



# The Realities of Social Risks for Offshore Developments in Myanmar

For 3<sup>rd</sup> Annual Southeast  
Asia Offshore Summit  
2015

*10 – 11 September 2015*

**Social  
Clarity**  
*sense from complexity*

# Overview of Presentation

- About Social Clarity
- Areas of Social Risk for Offshore Developments:
  - Inadequate Stakeholder Engagement.
  - Poor Expectation Management.
  - Underestimating Myanmar's Complexity.
  - Narrow Perspective of Social Risks.
- Questions

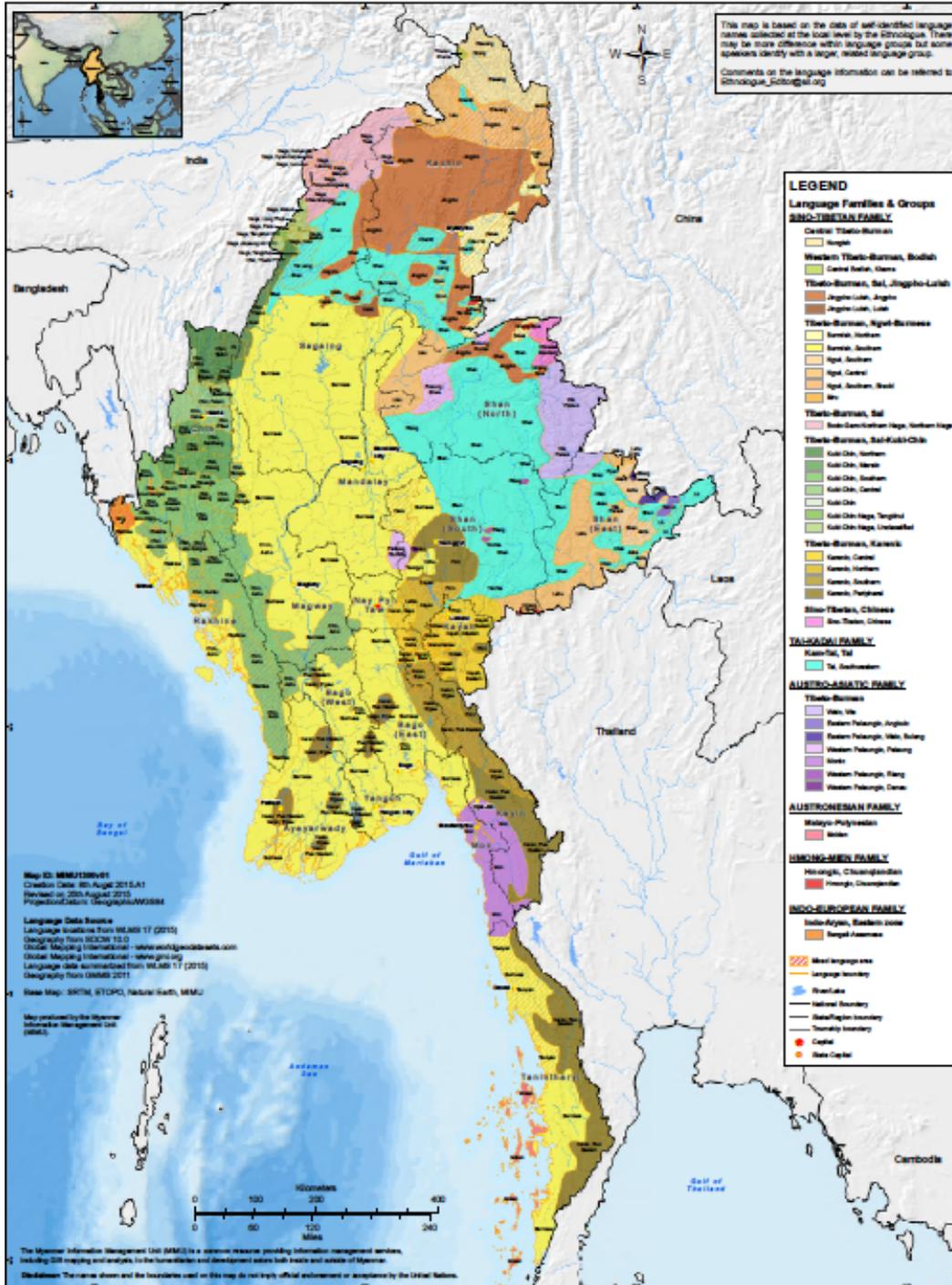
# About Social Clarity

- 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.

# Risk: Inadequate Stakeholder Engagement

- Stakeholder context in Myanmar is evolving.
- Communications & media landscape is dynamic:
  - > 28.1 million mobile subscribers in March 2015 (54%)
  - Around 3.28 million Facebook users.
  - Case study: social media & the flood response.
- Consultation & Engagement are new concepts:
  - Stakeholders need time to digest information & form views.
- Low level of understanding of O&G industry lifecycle:
  - Particularly amongst communities, CSOs, NGOs.
- Ongoing, regular & consistent contact is key:
  - Prepare communities through pre-consultation method.
- **It requires skilled resources to identify, map, analyse & advise how to engage stakeholders.**

# Main Spoken Languages of Myanmar



Source: Myanmar Information Management Unit (MIMU), 2015

# Mitigation: Early & Ongoing 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.

# Risk: Poor Expectation Management

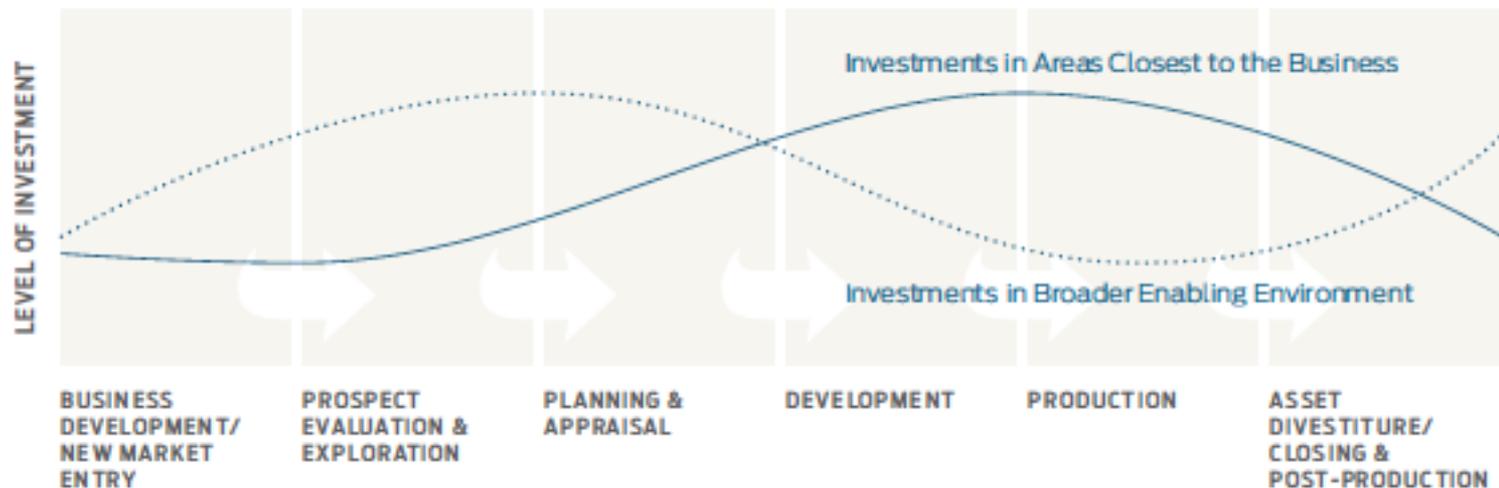
- High-value PSCs & Signature Bonuses have been widely reported.
- O&G Sector comprised 40% of the upsurge in FDI in 2014/15.
  - > USD \$8 billion 2014/15 FY vs. USD \$329.6 million 2009/10 FY.
- Strong international & national focus on Responsible Business.
- Government expects Corporate Social Responsibility (CSR) from the beginning of exploration:
  - Ministry of Energy recently released CSR data dating to 1998.
- Expectations are multi-layered but revolve around provision of HRD opportunities & contribution at the local level.
  - National, Sub-National, District, Township, Village.....
- **Critical to show early evidence of local benefits.**
  - **Need to manage expectations of what companies can contribute.**

# Mitigation: Create Shared Value

## CONTRAST BETWEEN PRACTICES GOVERNING BUSINESS AND SOCIETAL INVESTMENTS

Business Investments	Societal Investments	Potential Best Practice for Societal Investment
Millions of dollars spent on engineering designs during exploration	Investments in communities withheld because of uncertain exploration outcomes until certainty of reserve is established	Investments during exploration phase focus on improving the enabling environment sustainably and building trust with local community

## SHARED VALUE INVESTMENT PATTERNS OVER THE LIFETIME OF A PROJECT



Source: FSG Shared Value Initiative, 2014, Extracting with Purpose: Creating Shared Value in the Oil and Gas and Mining Sectors' Companies and Communities p.17-8

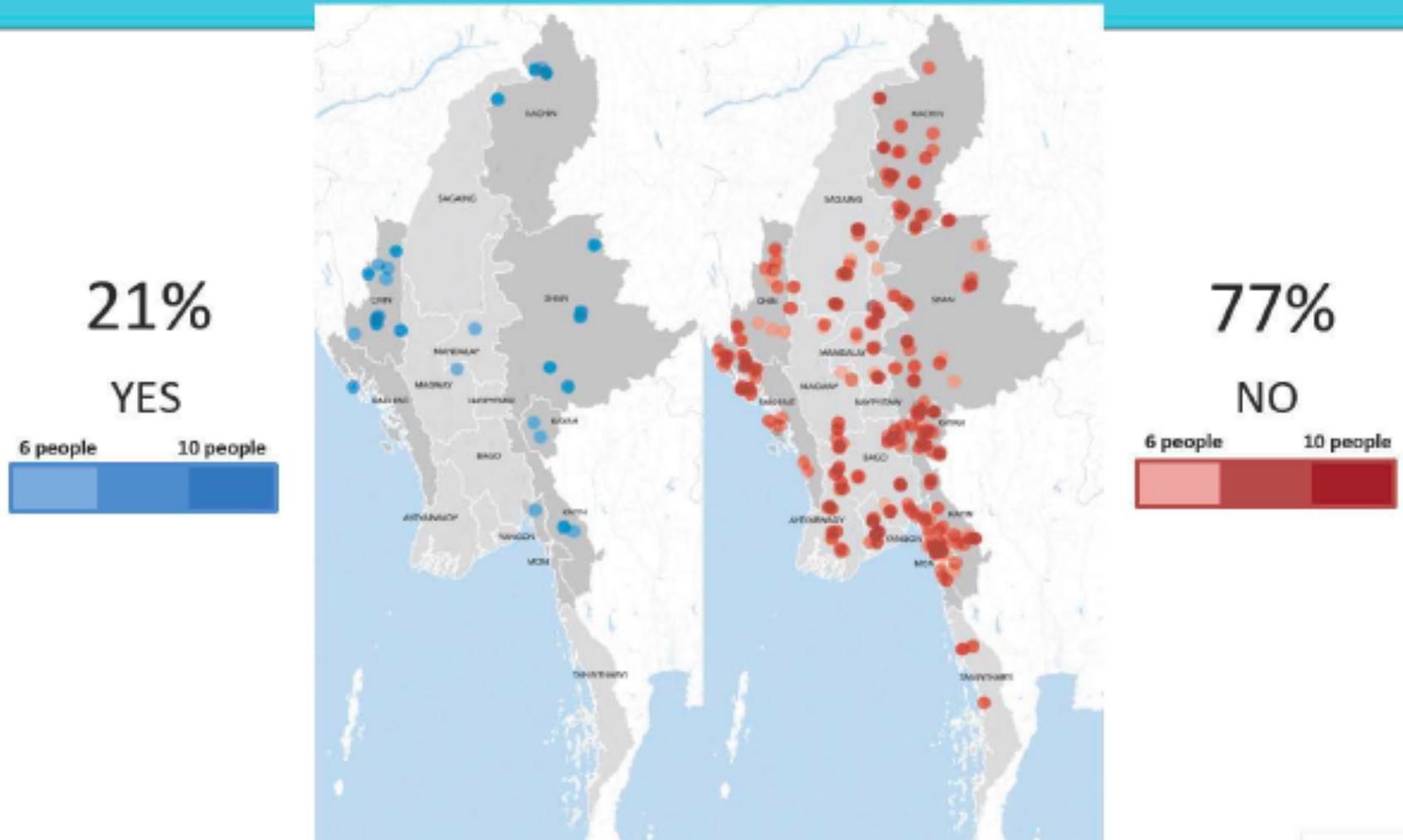
# Exploration Phase: Opportunities for Shared Resource-Based Value Creation

- Limited number of jobs available during Exploration phase (1-10 years):
  - 100-200 jobs but for short periods (months not years).
- Possible Areas of Public-Private Collaboration for Shared Resource-Based Value Creation include:
  - Early assessments of workforce capacity and supplier landscape mapping.
  - Identification of government and other stakeholders' expectations.
  - Engagement with other stakeholders, such as civil society organisations and donors.
  - Conceptualisation & Implementation of potentially scalable pilot projects.

# Risk: Underestimating Myanmar's Complexity

- Land and Human Rights Issues:
  - High areas of risk & very dynamic context.
  - *See Myanmar Centre for Responsible Business (MCRB) Oil & Gas Sector Wide Impact Assessment (SWIA) for background.*
- Strong Potential for Cumulative Impacts:
  - E.g. with other O&G, Special Economic Zones, Mining, Tourism, other Coastal-based Infrastructure such as Coal-fired Power Plants.
- Ongoing Process of Political Transition and Development:
  - Historic Election November 8, 2015 & New Government early 2016.
- National and Sub-national Discussions about Resource Revenue Sharing & Fiscal Decentralisation:
  - Seen as critical components of the peace process.
- Conflict & Social Tension can create Reputational Impacts.

# Can most people be trusted?



Source: The Asia Foundation and the Australian Government Department of Foreign Affairs and Trade, Myanmar 2014: Civic Knowledge and Values in a Changing Society, prepared by Kim Ninh p.35

# Risk: Narrow Perspective of Social Risks

- 'Out of sight, out of mind' does not apply.
  - Just because a risk isn't immediately visible – or immediately quantifiable - doesn't mean it doesn't exist.
- Environmental Issues & Impacts create Social Risks & Impacts.
- Potential social impacts during the seismic survey phase are not solely linked to commercial marine traffic & offshore industrial fisheries:
  - Consider: impacts on the Indigenous, and nomadic, Moken people – known as 'Sea Gypsies' – on the Tanintharyi coast.
  - Consider: contractor guidance re: potential interface with human traffickers' boats travelling off the Rakhine State coast.
  - Consider: micro-economic impacts of O&G engagement and investments into communities.

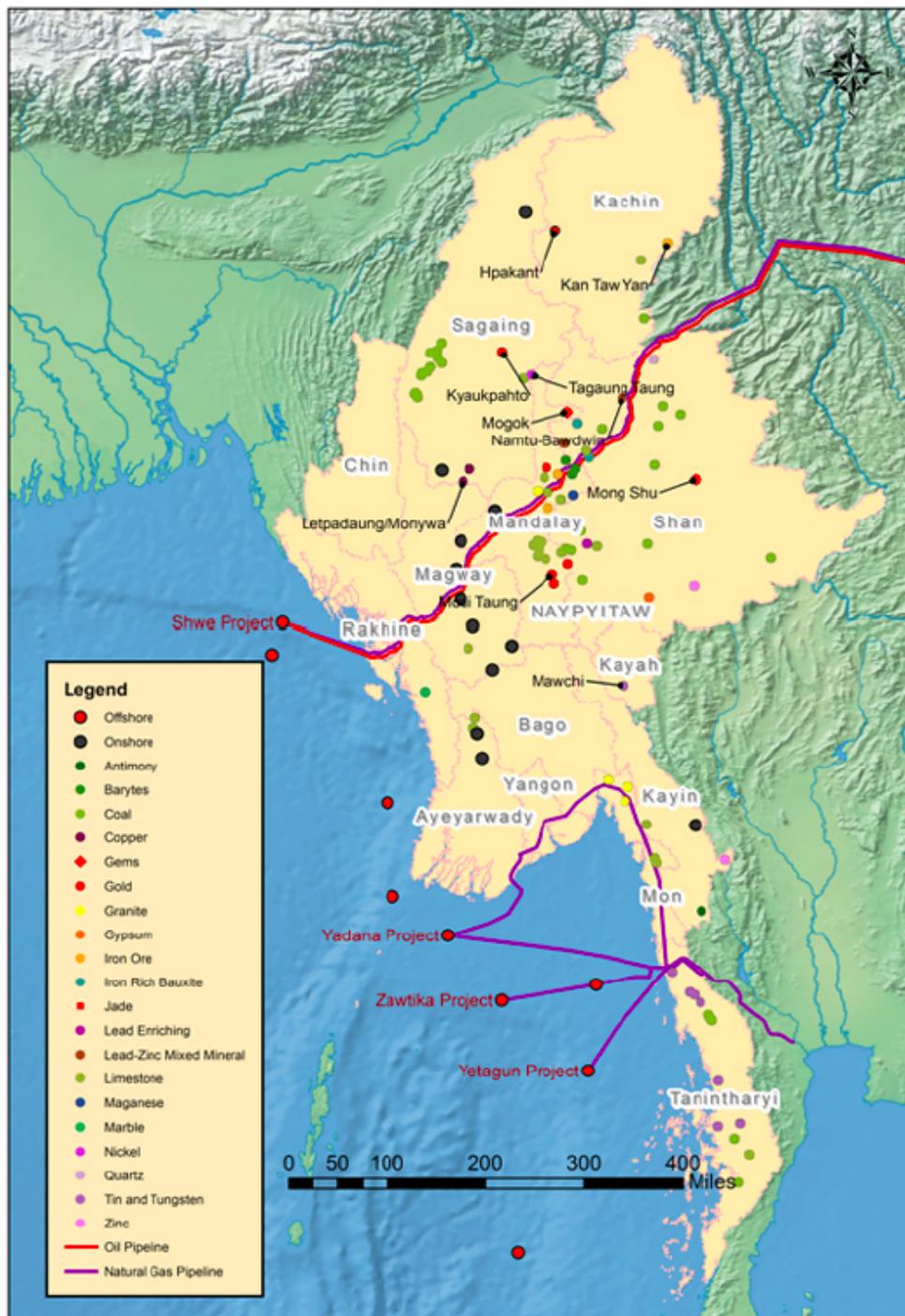
# Mitigation: Analysis, Management, Monitoring

- Use Initial Environmental Examination (IEE) Process to:
  - Develop a robust, and relevant, socio-economic baseline.
  - Identify key areas of social risk.
  - Identify opportunities for local content contribution (shared value) and social investment 'quick wins'.
  - Inform meaningful stakeholder engagement.
- Undertake a Human Rights Impact Assessment (HRIA):
  - Company human rights commitments are being tracked by the *Myanmar Foreign Investment Tracking Project*.
- Develop and Enforce a Contractor Management System:
  - Contractor Social Performance Induction should include conflict sensitivity.
- Design and Implement a Complaints Management System:
  - Culturally appropriate. Relevant languages. Relevant media.

# Remember: Offshore soon becomes Onshore

- Put in the work now to:
  - Understand & monitor the context of your activities in Myanmar.
  - Understand & manage expectations (government, communities, civil society, etc.).
  - Build collaborative relationships for mutual benefit.
  - Quantify, prioritise & manage social risks.
- Review the potential for application of Good International Industry Practice (GIIP) e.g. PNG LNG Project:
  - Enterprise Centre: supports PNG businesses, in particular landowner and other local companies, by **building business skills, facilitating access to employment and business opportunities and ensuring efficient communication with the Project, contractors and sub-contractors.**
  - Employment and Supplier Database: **connects job seekers and businesses with employment and business opportunities.**
  - Supplier Development: **purchasing local goods and services and increasing local supplier capability.**

# Distribution of Myanmar's Hydrocarbon and Mineral Wealth



Source: Natural Resources Governance Institute (NRGI), 2015, Could Natural Resource Revenue Sharing Help Secure Peace in Myanmar?



■ Questions?