

**SAKHALIN ENERGY
INVESTMENT COMPANY Ltd.
SAKHALIN INDIGENOUS MINORITIES
DEVELOPMENT PLAN**

**PLAN COMPLETION EVALUATION REPORT
October 2010**

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Abbreviations

EC	Executive Committee
EM	External Monitor
IM	Indigenous Minorities
IPO	Indigenous Peoples Organization
LPO	Local Public Organization
MGF	Mini-Grant Fund
MM	Mitigation Matrix
PCE	Plan Completion Evaluation
PCER	Plan Completion Evaluation Report
PCET	Plan Completion Evaluation Team
RAIPON	Russian Association of the Indigenous Peoples of the North, Siberia and the Far East of the Russian Federation
RCAR	Regional Council of the Authorized Representatives of the Indigenous Minorities of the North of Sakhalin
RF	Russian Federation
SB	Supervisory Board
SDF	Social Development Fund
SDP	Social Development Program
SIM	Sakhalin Indigenous Minorities
SIMDP	Sakhalin Indigenous Minorities Development Plan
SOG	Sakhalin Oblast Government
TEASP	Traditional Economic Activities Support Program

SIMDP Plan Completion Evaluation Report

I. Overview

1. Introduction

This report is the Plan Completion Evaluation Report (PCER) of the Sakhalin Indigenous Minorities Development Plan (SIMDP). This review covers years one to five (2006-2010) of the Plan, which will last through year five's conclusion in December 2010. It comes mid-way in the last year of the Plan and concludes a series of semi-annual External Monitor Review Reports begun in December 2006.

The SIMDP was launched on May 25, 2006, in Yuzhno-Sakhalinsk, capital of the Sakhalin Oblast in the Russian Federation. The product of a year of collaboration between Sakhalin's Indigenous Peoples (called Indigenous Minorities at their own request) and the Sakhalin Energy Investment Company Ltd. (Sakhalin Energy), the Plan is now administered by the Company with the close involvement of both Indigenous Minorities and the Sakhalin Oblast authorities.

The Plan incorporates measures to mitigate negative effects on the lives and livelihoods of Sakhalin Indigenous Minorities (SIM) in the project area of the Sakhalin-2 oil and natural gas extraction and refining project, as well as measures to share project benefits with Indigenous Minorities throughout the Island. The latter is delivered by way of programs of economic development (the Traditional Economic Activities Program [TEASP]), health, education, culture, and training (the Social Development Program [SDP]), along with a stand-alone, indigenous-directed Mini-Grant Fund (MGF).

Yearly funding of the Plan has been approximately USD\$300,000, which totals to a 5-year US\$1.5 million commitment by the Company. During this concluding year of the Plan, preparations for a second phase of the Plan (2011-2015) are also taking place.

The Plan has emerged as a good practice model on both international¹ and national levels, with perhaps the most telling endorsement by the Russian Association of the Indigenous Peoples of the North, Siberia and the Far East of the Russian Federation (RAIPON), Russia's preeminent Indigenous Peoples organization. RAIPON recommends that the Plan be used as a model for other regions in the country for Indigenous Peoples in their relations with industrial companies, particularly when there is foreign investment. Many observers, including the Russian national Ministry of Regional

¹ Presented as a good practice example of stakeholder engagement by the International Finance Corporation in their 2007 *Stakeholder Engagement* guidebook, while the World Bank also uses the SIMDP as a good practice example of Indigenous Peoples plan implementation (World Bank, in press).

Development, also believe that the SIMDP can serve as a model for domestic companies.

2. Plan Completion Evaluation Objectives, Methodology, and Authorship

Objectives. The Plan Completion Evaluation (PCE) aimed at assessing the effectiveness of the SIMDP in meeting its objectives of i) avoiding or mitigating negative effects caused by the facilities construction and operation of the Project, ii) improving the lives and livelihoods of the Indigenous Minorities of Sakhalin, and iii) enhancing the capacity of indigenous communities to actively participate in the management of the SIMDP and similar community development strategies. In addition, the PCER was tasked with making recommendations, as appropriate, for the development of the second SIMDP.

Methodology. Three people comprised a Plan Completion Evaluation Team (PCET); all were selected because of their independence and lack of a role in implementing the SIMDP. The PCET was headed by the Plan's previously appointed External Monitor (EM), Gregory Guldin, as well as two others jointly chosen by Sakhalin Energy and the Regional Council of the Authorized Representatives of the Indigenous Minorities of the North of Sakhalin (RCAR) and the Sakhalin Oblast Government's Indigenous Peoples Department. Oleg Kapkaun, an experienced, knowledgeable, and respected indigenous leader with rich experience in business and community affairs, was nominated by the RCAR and accepted by the Company to serve as the indigenous representative on the Plan Completion Evaluation Team and to provide a distinctly indigenous voice in the PCER's analysis. Professor Alexander Konkov, Chair of the Sociology Department at Sakhalin State University and an acknowledged expert on methodology, was selected to round out the team and to prepare, oversee and analyze a survey reviewing the awareness of the SIMDP and opinions toward the Plan by the island's Indigenous Minorities.

The Survey was carried out between 1-20 July 2010, in the indigenous communities of Nekrasovka, Val, Nogliki, Poronaisk, Chir-Unvd, Okha, and Yuzhno-Sakhalinsk. According to statistical records, these settlements account for over 90% of all SIM representatives in Sakhalin. A directional proportional sample was used in the Survey. The directional sample was meant to ensure that the number of respondents surveyed in a particular settlement would be no less than 5% and no more than 8% of the total SIM population in the relevant settlement. Based on the total SIM population of Sakhalin, which current records put at close to 3,900 persons, about 5% of SIM representatives residing in Sakhalin were polled in the Survey. Results of the Survey in summary form are given below in section IIB, while the entire Survey can be found in Annex 1.

The EM visited the island between 20 May and 10 June, 2010, attending governance body meetings in Yuzhno-Sakhalinsk, and then — accompanied by Mr. Kapkaun — visited the indigenous communities of Poronaisk, Okha, Moskalvo, Nekrasovka, Val, Nogliki, Smyrnikh, Alexandrovsk-Sakhalinskiy and Tymovsk. Sakhalin Energy's Indigenous Peoples Unit shared key documents with Dr. Guldin and Mr. Kapkaun (most importantly, the Company's SIMDP Semi-Annual Reports, updates on the Mitigation Matrix, and committee meeting minutes) and arranged a series of meetings with key stakeholders, including:

- Sakhalin Energy employees (personnel running the program and others involved with management support of the SIMDP).
- Indigenous Minorities (both leadership and community members).
- Sakhalin Oblast authorities (in the Sakhalin Oblast Government's Indigenous Peoples Department and in the Poronaisk, Smyrnikh, Alexander-Sakhalinsk, Okha, Tymovsk and Nogliki District Administrations).
- SIMDP governance participants, including those on the SIMDP Supervisory Board (SB), the Executive Committee (EC), the TEASP Committee, the SDP Committee, the MGF Council, and the Indigenous Peoples Organizations Kykh-Kykh, Poiran, and Poronaisk Indigenous Local Public Organization (LPO).

Authorship. As indicated in the Table of Contents, section I.C. was written by Mr. Kapkaun while section II.B. and Annex 1 were written by Professor Konkov. Other sections were created by Dr. Guldin with input from team member Oleg Kapkaun.

PCE Report Structure. Each of the objectives of the PCE is dealt with in its own section of this report: Mitigation (section III), Benefits (section IV), Capacity-Building (section V), Overall Evaluation (section VI), and SIMDP 2 Recommendations (sections VII).

3. SIMDP Overview (by O. Kapkaun)

Negative Impacts: In the course of the construction and production start-up of the Sakhalin-2 Project, the environmental impact has been minimal. Currently, the terrain along the right of way is being repaired. No grievances concerning direct or indirect negative environmental impacts on local communities have been identified. These assessments are made, however, in the absence of a full ethnological *expertiza* (expert assessment).

Benefits-Sharing. Having travelled across the indigenous-inhabited districts of the Sakhalin Oblast, tokens of a better life and improved economic conditions have become visible in indigenous communities due to the SIMDP. From 2006 through 2010, the SIMDP implemented 299 projects totalling RUR 40,403,377.²

² All figures are updated to be current as of 30 September, 2010.

Rodoviye hozaistva (clan enterprises) have received vehicles (*Buran* snowmobiles, motor boats, outboard engines, cars) and equipment (rototillers, freezing chambers, chain saws, welding units). Between 2006 and 2010 the SIMDP TEAS Committee approved 89 projects totalling RUR 17,681,081 and the SIMDP Mini-Grant Fund executed 88 projects totalling RUR 4,033,220. The SIMDP SDP Committee implemented four components: Health - 33 projects totalling RUR 5,281,297, Education – 34 projects totalling RUR 6,958,044, Culture – 30 projects totalling RUR 3,613,462, and Training/Capacity Building – 25 projects totalling RUR 2,836,273.

The SIMDP was a real aid to Sakhalin's indigenous population through its implementation of the projects that contributed to culture, lifestyle, health, education, capacity building, clan communities, and indigenous groups in general.

Among the highlights are:

- Wild growing herbs processing and packaging facility in Nekrasovka (*Un'gysh* agricultural clan enterprise headed by Lyudmila Kravchuk).
- Goods exchange opportunities for remote settlements of Okha District (*Ke-raf* clan enterprise).
- Web-site of Okha Local Non-Governmental Organisation *Kykh-kykh Centre for Preservation and Development of Traditional Indigenous Culture* (available at www.kykhkykh.org).
- Svetlana N. Sangi's *We Walked Off* project (municipal cultural enterprise *Poronaisk Museum of Regional Studies*).
- Outdoor museum in Chir-Unvd (*Koivongun* family-and-clan enterprise).

The most sustainable areas for the Plan are health, education, culture, and capacity building, while the most challenging one is supporting traditional economic activities.

The SIMDP stimulates growth of *rodoviye hozaistva* (clan enterprises) and *obschini* (organized indigenous communities or institutions). As of 29 April 2010, there were 54 registered indigenous NGOs. This includes clan enterprises *Larga, Makhtush-vo, Tevi, Nork, Nan'vo,* and *N'mif,* and *rodoviye obschini* (clan communities) *Tyi, Pevgach, Trambaus, Chir-Unvd.* Thanks to the SIMDP, clan enterprises and communities have received the opportunity to build their plans for the future, to learn, to preserve their lifestyle and traditions, to organise workshops, and to participate in various contests. Yet, the Plan has been hindered from fully effective support of traditional economic activities due to its lack of clear guidelines as to who is eligible for self-subsistence support and who is eligible for business plan opportunity.

Capacity-building. In the course of SIMDP implementation, the mindset of indigenous individuals started to change. They started to understand that with support from the SIMDP they can establish clan enterprises and communities. Their looks have changed;

they've got more sparkle in their eyes, a desire for a full life rather than mere subsistence, and increasing pride in their ethnic lifestyles. They want to preserve their traditions and culture, they envisage growth of their clan enterprises and communities, and they've begun to develop a vision for the future. The SIMDP provides real and effective assistance in preserving their language, health promotion, and support of national sports. With support from the SIMDP, indigenous community leaders received capacity building trainings, computer equipment has been purchased, accounting workshops have been organised for clan enterprises and communities and for indigenous NGOs. Most significantly, young indigenous leaders have emerged who care about future generations and about the revival of indigenous traditions. Among these new leaders are Evgeniy Mugdin, a leader in the Nivkh village of Chir-Unvd, Lee Yulia, the chairman of the Poiran neighbourhood community, and Maria Kile and Dmitriy Kapkaun of Yuzhno-Salhalinsk who has also undergone training for young leaders.

II. SMDP Partners' Evaluation of the SIMDP

1. Indigenous Minorities

There is a widespread feeling reported by Indigenous Minorities on Sakhalin that the SIMDP has been overall quite helpful to the indigenous communities in a number of ways. Real benefits, particularly in education, health and culture, have flowed to people, while the Plan has also encouraged other positive social trends as well such as increased social cooperative activity while enabling indigenous communities to enter into a new level of cooperation with government. On the negative side, the TEASP is seen to have yielded mixed results with criticisms leveled regarding conflicts of interests, charges that grant property had been improperly resold, and unfair distribution of benefits.

Benefits-sharing

A large proportion of indigenous families on Sakhalin receive support from the SIMDP, and certainly, given the large number of inter-related extended families, this should constitute a majority of the minorities' population. SIMDP benefits through the SDP and MGF are particularly seen as unambiguously beneficial programs. The TEAS Program is also appreciated for enabling clan enterprises, the *rodoviye hozaistva*, and families to have better access to traditional fishing, hunting, and gathering grounds.

Increasing Activity

Some indigenous observers maintain that the most important benefit that the SIMDP brings to the community does not have to do with the material benefits of the SDP and the other programs but rather with the encouragement that the Plan gives to indigenous communities to be more pro-active in their own and their communities' lives. These observers point to the long period of indigenous dependency which characterized indigenous communities during the Soviet period and to its creation of a culture of passivity where *internat* boarding schools raised generations of indigenous children divorced from their own cultures and from taking active part in formulating the conditions of their own and their families' lives. You can still see such attitudes when some community people look at the SIMDP as merely continuing previous paternalistic patterns of "gift-giving" and passively waiting for hand-outs, this time from a company rather than the government.

With its emphasis on capacity-building, however, some Indigenous Minorities believe the SIMDP can help break through that culture of dependency, encouraging a new level of engagement to be achieved by indigenous people on the island. From this perspective, people note some indicators of increased SIMDP-spurred activity:

- More people are applying for SIMDP grants; greater numbers of people are able to write their own grants.
- More grievances are being filed regarding the SIMDP: although this might be seen as a negative, it can still be seen as an indication of a pro-active, rather than passive, approach to the Plan and community activities. Through December 2009, only one official grievance and two complaints had been filed; in the first half of 2010, five separate grievances were filed as people carried forth dissatisfactions which previously would have been only discussed in private. In the context, this is progress.
- More economic organizations are using SIMDP funding and equipment to collaborate on economic activities
- More economic organizations such as *obschinyi* (group enterprises) and *rodoviye hozaistva* (clan enterprises)³ have been formed in direct response to SIMDP requirements.
- Plan support for people to attend conferences elsewhere in the country inspires indigenous representatives to learn from the examples of other indigenous groups. Similarly, meeting with people from other communities on Sakhalin and reading the Plan and External Monitor reports has also encouraged people to start to think about indigenous issues in new ways, with a new sense of island-wide awareness of indigenous issues. As one indigenous leader put it: "Before the SIMDP, there was no real unity among Sakhalin's indigenous communities. Now we meet together regularly to discuss plans as Sakhalin SIM. You could say that the Plan has united Indigenous Peoples on the island."
- Said another indigenous leader, "Our people need the stimulus of the SIMDP; the SIMDP is a push for people: to think how to get help, to think how to use help wisely." Observed a community entrepreneur, "People see how being active brings results."
- The SIMDP, by having people actively apply for benefits by filling in forms, devising plans, crafting budgets, and attending meetings, has caused a higher level of community engagement, a trend which one municipal district vice-mayor observed was leading to the indigenous in his district becoming more outspoken.
- Young people have formed their own leadership school and have their own activities (SIMDP-inspired).

³ *Obschinyi* are non-commercial organizations, while *rodoviye hozaistva* can be either commercial or non-commercial.

Some also point to the fact that with the SIMDP — unlike with other government or private funding sources — Indigenous People are the ones actively serving in a majority of seats on the governance bodies and are the ones who are actively applying for and determining fund allocations. Significantly, the Survey found that fully one-third of respondents felt that they were active participants in the Plan.

Ethnic Pride Revival

Many indigenous informants also told our PCE team that the SIMDP has helped significantly in supporting a rebirth of pride in indigenous identity. Many grants have gone to programs and activities which are public affirmations of indigenous identity and culture, and this has affected many, particularly the young, in their attitudes towards indigenous culture. Many now believe that there is a certain cachet in traditional indigenous culture, and this has led to proposals to develop ethnic tourism and, in general, to a new sense “that our ethnic culture is worth keeping.”

One young Nivkh described how his involvement with both the TEAS Program and the School for Young Leaders — both SIMDP initiatives — has given him and his friends hope that they can implement their plans to develop as “modern Nivkhs”:

In the past, we thought that to live in the modern world, we had to give up traditions and go to the town to become asphaltovye Nivkhi (“pavement Nivkhs”) without knowledge of our own ways of life. The School made us aware of our rights so that I want to learn more about our Nivkh culture and want to be more active in our culture. I will teach my young son to be proud of being a Nivkh.

Negatives

Some indigenous respondents felt that there were a number of negative aspects to the SIMDP. One point made more than once was that the Plan was too challenging for Sakhalin’s Indigenous Minorities: unfamiliar with contracts, regulations, tax and insurance requirements, and application forms, the whole governance and implementation structure was too sophisticated; maybe in a few more years they could be ready for it but not now.

However, far and away the most oft-heard criticism of the Plan was that certain individuals, families, or groups were unfairly capturing benefits from the TEAS Program; that those serving on the committee were inappropriately benefiting those they knew to the exclusion of those from other districts or families. As corollaries to this criticism, people averred that:

- Some people receiving goods from the TEAS Program were reselling them to turn a profit.

- The TEAS Program was dominated by people from Nogliki who unfairly diverted resources to Nogliki district people.
- Plan regulations were changing too frequently and this made it difficult for people to apply successfully.
- Information about Plan benefits were not always shared as widely as desirable.

Others criticized the Plan as the source of rising inter-indigenous conflicts on the island, given the controversies that have erupted a few times over the allocation of TEAS Program monies. While some explain such conflicts or negative feelings merely as understandable jealousies and disappointments of those who applied for but did not receive SIMDP grants, others make the point that such inter-regional or inter-family conflicts existed before the SIMDP and that the Plan has merely made such conflicts more public as people now had new things to fight over on an island-wide scale.

This has saddened some people, but other people see these developments as inevitable consequences of the process whereby Sakhalin's Indigenous Minorities are proactively engaging in determining how to best allocate resources among their own communities and deciding what principles of distribution make the most sense. Should the Plan just divide all benefits like the way things were done in the past? Allocate according to some non-social criteria like business efficiency? Allow someone else to make decisions for Indigenous Minorities? Such a debate reflects unresolved differing approaches to the challenges of contemporary life.

SIM working with Sakhalin Energy and Government: The Tripartite Agreement

Indigenous responses to Sakhalin Energy's role in providing and supporting the SIMDP has brought the Company near universal appreciation among the indigenous population on the island. This is striking, given the public indigenous protests against the Company prior to the SIMDP. Attitudes towards working with the government on the SIMDP are a bit more complicated, as some are still leery as to what they see as too much government influence on Plan governance. Others are quite positive about what they see as both oblast level and municipality level administrations working collaboratively and effectively with local indigenous communities and credit the Tripartite Agreement for setting the stage for the Company, indigenous communities, and the governments to work together productively as equals. Reported one prominent indigenous leader, "The SIMDP has become a famous plan and it's mentioned at each national indigenous-related event. The [Federal] Ministry of Regional Development considers it a best practice example of cooperation between Indigenous Minorities and industrial companies."

2. Survey of Indigenous Awareness of and Attitudes towards the SIMDP (By A. T. Konkov)

A public opinion survey of the indigenous minority population of the North of Sakhalin was commissioned by Sakhalin Energy and conducted by the Department of Sociology of Sakhalin State University between 1 and 20 July 2010. The Survey covered the main communities traditionally populated by Sakhalin's Indigenous Minorities: Val, Chir-Unvd, Nekrasovka villages, as well as the towns of Nogliki, Poronaisk, Okha, and Yuzhno-Sakhalinsk. According to statistical records, these settlements account for over 90% of the indigenous population on Sakhalin.

The Survey has shown that the majority of the population is more or less aware of the Plan, while for some it has become a part of their daily life. The percentage of respondents who were able to name specific aspects and programmes of SIM support as part of the SIMDP is 57%. Most respondents know about one or several programmes (activities) envisaged by the Plan with the population having the highest awareness of those SIMDP programmes that involve the disbursement of financial aid for Indigenous Minorities, ensuring greater accessibility of public services (in education, healthcare, and social development) as well as projects designed to preserve and develop indigenous cultures.

The fact that a relatively large number of respondents (45.93%) learned of the Plan from their friends and acquaintances indicates that issues relating to the Plan have found their way into everyday communication among SIM; the programmes and specific projects are discussion points for friends, acquaintances and neighbours.

The results of the opinion poll indicate that positive SIM attitudes toward the Plan prevail over negative attitudes. Some 45% of those polled spoke favourably or highly favourably of the Plan, while a mere 5% of respondents shared their negative impressions of the Plan. Of those with an opinion one way or the other, two-thirds were positive (*see Table 3.1*).⁴

Table 3.1 Generally speaking, what is your impression of implementation of Sakhalin Indigenous Minorities Development Plan?

1) Very favourable	7.18%
2) Favourable on the whole	37.75%
3) Equally favourable and unfavourable	15.31%
4) Unfavourable on the whole	5.26%
5) Very unfavourable	0.00%
6) Hard to say	34.50%
Total	100.00%

⁴ Table numbering follows that of the complete Survey (see Annex 1).

Respondents explained their favourable impression of SIMDP by saying that it addresses the most pressing social problems of indigenous minorities in the North of Sakhalin, improves the welfare of families, clan enterprises and associations, as well as underprivileged groups among SIM.

The SIM community shows an active interest in the issues of Plan implementation, expressing suggestions and criticisms as to how it is being implemented. The respondents who described their impression of the Plan as equally favourable and unfavourable were offered a chance to elaborate. The comments of respondents who spoke negatively of the Plan were also recorded. The answers show that a positive perception of the Plan is associated with the respondents' acknowledgement of its positive contribution to social, economic and cultural development of SIM. The negative perception is mostly due to the following reasons: what the respondents believe to be shortcomings in the organisation of SIM support programmes and dissatisfaction with the fact that not all SIM who applied for aid received it.

Our Survey shows that, in general, SIM positively evaluate the Plan and acknowledge its contribution to improving the economic and social welfare of the indigenous population of Sakhalin. Apparently, the dissatisfaction with the Plan expressed by a portion of the population relates not to the substance of the activities envisaged by the Plan, but to various aspects of its implementation and/or organisation of work with individual SIM population groups. For instance, complaints have been voiced over the Plan's focus on supporting organised groups of SIM, not individuals or families. Some of the respondents point to what they believe to be unfair allocation of aid and decisions to support individual grant applications over others.

While pointing out the overall improvement in the field of SIM culture development over the years that the Plan has been implemented, many respondents have also claimed to having taken a much greater personal interest in their national culture and cultural roots. The respondents also noted that, "Due to the Plan, an ethnography museum has been created. The *Pila Ken* national Nivkh ensemble is staging performances. Our culture now has a chance of survival."

Most of those polled found it hard to evaluate the Plan's impact on the development of *rodoviye hozaistva* (clan enterprises). Apparently, this is due to the fact that few respondents are directly involved in the activity of such enterprises and probably know little about the relevant Plan activities to provide assistance in this field. Nonetheless, all respondents who are members or leaders of clan enterprises have pointed out the Plan's positive impact on the development of their enterprises.

The majority of SIM respondents found it hard to evaluate the extent of the Plan's impact on the activity of public organisations and indigenous minorities of the North in general. Yet some of those polled pointed out that the past five years have seen a fresh

spurt of activity in the public life of the indigenous population of Sakhalin, growing activity of existing SIM organisations and the appearance of new forms of SIM organisations (specifically, the Plan committees). According to respondents in focus groups, since the launch of the Plan, "Public organisations [of SIM] have received assistance and activists have been able to make a difference. I believe that those who wish to do so can make a difference" (worker, 42 years old). "People have become more active and outgoing now that they have started participating in public organisations. They have started to take an active part in preserving traditions and organising activities" (office worker, 28 years old).

SIM respondents shared their approval and positive ratings for the Plan aspects focusing on supporting education, healthcare, cultural revival, and local economies, including traditional crafts. The respondents believe that these Plan aspects and activities are the most helpful and successful.

Overall, it should be noted that most SIM representatives are more or less aware of the Plan, and the population evaluates positively those Plan programmes and activities of which they know the most. Yet there is a widespread opinion among SIM representatives that over the years it has been in place, the Plan has not resulted in a significant improvement in the quality of life of indigenous minorities, although it minimised some of the adverse economic, social, and cultural trends in the SIM community.

Over the years that the Plan has been in place, a certain infrastructure of SIM involvement in Plan implementation has grown: Plan committees have been formed and regional SIM councils are active in the districts of Sakhalin Oblast, participating in discussions of the Plan, and working out implementation proposals. SIM organisations are actively involved in grant projects, which not only help accomplish socioeconomic tasks, but also contribute to greater public activity of SIM representatives. When asked whether they felt they were active participants of Plan implementation, over 32% of those polled answered in the affirmative. According to Survey results, over the years that the Plan has been in place, one in five respondents personally filed an application for aid under the Plan.

An important aspect of interaction between SIM and Sakhalin Energy, including in matters of Plan implementation, is the Company's openness, the possibilities to file complaints and express concerns of the population. This is accomplished using the Grievance and Request Management Procedure developed by the Company. Our Survey of SIM indicates that a little over 30% of respondents are aware of this Procedure, which defines the format of complaints, contains complaint forms and contact details needed to contact the Company.

Negative expectations in connection with the Sakhalin-2 Project are still active in the public consciousness of SIM, albeit probably less manifested than they were at the time

preceding the start of Plan implementation. While commenting on their opinions, the respondents pointed out that, in their view, oil and gas recovery is inextricably linked with the risk of accidents. This is why stringent measures should be taken to prevent industrial accidents or violations of environmental safety requirements.

3. The Sakhalin Oblast Government and District Administrations

The Sakhalin Oblast Government (SOG), formerly the Sakhalin Oblast Administration, believes that the SIMDP has greatly benefited SIM. SOG departments of culture, health, and education all praised both the Plan and its governance and implementation structures and procedures. Particularly appreciated as well is the Tripartite Agreement which has brought the SOG directly into Plan administration and which can serve as a model for other companies to work with government and indigenous communities; Sakhalin Energy's willingness to both sign the Tripartite Agreement and to carry out the SIMDP is uniformly praised. The SOG notes with approval that: i) the Plan has become the center of mutually beneficial cooperation among the SOG, local administrations, and local indigenous communities, ii) indigenous individuals, families, and organizations have received material help in a wide variety of arenas, and iii) the Plan has continued to be responsive to indigenous input. Points of criticism include: i) the relative exclusion of some isolated districts which have not benefited as much as other more organized districts, ii) the lack of equitable access which has sometimes accompanied distribution of funds, and iii) the over-representation of some individuals in Plan governance.

Most district administrations are also quite positive about the results of the SIMDP and appreciative of the significant support the Plan has given to their indigenous-related budget lines. At the top administrative levels the PCET was repeatedly informed that participation in the SIMDP also raised awareness of indigenous issues among the administrators themselves, as this was the first program they actually had to engage in discussions about, as opposed to just passing through money which derived from higher level government budgets for infrastructural items (such as electricity, water, and internet). They also described the SIMDP as far more flexible than other indigenous-supporting financial sources and thus more amenable to local needs and interests. Thus, even though the total number of rubles supplied by the SIMDP may be far lower than other sources, it was praised as a critical addition to the local indigenous socio-cultural roster of programs and activities. Its year-to-year stability was also praised while many consider its governance structure and approaches a model for government indigenous programs.

District administrations were very appreciative of the support the SIMDP has given to educational, health, and cultural programs, including those which financed festivals open to the general public, which they maintained were important as they helped solidify public understanding and support for indigenous culture among the majority population, a critical dimension of the local political and social climate. They were also

highly supportive of TEAS Program initiatives which emphasize local economic development, such as the support given to the enterprise *Aborigen*, explicitly tying indigenous futures in their areas to their success in developing *rodoviye hozaistva* and similar enterprises.

One municipal administration, however, did criticize the SIMDP for what it perceived as a lack of proper information-sharing and involvement of the local administration in initiatives, particularly those supporting local indigenous enterprises and individuals. Without such oversight, they believe, the Plan is open to abuse as when one student received multiple grants to support higher education and then upon graduation decided not to return to the local area, thus depriving the region of the benefits of their training. Similarly, they said, local economic development funds can be misused: "the SIMDP is a big tasty pie which all are trying to get the largest piece of for themselves. After they eat, all that is left are crumbs. We want a SIMDP of bricks and mortar so we can build a sustainable house." One observer, though, commented that perhaps the local administration was merely nostalgic for the days when it controlled all economic activity and was the center of all decision-making.

4. Sakhalin Energy

The Sakhalin Energy believes that the SIMDP has been a very successful company initiative which is based on a real partnership of the Company with its two partners, the Sakhalin Oblast Government and the Indigenous Minorities of Sakhalin, as represented by the RCAR. Such a partnership has succeeded in moving towards the Company principles and goals of sustainable development as responsibility for the SIMDP is shared between the partners, not carried by the Company alone. Implementation has not been perfect the Company readily admits, but it must be seen as part of a long-term capacity-building process. Plan success can also be seen, the Company believes, in the movement from an emphasis on mitigation to a focus on benefits and development.

Sakhalin Energy points to a few factors as key to SIMDP success: i) voluntary adherence to international standards, ii) use of an external monitor to review Plan compliance and to offer independent guidance, and iii) active government and indigenous co-management of the Plan. The Company believes that the Plan has benefited the Company, helping it to understand the SIM community and helping the Company fulfill its lenders commitments which in turn helped the Company receive financing from international banks. One key management official said, "If you want to be economically efficient, you should fulfill your company's social commitments."

The Company believes that the Indigenous Minorities have also greatly benefited from the Plan, receiving not only material benefits, but also excellent experience in managing plans, budgets, writing reports, and similar skills-gathering. Furthermore, work on the SIMDP has also provided SIM with a platform to discuss their own affairs and to develop their own potential, as the SIMDP in effect serves as "a SIM leadership school."

The Company readily acknowledges that problems have occurred during the Plan's implementation. Three are seen as significant issues: the repeated emergence of charges of conflicts of interest, inadequate internal monitoring, and the lack of business experience in the indigenous community. Transparency is seen as key to dealing with the first two issues and the recent turn to exploring mini-credit rather than grants to businesses are looked upon as a promising trend for addressing the latter issue. Most significantly, Sakhalin Energy representatives say, both of these responses have been raised as solutions by indigenous members of the SIMDP governance bodies.

See Annex 2 for a Sakhalin Energy overview of the Plan's progress between 2006 and 2010.

III. Mitigation Measures

Did the Plan help mitigate/avoid negative Project impacts? Did the Plan engender grievances? Yes to both.

SIMDP mitigation issues derive from the items listed in the Mitigation Matrix (MM) section of the SIMDP, as well as the free-standing agreement to work on such issues signed during the Project Launch in May 2006 by the representatives of the Company and the RCAR. The latter agreement interprets the MM to be more of a process for dealing with issues of potential or perceived harm to the indigenous communities on the island by the Project than as a finalized document. Most issues in the original matrix have been adequately dealt with to the satisfaction of both sides, and the MM continues to serve a valuable purpose in providing a convenient venue for community representatives to raise grievances large or small. The MM is revised periodically and reviewed by the Supervisory Board at its semi-annual meetings.

The MM included provisions for three studies of Project effects, one of which was concluded in 2006 (the Fish Specialist's Report) and two of which were undertaken in 2007 (the Project Documentation Review and the Marine Biologist Review). Sakhalin Energy emphasizes the lack of any evidence in the reports that Sakhalin-2 has negatively affected indigenous lives or livelihoods.

As of July 2010, of the original 30 issues listed in the MM, 28 issues had been closed out and two issues covered by permanent monitoring: emergency oil spills and grievance procedures. The RCAR leadership has been generally satisfied with what they see as the responsible and responsive position of Sakhalin Energy in dealing with Project environmental risks. The indigenous public at large continues to harbor general suspicions of Project environmental risks, however, but most see these as inevitable with oil and gas projects. Local administrations, for their part, also do not report any negative effects from the Project.

The ability to track grievances from Indigenous Minorities is important to help determine how they are affected by the Project and the SIMDP. Through the first three years plus of the Plan, there had not been a formal complaint registered. However, this dearth of officially lodged complaints regarding the project or the SIMDP should not be taken as a sign of lack of complaints about the Plan's operation. Many such comments were indeed heard, though verbally and often with the explicit admonition *not* to report such comments officially. Given both the close-knit nature of the community and the cultural preference for the oral over the written, this is understandable.

Then, in 2009, two complaints were received by the Supervisory Board, and in 2010 five more were officially filed. These related to distribution of SIMDP funds and none dealt with environmental impacts of the Sakhalin-2 Project.

IV. SIMDP Benefits

Were the lives and livelihoods of Sakhalin's Indigenous Minorities improved through the provision of Plan benefits? Yes.

1. OVERVIEW

The Social Development Program (SDP) and the Mini-Grant Fund (MGF) were well received, with recipients grateful to Sakhalin Energy and the Plan for its benefits. Attitudes toward the TEASP, though generally positive as well, were more divided, with complaints focused around charges of improper distribution of funds.

2. Social Development Program

The Social Development Program supported 122 projects in four components: health, education, culture, and training/capacity-building at a total cost of nearly RUR 19 million as of October 2010. The education component consumed the largest portion of the SDP at 36%, followed by healthcare at 28%. District distribution of SDP funds roughly followed the indigenous distribution on the island in the case of most districts, the exceptions being Yuzhno-Sakhalinsk (over-represented at 20.7% of the budget with 5.9% of the indigenous population, perhaps understandably given it is the location of central oblast health institutions) and Nogliki (under-represented at 13.3% of the SDP budget while host to 29.5% of the SIM population). The work of the SDP was uniformly praised by SIM and by local government departments, with relatively few complaints being heard over the life of the Plan. In 2010, 42 proposals were made to the SDP committee and 24 projects were funded.

The SIMDP tried out partnering with a few Indigenous Peoples Organizations to co-implement some of the SDP sub-components, particularly those in education and health. The aim was to build community buy-in, to raise the capacity of local indigenous organizations, and to provide some concrete support to the organizations. For the first few years of the Plan, the Local Public Organization (LPO) Center for the Preservation and Development of Traditional Culture of Indigenous Minorities of the North (Kyk-Kykh; Swan) was the sole partner, but in 2009, the Local Non-Governmental Organization of Indigenous Minorities of the North in Poronaisk District was added. Then, in 2010, Poiran, the Territorial Community of Indigenous Minority Peoples of the North in Yuzhno-Sakhalinsk, became the third Indigenous Peoples Organization (IPO) to work on implementing the Plan as a partner. Kyk-Kykh's work record was mixed; implementing well the education and other projects it was entrusted with but having a poor record filing its paper work appropriately and on time.

Health Component. 33 projects were financed, amounting to RUR 5,281,297, for 28.3% of the SDP budget. Grants were made both directly to SIM as recipients, as when they received health care subsidies, and to health care institutions which primarily but not

exclusively served indigenous populations. The indigenous population received free or subsidized dentures, ophthalmologic operations, along with medical checkups and medications. Tuition of medical students was paid for, a book emphasizing the role of medicinal plants in indigenous life was prepared, and people with disabilities received computers for long-distance learning. In Nogliki, a medical administrator emphasized that the most important aspect of the health component was the support it provides to indigenous poor to make healthcare accessible. Plan administrators believe the most significant programs were the financing of medical training for indigenous students and the support for dental and eye treatments.

Aside from still other health-related projects, medical institutions also benefited from Plan purchases of equipment and furniture, including paramedic stations in remote settlements. The latter can prove quite important, for otherwise such communities might just have to live without. Nekrasovka, for example, received an infant scale in 2009, in addition to purchases in other years of basic diagnostic equipment. As the long-time doctor there put it, "For such a small settlement, our equipment standards are high—due to the SIMDP." This is the case despite the fact that the clinic is still using tables, chairs and cabinets donated by Okha's Central Hospital 30 or 40 years ago. In today's economic climate, the clinic will be lucky to receive a replacement physician when the current long-serving veteran retires, let alone new infrastructure or equipment.

Education component. 34 projects were implemented at a cost of RUR 6,958,044, or 37.2% of the SDP budget. Along with the health component, this component was the most appreciated of all the SIMDP initiatives as it critically affected the present and future of many indigenous families, enabling many to begin or continue their educational careers. Tuition for students was awarded on the basis of both merit and need, with continuation of scholarships dependent on grades. Education projects supporting pre- or primary schools of different regional departments of education were also supported (in Tymovsk, Alexandrovsk-Sakhalinsk, and Nogliki) while educational institutes also received direct support as well. In some cases these projects helped raised the awareness and appreciation among the general student population of indigenous cultures.

As an example of the scholarships program, half of the 14 indigenous students at Okha's Lyceum No. 6 (which provides professional, vocational training) receive scholarships. According to the school's director, no other indigenous-targeting scholarships are available for these students (mostly in certificate earning programs in accounting and IT programs) and without this support it would be difficult for some of the students to stay in school. Other SIMDP educational projects included the commemoration of the 60th anniversary of the resettlement of the Lower Amur Nanai on Sakhalin while rural library modernization received a boost from the Plan in the villages of Viakhtu and Trambaus in Aleksandrovsk-Sakhalinsky district.

Cultural component. Funding of the cultural component amounted to RUR 3,613,462 over 30 projects, comprising 19.2% of the SDP budget. Most significant projects for this component are held to be the support for book preparation and publication of manuscripts which contribute to the documentation of indigenous culture and history. In 2010, "Nivkh Myths and Fairy Tales" from the archive of G. A. Otaina was published, garnering much national attention. Many cultural conferences and cultural and ethnic sports events were supported, while museums and libraries also were component grant recipients. The Sakhalin Regional Museum of Local History received grants to recover and record ethnographic materials from early in the 20th century, securing an invaluable source of data on Sakhalin's indigenous past. Added to these were many other culture-promoting projects, not the least of which was support for the Uilta Primer which serves now as an instructional aid for teaching the indigenous language of the Uilta to their young. With indigenous languages on the island nearing extinction, SIMDP support through SDP cultural component and MGF grant for Nivkh and Uilta language retention efforts has served a critical and globally significant function of helping maintain linguistic diversity on Sakhalin.

Training/Leadership Potential Development component. This component has funded 25 projects for a total of RUR 2,836,273, comprising 15.0% of the SDP budget. In the opening year of the Plan, this included provision of computers for the indigenous minorities organization in each district in the north of Sakhalin, while later years saw support for workshops of all kinds such as those focusing on legal education, accounting, snowmobile driving, preserving salmon stocks, and indigenous culture preservation, as well as a grant to the Ethnosoyuz Bulletin Information Centre of support to create an island-wide information sharing service,

In 2009, projects included the critical innovation of support for the SIM Young Leader's School, under the aegis of the Poiran Territorial Community. This project has had a significant impact already on Sakhalin's indigenous youth, with a number of young leaders stepping forward to organize their own communities.

3. Mini-Grant Fund (MGF)

The MGF financed 88 projects at a total budgeted cost of RUR 4,033,220 as of October 2010. Applications averaged about 40 per year, with the peak of over 50 in 2007. Formulated as the prototype of an eventual independent and indigenous-run fund, the MGF has been critical to building capacity and providing a model for self-management of programs. The MGF has operated run by an SIM-only member Council advised by a panel of independent experts (both indigenous and non-indigenous). After a year or two in operation, the MGF focused on a theme, "Reviving Traditions," and has proceeded to become a key source — perhaps the key source — of support for the maintenance and revival of indigenous cultural traditions.

Excellent projects have been financed under the program:

- Lyceum No. 3, Poronaisk: *The Technology of Traditional Arts and Crafts of the Indigenous Peoples of the North*, providing assistance in the repair of the souvenir facility of the LPO of IPN of the Poronaisk district for the clan enterprise *Tyi*.
- Publication of collected Nivkh folk songs called "Quiet Ancestors' Songs" by the compiler N.A. Mamcheva, Sakhalin Regional Folk Arts and Crafts Centre.
- *Heirs of Traditions*, MSEI Children's Art School of the Nogliki district.
- *Preservation and Development of the Nivkh Language*, LPO of IPN Centre for Preservation and Development of the Traditional Indigenous Culture *Kykh-kykh* (Swan).
- *The Legends and Myths of Sakhalin for the Future Generations*, Sakhalin State Regional Local Lore Museum (G.A. Otaina), a digitalization of G.A. Otaina archive.
- *Inter-generational Ties in a Family*, Nivkh family (clan) enterprise *Targungu*.

Those who the PCET spoke with emphasized the critical role that MGF and the Cultural component of the SDP have played in raising the public profile of indigenous cultures of Sakhalin. This has evolved out of a discussion both the Supervisory Board and the MGF committee have held after it was observed that MGF grants were going to a relatively small number of recipients. Should MGF grants only go to groups or institutions with an indigenous majority of members or beneficiaries?

By 2009, the MGF has begun to operate somewhat differently, so that recent grants have gone to organizations which might have only a small percentage of indigenous students or other beneficiaries/members. In Poronaisk, Primary School #8 received a grant in 2010 for students to participate on an archeological dig which focused on the indigenous roots of the local area even though only about 4 or 5 students (about 2% of the total student body) are indigenous minorities; of the 9 students participating on the project, 4 were indigenous. The PCE Team discussed this approach with both SIMDP staff and community representatives and notes that such an approach can have two very positive results: i) such activities educate the majority population about minorities and their cultures and "encourages cross-ethnic friendships," and ii) raises awareness and pride of indigenous youth in their own cultures and so combats assimilation. And what struck the indigenous member of the PCET was that, "all these Russians and other non-SIM are concerned about the preservation of our indigenous cultures. This helps make us proud of who we are."

Another dimension of the MGF grants are their broad support to supporting the cultures and traditions of all four SIM indigenous ethnicities in rough proportion to their numbers on the island, while robust support is also given to pan-indigenous organizations such as the musical ensemble made up of all four groups based in Poronaisk. IPOs of one sort or another (district level, oblast level, others) were the largest category of grant recipients at about 37% of the total, with educational institutions (21%), museums

(17%), and others, such as libraries, (25%), receiving the rest of the funds. In terms of district distribution, Poronaisk did the best, receiving 28% of MGF grant money with only 15% of SIM population, while both Okha and Nogliki did the worst, receiving 25% and 15% respectively, with 36% and 30% of the population.

Overall, the MGF served quite well in its designed role to serve as the prototype for an independent indigenous-run fund. The pairing of an indigenous-only Council made up of representatives from each district with an independent advisory panel of experts seemed to work quite well.

4. TEASP

Positives

As of October 2010, RUR 17,681,081 was spent to finance 89 TEAS projects. Traditional economic activities support has ranged from a project to help re-establish traditional Nivkh dog breeding, to support to Uilta reindeer herders, and to grants to aid the expansion of indigenous wild plants collecting and fish processing. Both business plans aimed at expanding the capacity and competitiveness of indigenous enterprises and self-sufficiency grants aimed at enabling indigenous families and households to maintain a traditional lifestyle were financed.

Of 14 Business Plans financed between 2006 and 2009, three supported wild plants processing, four supported fish processing and related activities, one supported Evenk/Uilta reindeer herding and aligned activities, and two others commercial harvesting and trading stations, one was a sewing project (using national traditional themes). Only three were non-commercial: the Nivinka Club which established a seasonal base in Niyvo Bay, and the Ulvo traditional activities base and construction an open-air museum of indigenous culture in Chir-Unvd. Self-sufficiency grants were particularly popular in the last year or so of the Program, with the number of applicants rising from 25 in 2009 to 82 in 2010. Through 2009, 4 self-sufficiency grants had been funded. Most of the latter was for transportation equipment: snowmobiles, boats, or boat engines. These were also objects of business plan purchases, in addition to freezing chambers and power generators, and similar items vital for food processing.

The TEASP was by far the most controversial aspect of the SIMDP with conflicts, arguments, and charges regarding the distribution of its grants emerging over its five years of operation. Nevertheless, the TEASP also acted as a spur to indigenous economic development as it encouraged people to set up clan organizations and enterprises and to begin to plan long-term. One key government observer commented that many people learned how to write business plans and to think more strategically about business development. Such stimulation can be seen in the increase in TEASP applications and in the increased number of local public organizations established.

Although controversial due to disputes over allocation of self-sufficiency grants, many recipients of such grants also benefited from being able to persevere in their efforts to continue with traditional lifestyles with both snowmobiles and boats enabling families to maintain minimal levels of goods and people transportation to make traditional lifestyles viable under contemporary economic and ecological conditions. Many do so by sharing SIMDP-granted vehicles, thus bolstering indigenous values and social relations. One family of recipients used their RUR 42,000 grant's purchase of a boat motor to enable them to make enough money to support a large family though gathering berries and fishing, utilizing the labour power of elderly grandmothers whose wild plant-gathering abilities were often only marginally utilized as they were previously totally dependent on finding amenable fishermen to transport them.

One major success of the TEASP is the Ungysh project in Okha. Led by entrepreneur Ludmilla Kravchuk, Ungysh received two TEASP business plan grants (one in 2007 and one in 2009). The first grant enabled her to purchase a refrigerator, snowmobile, and boat engine, and with the profits of her expanded wild plant processing business she was able to build her own small plants processing shed. The second grant enabled her to outfit the shed with equipment to process and pack the wild plants. Ungysh, when preparations are completed and new workers brought on to gather and process, will be one of only a handful of natural foods enterprises on Sakhalin and "the first owned and run by SIM" in the modern fashion, Ludmilla told us. When the enterprise markets its produce it will do so under its own brand label —and will include the SIMDP logo on the label as a token of its appreciation to the SIMDP and the Company.

Similarly, the *rodovoye hoziaistvo* (clan enterprise) Nork received a business plan grant from TEASP, in 2009, to commercially harvest and process fish in Rybnovsk — an area of traditional Nivkh settlement in the northwest of the island. The grant brought them a boat motor, freezer, and truck and with these Nork can transport three times more fish from Rybnovsk to Nekrasovka and will enable the enterprise to increase employees from three to nine.

Negatives

The problems which arose with the TEASP to a large degree were caused by inconsistency of regulations application, miscommunications and lack of clarity and transparency. Given the highly competitive nature of the TEASP allocations to enterprises and families, shifting rules and less than total transparency as to process and recipients helped fuel an atmosphere of suspicion, anger, and jealousy. This was often overlain on pre-existing district and family rivalries.

One major dimension of the controversies was the perception of many that Nogliki District had an inordinate influence over the committee and its allocations, benefitting from conflicts of interest and manipulation of rules. Through 2009, calculation of grants received per district against indigenous population totals reveals that, considering only

district-specific allocations, that there was some skewing of TEASP allocations. Nogliki, with 30% of the indigenous population, received 46% of committee district allocations, while Okha, with 36%, received 32%, Poronaisk, with 15%, received 9%, Tymovsk, with 8%, received 9%, and Alexandrovsk-Sakhalinsk, with 5%, received 4%.

Key criticisms levelled against the operation of the TEASP committee were:

- Conflicts of interest: committee members discussed and voted on grant proposals brought by their family members or themselves. To some degree this will be an endemic problem given the small size of the indigenous community on Sakhalin, the inter-relatedness of most of its population, and the fact that most of the active population—and thus committee members—are members or heads of family/clan enterprises or organizations themselves.
- The rules kept changing: applicants were never sure if the rules they were applying under would be kept the same, sometimes they were not. On at least two occasions, committee decisions were overturned and re-application processes initiated. The rules were also often unclear; for example, self-sufficiency grants were supposed to be restricted to individuals or families, but could individuals from legal entities like *rodoviye obschiny* or *rodoviye hozaistva* (clan organizations and enterprises) apply as individuals but actually on behalf of their organization?
- Lack of transparency: information about the application and allocation processes and who received what was often not clear, or kept to those people involved in Plan governance and those they favoured, such as relatives, friends, and allies. This encouraged rumour, speculation, and gossip to flourish as to whom was really benefitting. The need to channel grants through intermediary organizations (due to restrictions on grants to commercial entities) coupled with Sakhalin Energy's attempts to protect the privacy of recipients and not publish their names, served to add to the sense that something was being hidden and to lay the intermediary organizations open to both the suspicion and the temptation to take advantage of the situation. The SIMDP's spotty record in communicating the results of its committee meetings and its decision-making process in writing to applicants added to the dissatisfaction.
- Inadequate monitoring: internal SIMDP monitoring of the TEAS program grants was attempted, but with less than full efficiency and effectiveness, and this added to the store of suspicions. Some applications were said to have been filed on people's behalf without their knowledge with the benefits of such applications never reaching the "applicant."
- Fraud: Other misuses alleged included equipment granted being sold by the recipient or pressure applied so that the snowmobile or other equipment was simply "gifted" away.

- Micro-credit, the 2010 innovation, was considered too late for effective implementation.

SIMDP 2 needs to establish more stringent measures to monitor its components, to guard against conflicts of interests, to avoid shifting regulations arbitrarily, and to share critical information more transparently.

V. Capacity-Building

Was the capacity of indigenous communities to actively participate in the management of the SIMDP and similar community development strategies enhanced? Yes.

The SIMDP, in its entirety, was conceived as a capacity-building process. In the words of one indigenous leader from Nogliki, "the Plan has taken us SIM to the next level of development, closer and closer to being able to implement such programs by ourselves. We are not at the 100% stage, but there's been a big improvement." Another from Okha said, "The Plan is a pilot plan; building our capacity is a long-term process." A third from Poronaysk said, "Working on the Plan has made us realize that we need an integrated development plan for the whole island; now each district is just looking after its own."

As indicated by the last comment, working on the Plan has given some SIM new perspectives on their situation and encouraged some community-wide discussions. Perhaps one of the most significant effects of the Plan is for the Plan's activities and governance bodies to serve as a forum for island-wide discussion of indigenous issues, whether regarding development of *rodoviye hozaystva*, or indigenous legal rights, or efforts at indigenous language revival. These opportunities were made possible by Sakhalin Energy's decision early in the Plan preparation process to apply the SIMDP to the entire island and not just to those areas affected directly by the Sakhalin Energy pipelines and related activities.

One key issue raised has been how to respond to the critical issue of community-wide passivity, borne of generations of paternalistic treatment by government authorities. How to re-establish national autonomy? The question is often raised when discussing SIMDP approaches in the form. "How do we combat the attitude of *halyava* ("freebies"), of people trying to get something for nothing? Of lazy people just waiting passively for handouts?" People who make such comments tend to divide SIM reactions to the SIMDP into two stark prototypes: those that just want handouts, and those realizing the need to work for one's own welfare.

One leader from Okha commented, "Since the 1990s, some of us have begun to become more active, but the process was very slow; the SIMDP is helping us speed the process." A leader from Nogliki said, "Local indigenous people without a doubt are becoming more active not only on Sakhalin but on the federal level as well and this has been noted by national experts. This phenomenon is related directly to the SIMDP which gives us experience in many dimensions."

Direct engagement as majority players in the governance bodies of the SIMDP has given an increasing number of indigenous community members' valuable experience in such bureaucratic bodies. All SIMDP governance bodies, the SDP committee and the TEASP committee, along with the MGF board, the SIMDP Supervisory Board, and the

Executive Committee, are comprised of indigenous majorities, and shifts in their membership over the years of SIMDP operation means exposure to such experiences has been growing. Fewer doubts are heard now from SIM than at the start of the Plan as to whether or not SIM can implement development plans.

As a tripartite arrangement, the SIMDP also involves indigenous representatives in close collaboration with both corporate and government persons and processes and this raises capacity as well to work with such people as professional equals. Significantly as well, both government and company staff report the process has worked both ways, as they too have had their capacities raised to work effectively with Indigenous Minorities.

In addition to raising capacity through the general engagement of SIM in the Plan, the SIMDP has also built-in "training" sub-components in the SDP and TEASP components to specifically target capacity-building. These have supported information-sharing platforms for SIM, ranging from conferences and workshops, to publications (a newsletter for an information center), and a youth council. The latter is a significant initiative, creating a legal entity (a "territorial *obshchina*" or Sakhalin Regional Public Organization called "Council of Indigenous Youth") under the RCAR. The Leadership School they established has the potential for long-term impact as it is training indigenous youth "to present themselves self-confidently and to defend their rights." MGF and SDP grants have helped sponsor this group which organized a tour of indigenous communities which reached out to indigenous youth with projects ranging from rights workshops to souvenir-producing initiatives. Mr. Kapkaun commented, "This group of youth will form cross-island friendships which will tie the indigenous community together, thus combating narrow district loyalties."

Experiences of SIM with the SIMDP have raised a number of capacity questions, including the following:

- Dealing with Written Materials. Coming from cultures more at ease with verbal as opposed to written communications, Indigenous Peoples have had difficulties fulfilling the Plan requirements for keeping records, filing reports, filling in application forms, etc. The best applications (in terms of how they were written) have consistently come from institutions like the Alexandrovsk-Sakhalinsk Library or the Poronaisk Museum. Over the years of the SIMDP, more and more SIM have gained experience with the requirements of preparing such written documents, but the level of execution has not been raised much and there has continually been a call from the community for support in this area. The seriousness of this problem was revealed when even the initial SDP/MGF implementation partner, *Kykh-kykh*, was disqualified from further implementation work on the SIMDP due to inadequate reporting.
- Some improvements in report-writing and general governance capacity have clearly taken place, though. Each committee has developed its own operational

protocols, so people are becoming used to committee procedures and rules, and each committee has begun to respond in writing to External Monitor recommendations for governance improvements. Discussions and reviews of many reports, including the External Monitor semi-annual reports, help model inclusive and objective writing styles, which indigenous informants have commented on as being quite helpful. One Sakhalin Energy observer noted, "The SIM involved with the SIMDP have learned many organizational skills as well as to look for compromises when working with others. Some progress has been made as well with their capacity for writing documents as they work with Business Plans, reports, and applications."

- Frequent rule changes. There is still a tendency for committees to change rules frequently, and this has caused problems, particularly when this applies to — and during — grants application processes.
- Personalistic vs. objective criteria. Key to the bureaucratic or formal approach to things is substituting objective for personalistic criteria when making committee decisions. Lack of familiarity of working with such criteria may contribute to SIMDP committee members to neglect objective criteria even when they are formally adopted by the committee.
- Transparency/information-sharing. Animated discussions regarding release of information regarding TEASP grants and applications for grants has raised awareness in the community (of those engaged with public affairs) of the need for adequate and inclusive information-sharing across the board. When committee meetings are held, who should be permitted to participate? To listen in as observers? People have been repeatedly criticizing others for not sharing information and in response proposals have come forward for newsletters and other formats for getting critical information out and in a timely fashion. The SIMDP has financed some of these proposals and as the SIMDP has been implemented, more and more information is being released; the Plan also will set up a webpage to continue in this direction.
- Monitoring. Both the Plan and the community lack experience in monitoring procedures. An early in the Plan attempt at setting up indigenous monitors in each district was abandoned but no fully adequate substitute system took its place. This led to problems, particularly with the TEASP grants.

VI. OVERALL EVALUATION

A Critical Time

"Five years ago Sakhalin Energy ignored Indigenous Minorities but now Sakhalin Energy pays attention and respects us."

Although Sakhalin Energy staff might disagree somewhat at the above assessment by a knowledgeable community activist, it captures well the sentiment of many in the indigenous community on Sakhalin in their major turn-around in attitudes towards Sakhalin Energy. Whereas earlier the Company partook of the typical patronizing attitude of the corporate world to indigenous populations wherein the Company itself decided on a benefits package for indigenous groups after a modest round of consultations, with the SIMDP the Company transitioned to partnership in 2006, providing conditions for the Indigenous Peoples to make decisions on their own.

With its support for positive trends in the indigenous communities of Sakhalin such as rising pride in indigenous heritage and by serving as a venue for island-wide discussion of indigenous issues, the SIMDP has entered indigenous life at a critical time in indigenous history. "Much of our culture has been lost due to the *internat* (boarding school) system and so now we are trying to revive our culture," said one Okha region indigenous fisherman. He went on, "We were separated from our culture and now we are trying to relearn how to fish and gather wild plants." One elderly *babushka* (grandmother) added, "We old people should hurry to teach our young people about our traditions; they know nothing about our heritage." They both credit the SIMDP as helping in that cultural and ethnic struggle to maintain their heritage.

But cultures are ever-changing patterns as the social contexts they exist in are always changing, so "revival" of traditions always means reinvention of traditions. This is precisely what the SIMDP is helping the community do as individuals struggle with answering the question as to what it means to be both "Nivkh" (or Uilta, etc.) and "modern." What values and behaviors should the community promote? Competition or cooperation? Should SIMDP funds be divided equally and thus "fairly" or should competition and activity be rewarded? By raising these questions on an island-wide frame, and by supporting both elderly and youth groups, the SIMDP is aiding the revival, continuation, and reinvention of Sakhalin's indigenous cultures.

This is not to say, as this evaluation has noted above, that the SIMDP was without its weaknesses. Internal monitoring, primarily of the TEASP, was often inadequate. Transparency could also have been more consistently delivered, whether with information as to application procedures, who was successful, or how and why decisions on grant applications were made. Despite these faults, however, the evaluation team believes that the SIMDP brought significant benefits to the Indigenous Minorities of Sakhalin.

Dual Benefits

Positive results of the SIMDP can be seen in two dimensions: one in terms of the very positive material benefits conveyed by the SDP, MGF, and TEASP, and another in terms of the strong capacity-building support the Plan has offered. The Survey conducted found that while people don't see the Plan as having led to dramatic improvements in the SIM standard of living on the island (an improbable objective considering the Plan's limitations in time and resources), there is widespread acknowledgement that many benefits have been received. People are quick to give many examples of concrete benefits received, as when the head of the RCAR, S. K. Kurmanguzhinov, reported, "Across Poronaik we can frequently see people driving their boats and their snowmobiles with the Sakhalin Energy/SIMDP logos; the Plan has been a major support to our people. But aside from that direct support, the Plan has also helped we SIM find our own way in this life."

Capacity development in dealing with indigenous issues can also be seen in the very hands on approach all three partners have taken to preparations for the second SIMDP. Whereas five years ago Sakhalin Energy clearly led the process, this time around, indigenous representatives have clearly articulated opinions based on experience as to the second Plan's governance and component approaches. But it is not only the indigenous representatives which have had their capacities raised: both government and corporate representatives involved with the Plan have also acknowledged that their understanding and respect for Indigenous Minorities' cultures and approaches have also been improved greatly.

E. A. Korolyeva, the head of the SOG Indigenous Peoples Department, summed up the impact of the SIMDP: "Thanks to the SIMDP, people changed. The Plan helped unite people and give them some direction for the future. The Plan also helped improve relations with government agencies at all levels as SIM and governments both learned more about each other. Significantly, Sakhalin's Minorities now have more experience running programs and have greater awareness of their rights and the laws which affect them — all due to participation in the Plan. Now when we attend regional or national conferences with other Indigenous Minorities of the RF, people comment on how progressive we are!"

SIMDP Distinctive Aspects

- The SIMDP is a pioneer indigenous development Plan which grants real decision-making power to Indigenous Minorities and which is based on an effective partnership between governments, company, and indigenous representatives. Sakhalin's Indigenous Minorities run this Plan for better or worse: the chair of the Supervisory Board is indigenous while only two members of the SB are Company representatives. With majorities on all governance bodies (and sole

representation on the MGF board), indigenous representatives need to develop answers to the practical questions that Plan implementation daily raises.

- The SIMDP performance has been quite responsive to community input, as can be seen when the Plan's governing bodies have overturned unpopular TEASP committee decisions after receiving negative community reactions which held that indigenous norms of "fairness" had been violated.
- The Plan builds trust among Sakhalin's governments, its indigenous communities, and Sakhalin Energy. Each has learned the other is a partner they can work with. For the government-indigenous axis, the SIMDP models a somewhat different relationship from other plans and places. Instead of the norm of paternalism, the SIMDP calls for a reconsideration of government-SIM relations with Indigenous Minorities cast as active agents. For some, this has caused some getting used to.
- Sakhalin Energy has also acted somewhat as a facilitator in this three-cornered relationship, helping to mediate between i) SIM and governments and ii) different groups of SIM as well. The Company can assume this role to some degree because it is the new player on the scene. This occurred despite periods of tension and mistrust between the Company and its indigenous partners. Both sides learned to work with the other, however, to accomplish mutually desirable goals.

Issues/ Challenges

As discussed earlier in this Report, the Plan has not been without its weaknesses, challenges and failures. Internal monitoring was not effectively employed for the TEASP and this helped contribute to some of the reputational problems with the TEASP that the Plan from time to time suffered from. In addition, occasional conflicts of interest, lack of transparency, and inadequate reporting also plagued Plan implementation.

Was the SIMDP money well spent?

Yes. Not every *kopeika* to be sure, but, yes, the SIMDP was money well spent from the point of view of Sakhalin's Indigenous Minorities, its governments at the oblast and district levels, and last but not least, the Sakhalin Energy. Yes, too, the money was well spent considering that capacity-building was the central goal of the Plan and that a good dose of capacity-building was accomplished during Plan implementation. Through such a perspective it can be seen that mistakes or some difficulties were inevitable but don't detract significantly from the Plan's overall success as a benefits-providing mechanism, a capacity-building exercise, and as a qualified model for similar projects.

VII. SIMDP 2 Recommendations

Sakhalin Energy has committed to financing Sakhalin Indigenous Minorities Development Plans throughout the life of the project. SIMDP 1 will complete its fifth and final year of implementation in December 2010, and SIMDP 2 will begin in January 2011 and last through 2015. Below are a series of recommendations and considerations for the Working Group which is planning the SIMDP 2 to consider. These suggestions are based partially on input the PCET received during its consultations.

SIMDP 2 Objectives and Goal

The objectives of the SIMDP 1--mitigation of negative Sakhalin-2 effects, benefits-sharing with SIM, and capacity-building of the SIM—are still relevant and appropriate. In addition, an explicit objective of preparing for an independent, indigenous-run Development Fund could also be added.

In the broadest perspective, a long-term strategy for SIMDP sequencing can be envisioned. If SIMDP 1 in effect focused on establishing trust between the Plan partners and building initial indigenous capacity through experimenting with new governance structures, SIMDP 2 can aim at continuing to emphasize building indigenous community capacity with an eye as well towards preparation for launch of an independent SIM Development Fund. Looking even further afield, SIMDP 3 (2016-2020) could be seen as the period of crystallization of an indigenous vision and approach to sustainable development while the SIMDP 3 would also provide critical external support to the launch of that independent fund. In this perspective, the coming series of SIMDPs would cumulatively and critically support the development of SIM sustainable development through multiple approaches.

A key goal for SIMDP 2 in its task would be to build on the effort led by the SOG to develop a sustainable development vision for Sakhalin Indigenous Minorities. Rather than simply copy or follow sustainable development pathways devised by others for other places, Sakhalin's Indigenous Minorities are determining for themselves how to define development which will carry indigenous culture and ethos well into the 21st century. Perhaps two principles which are competing now for indigenous favor, that symbolized by the desire to distribute benefits "fairly" (i.e., equitably or socially appropriate) and that indicated by the wish to distribute benefits "effectively" (i.e., by competition or by economic criteria) can be joined by SIM to form their own unique vision of sustainable development. SIMDP 1 and the SOG Indigenous Peoples Department have already fruitfully begun such discussions; the Second SIMDP should fully support such efforts.

The Tripartite Agreement and the Municipal Districts

The basic partnership among the indigenous communities of Sakhalin (represented by the RCAR), the SOG, and Sakhalin Energy, as described in the Tripartite Agreement should be renewed. However, the partners should also discuss how the municipal districts, both on the government and community levels can be brought into greater integration with the Plan. A weakness in the current plan is the lack of explicit or formal roles for the district governments and district indigenous councils, organizations, or communities in Plan implementation, despite the Plan's programs being delivered largely in these very same municipal districts. The partners should seek ways to rectify this gap.

Budget Issues

- The SIMDP 2 budget should be increased to compensate for the effects of inflation over the 2006-2010 period.
- In preparation for the move towards an independent Fund, the SIMDP budget should start to reflect the true costs of running a development program. Thus the SIMDP budget should include budget lines for items such as meetings, stipends for committee chairs or other governance positions, partner organization fees, etc. so as to more accurately reflect Sakhalin Energy costs of running the Plan which are now external to the Plan itself. This approach would also expand the area of budget responsibility and experience of the SIM representatives who will be overseeing the Plan.

General Governance

- The basic principles of the Plan as stated in the SIMDP guidebook should be reconfirmed.
- The Supervisory Board and Executive Committee should both be maintained, with a reemphasis on the role of the EC to act as stand-in for the SB in-between SB meetings.
- An operational protocol for the Plan as whole should be adopted by the SB, including guidelines for dealing with the issue of conflicts of interest and providing written expectations for membership on Plan governance bodies.
- Operational protocols for all governance bodies should be devised during the first half year of SIMDP 2 operation.
- Adequate resources should be provided so that governance bodies have enough time during meetings to conduct properly their business.

Components and Committees

Building on the experience of SIMDP 1, the three program/committee structure of SDP, MGF, and TEASP, should be replaced by a two program/committee structure. One program/committee would continue to be the Traditional Economic Activities

Support Program while the other one would be an MGF-SDP amalgam, the Social Development Fund (SDF). Both committees would continue to operate under the general guidance of the Supervisory Board (and its agent, the Executive Committee). Division of funds between the two components would need to be tied to anticipated demand for TEASP funds as well as for those of the SDF.

The Social Development Fund (SDF) and Traditional Economic Activities Support Program would operate similarly to the current MGF with only indigenous members on their governance committees but with RCAR, SOG and Sakhalin Energy observers at their meetings. The presence of observers would ensure a full flow of information to the three Plan partners. Both the Fund and Program committees would be composed of one indigenous representative from each of the seven indigenous districts, selected by the Indigenous Minorities of that district.

The Evaluation Team believes that both programs (SDF and TEASP) are ready for indigenous only membership on their committees. This proposal is appropriate for TEASP as well as for the SDF because it would go a great distance towards resolving the problems TEASP encountered during SIMDP 1 with the perception of disproportionate district representation; furthermore coupling this committee with both an experts group for program review (see below) and enhanced monitoring by the three partners should make for adequate oversight and balance for this program.

Both committees would also be guided by an experts group composed of specialists (not necessarily indigenous) appointed by the three Plan partners who would review all grant proposals and provide the SDF and the TEASP committees with their professional assessments and recommendations (they need not regularly attend committee meetings). The experts would make a determination (perhaps using a formal ranking system) whether or not the proposal or application they were reviewing was fundable from a sustainable development or financial integrity perspective and so advise the committees, leaving the committees to make the decision as to which among the fundable proposals should receive support that year. Whether positive reviews would be required by the expert groups prior to a proposal receiving funding would need to be decided on by each committee in consultation with the Governing Board.

It would also be prudent, as the Plan shifts to more indigenous-only run committees/councils, for training for committee and council members in social development plans and principles to be provided by the Plan.

If desired by the SDF committee and/or the Working Group, a separate mini-grants program could be retained under the SDF umbrella. Such a separate program, though, would need to be defined carefully and designated a specific function. It may be enough, however, to merely include the element of open competition for grants into the award of SDF grants. During the SDF's first half year, a strategic analysis to

guide indigenous social development would be undertaken (Note: the Survey found that there was community support for programs to combat alcoholism).

Some recommendations for the TEASP under SIMDP 2:

- The role and function of the TEASP needs to be tied to a comprehensive analysis of the economic development possibilities for SIM. This was begun during SIMDP 1 but it also needs to be the first step during the start of SIMDP 2, prior to any funds distribution for grants or credits.
- The new TEASP committee can consider establishing social criteria for its funds distributions such that priority will be given to proposals that both stimulate socially useful economic activity (e.g., provide jobs) and bolster indigenous values or behavioral ideals (e.g., of communal cooperation).
- Restrict self-sufficiency grants, if such continue to be awarded, to those living full-time in natural subsistence environments.
- Limit the number of grants an individual, family, or organization can receive during the five-year Plan period; such a regulation would honor the principles of both competition and equity.

Committee Composition

- Individuals can only serve on one of the committees at a time, not both. Committee members should also not be selected from members of the Governing Board.
- Committee chairs should be selected by the committees from among their members.
- To further enhance involvement of local communities' input into the TEASP committee, the TEASP indigenous representatives in every district could be advised by a council comprised of an elder, a *rodovoye hozaistvo* (clan enterprise) representative, a *rodovaya obschina* (clan group enterprise) representative, the local district indigenous specialist, and an NGO representative. These councils would screen proposals from their district before passing them on to the TEASP committee as a whole.

Application Process

- Need to ensure the very poor have full access to programs/benefits.
- Applications should require furnishing information on other grants received or applied for in previous years for both the SIMDP and other grants programs, e.g., the oblast or federal programs or other private sources.
- Need to work out a method to ease the process of finding a partner organization in each district to apply for TEASP grants/credit.

Internal Monitoring

- Needs to be increased, particularly for TEASP grants.
- Should be the responsibility of the three partners and include visits to beneficiaries and review of reports and financial statements.
- The three-partner monitoring teams should invite the district indigenous specialist to join them when they visit in their district.
- Such teams could visit clan enterprise and communities twice a year during winter and summer to monitor the use of granted equipment.

External Monitor

- Should conduct annual monitoring visits to Sakhalin, (including visits for the two evaluation visits for the Midterm Review and the PCE). Additional visits for years 1-5 may be arranged, if required.
- For those meetings of the Supervisory Board that the External Monitor will not be physically present for, the EM should attend by teleconference, conducting a desk review as well of all documents received by the SB.
- Should meet with people who were unsuccessful grant/credit applicants as well as successful applicants, along with both supporters and critics of the Plan.

Grievance Procedure

- The SB should be established as final arbiter of any SIMDP-related grievances.
- The SB should recommend to Sakhalin Energy an appropriate grievance procedure which follows SIM cultural preferences.

Training

To build capacity for development plan self-management, the SIMDP 2 should maintain a robust capacity-building program, including workshops/training for:

- Community members (as opposed to institutions) on how to make applications.
- Successful grant applicants on how to make out narrative and financial reports and maintain accounting records.
- Committee members to learn norms of effective (for community purposes) committee service.
- Business development topics, including legal and taxation matters.

Transparency

A continuing expansion in the types and extent of information is necessary to maintain community confidence and trust in the SIMDP process. To that end, and as requested by respondents to the Survey:

- SIMDP committees should give written explanations for application rejections, along with suggestions for ways to improve the applications.
- SIMDP committees should provide to the EC and SB full lists of all applications made to the committees as well as an indication of the reasons for acceptance or rejection.
- The SIMDP needs to reveal the names of all recipients of grants/credits in its annual reports to the community.
- Both the SDF and TEASP committees need to send reports of their committee work in a timely fashion to the EC and the chair of the other committee.
- Information regarding applications for both SDF and TEASP components need to be shared directly with the indigenous specialists in the districts.
- Information regarding any lists of unprincipled commercial organizations or individuals proscribed from applying for grants should be entered on the SIMDP webpage with clear explanations of why individuals/organizations are on it.

Transparency for SIMDP 1

As part of the PCE process, the Company is advised to prepare a simplified booklet reporting the results of the SIMDP 1 implementation, in addition to:

- Distribution of this PCER.
- Distribution of the full reporting tables for the three SIMDP programs (SDP, TEASP, and MGF).