

CORPORATE ENGAGEMENT PROJECT

Field Visit Report

Operator: Ecuacorriente S.A. (ECSA)

Ecuador

August 17, 2009 – September 2, 2009

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This document was developed as part of a collaborative learning project directed by CDA. It is part of a collection of documents that should be considered initial and partial findings of the project. These documents are written to allow for the identification of cross-cutting issues and themes across a range of situations. Each case represents the views and perspectives of a variety of people at the time when it was written.

These documents do not represent a final product of the project. While these documents may be cited, they remain working documents of a collaborative learning effort. Broad generalizations about the project's findings cannot be made from a single case.

CDA would like to acknowledge the generosity of the individuals and agencies involved in donating their time, experience and insights for these reports, and for their willingness to share their experiences.

Not all the documents written for any project have been made public. When people in the area where a report has been done have asked us to protect their anonymity and security, in deference to them and communities involved, we keep those documents private.

PREFACE

The Corporate Engagement Project (CEP) is a collaborative effort involving multinational corporations that operate in areas of socio-political tensions, instability or conflict. Its purpose is to help corporate managers better understand the impacts of corporate operations on local people and societies. From this understanding and analysis, CEP helps companies develop practical management approaches to address local challenges and to ensure that they establish productive and positive relations with local communities.

Against this background Dost Bardouille-Crema, Associate Director of CEP, and Paola Vallejo Vivero, independent consultant, visited the operations of Ecuacorriente S.A. (hereafter referred to as ECSA) in Ecuador from August 17 to September 2, 2009.

The report is arranged by chapters. Chapter I explains our approach. Chapter II reports on general observations, followed by a brief introduction to the social and political context in Ecuador, as it relates to mining, in Chapter III. Chapter IV takes a problem solving approach to analyzing local stakeholders and the company's relations with them. Chapter V analyzes additional issues, within the control of ECSA, that have an impact on the company's relationship with local communities; within each sub-section of the chapter, opportunities for improving the current situation are provided through an options section. Chapter VI suggests a potential strategy available to the company to implement the options presented in this report, and Chapter VII is the conclusion. Finally, the Annex section includes a brief explanation on Key Social Performance Indicators and a proposed strategy for a continued, collaborative effort for achieving successful community engagement within the mining sector in Ecuador.

It is noted that the observations as laid out in this report are a snapshot of the situation in Ecuador in August 2009, and are based on perceptions of local stakeholders as presented in CEP's meetings with them. As the new Ecuador mining law takes effect, and new mining regulations are put into place, ECSA's experience in operating within Ecuador and working towards establishing positive stakeholder relations is in a dynamic state of change.

CDA/CEP invites comments and feedback on the observations laid out in this Report. In all of CEP's work, we seek to establish partnerships among groups with different approaches with the ultimate objective of improving the lives of people who live in the countries where companies operate. The purpose of this Report is to contribute additional and up-to-date information to support broader discussions within the company, and between the company and other stakeholders, that will enable mutually beneficial impacts for all stakeholders in Ecuador.

I. INTRODUCTION

The visit to Ecuacorriente S.A. (ECSA) in Ecuador sought to address two questions regarding ECSA operations. How can ECSA ensure positive community and local stakeholder relations as the company prepares to reinitiate operations in the region? And how will the new Ecuador mining law and mining regulations affect ECSA's stakeholder engagement efforts within the region?

The CEP team focused their visit between two provinces, Zamora-Chinchipe and Morona-Santiago, in order to explore the theme of company-community relations near both of ECSA's operation sites; Mirador Camp and Pananza San Carlos. CEP spoke with over 45 community representatives including community authorities and leaders, indigenous leaders, politicians, local providers, opposition leaders, and community members both in most directly affected parishes as well as in further afield urban towns.

CEP also spent a week in Quito meeting with company management and staff, business chamber representatives, another mining company, national government officials and ministries, opinion leaders, civil society, advocacy groups and opposition leaders, indigenous leaders, and think tanks. CEP spoke with over 25 staff between the Mirador camp, regional company offices, and Quito-based office. It is important to note that CEP was not able to meet with mining-opposed environmentalist advocacy groups, as they were unresponsive to requests or refused appointments.

II. EXECUTIVE SUMMARY

Ecuacorriente has taken an adaptive and innovative approach to operating in a dynamic mining environment of regulatory change, suspensions, and opposition. The evolution and variability of circumstances surrounding the Ecuadorian mining sector and the ECSA project has provided challenges in the company's ability to maintain constructive relationships with local stakeholders. While ECSA has made considerable efforts to maintain open dialogue with the government and integrate local communities into their operations, even during mining suspension, the CEP team found several indications that company policies and practices have played as large a role as external factors in the existence of strained company-community relations.

Over various discussions with company staff, the visit exposed some underlying and implicit assumptions that, at least in part, inform the ECSA engagement approach. These assumptions include:

- Having a presence within the community is sufficient as an effective means for fostering communication, (as opposed to also proactively providing balanced information to everyone),
- To win a social license to operate, the company only needs to 'win over' the most disruptive and the most well-off individuals,
- Conducting a detailed stakeholder mapping focused on the positions of various actors is sufficient, rather than also verifying the underlying interests of each group that drive their positions.
- At the same time, from a community perspective, the ECSA company-community engagement is perceived as:
 - Favoring certain groups over others,
 - Focused on individuals who have land or already have the capacity to provide local content,
 - Working with people or groups that may lack representative legitimacy,
 - Communicating mining information mainly to those who are already pro-mining,
 - Presenting information that is biased towards positive impacts,
 - Giving work to those who are most disruptive.
- The result of this approach is that:
 - Communities see that those groups and individuals that are most disruptive are "compensated", and that vocal or violent, not peaceful, behavior is rewarded. This is widening

- the space for disruptive individuals to win leadership power (*protaganismo*) within the community and is limiting the space for constructive voices,
- Those groups that say they are wary of, or against mining now say they are also against *the company* due to the company's behavior,
 - Individuals align themselves with anti-mining message and organizations because they perceive greater chance to further their interests there,
 - A perceived lack of broad and genuine information sharing creates resentment and a lack of trust, thus exacerbating the anti-company sentiments that some individuals hold.
- Suggestions from various stakeholders with regard to opportunities to improve and increase ECSA's community engagement strategy included (as further detailed in body of report):
- Coordination with the state at national and regional level to ensure community engagement and communication; national and regional officials have stated their availability for dialogue,
 - Engagement with a) the "right" representatives and; b) with all representative groups,
 - Increase and improve communication with the community regarding mining issues that are of interest to the community rather than to the company.
 - Ensure prior-consultation with impacted communities and interested stakeholder groups by government and company before the granting of a concession,
 - Ensure improved equitable access to economic and social benefits provided directly by the company, among all members of the local communities.

Based on these findings, moving forward, ECSA is in a good position to ensure positive relations through effective community engagement since it is within the control of ECSA to influence aspects of their internal policies and practices towards positive impacts within the community.

General Observations

Perceptions regarding the Company

- ECSA staff demonstrate a recognition that company–community tensions are in part driven by factors external to the company (unemployment, lack of government services, mining suspension), as well as by several internal operational policies and practices that are exacerbating conflict. Despite conducting an extensive information campaign regarding the mining cycle leading up to the Mirador EIA approval, ECSA has stated that they realize that information sharing is a continuous and extensive process.
- Both pro and anti-mining groups say they do not see sufficient communication, information sharing, and support from the company in the community. In addition, there is a perception shared among some anti-mining community members that the company "seemingly doesn't want to share" information.
- Some local communities indicate that they have good access to ECSA staff, but are not receiving the information they need. They feel there is a lack of positive mining examples, information on open-pit mining and the mining process in general, and frank discussion on the real impact of mining activity. While people recognize that the environmentalist NGOs present a biased and extreme view of the negative impacts of mining, community members say they do not have access to counter-evidence that will help them make an informed decision on the pros and cons of mining.

- Other community members state they don't trust the company, due to a lack of information sharing by the company regarding their current activities at the operations camp, what the mining process looks like, and what the community should expect when mining activities begin.
- Local anti-mining and anti-company leaders perceive the company's engagement strategy to be favoring some groups over others, thus causing divisions or augmenting the existing divisions within the community. They perceive that the company relies on strengthening its relations with groups who are vocally pro-mining, through providing monetary benefits such as capacity building funds for organizations, as a way to slowly win more support within the community.

Perceptions regarding the Government

- All stakeholders (pro and anti-mining, colonos, indigenous, company, civil society) agree that the state needs a firm physical presence within the region in order to fulfill unmet needs for absent social services and coordination of company-community engagement. At the same time, there is also a doubt by all that the state will be able to fulfill this responsibility, which reflects poorly on the claim of the state that mining will be "beneficial to all".
- CEP found a conflicting message among local stakeholders that the community would trust the state to provide necessary mining information as well as monitoring of foreign companies. The same community members say they don't believe that the state has the capacity to achieve sufficient monitoring, and that because they know the state is decidedly pro-mining it may too biased to provide balanced information.
- Local stakeholders feel that the region has been abandoned and ignored by the government for so long, that the president's new focus on the region is only for interest in the resources, hidden under the pretext of interest in developing the region.
- The government promises transparency in consultations and mining operations, but to date the community says they haven't seen any transparency or inclusion in the government's development of a new regulatory framework.

Perceptions regarding Mining

- External factors that have lead to a context of tension surrounding the subject of mining in Ecuador include:
 - Negative experiences around the oil legacy in the country
 - Unfulfilled community expectations regarding benefits such as employment and social services
 - Lack of understanding around the complexity of stakeholder interests
 - Confusion around the implications of changes in regulatory framework of the sector
 - Politicization of the mining sector by elected officials

As the company, by definition, affects, and is affected by these external factors, a broader analysis of impacts prior to developing a community-engagement strategy is necessary.

- There is a lack of trust within the region surrounding mining. Despite explanation of the purpose of the visit, when CEP met with individuals opposed to mining or the company, they assumed that CEP was hired by and biased towards the company. On the other hand, several pro-mining individuals assumed that CEP represented an anti-mining advocacy group.

III. INTRODUCTION TO THE SOCIAL AND POLITICAL CONTEXT IN ECUADOR

In order to put the report in a larger perspective, following is a brief introduction both on the national and regional characteristics of the context within which ECSA is operating. The most recent manifestations of conflict that ECSA experienced were two separate incidences where in November 2006 some members of one indigenous group from the region (but not the most local group) and members of a local activist group forcefully took and occupied the Pananza San Carlos camp, and in December 2006 a regional group of protestors marched towards the Mirador camp until they were stopped by state forces.

ECSA has been in operational suspension since December 2006, and all other mining companies have been in suspension since January 2008. With the new mining law in January 2009, and the current development of new mining regulations, the sector is expecting to reinstate mining operational activities by October 2009.

Context of Operations/Background

Mining as a National Discussion

- Lack of the government's regulation of mining and extractives in the past was perceived to only facilitate production, without regards to community benefit. Ecuadorians are hopeful that the new mining law of January 2009 and new mining regulations will help to ensure transparency, compliance, and economic benefit for the country.
- The Government of Ecuador has stated that mining, as a source of development, should include provincial economic development, better services to community, a form of measuring social performance and community relations and management of environmental impact. The Government is sending a clear message to serious companies that Ecuador is making the development of mining a priority as a strategic sector
- Although the President is pushing the mining industry forward, some government officials felt that some administrators are "dragging their feet" on signing and passing the administrative documents that companies are waiting on. They are worried that their own reputation will be damaged by being connected to the development of the sector.
- Mining companies are concerned whether the government, as it takes a stronger role in regulation of mining and community engagement, will be able to move at the same speed that multi-national companies want to develop their operations. Frustration regarding lack of movement is mirrored in the local communities as well, as they wait for mining operations to commence in order to receive additional benefits.
- While the economic structure of mining production in Ecuador, including royalties and taxes, is seemingly clear to the Ministry of Mining and mining companies in operation, other government officials, civil society, and most groups at the regional and local level express concern and confusion regarding whether the new mining revenues system is sufficiently detailed. There is even greater wide spread concern that the government will ensure appropriate management of the funds in an equitable way, and that there will be sufficient training and capacity building at the local level to manage these funds.
- During recent elections in Ecuador, mining was a hot campaign issue for national and regional politicians on both sides (pro and anti) on the spectrum.

- Civil society states that the discourse on mining is reminiscent of that heard in the '70's about oil – that it is going to develop the country. This raises concern given that, 30-40 years later, the people in the oil region are poorer than they were before oil.
- There is great concern among civil society and advocacy groups that, because mining is becoming the model of development for the country and will be a source of income for the government, the state will not be too demanding on the sector.
- Past experiences with oil have resulted in community and civil society opinions of:
 - Distrust of multi-national companies,
 - Expectations that all extractive activity will result in major environmental damage,
 - Increase in corruption and economic benefit going only to the elite and foreigners,
 - Continued lack of social services and infrastructure,
 - Loss of culture of the indigenous.

Large Scale vs. Small Scale Mining

- It is widely speculated within the local region that the reason the government did not suspend small-scale mining is because a large percentage of their regional constituency relies on it. If they had suspended its operations, it may not have reduced the amount of 'illegal' or unregistered small-scale mining happening, and it would potentially cause a social conflict driven by local small-scale mining communities.
- Both pro and anti-mining groups are involved in the large-scale mining discussion. Those who are anti-mining and anti-foreign company, tend to say that the environmental impact of small-scale mining is negligible, and that it can be improved through implementing better techniques. These tend to be the same advocacy groups and opposition groups that hold an anti-large-scale mining position in the "name of" the local community. Those who are pro-large-scale mining tend to cite that small-scale mining, by area, has a more negative environmental impact.
- Small-scale registered miners believe that it is possible to develop both the large-scale and small-scale mining sectors at the same time. They hope that this multi-faceted approach to developing the sector will result in aiding them to improve their technical knowledge and practices within small-scale mining. They want to enter into agreements with multi-national companies to support their development through improved equipment, small loans, technical courses, and other resources.

Shuar/Colono Land Conflict in the area of the project

- There are on-going tensions regarding land issues between the local indigenous group, the Shuar, and the Latino population that moved into the area within the past 60 years, the *colonos*, which existed before the arrival of the company. The Shuar accuse the *colonos* of causing the Shuar to lose their ancestral territories.
- The presence of the company exacerbates the land conflicts between the two groups. With the arrival of the company, a group of *colonos* that own titled land in the region near the Pananza San Carlos

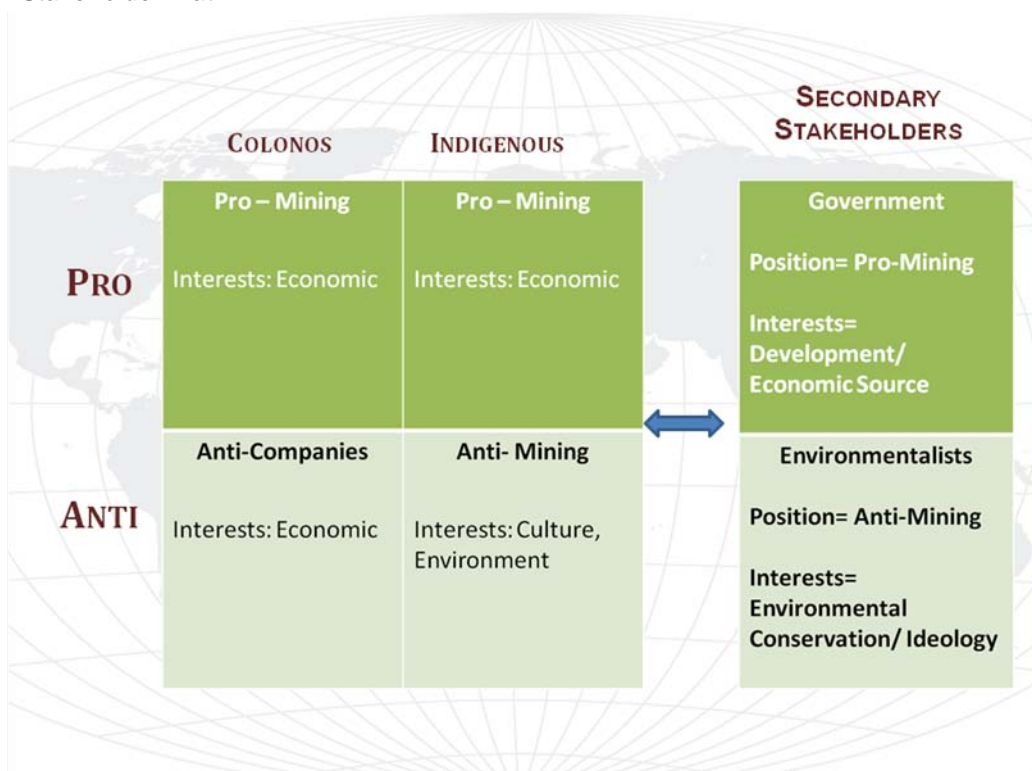
camp have since returned to claim their lands, after an absence of 20 years. As the land is not suitable for agricultural production, the *colonos* sold their land to the company.

- When ECSA arrived they purchased legally-titled land from the *colonos*, instead of from the Shuar, since Shuar keep community land that is not individually titled and is not permitted for sale. Civil society and Ministry of Mining representatives in Quito cite that, despite ECSA's legally compliant actions, the difference in how the company interacted with *colonos* and indigenous as the first error committed by ECSA.

IV. STAKEHOLDER ANALYSIS AND RELATIONS

During the CEP visit, the team's goal was to determine how the company interacted and engaged with local stakeholders, and how and why this impacted the company-community relations. The first step to improving stakeholder relations is to understand the context in which the company operates and to analyze the stakeholders that play a role in that context. This chapter analyzes the various stakeholders present in the local context of ECSA's operations, and the impact of ECSA's engagement with each group.

1. Stakeholder Matrix



- It is important to note that within each locally-based population, indigenous and *colonos*, there are both pro and anti-mining groups, which indicates that divisions regarding the mining topic run within communities rather than along ethnic groups. The pro and anti-mining divisions mean that even individuals within the same family can be on opposite sides, creating even more division and tension within the community.

- Despite representatives from each group holding seemingly similar positions, the personal interests that motivate their positions are distinct within each group, which is important to understand in developing strategies to engage with them.
- As secondary stakeholders, the government and environmentalists hold similar pro and anti-mining positions, respectively, as corresponding groups at the local levels. However, the interests that drive their positions are distinct as well.

2. Primary Stakeholder Interests

Following are the driving interests and motivations that CEP found during its site visit. These findings indicate the need for a more extensive study of stakeholder interests that will help ECSA to further understand their existing relationships with each group, as well as aid the company in developing an engagement strategy for each group.

Anti-mining groups

Anti-Mining groups/individuals do not see the presence of mining activity providing genuine shared benefit for communities. These groups include individuals from the rural towns, indigenous, and/or directly impacted communities, and do not seek out dialogue with the company. Despite ECSA's efforts to make contact, the company has been unsuccessful in getting a response, as these groups state they feel that they are ignored by the company, and do not receive very much balanced educational information regarding mining.

Colono Anti-Mining

Underlying interests for the *Colono* anti-mining interests are diverse and differ for:

- Those who feel they are receiving no benefits (jobs, contracts, scholarships) from company's presence.
- Those who hope to gain political and economic power by being in anti-position.
- Those that use the environment as a proxy position because it is internationally a hot topic.
- Those that say they lack of sufficient communication and engagement from the company.
- Those who are concerned about influx of outsiders to their community.
- Those who fear a repeat of the oil legacy.
- Those who own farm & cattle land and fear contamination.
- Those who feel that no one in Quito is representing or lobbying for their position and interests.
- Those who consider large-scale mining to be in direct competition with small-scale mining.

"The government is trying to shut down small mining for these foreign companies to move in, something that is at least giving opportunities to locals" - Community opposition leader

- Those who feel the company is misrepresenting the social inversions that it makes in the community.

"I see the company promising one thing and doing another. They have given more scholarships outside the local *parroquia*. In company communication material, they publicize that there are asphalt roads, education, health, etc; but it's not here."

- Community member

Indigenous Anti-Mining

Underlying interests of the indigenous anti-mining position include:

- Fear of loss of identity = First Shuar, then Ecuadorian.
- Self-Determination & Autonomy
 - People say no to anything that impacts their land by external decision (no to extractives, national parks, etc)
 - People state there is no, or not sufficient, consultation prior to concessions over the land that they view they have autonomy over. The new law only requires prior consultation, but not prior consent.
 - People say that if the resources on their land are to be exploited, then they will be the ones to decide how and when.
- Fear of loss of culture and change in social structure, they see divisions already being caused in their communities and within families.
- Fear of the oil legacy and the experience of indigenous in the North who were left with no resources and environmental damage.
- Fear that there is no solid system in place that will guarantee that mining revenue will arrive to benefit the community.
- Fear that the resources/ riches that they consider are for their future generations will be withdrawn immediately and all at once, with little benefit to them.

“If there was gold in your house, and I tell you I’m coming in and taking the gold, you wouldn’t let it happen, would you? So I won’t let any other person come in and make decisions for me”
- Indigenous Leader

- Fear of environmental contamination, water consumption and contamination, irreparable damage to *Pachamama*.

“First respect the rights of nature. I rather live poor and happy, and a million dollars can’t guarantee my happiness. I can’t drink petrol when there is no water! I can’t eat copper when there is no food!”
- Indigenous Government authority

Pro-Mining Groups

Pro-Mining groups/individuals see mining as a source of economic development for the area. They view the economic opportunity from mining as a way to maintain the social structure of the community. Where many people have migrated from the area, often leaving children, in search of jobs, some migrants have actually returned since the arrival of the company. They have received some level of education on what positive mining can look like. Although they still lack full knowledge, they view the anti-mining and environmental campaigns as biased and do not trust them.

Colonos Pro-Mining

Underlying interests of the *Colono* pro-mining groups include:

- Receiving benefits from the presence of the company (jobs, provider contracts, scholarships).
- Increasing commercial business for those located in directly-impacted communities, and commercial towns (Limon, San Juan Bosco, El Pangui, or Zamora).
- Expectation of opportunity to increase technical skills

They are also concerned about social impacts due to an influx of outsiders in their towns, and as a secondary concern, environmental impacts.

Indigenous Pro-Mining

Underlying interests of the Indigenous pro-mining groups include:

- Opportunity to gain leadership positions within community, particularly for young leaders.
- Feeling they have been abandoned by the Government and the Federation (FISCH) in social services, municipal work, urban jobs, and public work projects inside their communities.
- Feeling they need to find new ways of representation because their views and perspectives do not have a space with FISCH.
- Creating new indigenous associations, like the *Asociacion de Shuar de Churuwia* in Morona-Santiago, by receiving support from ECSA to nationally register themselves, as a means to express different views from FISCH and to receive benefits from the company. They now have a MoU with ECSA to work together towards sustainable development activities like education and health.
- Opportunity for existing indigenous groups, like *Federacion de Shuar de Zamora-Chinchi*, to receive economic support to move their pre-existing Federation Development Plan forward. Funds go towards strategic projects on their Federation Development Plan, helping with projects like institutional strengthening (computers, internet, human resources), community cultural house, *reforestation projects*.
- *Being pro-development through mining*, but not necessarily pro-mining. They want to see that the mining companies respect their land, culture, etc., and come to agreement with Shuar for development.

Analysis

- Although ECSA and the mining sector in Ecuador rely on perception surveys to gauge public sentiment towards mining:
 - Recent perception surveys have indicated an increase in acceptance towards mining, up to 70% for mining. However, this figure does not tell ECSA very much about who is saying yes to mining, who is saying no to mining, and what each group's varied interests are.
 - The reasons behind why each group accepts or rejects mining can have important implications for each of ECSA's community engagement activities. By understanding the interests that drive each group, ECSA can perform a risk analysis of each activity in regards to how it impacts their community-relations.
- ECSA is perceived to be supporting, validating, and working with the wrong representatives, in particular one that is seemingly unconcerned about the divisions that the company's actions, and his federation's subsequent involvement, cause within the Shuar nation. All groups, except for pro-mining indigenous groups, say that the leaders of the pro-mining indigenous groups are not seen as legitimate because none of the national organizations associated with CONAIE (CODENPE, FENOSIN, CONFENAIE) recognize the *Federacion de Shuar de Zamora-Chinchi*.
- The Memorandum of Understanding (MoU) between ECSA and the *Asociacion de Shuar de Churuwia* was signed in ECSA's San Juan Bosco office with 20 community representatives present. Because the MoU was signed outside of the community, this signals a lack of transparency between the company and the community leaders. Some members within pro-mining indigenous communities have lost confidence in their leaders because they perceive their leaders to be signing these agreements with the company to mean they are 'being bought'.

- Anti-mining groups are so resolute about blocking mining that they suggest that if mining activity happens, there will be strikes, and they “will happen like it did in Peru”.
- Anti-mining individuals and groups continually say that, above the *Junta Parroquial*, there is no one to represent their interests at the regional or national level. If they feel that they have no options or negotiating power, then they have no option but to say No to mining.
- Despite ECSA’s fulfillment of legally required community consultation activities, there is still a perception among anti-mining groups, particularly indigenous groups, that the company has not undertaken genuine consultation within the communities.

Options

- Design an analysis strategy for ECSA staff, or bring in an independent group, to perform an in depth stakeholder interests analysis, that will provide ECSA with the opportunity to better understand the positions and interests of each group, both pro and anti. It would probably take a few months to map these interests. As part of this mapping, perform a risk analysis of each of the company’s community engagement activities, particularly in relation to the various groups that the company supports and legitimizes.
- Based on the stakeholder interest analysis, develop a distinct strategy for each stakeholder group, as well as a senior cross-departmental management team that develops, oversees implementation, and monitoring of the strategy.
- As part of the strategy, ensure that the company is engaging with all of the interest groups and, within each group, dealing with the right representatives of the group. It would be a mistake to only engage with, and to be seen as only engaging with, those organizations and individuals that are pro-company.
- As part of the strategy, ensure that the company increases its face time with all local stakeholders, improves the level of communication it achieves, and refines the message that it sends to all stakeholders regarding the company’s credo, vision, and operations. Consult with the communities if this is indeed the kind of information useful to communities.
- Document all of the company’s engagement activities and communication, particularly because the government will require it of the company through its new coordination efforts. It is also important to do so because of the existing conflict between interest groups. As the company present on the ground, ECSA will be in a heightened predicament if the state falls short of fulfilling its responsibilities, and the community directs its frustration towards the company as a proxy for the state. Additional communication options will be discussed in the following section.

Indigenous Options

- Certain vocal anti-mining indigenous leaders are not considered to be totally opposed to mining, as much as they are to certain mining practices. This indicates that the company has more control, through its behavior, over its relationships with the opposition groups than it assumes. Showing that it has genuine intentions of dialoguing and engaging with all stakeholders, through regular visits, both formal and informal, is a start in building relationships. It is also sends a signal to anti-mining groups

that the company is genuinely interested to understand their perspectives and interests. Begin by asking the leaders that they agree that company representatives make regular (monthly) visits to their offices.

- Dialogue with indigenous groups with and through the presence of the state. “If Shuar dialogue directly with the company, they will be viewed as traitors within their community.” This is where it is important that ECSA is clearly setting expectations with the state, and to some extent lobbying, on how the state will facilitate dialogue with the community.
- Young leaders within the indigenous movement consider themselves a new breed, and expect to be recognized for the level of professional education and leadership that they have achieved. This group provides an opportunity for the company to suggest and jointly-spearhead forums where opinion leaders from all groups can come together to dialogue on issues of environment, social impacts, governance, systems for accountability, etc.
- As the Shuar have a clear hierarchical system of leadership, when they send representatives to dialogue or negotiate with the company or the state, they expect that they will be received by representatives with the same level of decision making power. It is important to note that while ECSA should engage with the Shuar through their leaders, it is also necessary to do it in a transparent manner where all community can be present.

“I remind the (Shuar) association that is opposed to the copper mining company to discuss its issues with the President, and the company sends people that can’t make decisions and only come to listen. The people tire of this.”
- Indigenous Government representative

- ECSA is in a position to be a catalyst to help indigenous groups get face time with the government. All recognize the need for the Shuar to dialogue with the government as opposed to the company, so the company can use its power to lobby transparently for it. There are several examples of mining companies filling this roll, in particular CEP reports on the efforts of Placer Dome when working with First Nations in Canada, to ensure that the Government is fulfilling its engagement responsibilities with the indigenous group. One way to start this process would be to ask the Shuar Federation how the company can support their interests of dialogue.
- Work with the Government to support the Shuar in development of negotiation skills and in ensuring that the Shuar have appropriately trained people who can represent them in negotiations. The company has an opportunity to work with the Shuar, and the state, by providing for trained representatives and negotiators of their choosing, that can facilitate the dialogue and negotiations.

“If the Shuar community can’t even sell a chicken, how are we going to negotiate on the subject of mining with people who are completely trained in this? The people should be completely capacitated on all the different laws”
– Indigenous Federation leader

“The community would have to decide by consensus and choose who could represent them. But as a last option we would accept and want experts that we would choose and trust to represent us and negotiate for us. The person could be brought in by the state”
- Indigenous Association Leader

3. Secondary Stakeholder Interests

Secondary Stakeholders are generally located at the national level. Although they share the same position with, as well as influence the position of, local level pro and anti-mining groups, local level pro and anti-mining groups do not consider that these national level groups are representing their interests at the national level.

Environmentalists (National/International)

Interests of the environmental NGOs include:

- Relying on environmental conservation and indigenous rights as international “hot issues”.
- Fearing a repeat of the oil legacy.
- Viewing open-pit mining as most destructive.
- Believe that appropriate technology that could ensure mitigation of environmental impacts does not yet exist.
- Fear of environmental contamination, water contamination and consumption.
- Defending *campesinos* and the marginalized who do small-scale mining, so they are more focused on attacking multi-nationals.

“Nobody should be sacrificed for the benefit of the rest of Ecuadorians”

– Environmental lawyer

Government

Interests of the government include:

- Utilizing mining as a source of development for the country.
- Ensuring that government monitors and coordinates all mining efforts, including social, economic, and environmental.
- Coordinating between the company and state through the Secretary of Pueblos and the Ministry of Mining, along with an interagency governmental group, each agency having its provincial level location to oversee the coordination.
- Maintaining control of the final decision, while at the same time fulfilling requirements for free, informed, prior consultation.
- Ensuring that engagement takes place through company-state and state-community relations. The state will be the direct interlocutor with communities.

“The company’s communication should be channeled through and coordinated with the state. It’s not that the state will break the relationship between the company and community. It’s just that the community relations team can’t be spontaneous, it has to be coordinated with the state.”

- Former Ministry of Mining authority

Analysis

- The environmental groups are seen as educating the communities against mining and mining companies, but at the same time no one at the community level said that they see the environmentalists as representing their interests, i.e. lobbying for them at the national level.
- Confusion among companies and communities as to the extent of the role of the government around mining activities means that this has yet to be clearly explained;

- The company is still unclear how the state will coordinate the company's community engagement efforts, and to what extent it will affect how much day-to-day contact the company has with the local communities.
- The community is unclear of the roles and responsibilities of the government and the company and who they can expect which services from.

Options

- Communication/Coordination with Government Strategic Coordinating body:
 - Continue ECSA's community relations and sustainable development work;
 - Coordinate fully with the coordinating body on social issues. Develop a regular (weekly) communication system to alert them to upcoming activities as well as update them on past activities;
 - Invite the coordinating body and local authorities to all community meetings and activities where ECSA is involved;
 - Consider working with local coordinating body on designing and developing a communication/education plan for the community, that would include:
 - Capacity building for regional and local authorities on management of royalties and funds,
 - Modules on teaching about the new mining law and regulations,
 - Modules on teaching about the mining process, and what the operations site and surrounding communities will look like at each stage of the mining process.
- Consider working with the state to begin more in depth dialogue with all of the Shuar associations and federations, as the state should be the interlocutor and mediator in the dialogue with the Shuar community.
- ECSA can demonstrate to the government that the company is committed to coordination and communication with the state, by facilitating the government's process of arranging for local physical presence for the strategic coordinating body.
- ECSA is in the position to share with the strategic coordinating body what is hearing from the community regarding their needs, including funds being managed properly and invested at community level, need for more education on mining and the mining law, and the community's social needs.
- Communicate to the community what ECSA is doing to ensure that the new mining law and regulations are being implemented properly, including:
 - Aiding in capacity building for management of funds,
 - Lobbying the government on what the needs are of the community, particularly in needs for information, communication, education on mining process and the new mining law and regulations.
- Arrange for an on-going, regular independent analysis and monitoring of ECSA's operations, in order to document the activities of the company and provide feedback on opportunities for improvement. Documentation will serve the purpose of providing evidence of sound practices in a potential time of tension or conflict.

V. ISSUES LINKED TO COMMUNITY AND COMPANY-COMMUNITY CONFLICT

This chapter explores how the company's behavior and practices impacts the ECSA's achievement of positive relationship with the local communities. Since operational suspension in December 2006, ECSA has continued engagement with the community and its presence within the region through continued activity within the camp and opening community-based offices throughout the region. The CEP team found issues that contribute to tensions between ECSA and local stakeholders that can be organized into three broad categories:

- A. How ECSA engages with the local and regional community (communication)
- B. Issues related to getting access to benefits:
 - 1. Vendor issues,
 - 2. Employment opportunities,
 - 3. Access to social services through Sustainable Development projects.
- C. Issues related to internal management that have external impacts
 - 1. Strategy,
 - 2. Employee relations.

A. How ECSA engages with the local and regional community (Communication):

The lack of state presence in the past has meant that ECSA manages its own community engagement strategies and undertakes coordination with local authorities and agencies as part of their sustainable development projects. Understanding ECSA's behavior with the community, in particular its style of communication, can give key insights into how to ensure positive community relations.

Observations regarding ECSA behavior

- Despite the presence of Sustainable Development (SD) *técnicos* in the community, community-based offices, and an ECSA open door policy at Mirador camp, community members (*colono*, indigenous, rural and urban communities) perceive a lack of transparency and detail in the company's process of socialization. "Socialization" information regarding mining is lacking in:
 - Comprehensive, yet simple and straightforward information on process of mining,
 - Detailed, technical mining information and EIA reports provided to community members who request it,
 - Visual media about mining that is language appropriate, accessible and friendly
 - Balanced discussion on the potential negative impacts and how to prepare for them or lessen their impact,
 - Concrete examples of successful and mutually-beneficial mining operations in other areas of the world,
 - Informative discussion on significance of new mining law,
 - Collective community forums to present information and discuss, rather than community relations *técnicos* opportunistically going door-to-door and pulling individuals into conversations,
 - What to expect when operations start,
 - Regular and repeated presentations of information.
- Although ECSA feels they have attempted to make contact with opposition groups to no avail, anti-mining indigenous and *colono* organizations fault the company for not making the effort to make contact and engage with them.

“We never tried to contact company management before we marched, but the way we see it the company never tried to contact the community either. They just put up their ‘do not trespass signs’ without talking to the people of the area first. Afterwards, people were more motivated to be against the company.”
- Opposition community organizer/leader

- In the past, ECSA has been seen to be making claims at the national and regional levels that mining would be the future solution to all socio-economic problems in the country.

“ECSA, 2 years ago, committed many errors. When they started socializing they created many expectations. We got the impression that El Pangui was going to be this amazingly developed place, and as time passed, it never happened. People felt lied to. So some people’s position changed because of this.”
- El Pangui Government authority

- The ECSA communications magazine (distribution 600 copies) reaches the community level, however several community members expressed dismay at the information presented in the magazine. They felt that the company was misrepresenting the sustainable development work that was being accomplished within the communities, including scholarships, and school equipment and supplies.

“Their communication magazine says they’ve put in scholarships in the area, but kids in our two high schools haven’t received any scholarships or classroom equipment. And the *subcentro* hasn’t received any equipment either...If ECSA is communicating that they are doing this, than it looks like a lie compared to the reality that the community sees.”

- San Juan Bosco community member

- ECSA community relations *técnicos* feel pressure from the community for never-ending requests.

“The community is never content with anything. There is an un-ending sense of wanting more and more...they think they are the owners and the company has to answer to them or else they will strike. It’s like a big union.”
- Community relations *técnicos*

Analysis

- The company is viewed as maintaining an intentional lack of transparency in information sharing as well as advertising SD projects that the community does not see. This signals that the company is hiding something and information provided by the company cannot be trusted. It leads the community to believe that the negative impacts that environmentalists talk about must be true.
- Anti-mining groups perceiving that the company does not make contact with them sends a message that the company is not interested in understanding their positions and interests, in engaging and building a relationship, or in information sharing, which widens the ideological distance between the company and anti-mining groups even further.
- Community members who feel they do not receive enough information to make educated decisions, feel disempowered to negotiate and make decisions for themselves, and say they are more likely to align themselves with the organization that pays them the most attention, in this case the advocacy groups.
- For community members who have not visited the camp site and feel they do not have contact with SD *técnicos*, they perceive the company to be prioritizing their focus on other people over them, like visitors from Quito and pro-mining indigenous groups.
- Community members that feel they do not have regular and dependable contact with the company, feel they need to take advantage of the few opportunities they do have to demand as much possible in the short term.

Options

- Review the SD *tecnicos*' socialization strategy in the communities, including a company-wide understanding of what their purpose is in the field and how they will accomplish it and:
 - How to ensure they are most responsive to the community
 - How to increase the level of contact with a broad range of community members
 - How to ensure they are transparently and truthfully answering community questions in a timely manner
 - What additional education and information do SD *tecnicos* need to do their job
- Consider performing a review of the ECSA communications and socialization strategy, addressing three main questions:
 - Why are people saying they do not receive the information they need?
 - What exactly is not working, and for whom does it not work?
 - From the community perspective, what are the options for improvement?
- Through community consultation, analyze how ECSA's community-based offices are being utilized and how to ensure they are being made use of by community members, addressing:
 - Are the community-based offices increasing daily communication within the community?
 - How does the community want to utilize the community-based offices?
 - How can the community-based offices be utilized as part of the community development plan?
- As part of the socialization strategy, develop detailed information sessions to be held within community by SD *tecnicos*.
 - Use audio-visuals to show successful mining projects,
 - Give specific information on places where successful mining projects have happened,
 - Present balanced information on potential negative and positive impacts.
- Community members have expressed interest in regularly-scheduled information sharing meetings. The purpose of these meetings is to facilitate a bi-directional sharing of information between the company and community. These meetings are separate from negotiation meetings, and no promises are made during the meeting except to follow-up with outstanding questions.
 - Decide at the beginning of the community meeting the best way for individuals to take turns expressing their concerns and interests, to ensure that the meeting is not run by only a few vocal people;
 - Minutes from information meetings can be posted within the community;
 - Vary the technical level of information provided, from basic pictures of what a mine looks like to detailed information on perforation hole sizes, rain and run off, etc for those who are interested;
 - Provide resources where people can look for their own information, like websites, etc.;
 - Formal meetings for negotiations and announcements, like employment opportunities, are kept separate and scheduled as needed.

“Present the true information; get it out there multiple times in a format that people can understand.”
- San Juan Bosco Community member

- Discuss mechanisms in which the community can monitor the company's actions and report back to the company on its performance.
- ECSA already documents all meetings so that the company has an internal record/evidence of what information was provided. In addition:
 - Disseminate this information externally as well, by posting meeting notes and answers to questions in a central place within the community; whether it be in the ECSA community

- based-office, community bulletin board, local shops or the health post, so as to increase circulation of information,
 - Include an addendum to meeting notes that provides follow-up answers to questions asked during meetings,
 - Include meeting notes with information provided to the local government inter-agency group that ECSA is working with.
- Continue community visits to the Mirador camp for community members within the locally impacted communities and the region.

El Trato Justo

The company changed its logo and image in 2007, while adopting the *El Trato Justo* philosophy. The Fair Treatment philosophy is a set of principles that reflect the company's values and vision, and dictate how ECSA will perform its operations. The one-page credo can be seen throughout company offices and within all ECSA literature, and is referred to with pride by ECSA staff. However, several examples were brought to the attention of CEP that indicate that the well-intentioned fair treatment policy is not yielding the positive results the company would hope:

- The company is continually perceived to be engaging only with certain groups, and with organizations that are not considered legitimate within the larger community.
- The company has agreed to a local content provider's policy that is perceived as unfair because it allows for several family members to benefit from multiple contracts.
- Employees state that they do not feel comfortable in sharing their opinion with management, nor are they sought out for their perspectives and perceptions.
- The local community cites lack of communication as the most frequent issue with the company. They wonder why a seemingly easy activity such as widely explaining what open pit mining entails and examples of positive mining projects around the world have not been shared by the SD team. This translates to them as an intentional lack of transparency.
- Many cite the company's "sustainable development" activities as paternalistic, consisting of gifting small items, giving into greater demands by disruptive community members, and undertaking infrastructure projects.

ECSA runs the risk of causing greater disillusionment among community that perceive *El Trato Justo* as an unfulfilled promise, and that the company developed the philosophy without intention of putting it into practice. Some questions to consider to ensure implementation of *El Trato Justo*:

- How is *El Trato Justo* incorporated into strategy for Sustainable Development?
- What does *El Trato Justo* mean to the community?
- What are the deliverables for *El Trato Justo*?
- What are the indicators and performance metrics for implementing *El Trato Justo*?

B. Issues related to getting access to benefits:

Within the locally-impacted communities, economic opportunities are few. Hence, intense pressure is on ECSA to deliver maximum benefits to local people, while at the same time mitigating negative impacts associated with a sudden increase in the presence of money. Communities perceive that ECSA has not ensured that 1. Vendor opportunities are distributed fairly within the community, 2. Majority employment benefits go to the most directly impacted communities, and 3. Social development projects have

maximum impact. Issues around these three types of community-benefits are a source of complaints, company-community tension, and intra-community tension.

1. Vendor issues

Observations

- Within the past year a group of community members organized within Parroquia Tundaime to form a local content providers committee and negotiated that the company would buy all goods that could be locally-sourced from the most directly impacted communities.
- Many local providers complain that their provision schedule of every 9 weeks is too infrequent and pays too little to make a living or save money for additional investments.
- ECSA initiatives for productive income generation and entrepreneurship are on hold while the territorial reorganization plan is being set. Community members have expressed frustration at the continual delay in operations and development projects that will come during operations.
- Community members and ECSA employees commonly referenced the issue of nine providers within one prominent family in the community. They feel this is unfair since ECSA has a clear corresponding policy that states that only one person per family is allowed to be employed by ECSA until all families have employment.

“Some local people get rich and the inequality creates conflict because some families receive and others don’t.”
- Quito-based civil society

Analysis

- Company is seen as willingly negotiating a system where several family members within one family can benefit from the company, which is perceived by the community to be supporting inequality within the community.
- Unequal distribution causes an increase in competition between community members and exacerbates pre-existing tensions between community members of varying economic levels.
- The company is seen as making little effort to support community development by helping other individuals and families to learn the skills and access the investment capital needed to become professional suppliers and vendors.

Options

- As the company awaits re-initiation of operations, hold community meetings to discuss and detail what an entrepreneurial development program would look like, that would help to build capacity for new providers to enter into the committee and help them understand the process to enter the system as a local provider.

- Develop a competitive process clause as part of the providers' contract that includes systematic review of providers, quality control training and monitoring, and limits on number of providers per family.
- Through community consultation, agree on changes to the local providers' contract and policy with the entire community, as opposed to with just the provider committee.

2. Employment opportunities

Observations

- Currently the distribution for jobs is 70% for people from Parroquia Tundaime (which Tundaime residents define as 'local'), and 30% for people from communities outside Tundaime. When new jobs are available, SD indicates how many people they are looking for, and the Junta Parroquial provides a list of potential job seekers, following the rules of one worker per family and that each family can either have a company employee or work as a local content provider.
- The company and community are presently in negotiation over 40 new job positions that are available. Community members from Parroquia Tundaime claim that they should receive 100% of the 40 jobs because a) there are still people in their communities who want work, b) they are most deserving because they are most directly impacted, and c) other communities have easier geographical access to jobs in the urban commercial zones.
- While the CEP team heard no complaints about the process the Junta Parroquial uses to develop the list of potential job seekers, which is based on family economic needs, several community members said the company's process of choosing employees from that list is not well understood.

"There is disappointment around work, some receive and some don't. I think it's based on preference of people they like, or people who are more vocal demanding work"

- Indigenous employee

- The company is seen as giving jobs to the most disruptive community members.
- The only employment opportunities that the community sees it has access to are temporary labor positions. People in the local communities feel that they are not prepared for more technical positions, nor that they have access to training and education to prepare themselves for these careers.

"Our people aren't prepared for job opportunities. There is no capacity building. The government and the company say they are going to generate sources of employment, but they are only temporary jobs"

- Indigenous government authority

Analysis

- People perceive the lack of transparency of employment decisions as preferential treatment by the company or as responding to negative disruptive behavior, which reinforces that behavior to continue.
- Lack of widely recognized formal education programs within the community is viewed as the company not caring enough to help local people access better jobs and advanced careers within the company.

Options

- Develop a target goal for providing advanced employment opportunities within the community, for example “in 2015, x% of ECSA staff in management and technical positions are from the local community. Develop a clear strategy to achieve this goal, including expansion of ECSA’s scholarship program, community tutoring done by existing ECSA technical staff, coordinated effort between the government, local communities, civil society, and other mining companies to support a technical school in the region.
- Hold a periodic and public “Recruitment Forum” in the community. Such a forum could be held every 3-6 months, depending on employment needs, that would serve several purposes:
 - a. Provide information about upcoming employment opportunities,
 - b. Alert community members of the skills needed to compete for employment ahead of time,
 - c. Explain hiring process as well as employee benefits,
 - d. A pro-active approach would send a powerful message to the community that the company “cares” about the community and has an interest in seeing them access economic and employment opportunities,
 - e. Could be the same forum where the discussion of provider contracts takes place.
- Come to agreement with the community on a procedure that demonstrates ECSA’s genuine efforts to be fair in the hiring process. For example, how to create a fair and equitable process for the company to choose new employees and what are the methods for demonstrating transparency in the selection process done by the company.
- Make more systematic efforts to connect the existing scholarship program to employment opportunities. With the first ECSA scholarship program students having just graduated, it is a good time to explore how to offer employment for future graduates.
- Consider additional roles that scholarship-recipients can play within the community, including mentoring younger students towards competing for scholarships, as well as, for those that studied abroad, speaking in the community about their experiences in other countries where mining is taking place.

3. Access to social services through Sustainable Development projects

Observations

- It is public knowledge that there is a government imposed suspension of mining activities. However, many local community members do not recognize that the suspension hindered completion of infrastructure/works projects of the company, and expressed disappointment that the company had failed to fulfill many of the promises that it had made several years ago.

“There is disappointment and conflict caused in community by the things offered by company, as a manner to distract – like a casa communal, sidewalk – and these things weren’t fulfilled”
- Indigenous company employee
- Certain community members of Parroquia Tundaima referenced the infrastructure projects within the community as a source of tension between community members. Since the road straightening project required that some houses were moved or rebuilt, other community members feel that they have been forgotten in the community renovation project while others were receiving new houses.
- Some community members stated they were unaware of the process the company uses for choosing and implementing community development projects.

- When asked about the benefits of the company, most community members reference small giveaways that they consider paternalistic or efforts by the company to win people's favor.

"Now in San Juan Bosco the authorities are dependent on the company, because they ask for uniforms for the football league. And when you receive something you are indebted to the person."

- San Juan Bosco government authority

Analysis

- At present, most benefits available to the community benefit the individual, but few are of benefit to the community as a whole. Hence, when the CEP repeatedly asked community members what benefits they were receiving, most said they received nothing from the company.
- Because community members perceive that benefits are to be gained on the individual level, and that the company seemingly provides jobs and contracts to those who are most disruptive, it reinforces the strategy of community members being disruptive and continually asking the company for more benefits.

Options

- Hold community-based meetings to publicly discuss, with the Junta Parroquial, the community development plan, and how ECSA, as one actor in the context and as mining operations resume, will play a coordinated role in the development plan.
- Explore projects that will increase economic opportunity on a community-level. For example, a community-run model farm on ECSA land would make use of land that is not presently in use, teach advanced farming techniques, and provide shared benefits when the produce is sold back to ECSA.

C. Issues related to internal management that have external impacts

There are a number of internal processes and procedure that can negatively impact ECSA's external context of operations. These issues, which are mostly management issues, are *indirectly* related to company-community issues but have a *direct* impact on how the company operates and is being perceived.

1. Internal strategy and communication

Observations

- The strategy of the Sustainable Development team is not widely shared and understood within the organization, neither in Quito nor at the regional level.

"There is no concentrated effort in making community relations everyone's business. Employees need to be trained, everyone needs to be a community relations person" - ECSA staff

- ECSA staff feel that they are always in reactive, firefighting mode. They cite a lack of vision of a long term strategy as a major issue of why they feel they are "spinning their wheels" and not moving in the direction of positive community-engagement.

“We never have enough time; we are running all over to get policies in place. People come up with policies, we implement them and then modify them. Most of the time we are putting out fires. Too much focus on the present without looking at the future” - ECSA Staff

- Communication was cited as one of the chief internal problems within the organization, including:
 - Lateral communication between exploration and sustainable development teams that are both operating in the field and interacting with community members,
 - Logistical communication between the Quito office and the Mirador camp,
 - Communication between Quito office and Mirador camp regarding staffing decisions at Mirador.

Analysis

- No shared vision or understanding of community relations strategy neither across the organization nor within the sustainable development team portrays a company that is not organized in its message or the projects it undertakes. Community members that recognize this realize they can take advantage of the situation to receive more benefits.
- Lack of shared understanding of strategy means that many community engagement decisions are left up to the individual. While this provides people with the opportunity to do what they think is best provided the circumstances, it is not linked to clearly defined and communicated policies and strategy within the SD department and organization as a whole.

Options

- Establish one single ECSA definition of “sustainable development” that revolves around *El Trato Justo* principles. Develop a strategy that clearly articulates why SD is everybody’s responsibility. Disseminate and explain (possibly through weekly manager meetings and daily Mirador camp meetings) ways how SD is “put into practice” on a day-to-day basis.
- Come to agreement on internal lines and systems of communication within the organization:
 - Tracking system for items discussed in daily and weekly meetings,
 - Synergy and communication between departments,
 - Communication and tracking system for logistical issues such as visits to Mirador camp.

2. Employee relations

Observations

- Several employees said they do feel comfortable working as an ECSA employee while at the same time being a leader in community-company labor dialogues. They have not felt any backlash from the company for being involved in negotiations between the company and community, and they do not feel backlash from their communities for working with the company.

- Many employees state they know little about the company, what the outlook is for the future of the company and mining in the region, what the camp and the community will look like when mining activity begins, and what to expect regarding environmental impacts.
- Several employees say that they are continually asked by their family and friends in the community about what is happening at the camp. Aside from talking about what they do presently on a daily basis, they do not feel knowledgeable enough to talk about the company or mining.
- ECSA provides, for every employee, an explanation of the code of conduct and hotline procedures, and posts access mechanisms in public places. However, none of the employees that the CEP team spoke with were aware of a grievance mechanism or what opportunities they had for registering complaints and concerns. None of them had heard about the 1-800 hotline for registering complaints. They felt their only option was to speak directly to their supervisor or to Human Resources, if they felt comfortable enough to do so.
- Several employees state that they do not feel they have the confidence or relationship with technical staff to speak with them about issues, problems, or concerns that they see happening within the Mirador camp or in the communities.
- Employees complain that they lack education on technical issues that will allow them to improve their career opportunities in the future when construction begins.

Analysis

- Employees feel unsure about what to expect for the future both in relation to impacts to their community and opportunities for future employment.
- Due to limited information sharing on mining and future expectations between the company and employees, the company sends a message to employees that there is not enough trust and interest for the company to share its information with employees and that the company does not care about employees enough to hear what they think.
- When employees do not feel comfortable or that they have enough knowledge about the company to talk with their family and neighbors about the company, they are sending the message that the company is closed off in regards to information sharing with both their employees and the community.
- The company is missing an opportunity to increase the breadth of socialization that is happening within the community, through its employees that relate with their family and friends, as well as to get direct feedback on community sentiment and perceptions through their employees.

Options

- Grievance Mechanism - establish an in-depth grievance mechanism that gives employees several options for increasing open lines of communication:
 - Use morning employee meetings to explain the purpose of having a grievance mechanism and the importance to the company of hearing what employees have to say and hearing about their concerns;
 - Broadly advertise the 1-800 hotline, explaining in morning meetings how to use it;

- Develop a written grievance procedure that includes a formal method for submitting and tracking grievances locally through a central database;
 - Include, as part of the grievance mechanism, a suggestion mechanism that allows employees several modes of communication for submitting suggestions or sharing information;
 - Extend the grievance and suggestion mechanism to the larger community, so they have a formal procedure for submitting complaints or suggestions to the company. Use the community-based offices for locations to submit and process the grievances and suggestions. Advertise widely among the community the existence of the new mechanism, through announcements during community meetings;
 - Demonstrate to employees and the community that the company has designed a strategy for addressing grievances and the underlying causes of grievances as a method to show that the company cares about solving the problems of its community-relations.
- Staff Training - design a small training course for employees that includes modules that can be spread out over daily and weekly employee meetings, and repeated in a cyclical fashion every 1-3 months. These trainings would include:
- Positive examples of mining,
 - Explanations of the different stages of mining, and what Mirador and the surrounding communities will look like at each stage,
 - ECSA's SD strategy,
 - The meaning of *El Trato Justo* and how that is put into practice within the community.

VI. NEXT STEPS

Management options for modifying existing practices have been mentioned throughout the report. To verify these recommendations and, where deemed appropriate, to implement them, a comprehensive effort is needed to address some of the more fundamental issues that contribute to company-community tensions.

It is proposed that ECSA establish a cross-departmental working group to address some of the observations mentioned in this report. It appears that given the current workload of staff, ECSA could consider filling the VP of Sustainable Development position and tasking that person with the initiation and coordination of these efforts, hence kicking off a new phase of company-community engagement.

Process:

- The aims of the working groups is to establish a company–government-community vision accompanied by a series of strategies, guidelines, and procedures that are shared and enforced, across the company, coordinated with the state, and agreed upon by the community as being the appropriate measures to address the root causes of the current tensions between the company and the community.
- The internal working group can be made up of senior managers from various departments (Communications, Human Resources, External Relations, Operations, HSE, Exploration) that have expressed commitment to improve company-community relations.
- This working group meets on a weekly basis to review and agree on progress.

- Ongoing communication and feedback takes place between the working group and representative community members and government strategic coordinating body. When appropriate, such community engagement takes place in the community.

Objectives:

- Develop a company–government–community vision that is shared, and agreed upon, by everybody.
- Develop a strategy – according to SMART criteria – towards materializing this vision including standards against which progress can be measured.
- Establish a transparent community engagement procedure of how (what, where, when, with whom and why) ECSA wishes to engage with the community on a daily basis. Inherently, this process will determine approaches with regard to:
 - State coordination
 - Community representations
 - Transparency on company policies and practices
- Focus on generating maximum benefits for local people, including targets set for
 - Community content (both vendors and employment)
 - Communication and information sharing with community and employees
- Base SD on a community determined “needs” definition and implemented through SD specialists
 - Inevitably, this implies a focus on institutional capacity building
 - It also requires a widely recognized and accepted community development plan per Parroquia
- Agree upon on internal lines of communication in the organization
 - Synergy and communication between departments
 - Communication system for internal logistical issues
 - Jointly agreed upon and enforceable principles and guidelines
- Establish regular and public informal opportunities to share information on employment, contracts, social projects, procedures and other decisions that affect people’s lives. Ensure a community feedback mechanism.

VII. CONCLUSION

The CEP visit was largely conducted to understand how ECSA can ensure positive community and local stakeholder relations as the company prepares to reinstate operations in the region, including buy-in from the different local stakeholders and proper coordination with the state. The visit observed that tension between the company and its local stakeholders have both internal and external root causes. This implies that fixing some of the identified issues will have a positive impact on stakeholder relations. Although not all the options discussed in this report are easy or swiftly implemented, they are within the control of the company to adopt.

Local communities expect to see a concerted company effort towards providing more benefits (mostly through employment and vendor opportunities) for local people, engaging with the correct representatives from all representative groups, increasing and improving communication strategies with the community, and managing coordination and communication with the state. The commitment of ECSA senior management and technical staff to “get it right” in combination with the recognition by the state to increase its presence in the area for the benefit of all, are positive indicators that can work in the company’s favor towards securing a sustainable social license to operate in both of its operations sites.

ANNEXES

1. Indicators of Success – Key Social Performance Indicators

While each context is unique, the following are common social performance indicators that management can use to gauge their relationships within the community and with other stakeholders. To develop more context specific performance indicators, the company can:

- Define and agree on what indicators of success are for the company and the community, through community consultation;
- Use both positive and negative indicators, in order to look at both increases in positive events and decreases in negative events;
- Use both quantitative and qualitative indicators in order to measure both the quantitative changes within the community, as well as qualitative assessments of perceptions and attitudes to find out about how people *feel* about the company's presence;
- Refer to *Getting it Right: Making Corporate-Community Relations Work* for more recommendations on developing social performance indicators.

Company-Community Relations

When a company has local support for its approach	When support is compromised (leading indicators)	When a company has no support for its approach (lagging indicators)
<ul style="list-style-type: none"> ▪ New notices from the company remain on the bulletin boards without being torn off ▪ Evidence that communities are increasingly able to organize themselves due to corporate presence (e.g. though CBO, civil society groups, the absence of leadership tussles etc.) ▪ Recognition in the community that the company is bringing opposing groups and parties together that otherwise would not meet ▪ Low, or decreasing, theft levels, destruction of company properties ▪ The absence, or decreasing trend, of community incidents, or complaints (silence itself is not an indicator) ▪ People associate improvements in their quality of life with the presence of the company. ▪ Outsiders campaigning on an anti-corporate platform (journalists, NGOs, politicians) get no local 	<ul style="list-style-type: none"> ▪ Community leaders, elders stating they do not feel respected ▪ The same problems arising over and over ▪ Evidence that individuals, rather than the community, benefit from company-community interaction ▪ Staff feels unsafe visiting communities ▪ Cold reception in community during company visits ▪ Accusations of company association with a repressive government ▪ Disproportional negative reaction compared to the nature of an incident ▪ Community accusations that the company is 'arrogant', 'not caring' ▪ Visible change in community behavior e.g. people stop greeting 	<ul style="list-style-type: none"> ▪ Rising trends in theft (no reporting and company is seen as target) ▪ Work stoppages ▪ Increased demands and hostile tone of community ▪ No leniency when accidents happen ▪ Bad press ▪ Increasing crime in the area of operations ▪ Increased conflict between communities or within communities ▪ Kidnappings, targeted assaults toward the company ▪ Sabotage ▪ Increasing reliance on police/army ▪ Communities say the company is

<p>support</p> <ul style="list-style-type: none"> ▪ Community requests are benefiting the community rather than individuals ▪ Community requests focus on personal skills development instead of demand for material things. ▪ No or low public outrage following accidents ▪ Communities identify trouble makers and informs company staff about (security) rumors in the community ▪ Communities say they have access to corporate decision makers and say the company is responsive to their concerns ▪ People waving back when greeted ▪ Continuously high attendance rates for meetings when no seating allowance is being paid 	<p>(waiving to) company staff</p> <ul style="list-style-type: none"> ▪ Proliferation of groups that each claim the company should deal with them. ▪ Communities demand that company benefits need to be negotiated (e.g. via MoUs) ▪ Groups of people hanging around at the company gates hoping to get work. 	<p>“stealing” resources</p>
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Company-Government Relations

<p>When a company has local support for its approach</p>	<p>When support is compromised (leading indicators)</p>	<p>When a company has no support for its approach (lagging indicators)</p>
<ul style="list-style-type: none"> ▪ Government officials state the company keeps them informed ▪ The government increases its social services presence in the corporate area. ▪ Government officials are present and are responsive to company as well as to community requests. ▪ The government states the corporate presence has allowed them to be more effective ▪ Government officials (civil servants) say they feel more legitimized/ respected in the community due to the corporate presence ▪ The government discusses with the company about upcoming regulations etc, 	<ul style="list-style-type: none"> ▪ Government presence in the area of operation is primarily through the military ▪ Government expects company to build community infrastructure ▪ Government disengages from the area of corporate operations ▪ Reliance on bribery to get the government to fulfill its duties ▪ Limited access of company staff to government officials ▪ Government interference with internal company policies (e.g. staff hiring/lay off) <p>Both government and company state that the other party is responsible for community relations</p>	<ul style="list-style-type: none"> ▪ Government encourages communities to demand (and expect) provision of social services from the company ▪ State security forces are involved in sabotage activities against the company ▪ State security forces are a risk to corporate staff and assets ▪ Security forces associated with the company commit HR abuses <p>Government revenues are explicitly used for warfare or violence against the citizenry</p>

Company-Critic Relations

When a company has local support for its approach	When support is compromised (leading indicators)	When a company has no support for its approach (lagging indicators)
<ul style="list-style-type: none"> ▪ Journalists highlight the benefits of a corporate presence ▪ Credible NGOs wish to be associated with the company ▪ No local presence of advocacy NGOs <p>The company's practices are regarded as among the best by outside groups</p>	<ul style="list-style-type: none"> ▪ Questions are raised regarding company actions from home government ▪ International advocacy NGOs critical of company actions start establishing local branches ▪ Company is mentioned on activist web sites (getting on their radar screen) ▪ Being accused of having an arrogant, defensive or legalistic tone <p>Refusal of NGOs to meet with the company</p>	<ul style="list-style-type: none"> ▪ NGOs encourage community demonstrations against the company ▪ NGO advocacy campaigns against company ▪ Divestment campaign/ consumer boycotts ▪ Shareholder activism critical of company actions ▪ Websites against the company ▪ NGOs and lawyers actively seeking witnesses for court cases ▪ Litigation

2. Proposal: Achieving successful community engagement within the mining sector in Ecuador

To organize a collaborative effort within Ecuador's Mining Sector to examine the experiences and practices of international companies currently working in the region in order to clarify operational best practices for achieving successful corporate-government-community engagement.

The purpose of this initiative would be to identify the patterns of interaction between current large-scale mining operations in Ecuador with local communities in order to enable corporations and the government to mitigate (and eliminate) negative impacts on local communities and intergroup conflict within the region, and to support and promote positive corporate social performance. The initiative will achieve this by taking an integrated, multi-stakeholder approach in supporting the mining sector (including mining companies, Ministry of Mining, mining and business chambers, Embassy and foreign trade departments, and civil society working with the mining sector and/or impacted communities,), as they embark on a new phase of mining operations in Ecuador, including:

- i. Share CEP lessons with the industry to promote change of company policies and practices that will impact local communities positively,
- ii. Aid individual companies with assessment and monitoring of their operations context and provide options for constructive community relations,
- iii. Test applicability and validity of new mining regulations and their social impact.

Approach

- Mining Companies participate in collaboration:
 - Regular CEP visits to company operations sites to perform assessments, similar to that of CEP's initial visit with ECSA. On-going visits to each company could range from 2-4 visits over a 24 month period. The purpose is to document best practices, track and advise individual companies on their operations and the impacts of their policies and practices on local communities, test applicability and validity of new mining regulations, and generate options for improvement in company-community relations.
 - Report back to individual companies, to aid them in the process of implementing management tools and options for improved social impacts.
 - Provide contextually relevant trainings to company management and staff, based on CEP experience, in building internal capacity to understand company-driven impacts on local communities, and to provide practical tools and skills to analyze the social situation in their operations contexts, identify the problems, and generate and implement solutions for constructive community relationships that lead to stable work environments.
- Ministry of Mining participates in collaboration:
 - Provide feedback to Mining Ministry generated from CEP site visits to aid in understanding the social issues that mining companies are encountering at their operations sites; in particular how companies are meeting new regulations on social performance, if new regulations are having intended impacts, why company operations are having positive or negative impacts, and options for improving company-state coordination and company-state-community engagement.
 - Report on findings would include regular reporting to government on individual company assessments as well as sector-wide findings.

- Discuss practical options generated for the companies from the assessments, and how that relates to sector regulation and modification of the regulatory framework for the sector
- Feedback and Reporting:
 - To companies, Government, mining and business chambers, Embassy, and civil society.
 - Provision of clear information & recommendations that can help to create and/or modify regulatory framework, and company policies & practices for improved community engagement.
- Sector Consultations
 - Undertake joint feedback and consultation sessions between all parties involved in initiative.
 - Provide best practices of companies in the Ecuadorian context, including documenting current practices of companies operating there, challenges faced due to changing regulatory framework, and options for effective and positive investment in Ecuador.
 - Provide opportunity for each party to share experiences in a collaborative work environment aimed at seeking improved alternatives and options for positive company-government-community engagement.

Outcomes

Learning: First the initiative will identify the ways in which multinational companies can operate in the Ecuadorian context, following the new mining law and regulations, so as to provide a mutually-beneficial operational environment, reduce existing intergroup tensions around the mining theme, and support positive outcomes for local communities.

Practical Actions: Second, the initiative will develop practical options, derived from experience, in which the government and mining companies can attain positive social performance of companies that will support sustainable development of local communities.

Feedback and Dissemination: Third, the initiative will assemble the lessons learned and the practical alternatives that emerge into tools and options that can be shared more broadly among the mining sector, including consultations, where companies and the government can share their experiences. The initiative can also explore the dissemination of findings through public dialogues and forums, where issues and experiences around mining can be shared more broadly within the country.