



CORPORATE ENGAGEMENT PROGRAM

Field Visit Report

Operator: Total E&P Myanmar (TEPM)
Seventh visit
Myanmar

5 – 21 November 2014

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PREFACE

The Corporate Engagement Project of CDA Collaborative Learning 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, CDA works with companies, governments, and civil society to develop practical management approaches to address local challenges and to ensure that companies establish productive and positive relations with local communities.

In the spirit of collaborative learning, CDA has engaged with Total over a period of 12 years, visiting (among others) the Yadana pipeline joint venture project in Myanmar in October 2002, May 2003, November-December 2003, April-May 2005, February 2008, and March – April 2011. The reports of these site visits are available on CDA’s web site.¹ CDA refers to “Myanmar” in the seventh field visit report, following the recognition by the United Nations of the official name of the Union of Myanmar.

Building on these visits and pursuing the issues raised in previous reports, Dost Bardouille-Crema, Corporate Engagement Director, and Sarah Cechvala, Corporate Engagement Program Manager, made a seventh visit to the Yadana Project, Yangon, Nay Pyi Taw, and Bangkok between November 5 – 21, 2014. Although we engage primarily with the operational partner, Total E&P Myanmar, our observations and analyses of the Yadana Project concern all joint venture partners: Total, Unocal/Chevron, MOGE and PTTEP.²

The purpose of this trip, as with all CDA field visits, was to examine and report on the interaction between corporate operations and the lives of people in the Yadana pipeline area, to assess and analyze the role of Total E&P Myanmar (TEPM) in the broader context of transition in Myanmar and increase in foreign investment in country – particularly within the oil and gas sector, and to follow up on findings from previous CDA visits.

This report begins with an Introduction in which we outline the approach and process of the field visit. Section I reviews changes in the context, at the national level and Yadana pipeline area. Section II presents observations with regards to the impacts of the Yadana project on the local and national context. Section III considers the risks and challenges that may arise from the observations discussed in Section II. Section IV presents options for TEPM to maintain or advance its responsible business practices. Section V draws the report to conclusion in light of the observations and findings detailed throughout the report.

As always, CDA invites comments and feedback on the observations laid out in this report. In all of CDA’s work, we seek to establish partnerships among groups with different approaches, with

¹ Find other CEP reports on CDA’s website: www.cdacollaborative.org

² Unocal is a wholly owned subsidiary of Chevron and remains the operational name of the Yadana joint venture partner in Myanmar; MOGE refers to the Myanmar Oil and Gas Enterprise; PTTEP is the Thai state-owned company.

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the ultimate objective of improving the lives of people who live in the regions 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 progress and improvement in the impact of corporate activities on the lives of people in Myanmar.

INTRODUCTION

During the seventh visit to Myanmar and Thailand, the CDA team focused its efforts on meeting a broad range of groups in Yangon, the pipeline area and Dawei (regional capital), Nay Pyi Taw (Capital of Myanmar), and Bangkok. The visit included six days in Yangon, six days in the pipeline area, one day in Nay Pyi Taw, and two days in Bangkok.

The visit in Yangon started with a briefing during which TEPM presented the strides it has made in response to options discussed in previous CDA visit reports. In Yangon, the CDA Team also met with various oil companies, TEPM staff, Yadana contractors, Embassies, UN Agencies, diplomatic missions, political and economic analysts, social impact research organizations, international NGOs, and local civil society and advocacy groups. In Nay Pyi Taw, CDA met an authority from the Myanmar Oil and Gas Enterprise (MOGE) and from the Ministry of Social Welfare.

While in the pipeline area, the CDA team visited eight villages. Four villages visited were of the 33 villages that participate in Yadana's Socio-Economic Program, including one new village that was added to the program along with seven others in 2012. The CDA team was also able to visit two villages that are considered "non-company villages" since their geographical location is outside the region where TEPM operates, as well as two villages in which socio-economic programming is provided by PTTEP and/or Petronas. The CDA team also met with Yadana staff, Yadana contractors, representatives of other operators, Socio-Eco Program doctors and Government-staffed doctors, the army, the navy, and police officials, Dawei regional Government officials, education and medical regional officials, advocacy groups, business people, educators, political party representatives, and community leaders and local community members in the pipeline area.

Visits to communities and meetings in Yangon and Nay Pyi Taw were carried out under the following conditions:

- CDA hired two independent interpreters skilled at interviewing villagers, and one with knowledge in Dawei dialect. The interpreters were hired without TEPM's input.
- TEPM did not interfere with the proposed schedule or the type of people CDA consulted during the visits to the pipeline area, Yangon, and Bangkok.
- TEPM took the lead in arranging meetings with its joint venture partners, Yadana contractors, and Ministry authorities in Nay Pyi Taw, based on their existing relationships, to ensure that CDA would gain access to these groups. TEPM representatives, however, did not participate or attend of these meetings.

- In the pipeline area, the CDA team traveled in a Yadana car driven by a local-hire Yadana contractor. Upon arrival at the villages, the CDA team divided into two groups. Each group consisted of one CDA Team member and one Myanmar interpreter. The two teams moved separately through the villages and held conversations at random. In community visits, as in meetings, there were no TEPM employees present, and the CDA team operated independently.
- As in previous visits, the CDA team introduced itself to members of communities as independent from the Yadana Project and made clear that it was in the pipeline area at the invitation of Yadana to observe the impacts of project operations on local communities. In the villages, the team had discussions with local people about their perspectives and expectations concerning the Yadana project and the Socio-Economic Program, as well as the perceived impacts of other oil company operations in the area.

In Bangkok, the CDA team spoke with Yadana’s joint-venture partners, multi-lateral organizations, international researchers, and advocacy NGOs.

SECTION I – BACKGROUND CONTEXT

This section provides brief observations on the changing context of Myanmar, both at the national-level and within the Kanbaw region, that have taken place since the sixth CDA visit.

1.1. THE CHANGING CONTEXT AT THE NATIONAL LEVEL

There has been a rapid and ongoing “opening up” of the political, social, and economic landscape in Myanmar since CDA’s last visit in April 2011. Ignited by the November 2010 elections and democratic shift in 2011, the country has experienced a sustained and fundamental shift in its political and social architecture. In contrast to the 2011 CDA visit, observations and conversations with stakeholders in the Government, civil society, and international institutions indicate that the increased social freedoms and the institutionalization of a democratic governing body – which have received vast international support – have set the country on a path towards democratization and openness from which it will be difficult to veer.

At the national level, there is a marked increase in Government presence and engagement in international initiatives regarding transparency and accountability, such as the Extractive Industry Transparency Initiative (EITI), and in instituting international standards, such as the currently-under-development environmental act. To this end, there is *an ongoing shift in power structures and leadership at the national level from a strong central government to more empowered and autonomous regional authorities*, which are relatively new entities within this recent democratic structure. Allotting more authority to regional officials has fostered, in some cases, tension between regional and national authorities. CDA spoke with several international and national stakeholders who cited that the number of initiatives taken up rapidly by the Government have overwhelmed its capacities to materialize tangible outcomes and have created many internal changes for which it is difficult for regional authorities to keep apace. A multilateral agency representative described the Government’s zeal in addressing and taking on new initiatives and standards by saying that “the Government says ‘yes’ to everything.”

In tandem with the political reforms, *the country has experienced an increase in civil participation and social agency*. The creation of space for civic participation and engagement between the Myanmar Government and its citizens has allowed for higher awareness of internationally accepted norms and standards. Continued liberalization of the press and loosened regulations regarding the freedom to assemble has generated much social activism and a sense of civil participation and empowerment among the local population. Civil society groups and international agencies cited changes in the Government manifest in the ability of civil society to increasingly call upon or make demands on the Government for service provision and for safeguarding social welfare.³ More recently, there has been increased public discourse regarding how foreign capital is spent in the country. Aid agencies and the private sector alike are increasingly being pressured by the local population and the international community to disclose their expenditures on items such as rent, land acquisition and development, or construction that might directly link them to wealthy elites with ties to the previous regime. Calls for revenue transparency focus mainly on the need for companies and aid agencies to demonstrate that the influx of revenue their presence brings into the country does not play into existing conflict dynamics by bolstering the economic advantage of one ethnic/political group over another.

Concurrently, political reform has brought with it a *vast increase in foreign direct investment (FDI) entering the country*. Myanmar's oil and gas sector is rapidly growing. With limited exploration, Myanmar's offshore oil and gas reserves are estimated at 50 million barrels of oil and 283.3 billion cubic meters of natural gas.⁴ In March 2014, MOGE awarded 20 of the 30 new offshore blocks. One block was awarded to Total S&A,⁵ but many of the others went to Western companies like, Royal Dutch Shell Oil Company, Chevron Corp, Exxon-Mobil Corp, ConcocoPhillips, Norway's Statoil, and the UK's BG Group,⁶ whose social engagement and investment practices – as seen in other contexts – closely match the standards of Total.⁷ In addition to the growing oil and gas sector, the country has experienced a massive influx of other international NGOs, UN agencies, and diplomatic missions. These agencies have not only brought with them a large number of expatriate staff, but also a large amount of official development assistance (ODA).⁸

³ For example, citizens' protests regarding the Myitsone Dam and the Monywa copper mine. For more see: <http://www.ipcs.org/article/china/china-myanmar-and-the-myitsone-dam-uncertain-future-4281.html> and <http://business-humanrights.org/sites/default/files/media/documents/myanmar-briefing-aug-2013.pdf>

⁴ <http://www.ogj.com/articles/2014/03/myanmar-awards-exploration-blocks.html>

⁵ OJ Editors. 2014. "Myanmar Awards Exploration Blocks." *Oil & Gas Journal*: March 26, 2014.

<http://www.ogj.com/articles/2014/03/myanmar-awards-exploration-blocks.html>

⁶ *Ibid.*

⁷ While many blocks went to large Western companies, many also went to small companies such as Ophir and Berlinger. For a full list of the awarded blocks see: <http://www.ogj.com/articles/2014/03/myanmar-awards-exploration-blocks.html>

⁸ In 2011, Myanmar received \$402.2 million in Official Development Assistance (ODA), 22.6% of which was solely focused on humanitarian aid and response. In 2012 (<http://devinit.org/countries/>), this number was up more than \$504 million. Source: World Bank. 2014. "Net Official Development Assistance and Official Aid Received (current US\$)." <http://data.worldbank.org/indicator/DI.OA.ALLD.CD>.

Influx of foreign agencies and companies also brings opportunities with regards to employment and career advancement; however, *much of the country's workforce is largely unskilled*.⁹ The highly limited skilled labor market has generated challenges for foreign industries operating in the country, particularly concerning the hiring of qualified national staff. Even for skilled labor there remains a lack of technical training schools, certification programs, apprenticeships, and even appropriate institutional capacity at the university level. For example, CDA heard from multilateral stakeholders that, in some cases, engineering courses directly related to the oil and gas sector are producing graduates still unqualified to work in the industry. There is a disconnect between industry and the education sector; students do not learn the skills necessary for the workplace and in some cases do not have the proper equipment and laboratory space for developing practical experience.¹⁰

1.2. THE CHANGING CONTEXT AT THE LOCAL LEVEL

Changing Social Landscape

As was the case in the previous site visit, the CDA team noted *continued economic improvement in the region*. Increase in economic viability in the region has also led to increased cost of living – including rents and food prices. There has been a continued shift in land use from cashew plantations and subsistence farming to rubber plantations – as noted in the previous CDA site visit.¹¹ CDA team noted, that the vast increase in large-scale rubber plantations has driven some in-migration to the Kanbauk region. Furthermore, the change in land use from subsistence farming to large-scale agricultural plantations along with increased income may possibly be a contributing factor to changes in local diet. A regional medical official noted a clear shift in the diet of locals as packaged foods and sodas have become more available, which has led to an upswing in the number of cases of non-communicable diseases such as diabetes and hypertension.¹²

The CDA team as well as other local stakeholders also noted *changes in regional security issues, particularly with regards to increases in criminality and drug use*. While both remain relatively limited, there is concern regarding possible long-term increases. In response, several initiatives and awareness campaigns led by local government entities have been undertaken on the topics of drug use and diet change. The police have undertaken efforts on drug advocacy, particularly in the local schools. CDA noted, that there have been cases when regional medical officials have distributed pamphlets – some of which are contributed by Total – in order to raise awareness on drug use and non-communicable diseases, this work is in conjunction with existing work to attenuate the rate of infectious disease in the region.

⁹ Asian Development Bank. 2014. "Myanmar Unlocking the Potential Country Diagnostic Study." Economic and Research Development. <http://www.adb.org/sites/default/files/publication/42870/myanmar-unlocking-potential.pdf>.

¹⁰ For more see: <http://www.adb.org/sites/default/files/publication/42870/myanmar-unlocking-potential.pdf>

¹¹ One report estimates that rubber plantations in the region almost doubled from 1990 to 2010. Source: MCRB, IHRB, and DIHR. 2014. "Myanmar Oil & Gas Sector Wide Impact Assessment." <http://www.myanmar-responsiblebusiness.org/pdf/SWIA/Oil-Gas/00-Myanmar-Oil-and-Gas-Sector-Wide-Assessment.pdf>.

¹² As public health evidence suggests, with economic advancement comes a shift from non-communicable diseases to communicable diseases such as hypertension and diabetes. For more see: <http://www.acfid.asn.au/resources-publications/files/ncd-paper>

CDA also noted a clear *shift in regional authority and capacity from the military (army and navy) to the police force*. Local communities as well as several multi-lateral organizations cited the 2012-ceasefire agreements between a few armed non-state factions, such as the Karen National Union (KNU), the New Mon State Party (NMSP) with the general democratization of the country as critical factors contributing to the shift from military to police presence in the region. Occupying a new role, the police force – while still relatively small – have been highly engaged in public safety and service campaigns, such as a recent one done in conjunction with petroleum operators in the region on motorcycle helmet and road safety.

Increased Civic Participation

National political reforms have engendered *space for increased civic participation throughout the country and in areas such as the Kanbawk region*. Social participation and active voicing of dissent is becoming more pronounced in the region, which would have been unthinkable even three years ago. In light of these changes, social activism is also growing throughout the country, which has led to the formation of many new local advocacy groups. Influence and engagement by outside advocacy groups – both within communities and with newly developed civil society groups – is also working to shape civic messaging. Protests, while previously unheard of in the region, are now becoming a recognized mode for voicing opposition against not only the Government, but also foreign investors and political elites. For example, in February 2014, TEPM and the other oil operators in the region faced public backlash regarding the local unpaved road. Community members protested that the use of the unpaved road by the operators' trucks and heavy equipment causes dust to land in the homes of the local community. Organized by locals,¹³ 300-500 people¹⁴ marched to the gates of the operators demanding the paving of the road. The police force played an active role in mediating aspects of the demonstration. The three operators agreed to expedite the paving the road in response to the demonstration.¹⁵

Dissent against the current ruling political party has also become more common and socially accepted, particularly as civilian fears of retaliation from the Government have lessened in recent years. For example, the CDA team was able to speak with the leading political opposition group at its office in the region for the first time. Furthermore, the party has undertaken a campaign to publically address the highly contested and controversial legacy of land acquisition in the region by the previous military regime.

Human Rights

During previous visits, conversations about forced labor were regarded as highly sensitive – and community members rarely discussed these practices. During this visit, however, civilians were more willing to speak openly about this controversial topic with the CDA team. Community

¹³ It was suggested to CDA by multilateral organizations and TEPM staff that these protests were organized with the support by outside advocacy groups, who potentially have ambitions for the region that are distinct from just the local community's complaints regarding the unpaved road.

¹⁴ "Myanmar: Residents protest against Petronas, PTT, and Total for allegedly causing health and environmental problems through their operations in Kanbawk, Tenasserim Division." 2014. <http://business-humanrights.org/en/myanmar-residents-protest-against-petronas-ptt-total-for-allegedly-causing-health-environmental-problems-through-their-operations-in-kanbawk-tenasserim-division#c89263>

¹⁵ The road-paving project was already in place prior to the protests; however the project was moving very slowly. The outcome of the protests was an agreed upon by all the contractors to expedite the process to pave the road.

members explained that incidents of forced labor and portering¹⁶ in the pipeline area were nearly obsolete. It should be noted, that several stories of local community members being trafficked across the Thai border were presented to the CDA team; however, the CDA team was not able to substantiate these claims.

Land grabbing is a highly topical and unresolved issue. New claims of land grabbing by the Government or by operators were limited in the region. Political party representatives, advocacy groups, and local communities, however, discussed concerns regarding the historical legacy of land acquisition and use. These issues were raised on a number of fronts. First with regard to the large amount of land acquired by the military during the construction phase of the Yadana project in 1995, and the historical compensation and reparations – or lack thereof – paid to local landowners. Secondly, complaints have emerged regarding the acquisition of land by PTTEP during the construction phase of the Zawtika project.¹⁷ Finally, as the Myanmar Government – with funding and support from TEPM and the other operators – work to develop a nature conservatory in the Eastern portion of the pipeline area near the metering station, questions have arisen about the procurement of local farmland during this process. Land use – subsistence farming versus commercial plantations – in the nature conversation area, “buffer zone,” and surrounding areas has been an area of concern for local farmers worried about losing their livelihood. An advocacy group operating in the region suggested that the Myanmar Government has driven the development of the nature conversation, with little input or communication with the local population, which has further generated confusion regarding land use, access to conservation lands, and any future acquisition.

SECTION II –TOTAL E&P MYANMAR OBSERVATIONS

This section explores opportunities for TEPM to capitalize upon its existing relationships in order to ensure positive and effective relationships between the community and its stakeholders. The observations presented are organized into four related areas: the current Socio-Eco Program, engaging other operators, supply chain, and engaging the Government at both the national and local levels.

2.1. SOCIO-ECONOMIC PROGRAM

Across all communities, CDA noted a genuine appreciate for TEPM’s presence in the region and for socio-economic programs. At present, TEPM’s programming and community engagement is considered the “gold standard” throughout the country and locally in the pipeline area. TEPM’s socio-economic program (SEP) provides opportunities for communities in the pipeline area¹⁸ in order to ensure that benefits are felt more broadly from the presence of TEPM’s operations and the oil and gas industry. These opportunities range from community development initiatives

¹⁶ Portering is a form of forced labor where the civilian population is forcefully recruited – under threats to life and livelihoods – to work for the armed forces or rebel groups and used as laborers/porters to carry items – such as artillery, supplies, and other weapons – during combat or during troop movement. For more see: <http://www.hrw.org/ar/node/100194/section/7>

¹⁷ Burmese-language news reports have cited unrest between the company and local community members regarding land acquisition for the Zawtika project.

¹⁸ Estimated around roughly 40,000 citizens.

such as a micro-finance, computer training, and animal breeding programs, to infrastructure development projects such as road and school construction.

In 2013, TEPM expanded the number of beneficiary villages within the pipeline area from 25 to 33. Therefore, TEPM now engages and offers programming to eight new villages in addition to existing commitments to the older communities. Applications were reviewed for the addition of the new villages, and TEPM accepted all but one request¹⁹ by villages in the area to become a SEP sponsored village. Access to most of the new communities is fairly restricted for the SEP team due to poor infrastructure, including roads and bridges. CDA was only able to visit one of the new SEP villages due to limited access. The CDA team noted that the quality of life for those living within the 33 “Total villages” exceeded the level of development of communities outside the SEP programming area. Additionally, for the first time, the CDA team was able to visit two “non-company villages” – villages outside the pipeline area that do not have any company engagement or investment (from any of the three operators).

Infrastructure projects are still a core component of SEP activities, however, the CDA team noted a visible shift, particularly in new villages, from TEPM-run infrastructure projects to ones done in cooperation with the Government or directly with community leaders. While the older “Total communities” received the full-range of SEP projects that have been instituted over the years, TEPM has started with a smaller menu of project options in the new communities. SEP team members noted that their level of involvement in the new communities is different from that of older communities, and is primarily based upon the perceived community “need” that is not being met by the Government. These projects are chosen for each community based on their most pressing needs in conjunction with the ability of the Government to leverage TEPM’s work in the future (for example health clinics, sub-centers, and schools).

Semi-annual meetings are held in all SEP communities in order to discuss needs, issues, and concerns between TEPM and the entire community. In addition, TEPM continues engagement with its village communication committees (VCCs), with which the SEP team meets on a regular basis. During regular visits to the community, SEP staff also meet with SEP project recipients. Several members of communities, however, noted that while they are aware of TEPM’s presence and activities in their community, they had limited engagement with TEPM staff and were not aware of the semi-annual meeting held in the community. This response was representative of community members whom were not receiving any support from SEP programming. A police officer further explained that it is not uncommon for those not directly involved in SEP projects to not know about TEPM’s SEP programming. He illustrated this by saying, “Only 50% of community members in Total villages know what SEP [programs] are doing.”

Several community members in a new SEP village explained to the CDA team that the SEP team meets with the same leaders in the community every time they visit. They felt that engaging only the community leaders or a few specific individuals reinforces disparities between ethnic

¹⁹ The rejected application came from a community that was significantly farther from the pipeline area, and was rejected due to the distance. TEPM responded to the request and explained why the decision was made to not accept the community’s application.

groups in the community, as SEP is only seen to be working with one ethnic group, further reducing the access others have to SEP staff. The community members stated their fear of being further marginalized if they voiced their concerns in community meetings. Once informed, the SEP team did indicate that they are aware of the historic ethnic tensions in the village, and that they should probably shift their approach to engage the community more broadly as opposed to meeting the same individuals during every visit.

While mechanisms to register complaints to TEPM exist, there is only limited knowledge and understanding of these systems and processes by community members. Community members that regularly engage with the SEP team explained that they had clear options to register grievances. Other community members, however, suggested that they were unaware of their options and were not empowered to bring issues to the SEP team. CDA noted that this lack of knowledge does not, however, impede local expectations of TEPM as the clear receiver of complaints. TEPM generally finds that it is handling community grievances both related to TEMP's operation as well as complaints regarding other operators or community officials. SEP staff explained that only a very small fraction of complaints they receive relate to TEMP and its operations.

2.2. ENGAGING OTHER OPERATORS

The CDA team noted that the three operators – Total, PTTEP, and Petronas – have taken a proactive approach to information sharing and coordination, primarily regarding SEP activities – as well as in the areas of health, safety, and environment and operations. Representatives of each operator indicated that the operators are very careful to not implement in the same community as each other – i.e. a community is either a “Total Community,” “Petronas Community,” or now a “PTTEP community” – or in cases where their activities overlap in a community, the projects are intentionally designed to be distinct from one another. They also meet to share information regarding security and government engagement in the region. Community members were able to clearly distinguish between the three operators and their oil & gas projects. Opinions varied widely among community members regarding each company's community engagement mechanisms and socio-eco programs. Originally spearheaded by TEPM, these coordination meetings are not only held at the operation level, but also at the national-level in Yangon.

While the companies coordinate with each other, there is limited collaboration between the operators to jointly implement or work on SEP or development projects. In February 2014, in response to the protests, the three operators worked together to mitigate operational impacts by jointly agreeing to pave the road in response to community complaints and a protest. Additionally, the three operators, police forces, and township medical offices collaborated on a helmet safety for motorcycles initiative, and provided helmets at a subsidized rate. Apart from these two examples, each operator takes its own unique approach to community relations, local stakeholder engagement, and development projects.

2.3. SUPPLY CHAIN

CDA noted, that TEPM's local hiring policies are successful at employing people who are actually local to the pipeline area. As cited in the previous CDA site assessment, however, the hiring processes are still opaque to many community members. Community members, TEPM staff, and contractor employees all explained that jobs are usually announced by “word of mouth,” and, to

a lesser extent, posted publically. Many community members felt, however, that those who get jobs within the Yadana camp do so because they know someone already working there. Recognizing that there are limited jobs, and very little turnover among those who are employed by Yadana, people felt that only a limited few benefitted.

TEPM's relationship with its contractors was described to CDA as straight forward with "no funny business." Several of TEPM's contractors, in fact, explained that working with TEPM has helped them establish better practices in areas such as human resources and health, safety, and environment. For example, one contractor told the CDA team that, after TEPM released its new human resource (HR) guidelines, the company reviewed their own HR standards and identified ways to refine their own practices. "Myanmar law provides the minimum standard that we have to provide our employees when working with Petronas and other companies. This is the first time that a company [TEPM] has guidelines, and we can learn from them and reconsider our own internal policies." To this end, several companies cited the long history working with TEPM as enabling them to increase their business capacities.

Locally, the CDA team heard from community members that while distinguishing between the three operators (TEPM, Petronas, and PTTEP) and the work associated with each is not a challenge; many struggle to differentiate between the various contracting companies and the main operators. Many employees who work for small contracting companies feel that they work directly for TEPM, and many local community members assume contracted employees are employed by TEPM. Confusion between employee and employer, to an extent, has to do with the high-level of involvement that TEPM has historically had with its sub-contractors. Often described as managing employee relations between the sub-contractor and the contracted employee, TEPM has had a legacy of acting as the negotiator on issues like wage increases, rotations, and other terms of the employee contract. TEPM staff recognize the challenge that such engagement has generated, and explained that they are beginning to implement processes that will slowly transition TEPM away from these practices.

By shifting their practices and level of involvement with contractor employees TEPM hopes to pass the onus of contract and employee management onto the contracting companies. TEPM staff explained that the company is changing its practice from being integral in contract negotiations with or for contracting companies, to supporting its contractors to deal directly with their employees. One TEPM staff member said, "We will now support our contractors, but they are the frontline and need to deal with their staff." TEPM also estimates that their legacy of involvement in contractor-employee relations has fostered inflated rates of contracted employees working for TEPM contractors. In this new transition phase, TEPM also hopes to change its new contracts to more accurately reflect the actual number of contract employees needed. These new contracts, along with the new contractor relationships, however, will force contracting companies to reduce the number of employees they hire by at least 50 percent, as estimated by one TEPM staff member. This staff member explained, "It turns out we inflated the system a long time ago, and we lost control...now we are in a transition period."

TEPM staff explained to the CDA team that they also plan to change the manner in which they tender contracts. The new method will include an online platform with registration mechanisms and more realistic quotas for staff wages and the number of employees. TEPM also plans to shift its contracting practice from manpower contracts to semi-service contracts, in order to allow for

more practical hiring mechanisms. Instituting a new tendering system, however, has raised fears for contracting companies, who explained to the CDA team that they are concerned new standards will force them to raise their costs and potentially cause them to lose contracts that they have held for years. The new policies mean that contractors will be responsible for negotiating employee benefits, such as raises and fringe benefits, for which they had historically relied on TEPM to help negotiate, and will have to invest time and resources into learning and accessing a new online contracting system.

2.4. ENGAGING THE GOVERNMENT

At the national level, TEPM is still referenced by MOGE as the model for socio-economic programs and company-community relationships. One MOGE official told the CDA team, “Even other ministries go to Kanbaw to study how TEPM implements in the area – they are the first example [of socio-economic programming] in our country and so we need to learn about it and understand the programs.” As MOGE moves forward with initiatives such as the Extractive Industry Transparency Initiative (EITI), TEPM is recognized as a reliable partner for the Government particularly in guiding their thinking on how to move forward with international standards.

As Myanmar decentralizes power from the national government to the regional authorities, the local government has been taking a more noticeable level of engagement. Specifically, the CDA team noted that the Government is currently playing an active role in community development, particularly with infrastructure projects such as the building of roads and medical sub-centers in the region. Several community members discussed the Government’s level of community involvement in a more positive light. One community member cautiously explained that when a local road was not built properly by one of the local operators, “We [the community leaders] applied to the Government to fix the road, and they came!”

TEPM’s engagement with the Government is also expanding. At the time of CDA’s visit, TEPM was not only building medical sub-centers in the region in collaboration with the Ministry of Health, but the CDA team also heard that the Government was planning to leverage existing structures built by TEPM – such as the medical clinics built originally by the SEP team which, in some cases, are used as posts for Governmental midwives – and transform former SEP buildings into state run operations. The aforementioned changes in power structures and actors in the Government also translate at the operational level with regard to how and with whom TEPM engages and communicates. The CDA team noted there were varying levels of communication and engagement between TEPM and regional authorities. On the one hand, the CDA team noted that TEPM has been closely coordinating with the police force, particularly weekly meetings and causal drop-ins for the purpose of sharing information. This marks a shift in the TEPM security team’s engagement with the local police force as opposed to the army or navy. TEPM management, along with other operators, also now attends coordination meetings with the Dawei regional authorities for the purpose of coordinating development activities across the region among the operators. On the other hand, some regional government officials expressed that they feel left out of TEPM’s communication and decision-making processes, particularly when projects directly relate to their sector. For example, one township officer explained that other operators in the region share with them their monthly plans and objectives for the region and invite them to award ceremonies and groundbreakings, while TEPM communication with them is irregular.

SECTION III – ANALYSIS

Myanmar’s “opening up” has many implications regarding the role TEPM can play in the country and, more specifically, in the pipeline area. Expectations are high that economic expansion, including unprecedented growth in the oil and gas sector, will drive the development of a broader-based skilled labor force and increased economic opportunities across the population. At the same time, while rapidly democratizing, Myanmar still represents a country with active conflict regions and issues. Furthermore, changing Government structures and a significant push for ceasefire agreements and peace negotiations between the Government and ethnic minorities has created a mandate for increased Government presence in the lives of local people – regardless of available capacities. In this context, stakeholders look to TEPM, as an established and prominent company to play a central role in leading new strides in responsible business practice in country. Promoting initiatives such as the EITI is welcomed, but as the sector continues to grow, so will expectations; disclosure of financial flows between companies and the Myanmar oligarchy, public promotion of responsible business and sustainable development practices, and developing skillsets within the labor force are all areas in which the public expects experienced, Myanmar-based companies to be well poised to advance and promote.

Thus far, communities in the region have had an overall positive experience with the oil and gas sector and the operations in the region. Specifically, communities view TEPM as a trusted advisor in the region, which may allow for greater leverage for SEP engagement and work, as discussed further in the options section. TEPM has a detailed understanding of its stakeholders and has carefully undertaken a stakeholder mapping nationally and locally. TEPM’s SEP program is seen by many as integral to the economic development of the region. For local youth, TEPM’s presence is a natural part of the landscape in which they have grown up, generating certain expectations regarding provision of social services and economic opportunities. Thus, the longevity of TEPM’s presence has produced an expectation that TEPM can and will provide for economic development needs of the area. Furthermore, as evidenced by the rate of registered grievances received by TEPM unrelated to its activities, continue to play a principle role in providing remedy for a large portion of the challenges faced by the local population.

The altering social, economic, and political landscape in Myanmar at the national-level will continue to play out in the lives of communities in rural areas such as the Kanbauk region, albeit more slowly than what is experienced in Yangon. Although locals may not readily recognize a transformation underway in the pipeline area, changes in the social landscape are real and tangible – greater sense of stability and peace, increased communication and networking across communities, higher-levels of access to information from the capital and abroad, a shift away from subsistence farming, growing interest in learning technical skills and trades, and increased criminality and drug use. A narrow understanding of the potential changes to come further limits the local population’s ability to visualize what the future may hold. While TEPM has established a working relationship as a good neighbor, expanding expectations of locals coupled with their new found freedom to demonstrate and express dissent means TEPM will need a considered approach to engaging on and enacting sustainable, forward-looking development with local communities in such a way that equips people with the skills and tools to navigate their own future.

3.1. INCREASING FDI IN MYANMAR

Myanmar is vastly and rapidly “opening up” the country’s oil and gas sector, with the awarding of new blocks and the emergence of new companies entering the country. In the coming years, the country will experience exploration activities from myriad Western companies, fundamentally altering the role of TEPM, which for 20 years has been the only Western operation in the country. Many new companies, particularly Western ones, will also bring with them their own brand of good practice that will compete with TEPM’s position of “gold standard” in the country. None of these new companies, however, have the contextual experience or network that TEPM has after 20 years of operating in the country. The legacy and experience of TEPM creates an opportunity for TEPM to identify ways to leverage its role as a leader in the sector. Without proper management, increased investment in the country may further exacerbate existing conflicts, increase corruption, and fuel tensions between the upper echelons of Myanmar society and the general public. Finding opportunities to transfer knowledge and share relevant experience with new investors in the country will not only benefit TEPM – particularly by upholding the company’s reputation as a leader in responsible practice and maintaining its positive standing with stakeholders – but can also influence the way in which FDI is brought into and used in country.

3.2. ENGAGING OTHER OPERATORS

At the national and local level TEPM’s positive relationship with its stakeholders has afforded the company with a generally positive reputation with the local community, local administration, national government, and the international community. The CDA team noted, however, that this positive reputation and trusting relationship has also had the unintended consequence of positioning TEPM as the “go to” company when issues arise in the oil and gas sector. For example, in February 2014, when local community members and activists protested against the dust generated by all three operators in the pipeline area, the protestors marched past the gates of all the operators, and ended at TEPM – even though all three operators were involved in the negotiations with community members. TEPM’s positive reputation among the operators in the region means that TEPM is often the first called upon when there are challenges between the oil and gas sector and community. TEPM’s grievance mechanism is another example, in which only a fraction of the complaints are related to TEPM. Local community members feel comfortable and confident that TEPM will act as an advisor in order to help them address their grievance.

Balancing this role – on the one hand maintaining a social license to operate and on the other hand receiving and managing complaints related to all operators – can prove difficult, and yet provides an opportunity for TEPM to shift the way in which it engages with other operators. At present the three operators share information in coordination meetings and implement their socio-economic programs in different villages²⁰ to ensure that there is no overlap. A shift in engagement among operators from coordination and information sharing to embracing a more collaborative approach, however, can:

²⁰ Sometimes the three operators implement social development projects in the same village; however, this is done with the upmost coordination in order to ensure no duplication of services or programs.

- enhance the position of all the operators in the region by demonstrating a unified response from the oil and gas sector in community development efforts, thus improving the quality of life for the local communities and stakeholders;
- reduce the reliance on TEPM to resolve all local issues by establishing a collective grievance mechanism that drives accountability among all operators to respond to and address complaints in a timely manner; and
- produce positive and sustainable impacts for local communities by taking a coordinated approach to instituting development initiatives with the collective resources – human and financial – from all three operators.

3.3. ENGAGING CONTRACTORS

TEPM has a longstanding relationship with many of its contractors, some of which have been able to grow from small service contractors to operators themselves and have become aware of the importance of safeguarding fair labor practice within their own organizations. Historically, TEPM has also played a role between contracted employees and the contractor. Both the CDA team and TEPM staff noted that this level of engagement has generated long-term challenges among TEPM, contractors, and the employees. This precedent has created situations in which contracted employees working at the PLC expect the same pay and benefits packages as TEPM-direct hires. There has also been increasing frustration directed at TEPM when those employees expect TEPM to step in to broker renegotiations of benefits packages between the contractor and employees.

Additionally, there is a lack of transparency and limited communication by contractors with the community and employees. This is further compounded by many contractors' limited employee-management capacities. If changes in TEPM's contract procurement procedures cause TEPM contractors to change their hiring practices – in some cases by possibly layoffs of roughly 50 percent of contracted employees – this may reflect more on TEPM than on the contractors. Many contract employees and local community members think of TEPM as their employer, rather than the contracting companies. Thus a high rate of terminations within communities may result in locals directing their anger directly towards TEPM, which has been seen in the past. At the time of CDA's visit, local community members voiced frustrations regarding recent layoffs of contracted staff that were described instead as "Total having let go of 69 employees." As locals have come to rely on the oil and gas sector for some of the only job opportunities in the region, TEPM needs to anticipate such a reaction if expectations of jobs and benefits – from both TEPM and its contractors – are not clearly communicated.

New standards and expectations regarding the tendering of contracts have also raised concerns by contractors regarding their ability to bid and win contracts. Transparent and clear communication will be need to be provided directly to contractors – so that it can also be passed onto their employees – in order to assuage concerns and fears, such as:

- changes in human resources policies – including number of employees, wages, contract length, etc. – affecting the cost of contracts and contractor-employee relations, and
- changes in the tendering process – including a new online system that may require investment from contractors to access and use – affecting the ability of contractors to access an on-line tendering system in a country that is still building its telecommunication infrastructure.

It should be noted that TEPM has begun outreach to contractors – through several trainings and a Contractor Summit to discuss challenges and concerns – about changes in its policies and processes. Fear and concern over the changes, however, was still raised by contractors at the time of the visit. This signals that TEPM may need to bolster its communication with its contractors and also publically announce changes to its policy and procedures with contracts in order to mitigate these ongoing concerns. Unaddressed fears could cause longtime contractors to shy away from bidding on new contracts; which could erode longstanding relationships or increase anger directed at TEPM.

3.4. ENGAGING THE GOVERNMENT

The Myanmar Government is attempting to rapidly increase its capacities to allow for the dramatic economic growth of the country.²¹ At present, the country's most robust economic drivers include increased gas production, services, construction, foreign direct investment (FDI), and strong commodity exports.²² In light of the vast influx of FDI and overseas development assistance (ODA) entering the country, a strong focus has also been cast on revenue transparency.²³ These factors further bolster civil society calls for TEPM, and others, to disclose its expenditures in order to maintain transparency on the flow of capital among the private sector, their business partners and customers as well as the Government. Disclosure of expenditures – beyond the disclosure of contracts – is considered crucial for analyzing the actual and potential corporate impacts on the country, and for overcoming the corruption from the previous regime.

Managing the relationship between national and regional level government – particularly during the transitional phase – poses a challenge for TEPM and other actors in the country. As the central government gradually shifts a greater amount of power and autonomy to regional authorities, TEPM will need to consider how and with whom it engages, communicates, and works with in order to maintain a positive relationship with Government officials. The CDA team noted that information and resources are not reaching all levels of the Government as quickly or appropriately as expected, and therefore, some Government officials are looking for TEPM to fill the gap. Recognizing, however, that filling the gap – both with regards to financial resources and ensuring that the proper information is passed through the different levels of government – is not necessarily the role or responsibility of TEPM, but that of the Government to decide how information and resources are allocated. At the same time, however, it is in TEPM's interest that the various levels of the country have all the information they need – particularly with regards to TEPM's activities that might affect community members or the Government directly. The CDA team noted that some regional authorities felt that TEPM was not proactively communicating about matters directly affecting their work. These factors illuminate a clear challenge for TEPM, Where, on one hand, there is need for information to be spread across all levels of government,

²¹ A World Bank study estimates that from 2012-2013 the economy grew 6.5 percent. For more see: World Bank. 2013. "Myanmar Economic Monitor." October 2013.

http://www.worldbank.org/content/dam/Worldbank/document/EAP/Myanmar/Myanmar_Economic_Monitor_October_2013.pdf

²² World Bank. 2013. "Myanmar Economic Monitor." October 2013.

http://www.worldbank.org/content/dam/Worldbank/document/EAP/Myanmar/Myanmar_Economic_Monitor_October_2013.pdf

²³ Revenue transparency is not just a challenge for the private sector. Even aid agencies and UN and diplomatic missions are coming under sharp criticism for how and to whom they are investing. For more please see: <http://www.irrawaddy.org/burma/aid-groups-burma-trip-links-elite.html>

and on the other hand the responsible party for providing such communication and information – the Government – is not always meeting its obligations to do so. TEPM should consider ways in which it can more suitably share information with all government authorities, without assuming the Government’s responsibilities or providing information before it is available to share publicly.

3.5. HUMAN RIGHTS IN THE PIPELINE AREA

The CDA team did not hear allegations of forced labor during visits to the communities in the pipeline area, despite routinely asking questions about this issue to a range of community members. There were a few claims regarding force labor practices occurring on the Thai-side of the border. In such cases, community members were looking for work in the border region were trafficked and forced to work in Thailand. There were, however, no accusations of forced labor or portering on the Myanmar side of the border. Consistent with previous visits, TEPM’s presence is credited with reducing cases of forced labor in the region. In addition, however, the CDA team did hear that the 2012 ceasefire agreements in conjunction with the clear shift in civilian protection from the military to the police are also considered to be integral components to the elimination of forced labor and portering practices in the region. Those that spoke with the CDA team felt that the region has not yet reached a durable change regarding the force labor issue. Several community members and international experts suggested that there is a real concern that such human rights issues may re-emerge quickly if there is a collapse in the ceasefire agreements. A resurrection of forced labor and portering practices will generate human rights violations – that TEPM has worked steadfastly to curb in the region – and will also put many community members – including TEPM employees and contractors – at risk.

3.6. SOCIO-ECONOMIC PROGRAM

In general, the CDA noted that the quality of life within villages in the pipeline area was higher than in “non-company villages.” “TEPM villages” have access to material benefits of TEPM’s operation as well as access to the SEP’s microfinance program.

Sustainable Impact

Other operators, Government officials, and community members all acknowledge that the SEP is the model for positive company-community relations and community development in the Kanbauk context. The CDA team noted a shift in TEPM staff’s vernacular to incorporate the notion of sustainable impact and, overall, have made it a priority during their planning process. The challenge for TEPM in achieving an SEP strategy that leads to sustainable outcomes, however, seems to hinge on a lack of shared vision of what sustainability should look like and how to achieve it. Specifically, areas of challenge are:

- *SEP taking a scatter-shot approach* – many individual initiatives that have their own goals, timelines, and objectives. The SEP team currently has eight sectors under which their activities and projects fall, which are not necessarily interconnected. While in general the work is having positive effects, the SEP lacks an overall strategy for achieving long-term sustainable impact, and from which TEPM could identify the mark it wants to leave on the community after its operations are completed. This approach to activities and programs therefore lacks a holistic long-term vision through which the SEP team can then create its priorities and objectives. As suggested in the previous CDA report, opportunity exists for TEPM to clarify long-term objectives of the entire Socio-Eco Program, as well as the

strategic alignment of all of the different projects (and their links to the business case) as a way of creating a cumulative impact that reaches the stated long-term objectives.

- *SEP dependence on TEPM presence* - SEP projects mostly require TEPM's continued presence for them to function effectively. For example, while TEPM is moving away from infrastructure development – i.e. road, school, and clinic construction – these activities remain a primary part of the SEP programming. What's more, existing infrastructure built by or with help from TEPM over the years will require maintenance and upkeep going forward. The Ministry of Health claims it has begun to make use of some TEPM-built health clinics and TEPM has worked directly from Ministry of Health plans for building new health centers in the new SEP communities. The community, however, looks to TEPM to help fix other installations when they break down. A community member of one of the newer SEP communities said, "we've talked to the VCC about the water pipe getting fixed, but Total hasn't come back to fix it." In the cultural context of Myanmar, where there is generally high levels of community volunteerism, it becomes clear that some level of dependence on TEPM to provide for the communities has developed over the years. There remains a great deal of infrastructure in the area for which a maintenance schedule and handover strategy will be required.

Microfinance and Dependence on TEPM's Presence

The CDA team noted positive feedback from communities regarding the microfinance program, however, questions regarding the long-term sustainability of the project were raised. For example, in some cases the CDA team heard that families used the project as a "revolving fund." One family discussed how the same head of the household requests the same amount of funding every six months. While they paid the money back, it was clear that in many cases the project is being used as a short-term support as opposed to being a long-term economic driver with the capacity to pull people out of poverty. **Gaps in money management and general bookkeeping were also apparent in the existing design and implementation of the microfinance project.** For many families, the microfinance project is the first time they have access to this scale of money, and although the current repayment rate is high, without training and guidance there is the risk of high-levels of default on the loans, mismanagement of money, or a lack of understanding by beneficiaries on how to turn this opportunity into a long-term sustainable economic opportunity.

- *A focus on sustainable projects versus sustainable impacts* – SEP activities are an amalgamation of projects, each with their own objectives for sustainability, developed to meet the needs of a developing country. While there are clearly links between projects and clear efforts are being made to increase the effectiveness of each project, sustainable projects do not ensure the achievement of sustainable impacts. Achievable and sustainable impacts need to come from a coherent long-term strategy that considers the social, political, and economic context as well as the local capacities and durable needs of the communities. There is an opportunity to clarify long-term objectives of the entire Socio-Eco program, as well as the strategic alignment of all of the different projects (and their links to the business case) as a way of creating a cumulative impact that reaches the stated long-term objectives.

High Levels of Unskilled Labor

Limited opportunities for skilled employment along with a neglected education system has created a highly limited pool of skilled laborers. These factors combined with the increased presence and investment in the country by the private sector as well as development, humanitarian agencies, and diplomatic missions has created a scenario in which the demand for a skilled labor force is much higher than the supply. The oil and gas sector is not immune to the lack of skill labor, which often creates challenges when trying to locally-source skilled workers, such as engineers. The influx of new investors will only exacerbate the issue.

Furthermore, many technical institutions and Universities in the country also operate with a finite number of resources – such as adequately trained professors and well-equipped laboratories. In order to curb these challenges and increase the number of skilled engineers, Total’s Professor Association (TPA) offers short-term courses – developed and decided upon by TPA – at a university in Yangon. While this program has been well received, it does not go far enough in ensuring the sustainability of a more skilled Myanmar labor force, from which TEPM can employ. The current model addresses the symptoms of the problem as opposed to the root causes, and should consider the following issues when designing such an engagement in order to ensure sustainable long-term impact:

- faculty are not necessarily adequately trained due to the weak education system;
- training facilities are limited and not well-equipped; and
- apprenticeships and on-site learning is limited, leaving students with little practical application of their training.

Many of the challenges of the limited skilled labor force at the national-level are mirrored in the Kanbawk region. As economic activities continue to increase in the region, job opportunities for the local population will also grow. In order to support development and aid in building the capacities of the local population, SEP may want to consider other options for training on skills related and not related to the oil and gas sector in order to meet future needs and growth within the country.

Stakeholder & Community Engagement

TEPM is known for its consistent engagement with the local community and government and has undertaken a broad mapping of all stakeholders. The CDA team noted, however, that the SEP is seen and used as TEPM’s primary mechanism for community engagement. The basis for relationships with local communities is developed on a by-project basis directly with beneficiaries rather than for the purposes of developing long-term relationships across the entire community – which could be developed through engagement and dialogue with non-beneficiary community members. Constantly evaluating the effectiveness of projects is a priority, and thus the SEP meets regularly with only a small slice of the population, as opposed to the broader community. While TEPM hosts bi-annual all community meetings, these are not enough to engage and develop relationships with community members outside of project beneficiaries – and in many cases these meets do not facilitate a safe environment for community members to engage TEPM staff. Additionally, TEPM has limited engagement with more difficult constituencies that might harbor opposing views with regards to SEP projects or may see TEPM’s operations negatively. TEPM tends to be less proactive about engaging in

dialogue with individuals and advocacy groups that are vocally critical of its operations and the oil and gas industry. This may pose risks for TEPM in two ways:

- Information about the SEP projects may not be reaching the entire community. Even with semi-annual community meetings, CDA noted that there were cases where community members were unaware of the projects that the SEP offers.
- SEP activities may exacerbate existing inter-group/ethnic tensions. Meeting with the same group leaders, and speaking with only project recipients, does not give the SEP team a picture of the entire community, and in some cases may play into existing ethnic disparities. The CDA team noted complaints about the mismanagement of TEPM-funded projects, which have been managed by community leaders and not accessible to the entire community. This accusation was predicated on claims that the SEP team visits the same leaders – who are of one ethnic identity – and the money for the project went through the same leaders. It should be noted, that this community has a history of ethnic tension. The SEP staff explained that they were aware of the ethnic tensions in the community, but had not realized, until the CDA visit, that their project activities and communication within the community were playing along the very same lines of ethnic division.

Land Issues and Community Engagement

Expanding community engagement beyond SEP project-related outreach is also important in order to assess community sentiment regarding issues of land tenure. At the time of the CDA visit, issues of land acquisition and reparations were being raised by the local community and PTTEP – specifically relating to the building of the Zawtika pipeline. Additionally, several civil society groups that met with the CDA team were reviewing the historical legacy of land acquisition for the building of Yadana. Additionally, TEPM’s role as a funder for the National Conservation effort with the Myanmar Government was criticized by civil society organizations because of the limited communication and engagement by the Government with local communities regarding the local impact of the project. These factors illuminate the need for TEPM to ensure that it is consistently working to build its relationships with community members broadly in order to communicate clearly, hear, and understand local perceptions, and to respond timely to issues that may arise.

SECTION IV – OPTIONS

TEPM’s invests substantially in its Socio-Economic Program, and has a long-term, visible commitment to the positive outcomes for the local population. Ensuring that local communities – and the country more broadly – benefit from its presence, during, as well as long after the company leaves, is a clear objective and priority for TEPM. Developing constructive relationships and having positive engagements with the stakeholders including the Government (national and regional), local communities, other operators, contractors, and others working in the region are critical for TEPM to achieve and maintain this objective. The longevity of TEPM’s work in the country and its ability to explore options that consider the well being of the country in the short, medium, and long-term has further provided TEPM with this leadership role. This section

provides options for TEPM to consider in order to maintain and even advance its positive relationships and impacts.

4.1. CHANGING PRIVATE SECTOR LANDSCAPE

Maintaining TEPM's leadership role furthers its business interests. It can do so by upholding existing relationships with stakeholders, share experiences with new-investors, and leverage new FDI in country to increase effectiveness of SEP programming. TEPM could consider the following options:

- *Option:* Publicly report on TEPM's response to options presented in CDA site visit reports, as a way to demonstrate accountability to 3rd party reviews and commitment to taking on approaches for advancing its responsible business and effectiveness.
- *Option:* Work to build interest across the Myanmar oil and gas sector in the development of a neutral, sector-wide organization funded by and focused on a responsible extractive sector. The organization would provide a platform for sharing of information and capacity building, coordination, and collective action for sustainable developing sustainable initiatives such as skilled labor development.

Fundación Ideas Para la Paz (FIP) in Colombia Example

The Ideas for Peace Foundation (FIP) is an independent think-tank established in Colombia in 1999 by a group of Colombian entrepreneurs. Its mission is to generate knowledge, propose responsible business initiatives, develop practical tools and resources, and accompany processes to contribute to building a stable and lasting peace in Colombia. Funded primarily by the private sector, FIP seeks to promote, guide, facilitate and encourage business engagement in overcoming conflict, building sustainable peace, and increasing capacity to drive sustainable and peaceful development.

- *Option:* Work with other operators or a local group – like the Myanmar Center for Responsible Business (MCRB) – to convene an annual corporate social responsibility forum that brings together companies from the oil and gas sector, or even a wider group of companies operating in Myanmar, in which TEPM and other companies can showcase work and expertise. While such initiatives have existed between the three operators in Yangon, and in workshops with the MCRB, this opportunity would engage more broadly across the sector, particularly as the sector expands in the coming year(s). This platform could also allow for the creation of a confidential space where companies can discuss positive community engagement and best practices in this context. Such a venue was described to the CDA team as needed, and important for broader engagement and collective problem solving by a local operator.

Ericsson Stakeholder Consultation Example

As Myanmar's telecommunication network increases, Ericsson is involved in the provision of telecommunication equipment and services to mobile operators. The telecom sector, however, may encounter challenges with regards to human rights and corruption in Myanmar. Therefore, as part of the decision to re-enter the country, Ericsson (with the help of the non-profit Shift) conducted a Human Rights Impact Assessment in 2014 and subsequently held a stakeholder consultation to review the results. Stakeholders included customers, government and community representatives, and local and international NGOs. This was seen as an important step in support of their due diligence efforts and to mitigate any adverse human rights impacts that might be generated by their business operations. This style of consultation could be successful for other industries – such as the oil and gas sector – that may want to look at more broad based impacts of the sector beyond human rights, such as benefit distribution, land acquisition, and fair labor practices.

4.2. ENGAGING OTHER OPERATORS

Coordination and information sharing between the three operators in the Kanbawk region has fostered an environment in which the operators take an individualistic approach to their development objectives and strategies, regardless of whether or not they adds up to a larger benefit to the community and region. Recognizing that coordination efforts have been put in place to mitigate duplication and generate a stronger collaboration on community engagement and development initiatives across the three actors. A consistent long-term flexible strategic plan, however, could allow for a larger and more sustainable impact. The existing agreement and collective response – by all three operators – to address issues with the road has created a precedence to shift from general coordination and sharing of information to a more substantial collaboration. CDA noted agreement in the need for such collaboration from representatives at the operational-level and at the international-headquarters level of the other operators. Based on conversations with the CDA team, these might be positive entry points for TEPM, as there is already interest and enthusiasm for collective impacts. One operator representative at the field-level explained, “We could put the money [for socio-economic programs] into the same pot and do it together. By sharing we can have a bigger impact. Some may think that when you put money in it needs to be seen as your money with your name on the activity. For me, it is not like that, if we work collectively we can improve the socio-economic situation here [in the Kanbawk region].”

- *Option:* Discussions for stronger collaboration may begin with systemic and deeper engagement at the operational-level and the international headquarters-level. Identifying key leverage points within the other operators to advance stronger collaboration should be done with careful consideration, and an understanding on where, how, and with whom to navigate such a conversation. Advancing a collaborative initiative that will pool resources and shift impacts from individual operator's initiatives to a long-term joint initiative will not happen overnight. However, galvanizing enthusiasm and interest where it already exists and engaging MOGE for additional buy-in would begin to move this process forward. Starting at the Kanbawk-level with a smaller joint initiative could pave the way for a larger and longer-term collective development plan for the region.

- *Option:* TEPM can drive the development of a proposed long-term strategic plan for the Kanbawk region. The plan would need to be negotiated and agreed upon by the joint development actors in the region – regional government authorities, companies, development NGOs operational in the region, and community based organizations. The plan would focus on capacity building, skill transfer, training, and development and maintenance of regional infrastructure.
- *Option:* TEPM can help to create a cottage industry facility that is supported by all three operators along with the Government. The operators, in negotiation with communities of the region, could choose a central location for the facility, such as in Kalein Aung. An incubation facility such as this would provide community members a space where they can learn skills and develop businesses that can support all of the oil projects in the area. Welders, car maintenance mechanics, production of uniforms, raising chicken and eggs, rubber or oil palm processing are all feasible community-driven projects. Yadana’s existing micro-loan program could also be incorporated into the process of getting these businesses off the ground.
- *Option:* TEPM could establish an apprenticeship program, taking a long-term approach in conjunction with the other operators. The program could train local community members in activities related to oil and gas, as well as other sectors based on community desire and need, such as air conditioning maintenance, mechanics, bookkeeping and accounting, etc. Developing local capacity would also be a crucial component of these training centers. Specifically, transferring skills and knowledge to local instructors who would eventually take the lead in providing training offerings at the center. This would allow these training centers to outlive any initial input from TEPM or other operators.
- *Option:* TEPM could take the lead in driving the establishment of a collective complaint resolution committee across the three operators. To work, this collaborative approach would need to meet the standards of all three operators while at the same time, ensuring that access across stakeholder of all three operators exists. The operators could consider establishing a panel – with representatives from each company – that would consider the reported grievances and identify ways – such as direct response, public boards that are kept anonymous, or working through local government and community leadership - to collectively follow-up with complaints.

Settapat Training Center Example

Established in 1979, the Settapat Training Center is a state-of-the-art petroleum-training center in Thailand. Chevron, in partnership with the Thai petroleum company PTTEP, developed the center to train students to be skilled technicians, preparing them for employment in the petroleum industry. Today, the Center has a highly competitive training scholarship program, and provides an intensive curriculum that focuses on combining on-the-job training and theoretical study, allowing graduates of the Center access to jobs in the oil and gas sector in Thailand and the region.

Design of an effective joint grievance mechanism also needs to adhere to the following operational principles:

- *Legitimacy* – having clear, transparent, and independent governance structures
- *Accessibility* – publically available with adequate design (such as language, literacy, finance, distance etc.) for aggrieved parties wishing to access the mechanisms
- *Predictability* – having a clear and known procedure and timeline for each stage of the process and the outcomes the process can or cannot, and mechanisms to monitor the implementation of an outcome
- *Equitability* – Aggrieved parties have access to information, advice and expertise to engage in the grievance process
- *Rights-compatibility* – ensuring that remedies are in accordance with international human-rights standards
- *Transparency* – the process offers transparency in order to meet public concerns at stake
- *Dialogue and Engagement* – the process focuses on direct dialogue in seeking agreed solutions

Source: Rees, Caroline. *Piloting Principles for Effective Company-Stakeholder Grievance Mechanisms: A Report of Lessons Learned*. CSR Initiative, Harvard Kennedy School, Cambridge, 2011.

4.3. ENGAGING CONTRACTORS

TEPM's new strategy for contractor management should coincide with clear lines of communication between TEPM and its contractors and TEPM and the contracted employees, to foster on-going positive relationships and manage expectations. To addition, TEPM can consider how best to develop the capacities of local contractors in order to help them to assume their employee responsibilities. TEPM can consider:

- *Option:* Contractors and TEPM together can increase communication and transparency of employment opportunities through meetings with employees and informational flyers, community-based postings of job vacancies, and potentially other modern forms of communication (SMS, social media, etc.). Not only could TEPM and contractors consider more public ways to advertise vacancies, but they could also utilize the same platforms to post information on changes in contracts and employment agreements, etc.
- *Option:* TEPM could convene additional contractor summits in order to bring contractors and other companies together that have previously won or would like to win TEPM contracts in the future. TEPM should invite all qualified and capable contractors and establish a recurring meeting in which they identify and address areas of concern for contractors on the changing nature of their relationship and the changes in internal processes (i.e. online tendering system, the new human resources guidelines, and support on best practices for employee management). TEPM may want to consider attendance to such a summit a requirement for those who would like to or who have won a contract in order to ensure that all contractors have access to the same information.

4.4. ENGAGING THE GOVERNMENT

TEPM needs to consider how to bolster its relationships with local administrators while also maintaining positive relationships with national officials. TEPM can consider leveraging its relationship with local authorities to reach communities both in the pipeline area and in the larger region in order to supplement campaigns on emerging issues in the area – such as increases in drug use, criminality, non-communicable diseases, and civic participation.

- *Option:* TEPM could share plans for activities in the region with the relevant township administrators regularly in order to ensure that they are in line with government plans and in order to receive input and consultation from public administration. Another operator shares its sector-wide plans once a month with the appropriate regional authorities in order to ensure that monthly plans align with regional government plans and priorities. While TEPM has established a basis for holding regular meetings, this sort of engagement – regular meetings monthly or determined by the need and availability of regional authorities – with township administrators and local authorities would continue to help TEPM bolster their own participation and government impact within local communities.
- *Option:* TEPM could work closely with administrators and police in order to help design advocacy campaigns on emerging issues and work to further the reach and scope of such activities through local ownership and participation. One option would be to connect the VCC structure with local authorities to become more involved and increase knowledge transfer.

4.5. SOCIO-ECONOMIC PROGRAM

TEPM can consider options for its Socio-Economic Program to shift away from activities that are dependent on TEPM's direct involvement – which potentially feeds into local mentality of charity and donation, focuses on small changes rather than larger impacts, and misses an opportunity to distinguish TEPM in an ever-changing market. TEPM and the SEP team could consider:

- *Option for long-term sustainability:* The CDA team noted that TEPM seems to focus more on year-to-year programming that will help it maintain its social license to operate with the local community, instead of engaging and communicating on a long-term strategy. The SEP team should build a long-term, but flexible, SEP strategy based on existing community capacities and arising needs – which can be developed through consultations with VCC, community leaders and members – through enhanced community engagement. This strategy could include building technical skills both at local- and national-level, which will allow a broader impact not dependent on TEPM's presence, but rather on the needs, capacities, and future vision of the community.
- *Options at the national-level:* TEPM could bolster institutional capacities of Myanmar universities by working to train technical professors in areas of petroleum engineering. TEPM could partner with a national university engineering department and enhance its lab capacities and offer apprenticeships at Yadana or the in the pipeline area working on other technical matters. This would allow students to put into practice the skills they are obtaining in the classroom.

- *Option in the Kanbark Region:* SEP could restructure its microfinance program to include training on bookkeeping, finance management, and small business development as a method to improve the development outcomes of the current microfinance program. Additionally, SEP could partner more closely with a microfinance NGO or cooperative-focused NGO in order to improve the effectiveness of the program.

Example from TEPNG's Microcredit Program

In 2011 Total E&P Nigeria (TEPNG) started the small and medium enterprise-development network (SME-DN) to encourage the establishment and growth of SMEs in the region of Total's operations in the Niger Delta. TEPNG brought in the Paris-based European Institute for Cooperation and Development (IECD), experts in SME and micro-credit development, to design and run the program. The SME-DN, therefore, was established with initial funding from TEPNG but remains a separate entity with staff employed independently of TEPNG. The program is housed within a government-built structure, not on TEPNG's own grounds, to make use of existing infrastructure and so that its operations are seen as distinct from TEPNG. Notably, participants are keenly aware that SME-DN is backed by TEPNG, but they speak of their financial successes and future plans to grow their business without an expectation of handouts from the company. This signifies SME-DN's ability to have an impact regardless of TEPNG's presence. Finally, SME-DN is just beginning to develop a micro-credit fund, and as part of its considerations they are working to ensure that the funding is managed by a commercial micro-credit enterprise, so as to remove the company from the funding equation and ensure that beneficiaries feel a commitment to re-pay their loans.

- *Option for community engagement:* TEPM should continue to engage the beneficiaries of its SEP projects for purposes related to those projects. It may also be useful for TEPM to discuss potential negative operational impacts with communities that are likely to be affected. This kind of focused engagement is likely to generate dialogue about only those issues, however. Less structured and more open-ended communication with community members more broadly – including people who do not benefit from SEP projects and including newer SEP communities as well as communities that are further away from TEPM's operations – is likely to deepen trust between TEPM and local communities, and may improve the quality of information that TEPM is able to gather about those communities as has happened in the relationship between TEPM's security team and the local police force.

TEPM should consider additional visits to communities that are solely for the purpose of open-ended dialogue and do not have a pre-determined agenda. Including TEPM staff beyond the SEP team in such visits would build a platform for broader relationships.

Such meetings could be informed by the below principles:

- Meet with members of the community whom TEPM does not know or whom TEPM knows less than their project beneficiaries.
- Demonstrate a general interest in meeting and getting to know one another.
- Engage in conversations that are open-ended, iterative, and should not include pre-determined questions.

- Give community members the opportunity to explain both positive and negative experiences they have so that TEPM can hear a broader-range of community perceptions on potential areas of conflict and risk – such as land rights, human rights abuses, or other potential flash-point grievances.
- Occasionally include in community visits members of the security, drilling, management, or human resource teams. This will be important in order to ensure that community concerns are heard broadly, and that risks that could arise from negative social impact, is understood by all of TEPM.

Finally, the SEP team could consider engaging with communities outside of the traditional “Total Communities” in order to build relationships and gain a better understanding of the changing landscape for Myanmar citizens both inside and outside the pipeline area. The objectives of such engagement, however, need to be clear both internally among the SEP team and also with communities and community leaders in order to mitigate misunderstandings regarding TEPM’s involvement in those communities.

SECTION V – CONCLUSION

Despite the dynamic nature of the socio-political climate in Myanmar, many of the observations and options in this report mirror those presented in the 6th CDA report. The CDA team has found that TEPM needs to institute a more rigorous approach to developing a long-term sustainable strategy for the Socio-Economic Program. While TEPM has begun to change the way it addresses this topic internally, it has yet to institute a concrete plan that would actualize a long-term strategy. To this end, the findings of this report suggest that TEPM will want to consider how to leverage its years of experience and position as a leader in the oil and gas industry in Myanmar as the country changes. The findings of this report suggest that TEPM should consider options for broader engagement with all of its stakeholders – including local communities, regional and national government officials, other operators, and contractors – in order to maintain and advance its responsible business reputation.

As TEPM develops new strategies, it may find that many opportunities exist that will exponentially increase the positive impact of the Yadana project with regards to both the long-term capacities and development in the Kanbauk region as well as more broadly at the national-level.