



Social Monitoring Report

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INDONESIA: Tangguh Liquefied Natural Gas Project

Prepared by BP Berau Limited
Tangguh LNG Project Operator

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Asian Development Bank



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

October 2006 – April 2007

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1 Evaluation of Tangguh E&S LARAP Performance

This is the second 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 of the LARAP for the period October 2006 to April 2007.

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.

During the reporting period, the Project's LARAP implementation team focused on:

1. Discussion and familiarisation of the process and implications for handover of the public facilities with the communities, tribal leaders, religious leaders, and youth leaders in the RAVs as well as the Teluk Bintuni government;
2. Internal preparation of the necessary documents including legal agreements, required for the handover process;
3. Assisting the functioning of the cooperatives, and
4. Continuation of several ISP programmes in the RAVs, including health, education, and women's empowerment.

2 LARAP Implementation

2.1 *General Overview (Successes and Challenges)*

Since the completion of construction in Tanah Merah Baru, all the public and social facilities, including medical, educational and religious facilities have been maintained with the Tangguh Resettlement Team's involvement. However, preparation for handover of all public facilities is at an advanced stage to formally transfer the facilities to the community and the Government of Teluk Bintuni, as appropriate.

The Resettlement Team has been working with the Mayri Cooperative to establish a system to manage electricity and clean water facilities. However, this has not achieved the desired outcome, and attempts to collect contributions from the community to cover facility maintenance and fuel purchase costs were unsuccessful. The Resettlement team is now trying to set up a Village Utility Agency to manage maintenance of water and electricity.

2.2 Resettlement-Related Grievances

During the reporting period the RAV villagers submitted in total 18 grievances. This means an average of 3 grievances per month. Most grievances were about resettlement and workforce issues. As shown in the table below, grievances originating from Tanah Merah focused on resettlement i.e. infrastructure, small enterprises, capacity building, and compensation.

Grievances on infrastructure focused on renovation of the public facilities, i.e. the village hall, mosque and churches (both Christian and Catholic). Grievances on compensation related to the Manggosa pathway and compensation for Agathis trees.

It is noted that some villagers use the grievance mechanism more frequently than others. The Project team has observed that women are generally reluctant to use this mechanism, probably because of cultural inhibitions or lack of knowledge about the mechanism. The team has been working to encourage the villagers, both women and men, to utilise the grievance mechanism to raise and settle their issues.

All grievances were responded to within the two-week time periods, as required by the established procedure.

Table 1: Summary of Grievance Filed by RAV October 2006-April 2007

No	Resettlement Affected Village (RAV)	Type of Grievance	No of Grievance
1	Tanah Merah	<ul style="list-style-type: none"> • Resettlement • Workforce • Health • ICBS/COP • Religious Affairs • Communications • In-migration 	<p style="text-align: center;">8</p> <p style="text-align: center;">2</p> <p style="text-align: center;">1</p> <p style="text-align: center;">1</p> <p style="text-align: center;">1</p> <p style="text-align: center;">1</p> <p style="text-align: center;">1</p>
2	Saengga	<ul style="list-style-type: none"> • Resettlement 	1
3	Onar Baru	<ul style="list-style-type: none"> • Health • Women Empowerment 	1
	Total	<ul style="list-style-type: none"> • Resettlement • Workforce • Health • ICBS/COP • Religious Affairs • Communications • In-migration • Women Empowerment 	<p style="text-align: center;">9</p> <p style="text-align: center;">2</p> <p style="text-align: center;">2</p> <p style="text-align: center;">1</p> <p style="text-align: center;">1</p> <p style="text-align: center;">1</p> <p style="text-align: center;">1</p> <p style="text-align: center;">1</p>

3 Status of Component Activities

3.1 Compensation

Public Facilities Handover

During the reporting period, efforts have focused on preparation for the handover of the public facilities built in Tanah Merah, Saengga and Onar. An action plan to support the handover that will identify key activities, a budget and resources for targeted capacity building support for the RAVs is being developed.

The Project is preparing a detailed handover plan, which identifies each of the public facilities and the parties who should own and manage the facilities. In identifying the owning and managing parties, the Project has taken into account obligations under the 1999 Agreements, together with the further considerations set out in section 4.5.2.5 of the LARAP. The intention is to achieve a handover of the facilities that best protects the long term interests of the communities, including the provision of on-going funding for operation and maintenance.

Discussions for the preparation of the handover of the public facilities between the Project, communities of the RAVs and the *Bupati*, are ongoing. Such discussions are a necessary part of the handover process in order to increase awareness and address issues that will impact on the facilities going forward. Such issues include a weak sense of communal ownership with regard to the facilities, limited willingness from the villagers to cover maintenance costs, and village government's limited capacity and experience in the management of public facilities of this scale.

Dimaga Foundation

The Dimaga Foundation has been designed to generate long term benefits in perpetuity for the three land-selling clans (Soway, Wayuri, Simuna) to be utilised in support of the development of the clans.

As of 1 April 2007, the Foundation holds an endowment fund amounting to \$1,250,000, which will be increased by annual increments of \$250,000 to a total endowment of \$2 million by 2009. The Project has continued socialising the operation of the Foundation, providing capacity building training and mentoring for the appointed representatives of the three clans. The Project has notified the three clans of the allocations available to them for approved programmes during 2007. During the reporting period, the Project has worked with the three clans to assist them in preparing programme proposals which will be submitted to the Foundation for review and approval.

Agathis Trees

Compensation for the cultivated stands of *Agathis spp.* and also the nutmeg trees occurring on the LNG Project site was settled in cash with the related clans and individuals in Saengga in April 2007 after a series of intense discussions. The total amount of compensation agreed was IDR 413,953,600 (around US\$46,000 based on the April 2007 rate). Compensation value per clan/individual varied depending upon the quantity of their trees and was based on a rate agreed in a meeting in Tanah Merah village between tree owners and LARAP team in November 2006.

Eight individuals - representing their respective clans - received the compensation for their *Agathis spp* trees, while three others received compensation for nutmeg plants. The handover of the compensation in cash to the clan representatives and individuals was witnessed by the Village Head of Tanah Merah, the Head of the Village Representative Body (BAPERKAM), and other senior Village administrators.

All the recipients and witnesses signed the Minutes of Payment (Berita Acara Pembayaran) for record purposes.

3.2 Construction

Tanah Merah Baru and Onar Baru

There was no new construction in Tanah Merah Baru during the reporting period. For Onar Baru, the Resettlement Team and villagers have set up a development committee for the construction of the village hall, church, health clinic and the teacher's housing. Designs for these facilities have now been completed.



Figure 1: Children in Onar Baru with Maquette of New Public Facilities

Saengga Renovation Project

Renovation in Saengga was completed in May 2006. Similar to Tanah Merah Baru and Onar Baru, the community members moved in immediately the construction was completed. Thereafter, only maintenance works took place. Some of the maintenance works was covered by the developer's warranty until May 2007.

Onar Lama Renovation Project

Renovation in Onar Lama started in 2004 and was completed in August 2006. For electricity supply, the Onar Lama villagers use a generator provided by the Tangguh Project. The Resettlement team has also been providing training on generator maintenance.

3.3 Resettlement/Relocation and Village Management

Support for the development of village-level management cooperatives - Mayri in Tanah Merah Baru, Wermina in Saengga, and Yenadu in Onar Baru – continued during the reporting period. These cooperatives are intended to manage the public infrastructure in the respective resettlement villages.

The Resettlement team is currently designing a new training programme for village government officials, as discussed with the District government in 2006. An on-going training programme for electricity and water utility operators is being carried out for both Tanah Merah and Onar.

In Onar Lama, villagers have established a body to manage electricity and clean water facilities. This also includes collection of monthly contributions from the community members to cover facility maintenance and fuel costs. To support those initiatives, the Resettlement team has organised training sessions for the two generator operators appointed by the community to maintain the facilities.

3.4 Livelihood Restoration Activities

The livelihood and income restoration programme is needed to enable the villagers to reach and exceed their pre-resettlement standard of living. To achieve that goal, the Tangguh Project has focused on four key areas of activity: agriculture, fisheries access and development, savings/loans and small enterprise development, and vocational training and employment.

Agriculture

The Tangguh Project signed an MOU with Institut Pertanian Bogor or 'IPB' (Bogor Agricultural University) in March 2006 to promote (among others) agricultural development in RAVs

Housewives in RAVs have started planting vegetables and fruit trees in their front yards for their own consumption. Results are mixed, and the LARAP team has identified the challenges, i.e.: soil fertility and pest control – which the Resettlement team will try to address with the IPB team. A work order for technical assistance from IPB is being prepared.

The agricultural supervision programme for Saengga village has been provided to date by the Resettlement team. It consists of distribution of vegetable and fruit seedlings, and agriculture mentoring.

Fisheries Access and Development

The Project has arranged training to improve villagers' fishing methods, provided outboard engines to Tanah Merah households participating in the programme and restructured fishery trading channels.

Many of the training participants stopped fishing during the reporting period as they were chosen for construction employment at the LNG site. It is expected that they will resume fishing activities once their construction work contracts expire.



**Figure 2: Onar Fishermen
Cleaning Their Net**

As of April 2007, Onar villagers have been able to supply prawns to Universal Sodexo - the catering company that serves the Tangguh Project - at an average rate of 250 kg/month. Universal has also requested the community to supply fish at 100 kg/month starting in May 2007.

The Project is currently developing a Terms of Reference for a Fishery Survey in the Bintuni. The plan is to conduct this Fishery Survey in the fourth quarter of 2007. Results of this survey will help the Project to develop future fishery programmes for RAV fishermen.

Manggosa Pathway

The current pathway to Manggosa was completed in the third quarter of 2006. The Project has socialised utilisation of the Manggosa pathway.

The current pathway is perceived as unsatisfactory by the villagers. They claim that the land surface of the pathway is unstable, and users are therefore exposed to slippage risks. Furthermore, there is no coverage shading along the pathway so that villagers using the pathway have no protection from the heat and the sun. The Resettlement team has been having discussions with the Project's management to explore alternatives to improve the pathway.

Savings/Loans and Small Enterprise Development

These activities are conducted through the cooperatives mentioned earlier in Section 3.3 Resettlement/Relocation and Village Management.

The Mayri Cooperative in Tanah Merah Baru is already operational. Its activities include selling basic commodities for the villagers, providing catering services (under guidance from Universal Sodexo) for the Resettlement team camp in Tanah Merah, providing mineral water for workers on the Tangguh Project, re-vegetating (under guidance from URS) open areas around the LNG plant, and distributing oil fuels (with licences from the Bintuni Regency Local Government and Pertamina) to Tanah Merah Baru villagers.

In Saengga, the Wermina Cooperative is also operational. Its activities include selling basic commodities to the villagers (with guidance from INSPECT regarding administration and bookkeeping) and distributing oil fuels (with licences from the Bintuni Regency Local Government and Pertamina) to Saengga villagers.

Meanwhile the Yenadu Cooperative has been trying to set up its office in Onar Baru. Yenadu plans to strengthen its shrimp collecting business to support the villagers' fishing activities. As of April 2007, Yenadu cooperated with Universal Sodexo to supply shrimps for the Tangguh Project's workers' consumption.

Vocational Training and Employment

The Project conducted a series of sewing and handicraft training for RAV women. By participating in this training, it is hoped that the women will be able to fulfil family needs in the short term and contribute to family income in the long term through provision of simple tailoring and handicraft businesses.

In addition to the programmes noted above the Tangguh Project has also offered employment to a significant number of the villagers at the LNG plant site.

4 Status of Resettlement Risks

4.1 Adequacy of Resources

The issue of adequacy of resources is primarily relevant to the resettled villages of Tanah Merah and Onar Baru. To deal with this issue, the Project promotes small enterprise development and vocational training for livelihoods/income diversification. Details of efforts in this regard are presented above in section 3.4 Livelihood Restoration Activities.

4.2 Agricultural Production on Replacement Sites

The Resettlement team outsourced a Household Survey to Universitas Papua (UNIPA), Manokwari in late 2006. This Household Survey covered among others replacement of agricultural production aspect. To date, the UNIPA team has been unable to submit a report on the Survey to the Resettlement team. This is currently being followed up by the Resettlement team.

Another aspect of supporting agricultural production is the Resettlement team's efforts to support measures to manage erosion risk and soil fertility. For erosion control, the team has planted bamboos at erosion-prone spots in Tanah Merah. The team monitors the results periodically to ensure the effectiveness of this bamboo planting.

Meanwhile to enhance soil fertility, the team has encouraged villagers to i) to plant *Crotalaria* sp. in their vegetable gardens, and ii) to rotate crops (one season for some particular crops and change to other crops for the next season, and so forth).

Some villagers have also obtained permission from the Simuna clan to use their land for gardening (vegetables and fruits) and hunting (deer, swine and wild chickens).

4.3 Adequacy of Marine Resources

The Resettlement team intends to design further activities related to fisheries, to deal with the adequacy of marine resources. As mentioned in Section 4.2 the team has not yet been able to secure the results of the Household Survey carried out by UNIPA. Design of further activities will take into account the results of the survey.

Outboard motors have been provided to the Tanah Merah villagers, together with training on usage and maintenance of these motors. However, some villagers have put their fishing activities on hold temporarily due to construction employment at the LNG site. It is expected that they will resume to their fishing activities once their employment terms expire.

As mentioned earlier, the Resettlement team is planning to carry out a Fishery Survey in Q4 2007. Results of this survey will also reveal information about adequacy of marine resources and allow the Project to better understand concerns expressed by the villagers regarding decreasing shrimp catches in the past 14 months and possible reasons for such decreases. This survey will update information from the previous Fishery Survey in Bintuni commissioned

by the Tangguh Project in 2004, and will provide a valuable record of current marine conditions.

4.4 Operation and Maintenance of New Infrastructure

As per the LARAP, public infrastructure will be handed over in terms of ownership and operation based on agreement with the villagers of Tanah Merah Baru, Saengga and Onar Baru, local government and the Tangguh Project. The public infrastructure includes roads, a jetty and boat landings, village halls, utilities, a market place, school buildings and a boarding house, a mosque, and two churches. As mentioned in the LARAP, transfer of these facilities is challenging and requires engaging both the community and the newly formed government of Teluk Bintuni Regency.



Figure 3: Tanah Merah Villagers Meet to Discuss Facility Maintenance

4.5 Equity of Benefit Distribution

During the reporting period, the Tangguh Project decided implementing initiatives to support equity of benefit distribution. These include a number of community development activities that go beyond the established CAPs, e.g. the cleanwater/rainwater reservoir construction projects in Tomu, Ekam, and Taroy villages. In addition to these, the Project has also engaged in community development activities beyond the DAVs, e.g. the development of electricity facilities in Sebyar Rejosari village and a clean water project and health post construction project in Irarutu III (Babo) village.

4.6 Vulnerable Households

A number of vulnerable households (single parents, elderly people, and disabled people) were identified prior to relocation. The Resettlement team has continued to monitor the condition of these households in their new location.

Some single parents have been successful with their chicken breeding and vegetable gardening. To support their gardening efforts, the Project team made a second distribution of free vegetable and fruit seedlings in January-February 2007. With regard to the elderly and disabled people, the Project team notes that they are being supported by their relatives.

As per the LARAP, the Project plans to conduct a relocation survey by end of 2007 to obtain a more comprehensive view of the overall resettlement efforts including the conditions of these vulnerable groups.

4.7 Spontaneous In-Migration and Adverse Induce Impacts

The process and result of the resettlement project - i.e. the construction of houses and public facilities, provision of temporary sources of livelihood and vocational training – has created a situation in which the possibility of spontaneous in-migration to the RAVs in a serious concern.

In order to cope with in-migration and its adverse induced impacts, the Project conducts two programmes:

- Development and implementation of workforce recruitment policies that pre-empt the arrival of spontaneous migrants to areas in the immediate vicinity of the Project (and thus the resettlement-affected villages). The workforce recruitment policies have been implemented and socialised through the Kabupatens' Labour Department;
- A dedicated mitigation programme to build awareness and understanding of the potential consequences of high levels of in-migration, promote establishment of monitoring in Kabupaten towns and the resettlement-affected villages and strengthen capacity to manage these issues.

In addition to the above, the Project has also provided assistance to village administration in instituting procedures to regulate in-migrants i.e. registration, alcohol prohibition, ID and family card issuance.

Until January 2007, the In-migration team and PSKK-UGM provided mentoring on a monthly basis to RAV villagers in monitoring in-migrants in their respective villages. Monitoring data was then aggregated and analysed together in the Quarterly Evaluation Meetings – the latest of which during the reporting period was in Babo in January 2007. In addition to this, the In-migration team conducted socialisation of in-migration impacts in Onar Baru in March 2007.

Table 2:
Number of In-Migrants Recorded by In-Migration Forum (Jan-May 2007)

Village	Male	Female	SubTotal
Irarutu III (Babo)	227	92	319
Tanah Merah	215	59	274
Saengga	157	60	217
Onar	52	13	65
Tofoy	56	3	59
Total	707	227	934

5 Forward Plan (Next Six Months)

The team is now preparing for Phase I of the handover of the public facilities. Unless difficulties are encountered in reaching agreement with the community and the Bintuni government, it is hoped that the first phase of the handover will be accomplished by 4Q 2007. The success completion of the first phase will be then followed by the second and final phases of the handover. It is anticipated that the final phase of handover, which will involve the handover of the electricity and water systems, will require more time for the reasons already discussed in this report, in particular the need to reach agreement regarding the funding of maintenance and operational costs.

The Team intends to continue preparing the documents required to complete the applications for the land titles for the houses in Tanah Merah and Saengga. Given the number of applications that must be processed, the Resettlement team and the lawyers intend to arrange a meeting with the Land Office (BPN) and discuss with them the applications, and how the process should be managed to obtain titles as efficiently as possible. An initial meeting with the Land Office has taken place and will be followed up in the next reporting period.

Activities relating to the Dimaga Foundation will continue. Programme proposals received from the clans will be reviewed and evaluated in accordance with the procedure established by the Foundation. If approved, the Foundation will work with the clan representatives to discuss the details of implementing the programmes. Disbursement of funds will be made in accordance with the approved programme proposals.

The team will also boost their livelihood activities as part of the continuity of the programmes, especially in agriculture, livestock, fisheries, cooperatives, savings and loans, and small businesses.

6 Summary of Corrective Action Plans

As per requisite format, this section provides a summary of all Corrective Action Plans (to the extent related to the resettlement aspects as described in the Tangguh LARAP) that were closed out during the reporting period. As no Level 2 Non-Compliance events were recorded for the LARAP, no corrective actions have been developed during the specified period.

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

This section provides a summary of progress made during the reporting period in the implementation of all outstanding recommendations (to the extent related to the resettlement aspects as described in the Tangguh LARAP) made by the External Panel in the context of any review or monitoring conducted by it under the External Panel Terms of Reference. As at the time this report is being written, the External Panel has not published the Final Report with its recommendations, therefore no implementation of recommendations can be reported at this point.

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.