



Social Risks & Opportunities in Myanmar

For 2nd Myanmar Oil and
Gas Exhibition and
Conference

19 - 20 May 2015

**Social
Clarity**
sense from complexity

Overview of Presentation

- About Social Clarity
- Key Developments in the Past Year
- Effective Social Performance in Myanmar:
 - Analysing Social Impacts and Opportunities
 - Managing Non Technical Risks
 - Early and Planned Stakeholder Engagement
 - Identifying Shared Value Opportunities
 - Maximising Local Content
- Questions

About Social Clarity

- A social performance consultancy, with a focus on emerging economies and fragile states:
 - Services span social impact assessments, social risk management, stakeholder engagement, social investment & local content strategy development and execution.
- Presence in Myanmar.
- Work with businesses, governments & communities.
- Strong experience in the extractives sector.
- Partner local social and environmental consulting firms.
- Draw on complementary international expertise as needed e.g. environment, health and safety, security.

Key O&G Developments in Past Year

- Most PSC Contracts signed.
- Foreign capital of nearly USD \$17 billion pledged.
- Seismic IEEs and ESHIAs underway.
- Social Investment (CSR) strategies gaining momentum:
 - For example:
 - Woodside early childhood initiative with Myanmar Education Consortium.
 - BG Group feasibility study for Youth Entrepreneurship initiative.
- O&G Focus on Human Rights Impact Assessments (HRIAs):
 - For example, BG Group.

Broader Developments in Past Year (1/3)

- **Upsurge in Foreign Direct Investment (FDI):**
 - > USD \$8 billion 2014/15 FY vs. USD \$329.6 million 2009/10 FY.
 - O&G Sector main driver of growth and largest sector of investment: USD\$3.2 billion (40 per cent).
 - Other sectors: Transport; Telecommunications; Manufacturing; Real Estate; Hotels and Tourism.
- **Changes in Legal and Regulatory Context:**
 - Land: draft National Land Use Policy canvassed during 2014.
 - Ethnic Minorities: Ethnic Rights Protection Law February 2015.
 - Environmental and Social Impact Management: EIA Procedures imminent.
 - Investment: Proposed Consolidated Investment Law: expected to be passed by October/November 2015.

Broader Developments in Past Year (2/3)

- **Communications “Revolution” Gathered Pace:**
 - Telenor and Ooredoo secured nationwide licenses January 2014.
 - Price of SIM cards fell to US\$1.50 in 2014 (from USD\$250 in 2012) .
 - *Since December 2012, licenses for 26 new daily newspapers have been issued, along with 200 weekly news journals.*
- **Support for SME Development and Access to Finance:**
 - GoM Focus: SME Bill; Dedicated Centre for SME Development.
 - IFC partnership with Yoma Bank: 1,000 loans to SMEs by 2019.
 - USD\$ 50 million Loan from Viet Nam and Singapore.
 - German Government & Foundation Support for SME Development.
- **“Lifting the Lid” on Community Protest:**
 - Student protests regarding the National Education Law.
 - Community protests regarding Letpadaung Copper Mine.

Broader Developments in Past Year

(3/3)

- **Increased focus on Human Rights Impact Assessments (HRIAs) & on Land Issues:**
 - Not only in the O&G Sector.
- **Complex context in Rakhine State, including:**
 - Rakhine State Action Plan.
 - Temporary identity cards (white cards); linked to voting rights.
- **2014 National Census:**
 - First census in 30 years. Main results to be released May 2015.
- **Peace Process:**
 - Draft national peace deal signed in March 2015.
- **Preparations for 2015 Election underway.**
- **Ongoing process of Decentralisation:**
 - Per GoM Framework for Economic and Social Reform (FESR).

Social Performance in Myanmar

Elements include:

- Analysing Social Impacts.
- Managing Non Technical Risks.
- Early and Planned Stakeholder Engagement.
- Identifying Shared Value Opportunities.
- Maximising Local Content.

Social Impacts & Opportunities

- Key contextual factors include:
 - Progress of Myanmar's social, economic, political transformation.
 - Importance of broad engagement, including with NGOs/CSOs.
 - International support for community empowerment.
- IEEs and ESHIAs are key information & planning tools:
 - Can identify key areas of social risk.
 - Can inform meaningful stakeholder engagement.
 - An important step in developing a “social license to operate”.
 - Dynamic not static.

Managing Non-Technical Risks

- Financial impacts are real (though difficult to quantify).
- Risks are dynamic and require experience to identify.
- Non-Technical Risks include:
 - Political Risks – e.g. regulatory changes, nationalisation.
 - Stakeholder-Related Risks – e.g. blockades, kidnappings.
- 2014 Harvard Kennedy School/UQ Study: Costs of Company-Community Conflict in the Extractive Sector:
 - Approx. US\$750m of estimated US\$1.6bn cost blow out attributable to community conflict issues not identified in ESMP.

Early & Planned Engagement

- Stakeholder mapping is critical to understand:
 - Interests, influence, potential impacts, potential collaboration.
- Stakeholder engagement needs to:
 - Start early;
 - Be consistent;
 - Include a focus on managing expectations;
 - Align with the changing community context;
 - Consider the pace of economic development & potential for cumulative impacts;
 - Ideally, be informed by agreed industry positions.
- Can be logistically challenging; plan early & be flexible.
- Broad and ongoing engagement is needed.

Identifying Shared Value Opportunities (1/3)

- Principle of Shared Value: “*expanding the connections between societal and economic progress*” (Porter and Kramer, 2011):
 - Aligns with O&G industry focus on Local Content.
 - Incorporates the notion of In Country Value Creation.
 - PSC focus on employment & training of Myanmar nationals.
- Identify early how stakeholders define “value”:
 - Value is a holistic concept, with financial, economic, social, cultural and environmental dimensions.
- Stakeholders have different drivers (priorities and objectives):
 - These can be aligned to achieve common outcomes.

Identifying Shared Value Opportunities (2/3)

- Shared Value opportunities need to be:
 - Tangible and quantifiable;
 - Developed in an inclusive, participatory way.
- Consider creating an Organising Framework that includes Company, Government and Community representatives to:
 - Explore and evaluate ideas – their benefits, costs, required inputs, respective roles etc.
- The Organisation for Economic Cooperation and Development (OECD) is facilitating the development of a **Framework on Shared Resource-based Value Creation**.
 - Shell, TOTAL, ENI, ExxonMobil and IPIECA are involved in the Drafting Committee alongside governments, as is Social Clarity.
 - OECD is keen to pilot the Framework in Myanmar in 2015.

Identifying Shared Value Opportunities (3/3)

- *The OECD Operational Framework on Public-Private Collaboration for Shared Resource-Based Value Creation:*
 - Identifies key challenges & impediments to creating Shared Value:
 - Lack of mutual trust, assymetry of information, insufficient collaboration and coordination amongst “actors”.
 - Focuses on:
 - Enabling host governments, the private sector, local communities and civil society organisations (CSOs) to work together to use extractives as a catalyst for long-term, competitive, diversified and sustainable development.
 - Supports the Post-2015 agenda and Sustainable Development Goals (SDGs):
 - These foreshadow an enhanced private sector role.

OECD Operational Framework on Public-Private Collaboration for Shared Resource-Based Value Creation

- Step 1: Adopt a comprehensive, long-term vision, behave strategically to build resource-based competitive economies and create shared value.
- Step 2: Build an empirical basis to inform decision-making through an inclusive participatory process.
- Step 3: Unlocking shared-value opportunities for transformational change:
 - Local workforce and supplier development.
 - Shared use of infrastructure (power, water, transport).
- Step 4: Innovation leading to new products and services.
- Step 5: Create an effective and transparent third-party monitoring and evaluation system.
- Step 6: Regularly review strategy and adapt to changing circumstances.

Maximising Local Content (1/3)

- **Overarching Principle: source/procure as many goods and services locally as possible:**
 - But companies will likely face challenges with achieving this.
- **Key Stakeholder Drivers and Expectations:**
 - Governments will seek local content maximisation:
 - Some countries have introduced Local Content Policies.
 - Communities will expect jobs and procurement of their goods and services.
 - Not-for-profit organisations such as Chambers of Commerce (UMFCCI, other) can play an important role.
 - Civil society groups will monitor O&G sector contribution to Myanmar.

Maximising Local Content (2/3)

- **Some Practical Guidance for Companies (1/2):**
 - Understand the legal and regulatory framework – national, state/region – and the PSC and MIC requirements.
 - How is local content interpreted and measured?
 - What timeframes are associated with set targets?
 - What commitments is government (national, state/region) making to support companies?
 - Do your corporate procedures need to be adapted?
 - Do a Supplier Mapping Exercise:
 - Assess local or nearby labour market.
 - Model timeframes for upskilling different categories of labour; particularly low to semi-skilled.
 - Share detailed Labour and Procurement Demand Schedules with key stakeholders:
 - Including type, quality, timeframes, volume.

Maximising Local Content (3/3)

- **Some Practical Guidance for Companies (2/2):**
 - Be transparent about procurement processes and opportunities.
 - Use the ESHIA process to identify potential opportunities to mitigate or offset any impacts identified.
 - Explore existing Small and Medium Sized Enterprise (SME) development initiatives you could leverage; for example:
 - Canadian NGO Building Markets' programs focused on SME screening and capacity development.
 - International Finance Corporation (IFC) support to SME development via Yoma Bank: targeting 1000 loans by 2019.
 - Consider what investment you can make to support maximising local content; for example:
 - Sponsoring small business and trade training programs.
 - Establishing a revolving credit fund for SMEs.
 - Supporting local Chambers of Commerce to assist local companies to respond to tenders.

In Conclusion

- The political, social and economic context within Myanmar is dynamic and evolving rapidly.
- O&G sector monitoring of and engagement with Myanmar's development is key:
 - even where activities are at an early stage and/or are being undertaken offshore.
- Impact & Risk Management, Stakeholder Engagement, Shared Value, Local Content are key elements of Social Performance.
- Invest in managing expectations.
- Use your presence to help develop local talent.
- Show your interest in contributing to Myanmar's transition.



■ Questions?