation and harvesting skills, theory and practice. The trainees are expected to energize farming and agricultural activities in the villages. In total, 17 villagers have been sent to Salatiga for this training.



Picture 1: Farming activities at Onar Baru

Fisheries

Vocational training in fishery product processing (production of shrimp crackers, shrimp paste and salted fish) continued to take place in Tanah Merah and Onar. The products are used for local consumption and for sale to Indocater through the Mayri Cooperative.

The IPB program is providing village training in salted fish production and supplies the salt. To improve sales, IPB has facilitated product packaging, branding and permitting. During the reporting period, training on salted fish was successfully conducted in Onar, attended by 34 participants. Construction of building for producing dried fish in Onar has also been completed.

The household economic management training continued in Onar with 12 households participating.



Picture 2: Dried/Salted Fish processing at Onar Baru

Manggosa Pathway

The project has completed and handed over Manggosa Pathway, which includes 4 units fishing camps, 4 units rest shelters, 1 unit jetty and 13.8 km walkway to the Village Government of Tanah Merah Village.



Picture 3: Manggosa Pathway

Savings/Loans and Small Enterprise Development

Mayri Cooperative in Tanah Merah

Contract between Mayri and Indocater to supply vegetables was extended, during this period 11.187 ton fish and vegetables have been delivered to Indocater catering.



Picture 4: Mayri Cooperative's mini market

Cooperative in Onar

Established Uno Perina fishery women group in Onar

Cooperative in Saengga

Established Uno Perta agricultural women group in Saengga

Vocational Training

In addition to the vocational training on the agriculture and fisheries subjects mentioned above, the Project is also preparing the training for production of *tauge* (bean sprouts). .

Literacy & Basic Arithmetic

This training is actually run throughout the DAVs and RAVs in cooperation with Universitas Cenderawasih. The training on basic literacy in the RAVs has been conducted with 46 participants; 31 were women..

4 Status of Resettlement Risks

4.1 Adequacy of Resources

Referring to the LARAP book p. 119, the Project recognised the more limited resource base at the resettlement villages. Therefore, the Project has instituted a) microfinance and microenterprise activities to diversify livelihoods and income sources; and b) a vocational training programme. Both activities are elaborated in section 3.4 Livelihood Restoration Activities above.

4.2 Agricultural Production on Replacement Sites

One of the risks identified in LARAP is the possibility for resource base depletion – which could reduce agricultural production levels. To address this risk, the Project has been training the villagers on erosion control and soil fertility management. Pest control and vegetable cultivation are also taught to increase food production.

The Simuna clan forest lands on the south of the resettlement area remain accessible to the villagers.

4.3 Adequacy of Marine Resources

As discussed in the previous report, the fish and shrimp stock in the Bintuni Bay area has increased in the past three years – based on a comparison of fishery surveys which took place in 2004 and 2007. The Bay area is also still a fertile fishery ground with high *Cholorphyll* content, higher than 1mg/cubic metre.

To monitor the adequacy of marine resources, the Project performs this fishery survey periodically. The 2009 Fishery survey has been completed by IPB in June-July, in parallel with the Seawater & Sediment and Marine Biota Survey. The report is still being finalised by IPB. The monitoring result shows a high level of nutrient in the Bay water, indicating high productivity for fishery.

4.4 Operation and Maintenance of New Infrastructure

Handover of Built Facilities

The handover of all RAV facilities in Tanah Merah was executed on 1 December 2008. The Handover agreement stipulates that the facilities will be handed over as follows: (a) houses, garden and agricultural plots and village buildings to the local communities; (b) schools, health facilities, the market, the jetty, roads, and the electric power system and water supply to local government; and (c) the mosques and churches and associated houses to the appropriate religious organisations.

The regency government committed to assume responsibility to run and maintain the public facility. To ensure a smooth transition, Tangguh will support the operating costs of electricity and water systems while the local government assumes increasing financial responsibility in a staged basis over the next two years until end of 2010.

At the same time, limited training has been provided to the villagers for genset and electricity maintenance. However further - more systematic - training is planned during the two-year transition period as full handover takes place to the local government and community.

The project has facilitated several meetings between the local government of Bintuni and the Tanah Merah community in preparation of water and electricity maintenance after full handover to the government next year. The plan is to have a MoU between Bintuni government, TMB village leaders and the Mayri cooperative to authorize Mayri as the party to manage power and water system in the TMB village.

4.5 Equity of Benefit Distribution

During this time there is no major issue on this subject amongst the RAVs. We are further addressing this through Livelihood programs.

The equity of benefit distribution between the RAVs and the villages of the North Shore is notably more challenging. This is due to perceived social jealousies by the North Shore and limitations to Tangguh assistance to the North Shore villages as prescribed in the AMDAL. Their sense of entitlement is further fueled by adat claims on the gas reserves beneath them. We are addressing this equity issue in two ways: first, through the establishment of the Bintuni Development Foundation (as further explained in the Part Two of the ISP section of this six-monthly report); and, secondly, through discussions between the central and local Bintuni government toward achieving an amenable solution to the adat issue.

4.6 *Vulnerable Households*

During the reporting period, the LARAP team continued monitoring the vulnerable households (single parents, elderly people and disabled people). No special support was provided by Tangguh to these households as they are being adequately taken care of by their relatives. We are also further addressing this through Livelihood programs.

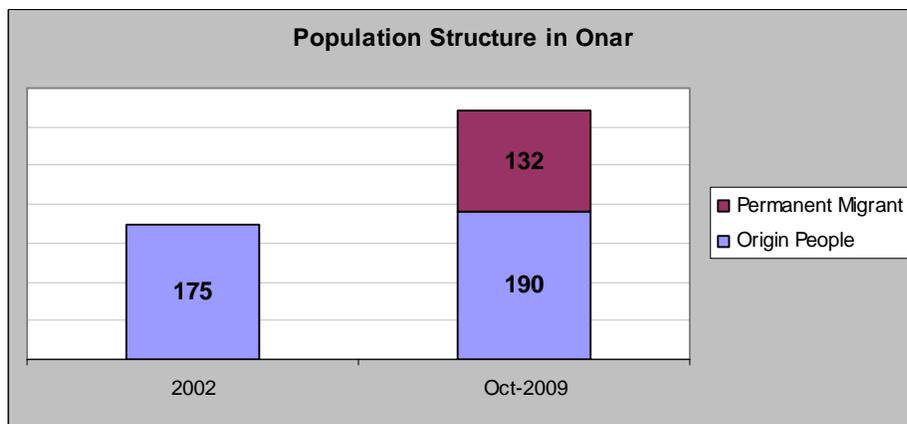
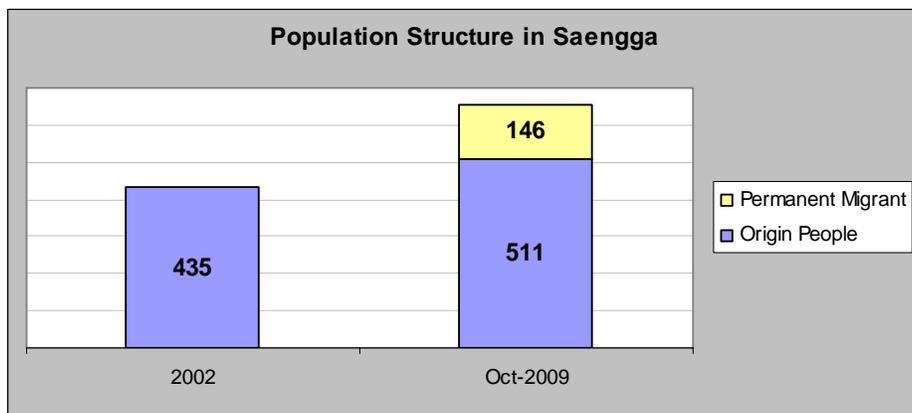
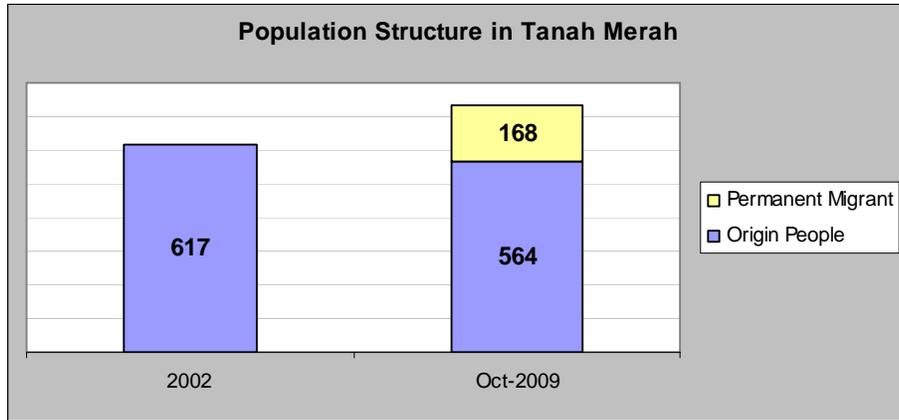
4.7 *Spontaneous In-Migration and Adverse Induce Impacts*

As elaborated in the parallel ISP Report Section 6.1.4. in In-Migration, the Project supported the Bintuni Regency and RAV leaders in drafting local ordinances to manage in-migration flow. Technical/legal drafting support was outsourced to Universitas Cenderawasih School of Law experts. These ordinances regulate among others: population registration and alcohol prohibition.

At the Regency level, 11 final draft ordinances on population management, trade, prostitution and natural resource management were submitted to the DPRD (local parliament). The regency government is reconsidering its implementation as they see in-migration also brings economic benefits to the regent and it is their view that the National Law on Demographic Control is sufficient to handle in-migration.

Meanwhile at the village level, the regulation (PERKAM) on in-migration assembly, which acts as an implementation guideline of the National Law on Demographic Control, has already been completed and put into effect. The DPRD ratification process is not within Tangguh control, but we will continue to emphasize to the government the importance of having these ordinances formalized as well as monitor the adverse impact of in-migration.

Figure 1. Population Changes in Tanah Merah, Saengga & Onar (2002-2008)



In-migration increased up to 40% of Tanah Merah and Saengga total population during the Project construction until 2007, then decreased throughout 2008 and 2009 due to the completion of project construction. In October 2009, the in-migrants comprise 23% of the total population in Tanah Merah Baru, 22% in Saengga, and 41% in Onar. The in-migrant population has been high historically in Onar Lama, even before the Tangguh LNG project started.

5 Forward Plan (Next Six Months)

The Project team will focus on following up on the findings and recommendations from the External Panel team during its March 2009 visit. This includes Saengga Handover, land titling for public facilities in Tanah Merah, rain harvesting system clean water and, RAV workforce and monitoring & evaluation efforts.

The Project has also completed the LARAP Completion Audit conducted by the External Panel team at the end of 2009. A census survey for the RAV was completed in October 2009 and provided for the LARAP Completion Audit. We are still awaiting the review report from this completion audit.

6 Summary of Corrective Action Plans

This section provides a summary of all Corrective Action Plans (to the extent related to the resettlement aspects as described in the Tangguh LARAP) closed out during the reporting period. As no Level 2 Non-Compliance events were recorded for the LARAP in the March review and we have not received the report on the LARAP completion audit, no corrective actions have been developed during the specified period.

7 Summary of Progress Made in the Implementation of Recommendations from the External Panel

The External Panel conducted the sixth compliance review in November that included LARAP and HSE completion audit. However, the draft report has not been issued when the Operator 6-monthly report was written. The status updates below relate to the non-compliance found from the fifth EP review conducted in March 2009. The IPSI findings being addressed were: handover of RAV facilities, land titling, the Manggosa pathway, project workforce, and income restoration.

While handover of RAV facilities in Tanah Merah was executed on 1 December 2008, the necessary rules, regulations, and appropriate capacity building to ensure sustainable operations continue to be developed by the local governments with support from the Project. The rules and regulations have been drafted and are awaiting approval from Baperkam. Some training for maintenance and operations of the electricity utilities was done, but will be intensified. More training on water system and high building maintenance, are being planned within the 2 year transition period.

The project has facilitated several meetings between the local government of Bintuni and Tanah Merah community in preparation of water and electricity maintenance after full handover to the government next year. The plan is to have a MoU between Bintuni government, TMB village leaders and the Mayri cooperative to authorize Mayri as the party to manage power and water system in the TMB village.

For land titling, a total of 430 complete land title applications have been completed and are in the process for distribution to the land owners.

The Manggosa pathway was completed in September 2009. The completion was signified with an inauguration ceremony at the Manggosa river that was attended by Tanah Merah village government and community, Distrik Simuri representative and the Tangguh Operations CRP team.

All AMDAL targets for the Operations workforce numbers have been met or exceeded. Please refer to the workforce table in the Operator's 6-monthly report. Tangguh continues to offer jobs in Operations to households not offered jobs during the Project construction phase.

A socio-economic survey was finalized by UGM using parameters stipulated in the LARAP handbook. Census data for the RAVs was submitted to the External Panel in November to perform the Resettlement Completion Audit.

8 Other Information

This section provides other information as the Tranche Lender may reasonably request that the Operator include in such report in relation to the Tangguh E&S Project's progress on the involuntary resettlement aspects of the Environmental and Social Requirements during the reporting period. No requests for additional information have been received.

9 Non Compliance

This section reports (in matrix format) failures to comply with and actions and omissions which were inconsistent with, the involuntary resettlement requirements of the Environmental and Social Requirements (which such failure, action or omission constitutes or constituted a Level 2 E&S Non Compliance) during the relevant reporting period. No Level 2 Non-Compliance issues have been identified.