

**THE BP TANGGUH PROJECT'S RESPONSE TO THE
SECOND REPORT OF THE EXTERNAL MONITORING PANEL
ON THE PERFORMANCE OF THE
LAND ACQUISITION AND RESETTLEMENT ACTION PLAN (LARAP)**

August 2007

Tangguh Project response to the External Monitoring panel on the performance of the Land Acquisition Resettlement Action Plan (LARAP)

Introduction

We would like to thank Professor Michael Cernea's panel for the report on the implementation of the Land Acquisition and Resettlement Action Plan (LARAP)¹ at Tangguh, BP's major Project to build a liquefied natural gas terminal at Bintuni Bay, Papua, Indonesia.

The panel has provided us with much-appreciated independent expert scrutiny and guidance since the development of the LARAP in 2002 as we have sought to undertake this resettlement in a way that ensures the sustainability of the communities and the environment.

This paper responds to the recommendations and conclusions of Professor Cernea's second report, based on a visit to the site and BP's Indonesia offices in December 2006. It responds first to the report's overall assessment and then to specific findings and recommendations.

Response to overall assessment

We welcome the report's overall assessment that LARAP's implementation during 2006 made "new and very impressive advances" towards fulfilling the Project's commitments. As the report notes, these include the rebuilding of the village of Saengga and the return of its inhabitants; the rebuilding of the Onar Lama village, which won a BP award; and relocation of a set of stones which are sacred to local clans. These achievements are in line with the objectives of the LARAP to achieve 'resettlement with development' and to ensure that resettled households achieve better livelihoods than they would have if resettlement had not taken place. We are very pleased that the panel continues to believe that BP's LARAP program has the potential to complete its implementation successfully in 2010 as a recognised world-class model of 'resettlement with development' in the oil and gas industry.

We also agree that there have also been some "challenges and unanticipated problems" in implementation of the plan as it has progressed from its first to second phases. These include difficulties that have prevented unskilled labour jobs being allocated to residents of the resettlement affected villages (RAVs) as planned. We have already started to investigate and actively address these difficulties. There has also been slower progress than was hoped for in matters relating to granting legal ownership

¹ The LARAP document is available on the website of the Asian Development Bank at http://www.adb.org/Documents/Resettlement_Plans/INO/38919-01-PS-RP.pdf

title to re-settlers as well as transferring management and costs of electricity, water and community facilities.

Regarding the issue of jobs, we acknowledge that discrepancies have occurred between the planned numbers of RAV residents to be allocated unskilled posts in the construction phase and the actual allocations made. To determine why these discrepancies occurred we will be carrying out a thorough inquiry. Our audit group is currently defining its precise terms of reference, but we intend it to cover all aspects of RAV recruitment and hiring. We will publish the summary findings from this inquiry and act on its recommendations.

In the meantime, we are continuing to keep original residents of the RAVs – those included in the census of 2002 – fully informed about new job opportunities through a range of different means, including village postings and local radio announcements. We have also made changes to demobilization procedures to ensure that RAV workers are prioritized when opportunities to re-hire arise or to fill new vacancies related to the operating and construction phases of the Project. We are also renewing our efforts to promote sustainable employment more widely for RAV residents – for example through support for agriculture, fishing and micro-enterprises.

As Professor Cernea notes, the BP Tangguh Project passed an historic milestone during 2006 by completing Phase One of the LARAP. This consisted of the construction of infrastructure for the RAVs, the houses, public infrastructure and services, as well as the physical relocation of the village populations. And as the panel also observes, Phase Two will move beyond the ‘bricks and mortar’ aspects of the plan to address economic and social development, including a livelihood reconstruction program designed to enable the villagers to re-establish and build their work in agriculture, fisheries, and micro-enterprise.

In many ways this is a more challenging phase of the Project and we intend to follow Professor Cernea’s advice to take stock and ensure that we build on the lessons of the programme thus far. It is important to review, and where necessary adjust, our plans, priorities and practices in the light of actual experience to date.

Education, vocational training, Project-related employment, and health have also been addressed in the RAVs. This work has taken place alongside Phase One and will continue alongside Phase Two. Activities in areas such as education, health, infrastructure and enterprise extend beyond the RAVs to other directly affected villages (DAVs) and the surrounding area as part of the Project’s Integrated Social Programme (ISP).

Responses to specific findings and recommendations

Below, we give the Project’s responses to the specific recommendations made in the panel’s report, quoting the recommendation and then giving our comments. The responses cover the following areas:

- infrastructure and progress to the development phase
- titling of lands and house-plots, village assets
- village services: power, water, healthcare
- economic reconstruction: agriculture, fisheries and micro-enterprise
- employment strategy
- survey for measuring resettlers' income
- managing the development phase

Infrastructure and progress to the Development Phase

Recommendation: The Panel recommends that LARAP accelerates the handover of the common-use infrastructural assets to the communities themselves, under formal agreements of ownership and operation endorsed by Kabupaten-state authority.

We agree in principle with this recommendation and are making efforts to conduct the hand-over as promptly as possible. However, given that the villagers have little experience of running public facilities, the Project has spent time assessing how best to ensure the long-term sustainability of the facilities in the interest of the communities, taking into account the Project's commitments in the LARAP. It has been agreed that once the assets have been formally handed over to the RAV communities, certain facilities (e.g. education and health related facilities) will then be handed over or managed by the government of Teluk Bintuni regency or third parties, as appropriate. The Project has facilitated a series of meetings involving representatives of RAVs and the *Bupati* (head of the Teluk Bintuni regency) to discuss the terms of this handover. The *Bupati* also visited the RAVs to collect first hand information and emphasized his strong intention and commitment to operate those facilities for the best interests of the communities. Discussion and preparation are being intensified with relevant parties. Clearly the agreement requires the assent and involvement of the communities, the local government and other third parties, and therefore needs to progress at an acceptable pace. A draft 'umbrella' hand-over agreement has been developed and the local government has agreed to its principles. Following consultation and agreement with the communities and local government, the official hand-over process will be carried out in stages. It is intended that the first phase of the handover will take place in 4Q 2007.

Recommendation: It is recommended that the project clearly define its obligations (limited, we believe) with respect to housing maintenance, and make these limits publicly known to encourage responsible preservation by owners of the new housing and to prevent dependency expectations.

We agree with this and have taken action to encourage the owners of homes to take responsibility for their maintenance. Each homeowner has signed a settlement agreement document, which outlines responsibility for home maintenance. To date, there has been no demand for the Project to handle home maintenance for individual

homes, as the homes are relatively new. However, we agree that the Project should reinforce the message of individual responsibility, as demand for support might arise as the homes age.

Recommendation: The Panel recommends that the OB [Onar Baru] backlog in construction be resolved as an immediate priority for 2007. The Tangguh Project must set a deadline for this and announce this deadline publicly. This last step will bring closure to the construction of the “hardware component” of LARAP.

We understand the reason for this recommendation being made and are working in cooperation with the community. While the construction receives financial and technical support from the Tangguh Project, it is important to note that this is a community led Project, which is part of our local capacity building efforts. We are encouraging progress and are pleased to see that preparation to appoint a contractor is underway and that the community expects construction to begin in 4Q 2007. The construction includes two teachers' houses, one church and one village house.

Recommendation: The new Onar Baru School currently works below its capacity because some teachers' positions are long vacant. The project must seek the Government's and Bupati's support for filling these positions.

We agree with this point and have taken action on it. Three teachers, including a head teacher, have been deployed and teaching activities are underway. Going forward, we have been working with the community to encourage the local government to assume responsibility for these positions on a permanent basis. The Bupati has agreed to assume responsibility and make these positions permanent. However, a timeline has not been set. In addition, the Project has been working with a local education partner, the Christian Education Foundation (YPK), to provide support for the Onar Baru school.

Recommendation: LARAP staff should work with village leaders, particularly with local women, and NGOs to support the creation of “parents' committees” for each school built by the project in TMB [Tanah Merah Baru], Saengga, and OB. The NGOs specialized in education with which LARAP cooperates could be asked to mentor such parents' committees in school maintenance tasks and in supporting the educational process.

We agree with this recommendation. Parents' committees, also known as the school committees, have been created. We will also work with the Project's implementing partner, the British Council, to provide mentoring for these committees as part of their scope of work.

Titling of Lands and Houseplots: Common Assets' Group Management

Recommendation: LARAP managers and Tangguh legal staff must closely monitor progress in the titling process and the work of the legal firm it employs. The responsibility to ensure secure land tenure for resettlers and hosts remains a

key duty of LARAP. The Panel recommends that BP Tangguh's own legal specialists participate in this process with the local legal firm. The field managers of ISP/ LARAP need to closely monitor work progress toward resolution of all titling matters.

We agree with this recommendation. The ISP and LARAP teams, together with BP's legal staff are engaged with the Project's external legal firm in the titling process. Given the number of applications that must be processed, the LARAP team has met with the Land Office (BPN) to discuss how the process should be managed to obtain titles as efficiently as possible and these discussions are continuing.

Recommendation: A time-bound plan for handover in 2007 of common village assets in all RAVs should be elaborated by LARAP staff jointly with village leadership bodies. LARAP staff should also organize this handover on-the-ground, facility by facility, to the village elected or appointed citizens groups. Securing the involvement of the Bintuni Kabupaten in handover is essential.

We agree with this recommendation as outlined above.

Recommendation: LARAP should intensify the socio-organizational work of its community agents inside the RAVs. Employing a professional Community Organizer for a period would reinforce and help LARAP staff at village level. Completing assets handover by end of 2007 would free community agents for full time work on development.

We strongly support the principle of building the capacity of the villagers to organize and will implement this recommendation through our implementing partners.

Village Services: Power, Water, Healthcare, and Cultural Heritage

Recommendation: LARAP should immediately analyze the data on recorded usage [of power and water] by households over two years (TMB and OB) or one year (Saengga), and supplement these data by an in-depth review of use-patterns in selected households.² The findings should be transparently discussed in village meetings to foster understanding, demand self-management, and cultivate a community culture opposed to illicit uses and free riding. The key idea could be "waste by some is higher costs for all."

We agree with the principle of transferring responsibility for the costs of power and water to the villagers. We also acknowledge that this has proved a challenging aspect of the resettlement programme and one that we are working to resolve. Some progress has been made, particularly in Onar Lama, where villagers have established a body to manage electricity and water facilities. This also includes collection of monthly contributions from the community members to cover facility maintenance and fuel costs.

² This is a simple study, requiring only one professional analyst for a short interval, with support by LARAP's community level workers who know each household in their villages.

To support those initiatives, the resettlement team has organised training sessions for the two generator operators appointed by the community to maintain the facilities. We are working with the Tanah Merah Baru and Saengga communities and local government in Bintuni to implement similar systems in the other RAVs. Electricity is monitored in the aggregate. An on-going training programme for villagers acting as electricity and water technicians is being carried out for both Tanah Merah and Onar.

Recommendation: As demographic changes in RAVs households affect the use of services, LARAP must learn about and quantify these changes. This requires a count of current inhabitants in each household, compared to the 2002 baseline survey (including newly married couples, relatives moving in, and former inhabitants who left or returned);³ such a count could be done by LARAP's community workers more expeditiously than by outside consultants.

We agree with this proposal. Demographic changes are currently tracked on a monthly basis as a joint effort between the Project's in-migration control program and the local government, with support and assistance from an external consultant. The consultant is mentoring the local government and communities to have the capacity to manage and mitigate in-migration and this will include conducting the proposed study themselves.

Recommendation: An affordability study (by a professional economist) should be commissioned to assess costs of power and water at various levels of usage, (per capita and per-family). The study should compare costs with current cash-income levels and recommend options for demand-management. Such study would help address difficulties in service-transfer.

We agree with the principle of collecting and analyzing this data and will work with an external economist to do so.

Recommendation: LARAP would be well advised to anticipate the assistance (training) needed by the villagers in handling disposal from septic tanks, and demonstrate how this operation should be done properly. An experimental early emptying and replacement of some filled tanks would help prevent sewage overflows and prepare timely discharge by other villagers. It will also correctly position from the outset the O&M [operation & maintenance] of this new equipment in community hands.

We agree with this recommendation. We will incorporate training on operating and maintaining septic tanks into our plan for the handover of the villages.

Resettlers' Economic Development: Agriculture, Fisheries, and Micro-Businesses

Recommendation: The Panel recommends that LARAP's plan provisions for re-developing RAV agricultural potentials and activities needs to be reexamined and

³ This count can also be done easily by community workers, without having to wait for the forthcoming income survey, which is more complex.

substantially strengthened. A revised plan of action appears warranted for the 2008-2010 agricultural seasons, helping place agriculture in RAVs on its long term path.

We agree with this recommendation and we are taking steps to enable villagers to resume and expand their agricultural activities. The Project has commissioned the Bogor Institute for Agriculture (IPB) to promote the development of agriculture in the RAV communities and, after some initial delays, implementation is now underway. We will examine the programme to determine if a revised plan of action is warranted for the 2008-2010 agriculture seasons.

Recommendation: To update and enrich LARAP's provisions for agricultural development, BP Tangguh should commission an agriculturist specialized in the type of soil and climate present in the area to identify unused potential and help develop the plan for villagers' agricultural work and income over the next years, as existing labor resources would return to land-work.

We agree that expert assessment and guidance is required in order to help the villagers realize the full agricultural potential of the land in the area. As outlined above, we will examine the IPB program to determine if a revised plan of action is warranted and an agricultural specialist is required.

Recommendation: Clearing some lands, where possible, for expanding agricultural work and food production (particularly agricultural work by women, less employed in LNG construction work), fully deserves Tangguh project's support, as it is convergent with the income growth objective of the LARAP.

We understand and agree with the principle behind this recommendation but the Project is unable to facilitate land clearing beyond those places that have been formally relinquished by villagers as part of LARAP. However, the Project is encouraging the community to maximize the productivity of current available land.

Recommendation: Since the former LARAP senior staff member with agricultural training has left the Tangguh project, the ISP should consider replacement with a staff professionally trained for assisting agriculturalists and fishermen in their core productive and income generating activities.

We agree that support is needed to assist villagers in their agricultural and fishing activities and will consider the replacement as part of our examination of the current program.

Recommendation: The Panel's recommendation concurs with the villagers' request in that LARAP should accelerate the implementation of the commitment to construct an easily usable pathway [from the village to the Mangossa fishing camp]. This is an economic development issue. Resolving remaining technical questions and upgrading the Mangossa Pathway is important for increasing

incomes from fishing, reducing villagers' costs of fishing, and also improving safety and reducing the risks of trespassing the marine exclusion zone. The Panel recommends that this item be included in the project's work plan for 2007, to fulfill Tangguh's commitment on this item.

We agree with this proposal and discussions are taking place with villagers regarding the route of the pathway. A joint survey between the Project and community leaders will be conducted in 3Q 2007 to identify the best way forward to fulfill this commitment.

Recommendation: The Panel calls attention to the empirical nature of the issue raised rather than only to the "initial agreement" aspects (whether or not a commitment was made). Namely, a physical, factual assessment is required about whether or not the usual fishing patterns of the Saengga fishermen are impeded by the establishment of the marine exclusion zone. Should this turn to be the case, the policy framework adopted by BP for Tangguh and its LARAP would require recognition of the exclusion zone's effects anyway, in line with current World Bank international standards even if an explicit commitment was not made previously. In this case, the vehicle of a local government program for financing adequate outboard motors might be a better solution. Only if the exclusion zone does not affect fishing patterns does the presence or absence of such a commitment matter for resolution of this issue.

We agree with this assessment and recommendation relating to the demands of Saengga villagers for provision of outboard motors for fishing vessels. A fisheries study along the lines discussed will be conducted in 4Q 2007 to examine the impact of the marine exclusion zone. Results of this survey will also reveal information about the fish stock levels in Bintuni Bay and enable the Project to examine concerns expressed by the villagers regarding decreasing shrimp catches in the past 14 months and possible reasons for such decreases. This survey will update information from the previous Fishery Survey in Bintuni commissioned by the Tangguh Project in 2004, and will provide a valuable record of current marine conditions.

Recommendation: To support economic self-development, LARAP should commission during 2007 a focused socio-economic study on the extent, content, and functioning of the micro-enterprises created in Tanah Merah Baru, with a view to identifying the seeds of growth that can be further multiplied in the economic activities of the villages. The proposed study should be of a "rapid assessment" nature, short in duration and at low cost, but yet focused on the anatomy, type of operations, and internal organization of such micro-units. Since these have developed without any formally organized micro-finance available to the villagers, it is even more interesting to explore the premises of their viability, toward further replication in other RAVs and DAVs.

We agree that the micro-enterprises and micro-finance activities in Tanah Merah Baru should be studied and recorded in order to understand why some models have been

successful and to enable others to follow them and will undertake a rapid assessment study of them.

Recommendation: The Panel suggests that LARAP explores (with some urgency) the possibility of facilitating the loan indispensable to the TMB Cooperative for building a fuel storage tank and pump, based on a realistic estimate of returns and repayment. Such facilitation may take one of several forms: either as a project guarantee for a loan by a local bank (given absence of collateral); or a direct fixed-term, interest-free loan by LARAP; or an allocation agreed with the villagers of a fraction of the first CAP [Community Action Plan] grant that is due for payment to TMB for already 2-3 years. Since the fuel license can be lost if unused, resolving this matter demands some priority. Losing it would discourage other initiatives through the cooperative and may practically spell the end of the cooperative itself. Conversely, re-selling fuel is a lucrative business; it is likely that with good management the cooperative would be able to repay the loan and also branch into other activities based on this initial success.

We understand and share the panel's concern over the TMB Co-operative, but we believe any action taken to support the business needs to help it achieve competitiveness and therefore sustainability. The key issue is that the TMB cooperative is facing unanticipated competition from other village groups, particularly from Fak Fak, who are able to sell fuel to TMB residents for a cheaper price and more efficiently. The Project's approach has been to secure a full-time business mentor to strengthen and assess the cooperative's business and economic viability. Part of the mentor's role is to produce a business plan that will take account of market forces and propose appropriate steps for the cooperative to be more competitive. While bank loans could be a future alternative, the cooperative, with assistance from the mentor, must first establish a viable business plan.

Recommendation: The Dimaga Foundation could maximize its usefulness for the affected clans by prioritizing from its start the kind of projects able to increase productive, income-generating businesses in RAVs, thus branching beyond social projects only. The recruitment of its staff technician(s) should be tailored accordingly. It is not too early for the Dimaga Foundation, once operational in 2007, to start technically preparing a cluster of later small-scale projects for medium-term execution, geared to income-generation and to employing skilled and unskilled laborers when their jobs at LNG end.

Our approach to maximise the usefulness of the Dimaga foundation for the clans is inline with the recommendation. We are acting to ensure the Dimaga Foundation develops income generation capability in the medium to long-term, and being staffed accordingly by considering its long-term financing sustainability and independence. We agree with this recommendation. Currently, community demand is focused on more immediate needs, such as agricultural inputs - seeds and fertilizer - and fishing implements. The Foundation has been designed to generate long term benefits as in kind compensation in perpetuity for the three land selling clans (Soway, Wayuri, Simuna) for their loss of both land and marine resources. As of now, the Foundation, since its establishment in

2002, holds endowment funds amounting to \$1,250,000 and it is to be topped up by annual increments of \$250,000 to a total base of \$2 million in 2009. The Project has continued to consult on the operation of the Foundation. It has provided capacity building training and mentoring for the representatives of each clan. The Project has recently appointed a senior manager to speed up the implementation of the Dimaga Foundation to deliver benefits to the three clans.

Employment Strategy and Objectives for RAV Families

Recommendation: To succeed in regaining momentum in employment, the Tangguh project should carry the in-depth analysis of what has occurred to its full completion, understand what changes are now needed and where, and inform the affected communities comprehensibly and transparently, to gain their confidence, support and participation.

This recommendation refers to the report's finding that over 60% of the unskilled site workers listed as RAV residents, and doing jobs intended for RAV residents, were not in fact actual RAV villagers recorded on the 2002 census.

As the panel observes, the Project's policies and procedures on recruitment and employment are sound. However, as also noted by the panel, there appear to have been departures from the agreed procedures. Our audit group is already defining the terms of reference for an inquiry that will cover this and other recruitment issues. It will seek to identify the root causes of any flaws in the process whereby hiring is arranged and names put forward for posts in association with village heads.

After this issue first came to light we informed the village heads in January 2007 that insufficient priority had been given to RAV residents in the recruitment process and took new steps to ensure that original residents of the RAVs – those included in the census of 2002 – were made fully aware of job openings. This includes publicity through radio announcements and village postings in villages. The 2002 census list is also now routinely attached to details of job openings.

We have made changes to demobilization procedures to ensure that RAV workers are prioritized for any current or future employment opportunities. Consequently, since January 2007, RAV skilled and unskilled workers have been re-recruited to fill posts during the construction and operations phase of the Project under specific transfer procedures, instead of being demobilized back to their point-of-hire.

This may either mean further opportunities for RAV workers to enter unskilled employment, or in some cases opportunities to train for roles such as electricians, plumbers and pipe-fitters. This is in line with the AMDAL, or economic and social impact assessment and plan drawn up at the start of the Project.

We are also renewing our efforts to promote sustainable employment more widely for RAV residents – for example through support for agriculture, fishing and micro-enterprises.

Recommendation: The analysis should identify the holes and loopholes in the hiring system to date, in order to plug the holes against future misrecruitments. The documentary evidence for this analysis is on hand -- in the lists that have been submitted by village heads and various labor suppliers (MPS) to WMO [Workforce Management Office] and in the approved candidate lists issued by WMO to contractors. Professional BP auditors may be necessary for a thorough identification of the hiring system's weak links; the full cooperation of the main Tangguh contractor(s) is of course necessary.

We agree that these objectives should be set for the analysis. Our audit group is currently defining the terms of reference for our inquiry into recruitment matters. Meanwhile, the Project continues to address this issue with village representatives to ensure that all recruitment processes are carried out in accordance with agreed criteria.

To this end, we sent a letter to all village-heads in January 2007, making it clear that all names put forward must appear on the 2002 census. We have also taken action to reject any other proposed names. As explained above, the planned inquiry into recruitment matters will help us understand any issues that have arisen to date and make recommendations about how to resolve them in future. Steps already taken to prioritize the hiring (and re-recruitment) of RAV residents from the original census and to publicize available jobs more effectively have already gone some way to addressing this particular issue.

Recommendation: To invite and encourage the cooperation of the affected communities themselves, LARAP and ISP should initiate their transparent information on job processing and planning over 2005-2009. In this effort, BP Tangguh should strive to "see" and sensibly adjust the procedures it proposes not only from the perspective of a big corporation, but also from the perspective of power-poor communities with constraints on their options for action, affirmation, and expression, and subject to counter-pressures even in the pursuit of entitlements granted to them.

We agree with the analysis and recommendation on this issue. Currently, BP has a 2005-2008 employment plan that has been discussed with the Kabupaten government. A post-2009 employment plan is being developed which will also be socialized with the local government. Since 2005, the Project has utilized radio announcements of RAV employment opportunities and hired workers in Tanah Merah and Saengga and posting of individuals hired in the RAVs. This has been carried out to promote transparency in the hiring process and to encourage local villagers to cross-check the names. We will continue to use these communications tools but we will also look for additional ways to share information with communities that are appropriate to their viewpoint and situation.

Recommendation: Disseminating with full transparency the findings of this analysis and the future planning and actions might be the most effective way of empowering the communities to help the project fully implement, monitor and achieve LARAP's commitments and targets.

We agree with this recommendation. We will publish the summary findings and communicate the outcomes of the investigation among the communities and beyond.

Recommendation: Relying on the sound principles, priorities and objectives of Tangguh's employment strategy, LARAP and ISP must develop an operational "Plan of Action" for re-launching the employment drive in RAVs/DAVs, with quantified quarterly targets to be reached at defined "milestones" and with self-and-public transparent monitoring of its implementation. This plan should outline how the process of job allocation and job-length management will unfold for the remainder of LNG construction. The plan's calendar should parallel LNG's calendar (and the calendar of other project facilities, where people can be employed) so as to ensure the on-time achievement of employment targets within the project's completion calendar.

As explained above, we are currently taking action to prioritize the hiring and re-recruitment of RAV residents, while also publicizing available jobs more effectively. We will also prioritize the hiring of RAV workers for unskilled contract positions during the operations phase of the Project. We will monitor progress and conduct an additional annual internal audit in 2008 to monitor progress against the AMDAL targets.

Recommendation: BP Indonesia and Tangguh management need to make publicly and well known their firm political will to reestablish employment on its intended path and overcome the backlog, and to request all relevant project staff, its contractors and subcontractors, as well as local communities, MPSs, etc. to fully cooperate in this multisided effort.

We are currently taking action to prioritize the hiring and re-recruitment of RAV residents, while also publicizing available jobs more effectively. In addition, we will conduct rigorous monitoring to ensure that Papuan employment remains a high priority.

Recommendation: The objective to be pursued is to provide unimpeded access to jobs to all RAV residents who are eligible and able to do the work, up to the total time committed to the LARAP.

We agree with the point on access – and this is why we are now publicizing job openings widely to residents and prioritizing them in new recruitment and hiring and rehiring of workers. The latter is a means of extending employment opportunities for RAV residents.

Recommendation: Given recent experiences and the tasks ahead, the Plan of Action needs to start with a reexamination and reorganization of the WMO, its

functions, staffing, structure and work procedures. Internal organizational links between LARAP and ISP staff and WMO need a redefinition of their mutual responsibilities and intensified cooperation. WMO needs to embrace transparency and accountability, and inform RAV/DAVs periodically of advances in employment and job-length management.

We understand the reasons for focusing on the role of the WMO. In 2007, the WMO team was moved from the ISP to the Operations team to create a direct link between workforce supply and demand in anticipation of demobilization and the transition to the Operations phase of the Project. As part of our internal audit, we will consider whether additional restructuring and staffing is necessary to meet LARAP commitments.

Recommendation: LARAP should shift radically its “unit of action” in recruitment to the household, and move away from the prior wholesale village approach, through the bias of the village head. The household should become LARAP’s “unit of employment offer” and monitoring. A status-assessment of “one-job-per-household” to date is necessary first, and written job offers should be made directly to each household by LARAP staff as parts of the employment “plan of action” for 2007-2009. All further assessments of job-length must be centered on original resident households (and on legitimate newly formed families) in RAVs.

We will include the status-assessment as part of our inquiry into the RAV employment issues and we are taking actions to inform and empower the households to be more involved in the recruitment process. However, to maintain integrity of the village system of governance and to build capacity in village administration, we will continue to work through the village head and have taken actions to ensure that hiring of RAV residents is drawn directly from the original 2002 census.

Recommendation: LARAP’s current staff is insufficient to perform the work ahead (see also Ch. 8) and will require strengthening and training. While all community level workers will need to join this effort, LARAP could also create (in BP Tangguh good tradition) a single point of responsibility for managing this Plan of Action.

We remain committed to ensure that LARAP operates at optimum capacity and is held fully accountable. With this in mind, the inquiry currently being scoped by our audit group will cover issues relating to staffing levels. We will base any decisions to increase staffing levels, create new roles or re-assign accountabilities on the findings and recommendations of this inquiry. In the meantime, we are taking steps to learn lessons from the past by providing ongoing training for the 10 people who work on LARAP. Also, one member of staff has been appointed to be a single point of accountability for land titling, gaining capability through liaison with the legal team and others.

Recommendation: Tailoring job offers on the household as the recipient unit of the job benefit could be supported through the creation of a simple Household Card (HHC), to be created either by the LARAP staff workers in the village or as a

part of the forthcoming round of the monitoring survey. This Household Card (HHC) would contain the basic demographic and economic data on family membership, identify household member getting the job benefit, job-offer date, whether or not the job offer was accepted, and job-length. Such a simple card could be maintained easily and updated. It would create the kind of record that has been missing so far, and would be usable for further monitoring of employment progress and other relevant changes in the condition of the household. More details on the Household Cards are given further in Ch. 7, section 7.2, 7.3, where recommendations are made about the content and products of the 2007 census survey.

We will capture employment data on a per household basis as part of the inquiry currently being designed by the audit group. The socio-economic data will be captured separately as part of the household census.

Recommendation: BP Tangguh will need first to satisfy itself that the pool of jobs and the time-amount of employment that it can offer to entitled RAVs/DAVs will be sufficient to meet its commitments. For this, a careful exercise for quantifying the volume of employment commitments left to fulfill must be carried out, followed by a consolidated analysis of likely job availabilities not only at LNG site, but also at other facilities of the BP Tangguh project, over the next three years. Given the shorter time left, a larger job-pool may be necessary, including more jobs for women, with jobs equivalent in pay to the LNG jobs. The help of an experienced manpower planner is necessary to design a manpower use master plan for this period, against which performance can be monitored regularly.

The Project's operations team is conducting a detailed mapping of manpower needs during the operational phase. As part of this exercise, they are also identifying position suitable for DAV workers. Within this group, we will prioritize the hiring of RAV residents from the 2002 census. This includes manpower needs associated with prime and subcontractor work. We are also prioritizing the hiring of RAV residents during the remainder of the construction phase of the Project.

Recommendation: While our reporting does not cover the DAVs who are not affected by resettlement, it appears that the employment issues are to be examined for a larger area than the RAVs, since priority hiring covers also the other DAVs included in the ISP. While maintaining task-distinctiveness, synergy between LARAP and ISP staff working on the "accelerated employment" plan could increase effectiveness and implementation quality.

As a learning organization, we will apply lessons learned and recommendations from this panel's report and the forthcoming inquiry on RAV employment issues in other employment activities related to the DAVs.

Recommendation: Given the importance of combining employment with training for enabling RAV members to find alternative employment after demobilization

(either in/around the RAV communities, or elsewhere in Bintuni Bay or Papua at large), it is recommended that the situation of EPC training activities up to the present be analyzed in a special assessment paper, reporting on achievements to date and proposing a time-bound plan for continuing and intensifying such training at Arundai.

We share the panel's concern over training and activities are underway to address this issue. The training center in Arundai will provide valuable vocational training, though its orientation will be more toward local market needs such as carpentry, electrician skills, welding and masonry, rather than Tangguh's specific needs. We therefore do not believe it is necessary at this time to develop a special assessment paper or to link the Arundai training explicitly to EPC gaps.

Recommendation: The Panel recommends that LARAP renews the efforts around its saving-related strategy plank and pursues the invitation for a credible bank to branch in TMB. Such a branch could become a rallying point for mobilizing savings in the four LARAP villages and possibly other DAVs. The village women, particularly those invested in micro-businesses, and men with jobs at LNG and elsewhere be a natural customer base. LARAP could help revive interest in savings by offering a small financial incentive (e.g., a 3-4% bonus on the average annual savings of each saving family) for the first 2 years of membership.

We agree with this proposal and BP has explored the possibility of attracting a BPR (Regional Development Bank) to the target area. However, Bank Indonesia will not grant approval at this time. BP will continue to pursue the formal banking option, as well as options such as mobile banking. In the meantime, we will implement alternative microfinance programmes in the RAVs.

Survey for Measuring Resettlers' Income Curve

Recommendation: For the monitoring round due in 2007, the Panel recommends a census format, rather than a sample survey. It is most desirable that the census team be led by, or include, an experienced economic demographer. The indicators should be limited in number, to facilitate rapid availability of key data (and analytical report) for Tangguh senior managers and staff. LARAP has a compelling need to generate a comprehensive income image that should be comparable to both the baseline and the income targets of the LARAP.

We will ensure that the next monitoring round will adopt a census format, rather than a sample survey. The team will include an experienced economic demographer.

Recommendation: A pragmatic objective of the forthcoming survey should be to help identify not only averages, but produce a set of synoptic Household Cards (HHCs). These will become tools in project implementation by community workers. They will also help identify specific cases of families who might have fallen behind and to whom the LARAP staff could directly target their specific

recovery efforts. The Household Cards would put flesh on the Survey-data bones, by communicating more detailed data at the individual household level on income-earning and income-spending strategies.

We support the principle behind this recommendation and will devise a means for capturing and analyzing household income flows on an individual household basis.

Managing the Development Phase of LARAP: Re-Staffing, Reporting, Monitoring

Recommendation: The Panel recommends creating the position of LARAP Manager, for which a development specialist with Indonesian experience⁴ in post-relocation reconstruction would be most suitable. LARAP's complex and diversified set of activities in the socio-economic development phase functionally require a manager exclusively dedicated to LARAP's successful execution, free from other ISP management obligations,⁵ and possibly at the same level with the ISP Field Manager.

We will consider this recommendation, as we develop a path forward on the outstanding issues highlighted by the panel's report.

Recommendation: The Panel also recommends that BP Tangguh's management examine LARAP's staff-level and skill-mix needs in the new development phase. The group of LARAP agents working at communities' grass roots needs to be oriented more strongly towards, and trained for, the economic development and social organizational issues of the new phase.

We will continue to assess capability and staff levels and develop training programmes or bring on external assistance as appropriate.

Recommendation: Because the LARAP is a distinct program within the overall Tangguh project and because it is an "action PLAN" in a rapidly changing environment, it is paramount that a robust system of accounting and record keeping on LARAP's time-bound tasks, commitments and deadlines be created. That will help both immediate analyses and long-term stocktaking and memory, sharpen consistency between LARAP as document and LARAP as a live, difficult, yet path-breaking set of activities.

We agree that systems such as those recommended are needed. We have recently appointed a new Performance Manager for ISP/LARAP, who will develop more rigorous systems for accounting and record keeping of LARAP tasks.

⁴ For instance, a former technical manager of the Transmigration Program, at the field level, familiar with the economic and social issues of reconstruction after relocation.

⁵ A position of LARAP manager did exist in the initial years of LARAP, before the ISP program, but does not exist now. The function of LARAP Manager was merged into the broader task of overall ISP management. By necessity, this has left much less time to the ISP Manager to focus on specific LARAP issues.