

ENVIRONMENTAL AND SOCIAL MONITORING REPORT

Camisea Natural Gas and Natural Gas Liquids Pipeline Project, Peru

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1.0 INTRODUCTION

The Inter-American Development Bank (IDB) and the Corporación Andina de Fomento (CAF) (collectively the Lead Arrangers or “MLAs”) have been performing independent environmental and social monitoring (IESM) of the Camisea natural gas and natural gas liquids pipeline project (“Downstream Project”) in Peru since September 2002. The MLAs recently announced (September 2003) approval of the request for partial financing from Transportadora de Gas del Peru (TGP), the company sponsoring the downstream component of the Camisea Project.

The Camisea Project consists of three sub-projects:

1. The gas field in Block 88 and the proposed Fractionation Plant and Export Terminal near Pisco (“Upstream Project”),
2. The natural gas and liquids transportation pipeline (“Downstream Project”), and
3. The natural gas distribution network in Lima and Callao (“Distribution Project”).

The Downstream Project consists of a 33-year concession agreement with TGP to build, own, operate and transfer two major pipeline systems: a 697 kilometer (km) natural gas pipeline and a 575 km natural gas liquids (NGL) pipeline. The two pipelines will be laid in parallel trenches on a common right-of-way (ROW) extending from a gas processing plant at Las Malvinas, located in the Ucayali Basin 431 km east of Lima, to a proposed NGL processing and shipping facility near the port of Pisco, 200 km south of Lima. The natural gas pipeline will run north to the Lima City gate at Lurin from a point east of Pisco (Figure 1).

This monthly report summarizes the construction monitoring activities performed as part of the overall Environmental and Social Due Diligence review in considering financing for the Downstream Project. The monitoring activities conducted during May 2003 are covered in this report.

1.1 Monitoring Objectives

URS Corporation (URS), an international environmental and engineering consulting firm under contract with IDB/CAF, initiated the IESM of the project in September 2002. The MLAs’ review primarily focuses on the Downstream Project, however both the Upstream and Distribution projects are being monitored by URS field personnel because of the overlapping and cumulative environmental and social sensitivity of the tropical rainforest location and impacts. The objectives of the IESM are to provide the MLAs with reliable and unbiased information regarding the project’s compliance with environmental and social management plans and procedures, as well as construction best management practices (BMPs).

The IESM team consists of full-time environmental and social monitors in the field who perform the following principal activities:

- Conducts daily field observations and documents environmental and social procedures and processes that are being implemented by TGP and its contractors;

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- Reviews other construction monitoring activities that are being carried out by TGP and its contractors (Gulf Interstate, Domus, and Knight Piesold);
- Prepares daily reports to IDB/CAF regarding ongoing activities in the field;
- Provides immediate recommendations, as necessary and appropriate, to TGP, Pluspetrol, and their field representatives regarding ways to improve management practices.

The IESM does not include redundant sampling, testing, and other measures that are performed by Knight Piesold and Domus for TGP's environmental and social monitoring programs. For sampling and testing results, one can refer to Knight Piesold's monitoring reports. Likewise, EME performs monitoring on behalf of Pluspetrol for the Upstream Project.

These monthly summary reports are also being prepared to document the effectiveness of the project's environmental management plans and procedures (Plan de Manejo Ambiental [PMA]) and the recommendations for improvement wherever applicable. The monthly monitoring reports are available to public through the Camisea Web page, www.camisea.com.pe.

1.2 Report Organization

This monthly monitoring report is a summary of the environmental and social daily and weekly reports and is organized into four major sections:

- Introduction
- Project status and construction activities completed during the current reporting period
- Environmental, health and safety monitoring completed along with observations and recommendations
- Social monitoring completed along with observations and recommendations.

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2.0 PROJECT STATUS AND CONSTRUCTION ACTIVITIES

The following is a summary of the project status and construction activities during May 2003. This information has been obtained from field observations and Pluspetrol and TGP monthly reports.

2.1 Upstream Project

2.1.1 3-D Seismic

The seismic exploration of Block 88 was completed in October 2002.

2.1.2 Flow Lines

Flowline: Las Malvinas – San Martin 1 (KP 0+000 al KP 26+000) – The flowline installation along this spread is complete. Some of restoration of the ROW between Kp 0+000 and 25+600 was conducted, including the restoration of gutters and service roads between Kp 4+000 and 22+000. Crossing of the Purocari River was completed with the installation of support structures and welding of the 16-inch and 20-inch pipes.

Flowline: San Martin 1 – San Martin 3 – The detailed topographic survey of the spread between SM-1 and SM-3 is complete and the opening of the ROW is approximately 18 percent complete. Activities included clearing, opening and grading of the ROW, implementation of soil erosion and sediment control.

2.1.3 Gas Plant and Air Strip at Las Malvinas

Las Malvinas Separation Plant and Facilities – The Las Malvinas plant construction continued during May 2003. Two separation towers were erected, foundation for the hot oil and fire pump equipment is being constructed. An average of approximately 980 workers was reported at Las Malvinas Camp during May.

2.1.4 San Martin – 1 Well Pad

San Martin 1 Drilling Platform – SM-1003 well drilling had reached a depth of 2,875m. Test of the SM-1002 well was completed by the end of the month.

San Martin 3 Drilling Platform – Continued clearing of the areas for the installation of the SM-3 platform and facilities (camps, heliport, divert pit and cuttings storage area). The cellar concrete base was completed and the south berms are under construction

2.1.5 Fluvial Transportation

Daily inspections of the fluvial transportation program continued during the month of May at the control points between Las Malvinas and Maldonado along the Lower Urubamba River.

2.2 Downstream Project

2.2.1 Right-of-Way

During the month of May, the pipeline ROW survey, clearing, trenching, stringing and bending, welding and coating, lower-in and backfill, regrading, installation of the optic fiber cable and hydraulic tests continued in the Selva, Sierra and Coastal sectors.

Installation of the 32-inch gas pipeline along the ROW was the main activity in the Selva I and II sectors. Other activities included backfilling and regrading.

In the Sierra sector construction activities are progressing on schedule including river crossings and hydraulic testing of the gas pipes.

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In the Coastal sector clearing, grading excavation and pipe stringing along the ROW continued, welding and lower-in activities were started at certain sections.

The following is a summary of the pipeline ROW status as of the end of May:

Natural Gas

Approximately 84.9 percent of the natural gas pipeline ROW was cleared, 62.7 percent trenched, 62.7 percent pipe stringing, 62.7 percent welded, 62.7 percent lowered-in. No information regarding backfilled, and fiber optic cable installation are available.

Natural Gas Liquids

Approximately 83.9 percent of the NGL pipeline ROW was cleared, 52.0 percent trenched, 52.0 percent pipe stringing, 41.0 percent welded, 30.1 percent lowered-in. No information regarding backfilled is available.

River and Road Crossings

The horizontal directional drilling activities for the Urubamba River crossing were completed. Regrading activities at the Comerciato and Apurimac Rivers were started.

2.2.2 Construction Camps

Twenty six base and satellite camps, including the main camp in Pisco, were open during the month of May along the ROW. Sixteen were located within the Selva I and II sectors (Malvinas, Chocoriari, Paratori, Pongo, Ponguito, Vilvabamba, Mantalo, Mangoriari, Chimparina, Alto Shimáa, Alto Itariato, Kepashiato, Segakiato, Jumbo Movil and Comerciato). Eight were active in the Sierra sector (Aendoshiari 1, San Antonio, Toccate, Pacobamba, Patibamba, Acocro, Las Nubes and Huaytará), and one was active in the coastal sector (Humay). Construction of the Asia camp started during the month of May.

2.2.3 Other Downstream Project Activities

Construction of Pumping Stations 1, 2, 3 and 4 (PS1, PS2, PS3 and PS4), and Pressure Reduction Stations 1 and 2 (PRS1 and PRS2) continued according to schedule.

3.0 ENVIRONMENTAL, HEALTH AND SAFETY MONITORING

3.1 Introduction

URS provided independent monitoring of the effectiveness of environmental, health and safety (EHS) and social mitigation measures during construction. The monitoring was conducted by visiting active construction sites to observe implementation of measures contained in the Plan de Manejo Ambiental (PMA), TGP's Health and Safety (H&S) Plans and the construction specifications.

Specific works that were observed included project infrastructure facilities, such as potable water intake, treatment and distribution; collection, treatment and disposal of sanitary and storm water; installation of erosion and sediment control measures; drilling mud management; work camp safety and sanitary conditions; and work on the ROW and helipads. Monitoring observations also covered implementation of health and safety control. The following sites were visited during the May reporting period:

Upstream

The following facilities were inspected: Pluspetrol, SADE-JJC, and Graña Camps at Las Malvinas, San Martín 1 Drilling Platform, and the Malvinas Station (Upstream).

The flow line was inspected between KP 0+000 to KP 2+400 (spread SM 1 – SM 3), KP 0+000 to KP 14+000 (spread Las Malvinas – SM 1).

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Downstream

The following camps and pump stations were inspected:

- Tranca Workshop
- Pump Station PS-4
- Malvinas Camp
- Chokoriari Camp
- Patibamba Camp
- Rumichaca Camp
- Asia Camp
- Humay Camp
- Huaytara Camp
- Pongo Camp
- Nuevo Poyentimari Camp
- Alto Shimaa Camp

Field audit personnel monitored pipeline construction between the following Kilometer Posts:

- KP 0+000 to KP 17+093;
- KP 0+000 to KP 5+750
- KP 6+900 to KP 8+500
- KP 12+500 to KP 17+900
- KP 37+200 to 43+200
- KP 56+650 to 59+250.
- KP 37+200 to 43+200
- KP 6+900 to KP 8+500,
- KP 208+000 to KP 216+000;
- KP 223+000 to KP 225+000;
- KP 287+000 to KP 296+000;
- KP 319+00 to 328+000;
- KP 356; Yucay River Crossing
- KP 356+500 to KP 360+300;
- KP 437+000 to KP 449+500,
- KP 451+500 to 458+000,
- KP 593+900 to 594+050

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- 613+500 to 616+500

Access Roads inspected included the Los Libertadores Highway at Km 322.

Pertinent sections of the PMA that were the focus of monitoring include:

- Prevention, correction and/or mitigation plan.
- Waste management plan
- Environmental training plan
- Contingency plan
- TGP's/Pluspetrol's Health and Safety Plans

3.2 Observations of Environmental, Health and Safety Implementation

A summary of activities where PMA implementation was adequate, as observed during May, is described in the following subsections:

3.2.1 Upstream Project

Malvinas - Pluspetrol Camp

1. To monitor the groundwater quality at the campsite, a monitoring well network is being installed.

San Martín - 1 Drilling Platform

1. A safety expert is currently assessing load transportation procedures for helicopters.

Flowline

1. Along the flowline ROW between KP 0+000 and KP 26+000 (Malvinas – San Martín - 1) the erosion control systems are being properly maintained and upgraded, as necessary.

3.2.2 Downstream Project

Camps and Pump Stations

General

1. Only routine activities observed—introductory training about safety, health and environment.

Humay Camp

1. Waste collection drums and containers were placed around the entire campsite for depositing solid waste material generated by work personnel.
2. The area set up for storing oxygen, acetylene and other gas cylinders is adequate.
3. Emergency/spill response materials, such as absorbent fabric and sand to be used in the event of fire, were made available in the fuel distribution area.

Pipeline ROW

ROW between KP 613+500 to 616+500 (Cañete)

1. Wire fences have been installed in all the areas where the flow line crosses existing local roads to prevent non-project personnel from entering the work area and to protect cropland in the area.

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3.3 Deficiencies

As has been discussed in previous monthly reports, implementation of the PMA in the areas observed on the downstream project continues to lag behind other construction operations. Although actions are continuously being taken to correct previously identified deficiencies, repeated deficiencies are continually being observed. As concluded in previous monthly summary reports, one would expect to see improvement in overall performance as the project progressed, particularly with regard to the implementation of proper Spill Prevention and Secondary Containment measures, which are specifically addressed in project specifications.

The following discussion focuses on general issues rather than specific occurrences or deficiencies. During May, IESM Monitors provided 163 recommendations for improvements or corrective action. This represents a 50% increase in reported deficiencies over the previous reporting period. Specific details of these recommendations were discussed with the respective company representatives, as appropriate. The primary concerns with the Downstream Project during the month of May 2003 can be grouped into five general categories. These categories of observed deficiencies and the probable underlying causes are generally the same as those reported in previous monitoring reports. The numbers in parentheses indicate the percentage of URS Monitor Recommendations for corrective action in each category for the month.

1. Timely implementation of spill prevention and secondary containment measures at locations where fuels, lubricants, and other potential contaminants are stored (**32%; previous month 36%**).
2. Timely installation of Best Management Practices to prevent land sliding and excessive erosion and sedimentation of surface waters and wetlands (**16%; previous month 25%**).
3. Effective Health and Safety Management (**21%; previous month: 16%**).
4. Effective waste management and sanitary practices at camps and along the ROW (**17 %; previous month: 15%**).
5. Implementation of effective restoration and slope stabilization, including timely remediation of failed efforts (**14%; previous month: 11%**).

Spill Prevention and Secondary Containment

Most deficiencies in the deployment of spill contingency and prevention measures continue to be observed in the work camps and storage areas. This continues to be a chronic deficiency. The most common locations include warehouse areas for bulk fuel/lubricant storage and storage of other potential contaminants used for construction. Problematic issues include the proper implementation of secondary containment measures, spill prevention measures, and the proper clean-up and disposal of contaminated soils.

Probable causes include:

1. Techint's failure to implement these measures as a coordinated effort when setting up work and storage areas.
2. Insufficient due diligence by operations and logistics personnel
3. Inadequate leadership and training to crews responsible for the proper implementation of spill prevention.
4. Insufficient dedicated staff to implement measures.

Recommendations to improve performance on this issue include:

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1. Provide better onsite supervision to identify potential problems and to direct proper implementation of spill prevention and containment practices for camps and other bulk storage areas.
2. Increase the number of crews responsible for implementing proper methods for spill prevention and material storage.
3. Diligent onsite enforcement by TGP.

Best Management Practices

Erosion and sediment control measures have been installed in the majority of locations where needed along the ROW and there was a decrease in the relative number of deficiencies observed during May. Several of these issues concerned the proper maintenance of existing BMP's and removal of sediments deposited by runoff from the ROW. This suggests a need for routine maintenance along with the initial installation. The failure to implement timely and effective erosion and sediment control implementation is a recurring deficiency that is inconsistent with the PMA and Techint's environmental specifications. It is appropriate to expect that Techint would be familiar with these practices at this stage of construction.

Most likely causes for the erosion control problems observed include:

1. Emphasis by Techint on pipelaying production rather than other important responsibilities.
2. Ineffective oversight and enforcement by TGP.

Recommendations to improve performance on this issue include:

1. TGP should provide better surveillance and diligent onsite enforcement.
2. TGP should continue to prioritize areas for receiving stabilization work and BMP installation by Techint. For remote sites, this work should be initiated in a timely manner after the rainy season.
3. Provide better onsite supervision and where necessary, increase the number of workers dedicated to erosion control crews and provide better training regarding erosion control practices.

Health and Safety Management

Foremen and supervisors need to constantly remind their workers to maintain a high level of awareness at all times, not only for themselves but for their co-workers as well. Before starting work, each crew should convene a safety/coordination meeting to discuss the work that they will be doing that day and the attendant safety hazards. At camps and other installations, the onsite managers should conduct safety inspections to identify potential hazards to health and safety.

Most likely causes for accidents and potential hazards include:

1. Inadequate crew coordination and daily reinforcement of safety practices.
2. Ineffective oversight and enforcement by TGP.

Recommendations to improve performance on this issue include:

1. TGP and Techint should adopt a "zero tolerance" policy toward serious accidents.
2. If not taking place already, each and every crew should hold safety awareness discussions prior to starting work.

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3. TGP should provide better surveillance and diligent onsite enforcement.

Effective Slope Restoration and Stabilization

Much of this activity goes hand-in-hand with the BMP program, in that effective erosion control and slope stabilization has both temporary and permanent requirements. Previously restored sites have failed due to high rainfall and runoff conditions. Many problem sites are characterized by fill embankments that have failed. Although some amount of failure of fill slopes and permanent erosion control structures can be expected, there needs to be a cohesive plan to correct these problems in a timely manner.

Most likely causes for the restoration/stabilization problems observed include:

1. Inadequate coordination and supervision of cleanup crews by Techint.
2. Ineffective oversight and enforcement by TGP.

Recommendations to improve performance on this issue include:

1. Techint should coordinate restoration activities so that sites that require reclamation work are not omitted.
2. TGP should provide better surveillance and diligent onsite enforcement.

Waste Management

In most instances, acceptable waste management practices are being followed along the ROW and in the camps. However, consistent and comprehensive implementation of proper waste management practices has lagged or has been incorrectly applied (mostly in the work camps).

Probable causes include:

1. Inadequate due diligence, leadership by project management and insufficient allocation of workers assigned to waste management.
2. Insufficient surveillance and enforcement by TGP regarding waste management issues.
3. Inadequate engineering design.

Recommendations to improve performance on this issue include:

1. Techint should provide better onsite supervision and where needed, increase the number of workers dedicated to waste management in accordance with the PMA.
2. TGP should take a stronger contractual position to compel Techint to maintain acceptable waste management practices in full compliance with the PMA.

4.0 SOCIAL MONITORING

4.1 Introduction

URS also monitored the effectiveness of Pluspetrol and TGP's Community Relations Plan (CRP). The purpose of this plan is to identify, understand, and manage key social aspects of the project that impact the communities within the project's area of influence. Pluspetrol and TGP have implemented a Community Relations Office to implement the different programs included in the CRP. The Community Relations Office is composed of a community relation manager, a supervisor, and a team of coordinators, who are responsible for the fieldwork.

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The monitoring was conducted by visiting active construction camps, communities, and settlements. The following sites were visited during May 2003.

- Las Malvinas (upstream), Chocoriari, Chimparina, Kepashiato, San Antonio, Pacobamba, Las Nubes, Acocro, and Vinchos camps
- Communities of Segakiato, Camisea, Kirigueta, Miaria, Maldonadillo, Bufe Pozo, Tupac Amaru, Chocoriari, Patibamba, Manugali, Mantalo, Pacobamba, Huallahura, Retama, Monte Cramelo, Acocro, Toccyasca, Alpachaca, Fundo Mayo and Miraflores.

Specific monitoring of the following programs was conducted:

- Community Relations and Training Program
- Communications and Consultation Program
- Local Development Program
- Temporary local hiring programs

In general, the programs specified in TGP's and Pluspetrol's CRP are underway. The following is a summary of the observations and recommendations for the reporting period.

4.1.1 Observations

Community Relations and Training Program

The TGP Community Relations Training Program is designed to prevent, minimize, and manage negative social impacts within the area of influence. Under this program, Pluspetrol and TGP conducted the following activities:

- On May 25, and 26, 2003 the sixth workshop for the Community Monitoring Committee members was held at the Ticumpinia (Chocoriari) community. Twenty seven members of the committee, representatives from Pro Naturaleza, and staff from Pluspetrol and TGP attended the meeting. Issues such as native community rights, use of land and energy, erosion control and water resources were discussed during the workshop. The seventh workshop is scheduled for June 20 to 22.
- TGP signed an agreement with the Mapitunuari Community to repair the access road affected by the construction of the ROW. In a meeting held with the Communities of Monte Carmelo (access road goes through the community) and Mapitunuari (users of the access road), it was agreed that the communities will repair the road and Techint will provide financial support.
- TGP signed an agreement with the Patibamba Community to lease 5 ha of land. Money from the lease will benefit the community.
- TGP is watering the access road between the Patibamba camp and the ROW to minimize dust impact on the six communities located along the access road.
- TGP continued supervising the Community Monitoring Committee activities of the ROW. During May the Committee conducted a monitoring of the Chocoriari area.
- TGP is sponsoring a special Land Titling Project (Proyecto Especial de Titulacion de Tierras PETT) to speed up the land titling and identified the owners of the land affected by the ROW. The areas of Alto Manugali, Nueva Florida and Tiringabeni will be the focus of the special project.
- Pluspetrol provided with equipment (binoculars) and material (paper pads, pencils, etc) to the fluvial community monitors.

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- Pluspetrol continued the sponsoring a “Story and Legend of the Lower Urubamba” contest among students from the project area of influence.
- TGP provided emergency medical assistance to a member of the Kuwait community that was bitten by a poisonous snake.

Communication and Consultation Program

- TGP, the Communities of Mantalo and Manugali, and the lieutenant governor of the province of La Convencion held a meeting to clarify TGP’s project responsibilities and the local hiring program. The meeting was held in response to strikes and ROW blockades by these communities.
- Representatives from the Ombudsman Office during a meeting with URS social monitor indicated that Techint has openly expressed its willingness to implement recommendations by the Ombudsman Office.
- Pluspetrol continued its communication and consultation program within the communities in the area of influence of the project. During the month of May, Pluspetrol staff visited seventeen communities to obtain feed back regarding the project.
- The Chocoriari CLO visited this community to consult and coordinate the repairs to the communal hall and the water supply.
- TGP’s CLO coordinated a meeting with the Mantalo Community to inform them about TGP’s responsibility to remove the temporary bridge installed over the Mantalo River as indicated in the EIA. A representative of OSINERG attended the meeting

Local Product Acquisition Program

Pluspetrol purchased seedling of pajapichi from the Segakiato community in the amount of 8,000 nuevos soles, and 400.00 nuevos soles to the communities of Ticumpinia y Shivankoreni for food services. TGP does not purchase local products.

Land Compensation Program

Pluspetrol coordinated with the Segakiato community the use of land near San Martin 2 camp. The area will be used by Sade-JJC-Skanka as a disposal area. TGP made compensation payments to the communities affected in the Acocro area. In the Sierra sector, Meridian, a subcontractor to TGP, is conducting the field measurements and identifying the affected people.

Local Development Program

- TGP continued the implementation of the community nurseries, a total of 13 will installed to produce seedbeds for the re-composition of the ROW in the Selva sector.
- TGP continued with the construction of the medical post at the community of Pacobamba.
- TGP conducted the second Local Development Program workshop at the Kuviriari settlement. About 50 representatives from Kuviriari, Palmeras and Santa Rosa attended the workshop. It was agreed to prioritize the Medical Post and High School projects, and repairs to the Elementary School.

Temporary Local Hiring Programs

During the month of May, Pluspetrol hired 4 new local people for its sub-contractors CORPESA and QMAX for activities at San Martin 1 and 3.

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Camp Conditions

The construction camps in general, provide adequate accommodation for the workers. Conditions at the Segakiato camp were improved, a complete house keeping was conducted and the storage material area was organised. House keeping and maintenance work was also conducted at the Kepashiato camp.

Other Issues

- Several strikes and ROW blockades occurred during the month of May. On May 1 people from Alto Manugali community blockaded the ROW. On May 10 a strike by the Retama community interrupted activities in the area of Las Nubes camp. On May 20 the ROW was blockaded at Kp 239 by the Acocro community demanding the search of a disappeared worker. A general strike at the cities of Huamanga and Ayacucho interrupted all the activities at the ROW.
- A search to find the disappeared worker in the vicinity of Las Nubes camp was initiated at local hospitals, medical post, public transportation companies and morgue. The search continued till the end of the month with negative results.
- TGP and Pluspetrol continued providing logistics (transportation, accommodations, food and support personnel) for MINSA's entomologist.
- Pluspetrol and TGP have conducted refresher safety induction to reinforce the safety measures at their camps. This was in response to an observation included in our previous monthly report.
- A TGP's Community Relations Officer and an agricultural land owner were in location to witness the clearing of the ROW at Kp 515 and make sure that the width of the ROW does not exceed the maximum 25 meters established in the EIA.

4.1.2 Recommendations

Community Relations and Training Program

TGP should clarify its agreement with Pro Naturaleza for the Community Environmental Monitoring Program. The agreement should have been communicated to the Community Relations Officers.

TGP should provide refresher Safety courses to minimize potential accidents along main and access roads especially when transporting fuel. A fuel truck and a truck trailer transporting materials were observed without an escort car in the vicinity of the Patibamba community.

TGP and Pluspetrol should take a proactive approach and provide refresher course and reinforce the Code of Conduct among their workers. Complaints of workers' presence at the communities along the project have increased during the month of May.

Communication and Consultation Program

TGP should continue its communication efforts with the communities along the ROW especially in the Sierra and Costal sectors where land ownership and limits of areas impacted by the ROW becomes sometimes complicated.

TGP should instruct its subcontractor Meridian to flag the boundaries of those areas that have been defined and delineated to prevent further conflict among communities. Once the limits were set and agreed by the landowners, these limits should be flagged.

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Land Compensation Program

TGP should continue implementing the land compensation and relocation programs more effectively. During the month of May affected communities/landowners complained that compensations had not been paid or that an agreement has not been reached yet. In the coastal sector landowners are seeking additional compensation because the actual area affected was bigger than what was agreed.

Local Development Program

There are expectations among the communities that TGP and Pluspetrol will implement the development programs that are being identified. TGP's and Pluspetrol's commitments should be very clearly stated to avoid false expectations.

Temporary Local Hiring Program

As certain portions of the ROW are close to completion and the demand of local work decreases, it is important that TGP and Pluspetrol continue communicating the level of local hiring that is expected for the rest of the construction, and make it clear that any hiring will be done only through TGP's and Pluspetrol's Local Hiring Program.

Other Issues

Pluspetrol should continue its efforts to provide assistance to the communities within the area of influence of the project in the use of the compensation money that will benefit the communities through the local development program. Also, should speed the decision process of the projects that will benefit the community such as the repair of the communal hall at the Ticumpinia community.

5.0 FOLLOW-UP ACTIONS

The observations and recommendations discussed above have been discussed with TGP's and Pluspetrol's on-site inspection staff and will be tracked for compliance during subsequent monitoring.