

OOO Yurkharovneftegaz
Indigenous People's Development Plan

September 2004

Prepared for the International Finance
Corporation (IFC)

Approved Abbreviations

IFC	International Finance Corporation
IP	Indigenous People
IPDP	Indigenous People Development Plan
RF	Russian Federation

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1 Introduction and Project Description

The Yurkharovskoe oil, gas and condensate field (discovered in 1970) is located on the west bank of Tazov Bay ("The Bay"), approximately opposite the settlement of Nakhodka and to the north of Arctic Circle. The field is operated by the OOO "Yurkharovneftegas," a limited liability company ("Yurkharovneftegas", "the Company" or "YNG"), which was created in 2000 and is part of the Novatek Group ("the Group"). The license territory is 290 km² (including a small part of Tazov Bay). For production and transportation, the Company intensively uses and pays rent on 75 hectares. The Company has the right of exploitation until 2020. Administratively, the territory being used is located in the Nadym Administrative Region of the Yamalo-Nenets Autonomous District ("the District"). The area is the distant northeastern periphery of both the District and Nadym region.

The company began full-scale commercial production in April 2003. The current level of natural gas production (natural gas is the main resource, which accounts for 94% of the total oil, gas and condensate reserves) is 5.4 billion m³/year. By the end of 2004, it is expected to reach 9 billion m³/year. The next step of field development will be to add 18 bcm/y of production in increments of 9 bcm/y over the next five years, but those plans have not been finalized yet.

Yurkharovneftegas also has exploration rights in the New Yurkharovskiy area (license territory – 827 km²) until 2008. The area has enough reserves to support production for approximately 40 years.

If the New Yurkharovskiy area is developed, Yurkharovneftegas production activities will extend to the territory of the Tazov Administrative Region and will involve extraction of resources from the Bay's bottom. Tazov Bay is an area especially important for fish reproduction. The Company is aware of the Bay's sensitive environment and plans to develop the field by utilizing long horizontal wells from bank, which are friendlier and less intrusive, both for the environment and the northern indigenous people ("indigenous people").

The natural conditions of this tundra area are harsh with low temperatures, winds, and short summers. Throughout most of the year, the field can only be reached only by helicopter. From the middle of July to the middle of September, waterways (Tazov Bay and Mongaurbey River) can be used. For the delivery of goods, the Company uses the railroad station *Farafontievskaya*, 264 km from the field. Further delivery is by road. Currently, the last 37 km of

road from Noviy Urengoi to the field, which is maintained by the Company, can be used only in the winter. According to existing maps, the Company constructed and uses several all-season roads - both in south-north and east-west directions - within the license area. The configuration of roads, according to the permit, can create some relatively minor problems for reindeer migrations in summer.

Yurkharovneftegas is registered in Nadym, although the headquarters are located in Noviy Urengoi town, approximately 300 km to the south of the field. In total Yurkharovneftegas employs approximately 600 persons.

Reindeer herders have had to change traditional routes of their migrations because of oil and gas production throughout the District. The Company is aware that future extraction of the resources from the Bay can create problems for another traditional economic activity of the indigenous people – fishing and is thus careful to utilize friendly drilling techniques.

There are no permanently settled indigenous people on the territories of either license areas, but tundra Nenets traditionally used the land area as summer pastures for reindeer and the Bay for fishing. As mentioned, horizontal drilling from the shore should not disturb either the summer pasture or the fishing activities. Approximately 90% of fish are caught in the summer period, when the main gas-related activity that may disturb the fishery is water-borne transport of construction material. This activity, however, has decreased significantly since the completion of the facilities.

The territory of the two Yurkharovskoe license areas was used as pastures by the indigenous peoples of three administrative regions –Nadym, Tazov and Purov. The west bank of the Bay is federal land, officially used by Purovskiy agriculture enterprise, based in Samburg (Purov Region).

An assessment done by an independent consultant of the scale, nature and geography of Yurkharovneftegas's activities, both current and future, led to the conclusion, that the Company's activities do not currently pose major problems for indigenous people. Unused parts of the licensed territories are accessible for reindeer breeding. The changes in routes are still the only influence on the indigenous people and this influence is minor: The area of land used by the Company is so small that this does not create problems for nomadic indigenous people, or for the habitat of their animals on which they depend.

Transport infrastructure does not create barriers for the migration of reindeer. The 54 km gas and condensate pipelines from the field to the main pipes, which partially cross the territory of the Purov region, are buried at the depth of 1.5 – 2 meters. Nevertheless, for reasons described below, Yurkharovneftegas provides substantial and constantly growing help to indigenous people through various channels, among which are rent payments for mineral rights that go to various levels of government.

The main purpose of this document (“the IPDP”) is to develop a plan of action directed at assisting the social and economic development of the indigenous peoples. This

document will, in addition, address the main ways to help indigenous people in light of the Company's future development plans.

Three other Novatek companies actively operate near Tarko-Sale ("Tarkosaleneftegaz" and "Khancheineftegas") and Gubkin ("Geoilbent"). They have accumulated useful experience in cooperation with and providing help to the indigenous people, which was analyzed and used in the preparation of this IPDP. The practical use of "best practice" can be seen in the discussion below.

2 Principles and Objectives

Yurkharovneftegas's contribution to the development of indigenous peoples in its area of operations will be based on following **principles**:

- preservation of local indigenous people's socioeconomic and cultural uniqueness;
- priorities, choices and desires of indigenous people are followed;
- inclusion of indigenous people in the process of decision-making on the selection, development, and implementation of projects intended to benefit them;
- social responsibility of the Company;
- achievement of development that takes into account the socioeconomic and cultural complexity of the region;
- orientation towards the most marginal/vulnerable groups of indigenous people (nomadic, poor, pensioners, large families, unemployed), particularly nomadic groups;
- elaborate community development projects in co-operation with the District and local authorities, civil society institutions, informal representatives of indigenous people and other companies, working in adjacent areas;
- avoid substitution of regional and local authorities duties, but rather work to enhance their activities in fulfillment of these duties;
- concentrate own activities in the license and adjacent areas;
- approach to planning is based on a concrete area;
- planning period has to be at least 5 years;
- dominance of physical forms of help to indigenous people (i.e., snowmobiles, petrol, food, etc.) over monetary ones;
- provide timely information on the status of implementation in an accessible form;

- to the extent possible, exert control over all forms and types of help provided by the Company to indigenous people and used by any institution (local authority, public organization, etc.) or person; and
- technical studies have to go in advance of investment decisions.

All of these principles take into account both the World Bank Group's indigenous peoples policy (see Operational Directive 4.20) and the unique, concrete conditions in the studied area. If all of these principles will be followed in the course of IPDP realization, the following objectives can hopefully be achieved.

The main **objectives** of the IPDP are:

- movement of indigenous people toward a sustainable development phase;
- support of traditional economy and diversification of its industrial structure;
- expand professional and career opportunities for indigenous people;
- to render assistance in developing new markets for indigenous people's traditional products;
- contribute to the increase in real incomes, thus improving the quality of indigenous people's life;
- reduce level of indigenous people's isolation (physical and informational) and social exclusion; and
- support an environment necessary for the traditional economy and style of life.

3 Legal Framework

North native indigenous people (“Indigenous people”) in Russia are covered by a number of laws, regulations and decrees at both the federal and regional levels.

3.1 Federal Level

The Constitution of the Russian Federation states that the “protection of the primordial environment and traditional way of life of small ethnic groups” is a joint responsibility of the Russian Federation and subjects (regions) of the Russian Federation (Article 72). On the federal level, three laws develop and regulate various aspects of indigenous peoples’ lives and activities. These laws represent a legal framework for the lives and activities of indigenous people and small ethnic groups. The Federal law “On the Main Principles of Russian Federation North, Siberia and Far East Small Indigenous Group Communities’ Organization” was approved in July 2000. It details the procedure for the organization of communities, taking into account the many distinctions of indigenous peoples’ life and traditions. The state does not provide any preferences for private sponsors helping indigenous people. According to this Law, indigenous people can easily create a community, but privileges associated with the community are not defined.

The federal law “On Guarantees of Russian Federation Small Indigenous Group Rights” no. 82-FZ dd. 30.04.1999 states (Articles 5-7) that the Russian Federation, the regions of the Russian Federation and local authorities “may” and “have the right” to protect the interests, traditions, environment, and economy of indigenous people. This, though, is not obligatory and the law needs additional clarifications from executive authorities. The Law does not guarantee indigenous peoples’ rights; it only permits executive authorities to protect their interests and rights, as described above.

A Federal law crucial for the indigenous people, “On Traditional Nature-Use in the Territories of Russian Federation North, Siberia and Far East Small Indigenous People Groups”, was approved in May 2001. It is a framework act, which needs further clarifications by executive authorities. The Government has not yet approved a practical document regulating the creation of traditional living territories for indigenous people. The New Land Code permits authorities to tax indigenous people or “confiscate” indigenous people’s land. The Code cancelled a Government decree (approved on December 2002), which permits indigenous people to receive land on an essentially permanent basis.

Thus, federal laws and regulations do not provide specific rights for preservation of traditional practices and social and cultural development of indigenous peoples, including the Nenets of the Yamal-Nenets Autonomous Region

3.2 District Level

The Yamalo-Nenets Autonomous District has the status as an equal subject of the Federation based on indigenous people presence on its territory (as evidenced by its official title – Yamalo-**Nenets** Autonomous District). The rights and responsibilities of indigenous peoples are prescribed in various laws, starting from the *Ustav* (main law) of the District and other laws of the Autonomous Region. Signs of the special attention paid by District authorities to indigenous people are seen in the industry laws that regulate environment, fishing, education, and local self-government. Several District programs regulating housing, fishing, employment, etc., pay special attention to indigenous people. There are several other more specialized laws that concentrate on the traditional economic life of indigenous people.

The District law “On Regulation of Land Relations in Areas of Northern Indigenous Small Groups Living and Traditional Economic Activities on the Territory of Yamalo-Nenets Autonomous District” (approved in October 1997) may be the most important legislation for indigenous people. For indigenous people, land was and is the main resource that makes it possible to support the traditional way of life and economy.. The Law could be the basis for the protection of land-use rights of the indigenous people, including privatization of land plots. The Law proposed a balance between the indigenous people and the oil and gas industry in land-use. However, the land privatization was postponed until the adoption of a corresponding Federal law. The RF has not yet adopted such a corresponding law. The recently approved Land Code of the RF is contrary to this Law (for example, the provision on the “free use of land by indigenous people”). The Law tries to protect the 1997 map of land-use as the status quo.

In October 1998, the “Law on Reindeer-Breeding” was approved in the District. It guarantees to enterprises and private persons, acting in the industry, a number of preferences, including annual grants for products delivered outside the region of production, free transportation of goods for indigenous people, compensation for all used energy, etc. It did not address the issue of ownership over nor did it give priority to the reindeer industry in the use of land.

The Law “On reindeer-breeding....” prescribes both compensation for losses to reindeer breeding and payments for lost profits during the entire period of oil and gas industry exploitation. In the Law, compensation for losses is subdivided 50:50 between local authorities and the agricultural enterprise. Now, after legal changes, the entire sum is paid to the former. But the latter receives all lost profit payments. The Law does not specify procedures for calculating either payment.

Both Nadym and Tazov regions have a large local tax base connected to the activities of oil and gas companies. Both are donors to the Districts' budgets. As a result, the indigenous peoples of these regions receive little money from District authorities.

The state has limited means to assist indigenous peoples. In general, what help that is available goes to settled populations, since the cost of service delivery to these communities is relatively low. Nomadic people must go to permanent villages for social assistance, health services and to have their children educated. If people are nomadic, they are less likely to receive adequate health care and more likely to have their children living separately from them.

3.3 Local Level

Indigenous peoples' interests are mentioned in the *ustavs* (basic laws) of municipal units, as well as in their annual budgets. Municipal legislative and executive authorities annually prepare a number of documents connected with indigenous peoples' basic needs. However, the main documents are those regulating the inflow of help, i.e., annual budget and agreements with oil and gas companies. Usually the aforementioned local agreements describe the help not only in rubles, but also in physical units (e.g., flats, students, helicopter/hours). For the day-to-day life of indigenous people, such agreements - as well as local budgets - are the most important documents when compared to federal and district legislation. In both cases, oil and gas companies are a major source of financing for indigenous people assistance programs.

Yurkharovneftegas signed three such agreements – two with Nadym region and one with Tazov. The Company pays rent directly to the Nadym administration (\$ 50,000 in 2002 and \$ 30,000 in 2003). In addition to this, the Company pays compensation for losses of agricultural production and lost profits. The Company also has an obligation to pay helicopter hours to bring indigenous children to and from boarding schools.

The general agreement with the administration of Tazov region (with supplement) is slightly different from the arrangement with the administration of Nadym Region. The Tazov administration voluntarily takes on the obligation to produce a development plan for its territory and to include the Company's activities in it. The agreement with this region also tries to express indigenous people's help as a share of Company activities in the area. A supplement to the agreement indicates all the concrete forms of help going to the indigenous people. In 2003, the Company provided for the social, cultural and economic development of the indigenous people by providing a general grant of 110 thousands rubles (\$3,929), paying for helicopter time (15 hours), funding the construction of a sauna-laundry complex (4 million rubles or \$142,860), and providing one position in the Company for an indigenous person. Yurkharovneftegas pays the Nadym Regional administration and the agricultural enterprise *Purovskiy* rent on land, compensation for losses of agriculture production, and lost income. These payments are obligatory according to existing legal acts and fall under the decision-making of those respective authorities. Since they are not under the control of the Company, they are not an integral part of this IPDP.

A major part of the help for indigenous people goes from the Company as voluntary donations for indigenous people through the administrations of the two mentioned regions, the branches of the Yamal for Descendants Association (“YfD” or “the Association”), or directly. Yurkharovneftegas, as well as other companies in Russian oil and gas regions, provide help to indigenous people in addition to their legal obligation to do so. The Company intends to coordinate its direct assistance with municipal authorities.

4 Baseline Data

Due to its gas and oil production, the Yamalo-Nenets Autonomous District belongs among the most prosperous and rich regions of the Russian Federation. It belongs to the scarce group of donors to the Federal budget. Part of this money is used for the needs of indigenous people.

4.1 Population

In 2002, there were 34,000 indigenous people in the District, approximately 40% of the rural population, and 7% of total population. Nenets account for 73% of the indigenous peoples, Khanti for 22%, and Selkupi for 4%. In the area analyzed, Nenets predominate. They belong to the so-called “tundra Nenets,” who differ greatly from the “woodland” Nenets in their style of life, traditional economy, and even in language. More than 13,000 are nomadic.

Nomadic tundra indigenous people – usually in groups of several families (from 2 to 5) belonging to one kin group - move with 1,500 reindeer covering 500-1000 km annually. They move to the north in the summer and to the south in winter, a major part of them have no permanent housing. Providing help to this part of the nomadic indigenous people is much more difficult than to those living in woodland areas: woodland indigenous people migrations are estimated in several dozens kilometers. The main problem is to maintain a normal livelihood among nomadic indigenous people. It is relatively easier to help permanently settled indigenous people. *Therefore, the real challenge is how to assist the nomadic indigenous people, and international organizations are concerned about ways to maintain the indigenous peoples' livelihood.*

Low standards of living are a big problem for indigenous people: In 2002 in the rural areas of the 4 administrative regions, the incomes of more than 50% of the population were below the poverty level. The majority of indigenous people are concentrated in these regions. In the District, the personal money income of the indigenous people is low in absolute figures, 1,100 rubles (\$39) in 2000, and several times lower than among non-indigenous people. Almost 50% of this sum is used for food, in spite of the fact that their products (mainly meat and fish) account for a large share of food consumption. Such a large percentage of personal income dedicated to food is another indicator of poverty.

In the Nadym Region, indigenous people account for approximately 7% of the total population of the whole region. The Tazov Region, as well as Nakhodka, is much more ethnically focused– approximately 40% of the region's population belongs to indigenous groups. This predetermines that money

received from the Company would be more oriented towards indigenous peoples' needs.

The total size of the seasonal nomadic population in the license areas cannot be definitely estimated without a field study. Five brigades (work groups) of the *Purovskiy* agriculture enterprise (approximately 200 workers plus family members, totaling 250-300 persons) use the area. Lands now used by the Company were previously used in summer by one brigade. The number of seasonal migrants from Nadym and Tazov regions is unclear. In the area of both the current and new fields, 80 families (259 persons), registered in Nakhodka rural council, permanently migrate with their private reindeer.

4.2 Social Life

The social life of the indigenous people is quite traditional. Their society is subdivided into stocks (tribes); some of these stocks are better known and belong to the local "nobility". For example, the head of the Tazov Region administration belongs to the well-known Kharuchi stock; his brother is the chairperson of the Regional Duma in Salekhard.

Family ties are very close, and the nomadic indigenous people use the houses and flats of their relatives in settlements as hostels. The nomadic populations have expressed a desire to have some housing as a base. The main problem is funding, as the cost of construction is extremely high in the region (in both Nakhodka and Tazovskiy).

Both Nakhodka and Tazovskiy, but especially the latter as the administrative center of the rayon, provide some social services for permanent indigenous people and visitors. It is important to mention that a large group of indigenous people lives permanently around the settlements in traditional houses ("chooms") and can be effectively regarded as part of the settlements' population. In both settlements, indigenous people can use shops and receive some medical and legal help. This is where the children live and attend boarding schools.

The settlements are not very isolated. From Nakhodka there are regular helicopter flights to Tazovskiy. The latter is connected with bigger centers. Winter roads, and waterways in summer, provide additional transport opportunities, which are especially important for the delivery of goods in both directions.

The isolation problem though, is acute for nomadic indigenous people, who cannot receive help even in the case of an emergency. Social exclusion of nomadic indigenous people from the dominant life style is also apparent. It is hard for the nomadic indigenous people to access all social and economic services. Nomadic indigenous people in the area belong to three administrative regions and have to be served by their own administrative centers and by Samburg, where the headquarter of agriculture enterprise *Purovskiy* is located. However, with the exception of Nakhodka and Tazovskiy, all other centers are too far from the Project area. Even Nakhodka and Tazovskiy are not easily

accessible for nomadic indigenous people on the west bank of Tazov Bay. As a result, indigenous people in the area of the gas field use the production facilities of the Company as a service center. They visit the site to buy or exchange some food products, receive health treatment, and obtain transport help. In many cases, the level of goods and services received is even higher than in the permanent settlements. The use of the field meets of all the safety rules existing in the country. The location of the production facilities site is very favorable for servicing of these temporarily present indigenous people. In the future, the site can be regarded as an official distribution center of the Company for helping the indigenous people. For example, the medical station has all the necessary official permissions, good equipment, and qualified personnel.

The social life of the nomadic indigenous people is now in a period of transition. According to expert estimates, only 50% of the young men want to return to the tundra after the military service or education. The rest predominantly want to live in adjacent settlements or cities. Where this transition has occurred elsewhere in the world, it has been associated with social disintegration and disease. In considering support for projects that encourage settlement for indigenous people versus continuing support for a nomadic way of life, the Company will consider these trends.

One can see one other tendency among indigenous people: socio-economic stratification. Differences among families in the level and quality of life are permanently growing. As a result, the poorest of the indigenous people need more help with social services.

Only a few people among the indigenous people want to work in the oil and gas sector. However, despite numerous job opportunities in the oil and gas industry, indigenous people prefer to pursue other traditional activities within their settlements. As a result, many positions offered to indigenous people are unfulfilled.

4.3 Economic Activity

An officially approved list of traditional economic activities exists in the District. It includes reindeer-breeding and all related manufactured products, fishing and processing of fish, hunting and processing of its products, fur breeding and manufacture of fur and fur goods, gathering and processing of berries, mushrooms, and production of traditional souvenirs, clothes, and equipment. In the area analyzed, indigenous people are engaged in all the above-mentioned activities, but the first two industries predominate. Practically, all the above-mentioned industries can survive only with outside help from the petroleum companies and the state. For example, reindeer breeding is subsidized. District authorities provide tax privileges for all private persons and juridical entities working in the traditional sectors of economy.

The number of reindeer is more or less stable - approximately 500,000, but during the 1990s, the production of meat decreased significantly, officially to

200 metric tons. Fish production was much more stable at the level of 6,000 m.t. Hunting for fur animals and the production of such animals in agriculture enterprises can be mentioned as important industries. Part of the agricultural production is processed in the area.

As was already mentioned, the license areas and adjacent territories have no permanent population with the exception of the Nakhodka settlement, which is across the Tazov Bay and does not border the Project's production license area. The territories are used mainly as a resource base for reindeer breeding and fishing. Hunting and gathering of berries and mushrooms can be mentioned as supplementary activities. There are large differences between the economic life of nomadic and settled indigenous people.

For nomadic indigenous people, reindeer breeding is the basic industry of this traditional economy. It is surviving mainly due to state subsidies. The state pays indigenous people not for the production of meat, skin, pants, but for maintaining herd sizes. At the same time, in many towns and settlements of the District, it is difficult to find reindeer meat either in the shops or in restaurants, in spite of a potential demand. Development of adequate reindeer meat processing infrastructure could greatly increase the commercial prospects of the industry.

The economy of the nomadic indigenous people is still mostly based on natural resources. Reindeer breeding is still the basis of the nomadic indigenous people's normal life. It is the only source of meat. Skins are used for the construction of traditional nomadic houses (each "choom" needs several dozens skins) and the sewing of traditional clothes, which are necessary for this severe region where winter temperatures can reach 60°C below zero accompanied by Arctic winds. Reindeer and "narti" (the traditional sledges) are also a unique way of transport used in all seasons. Without them, any migration, the nomadic style of life, and the traditional economy are impossible. And, finally, the industry is a source of additional cash: The salary in agricultural enterprises is very low – in some cases several hundreds rubles - but for many indigenous people it is the only stable source of cash.

Pastures in the general region around Yukharovskoe are used too intensively and this has led to their degradation and competition for them. According to local officials, this partially reflects a lack of market for reindeer products: Herders have not been able to sell off animals and maintain sustainable herd sizes.

Economic activities in Nakhodka are different and more diversified. The most important economic activity is fishing. Hunting and gathering are also important. All these activities are seasonal and include some elements of nomadic life. The public municipal sector provides some alternative employment and income opportunities. Still, the traditional economy prevails. Tazovskiy, as an administrative center, gives more opportunities in the public sector, mostly connected with the servicing of nomadic indigenous people. The Company's exploration activities in the area surrounding Nakhodka have to be

agreed and supported by the municipal authorities in Tazovskiy, as do the benefits that the Company provides to Nakhodka itself.

5 Land Tenure

Practically all of the Yamalo-Nenets Autonomous District is included in the officially approved list of indigenous living areas. The exceptions are a number of towns and settlements connected with oil and gas industry. These living areas are not the same as indigenous rights of ownership: Land rights have not been legally recognized. The lack of land rights is of concern to the indigenous peoples of the area because oil and gas companies use large areas of indigenous peoples' traditional areas and are increasing their share. The indigenous people do, however, receive benefits from oil and gas companies through the permitting process.

Land-use permitting operates on three levels. The Federal government is the legal owner of all lands now used by the Company. They belong to so called "State land reserve". But, the actual decision-making is in the hands of regional administrative authorities. In this case, the Company has signed rent agreements on both plots of land with the administration of the Nadym Region. The later also receives part of the compensation for lost agriculture production. In addition, documents have to be approved by the administrative structure responsible for the indigenous people as part of this permitting process. If the development proceeds in the new license area, the Company will sign a similar rent agreement, and other land-use documents, with the Tazov Region administration. As indicated, the exploration license area includes the territory of two administrative regions.

Formally, the agriculture enterprise *Purovskiy* had the right of free use of Federal lands now used by the Company. It is logical that the Company compensated it for part of the future losses in agricultural production and even all lost profit. Because indigenous people make up most of the employees of this enterprise, the payments do benefit them. Its signature is obligatory on the land-use documents. The amount now paid by the Company does not appear to be based on an actual calculation of losses. Rather, the amount is best explained as resulting from negotiations in which the signature authority of the agricultural enterprise in the permitting process provides its leverage in the negotiation.

The existing legal requirements do give the regional branches of the YfD Association the right of signature on land-use documents.

6 Strategy for Local Participation

The participation of indigenous people in Company activities is realized through both official and unofficial channels. First, branches of the Association Yamal for Descendants and the two administrative regions are the official paths of representation. The unofficial channel is through personal interactions between the Company and the indigenous people's representatives (if this is accurate). This way is limited by the territorial structure of the Company. For local indigenous people, it is hard to visit the headquarters in Noviy Urengoi, so they visit the production facilities of the Company, where they receive medical help but also exchange meat and fish for other products.

The agreement between the Council of the Nadym branch of the YfD Association and the Company, and its implementation, is an example of indigenous people participation. This agreement includes:

- A Company obligation to follow ecological norms;
- Permission for food exchange with Company units;
- An annual payment to the branch (minimum 20,000 rubles (\$714) per year);
- Limitations on staff hunting and fishing locally and staff dogs "reproducing";
- The Company's promotion of employment for indigenous people at its facilities.

In turn, the branch helps the Company with land-use problems, other matters connected with indigenous people, and accounts for spending of received money.

The branch does not create specific tasks for the Company based on the immediate, local circumstances around Yurkharovskoe, but rather it uses the same model document that it uses for different companies and areas. In the course of the IPDP preparation, the Nadym branch of the Association was informed of YNG plans and the branch proposed their potential requests to Yurkharovneftegas. YNG will consider these requests. Most of these were for support of branch activities away from the field.

7 Technical Identification for Development

7.1 Strategy

The help provided by the Company through its indigenous people-related activities aims to satisfy the basic needs of indigenous people in the area (both settled and nomadic). The needs can be identified as:

- in-time supply of “everyday” goods and food products;
- stable income from the traditional economy sector, especially from reindeer breeding and fishing;
- access to the various levels of education and health systems (including emergency medical help);
- stable and accessible transport and radio/telephone connections (internal and external);
- provision of houses/flats in permanent settlements for permanent or temporary stay;
- support of a healthy environment, suitable for the support of the traditional economy; and
- avoidance of the negative consequences of non-service activities of staff working on oil and gas fields.

The main aim of the Company is to deliver its help directly to those groups of indigenous people most in need: the nomadic groups around its operations and in its license areas.

7.2 Organizational Framework and Institutional Capacity

As is the case with all other companies operating in the region and District, Yurkharovneftegas delivers its help to indigenous people through three different channels¹. The main part goes through the Nadym administrative

¹ The assistance provided and the channels through which it is paid are included in annual business plans.

region or in coordination with the Tazov administrative region municipal authorities.

Because it is closer to YNG operations, the Tazov Region administration cooperates more actively with the Company, and the activities are more concrete. The Nakhodka settlement, which is in the Tazov region, is very close and the Company has a good working relationship with the indigenous people's representatives and/or authorities there. Because of this relationship, increasing amounts of assistance from the Company goes to the Tazov region, concentrating in Nakhodka.

The second channel is through the indigenous Association Yamal for Descendants. The Company provided support to the Nadym Branch, but this Branch did not renew its agreement with the Company, though the Company was ready to continue paying, and now no longer receives funding. The reorientation of the Company to the Tazov Region also means closer connections with the local branch of Association, which is interested in closer cooperation with the Company.

As already mentioned, the local branches of the Association Yamal for Descendants are closely connected with local administrations. In many cases, the same people work in the administration and actively participate in Association activities. Both institutions do the same work in relation to indigenous people. Yurkharovneftegas is trying to unite both counterparts in one annual agreement. It has already reached a three-sided agreement with the Tazov region; negotiations with the Nadym region are ongoing.

The last channel is direct help from the Company to the indigenous people. The latter directly address the Company, asking for help. People ask mainly for tools and equipment, delivery of food, health treatment, housing, and social help. They make the request to both the Company headquarters in Noviy Urengoi and to the staff working in the field. Help is also requested and delivered through the person responsible for indigenous people matters in Yurkharovneftegas (see below).

At the moment in Yurkharovneftegas, all activities connected with indigenous people are organized and carried out by one person, who belongs to the Nenets ethnic group, was born in the Tazov region, and is subordinated directly to the head of the Company.² His official title is "Adviser to the Director General on Regional Policy". Naturally, other staff members responsible for legal affairs, finance, transport, etc, support his activities when needed. He is responsible for all aspects of the Company's activities connected with indigenous people, from the formation of the annual budget to the delivery of goods to specific indigenous people nomadic families. This person concentrates on the identification of the main needs of various indigenous people groups (both settled and nomadic), searching for the best tools for providing help, and finally delivering it. He also works intensively with the Tazov region administration,

² The experience of many companies, working in the District, is that the person responsible for indigenous people matters has to be recruited from the local indigenous people.

because his personal experience and liaisons are more favorable for cooperation with the Tazov region.

The Novatek Group will identify a person within its Moscow headquarters to address the Group's relations with indigenous peoples. The main responsibilities of the person will be:

- coordinate various Group company funds and activities connected with indigenous peoples;
- work with Districts and administrative regions authorities;
- supply top management in Moscow with information on indigenous people matters;
- initiate common Group large-scale projects to help indigenous people;
- provide mass-media with information about the Group's activities related to indigenous people;
- provide expertise to the Group activities directly or indirectly connected with indigenous people;
- support the exchange of information within the Group;
- support a special page on the Internet site of the Group; and
- coordinate activities with other oil and gas companies in the District.

The objectives of identifying such a person are to provide a consistent Group approach to indigenous people issues, spread best practices from one part of the Group to another, bring best national and international approaches into the individual companies, and differentiate Novatek from other oil and gas companies in its approach to relations with indigenous people. The individual companies in the Novatek Group will receive an additional source of information, expertise, and support. Adoption of international best practice and differentiation of Novatek is especially important if the Group is planning to expand into international activity.

7.3 Projection Identification

The selection of tools for support of the indigenous people should be based on assessments of indigenous people's basic needs and aspirations. This assessment should be focused on the tundra indigenous people, both nomadic and settled, living and migrating in the area of the two license areas. At the same time, the real obligations and capacities of Yurkharovneftegas have to be taken into account, including its early stage of development of the field. A balance between the two is necessary.

Several types of help can be identified:

- Establishment of a service center within the license area of Yurkharovskoe field. In the Tazov region, there are already 15 such centers. In the production license area of the Company, there are no such facilities yet. The geography of the annual indigenous people migrations, especially in the area, would be identified during the proposed field study. The chosen place should be close and easily accessible for the indigenous people from the areas of their traditional activities (pastures and places of fishing). The service center should serve mainly reindeer-breeders and fishers. Its role is not only economic – to buy traditional indigenous people products and to sell everyday goods – but also to fulfill some social functions. It would also include a shop, warehouses, a small hostel, a riverboat landing. One possibility is to develop such a service center in association with the existing production complex of the Company to benefit from the use of existing facilities.
- Delivery of food and other “everyday” goods. This is of special importance for nomadic people because they have difficulties accessing shops, and such items can be located in the trading stations or in Company facilities at the field.
- Rent of helicopter. Helicopters are necessary for transportation of children to boarding schools and in case of emergency. The service is expensive (30-50,000 rubles (\$1,070 – 1,785) per hour), which cannot be paid by indigenous people themselves.
- Social help. This could be provided to marginal groups of indigenous people, including poor families. Preferably, such help would be in the form of goods and services, not in cash.
- Medical care. The Company could support local medical care and increase the use of its own facilities in the field. A significant number of the indigenous people do not receive the help provided by obligatory state health insurance system. The Company could improve this situation and thereby increase the volume of medical services to indigenous people.
- Support of traditional economy. An improvement in the competitive position of the traditional economy will also contribute: the broader use of products by staff of the Company, help with transportation, purchase of equipment, development of new markets, etc.
- Support of cultural life and traditions. Examples would be: supportive of the indigenous people heritage, access to native and Russian culture, and participation in organization of traditional holidays. The Company is also committed to following the World Bank Safeguard Policy – OPN 11.04 “Cultural Property,” which requires the protection of physical cultural property within its license areas.

At the same time, Yurkharovneftegas strives to minimize its negative influence on the life and economy of the indigenous people. The staff working in the field cannot hunt and fish in the area or keep dogs. This has to be strictly controlled. Yurkharovneftegas’s choice of drilling deviated and horizontal

wells from the banks of Tazov Bay has great importance for local fishing and particularly for future of Nakhodka.

The final decision on the amount and even the items of Yurkharovneftegas help to indigenous people has to be based on results of field research in the area. To that extent, the Company will undertake the baseline study in the summer months, when the number of people in the area is at a maximum.

A field survey will clarify the following subjects:

- baseline data on sources and amounts of livelihood, including women's activities;
- seasonal variations in the number of nomadic indigenous people and true routes of migrations;
- scale, geography and periods of indigenous people economic activities;
- sacred and other heritage sites needing special protection;
- settlement structure and administrative relations in the area;
- boundaries of the area that can really be serviced by the Company;
- data-base of all District and local authorities activities in the above mentioned area;
- indigenous people activities of neighboring companies; and
- guidelines/strategy of the Company activities relating to indigenous people (for next 5-7 years).

The current Company activities to help indigenous people will continue. The Company's activities are most effective when coordinated with local governments and settlements; the Company will continue to coordinate with them. A coordinated plan will be prepared for Nakhodka and adjacent areas covering the length of the proposed oil and gas activities. The plan will be updated every five years to account for the general development in the society for 10-15 years, with 5 year planned revisions.

8 Implementation Schedule

The Financing Plan is in Section 9, which can also be regarded as the schedule of activities for the next 6 years: 2005 – 2010. In advance of every accounting year, more detailed schedules will be approved.

For all of the indicated measures, short commentaries on the schedule are as follows, as well as some organizational measures to achieve the long-term sustainability of these activities:

- With respect to the establishment of service center and annual support of its activities, YNG already provides some of the proposed services (delivery of food and other everyday goods, provision of medical help). In the following four years, the development of a center would take place in correspondence to the Company's plans for further field development. The figures indicated include support for service center operations
- Delivery of food and other everyday goods (mainly for nomadic indigenous people). These goods can later be sold or freely distributed. These activities should be carried out throughout the year.
- Rent of helicopter. The dates that children are delivered to and from boarding schools are fixed; other needs cannot be clearly predicted. This means that this type of help has to be provided quickly, especially in case of emergencies. An effective exchange of information between the Company and the indigenous people will help to include the needs of the indigenous people in helicopter flights already ordered by the Company and to save money or increase volume of this service.
- Social help. This has to be provided on personal basis and mainly in concrete physical forms agreed to in advance with indigenous recipients.
- Medical care, including the delivery of medicines. Can be easily subdivided into planned and emergency. Help has to be mainly oriented towards the medical offices already existing in the area.
- Further education, including professional. The Company could pay for the university education of 3-4 students annually and support their expenses over 4-6 years. A selection of professions has to be determined by indigenous people needs or the Company. Professional training could be organized directly within the Company facilities or in Noviy Urengoi.

- Support of traditional economy. The needs in this area would be clarified only after a field study and planning stages (see below). The general direction should be toward the diversification of activities and modernization of traditional activities.
- Support of cultural life and traditions. The timetable for all celebrations is fixed. Special attention should be paid to boarding schools and educational process.
- Yurkharovneftegas will continue to strive to minimize its negative influence on the life and economy of the indigenous people.
- Field research in the area. The Company will work with the representatives of local authorities to commence the baseline social study as soon as practically possible. In 2010, a second such study would be undertaken (as well as revision of development plan – see below).
- Further development plan for the Nakhodka area (for 10-15 years) will be finished in 2006, together with the Company's plans to achieve project's designed capacity. In 2004-2006, the Company, in cooperation with local authorities, will construct children's home and sauna-laundry complex.

9 Monitoring and Evaluation

The following monitoring and evaluation system can be proposed:

- Once a year, the Company will prepare a short intermediate monitoring and evaluation report covering the previous year. The latter is based on the current documentation of the Company, local authorities, and branches of the Association. The report will also be based on several interviews with stakeholder representatives. Because this work has to be undertaken within the Company or the Group, and will be built into the management system.
- The Company will seek comments from stakeholders, including the IFC, on the report. Its practical recommendations will be used for current changes in the IPDP.
- In the first half of 2011, a final monitoring and evaluation report will be prepared using an independent expert. It will be based on the second field survey 2010 and a revision of the Nakhodka area development plan. The second survey, as well as first one, will include a representative survey of the indigenous people concerning their evaluation of the IPDP, its realization and concrete activities. All this will allow a comparison of the situation in 2010 with that of 2004-2005.
- All reports will be available to the indigenous people and the broader public. Reports in Russian and English have to be available at the Company site. Among the indigenous people it will be dispersed via the Association. An executive summary of the reports can be transmitted to the District through the mass media.

10 Cost Estimates and Financing Plan

In 2004, the Group plans to allocate 49.84 million rubles (\$1,780,000) on help for the indigenous people of Tazov and Nadym regions. This sum is likely to vary in the next 4-5 years, taking into account the development of the region, and the growing number of services that local governments provide. From the above-mentioned figure, 13.0 million will go to the Nadym Region and 36.84 million to Tazov. The Company supported by the Group has strong intentions to further provide help and support to the indigenous people in improving their living standards, as reflected in the budget exposed below.

Table 10-1 Financing Plan 2005-2010

Items	Tazov region						Nadym region						TOTAL USD-000's
	2005	2006	2007	2008	2009	2010	2005	2006	2007	2008	2009	2010	
TOTAL	1,477.561	807.561	127.561	127.561	127.561	127,561	611.053	811.053	451.053	451.053	111.053	111,053	5,341.684
In co-operation with local authorities	1,407	743	77	77	77	77	579	779	419	419	79	79	4,812
Participation in higher educational programmes (universities and specialised colleges)	10	10	10	10	10	10	10	10	10	10	10	10	120
Instrumentalization of hospitals and boarding schools with equipment, household appliances and special purpose tools	15	15	15	15	15	15	15	15	15	15	15	15	180
Transportation services (helicopter)	18	18	18	18	18	18	20	20	20	20	20	20	228
Arrangements for medical services	15	15	15	15	15	15	15	15	15	15	15	15	180
Supprt of traditional economy	19	19	19	19	19	19	19	19	19	19	19	19	228
Development of settlements programmes	1,330	666					500	700	340	340			3,876
In co-operation with branches of Association	25	25	25	25	25	25	21	21	21	21	21	21	274
Social help	10.526	10.526	10.526	10.526	10.526	10.526	7.018	7.018	7.018	7.018	7.018	7.018	105.264
Education	14.035	14.035	14.035	14.035	14.035	14.035	14.035	14.035	14.035	14.035	14.035	14.035	168.420
Own activities	43	26	26	26	26	43	11	11	11	11	11	11	256
Service Centres	15	15	15	15	15	15							90
Delivery of food and other goods	11	11	11	11	11	11	11	11	11	11	11	11	132
Field research	17					17							34