



PRACTICAL LEARNING
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CDA Field Visit Report: Total E&P Bolivie

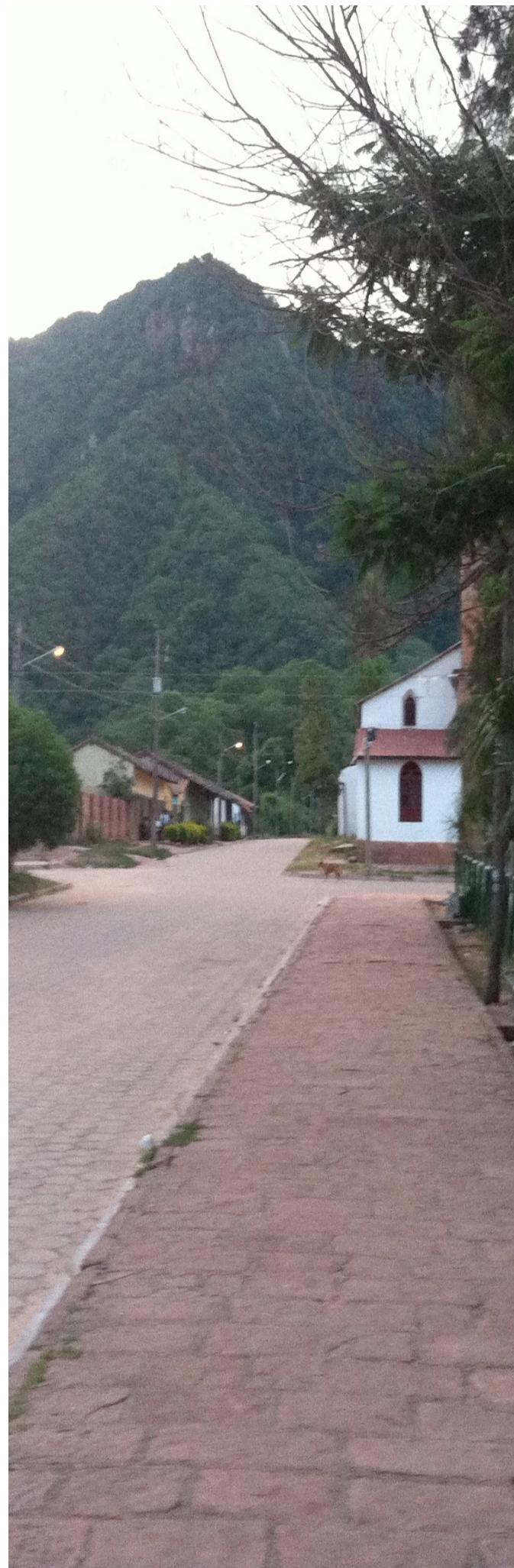
Bolivia

November 7 – 19, 2016 Visit

Ben Miller and Fernando Aramayo

CDA Collaborative Learning Projects

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About CDA

CDA Collaborative Learning Projects (CDA) is a non-profit organization committed to improving the effectiveness of those who work internationally to provide humanitarian assistance, engage in peace practice, support sustainable development, and conduct corporate operations in a socially responsible manner.

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CDA Collaborative Learning Projects
One Alewife Center, Suite 400
Cambridge, MA 02140 USA
<http://www.cdacollaborative.org>

Preface

CDA is a non-profit organization committed to improving the effectiveness of national and international actors who provide humanitarian assistance, engage in peace practice, undertake responsible business practice, and are involved in supporting sustainable social investment and development. CDA engages multinational corporations that operate in areas of socio-political tensions, instability, or conflict in order to improve understanding of the impacts of corporate operations on local people and societies. From this understanding and analysis, CDA works with companies to develop practical management approaches for addressing local challenges and to ensure that companies establish productive and positive relations with local communities. CDA's work in the area of responsible business practice is a vital and ongoing source of learning about effective ways to improve corporate impacts and provides the foundation for CDA's contribution to public knowledge of best practices.

In the spirit of collaborative learning, CDA has engaged with Total over a period of 14 years, visiting operations in Myanmar, Nigeria, Bolivia, Uganda, Argentina, and other countries. The reports of these site visits are available on CDA's web site.¹ In continuing this work, Ben Miller, Associate Director, and Fernando Aramayo, an independent consultant, visited Total E&P Bolivia's (TEPBO) operations in Bolivia from November 7th – 19th 2016.

This report begins with an Introduction that outlines the approach and process of the field visit. Section I provides an overview of the context at the national, provincial, and local levels. Section II presents observations regarding TEPBO's operational impact on the local context. Section III presents analysis of observations and impacts, together with options for TEPBO to maintain and/or advance its responsible business practices. Section V draws the report to conclusion in light of the observations and findings detailed throughout the report.

In all CDA visits, the team makes observations and listens to stories from staff, local communities, politicians, contractors, other operators, and many other stakeholders. After crosschecking the accuracy and consistency of the feedback the team analyzes its content and provides options to company management in a way that aims to be practical and constructive. The CDA team, thus, serves as an independent channel for these stakeholders to express their opinions freely. Hence, in many ways this report is not "our" report. Rather, it reflects the opinions of those company staff and stakeholders who were willing to share their observations and provide suggestions. In cases where the CDA team has made observations, the intention is always to be factually correct.

As with all CDA reports, the team invites comments and feedback on the observations, analysis, and options laid out in this Report. CDA seeks to establish partnerships among groups with different approaches, with 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 to broader discussions within the company, and between the company and other stakeholders, which will enable progress and improvement of corporate impacts on the lives of people in Bolivia.

¹ See <http://www.cdacollaborative.org/>

Background to This Report

The purpose of this field site visit, as with all CDA visits to corporate projects, was to examine and report on the interaction between corporate operations and the lives of people in areas of operations. The objective of this visit was to assess the successes and challenges of TEPBO in its relationship with its external stakeholders and communities.

CDA conducted an earlier visit to TEPBO's operations, in 2013. That report is available here: <http://cdacollaborative.org/publication/total-ep-bolivia-field-visit-report/>. That report presents background information about TEPBO's project and the operational context. The present report presents some of the same material in discussing TEPBO's operational context, but also describes noteworthy change in the context since 2013. Additional information about the context that may help to understand it is available in the earlier report.

CDA agreed with TEPBO to focus on a narrower range of issues than was covered by the first report. Specifically, this includes:

- Stakeholder engagement and social risks in the newly-acquired Azero Block.
- Stakeholder engagement, social investment, and social risks in the Guaraní TCO of Alto Parapetí.
- Strategies for community engagement and social investment.

The site visit to Bolivia consisted of four days in the city of Santa Cruz and eight days in small towns and rural areas on both sides of the boundary dividing Santa Cruz and Chuquisaca Departments, where TEPBO's operations are concentrated. The CDA team focused its efforts on meeting a broad-range of stakeholders, but focused in particular on the Guaraní communities in Alto Parapetí and several different communities in the Azero block, adjacent to existing TEPBO installations.

In the city of Santa Cruz, the CDA team met with TEPBO staff, international and local NGOs, and environmental experts. In areas of existing extractive operations, the CDA team visited the town of Lagunillas, meeting with municipal government authorities, representatives of two Guaraní *Tierras Comunitarias de Origen*, one campesino OTB, civil society organizations, indigenous monitors of TEPBO's environmental impacts, local service providers, and "intercultural" communities, as well as a number of TEPBO staff from several departments at various TEPBO facilities. Within the new block, CDA visited the towns of Villa Vaca Guzmán, meeting with representatives of the Alcaldía

and the Comité Cívico as well as a small number of local business owners, and Monteagudo, meeting with the management of the Serrania del Iñao Protected Area.

Visits to communities and meetings in Santa Cruz and in TEPBO's operational areas were carried out under the following conditions:

- CDA's Bolivian consultant was integral to the team's understanding of local issues, the team's process of analysis and reporting, and with translation in the event of difficulties with local dialect and non-native Spanish speakers.
- TEPBO took the lead in arranging meetings with its contractors, government officials, and representatives of stakeholder communities, to ensure that meetings were scheduled in advance. TEPBO's representatives, however, did not participate in or attend these meetings.
- Throughout the operational area, the CDA team traveled in an unmarked vehicle driven by a local transportation contractor hired by TEPBO.
- As in all CDA field visits, the team introduced themselves to stakeholders as independent from TEPBO and made it clear that they were visiting at the invitation of the company to observe the impacts of oil operations on local communities.

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Section I – Observations of the Context, and Changes Since 2013

The National-Level Context

"No"

Bolivian President Evo Morales has served nearly three complete terms in office; one prior to the promulgation of the current constitution, and two following its enactment. In early 2016, Morales sought to change the new constitution through a referendum that would have allowed him to stand for a fourth term in office, which would be a third term under the current constitution. The "No" vote – against changing the constitution – won by a narrow margin, with "No" carrying lowland Departments including Santa Cruz and Chuquisaca, and "Yes" carrying highlands departments, with one exception.

Budget Crisis

For revenue, the Bolivian state relies heavily on commodity exports, derived particularly from the mining and oil and gas industries. A significant portion of the national budget is devolved to Departmental and Municipal governments for use for a range of purposes, including local-level development and infrastructure projects. A portion of royalties that mining and oil and gas companies pay to the state is earmarked for departmental governments in the areas where those companies operate.

In 2014 and 2015, commodity prices collapsed, losing over half of their value, which recovered

only slightly in 2016. As a consequence, the budgets of a range of Bolivian government institutions were significantly reduced, and many have undertaken dramatic budget cuts. The CDA team heard numerous complaints about cutbacks in development initiatives from local government authorities and their constituents throughout TEPBO's operational area.

Foreign Multinationals

Under Bolivia's nationalization initiative, all oil and gas companies operating in Bolivia are legally contractors of the state oil and gas company, *Yacimientos Petrolíferos Fiscales Bolivianos* (YPFB). YPFB and, more generally, the government, thus have a vested interest in seeing oil and gas projects succeed. Nevertheless, the rhetoric of elected politicians often casts multi-national oil and gas companies in a negative light, and many institutions of state and individual political office-holders at times allow private oil and gas companies to take the blame in popular opinion for negative events connected to their operations.

Institutions

From the outset of his Presidency, Evo Morales adopted a range of measures that recognized or allowed for the establishment of identity-based institutions vested with some degree of authority in the areas of governance and land-

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holding. These include first-nations *Tierras comunitarias de origen* (TCOs) and campesino *Organizaciones territoriales de base* (OTBs). The Constitution also allows indigenous groups to establish *Autonomías Indígenas Originarias Campesinas* – self-governing local level structures that have the authority to promulgate their own laws, provided those are not inconsistent with the national constitution.

The Bolivian state is divided into nine departments, and over the past few years, four departmental governments have held their own referenda on “autonomy.” These succeeded in the departments in lowland areas of the country, including Santa Cruz, where TEPBO operates, and Chuquisaca, the neighboring department. Implementation of departmental autonomy was blocked by the Bolivian Supreme Court on the grounds that there are no provisions in the Bolivian Constitution for it. A subsequent national Autonomy Law allowed departmental autonomy provided departmental autonomy statutes are not in conflict with the national constitution.

The Local Context

Local Communities

Communities in the vicinity of TEPBO’s current operations and along the route of the pipeline include sparsely populated Guaraní territories

and campesino² farming communities, as well as private landowners engaged in larger-scale and partially mechanized agricultural activities. Indigenous and *campesino* communities depend largely on agriculture and livestock for their livelihoods. The area also includes a number of small towns, and the medium sized-town of Camiri. Apart from the main arteries linking larger towns and cities, transportation infrastructure is rudimentary, and most of the smaller towns and communities in rural areas have limited access to services such as health care and education. Work is currently underway, however, to construct a paved highway between Sucre and the main road between Santa Cruz and Camiri. This road, which is currently unpaved, passes close to TEPBO’s gas plant and operations base camp.

The Bolivian state is divided at the local level into *Alcaldías* (“municipalities”), which bear formal administrative responsibility for service provision and for development within their areas. The responsibilities of the *Alcaldías* extend to the Guaraní communities as well. Some stakeholders assert that *Alcaldías* commonly neglect indigenous communities, particularly when oil companies start operating in their areas. They assume, it is alleged, that

² The term “*campesino*” denotes smallholder farmers living on private landholdings and practicing relatively small scale agricultural activities. Though many *campesinos* are *mestizos*, the term is not an ethnic or racial designation. *Campesinos* are distinct from “private landowners” mostly in terms of their personal wealth and scale of their economic activities.

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the company will take on the state's responsibilities towards the indigenous groups in the company's vicinity.

Populations in TEPBO's operational area are divided into four distinct socio-cultural identity groups: *indigenas* (the Guaraní), *campesinos*, *interculturales*,³ and urban communities. Each of these groups has an internal governance structure that is distinct from that of the others, and functions largely autonomously.

Campesinos commonly organize themselves into *Organizaciones Territoriales de Base* (roughly, "grassroots organizations"), or OTBs, social organizations which offer a vehicle for the collective representation of interests. Guaraní communities are organized into territories – *Tierras Comunitarias de Origen*, or TCOs – that have a unique status in Bolivian law. TCOs are collective landholdings that are understood to be the ancestral lands of the Guaraní who live there. They are indivisible, inalienable, and not subject to property tax. The land rights of individual Guaraní are rights-of-use that exist by virtue of belonging to an indigenous community that is part of a TCO. Individual communities within TCOs are represented by a *Capitan*, or Captain, and his councillors. TCOs as entities are represented by *Capitanes Grandes* and their councillors. Across all of these institutions, some people express

concerns about the effectiveness of specific community representatives, but the legitimacy of the institutions themselves, and the appropriateness of their separation from each other, is not questioned.

Throughout the construction phase of the Incahuasi project, TEPBO set aside specific percentages of the total number of unskilled jobs for the different actor groups present in the operational area. In other contexts, CDA has noted that similar practices have had the effect of heightening tensions between actor groups, as it is easy for communities to perceive the allocation of jobs as a zero-sum game that pits actor groups against each other in competition for limited benefits, thereby encouraging social fragmentation. In both 2013 and 2016, CDA field teams explored the relations between actor groups in the Incahuasi footprint area, but found no evidence to suggest that TEPBO's stakeholder groups feel that they compete with each other for benefits from TEPBO.

Compensation

The Bolivian Government has promulgated a new law regarding compensation for immitigable environmental impacts of large-scale projects that affect indigenous communities. Under the previous law, companies would negotiate directly with indigenous representatives and pay compensation directly to them. The amount of

³ *Interculturales* are highlands campesinos or indigenous people who settled in the lowlands and who remain culturally distinct from other lowlands populations.

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compensation was determined by a combination of precedents of other oil and gas projects and direct negotiation. The use of those funds thereafter was determined entirely by precedents established within the communities represented by those individuals. In many cases, indigenous leaders were not accountable to their constituents for their use of those funds. Under the new law, the amount of compensation is set by a formula, and monies are channeled into development projects for the benefit of the affected indigenous communities.

Dynamics of Local Political Issues - Lagunillas

Perhaps spurred by the inability of the Bolivian state to deliver meaningful development to smaller towns and rural areas, a range of local-level actors have sought to form or join ever-larger civic institutions or organizations, with the aim of making stronger claims to greater resources. Indigenous communities in Lagunillas, for instance, are taking the initial steps to establish an indigenous municipality in Lagunillas; hoteliers and restaurateurs in the town of Lagunillas have plans to form an association to strengthen their position vis-à-vis TEPBO; and while the CDA team was in Lagunillas, OTBs in the municipality voted to join a larger, regional campesino organization in order to amplify their leverage.

Alto Parapetí

The TCO, or *Capitania*, of Alto Parapetí is the location for most of TEPBO's current business operations. Within Alto Parapetí, Caraparicito is the community that is most directly impacted by TEPBO. The community is located between the gas plant and the base camp, a short distance from each, and the road connecting the two runs through the center of the settlement.

Leadership of the both the TCO and the community of Caraparicito has changed hands since 2013, and a political dispute has emerged between the community and the larger TCO, with the community of Caraparicito declaring its "independence" from the rest of Alto Parapetí. In law, the TCO as a geographical territory and an administrative entity is considered an indivisible and under the authority of the *Capitan Grande*; while there are legal processes through which TCOs can be divided, they require the consent of the *Capitan Grande*, which has not been given in this case.

There are indications that the dispute is a means through which individuals within Caraparicito are pursuing greater legal leverage for self-interested reasons. The dispute coincides with a significant increase in the population of the community, leading to some speculation that outsiders have been encouraged to settle there for the purpose of

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changing the political relations within the community.

The Alto Parapetí authorities formally requested that TEPBO not engage with the community of Caraparicito until these issues are resolved. To comply with this request, TEPBO avoids convening or participating in official meetings with people from Caraparicito. Nevertheless, TEPBO staff passes through the community on a daily basis. On such occasions, TEPBO staff and community members exchange greetings and formalities, but avoid discussing issues relating to compensation projects or internal politics.

This request creates a dilemma for TEPBO, as Bolivian law mandates that TEPBO engage with Caraparicito (and all other affected communities), and also mandates that TEPBO respect the decisions of the *Capitania*; it is not possible for TEPBO to comply with both obligations simultaneously. TEPBO has opted to hold the funds for the projects in Caraparicito in a trust until such time as the *Capitania* gives its permission for TEPBO to engage Caraparicito. In view of the sensitivities of the situation, TEPBO considered that a visit to the community by the CDA team might raise objections and requested that CDA not visit Caraparicito. The CDA team agreed with TEPBO's assessment and did not engage with residents of Caraparicito during the visit.

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Construction in Ipati-Aquio

Since CDA's 2013 visit, TEPBO has concluded negotiations with Alto Parapetí, and has constructed an additional gas well at Incahuasi 3, a gas plant near the village of Caraparicito, 103 km of pipeline connecting the Incahuasi wells and the plant to the Bolivian grid, and associated infrastructure such as roads, pumping stations, and operations camps. The gas plant, the 3 Incahuasi wells, and the operations camp are all within Alto Parapetí.

At the peak of construction, the project involved between 20 and 25 different contractor, subcontractor, and sub-subcontractor companies, all executing different pieces of the larger project, which all-told employed more than 3,000 people. The pipeline runs through 4 Guaraní TCOs and 57 private landholdings. At the time of CDA's 2016 visit, construction of the pipeline and gas plant was finished, and it was estimated that six or seven contractors were still operating on site.

TEPBO has also put in place appropriate and robust systems and processes for managing social issues. Despite the challenges posed by the scope and nature of construction, TEPBO experienced significant successes during the construction phase.

The Community Relations (RelCom) team was expanded significantly, and at the time of

CDA's 2016 visit, stakeholders throughout the Incahuasi footprint area knew RelCom staff by name, liked them, and for the most part indicated that they were satisfied with the level of contact they have with RelCom. Despite a handful of complaints (discussed below), stakeholders along the pipeline route speak favorably of TEPBO and their experience during the construction phase.

TEPBO's Senior Management Team is composed of the Director General and the heads of TEPBO's internal departments, ensuring that the concerns of all departments are considered when major decisions are made. In the field, cross-functional teams meet at the beginning of each day to discuss issues and risks that they expect will arise during the course of the day's planned activities. Contractors are included in these when they are operating alongside TEPBO teams.

The grievance mechanism appears to be widely understood by stakeholders and used for appropriate purposes; RelCom tracks grievances until they are resolved and aggregates the data relating to these. Trained indigenous social and environmental monitors document the project's environmental impacts and monitor them against commitments established during the public consultation process. The monitors are recruited from Guaraní communities in the surrounding TCOs and formally employed by an environmental consultancy that has performed some

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contractual work for TEPBO previously. During construction, there were ten monitors and one coordinator; all but two of the monitors had their contracts expire at the end of the construction phase.

The presence of the monitors in local communities has helped to ensure that community members at large are able to discuss environmental impacts with trusted peers and have a clear and up-to-date understanding of what is and is not taking place at project sites. In Ipati-Aquio, the CDA team heard no complaints about environmental issues, and no unfavorable rumors or speculation about TEPBO's environmental practices. The absence of both points to the effectiveness of the indigenous monitoring program in ensuring that local indigenous communities have access to accurate and current information about TEPBO's activities and their impacts.

Alto Parapetí

As part of its compensation to the TCO of Alto Parapetí, TEPBO has funded the participatory development of a *Plan de vida*, akin to a holistic community development plan, with priorities, for the TCO as a whole. TEPBO asked the Bolivian branch of the NGO SNV to facilitate the processes, and SNV convened multiple meetings in every community within the TCO, with the exception of Caraparicito. At the time of CDA's visit, SNV was in the process

of validating its first draft of the plan with the *Capitan Grande* and his advisors, with subsequent validation meetings to follow in individual communities within the TCO.

The *Capitan Grande* and his team indicated their satisfaction with the plan and the activities through which it was developed, but they nevertheless had several concerns.

- Captaincies change hands periodically, and advisors are often replaced when that happens. The team was concerned about continuity following the next round of elections within Alto Parapetí.
- There is very little administrative capacity within *Capitania*. The *Capitan Grande* and his team perceived the management of the implementation of the *plan de vida* as a significant challenge for them, and expected to need outside technical assistance for this purpose.
- Though TEPBO plans to support the implementation of the plan, the *Capitan Grande* and his team appeared to be unaware of this. They expressed concerns about finances for implementation, and for this reason had doubts and some frustration relating to the utility of the planning exercise.

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Archeological Find

During construction of the gas plant, TEPBO by chance unearthed a more than 2,000-year-old archaeological site consisting primarily of human remains and funerary artifacts. TEPBO immediately halted work at the site and contacted the state authorities. TEPBO redrew its plans for the plant, moving a flare to a different location in order to avoid further construction in the vicinity of the remains. Arrangements were made for the remains to be removed from the site, as per Bolivian government requirements, but TEPBO stored the remains in the interim in a manner that was seen as disrespectful by Guaraní from Alto Parapetí, who view the remains as ancestral and sacred.

The discord provoked by this series of events was ultimately resolved with TEPBO acknowledging error. As part of the resolution, TEPBO committed to finance a study to evaluate the feasibility of the creation of a “cultural interpretation center” which could possibly host the ceramic and lithic pieces discovered at the gas plant site. In case of any future discoveries in its operational area, TEPBO adopted an archaeological management plan intended to prevent damage to significant finds that includes monitoring earthworks during construction. One of the archaeologists reported to the CDA team that, while this protocol slows construction, it has functioned as designed thus far.

Though, for reasons explained above, the CDA team did not visit the community of Caraparicito, none of the Guaraní from Alto Parapetí who engaged with the team indicated that TEPBO’s handling of the remains is a source of current tension in their relations with TEPBO.

Pipeline Stakeholders

Stakeholders along the route of the pipeline include private, campesino landowners and the Guaraní *Capitanias* of Alto Parapetí, Iupaguasu, Kaami and Boyuibe. Most of these stakeholders spoke favorably of TEPBO, recognizing TEPBO’s efforts to understand and account for their concerns and valuing the benefits that TEPBO’s presence offers through job opportunities, property leases, compensation, and development projects.

Within indigenous TCOs, stakeholders noted that they experienced some problems during construction, but they appeared to view these as ordinary and declined to discuss them in detail. They indicated that issues were resolved quickly and to their satisfaction, and that they were pleased with the opportunities for employment and development that pipeline construction afforded them. The *Capitan Grande* of Kaami asked the CDA team to tell TEPBO that he and his constituents look forward to working with TEPBO on additional projects, should any arise.

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One private landowner indicated that, on one occasion, a contractor's crew showed up without warning to work on a pumping station on his property. Though he had agreed to host the pumping station on his land with the understanding that work crews would need access to it, he had received no advanced notification of the crew's plans on that day, and he initially believed that they were criminals who had come to steal from him. A second landowner indicated that a crew working on his property left the gate to his ranch open as they departed at the end of the day. Some of his cattle wandered onto the main highway between Santa Cruz and Camiri and were hit by a vehicle, creating a challenging legal issue for him. He filed a grievance and the issue was settled, but thenceforth he insisted on escorting contractors on his property.

Contractor Management

TEPBO was aware that, given the scale of construction, managing contractors' social impacts during this phase would be a significant challenge. Contracts mandated regular coordination meetings between contractors and TEPBO's community relations staff to ensure a unified approach to communities. In recognition of the vulnerability of local Guaraní populations, TEPBO further insisted on managing directly all community relations activities between TEPBO contractors and local Guaraní communities.

Despite TEPBO's efforts, several problems emerged with contractors during construction. The most significant of these is the failure of several contractors to complete contractual payments to local employees and suppliers, both in local communities and in nearby urban centers. In one case, the contractor declared bankruptcy during the course of the project, though in other cases it appears that contractors closed out their projects without completing their contractual payments.

TEPBO's legal department determined that TEPBO itself had no legal liability for these debts. TEPBO opted to accept formal grievances relating to contractors' unpaid bills and is tracking the outstanding debts of former contractors. It is not paying those bills, but rather attempting to induce the contractors to pay them. After two blockades in protest of the unpaid bills of TEPBO operations by local suppliers over the summer of 2016, some contractors paid their bills.

TEPBO has made an effort to maximize the number of unskilled labor opportunities for locals. During the rapid ramp-up of employment during the construction phase, however, TEPBO's contractors were unable to fill 100% of unskilled positions with local people, and since construction was completed, demand for unskilled labor has been greatly reduced. During a third blockade in December 2016, however, community members voiced concerns about local content, and unskilled

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labor in particular, asking that TEPBO commit to recruiting 80% of all unskilled labor from within the municipio of Lagunillas. TEPBO views stakeholders' concerns about local content as legitimate and made an effort during construction to maximize unskilled labor recruitment within local communities. Recognizing the range of interests affected by this issue, TEPBO has begun convening public meetings with representatives of Lagunillas-based actor groups to discuss local content issues, partly in the hope that this dialogue may lead to the establishment of mechanisms of governance for local content. CDA's visit to the site occurred before these events took place, and so did not include an assessment of the effectiveness of this initiative.

In addition to the foregoing issues, several Guaraní who worked for TEPBO contractors during construction complained of poor treatment at work, alleging the treatment was motivated by their race. Complaints included being ordered by supervisors to stop speaking "that damned language" (e.g. Guaraní) with their Guaraní co-workers; performing the duties of their own immediate supervisor without being recognized for it; and being laid-off, fired, or otherwise dismissed at the end of the term of contract without being informed why they were losing their jobs.

The Azero Block

Since 2013, TEPBO has finalized its lease of the Azero Block, to the North and West of Ipati-Aquí. The Azero Block is vastly larger than Ipati-Aquí, though locations in Azero that have been of interest to TEPBO are adjacent to Ipati-Aquí. To date, TEPBO has conducted magneto-telluric acquisition in the block.

Azero contains the Serranía del Iñao Protected Area, an ecologically fragile area. The government recently enacted a regulation that permits oil companies to explore inside of protected areas. TEPBO projects that one of the Azero wells may be located within the protected area.

Chuquisaca Department

Under Bolivian regulations, oil and gas producing departments receive a greater portion of the royalties from the operations within their boundaries than they do from operations that take place inside of other departments. Both Ipati-Aquí and Azero lie along the boundary between Chuquisaca and Santa Cruz Departments.

In early 2016, actors within Chuquisaca initiated a controversy that ultimately garnered national attention when they began to dispute the location of the boundary between Chuquisaca and Santa Cruz. They asserted that the existing boundary was inaccurate by some 30 kilometers, effectively claiming for

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Chuquisaca land that both YPFB and the Santa Cruz authorities regard as part of Santa Cruz. The claim, if valid, would have meant that some of TEPBO's activities at the Incahuasi gas fields had taken place in Chuquisaca, and would have altered the distribution of royalties in favor of Chuquisaca. In the process of settling this issue, it emerged that there are two different demarcations of the boundary; YPFB has used one of them to inform its own policies. In 2017, when TEPBO announced the locations of proposed exploration wells in Azero, this controversy reignited, as the possible locations of the wells were close to the boundary between the departments.

It should be noted that TEPBO has no role at all in determining which demarcation to use for the purposes of allocating royalties, or in the distribution of royalties itself. Nevertheless, several Chuquisaca authorities have commented publically about TEPBO and expressed concerns about the possibility that TEPBO is or will be operating in Chuquisaca without the knowledge of the departmental authorities.

Chuquisaca Communities

When the Incahuasi gas plant opened, YPFB decided to invite only actors from the areas defined as "directly affected" by the operation, which effectively excluded residents of Chuquisaca from the function. Local actors within Chuquisaca and near to the Incahuasi wells were displeased by this, and by an

associated event in which TEPBO was not involved, and as a result, feel that they have been snubbed and treated in a disrespectful manner by TEPBO.

Early Engagement

Anticipating some of the challenges of working with some of the more vulnerable communities in Azero, TEPBO initiated engagement well ahead of final operational decisions relating to Azero. Of particular interest are communities inside the national park, and the community of *interculturales* at Overa Ñancahuasú. Available evidence suggests that early engagement has been effective.

Serrania del Iñao Communities

Due to logistical constraints, the CDA team did not visit communities within the Serrania del Iñao Protected Area. But park managers who met with the CDA team indicated that the communities inside the park have a positive view of TEPBO. In particular, they indicated that outsiders from Chuquisaca had visited those communities in an effort to mobilize them to pressure TEPBO, but that the communities had declined on the grounds that they appreciate RelCom staff, have no grievance with TEPBO, and feel that TEPBO respects them.

Overa Ñancahuasú

The community of *interculturales* in Overa Ñancahuasú has had intermittent contact with RelCom staff for some time. As of the CDA

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team's visit, TEPBO had had no operational activities in their area, though TEPBO has considered drilling an exploration well near the community. Community members indicated that they have a favorable perception of TEPBO, and are appreciative of RelCom staff with whom they have interacted. RelCom Staff have posted information pamphlets about oil and gas operations and TEPBO's grievance mechanism on the bulletin board at the local school. Community members indicated that they are ready to engage constructively with TEPBO, provided TEPBO does not give them false expectations or mislead them about the impacts of TEPBO's activities.

Community Concerns

To date, TEPBO's operations in Chuquisaca have been very minor, and relatively few actors in Chuquisaca have had much direct interaction with TEPBO. Nevertheless, all communities that engaged with the CDA team were aware of TEPBO's presence in the area and its license to operate in Azero, though few have any detailed information about TEPBO's plans or much familiarity with oil and gas exploration processes. All of them expressed fears about the possible future effects of seismic⁴ and magneto-telluric prospection on surface water and the water table.

The management of Iñao Protected Area recognizes that, as state functionaries, they are obligated to respect and implement the law, but they are extremely unhappy about the prospect of gas operations in the park. They assert that the park has very high biodiversity and is ecologically fragile. The park also plays a critical role in the local watershed. Part of the concern is that a spill may contaminate the water in the park, which would in turn affect a large number of downstream communities and ecosystems.

A second element of their concern is population influx. The park already contains settlements which were established in the area before it was given protected status. Park authorities have experienced difficulties preventing new settlers from moving into the park. They fear that influx driven by the perception of economic opportunity associated with gas operations would be even more difficult to contain and would spell disaster for the park.

⁴ TEPBO has not conducted seismic activities in the Azero block.

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Overview

This section presents analysis of the more pressing issues that TEPBO currently faces, and develops options for responding to those.

Local Content

Strategy

Communities' concerns about local content and the establishment of a dialogue about local content present an opportunity for TEPBO to build on its current efforts and strengthen its strategy for addressing the aspirations of communities with respect to the economic benefits that TEPBO provides. It is also an opportune moment to anticipate and forestall risks associated with local content and hiring processes. In TEPBO's operational context, relevant risks include corruption or manipulation of the processes through which local content is managed; deepening dependency and focus on the company as the source of the community's economic wellbeing; and perceptions of unfairness in the distribution of opportunities across local communities.

TEPBO has been addressing these risks through a 3-part strategy:

1. **Maximize local hiring and contracting** through processes that are, and are seen to be, fair and transparent, while meeting the

business needs of the company and its contractors;

2. **"Upskill" the pool of local suppliers and local labor** such that increasing numbers of local enterprises and individuals can qualify for contracts and semi-skilled jobs, respectively, or take advantage of opportunities in other locations;
3. **Strengthen sectors of the local economy** that are not linked to oil and gas to the greatest extent possible through social investment initiatives, aiming to reduce communities' dependence, focus, and pressure on the company.

This approach has met with some success, but in light of pressure from the community about unskilled labor and local communities' continuing focus on TEPBO as the primary source of economic benefits locally, TEPBO should consider options for reinforcing the approach. Options for doing so are discussed in what follows.

Options for Implementation

Define "Local"

There are some indications that non-local individuals and enterprises may be seeking access to benefits that TEPBO wishes to set aside for "locals." An appropriate first step in approaching local content is therefore to

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define who is local, according to local people. The public dialogue forum is a useful place to raise this issue.

Any detailed discussions about this issue should take into account marginal scenarios: new arrivals in the municipality, absentee property owners who return to the area, people who claim to be local on the basis of family origin or the presence of relatives locally, SMEs based in Camiri or similar locations that open “branches” in Lagunillas, and so on.

It is important for community members to have opportunities, through engagement with RelCom and through other communication channels, to offer feedback or validate any definition of “local” before it is finalized and used as a basis for exclusions of “non-local” people. It may be necessary to make changes to the initial definition so as to incorporate community feedback, and, as new projects kick off and progress, in light of exceptional cases that arise.

Vetting

Effective vetting of individuals and suppliers as they seek to enter the labor and supplier pool, and as they take up employment, will mitigate the risk that local hiring processes may be manipulated in favor of people who local communities feel should not have access to opportunities that are slated for local stakeholders. TEPBO’s current recruitment

process relies on representatives of stakeholder groups as key intermediaries between the company and local communities. These representatives have not always communicated information effectively and broadly to their constituents. Community members may therefore have limited knowledge of processes that rely on representatives. TEPBO may wish to consider measures to make information about local hiring directly available to communities.

For the purpose of vetting unskilled laborers, other companies have found it useful to post at a central location in each local community a list of names of the people from that community who are in the unskilled labor pool. This approach allows community members themselves to identify individuals who for one reason or another should not be on the list, and to ensure that people who should be on the list are accounted for. In view of the logistical challenges of TEPBO’s operational area, some version of this approach likely strikes a good balance between cost, effort, and effectiveness.

Selection Mechanisms

In view of the separateness of the actor groups in TEPBO’s operational area, it will likely be necessary to continue to segment the labor pool by actor group, and to allocate portions of the total pool to different groups. This approach also has the advantage of

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guaranteeing the participation of a certain minimum number of local Guaraní.

Irrespective of the distribution of jobs across the different local actor groups, it is important to establish mechanisms that allow local people to verify for themselves the overall number of unskilled positions for which local people are hired, and which communities those people come from. As some of the official representatives of local actor groups in TEPBO's operational context have not consistently and effectively communicated the full scope of this information to their constituents, TEPBO should not assume that information passed to officials or representatives of actor groups reaches community members broadly. TEPBO should consider ways of communicating this information itself broadly among local communities, for instance, through community meetings, RelCom community visits, and information boards within communities.

Strengthening the local economy

Extractive industries companies are rarely able to hire and contract enough local people and suppliers to generate broad-based local employment. Further, extractive projects have finite lifespans. For companies to offer long term economic benefits to local communities, they need to foster the development of local economic activities that are not tied to the company's projects.

TEPBO's support for Alto Parapetí's *Plan de Vida* and its process of development is, among other things, a good example of an effort to strengthen areas of the local economy that are not linked to the oil and gas industry. Additionally, during the construction phase, TEPBO implemented capacity building programs for local communities. TEPBO should consider continuing its work with other local stakeholders to determine initiatives that would enable them to enhance their livelihoods in ways that are not dependent on TEPBO's business needs.

Contractor Management

Outstanding Debts

As long as TEPBO's current and former contractors continue to have debts to their former local employees and suppliers, TEPBO will continue to face a significant risk of roadblocks, and possibly more consequential actions by the community. While the local stakeholder dialogue that TEPBO has constituted will be an important channel through which challenges and disagreements can be raised and discussed constructively, roadblocks are typically a response to the persistence of a problem, rather than an absence of dialogue about the problem. More dialogue between these actors is likely to be quite useful, but over the medium term it is unlikely to mitigate the risk of future obstructive action in protest of longstanding

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BOX 1: THE LIMITS OF LEGAL RESPONSIBILITY

There are at least three distinct conceptions of “responsibility” that are relevant to this case.

- Companies may in fact bear no **legal liability** for their contractors’ unpaid bills. From this perspective, a company has no obligation to ensure that its contractors’ employees and suppliers are compensated.
- The UN Guiding Principles on Business and Human Rights indicates that a company bears a **duty towards human rights impacts** resulting from its “business relationships, even if [it has] not contributed to those impacts.” From this perspective, a company has a duty to “seek to prevent or mitigate adverse human rights impacts that are directly linked to [its] operations...” (Guiding Principle 13b.)
- Experience working with extractive industries companies suggests that communities rarely distinguish between companies and their contractors, and often hold companies themselves accountable for the actions of contractors. The behavior of contractors (and any other agents of the company) is a factor shaping the relationship between the company and the community, and affecting the company’s social license to operate. From this perspective, a company has a **social responsibility** to prevent or resolve issues relating to contractor and subcontractor payments.

grievances that remain unresolved. Further, if they persist, frustrations over unpaid bills are likely to impact the dialogue itself eventually, by diminishing trust and confidence and therefore the usefulness of the dialogue.

Options for preventing future occurrences of similar problems are discussed below. TEPBO may have legal options for resolving the current issue quickly, and it would be worthwhile to explore these in some depth with TEPBO’s legal department.⁵

If TEPBO has no good legal recourse, however, what remains are options that are relatively unsatisfying from TEPBO’s perspective. TEPBO might consider refusing to issue new contracts to companies with outstanding debts until

such time as those companies have reconciled their debts.

Where contractors with outstanding debts continue to work for TEPBO under new contracts, TEPBO has a degree of leverage with respect to those contractors. At the very least, TEPBO can insist on dialogue with those companies and take a strong position about their outstanding debts, on the grounds that the contractors’ actions are the root cause of financial losses imposed by down time resulting from roadblocks, and result in ill will towards TEPBO (and contractors themselves) on the part of some of TEPBO’s stakeholders.

A “last resort” option for resolving the issue would be for TEPBO to pay the bills itself. Doing so would have the benefit of resolving a number of outstanding human rights issues and community grievances that have driven

⁵ CDA does not offer legal opinions and thus cannot comment in more depth on legal options.

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disruptive action by communities. Obviously, it also has an associated financial cost. It is also not without risk. It may send ambiguous or inappropriate signals to current and future contractors about their accountability to their local employees and suppliers. It may also be understood by communities as an indication that TEPBO accepts responsibility for the misconduct of contractors.

Prevention

It is relatively common for extractive industries companies to withhold payment to their contractors for at least 30 days following the completion of a contract's scope of work, during which time employees and suppliers of that contractor present through the grievance mechanism any complaints relating to unfulfilled financial obligations. If a contractor does not pay its employees or suppliers, the company typically withholds the final payment to the contractor and uses those funds to pay the contractor's outstanding debts.

In cases where grievances emerge after a subcontractor has been paid in full, the contractor that engaged that subcontractor typically covers the costs itself, as it is generally acknowledged to be a problem that the contractor could and should have prevented.

TEPBO should consider including in all future contracts language that codifies these practices. TEPBO's contractors should be encouraged to include the same clauses in

their contracts with their sub-contractors, but also clearly be informed of their responsibilities with respect to employees and suppliers of their own subcontractors.

The Local Stakeholder Dialogue

For these measures to be effective, additional processes will be necessary or helpful. TEPBO might consider raising for discussion with dialogue forum one some of the issues below.

Monitoring

Effective monitoring of contractors' and subcontractors' compliance with TEPBO's policies regarding payment might involve requiring contractors to provide proof of payment of salaries and contracts on a monthly basis furnish to the responsible technical department within TEPBO. TEPBO might consider making its own payments to contractors contingent upon their presentation of receipts from employees and suppliers. Invite contractors to discuss and help develop simple and cheap ways for TEPBO to ensure that contractors' bills are being paid as they are incurred. The process for verifying payment will need to be linked internally to the process that triggers payments from TEPBO to contractors.

Incentives

Consider the possibility of structuring bonuses or key performance indicators (KPIs) for contractors in such a way that they are

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inversely related to “down days” due to community blockades or work stoppages.

“Orientation” Workshops

Contractors and subcontractors were the source of a several minor complaints that stakeholders voiced to the CDA team, including complaints by some Guaraní about workplace conduct that do not appear to be part of a systemic issue. It may be possible to reduce or eliminate complaints of this nature in the future by ensuring that contractors and subcontractors understand TEPBO’s expectations about labor practices.

Discuss with contractors the possibility of a formal “orientation” or induction training process for all managers and staff of contractors and local suppliers who will be contributing to TEPBO’s projects. These might be convened in locations such as Camiri and Lagunillas, which would ease participation for local suppliers. Face-to-face engagement with contractors and sub-contractors would provide TEPBO with an opportunity to communicate to staff of contractors and sub-contractors a range of policies that impact TEPBO stakeholders, such as safety and labor standards, grievance procedures, human rights policies, workplace non-discrimination and anti-bribery policies, whistle-blower rules, and so on, and to respond to contractors’ and local suppliers’ questions and concerns about these.

Pamphlets for Local Suppliers

TEPBO should consider additional ways to directly inform local suppliers about TEPBO’s interest in ensuring complete and timely payments for goods and services throughout its supply chain. Discuss with local stakeholders the possibility of developing a pamphlet specifically for local suppliers that explains the grievance mechanism and the 30-day policy, as described above. Pamphlets can provide contact details within TEPBO where problems can be conveyed and can encourage suppliers to inform TEPBO if payments are delayed beyond a defined period of time – the 15th of the following month, for example. Contractors working on TEPBO projects can be asked to distribute the pamphlets to subcontractors at the onset of their contracts. TEPBO might also make them available at worksites.

Rewarding Obstructive Behavior

In TEPBO’s operational area, as in Bolivia more broadly, roadblocks are a relatively common tactic for stakeholders of extractive industries companies and other large-scale industrial undertakings to express concerns and needs, and to demand the attention of the company. Experience suggests that communities are more likely to adopt such obstructive approaches if they feel that more constructive approaches to issues – such as verbal complaints, letters, or formal grievances – have proven to be ineffective.

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If a company addresses community concerns only when the community acts obstructively, the company sends an unintended message that an effective way for communities to ensure that their concerns are addressed is to obstruct the company. In TEPBO's case, it seems likely that community members have noted the effectiveness of disrupting operations and blocking roads. Because of this, communities can be considered more likely to employ similar tactics during future disagreements with TEPBO.

Some reduction in the risk of future roadblocks or other obstructive activity can be achieved by demonstrating responsiveness to community concerns without allowing them to persist or escalate. Responsiveness does not necessarily imply assenting to everything the community requests. But it does mean being aware of community needs and concerns early, making decisions in a timely manner about action to address those concerns, and communicating those decisions quickly, transparently, consistently, and as broadly as possible.

Communication and Community Engagement

Since 2013, TEPBO has done a great deal to enhance its communication with local communities, and to enhance its capacity to engage with communities in proportion to the requirements of construction activities; some of these measures – notably the expansion of the

RelCom team and its effectiveness in ensuring frequent, in-person contact with a range of stakeholders in a logistically challenging geographical area – have already been discussed. In the interest of meeting human rights responsibilities, TEPBO has also made a significant and largely successful effort to encourage stakeholders to use the grievance mechanism. The indigenous monitoring program has also functioned as an effective conduit of information about TEPBO's impacts to community members.

Nevertheless, throughout the operational area, there was some evidence (some of which has previously been described in the Operations and Impacts Section) that communication between TEPBO and its stakeholders was less than optimal:

- The *Capitan Grande* of Kaami was unsure of whether there would be any future TEPBO operations in Kaami.
- There are conflicting ideas among stakeholders in Aratical about commitments that TEPBO has made with respect to local infrastructure.
- Municipal and civic office holders in Muyupampa are unaware of TEPBO's plans in Azero and do not have reliable information about the impacts of magneto-telluric prospecting.
- The CDA team believes that none of the different actor groups in Lagunillas were aware of benefits that each of the

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other groups were receiving in the form of employment and contracts, though this cannot be stated with certainty.

- Departmental authorities in Chuquisaca have been unaware that TEPBO has no current operations in Chuquisaca, and are unaware of the process of decision-making, including potential time-lines, that TEPBO plans to follow with respect to operations in Azero.

Finally, incidents reported by private landowners along the pipeline route suggest gaps in the chain of communication between TEPBO, contractors, and landowners impacted by operations.

Individually, none of these communication “gaps” has grave or longstanding consequences. The absence of complete and accurate information about operations, however, makes it easier for members of communities affected by those operations to attribute indifference or even malicious intent to the company. It also allows for speculation about a company’s plans, activities, and impacts, including the benefits that communities may receive from the company. Under these circumstances, rumors and unrealistic expectations and fears are commonplace. It is also easier for self-interested individuals to manipulate

community members for their own benefit by purposefully spreading inaccurate information.

Communication Options

Successful implementation of suggested approaches to local content will require enhancing TEPBO’s communication with local communities. In particular, being more systematic and creating additional channels of communication may benefit TEPBO.

Sustaining constructive relationships with stakeholders, and improving those that have experienced some strain, requires communication that is **transparent, inclusive, two-way, and ongoing** throughout the life of the project.

In TEPBO’s case, local stakeholders need information about:

Jobs and Contracts

Particularly what individuals and local suppliers need to do to be considered for employment or contracts, when new jobs and contracts will be available, what those jobs and contracts will be, how, when and through what process hiring decisions will be made, what percentage of jobs and contracts are going to members of local communities. All actor groups should also know what benefits other actor groups are getting, and when and where the stakeholder dialogue meetings are taking place.

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Social Investment and Compensation

Community members need to know whom TEPBO is consulting, what TEPBO is consulting them about, and how more people can have input into that process. They should also understand what TEPBO is doing and planning to do, and when, where, and how those activities will take place. For example, residents and the *Capitania* of Alto Parapetí should be informed as soon as possible of TEPBO's plans to support the *plan de vida*.

Operations

Community members need to know what activities TEPBO is engaging in, what it is currently planning, and where and when those plans will be implemented. They should also understand which operational activities have yet to be decided, what information TEPBO needs in order to make those determinations, when they are likely to be made, and how TEPBO plans to make information about those decisions available to the public.

Communication Channels

Several channels for two-way communication between TEPBO and local communities exist already.

- In December, 2016, TEPBO began to convene monthly public meetings with representatives of actor groups within Lagunillas. This forum will likely provide a useful channel of communication between TEPBO and local communities in Lagunillas, as well as a useful forum for

addressing disagreements or contentious issues relating to local content.

- TEPBO has also established an “open door” policy at the RelCom office in Lagunillas.
- RelCom's ability to reach stakeholders outside of Lagunillas, and its history of constructive relationships with them, are also assets.
- The presence in communities of TEPBO operations and RelCom staff.
- The indigenous monitoring group that provides a separate two-way communication channel outside of TEPBO's immediate control.
- TEPBO's local employees engage with TEPBO's other staff on a daily basis.

Additional channels of communication are necessary, however; though the dialogue forum is public, and though some information will pass from representatives of actor groups to members of those groups, this channel is unlikely to ensure that everyone who should have information about local content gets that information. Other options for communicating that TEPBO should consider include:

Regular “Office Hours” in Communities

Establish a regular pattern of visits by the RelCom team to all local stakeholder communities, such that members of RelCom are available on a predictable basis in communities. An illustrative example might be a particular member of RelCom staff and his or

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her back-to-back spending every Tuesday between 1400h and 1800h in Tacete.

Communicate the schedule as broadly as possible at community meetings and in face-to-face interactions with local stakeholders, so that they know which RelCom staff will be in their area at which time.

The aim of this practice is to create opportunities for all of TEPBO's local stakeholders to ask questions, share perspectives and experiences, offer suggestions, and so on, informally, outside of the context of a community meeting and without needing to travel to TEPBO's office in Lagunillas. When TEPBO has no specific messages that it wants to communicate to communities, RelCom staff should visit communities on schedule anyway, and use the

time to solicit the opinions of community members and build relationships.

During community visits, the RelCom staff can start at a central point, such as the school or health post, and spend some time there. If no one seeks to engage him or her in that location, he or she can walk around the settlement talking with whomever is interested in speaking. This is critical so that TEPBO can ensure contact and interaction with the broadest range of people in the community. In addition, direct face-to-face informal communication often elicits important information about community needs, interests, and concerns.

Lagunillas Office

The effectiveness of the "open office" approach in the Lagunillas RelCom office will be enhanced if RelCom ensures that community members in and near to Lagunillas know that RelCom staff are available to them in this manner. Staff keep the outer door of the office closed in order to keep the office air conditioned, and, even if signage is placed outside the office, it will not be self-evident that external stakeholders are welcome in the RelCom office. RelCom staff should make a point of reminding people, in meetings, in informal conversations, and on noticeboards, that they are welcome to visit the Lagunillas office as they please.

BOX 2: OPEN OFFICE DAYS AT TOTAL E&P NIGERIA

TEPNG maintains an office in a community that is centrally located within its operational area in the Niger Delta. Two days each week, community relations staff hold "open office days." On these days, anyone at all is welcome to come to the office and talk to a member of RelCom staff about any issue that is of concern. Meetings are held on a first-come, first-served basis, and RelCom staff make themselves available in the office all day long, whether or not community members visit them. As the local population is relatively dense and the local road network is good, a large number of TEPNG's local stakeholders are able to make use of open office days.

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By the same token, Lagunillas is not easily accessible to many of TEPBO's stakeholders in the vicinity of the Incahuasi project. For those further afield, TEPBO might consider enhancing communication through some of the options described below.

Suggestion Boxes

TEPBO might consider establishing suggestion boxes in settlements, prioritizing the municipio of Lagunillas and Alto Parapetí, as a way of continually receiving information about the concerns and experiences of community members. Short guidance on Suggestion Boxes developed by CDA's Aid Effectiveness and Accountability Practice Area is presented as an appendix at the end of this report.

Community "Information Boards"

TEPBO has already established information boards in central locations, such as health posts and schools, in some local communities, and uses these to post information about the grievance mechanism and, in some cases, exploration processes. TEPBO should consider whether additional information (such as information about employment and contracting opportunities and processes) could be effectively communicated in this manner, and it should consider posting information in both Spanish and Guaraní within the TCOs.

Feedback Registry

TEPBO will very likely find it advantageous to establish a feedback registry, which will enable

feedback from all informal and formal channels to be recorded, aggregated, and analyzed. A registry will help RelCom to see ongoing and emergent issues in various communities, presented in a uniform fashion, similar to the way TEPBO already tracks grievances and workplace safety incidents. Documenting community input from suggestion boxes as well as notes from community meetings, "office hours", and other face-to-face discussions will offer TEPBO useful information that, when aggregated, may demonstrate trends and offer additional insights into community concerns.

Information Provision and FAQs

TEPBO might consider developing "Frequently Asked Questions" (FAQs) fliers that respond to ongoing inquiries from community members. Fliers can be posted on noticeboards, and distributed to any community-facing employee, volunteer, or community association members in order to ensure easy access to the information for all community members. FAQs can enhance transparency between TEPBO and community members by giving a consistent and clear response to questions and concerns. Short guidance on FAQs developed by CDA's Aid Effectiveness and Accountability Practice Area is presented as an appendix at the end of this report.

An example of an issue that might be addressed effectively in this manner is the concerns of Azero residents about the impacts

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of magneto-telluric testing on surface water availability.

Social Investment

By agreement, TEPBO's social investment was not a focus of the CDA team's visit. As compensation is now channeled into community development projects, TEPBO's Societal team has decided to focus its initiatives on protecting the human rights of stakeholders, particularly women.

Additional Development Actors

TEPBO should consider involving other funders and development actors in local initiatives. The primary instance where this would be useful is support for the *plan de vida* of Alto Parapetí. More broadly, the presence of other development actors locally would make additional funds and skills available for projects that benefit local communities, and have the potential to reduce communities' focus on TEPBO as the primary agent of their development. It might also enable TEPBO to reduce the level of effort in its role in the oversight and administration of those initiatives, by dispersing responsibility for them across other organizations that have relevant expertise. In the case of Alto Parapetí, the support of other actors for the *plan de vida* may offer a partial solution to the problem of continuity and technical capacity articulated by the *Capitania*.

TEPBO should consider outreach to donors (notably GIZ), INGOs (notably World Vision Bolivia), and local NGOs active in Bolivia to gauge their interest in collaborating with TEPBO, or undertaking complementary projects, in TEPBO's area of operations. TEPBO's staff includes individuals with professional experience in Bolivia's NGO sector and within bi-lateral development agencies in Bolivia. Their contacts and know-how may serve as a first step in efforts to include other actors in local development.

Chuquisaca

Companies sometimes take the view that engaging social groups will inflate the expectations of those groups, making it more difficult for the company to manage its relationship with the groups in the future. Our experience suggests that avoiding engaging groups that believe that they have a stake in a project can over the long term be even more challenging. Further, avoiding engagement with a particular group reduces the channels through which the company might obtain reliable information about that group.

Irrespective of where TEPBO ultimately decides to locate additional project infrastructure and activities, TEPBO should consider additional community engagement activities with communities in Chuquisaca that are in the vicinity of TEPBO operations, most notably Villa Vaca Guzmán. Until the issue of whether or not

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TEPBO will have operations in Chuquisaca is settled, TEPBO should consider relevant departmental authorities in Chuquisaca as stakeholders, as well.

There is little doubt that these actors can influence the project and the operating context, and some indications that they have already tried to do so. Some community members in Chuquisaca expressed to the CDA team a clear intention to continue trying. Chuquisaca departmental authorities recently claimed to be unaware of TEPBO's activities and plans in Chuquisaca and requested from YPFB information about those. TEPBO should consider communicating information about its plans and activities unilaterally and directly to departmental authorities as a way of reducing speculation about TEPBO's activities and intentions, and as a way to signal TEPBO's commitment to transparency and its willingness to engage relevant authorities.

Options for engaging stakeholders in Chuquisaca:

- Include municipalities nearest to TEPBO's operations in TEPBO's community engagement and social investment systems and activities, including regular visits from RelCom, and briefings about operational activities and their potential impacts;
- Explain the uncertainties of oil and gas exploration, and how and when TEPBO

expects to make final operational decisions that may affect those stakeholders;

- Explain to YPFB TEPBO's need to share information with department-level authorities in Chuquisaca as part of Total's commitment to transparency. Ensure that those authorities have full information about where TEPBO's operations are taking place, and TEPBO's plans for additional operations in the future;
- When an appropriate moment arises, seek the consent of YPFB to issue a public statement communicating that TEPBO: is committed to operating in a transparent manner; is willing to share information about its operations with all appropriate authorities; hopes that the relevant actors and authorities are able to resolve uncertainties in a manner that is both quick and fair; will respect the outcome of those processes, no matter what that outcome may be; more generally, strives to operate in a manner consistent with all applicable Bolivian laws and regulations.

Conclusion

TEPBO has managed to complete a considerable construction project with positive relationships with most of its stakeholders, and over the course of the construction phase, TEPBO clearly enhanced its capacity to manage social issues. RelCom has been expanded and is well-known in local communities, stakeholders are informed about and comfortable with the grievance mechanism, and indigenous monitoring and early engagement in Azero have both been largely successful.

Challenges remain in the legacy of the construction phase, however, and these continue to color TEPBO's current relationships with former employees and local suppliers of TEPBO's contractors. TEPBO will be well served by resolving these quickly as a foundation for mending those relationships. New measures and mechanisms, some of which TEPBO is already beginning to establish, should make it possible for TEPBO to prevent a recurrence of the same problems in the future, and to pursue new construction activities on an improved footing.

The new block has brought new stakeholders – and new challenges – into play. At the same time, in the areas around TEPBO's established operations, communities seek new forms of leverage and have deepening concerns about sustainable development in a context of ongoing political and economic change at both local and national scales. TEPBO has already begun to adapt its approach to

engagement in both of these social arenas. The adaptations appear apt, but additional changes may also be necessary, particularly in the way TEPBO communicates with its local stakeholders.

Appendix I – Suggestion Boxes

Overview

Suggestion boxes can be a useful, formal feedback channel. Erecting suggestion boxes in all TEPBO communities will provide the local population with a one-way channel to provide feedback to the company. Suggestion boxes should be complemented with other two-way communication channels (such as community meetings, 'office hours,' and individual conversations), so community members also have a platform to ask questions and receive immediate responses.

Benefits of Suggestion Boxes

Ease of Implementation

Suggestion boxes are fairly easy to institute. They are often culturally acceptable and used by other institutions (government, aid agencies, and so on). Assumptions regarding cultural and contextual appropriateness, however, should be tested directly with the entire community.

Low Tech

This channel can be used in areas where access to technology and mobile coverage is limited.

Unsolicited Feedback

Suggestion boxes provide a channel through which community members can provide feedback about whatever they like, in a

manner of their own choosing. Ensuring that community members have the ability to communicate concerns that are not related to TEPBO's operations and impacts which may contribute to a better understanding of issues that are of concern to communities. TEPBO should consider internal processes for acknowledging, responding to, and using 'this type of feedback in its decision-making processes.

Anonymity

Suggestion boxes allow community members to provide feedback anonymously. This is important if, for example, a community member does not want TEPBO to know who provided the feedback. Anonymous channels can present challenges with regards to responding directly to those who raised the concern, however. TEPBO will need to carefully consider its response protocol in order to ensure they are able to respond broadly to the community or directly, when necessary, the person providing the feedback.

Good Practice Considerations

Requires Sensitization

Community members need to understand how TEPBO will review and use feedback from suggestion boxes. This includes communicating consistently and through multiple mediums about such matters as: who will open the box (and who holds the key to

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the box), how often the box will be opened, and when and how the company will respond to feedback offered via the suggestion box. TEPBO should establish clear response times and use response methods that are clearly understood by both communities and TEPBO staff.

Reliable Processes

It is necessary to establish transparent and predictable processes for handling the feedback that comes through the suggestion boxes. Considerations include: Internal processes to handle and respond to both sensitive (e.g. complaints related to TEPBO staff or contractor behavior, concerns about corruption) and non-sensitive (general) feedback; and protocols for addressing anonymous feedback.

Literacy

Illiteracy creates a barrier to effective use of suggestion boxes. TEPBO should consider the level of literacy among all stakeholders (and ask stakeholders if the mechanism is appropriate) prior to using suggestion boxes. CDA has found that it is common for illiterate community members to ask literate members to write their feedback for them as a way to overcome this challenge. Yet issues of illiteracy highlight the importance of having multiple channels of communication, one of which can be the suggestion box, for making TEPBO aware of concerns. Multiple channels will

ensure that all community members have access to at least one communication channel.

Access

Suggestion boxes should be established in a location that is easily accessible to everyone, and in locations that are safe and culturally neutral within the community (e.g. if there are tensions between local government and community members, boxes should not be established in government offices). Issues of mobility should be considered, as this might provide an obstacle to disabled or elderly community members, and in some cases for women, children, and poorer people.

Appendix II - FAQs

Overview

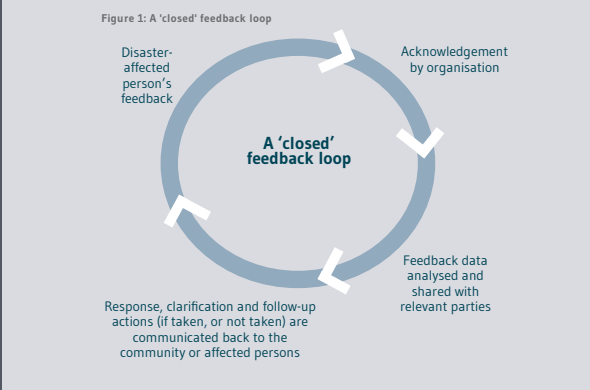
CDA work, in partnership with ALNAP, indicates that “a feedback mechanism is seen as effective if, at minimum, it supports the collection, acknowledgement, analysis, and response to the feedback received, thus forming a closed feedback loop. When the feedback loop is left open, the mechanism is not fully effective.”

Responding to questions, concerns, grievances, and input is critical for trust-building with communities. TEPBO should institute several contextually appropriate and community-selected channels for responding to community input. These should take into consideration: communicating sensitive and non-sensitive information, maintaining anonymity, and barriers to receiving responses (i.e. literacy levels, vulnerability, remoteness). CDA’s experience indicates that asking community members directly about their preferred channels for communication will generate the most effective options.

Frequently Asked Question fliers (FAQs) are one way to respond to recurring inquiries from the community. Based on feedback collected through the various channels, TEPBO can aggregate the data in a registry to determine whether certain concerns are being raised frequently, and which communities raise them. FAQs will allow TEPBO to respond consistently to those concerns in a manner that is

accessible to all community members. In addition, FAQs (a one-way communication process) should be complemented with other channels, including two-way communication channels.

BOX 3: A CLOSED FEEDBACK LOOP



Benefits of FAQs:

Reduction in Inquiries

TEPBO may find that the number of redundant questions decreases when FAQs fliers are used effectively. Providing responses to the community through an accessible and reliable medium will establish a standard between TEPBO and the community about how they can expect to hear from the company. Managing these expectations may reduce the number of inquiries that staff and contractors receive from communities.

Appendix II - FAQs

Increased Trust

If TEPBO maintains and provides ongoing responses to community members' questions through this channel, it may increase the trust and confidence the community has in TEPBO. It can help community members to see that TEPBO takes their inquiries seriously and responds to them in a fair and transparent manner.

Transparency

Having reliable locations for information provision (i.e. FAQs on a noticeboard) in each community can help to ensure that information is consistent across communities, which will boost transparency between TEPBO and communities.

Bypass Gatekeepers

FAQs that are updated and managed by TEPBO may help to keep local leaders accountable to communities. FAQs provide an alternative pathway (outside of community leaders) for communities to receive information from TEPBO. This will make it more challenging for leaders to withhold or misrepresent information related to TEPBO.

Potential Challenges with FAQs

Literacy

Depending on the literacy level in the community, a written FAQs flier may or may not effectively help TEPBO reach its communication goals. TEPBO should consider the level of literacy among all stakeholders (and ask stakeholders if the mechanism is appropriate) prior to using FAQs in order to better understand if community members will find FAQs useful. CDA has found that it is common for illiterate community members to ask literate members to explain FAQs to them verbally, which is one way to overcome this challenge. Another consideration is to provide pictographics along with the text.

Access

TEPBO should consider the location of the noticeboards (areas where they post the FAQs). Ensuring that the location is easily accessible to everyone, while also being in a safe and neutral space in the community (i.e. not in government offices if there are issues between local leaders and the community members), can increase its use. TEPBO should consider access by women and vulnerable populations, particularly if there are cultural restrictions related to access of information based on gender, age, or other factors.

Appendix II - FAQs

Ongoing Updates

The development of an FAQ flier should not be a one-time practice. Consistently updating FAQs as community questions change is important to demonstrate ongoing responsiveness and address new issues. Updates to FAQs should happen with some reliability, so community members understand the regularity with which they can expect to see new information.

Level of Satisfaction

Community members appreciate a response to their questions, even if the answer is disappointing. Providing channels where community members can follow-up with questions regarding why and how decisions are made can help mitigate confusion and frustrations.



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CDA Collaborative Learning Projects
One Alewife Center, Suite 400
Cambridge, MA 02140 USA
www.cdacollaborative.org