



Social Monitoring Report

Project Number: 38919
March 2007

INDONESIA: Tangguh Liquefied Natural Gas Project

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 Two
Integrated Social Programme
Tangguh LNG Project

April-October, 2006

TABLE OF CONTENTS

TABLE OF CONTENTS.....	2
1. EVALUATION OF TANGGUH E&S PERFORMANCE RELATING TO ISP IMPLEMENTATION.....	3
2. METHODOLOGY FOR REPORTING.....	3
3. PROJECT CONSTRUCTION AND SOCIAL CONTEXT.....	3
4. OVERVIEW OF IPDF AND ISP IMPLEMENTATION.....	5
4.1. General Trends.....	5
4.2 Grievances.....	6
4.3 Modifications to the ISP.....	8
5. ISP SUPPORT.....	8
5.1 Government and External Affairs.....	8
5.2 Community Relations.....	8
5.3 Communications.....	8
6. ISP COMPONENT PROGRAMMES.....	9
6.1 PAPUA AND BIRD’S HEAD PROGRAMMES.....	9
7. Kabupaten Teluk Bintuni Programmes.....	13
7.1 Kabupaten, District and Village-Level Governance.....	13
7.2 Strengthening of Adat Institutions.....	13
7.3 Integrated Community Based Security (ICBS).....	14
7.4 Health.....	15
7.5 Basic Education.....	16
7.6 Vocational Training.....	17
7.7 Micro-finance and Micro-enterprise.....	17
7.8 Women’s Empowerment.....	18
7.9 Community Development - Community Action Plans.....	18
7.10 Land Acquisition and Resettlement Action Plans.....	19
8. FORWARD PLAN (NEXT 6 MONTHS).....	19
9. SUMMARY OF CORRECTIVE ACTION PLANS RELATED TO ISP.....	19
10. SUMMARY OF PROGRESS IN IMPLEMENTATION OF RECOMMENDATION OF EXTERNAL PANEL.....	19
11. OTHER INFORMATION.....	19
12. NON-COMPLIANCE.....	20

1. EVALUATION OF TANGGUH E&S PERFORMANCE RELATING TO ISP IMPLEMENTATION

This report is the first in the series of bi-annual reports to the Asian Development Bank (ADB) and Japanese Bank for International Cooperation (JBIC) Lenders Group. The Social report consists of two sections: (a) Land Acquisition Resettlement Action Plan (“LARAP”) and (b) Social report on the Integrated Social Programme (ISP) required under Environmental and Social Requirement Section 1.12 on ADB Tranche (or Section 1.18 on Japanese Tranche). This report focuses on the ISP; the LARAP report is submitted separately¹. It covers implementation for the period April to October 2006 but in many instances describes programme and activity implementation in 2006, in part reflecting the period between the completion of the due diligence process, closure of project financing and the start of external monitoring and evaluation.

The 14 programmes of the ISP form a multi-sectored and multi-layered approach for managing the Project’s social impacts recognizing that the majority of the population of the Project-affected area comprises Indigenous People. Hence, the ISP addresses the requirements of the ADB policy on Indigenous Peoples and specifically its requirements for the development of an Indigenous People’s Development Plan.

For the Tangguh Project, 2006 was a build-up year with the increased staffing of new ISP programme managers and commencement of new programmes in such areas as governance, civil society strengthening and women’s empowerment. ISP programmes that began prior to 2006 continued, including community health, community action plans, and integrated community based security.

2. METHODOLOGY FOR REPORTING

In 2006, the Project’s ISP Unit developed a framework for an integrated monitoring and evaluation system that meets on-going programme development needs as well as Project reporting requirements for internal and external stakeholders. This report was developed with reference to internal ISP monthly progress reports, specific programme outputs and discussions with programme managers.

3. PROJECT CONSTRUCTION AND SOCIAL CONTEXT

The Tangguh Project remains on track with overall progress at approximately 60% complete in 2006. Further information on the Project’s physical progress is included in the Environment, Health and Safety report submitted separately.

In terms of the social impacts of the Project, these were first formally documented and mitigation plans developed in Project environmental and social impact assessment statement (known by the acronym “AMDAL” in Indonesia) which was approved by the Government of Indonesia². Implementation of the AMDAL began in late 2001. Tangguh made additional commitments based on Asia Development Bank (ADB) requirements to secure Project financing, which included additional measures around resettlement and livelihood restoration programmes, promoting participation in the Project of the local indigenous peoples, women’s and local business empowerment, and government and

¹ In addition, an environment, health and safety report is submitted separately to fulfil the Project’s reporting requirements covering these topics.

² The development of the AMDAL involved numerous consultations with communities, governments, and non-governmental organizations as documented in the reports filed with ADB.

civil society strengthening. The three project documents, Tangguh Indigenous Peoples Development Framework (IPDF), Tangguh Integrated Social Programme and the Tangguh Land Acquisition and Resettlement Action Plan (LARAP) describe the requirements and programmes to comply with these requirements in detail³. The Project has agreed with the lenders a five-year plan (2006-2010) which includes social and economic development programmes meeting lender requirements, as documented in the LARAP and ISP.

ISP Programmes

The current ISP, addressing the period 2006-2010, consists of 14 programmes targeting the Bird's Head Region, Kabupaten (regency) Teluk Bintuni, and direct community assistance to the Directly Affected Villages and resettlement-affected villages. These programmes have been developed to promote the participation and benefit of local people, to respond to the identified Project impacts and to respond to indigenous peoples' specific issues.

ISP PROGRAMME	DESCRIPTION
Revenue Management and Governance LEVEL PROVINCE	(i) Improving stakeholder awareness and understanding; (ii) support for strengthening of government capacity.
Civil Society Strengthening LEVEL BIRDS HEAD	Strengthening of civil society organisations in the Bird's Head region of Papua
Birds Head Business Empowerment LEVEL BIRDS HEAD	(i) Developing the capacity of businesses to bid for work related to construction and operation of Tangguh LNG Project, and; (ii) institutionalisation of the business empowerment approach that would improve the capacity of existing and newly formed businesses to develop and compete for contracts as economic growth occurs and new industries develop
Mitigation of In-migration and Adverse Induced Impacts LEVEL BIRDS HEAD	(i) improved Project and GOI policies and guidelines that aim to reduce both opportunities and the impact of spontaneous in-migration to the Project area; (ii) improved awareness amongst GOI, civil society and the community of the potential scale of in-migration, the nature and scale of project-induced impacts, and mechanisms available for management of impacts, and; (iii) improved capacity in government (village, district [<i>kecamatan</i>] and regency [<i>kabupaten</i>]) and civil society to manage, monitor and respond to spontaneous in-migration and induced impacts.
Workforce and Industrial Affairs LEVEL BIRDS HEAD	(i) Transparent, equitable, workforce recruitment and management and (ii) participation of local workforce during the lifetime of the Project.
Governance (regency, district, village) LEVEL REGENCY	(i) Strengthening the capacity of regency government, and; (ii) strengthening village-level government. Both components include civil society awareness building.
Integrated Community Based Security LEVEL PROVINCE	(i) Delivery of Project security outcomes through development and implementation of an effective community policing system that develops awareness, ownership, trust and links between various security stakeholders (i.e., the community and the police), and; (ii) effective community-based Security Forum in which community leaders (including tribal, clan and <i>adat</i> leaders), local government, representatives from the military and the police and industry representatives meet together to discuss security issues.
Education (Basic Education, Scholarships, DAV Assistance) LEVEL primarily REGENCY	(i) strategic planning and management capacity; (ii) assessment and capacity; (iii) building up of education service

³ See ADB website for these documents: http://www.adb.org/Documents/Resettlement_Plans/INO/38919-01-PS-RP.pdf – LARAP; <http://www.adb.org/Documents/IndigenousPeoples/INO/38919-01-PS-IPDP.pdf> – ISP; <http://www.adb.org/Documents/IndigenousPeoples/INO/38919-INO/38919-INO-IPDF.pdf> -- IPDF

	providers; (iv) education resources; (v) household and community support for education; (vi) direct support of community schools in DAVs
Vocational Training LEVEL – primarily REGENCY	Opportunities to participate in vocational training aimed at both LNG construction-phase and post- LNG construction phase employment
Health LEVEL – primarily REGENCY	(i) Malaria Control Programme; (ii) HIV/AIDS Prevention Programme; (iii) TB Control Programme; (iv) Water, Environment & Sanitation Programme; (v) Maternal & Child Health Programme, and; (vi) Basic Health Service
Women’s Empowerment LEVEL – primarily REGENCY	(i) Women’s Forum; (ii) building awareness of adverse induced Project impacts and women’s roles, and; (iii) Village-level support for women.
Microfinance and micro-enterprise LEVEL – primarily REGENCY	Promotion of savings opportunities and facilitation of development of micro-enterprise at village and bay levels.
Community Action Plans (CAPs) LEVEL – DAVs	Provides IDR300 million per year per Directly-Affected Village (as identified in the Project AMDAL) for a period of ten years. A wide range of projects may be suitable for funding through the CAP.
Land Acquisition and Resettlement Action Plan LEVEL – resettlement affected villages (RAVs)	The Project has developed a Land Acquisition and Resettlement Action Plan (LARAP) to address the involuntary resettlement impacts associated with the Project.

The sections below provide an overview of implementation of the ISP.

4. OVERVIEW OF IPDF AND ISP IMPLEMENTATION

4.1. General Trends

During 2006, Tangguh’s ISP organization has grown. Currently, there are approximately 90 people in the ISP organization. Most are based in the field and the majority are Papuans.

At the Teluk Bintuni regency level, the relationship between the local government and the Project has been formalised through the development of a Memorandum of Understanding (MOU) covering four priority sectors, namely health, education, economic development and infrastructure. The execution of this MOU has been a key achievement for the Project in 2006. The head of the regency (bupati) has shown leadership despite working with a nascent government, with low administrative skills, where not all positions have been filled. This remains a challenge for the Project.

The MOU on the provision of Project security was signed with the Police in 2004 (referred to in Indonesia as the JUKLAP). It continues to be socialized with the police in Bintuni, Babo, Arandai and Manokwari.

The community health programme continues to demonstrate progress, particularly in the reduction of malaria and diarrhoea fatality rates.

The Project exceeded its AMDAL commitment to hire people from the Directly Affected Villages (DAVs) for the construction phase. The Project has also successfully recruited a new group of Papuan university graduates for an internationally recognized technician training programme with the intention of providing them with long-term employment during the operations phase of the Project.

During 2006, ISP succeeded in leveraging its resources with those of other organizations and development agencies to support local governments and promote sustainable development in the region, including:

- MOU with the US Agency for International Development (USAID) for a global development alliance known as the Bird's Head Initiative covering governance, education and health in the Bird's Head Region;
- MOU with Yayasan Inovasi Pemerintahan Daerah (YIPD) to work on governance at the Teluk Bintuni regency level;
- Continued implementation of the MOU with the United Nations Development Programme (UNDP) on regional development planning at the provincial level;
- The International Finance Corporation (IFC-PENSA) implementation of the Bird's Head Business Empowerment Programme
- MOU with the Institute Pertanian Bogor (IPB) on management, with particular focus on fisheries;
- MOU with Jarinean Radio Komunitas Papua (JRPK) to develop and mentor community-based radio for the Sebyar, Sumuri, and Irarutu communities in Arandai and Babo;
- Partnership with leading human rights organizations in Indonesia and Papua, PUSHAM UII and ELSHAM Papua, on the introduction of community policing into the Bintuni Bay area and on human rights training respectively.

4.2 Grievances

In April 2006, the Project rolled out the community grievance procedure in all the DAVs, with socialisation occurring through a community radio campaign, village meetings, and inclusion of the grievance procedure in the ICBS Community Oriented Policing programme. In addition, the roll-out also targeted ISP field teams, Tangguh field management and the major contractors (security and construction).

Table 1 provides a summary of grievances received to date. Noteworthy is the limited number of grievances filed. While this reflects the general success of the programme in 2006 it also stems from the challenge of encouraging use of the grievance procedure in an environment where literacy rates are low and cultural norms regarding disagreements, disputes etc rely on alternative solutions. For example, despite having an established grievance procedure, communities in various locations have on occasion demonstrated (primarily related to workforce recruitment) and non-violently held boats as a means of raising issues and getting attention. The Project has urged communities to use the established grievance mechanism, which provides a transparent process for addressing and resolving issues.

Of the grievances filed, the majority relate to workforce recruitment, requests for the Project to revise the AMDAL commitments to include all tribes in Teluk Bintuni and general questions about the timing and implementation of the individual social programmes. All grievances have been addressed; there were no grievances left outstanding in the period.

Table 1. Summary of Grievances Filed by DAVs, April – November 2006

No	Issue	Directly Affected Villages											Other		TOTAL
		Tomage	Otoweri	Onar Baru	Tanah Merah	Saengga	Tofoi	Taroy	Tomu	Ekam	Weriagar	Mogotira	Arandai	Babo	
1	Workforce	1	9	1	2	1	4	-	3	2	1	13	2	5	44
2	Adat and Hak Ulayat	-	-	-	-	-	1	-	1	-	1	-	9	-	12
3	Health	-	-	-	-	-	4	1	-	-	2	2	-	-	9
4	Education	-	-	-	1	-	1	-	1	1	1	2	-	-	7
5	ICBS/COP	-	-	-	-	-	1	-	2	-	-	-	-	-	3
6	ComDev Implementation	-	-	3	-	-	12	1	1	1	-	1	2	-	21
7	Community Relations	-	2	-	-	1	1	1	1	2	-	2	-	1	11
	TOTAL	1	11	4	3	2	24	3	9	6	5	20	13	6	107

4.3 Modifications to the ISP

There have been no changes to the ISP to date.

5. ISP SUPPORT

5.1 Government and External Affairs

The Project's Tangguh Liaison Officers (TLOs) are posted in each of the Bird's Head growth centres (Bintuni, Manokwari, Sorong and Fakfak). The TLOs assume multiple responsibilities including government relations at the provincial and local government levels and assisting Project requirements (communications, permitting, logistics, etc).

At the provincial level the formal recognition of Irian Jaya Barat (IJB) as a separate province has provided some clarity on the evolving administrative situation. The Project has held briefings with representatives of the two provincial governments.

As mentioned earlier, the Teluk Bintuni local government and the Project signed an MOU agreeing to cooperate on health, education, economic development and governance and to explore infrastructure development in March 2006. Coordination with the Bintuni government has also occurred in other ISP programme areas, including workforce recruitment, vocational training, strengthening of adat institutions, and the Community Development – CAPS programme and women's empowerment.

5.2 Community Relations

The Project's ISP Community Relations team primarily focuses on the DAV communities, although when required, the more senior staff do outreach to further destinations. The team has a locally recruited full-time team member posted in each of these villages supported by community relations officers and a community relations supervisor. The staff assume responsibility for Project communications, facilitation of programme implementation, the Project grievance procedure and monitoring of communities' opinions and concerns regarding the Project.

On the whole, community relations have been stable throughout the year. There have been a number of demonstrations (e.g. workforce related demonstrations in Babo and at the LNG site) and boat detentions, but these have been resolved through consultation and negotiation. To address the logistical issues that affect the ability to access the DAVs, the Project is building posts for staff to enable them to stay overnight in the villages.

5.3 Communications

The Project's Communications team continues to play an important role in building awareness and understanding and ensuring outreach to communities, and is a key component in maintaining positive community relations. In 2006, key activities included:

- (i) on-going production and distribution of the tabloid style newspaper, Kabar Dari Teluk (Kadate) which is published every month and distributed to the DAVs and Bird's Head regional centres;
- (ii) on-going training and mentoring (in management, technical maintenance and programme development) of the existing community radio stations – Radio Sebyar in Arandai and Radio Sumuri in Tanah Merah – capacity building and

mentoring support is offered to the two radio stations through the Tangguh-supported JRKP.

The Project uses community radio to broadcast weekly Project updates as well as socialise key Project procedures and events (e.g. the grievance procedure and enforcement of the marine safety exclusion zone) while several development programmes (e.g. health and women's empowerment) already use or intend to use the existing community radios.

Findings from a media effectiveness survey (completed in 3Q 2006) indicated high readership levels, with the Kadate tabloid being the most read paper in the Bintuni Bay area.



Community Radio



Reading Kabar Dari Teluk (Kadate)

6. ISP COMPONENT PROGRAMMES

6.1 PAPUA AND BIRD'S HEAD PROGRAMMES

6.1.1 Revenue Management

The role of the Project in the revenue management area is to increase stakeholder understanding and to support institutional strengthening, which promotes good governance.

Throughout 2006, the Project met with various stakeholders, including a number of ministries and departments and provincial government representatives of Papua and IJB to improve their understanding of revenue issues. BPMIGAS, Indonesia's upstream oil and gas regulatory body, conducted a workshop in the regency of Teluk Bintuni concerning the nature of revenue flows and allocation under the Oil & Gas law of Indonesia that was attended by district and local government representatives.

The second component of the revenue management programme includes regional government capacity building programmes.

The Project continues to support the United Nations Development (UNDP) facilitated programme (called "Capacity 2015") that is working on regional development planning, legislation to support regional development planning, management initiatives for Teluk Berau and Teluk Bintuni, and bottom-up community inputs into government planning processes. A key achievement of the programme was the inclusion of the principles of

the Diversified Growth Strategy into the provincial government's draft medium-term development plan (referred to as the RPJMD).

Finally in June 2006, USAID and the Project signed an MOU pertaining to the implementation of the Bird's Head Initiative (BHI), a public-private sector partnership that will result in joint resourcing of development programmes in IJB. The Initiative covers three development sectors including governance, education and health. The governance initiative aims to improve fiscal transparency and fiscal revenue management through capacity building aimed at regency and local governments. The governance initiative will see the USAID-sponsored Local Governance Support Programme (LGSP) be implemented in a number of regencies in the Bird's Head (Kaimana, Fakfak, Sorong, Sorong Selatan, and Manokwari) and LGSP establishment in Sorong. Initial diagnostics were completed in 4Q 2006. The health and education components of the BHI are addressed in Section 7.4 and 7.5 respectively.



MOU Signing Ceremony with USAID



UNDP Regional Development Workshop

6.1.2 Civil Society Strengthening

Progress on the Civil Society Strengthening Programme implementation has been slower than anticipated stemming in large part from an awareness that several stakeholders are working in the sector and hence the importance of consultation to explore scope for coordination, resource sharing, and budget sharing. To this end, the Programme Manager has attended several meetings which focused on a generic capacity assessment of civil society organizations and an initial meeting of key organizations to discuss potential means for building capacity.

The Project supported a workshop held in Papua on human rights that was attended by a wide group of stakeholders from Papua and delivered by the Centre for Human Rights Study of Cenderawasih State University (UNCEN). The workshop allowed for a discussion on the Project, raising awareness of the Project's Integrated Community Based Security programme.

Further, the Project convened a workshop with the implementing NGO partners to focus on sharing best practices and learning for more effective field delivery on ISP social programmes.

6.1.3 Bird's Head Business Empowerment (BHBEP)

An MOU between the International Finance Corporation (IFC), part of the World Bank, UNDP and the Project was signed in December 2005. Programme implementation in 2006 has included:

- (i) a mapping of construction and operational phase demands of the Project;

- (ii) an Access to Finance Survey implemented in the Bird's Head regional centres;
- (iii) an SME survey implemented in the Bird's Head regional centres;
- (iv) contracting of Austraining, a training and mentoring organisation that will assume responsibility for training;
- (v) development of a training plan and commencement of training in Bird's Head regional centres. Topics include procurement processes, health, safety and environment management, business planning and sound financial practices. In 2006, training in basic business planning and financial management have been implemented with more than 50 companies participating; and,
- (vi) development of an SME handbook.

6.1.4 Workforce & Industrial Affairs

There are currently around 6000 workers involved in the Tangguh Project LNG facilities construction activities in Papua. Approximately 2500 (approximately 40%) are Papuans, which exceeds the Project's workforce related commitments regarding local manpower content to the DAVs and Birds Head region. This total workforce number is higher than planned for this stage of the construction and, as a result, the main contractor has re-evaluated the peak manning levels. Revised figures now show that labour requirements will peak at over 7,000 people in 2007.

In 2005, workforce recruitment procedures were developed that stipulated, in accordance with the AMDAL, that labour would be recruited from the DAVs as a priority, following that from the Bird's Head and subsequently from the rest of Papua and Indonesia. In 2006, the Project and the lead contractor secured an agreement from the labour offices (DISNAKERs) in Sorong, Manokwari, Fakfak and Bintuni regarding the distribution of job opportunities between the four regional centres (25% each) as well as a promise by the labour offices to enforce a "Papuan prioritisation policy".

The Project supported KJP, the lead contractor, in developing and implementing a workforce grievance procedure between June-July 2006. The procedure, which was formally rolled out in July, includes formal grievance cards and response mechanisms, and a process for resolution of issues that includes an investigation by subcontractor/contractor committees (comprised of subcontractor, contractor and worker representatives).

From July through mid-October 2006, 204 grievances have been filed; of these 155 have been resolved by the workforce grievance committees and 49 are still being processed. More than 90% of the grievances are in relation to questions about salaries (e.g. wage levels and deductions).

In 2007, the Project will demobilise workers as it moves from construction to commissioning and operations phases. Initial demobilisation is likely to affect unskilled local workers first as on-going employment opportunities require higher specialised skills.

The Project is working to recruit and train Papuans for permanent positions during the operations phase. During 3Q 2006, a campaign was undertaken to recruit an additional number of Papuan trainee technicians to prepare them for positions as future LNG operators. To start the process, the recruitment team established relationships with the primary universities in Papua. The four TLO centres in Sorong, Manokwari, Fakfak and Bintuni became the focus for advertising and recruitment. Significant interest was generated and over 400 applications were submitted; over 100 candidates were scheduled for follow-up technical interviews in Papua. From this process, 24 Papuans

were selected for the LNG technician training programme. The group of 24 will now join more than 30 Papuan trainees already in training.

Papuans now comprise approximately 60% of the Project's technician ranks. The Tangguh LNG technician training programme referred to above continues on track and internationally accredited technicians will begin to graduate in late-2006 and early-2007 to align with the Project's commissioning team's needs. In addition, the Project is moving Papuans into other positions as part of career development; for example, in 2006 five ISP employees were transferred into other Project teams including human resources, finance, administration and subsurface.

There also will be more opportunities for jobs that require non-technical skills over the life of plant operations, such as in administration, planning, community relations and communications. The Project has identified >50 Papuans who are currently in similar positions within the Project, with the intention of further developing these individuals so they can transit into future positions during the operations phase. The Project has offered formal training sessions that included English language, supervisory skills and on-the-job training.



Workforce Meeting in Makassar

6.1.5 In-migration and Adverse Induced Impacts

In 2006, the programme has focussed on (i) implementation of a village-level road show in all of the DAVs and Resettlement Affected Villages (RAVs) together with use of various media, to increase the communities' understanding of migration impacts and approaches by which it might be managed; (ii) Gadjah Mada University (UGM) training of villagers in the collection of population census data so as to promote awareness and ownership of the need to manage in-migration and adverse induced impacts; and, (iii) focus on villages (i.e. RAVs and Babo) considered to be particularly at risk of experiencing significant in-migration and negative induced impacts. These villages were identified based on their position as transit points to the LNG site, their proximity to the LNG site and their association with the potential to secure LNG construction related employment, and the high standard of infrastructure, services and utilities of the new villages compared to other villages in the Bay.

The development of effective measures to mitigate in-migrants seeking employment has been hampered by weak village government and personal agreements made between clan leaders or community leaders and the new arrivals.

Opportunists seeking to benefit from the increased cash flows in the local communities have included a number of traders. However it is likely that these may be temporary migrants who subsequently leave the RAVs as retrenchment occurs. In fact, migrant

traders in the Tanah Merah Baru market indicate that since FIRMA has finished reconstruction of Saengga is complete and the Project has closed the western fence, trade has become significantly more difficult.

The Project has plans to build awareness in the regional growth centres. At the community, level the adverse induced impacts component has been more directly addressed by the health and women's empowerment programme.

7. Kabupaten Teluk Bintuni Programmes

7.1 Kabupaten, District and Village-Level Governance

A Scope of Work for the Kabupaten-level governance programme was developed in 2005 and Yayasan Inovasi Pemerintah Daerah (YIPD), a national Indonesian NGO specialising in governance programming, was approached to develop a proposal. Subsequently an MOU was signed in March 2006 leading to field mobilisation and commencement of programme implementation. In 2006, YIPD has been involved in the development of a regency medium term development plan and has recruited technical specialists in governance, health and infrastructure to be assigned to working with relevant departments in the Kabupaten Teluk Bintuni government. Planning to implement training and mentoring programmes on specific aspects of governance with government representatives have been delayed because of the establishment of the new government.

Preparatory work for the district and village-level governance programme has been completed with development of a Scope of Work, identification of Contractors and receipt of proposals. The Project plans to sign an MOU with the successful implementing partner (to be announced) to implement the district and village-level governance programme in Arandai district. Similarly UGM is developing a district and village-level governance programme to be implemented in Babo district.



MOU Signings with CLGI/YIPD



YIPD Training

7.2 Strengthening of Adat Institutions

The Strengthening of the Adat Institutions Programme is a sub-component of the Civil Society Strengthening Programme (Section 6.1.3) that is intended to be implemented in Kabupaten Teluk Bintuni only. Programme implementation has not yet started. This is largely attributable to delays in securing government support for the programme. Securing an agreement with local government and ensuring clarity on contracting and budgeting processes/contributions has required significant time and human resources. Nonetheless the end result, namely a joint *adat* institutional strengthening programme, with greater scope and coverage is a worthwhile result of this preparatory work. To avoid misunderstanding locally, this programme will be reported under civil society strengthening in the next period.

7.3 Integrated Community Based Security (ICBS)

In 2006, the ICBS programme focussed on the delivery of (1) socialisation of the Standard Operating Procedures (JUKLAP) & Joint exercise; (2) Human Rights training; and, (3) Community Oriented Policing (COP).

In 2Q 2006, the Joint Letter of Agreement⁴ between the BPMIGAS regional office and POLDA Papua was signed, which reinforced the roles and responsibilities defined in the JUKLAP. Between 2Q-3Q 2006, the Project participated in a series of JUKLAP socialisation workshops that were held in the growth centres of the Bird's Head and in Jayapura. Workshop participants included community members, district and regional police, TNI representatives, local and regional governments and community leaders. The workshops aimed to increase understanding of the JUKLAP commitments and reinforce respective roles and responsibilities.

In 1Q 2006, a human rights promotion workshop was conducted in Biak. The workshop was attended by a wide group of stakeholders from around Papua and delivered by the Centre for Human Rights Study of Cenderawasih State University (UNCEN). The workshop allowed for discussion about the Tangguh Project and the ISP specifically. The results were positive, with increased awareness by external stakeholders on the Integrated Community Based Security programme and agreement of continued dialogue.

The Project continues to partner with human rights NGOs in Papua to conduct human rights training for the security guards.

The goals of COP are to improve the relationship between the police and the community and to provide an atmosphere for the community to participate in the provision of security and order. In 1Q 2006, the Community Oriented Policing (COP) programme was inaugurated by the Indonesian Police as the second COP programme in Indonesia. At the same time ICBS contracted PUSHAM UII to implement a training programme for village leaders of 24 coastal villages of Kabupaten Teluk Bintuni. The programme led to the formation of a COP committee serving as a village-level forum where problems can be raised and addressed. Subsequently ICBS again contracted PUSHAM UII to follow-up the initial training with a village-level training and mentoring programme. As it is early days, some of the committees are effective while others will need more intensive mentoring.



Inauguration of Community Policing



JUKLAP Socialization Workshop

⁴ The agreement is available on www.bp.com/tangguh

7.4 Health

The Project's Tangguh Community Health Unit (TCHU) continued programme implementation in all areas including: (i) Maternal and Child Health; (ii) Malaria Control; (iii) HIV/AIDS Prevention; (iv) TB Control; (v) Water, Environment and Sanitation, and; (vi) Basic Health Service. Specifically, 2006 progress includes:

Maternal and Child Health

- Training on Integrated Management of Childhood Illness training for health workers from Babo & Arandai
- Refresher training for midwives and traditional birth attendants
- Successful repetition of 'Diarrhoea Season Initiative'
- Establishment of childhood and maternal nutrition posts in several DAVs
- 'Catch-up' childhood immunization programme

Low community diarrhoea fatality rates have been maintained (<3% vs 21% in 2004) and the Under-5's completed immunization rate has improved from 9% to 35%.

Malaria Control

- Consolidation of the malaria social marketing programme in the DAVs, and two other non DAVs.
- Establishment of a malaria control and screening programme in the Tangguh Project

The average malaria prevalence rate in the DAVs has fallen to around 9% (compared to 23% prevalence rate in 2000), with no record of malaria mortality occurring in the DAVs in the workplace.

HIV/AIDS Prevention

- Consolidation of the HIV programme, covering the workplace, community and region

Water, Environment and Sanitation

The principal goal of an integrated water, environment & sanitation (WES) programme is to decrease the burden of water-borne disease in the DAVs. The Project supported a programme to significantly increase access to safe drinking water through rain water collection systems for Tomu, Ekam and Taroi and filtering river water systems in Weriagar and Mogotira.



Clean Water Program

Tuberculosis (TB) Control

In 2006, the team primarily focus on the malaria and diarrhoea control programmes.

In addition to the above, the Project participated in the development of the Bird's Health Initiative (the global development alliance between USAID and the Project) through which the TCHU will coordinate and collaborate with USAID-supported HIV/AIDS, TB and malaria control programmes. In addition to bringing more resources to health programming in the Bird's Head region, the Health Initiative also strengthens coordination between health delivery stakeholders and ensures more systematic approaches in coverage and implementation across the region.

The main challenges to the community health programmes are to ensure sustainability and effectiveness, and to create more efficiency in delivery of the programmes across more communities (non-DAV's). The main strategies for achieving this are to further develop the social marketing approach to health care delivery, and strongly link it to a well-founded community-based health financing mechanism, under the stewardship of a local health NGO. In support of this strategy, the Project is supporting the development of a local health NGO.

7.5 Basic Education

In 2006, programme implementation focussed on two areas, namely (i) direct support of education service providers (YPK, YPPK and Mohammediyah) in the delivery of primary and secondary education on the DAVs and (ii) tendering and contracting of the Kabupaten Teluk Bintuni basic education programme

The Project has MOUs with the education service providers to deliver improved infrastructure, increased number and capacity of teachers (through contracting and training) and provision of teaching aids (i.e., school books). Support has been provided to primary schools in Tanah Merah (Baru), Onar, Saengga, Tofoi, Otoweri, Tomage, Weriagar, Taroi, Tomu and Aranday and junior high schools in Tanah Merah (Baru) and Arandai. While the education service providers are delivering benefits to the DAV villages, contract management and quality assurance require significant levels of human resources.

The tendering and contracting of the Kabupaten Teluk Bintuni Basic Education Programme was completed over an 18 month period. In 3Q 2006, ISP contracted the Indonesia-based British Council to deliver the programme. Their work will include support to the local government to promote strategic planning and improve management capacity, building capacity of government and NGO education service providers, promoting household and community support for education, and developing a scholarship programme for secondary (high school) school level education.

Delays in contracting the Basic Education Programme have led to delays in the design and application of a regency-wide scholarship scheme supporting junior and senior high school attendance. The higher education scholarship scheme has been delayed. In all cases, the funds have been accrued.

Finally as described in Section 6.1, USAID and the Project established a global development alliance known as the Bird's Head Initiative (BHI). The BHI comprises three development sectors including education. Through the BHI, the USAID Decentralised Basic Education Programmes will be implemented in various IJB regencies and aims to improve teacher capacity in the Bird's Head Region.

7.6 Vocational Training

Targeted vocational training for the Kabupaten Teluk Bintuni population is constrained by the low levels of education and participation in regular wage employment. To address this issue the programme needs to focus on the development of basic livelihood skills as well as promoting development of vocational skills that lead to new employment opportunities. In 2006, programme implementation has included:

- (i) On-going implementation of the UNCEN adult literacy and numeracy training programme in Weriagar, Mogotira, Tomu, Ekam and Taroy with 120 participants;
- (ii) Development of an agreement with local government to develop and operate a vocational training center in Arandai and the commencement of construction in November 2006;
- (iii) Provision of vocational training to 20 DAV residents; participants attended training in carpentry at the Sorong training institute in 3Q 2006; and,
- (iv) On-going training of Papuan LNG Operators in the LNG facility in Bontang, Kalimantan, as well as recruitment of a further 24 Papuan university graduates to participate in the same programme.

Construction of the vocational training centre in Arandai commenced in 4Q 2006. The delay was attributable to the need to secure an agreement with local government. The consultation with local government was necessary as they will co-develop the centre, with the Project. Completion should occur by end 2007. Thereafter operations will commence with training focussed on building livelihood skills of the regency population. Short courses in carpentry, electrical, plumbing, masonry will be offered.



Literacy program in Tomu-Ekam

7.7 Micro-finance and Micro-enterprise

Village-level efforts have primarily been aimed at enhancing household livelihoods in the DAVs with mixed results. Kiosks have been established in some of the villages. Culturally the concept of saving cooperatives has been difficult to embed in the villages and external lending organizations have been reluctant to date to enter the Bintuni Bay area. The church-operated savings scheme continues to run although with low level participation rates. Efforts toward trying to establish a rural bank were unsuccessful because it could not secure a license/permit from the central bank of Indonesia, which regulates these banks

The Project identified the need to support existing and potential business entrepreneurs and very small business enterprises in the broader Bintuni Bay area. Potential examples include local fishermen who could build up a micro-enterprise to supply markets in the

region, small-scale agricultural business, or carpenters who could develop a micro-enterprise to sell their products outside the Bay. The Project aims to consult with organizations with this type of expertise regarding potential interest in working in Bintuni Bay. In 2Q 2006, the Project signed an MOU with Institute Pertanian Bogor (IPB) to develop village-level fisheries programs. In October 2006, IPB and the State University of Papua (UNIPA) facilitated a workshop with the Project and local government, in which a number of micro-enterprise programmes were identified, including an economic development forum for Bintuni Bay and a village level fishery cooperative. IPB also posted mentors in six DAVs to support the local government and communities in their efforts for a sustainable fisheries future.



IPB and UNIPA workshop on Integrated Fisheries and Agriculture



Fisheries and Agriculture Workshop in Bintuni

7.8 Women's Empowerment

Implementation of the 2006 plans for the Women's Empowerment Programme has been delayed because of delays in recruiting a programme manager. Nonetheless various activities have been implemented including: (i) in late 2005 selected women from the DAVs were invited to participate in the formation of the Women's Forum; (ii) the Women's Forum has participated in training activities including training to build their leadership capacity (gender awareness, leadership and communication) as well as increased health skills; (iii) the newly recruited programme manager has developed Scopes of Work to support programme implementation in implementing a baseline survey, training of women's forum, outreach to women in the Kabupaten and a radio programme to build awareness of gender issues in development; (iv) potential contractors have been approached and the Programme Manager has received proposals allowing contracting to proceed. Finally the Programme Manager has also coordinated with relevant government departments and thereby secured support for the programme.

7.9 Community Development - Community Action Plans

The Community Action Plan programme is a derivative of the AMDAL, which identifies nine DAVs. The Project committed to provide annual development funds (Indonesia Rupiah 300,000,000/village/year or approximately US Dollar \$30,000) to support village development for a period of 10 years in the DAVs. Subsequently, the Project extended assistance (Indonesia Rupiah 100,000,000/town/year or US Dollar \$10,000) to the communities in the district towns of Arandai and Babo districts. Programme implementation relies on annual community-based planning processes to select priority projects which are subsequently implemented.

The majority of the DAV component of the programme was started in 2004; only the RAVs are yet to implement the CAP programme, which is intended to commence once

construction activities have been completed in these villages. Village projects have included physical infrastructure (mosque construction, boardwalk construction and maintenance, bridge construction, water collection and storage), inputs for livelihood activities (outboard motors, fishing equipment) and capacity building initiatives (outboard motor maintenance and repair; women's livelihood skills including cooking, baking, sewing; financial management and administration; training for cooperative development and management).

Finally, the Community Development team is also implementing a separate Access to Water programme involving the construction of new infrastructure in each of the DAVs. The programme includes filtering river water systems for Weriagar and Mogotira and rain water collection systems for Tomu, Ekam and Tari.

7.10 Land Acquisition and Resettlement Action Plans

Refer to Lenders Social Report – Land Acquisition and Resettlement Action Plan (LARAP).

8. FORWARD PLAN (NEXT 6 MONTHS)

During the next reporting period, the Project will focus on delivering the ISP programme plan, as outlined in the ISP document.

9. SUMMARY OF CORRECTIVE ACTION PLANS RELATED TO ISP

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

10. SUMMARY OF PROGRESS IN IMPLEMENTATION OF RECOMMENDATION OF EXTERNAL PANEL

As per requisite format, this section is to provide a summary of progress made during the reporting period in the implementation of all outstanding recommendations (to the extent related to the indigenous people aspects as described in the Tangguh ISP) made by the External Panel in the context of any review or monitoring conducted by it under the External Panel Terms of Reference. As this is the first Project report and the process of contracting the External Panel is yet to be concluded, as yet there are no recommendations requiring a Project response.

11. OTHER INFORMATION

As per requisite format, this section is to provide 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 indigenous people aspects as described in the Tangguh ISP during the reporting period. No requests for additional information have been received.

12. NON-COMPLIANCE

As per requisite format, this section should report (in matrix format) failures to comply with, and actions and omissions which were inconsistent with, the indigenous people aspects as described in the Tangguh ISP (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.