



Collecting water on the Irrawaddy River

Community engagement key to business success in Myanmar

By Victoria Bruce

Engaging local communities and ensuring international standard corporate social responsibility (CSR) practices will be key to the success of petroleum projects in Myanmar, says a leading civil society organization.

For many IOCs, this is the first time they've set foot in post-sanctions Myanmar and while most are no stranger to emerging markets, building a successful business in the long-isolated Southeast Asian nation comes with its own set of risks and challenges.

For David Allan, co-founder of civil society organization Spectrum, this doesn't refer to the geological challenges of petroleum exploration, but treading carefully in a country that's still transforming from a military dictatorship to a fledgling democracy and is still marred by reports of human rights abuses.

"A great deal of care is needed in the

areas of land and livelihood, and it's going to take time to do that," says the former chemical engineer.

"A tripartite dialogue improvement between government, business and the public offers improved communication, understanding and many opportunities to facilitate further national development," he says.

On a global scale, the extractive industries are risky business in terms of human rights abuses, and Myanmar is no different.

Professor John Ruggie, UN Special Representative on Human Rights and Transnational Corporations, notes "the extractive sector is unique because no other sector has as enormous and as intrusive a social and environmental footprint."

He said that the extractive industries also account for most allegations of the worst abuses, up to and including

complicity in crimes against humanity.

"These are typically for acts committed by public and private security forces protecting company assets and property; large-scale corruption; violations of labour rights; and a broad array of abuses in relation to local communities, especially indigenous people," Professor Ruggie says.

In Myanmar's case, one landmark example is the Doe v Unocal trial, where villagers sued the firm for complicity in forced labour, rape, and murder allegedly committed by the Myanmar military, which was contracted to provide security for a pipeline project.

According to EarthRights International (ERI), in March of 2005, Unocal agreed to compensate the plaintiffs in a historic settlement that ended the lawsuit. Shortly thereafter, Unocal was acquired by Chevron, which has a 28.25 percent stake in the Yadana

gas field operated by France's Total.

More recently, the massive Shwe Gas Project, a 2,800-kilometre pipeline carrying natural gas from Myanmar's Shwe field to China, has come under fire for disrupting traditional fishing and farming lands without providing adequate financial compensation for affected villagers, says the Shwe Gas Movement (SGM), a community-based organization.

"The majority of people in Arakan State (Rakhine State) rely heavily on both fishing and farming to gain income and sustain their families. Both these industries are now being destroyed, leaving residents jobless and without income," SGM states in its 2011 report, titled *Sold Out*.

"There's a very significant and growing history of social license issues in Myanmar," Mr Allan says, pointing to recent examples where communities have lobbied against projects, such as President Thein Sein's call to suspend the controversial Myitsone Dam project as a result of public concern, the suspension of a mega coal-fired power station in Dawei and the recent unrest over the Lapundaung copper project.

"If they [IOCs] don't operate in a way that's considered satisfactory then they're going to lose the public social license to operate and will be significantly impacted as a result of that," Mr Allan says.

In post-regime Myanmar, ensuring the approval of community stakeholders, or social license to operate, could make it or break it for new operators.

So what can companies do to minimize reputational risk and maximize community acceptance?

In absence of existing comprehensive legal framework, Mr Allan says firms can follow many international best practice principles – particularly John Ruggie's Guiding Principles of Business and Human Rights which outline how countries and businesses can better manage business and human rights challenges.

"Companies would be well advised to look carefully at what they need to do to operate successfully in Myanmar," Mr Allan says, adding "just following current regulations isn't going to be good enough."

He says ensuring community

participation and consent in the processes of decision making would overcome many of the issues currently resulting from the operation of extractives projects.

"There needs to be attention to land, livelihood, environmental, gender, cultural heritage, benefit sharing, safety, community harm and community protection issues, as these are considered particularly important," Mr Allan says.

As Myanmar slowly emerges from the shadow of a former military regime and begins the slow transition towards democracy, it's clear that not only policies, but people's mindsets, need to reform and modernize.

"After decades of isolation, there are gaps between those in the government who are advocating reform policies and those at local level who are trying to implement those policies without much guidance on how to do it, or much experience on what best practice operation looks like," Mr Allan says.

He says this could involve local authorities or contractors, and a particular red flag applies to local security firms, partly due to the lack of appropriate models to follow and adequate training on internationally acceptable procedures.

One way operators can make inroads with local communities is by offering training and employment opportunities and ensuring community involvement.

"Anything that brings in external labour when there could be use of local labour will not be received well by these communities, which would very much like to have better employment options," Mr Allan says.

"It's important for operators to not impose on, but involve communities. Very few are thinking about this. Many are thinking, how do we get the project to go ahead, rather than thinking about it from a community stakeholder perspective," he says.

By engaging local business, foreign firms can help build capacity and transfer essential skills, as well as provide education on international best practice and CSR strategies.

There's a long way to go before local understanding is in line with international practices, and Myanmar businesses trade the model of corporate philanthropy for more holistic CSR

practices.

"There are many in Myanmar who think CSR, instead of being an all-encompassing model for shared value for business as it's viewed internationally, interpret it as a corporate philanthropy model where a company gives to a local area or monastery," Mr Allen says.

"There's quite a difference between the model of business creating shared value for everybody and the model of corporate philanthropy."

As Myanmar continues to open up its petroleum blocks to international investors, the nation's coffers are set to swell with oil and gas revenues, meaning measures need to be put in place to ensure revenue transparency and government spending.

Last year, the Myanmar government announced plans to voluntarily sign up to the Extractive Industries Transparency Initiative (EITI) and a task force consisting of key government officials was established in December.

The purpose of the EITI process is to track revenue flows and in-kind contributions between companies and the government, with the intention of ensuring extractive industry revenues reach the national budget and can then be used as part of an overall government development package.

If done well, unlocking the wealth of Myanmar's natural petroleum resources could prove essential to the impoverished country's growth, and the influx of foreign firms could boost the industry by bring international best practice guidelines and creating much needed local job opportunities.

For Mr Allan, the message is clear – as in any developing country, tread lightly, engage local communities, and when in doubt, adhere to international best practice guidelines.

"Many large operators have well developed models how to cover all aspects of due diligence and operating rules and they need to apply it here just as they would in any other complex operating environment," he says.

"The guidelines that exist internationally apply in Myanmar just as they would anywhere else. And the pitfalls also exist – if you cut corners then there's likely to be a consequence for that."