



Environmental and Social Monitoring Report

Project Number: 38919
April – October 2010

INDONESIA: Tangguh Liquefied Natural Gas Project Operator's Social Report – Part Two Integrated Social Programme

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 2010 – October 2010

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TANGGUH LNG

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1. OBJECTIVE AND SCOPE

This is the tenth bi-annual report to 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). This report covers implementation of the ISP programs for the period of April 2010 to October 2010. LARAP Completion progress in response to the External Panel recommendation is reported in Appendix A, while the social development activities in the LARAP villages are now reported in the Social Monitoring Plan.

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 implementation partners, including British Council, YASP, IPGI, MCC, and UGM.

3. TANGGUH E&S ISP PERFORMANCE - EXECUTIVE SUMMARY

This 8th report is the final report to conclude the first five years of ISP's strategies implementation. In this report, the 14 programs stipulated in the 2005-2010 ISP's strategy book are grouped into five: Livelihood, Education, Health, Governance and Communication and External Relations.

Based on the rigor monitoring and evaluation system we can conclude that most of the objectives set out in the first ISP book have been achieved, especially in the livelihood, health and education groups. Livelihood programs continue as per plan, with the focus on agricultural, fisheries, microfinance and micro-enterprises for the DAV communities.

In the education group, the most significant improvements are highlighted in several areas, including better education access for children of school age, improvement in student passing rates across Bintuni Bay regency, as well as improvements in the communities' understanding on the importance of education. In the health sector, the outcomes show tendencies toward decreasing prevalence of malaria, fatalities due to diarrhea and infant - maternal mortality rates.

In governance, it remains a challenge to identify the improvement in government officials' capacity, especially those stationed at the DAVs. However, we see significant improvement in communication participation in the village planning activities, transparency and accountability of the CAPs fund and better awareness of oil and gas business nature.

In general, the ISP implementation in the past five years have contributed significantly in accelerating social development in Teluk Bintuni, and particularly in the DAVs.

4. TANGGUH LNG UPDATE

The two trains are now in the final stages of ramping up to maximum rates, operating efficiencies of 90% by the end of October 2010. Tangguh delivered a total of 72 LNG cargoes and 17 condensate cargoes during January – October 2010.

We had five recordable injuries between January – October 2010 which were responded with immediate investigations and site-wide safety stand-downs. We continue to focus strongly on all aspects of HSE.

The Tangguh Operating Management System (OMS) implementation is on track to complete implementation by end of 2010. Tangguh also received ISO14001 certification in October 2010 and continues to be committed to operate with no damage to the environment.

5. INTEGRATED SOCIAL PROGRAM

5.1. SOCIAL MANAGEMENT PLAN

This report reflects the transition period of the social programs implementation from the first to a second 5-year period of the Tangguh Integrated Social Program strategy. Some of the program implementations are slightly behind schedule due to an extended tender process for the selection of new implementing partners.

For the education programs the British Council was awarded the contract to assist Department of Education of Teluk Bintuni to improve the education quality in Teluk Bintuni for the next 3 years. Team mobilization and preparatory activities for new contract is in progress. A two-year contract for supporting government in Bird's Head level was awarded to Mediatama CiptaCitra (MCC), while University of Gadjah Mada was appointed to support in district and village level. The Contract for the Bird Head's Business Empowerment Program (BHBEP) was awarded to PT Andalan Unggul. The three implementing partners are now working to prepare early work and administrative issues.

Indigenous people and gender issues are addressed in the current activities that are categorized as follow: livelihood, health, education, governance and external relations. They are summarized as follows:

5.1.1. LIVELIHOOD

Micro-enterprises and Micro-finance

The programs provided community wide economic opportunities to increase incomes of both individuals and households through supporting capacity building and access to finance and wider markets. During this period, the activities are more focused on agricultural programs and support for the development of local financial cooperation. Meanwhile the programs are also to support the development of institutional capacity including government official assistance. To ensure that the implementation of these programs meet the set target, competent mentors are in place in selected villages to help farmers in developing their capacity and assets.

Bird's Head Business Empowerment Program

The Bird's Head Business Empowerment Program is in transition to new contracts which will focus on support for institutionalization of the business community in Bird's Head level. Partnership program to support local businesses through Papuan Bird's Head business association is underway, while mentoring for local businesses in Manokwari, Sorong, Fakfak and Bintuni is continuing.

Workforce Management

Tangguh workforce management during the operation phase continues to maintain manpower commitments for Papuan employment. The recruitment process still follows previous procedures 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 will then be selected through an administration process and health check. Recruitment for applicants from outside the DAV recruitment is processed by respective contractor companies with administrative acknowledgement 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 in managing the education sector as well as increasing the participation and teaching-learning process of the students and education 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 and ended in 2010. Selection was

conducted through open tender followed by 3 institutions, and the British Council was awarded the contract to continue the education program

Meanwhile cooperation with three educational institutions (Muhammadiyah, YPK and YPPK) continues to support basic education through teaching and learning processes. After mid-year 2010 local government of Teluk Bintuni handed over responsibility to support schools operation in DAVs.

Partnership was also established with the Sampoerna Foundation to improve school quality in Tanah Merah to meet national standards. It is expected that the school can be a model for other schools in Teluk Bintuni.

Vocational Training

Tanggung LNG also supports the local government of Bintuni to operate the Vocational Training Center (BLK/ Balai Latihan Kerja) in Aranday. The recruitment of participants is conducted by the Manpower Agency (Disnaker) of Teluk Bintuni. Priority is given to community members of the DAVs and Bintuni. Training center in Aranday (BLK) had been handed over to the Local Government of Teluk Bintuni. However Tangguh LNG continues to provide support to improve community capacity through trainings that organized incorporation with livelihood and community development program.

Tanggung LNG has also continued its partnership with the University of Cendrawasih to deliver intermediate literacy and arithmetic training in the DAVs, which aim to improve the abilities of DAV community members to read, write and do basic mathematics.

5.1.3. HEALTH

Malaria remains the key focus area in the health program. Meanwhile the programs also support the strengthening of the Community Health Center (Puskesmas) in providing community health services in villages including programs for MCH, Diarrhea, TB and clean water. Tangguh is working closely with the local health office to synergize the health programs across the Bintuni Bay regency.

Tendering processes for community health contracts under the Public Environmental and Health (PEH) program are underway, several bidders participate in the tender. The program aims to assist the Department of Health Teluk Bintuni in providing health services in Teluk Bintuni.

Mother and Child Health Program

MCH programs cover the following activities: (i) Nutrition posts, which encourage families to deal with their childrens' nutritional problems. These integrated health posts (Posyandu) are used to identify malnourished children. The catch-up immunization program for children under five is conducted in

cooperation with the Community Health Center (Puskesmas) and health administration of Teluk Bintuni. (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 the health programs is by 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 hygiene latrine.

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. During this reporting periods YASP also supported health administration of Bintuni to replicate the malaria control system established in DAVs to others area of Bintuni.

Diarrhea Prevention

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

Tanggung Community Health Program is also working with Faculty of Community Health University of Gadjah Mada to conduct surveys of Diarrhea outbreaks in DAVs. The Survey results will be used to support Department of Health Teluk Bintuni to formulate Diarrhea preventive strategies, especially for DAVs areas.

HIV/ AIDS Prevention

To anticipate the spreading of STDs, including HIV/AIDS, throughout the area and among the Tangguh LNG's workers, the PEH team 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. The PEH team has also partnered up with the Regional HIV/AIDS Prevention Committee (KPAD) in FakFak, Manokwari and Bintuni regencies.

5.1.4. GOVERNANCE

The objective of good governance is to assist societies and government in achieving equilibrium of governance with the principles of transparency, participatory and accountability. The governance programs consist of government capacity building, civil society strengthening, integrated community based security, empowerment of women and community action plans.

Government

The program aims to assist local governments in improving the capacity of its officials in planning, budgeting and public services. The strategy implementation consists of three regional levels, the Bird's Head, regency and district-village.

The University of Gadjah Mada was awarded the two year contracts for the regency and district-village levels. Mentoring and training activities for Teluk Bintuni agencies in regency level are continuing, while preparation and administrative work for district village level is underway. In the Bird's Head level MCC was awarded a two year contract, and preparatory work is ongoing.

Civil Society Strengthening

The aim of the programs is to increase the role and awareness of society to participate in the development processes in its area. Activities focus on supporting civil society organizations at the Bird's Head and cultural revitalization of the tribes Sebyar and Simuri.

Integrated Community based Security

The programs aim to support the development of security forums in the DAVs in which community leaders, government officials and national security forces meet together to solve security issues within and around their areas. During this period, Tangguh LNG supported various training, mentoring and awareness programs in the communities and government. The training and mentoring materials include information about human rights and law awareness.

Community Action Plan (CAP) and Infrastructure development

Program activities in this section describes community development conducted in Weriagar, Mogotira, Tomu, Ekam, Taroi, Tofoi, Tanah Merah, Saengga (including Onar), Otoweri and Tomage, which are the Directly Affected Villages (DAVs), as well as Irarutu III and Sebyar Rejosari as Indirect Affected Villages (IDAVs). LARAP commitments in Resettlement Affected Villages (RAVs) Tanah Merah and Saengga have been completed well and only the renovation of public facilities continues.

PBM Evaluation

Community participatory planning (PBM or Perencanaan Bersama Masyarakat) is the process to ensure that community aspirations have been adopted and recognized in development. This activity resulted in a CAP document consisting of the development planning priorities determined by the communities themselves.

Principally, "PBM-evaluation" is conducted annually in the DAVs, but some villages conduct it once every two years because some program priorities need to be integrated. Starting this year, the Tanah Merah, Saengga and Onar communities have implemented PBM and CAPs for the first time.

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.

Infrastructures 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 household income. The implementation of infrastructure projects involving community participation both in terms of manpower and materials.

The 1999 agreement stated that LNG Tangguh shall deliver public and social facilities to the community and government, therefore with the end of the LARAP program, the Tangguh LNG is conducting renovation of damaged public and social facilities to ensure that the facilities are handed over in good condition.

Capacity Building

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

5.1.5. COMMUNICATION AND EXTERNAL RELATION

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

Tangguh LNG therefore established the Community Relations (Comrel) and Communication Teams before construction started in 2002 to manage the communities' aspirations and interests in the DAV, and to provide proper information relating to Tangguh activities. In 2006, grievance procedures were implemented in the DAVs to give the communities a chance to channel their complaints related to the project. In 2005 News from Bay (Kadate) bulletin was launched to be distributed to community in DAVs and related stakeholders.

5.2. SOCIAL MONITORING PLAN

Implementation of social programs continued according to plan during this reporting period. Monitoring was conducted through evidence based-reporting and verified through quarterly performance reviews (QPR). Monitoring results are summarized as following:

5.2.1. LIVELIHOOD

Micro-enterprises and Micro-finance

- Household economic training in Weriagar, Mogotira, Tanah Merah, Otoweri, Tomage, Taroi, Onar and Saengga, 107 households participated.
- RAVs farmers to special agriculture training in KPPT Salatiga run as planned with 12 people participating.
- Supported local farmers extending agriculture farming in DAVs, total 11 Ha lands were opened.
- Mentoring sessions regarding sago tumang production were conducted in, Tomu and Ekam, as total 130 kgs were produced.
- Assisted cultivation and fertilization in Tofoi, Tanah Merah and Saengga. 30 farmers participated.
- Supported local people on salted fish production in Weriagar, Mogotira, Otoweri and Onar. As a result, 235 kgs were produced by 198 households.
- Supported stocking points to deliver fishery and agricultural products for Tangguh LNG Catering, during this period totaled 65.232 kgs fish and vegetables delivered.

- Supported establishment saving and loan Union (UBSP) in Taroy, Onar and Otoweri, 53 people participated (mostly are women).
- Completed study of food security analysis by Bogor Agriculture Institute (IPB). The study result was in general households incomes in DAVs are remains above the poverty line but still encountered the malnutrition cases in some villages
- Supported Damai Sejahtera Cooperative in Aranday on staff mentoring and capital to credit delivery.
- Establishment of Taroi stoking point to supply shrimp.
- Establishment of “Cooperative” in Babo as well as provided training for its members.
- Provided additional capital for Taroi and Babo cooperatives



Picture 1. Dried Fish in Tanah Merah Baru



Picture 2. Community Saving and Loan Unit (UBSP) activities in Taroy

Bird's Head Business Empowerment Program

- Continued mentoring session for local firms on business processes in Sorong, Fakfak, Manokwari and Bintuni, of which 45 business people are indigenous.
- Facilitated meetings between Papuan Oil and Gas Contractors Forum, Papuan Chamber of Commerce (Kadin Papua) and Government Procurement Policy Body (LKPP) in Sorong regarding implementation of procurement in government bodies.

Workforce Management

The number of operational workers continued to increase; in September 2010 a total of 3281 people worked at the LNG Tangguh site, Of that total number, some 3000 people were part of the operations team, 55% came from Papua, and most of them are skilled. While the remaining 281 employee working in Tangguh Project, 35.23% came from Papua.

The following table shows the persistence of unskilled workers originating from the Bird's Head of Papua, which are recorded from Irarutu III village. Although the villages are categorized as IDAV, due to the location of the village being very close to Babo Facilities, the manpower targets are treated similarly with others DAVs, therefore fulfillment of unskilled workers to Babo facilities recruited from this village.

The updated numbers of workers are summarized below:

Table 1. Number of Operation Workforce at Tangguh LNG Site

Skillful	DAV	Bird's Head	Other Papuan	Non Papuan	Expatriate	Total
Unskilled	94	23	0	0	0	117
Low Skilled	287	406	4	0	0	697
Semi Skilled	77	358	27	64	0	526
Skilled	12	244	69	998	10	1333
Managerial/Supervisor	1	32	16	252	26	327
Total	471	1063	116	1314	36	3000
Percentage	15.70%	35.43%	3.87%	43.80%	1.20%	100%

Source: Tangguh WFM Team, September 2010

Table 2. Number of Project Workforce at Tangguh LNG Site

Skill Level	DAV	Bird's Head	Other Papuan	Non Papuan	Expatriate	Total
Unskilled	4	0	0	0	0	4
Low Skilled	0	0	0	0	0	0
Semi Skilled	5	54	0	12	0	71
Skilled	1	33	1	99	1	135
Managerial/Supervisor	0	1	0	58	12	71
Total	10	88	1	169	13	281
Percentage	3.56%	31.32%	0.36%	60.14%	4.63%	100%

Source: Tangguh WFM Team, September 2010

Recruitment for Batch-5 for Plant Operator and Technician was done in Papua, 19 people were recruited and training will start in January 2011.

- 16 university students have been recruited for the apprentice program. They will be working in Tangguh LNG through contractors.

5.2.2. EDUCATION

Basic Education

- Supported the establishment of teacher working group in Tanah Merah Baru.
- Conducted education workshop for teachers in Tanah Merah, Saengga and Onar; 20 teachers participated.
- Supported Department of Education Teluk Bintuni to prepare students from Teluk Bintuni in participating on Science Competition in Manokwari and Jakarta.
- Renovation of 6 classrooms in Tofoi and Otoweri as well as additional house for teachers
- Supported the Sampoerna Foundation on teachers training and mentoring in Junior High level (SMP) Tanah Merah, 20 teachers participated.
- Delivered 5 computers for schools in Babo and Tanah Merah
- Continue providing 10 teachers for Babo and Arandai

Higher Education

- Continue providing scholarship for 74 University students in Jayapura and Manokwari
- Continue providing 10 teachers from Malang for Babo and Arandai
- Delivered scholarship for students from Teluk Bintuni to continue their study at Surya Institute (2 students), SMU 3 Buper Jayapura (5 students) and SMK Migas Cepu (27 students), of which 13 are women



Picture 3. Papuan student attended orientation at SMK Migas Cepu

Vocational Training

- Conducted literacy training in Otoweri, Tomage and Onar, 67 people participated, with 93% women.

5.2.3. HEALTH

Mother and Child Health Program

- Supported the establishment of desk systems for integrated health clinics (Posyandu) in DAVs, 7 clinics implemented.
- Conducted refresher training for health cadres in DAVs and IDAVs, 84 cadres participated.
- Conducted family planning education for women of reproductive age, 270 women attended.
- Supported Teluk Bintuni Health Agency on child immunization, total 848 children under 5 years received complete immunization.
- Signed MoU on family Planning signed by Anak Sehat Papua Foundation (ASP) and Women Empowerment Agency of Teluk Bintuni.



Picture 4. Diarrhea survey and treatment in Babo

Sanitation and Clean Water Program

- Completed construction of 3 latrines in Udagaga and Otoweri.
- Installed bio-sands water filtration in Weriagar , Mogotira, Tomu, Ekam and Taroy.



Picture 5. Clean water program through Bio-filtration system in Tomu Ekam

Malaria Control

- Supported establishment of a Malaria prevalence system in Babo, Manimeri, Bintuni and Aranday, while regular prevalence survey continued in DAVs,
- Continued mentoring Malaria health cadres and officials in DAVs on early diagnosis and treatment, 74 sessions completed.

Diarrhea Prevention

- Conducted hand washing campaign for students in DAVs, 986 students attended.
- Dr. Mukti will provide with the anticipation for the diarrhea outbreaks as well as our response.

HIV/ AIDS Prevention

- Continued outreach for high risk people in Bintuni and Fakfak, 412 people attended.

TB Prevention

- Conducted TB education session in DAVs and IDAVs, 634 people attended.

5.2.4. GOVERNANCE

Government

- Mentoring session on planning, budgeting, and administrative for Weriagar and Tomu districts as well as Weriagar, Mogotira, Tomu and Ekam villages by IPGI and UGM.
- Completed final evaluation for Village and District Level Governance Program by independent evaluators.



Picture 6. Capacity building for government officials in District Tomu

Table 3. Local People and Migrants in Tanah Merah, Saengga and Onar

	TMB	Saengga	Onar	Total	Percentage
ORIGINAL					
Indigenous (Sumuri)	479	475	191	1145	59.85%
Non-Indigenous Villages (Irarutu, Wamesa, Bintuni, Wandamen, Raja Ampat,dll)	138	82	29	249	13.02%
Non-Indigenous (non-Papuan: Ambon, Jawa, Sangir, Dobo, dll)	161	139	75	375	19.60%
Sub Total Original People	778	696	295	1769	92.47%
PERMANENT MIGRANT					
Indigenous-migrant (migrant from original clans who live at outside Tanah Merah, Saengga and Onar)	1	1	2	4	0.21%
Papuan-migrant	0	0	2	2	0.10%
Non-Papuan-Migrant	0	2	136	138	7.21%
Sub Total Permanent Migrant	1	3	140	144	7.53%
Total Local People	779	699	435	1913	100.00%

Source: Government and In-migration Program, November 2010

Civil Society Strengthening

- Training for Public Lawyer candidates in Manokwari, 35 people attended and 11 people achieved public lawyers certificates;
- Conducted training on management and conflict resolution by LP3BH in Bintuni; 10 board members of BP3LMAS attended

Integrated Community based Security

- Conducted law socialization by BP's Security Team Incorporation with Fakfak Local Polices, 1807 villagers from Tomu, Ekam, Taroy, Wimbro, Babo, Sidomakmur, Tofoi, Tanah Merah, Saengga, Onar, Tomage, Otoweri, Goras, Kokas and Ubadari attended;
- Conducted re-socialization of Joint Security Guideline in Bintuni, Babo, Fakfak and Manokwari, 241 local police attended.

Community Action Plan (CAP)

- Delivered 60 fishnet for fishermen in Mogotira
- Delivered 2 generators for each Otoweri and Tomu villages
- Completed construction of women village hall in Tomu
- Delivered education assistance for students in Weriagar, Mogotira, Tomu,
- Ekam, Sebyar Rejosari, Taroi, Otoweri and Tomage.

PBM Evaluation

- Supported community to conduct Participatory Planning (PBM) – Evaluation in Tomage, TMB, Saengga, Onar Baru, Tomu and Ekam

Clean Water Program for the Community

- Completed 145 Platforms and tanks of Rain Water Harvesting program in Tanah Merah
- Completed the installation of gutter in Otoweri
- Completed 4 units clean water public tap with rain water harvesting system (RWH) in Tofoi, at total 24 tanks of 5200 liter installed

Other Capacity Building Program

Conducted facilitator training for identified community from DAV

Infrastructure development

- Completed 700 m water channel in Taroi by community and supported by Bintuni Foundation (YPTB).

5.2.5. COMMUNICATION AND EXTERNAL RELATION

- Conducted media training in Manokwari, 10 journalist from Papua and Papua Barat media attended of which were 2 were women.
- Supported socialization of seismic activities in Weriagar and Mogotira
- Supported community on mangrove re-vegetation in Weriagar, Taroy and Onar with the aim to prevent abrasion.
- Closed the Western Berau Seismic without a serious social disruption. The closing ceremony was conducted in Arguni Island.
- Conducted district meeting in Weriagar, Sumuri and Babo District. The aim of this meeting was to update the progress of Tangguh LNG Operation as well as to receive feed back.
- DAVs Local Leaders visit to LNG Site.

6. NON-COMPLIANCE STATUS

The External Panel visited Jakarta and the field in Papua with focus on progress towards fulfillment of compliance and related recommendations in March 2011. During this visit the External Panel found no non-compliance findings related to the social activities. However, there were some remedial actions that need attention for the LARAP Completion. Please see the response and action status in appendix A.

7. ADDITIONAL INFORMATION

1. Adat claims of north-shore (primarily Sebyar) communities have been solved by central and local governments with the disbursement of the compensation in August.
2. Assistance for fire disaster in Aranday which happened in June 2010 was provided.
3. Assistance for the natural disaster in Wasior which occurred in October 2010, was provided.

8. EVALUATION RESULTS

The social programs have brought about more progress, and the communities have implemented these development programs in their villages with greater self reliance. During this reporting period, the social programs entered a transition stage from the first 5-year period into the second 5-year phase, with strategies now firmly focused on improving the five key areas: Livelihood, Education, Health, Governance and External Relations.

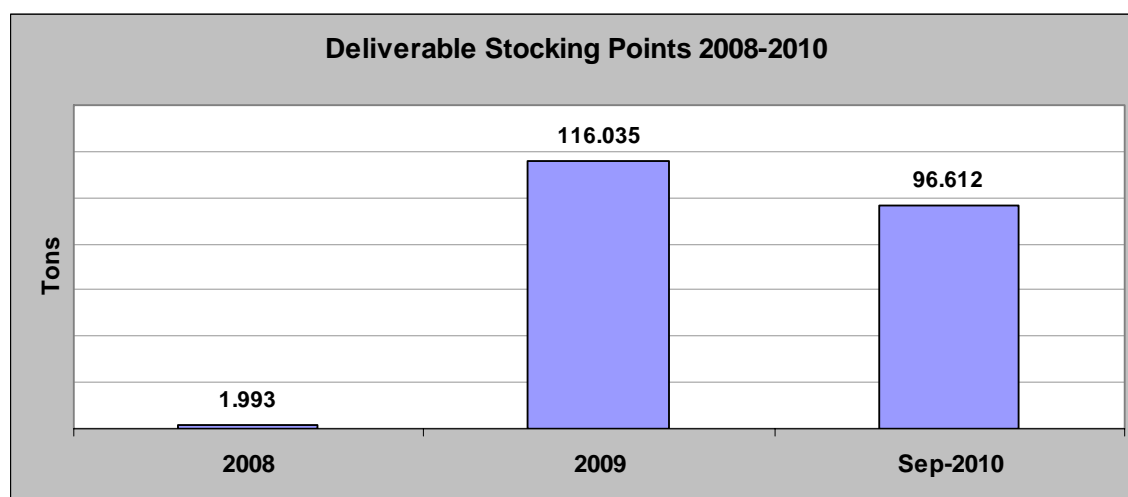
The development of the second 5-year strategy is progressing, including how to set clear parameters and indicators of the objectives. The AMDAL commitments remain as the main source of the long term strategies for the Tangguh LNG social programs.

The livelihood programs have made significant achievements. Various programs have been implemented to increase household incomes and provide alternative livelihoods for the communities.

The five stocking points in Arguni, Tanah Merah, Bintuni, Babo and Tofoi continue to receive deliveries of agricultural and fishery products for Tangguh LNG catering and other markets. Deliveries have remained stable: a total 214 tons of vegetables and fish was delivered from 2008 until September 2010. Both intensive and extensive agricultural programs continue to be conducted through mentoring and training to support farmers in their efforts to increase production.

Fishery programs continue to assist fishermen in improving their fishing methods and delivering products through stocking points. During this reporting period, Arguni's target deliveries decreased due to the expiration of seismic survey activities in the south shore, while deliveries from Babo's stocking points were delayed due to administrative processes, now the supply is back to normal.

Figure 1. Stocking Point Deliveries to Tangguh LNG Catering



Source: Tangguh Livelihood Team, October 2010

The livelihood programs also support the establishment of microfinance institutions, with the aim of providing financial access, including savings and credits, to the communities. Several financial institutions are available in Babo, Tofoi, Saengga and Aranday, therefore the livelihood programs have provided support for the establishment of “joint savings and loans businesses” (UBSP) in other DAVs. Saving campaigns were conducted in the DAVs to raise community understanding about financial management. During this period, the livelihood programs encouraged the formation of UBSPs in Taroy, Onar and Otoweri, with 53 villagers participating.

An adequate percentage of local workforce achieved its targets during the operation stages. However, these statistics also included Babo camp’s unskilled workforce who came from the Bird’s Head area, where their villages are located close the Babo facilities. Thus, the targets of unskilled workforces were treated similarly to the other DAVs.

Table 4. Operation Workforce Target Achievement, AMDAL vs. Actual

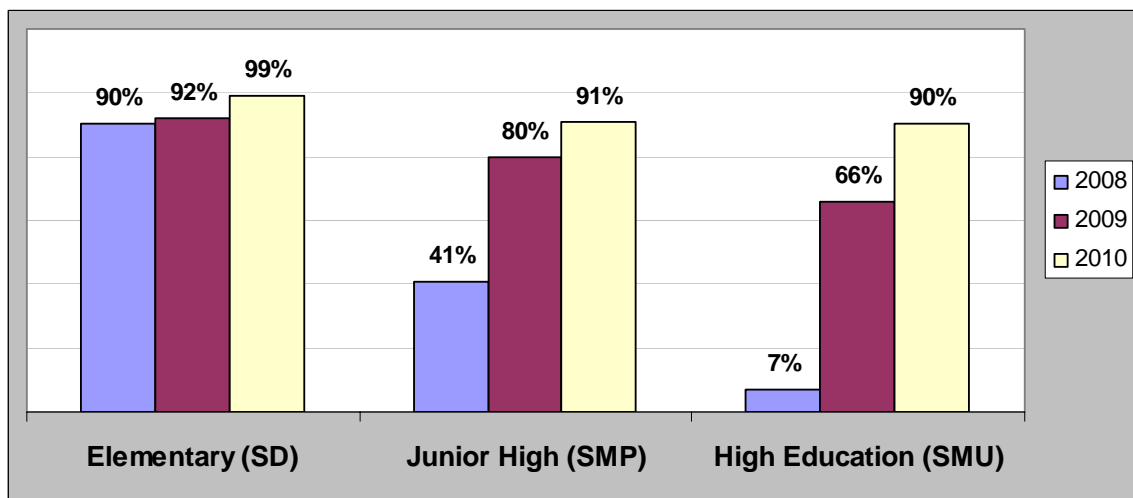
Skill Level	2009				2011			
	DAV		Papua Others		DAV		Papua Others	
	Target (%)	Actual (%)	Target (%)	Actual (%)	Target 2011 (%)	Actual per Sep 2010 (%)	Target 2011 (%)	Actual per Sep 2010 (%)
Unskilled	100	70	0	30	100	81	0	19
Low skilled	50	44	50	56	70	41	30	59
Semi-skilled	2	15	27	61	8	14	41	74
Skilled	0	0	8	20	0	1	14	24
Managerial/ Supervisor	0	0	3	11	0	0	7	12

Source: Tangguh WFM, September 2010

In collaboration with the British Council, the education programs that were delivered contributed significantly to the educational achievements in Teluk Bintuni, and especially in the DAVs. Various programs were carried out with the aim of improving the management capacity of the schools, teachers and education officials of Teluk Bintuni.

Some interventions continued to improve the educational quality in Teluk Bintuni, including partnerships with capable institutions, such as the Sampoerna Foundation. These programs also provided scholarship and educational assistance at all levels and enabled selected students to take part in science competitions. These educational programs also enabled students to continue their studies in reputable education institutions such as SMU 3 Buper Jayapura, SMK Migas Cepu and the Surya Institute. In 2010, the graduation rates of students increased significantly at all levels, especially at the high school level.

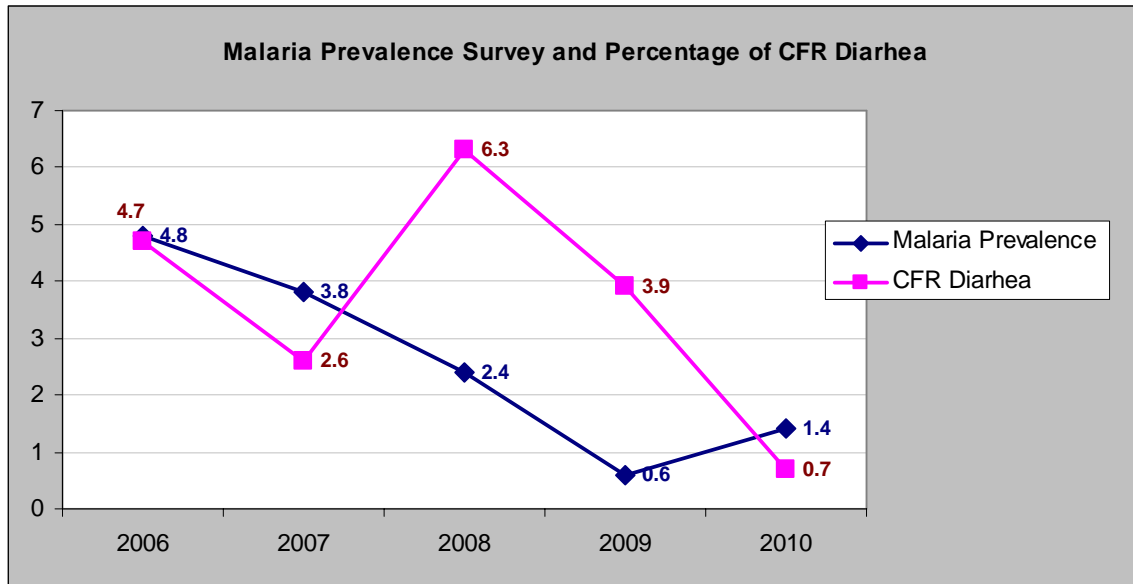
Figure 2. Teluk Bintuni Students' Passing Rates in Elementary, Junior High , and High Education Levels 2008 - 2010



Source: Education Agency of Teluk Bintuni, June 2010

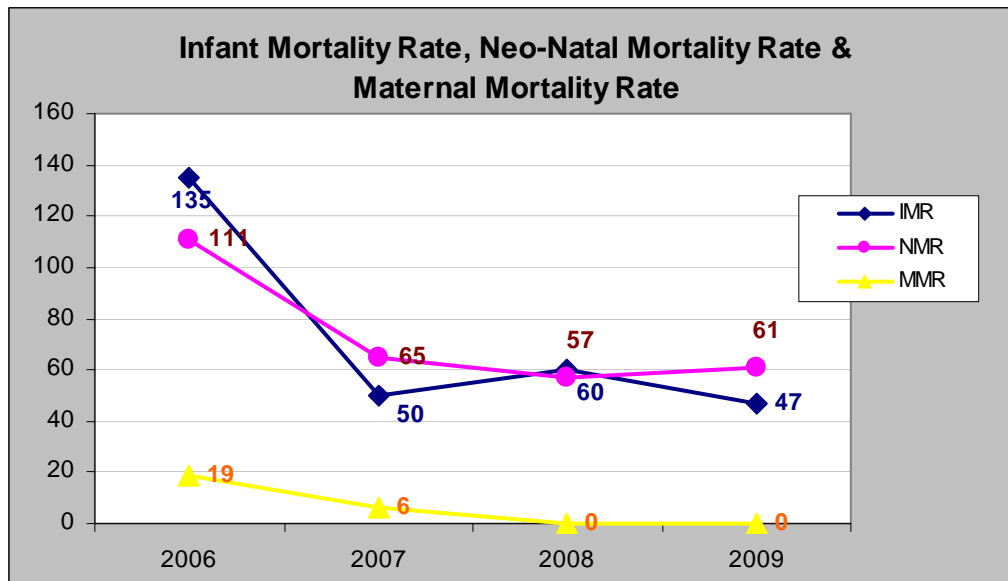
Health programs continue to contribute to improving the quality of health in Teluk Bintuni. Various programs, including the prevention of malaria, diarrhea, HIV/AIDS, tuberculosis as well as improving maternal and child programs, have been implemented through support from the Health Office of Teluk Bintuni, which provides health services for the communities. In the DAVs, the prevalence rate of malaria was 1.4%, and there was only one fatality due to acute diarrhea.

Figure 3. Malaria Prevalence Rate and Case Fatality Rate due Diarrhea, 2008–2010



Source: Tangguh Community Health, October 2010

Figure 4. Malaria Prevalence Rate and CFR Diarhea, 2008 – 2010



Source: Tangguh Community Health, October 2010

Note:

- IMR = Infant Mortality Rate
- NMR = Neo-natal Mortality Rate
- MMR = Maternal Mortality Rate

Social relationships with the communities, government and relevant parties continue to be maintained by the Community Relations team in the field and the External Relations Team in Jakarta. Coordination meetings were routinely carried out with government officials and community leaders to manage social issues. During this period, there were no significant issues related security and human rights.

The challenge to implement future programs is predicted to still be (i) the need for wider markets for agricultural and fishery products; (ii) the capacity of government officials in providing public services to the communities; and (iii) community and government participation in the development process.. Overall, the implementation of the social programs have improved the communities' ability to be more self reliant.

Appendix A

No.	Remedial Action identified in LARAP Completion Audit November 2009.	Progress in November 2009	Estimated Completion Date	Operator's response and Action status as of August 2010
1.	<p>Dimaga Foundation:</p> <p>Constitute a new board of management with increased representation from the beneficiary groups, and an independent board member with relevant experience.</p>	<p>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.</p>	<p>Will be substantially completed with appointment of Wayuri and Simuna clan facilitators.</p> <p>December 2010.</p>	<p><u>Response:</u></p> <p>Operator is in line with EP with regards to this commitment</p> <p><u>Update :</u></p> <p>Appointment of local representations is on track, with two clans have taken part in the foundation management. The last representative is slated to join the management by the end of the year.</p>
2.	<p>Appoint an independent financial advisor to provide investment portfolio advice.</p>	<p>In progress. The Operator is formulating a strategy to hand over management of the Dimaga Foundation to the beneficiaries. An</p>	<p>December 2010.</p>	<p><u>Response:</u></p> <p>Operator is in agreement with EP with regards to this commitment, provided that the beneficiaries have a clear understanding around</p>

independent financial advisor, with recognized credentials in giving prudent advice, can be appointed at any time.

capital market dynamics and see the benefit of hiring an independent financial advisor.

Update:

Operator is currently receiving financial advice from internal BP senior financial team. Strategy is being prepared to ensure that Dimaga representatives will have enough knowledge on investment.

3. Incorporate inflation-adjusted growth into capital base. Boost net returns to 3-5 percent per annum.

Investment strategy in progress.

December 2010.

Response:

Operator is meeting the LARAP commitment. The investment strategy at the moment is Rupiah and Dollar deposit, which is considered to be the safest investment considering the current economic state.

4. **Public Utilities:**

Repair the generator system at Onar Lama and agree on a plan for future maintenance

In progress. The External Panel supports Onar Lama

December 2010.

Response:

Operator is in line with the commitment regarding utilities in

with Onar Lama residents.

request for overhaul of utilities as a demonstration training exercise.

Onar Lama.

Update:

Despite of the absence of commitment to repair the generator system at Onar Lama, the operator will support the community to do so and is scheduled to be complete in Q4 2010. Discussion with Onar Lama representative to agree on future maintenance is on track to be completed in December 2010

5. Rationalise photovoltaic solar technology.

Photovoltaic technology to be removed.

December 2010.

Response & update:

Operator will remove the solar system by Q4 2010.

6. 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

December 2010.

If kabupaten support for utilities fails (see below), the Operator will need to revisit this

Response:

Operator is on track to deliver this commitment.

Update:

	per household in line with current Indonesian standards.		recommendation.	Separate generators to water pumps have been installed. Electricity capacity downsizing is in progress. The SoP for TMB Cooperative to maintain and operate public utilities is in place and being socialized to the villagers.
	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.			
7.	Socialisation on utility payments.	In progress working through cooperatives, subject to community ability to pay.	December 2010.	<u>Response:</u> Operator is on track to socialize this requirement to the community. <u>Update:</u> Discussion with community regarding the utility payment is in progress.
8	Monitor progress in cooperative performance in	In progress. New agreements phase in	2011-12.	<u>Response:</u>

utilities management.

kabupaten financing during 2011-12, with cooperative management. All RAV cooperatives need capacity building for this role, especially Wermina and Yenadu.

ISP2 to monitor utilities.

Operator agrees with this action item.

Update:

Capacity building for cooperatives is continues as improvement of livelihood remains as key deliverables for ISP Phase-2 program in 2011-2015.

9. **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.

Response:

Operator is working with Onar village representative and local government for the handover.

Update

On track to complete handover in Q4 2010.

10 Complete the agreed list of repairs for all RAVs.

In progress. Contract for repairs to public facilities has been let. This should cover

December 2010.

Response:

Operator is in line with the commitment for repair as part of

repairs in Onar.

hand-over.

Update:

Repair work in TMB has commenced in June and will complete the work in Saengga and Onar in December 2010.

Response:

Operator is in progress in diversifying income sources in Onar Baru and Onar Lama. However, given that fishery is the main source of income, we may focus on strengthening the fishery activity in the area.

Update:

Continuing the ongoing work on improving the livelihood of the DAV, ISP-2 program will continue to explore opportunity to diversify the livelihood options, in addition to developing fishery products (dried fish, shrimp crackers) for

12 **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.

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

December 2010, with follow-up action in ISP2 Livelihood program.

Onar.

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.

Onar Baru and Onar Lama communities

- 13 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 can assist where requested by communities, for example, in Onar Lama.

To be addressed by ISP/LARAP staff over next 6 months and in ISP2 Livelihood program.

Response:

Operator will observe and support the kabupaten initiatives on livestock programs. This is in-line with ISP-2 to develop programs **with** the community and local government.

Update:

The operator is open with the suggestion as long as the kabupaten and community are ready to initiate livestock programs.

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|--|---|--|--|
| <p>14 Facilitate approval of prawn and fish products produced and marketed by RAV women.</p> | <p>External Panel finds that BPOM in Sorong is responsible and recommends they be invited to Tangguh to facilitate approval.</p> | <p>December 2010.</p> | <p><u>Response:</u></p> <p>Operator is in agreement to facilitate commercialization of fish products upon request from the community.</p> <p><u>Update:</u></p> <p>Contact with BPOM in Sorong has been initiated by the RAV cooperatives, operator will facilitate if required by the community..</p> |
| <p>15 Investigate and address the reasons for the apparent decline in fish and prawn incomes since 2001/2.</p> | <p>Under consideration.</p> | <p>To be addressed by ISP2 Livelihood program.</p> | <p><u>Response:</u></p> <p>The fishery survey conducted by Tangguh Environment team has not shown any decline in fish and prawn. This might be “apparent” decline claimed by community.</p> <p><u>Update:</u></p> <p>Fish and prawn survey is done yearly.</p> |