



Semi-Annual Report on the Sakhalin Indigenous Minorities Development Plan Implementation Progress

June 05, 2007

1. Introduction

In 2005-2006, Sakhalin Energy in cooperation with the Regional Council of Authorised Representatives of the Sakhalin Indigenous Minorities and regional authorities developed the Sakhalin Indigenous Minorities Development Plan.

The obligations undertaken involve regular reporting to all stakeholders interested in the SIMDP implementation.

This report covers a period from December 1, 2006 till June 1, 2007, being the second semi-annual report prepared under the SIMDP.

2. Review of the SIMDP implementation process

2.1. SIMDP governance

The successes achieved during the reporting period involve the availability and working efficiency of all the SIMDP governing bodies, such as the Supervisory Board, the Supervisory Board Executive Committee, the TEASP Committee, the Social Development Programme Committee, and the Mini-Grant Fund Panel.

Meetings of the SIMDP regulatory bodies are held on a regular basis and have a constructive character, thus allowing achieving consensus and making decisions.

The following meetings were held in the reporting period:

- one meetings of the Supervisory Board (on Dec 18);
- four meetings of the Supervisory Board Executive Committee (on Dec 20, 2006; Jan 18, April 5, May 30);
- two meetings of the Social Development Programme Committee (on Feb 9, April 3);
- three meetings of the Mini-Grant Fund Board (on Dec 11-12, 2006; Feb 8, May 25-26). Besides, two Expert Group meetings (Dec 5, May 23).
- four meetings of the Traditional Economic Activities Support Programme Committee (on Dec 6, Dec 19, 2006; Jan 17, April 12-13).

To date all SIMDP committees have reconsidered and rectified their provisions to be in compliance with the overall distribution of roles and responsibilities that helps understanding the rules of the game by all stakeholders.

2.2. SIMDP Mitigation Matrix commitments

In December 2006 Sakhalin Energy invited a group of ethnologist experts guided by Academician V.A. Tishkov, Director of Russian Academy of Science Institute of Ethnology and Anthropology to carry out the Project Documentation Review. A representative of the Russian Association of Indigenous Peoples of the North (RAIPON) was also included into the group.

Having studied the documentation, the experts prepared a report (Feb 2007) and specified that 'the Sakhalin IP related activities conducted under Sakhalin II Project might be regarded as pioneering and useful for other major companies intending to carry out large-scale industrial projects on the lands of traditional settlements and nature use of indigenous minorities of Russia'. At the same time, the expert group identified a number of weaknesses in the documents and prepared a package of corrective recommendations.

The PDR report has been provided to IP and Oblast Administration and is available at the Sakhalin Energy external web site.

In March 2007 Sakhalin Energy and the Regional IP Council agreed to the candidate of Prof. Kriksunov as the Marine Biologist, who will visit Sakhalin in June 2007 for a field part of the Marine Biologist Expert Review.

2.3. Report on the implementation progress of subcomponents

The 2006 Social Development programme has been fully financed; the 2006 Mini Grant Fund programme financed at 99,2% (funding of the single project has been postponed due to temporary lack of a bank account of the applicant). The implementation of the 2007 Social Development and Mini Grant Fund programmes is going according to the schedule.

Funding the Social Development Programme for 2007 is only starting as contracts are concluded for 23 approved projects totaling to 3,458,000 rubles (\$133,000). One contract was funded in May 2007 in the total amount of 40,000 rubles. Five projects relating to the component Culture amounting to 309,000 rubles and five projects relating to the component Health and amounting to 322,213 rubles are being financed.

In May 2007 the financing of the 2006 -2007 TEAS programme has started.

2.4. Identified problems

Delayed implementation of the Traditional Economic Activities Support Programme subcomponent.

2.5. Complaints received in relation to the SIMDP

No complaints / formal grievances have been lodged. Dissatisfaction at small amounts of financing was sometimes expressed in oral form.

3. Stakeholders' Support

3.1. Support given by government authorities of different levels

In the period under consideration, active support was given to the SIMDP by the following parties:

- Sakhalin Oblast Administration (Department of IP of the North, other departments);
- a representative of indigenous peoples in the Sakhalin Oblast Duma (E.A. Koroleva);
- the heads and specialists of administrations of the municipal districts.

3.2. Organizations of Indigenous Peoples of the North

The IP organizations render organizational support which is critically important for successful implementation of the Plan.

Many 2006 social development projects were carried out by the partner IP organization “*Kykh Kykh*”. Funding treatment of eye diseases (in the framework of the *Health* aspect of the Social Development Programme) was supported by the Yuzhno-Sakhalinsk local public organization of the indigenous minority peoples.

4. SIMDP External Monitoring

According to Company’s commitments every 6 months the external SIMDP monitoring should take place. In the first External Monitoring report for June-December 2006 the international anthropologist Gregory Guldin writes that “overall, SIMDP implementation is going well”.