

PARTICIPATORY SOCIAL AND ENVIRONMENTAL MONITORING – ID 498

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Introduction

Pipelines are geographically distributed systems that often cross diverse environments, impacting land and resources from communities. Although these impacts can be effectively mitigated and addressed through a “risk management system appropriate to the nature and scale of the project and commensurate with the level of environmental and social impacts”¹, concerns and expectations among affected stakeholders are always difficult to handle.

The PERU LNG Project (PLNG) consists of a buried natural gas pipeline that crosses the Andes to a liquefaction plant located directly south of Lima, Peru. The 408 km pipeline traverses many diverse landscapes and ecosystems from the edge of the rainforest, to some of the highest peaks of the Andes, and finally descending to the arid desert of the Peruvian Pacific coastline. The pipeline Right-of-Way (RoW) crosses 35 Rural Andean Communities, 30 annexes, 22 districts, and 26 localities, many in remote highland areas of Peru.

This complex and diverse setting requires a comprehensive strategy for adequate and proactive stakeholder engagement aimed at generating a positive relationship with all Company stakeholders building trust and confidence, thus minimizing social risk and avoiding delays or setbacks due to social issues. A key element that has substantially contributed to achieve these aims is the Participatory Social and Environmental Monitoring Program (“PMSAP” for its Spanish acronym), that actively involves community members in the oversight of the Company performance.

The challenge

Relationship-building takes time. Trust, mutual respect, and understanding develop and evolve over time, based on individual and collective experiences and interactions².

A project of the magnitude of PLNG raises concerns and creates expectations. Some of the communities along the RoW had a negative perception of large scale infrastructure projects based on past experience. They feared their land was going to be adversely affected and their resources irreparably impacted. They had concerns about the proposed mitigation measures, and uncertainty about restoration activities. PLNG’s challenge was to address community concerns on an ongoing basis, and engage stakeholders in monitoring the environmental and social risks of the project during construction, where the majority of the impacts are generated.

Implemented Strategy

To effectively manage the social risks, PLNG designed a Stakeholder Engagement Strategy with three main directives: i) Provide affected communities timely, relevant, understandable and accessible information throughout the lifespan of the Project; ii) Give opportunities to stakeholders to voice their opinion and concerns; and iii) Provide opportunities for discussion concerning measures proposed.

This consistent and systematic approach to stakeholder engagement was implemented through a set of Social Management Plans designed in line with industry best practice and IFIs³ standards:

- Stakeholder engagement plan;
- Grievance management procedure;
- Rural Andean community management strategy;
- Pipeline compensation management plan;
- Local hiring & purchasing procedure;

¹ IFC. Performance Standard 1 (2006)

² IFC. Stakeholder Engagement: A good practice handbook for companies doing business in emerging markets (2007)

³ International Financing Institutions (IFC, IADB, among others)

- Conflict resolution procedure; and
- E&S investment program.

However, even though these plans and procedures are instrumental to address concerns and effectively manage social risks and expectations derived from project activities, the Participatory Social and Environmental Monitoring Program substantially contributes to build trust between PLNG and the communities along the pipeline RoW. The reason is simple: PMSAP integrates community participation into PLNG's assurance process, thus guaranteeing that community concerns are effectively addressed and timely responded.

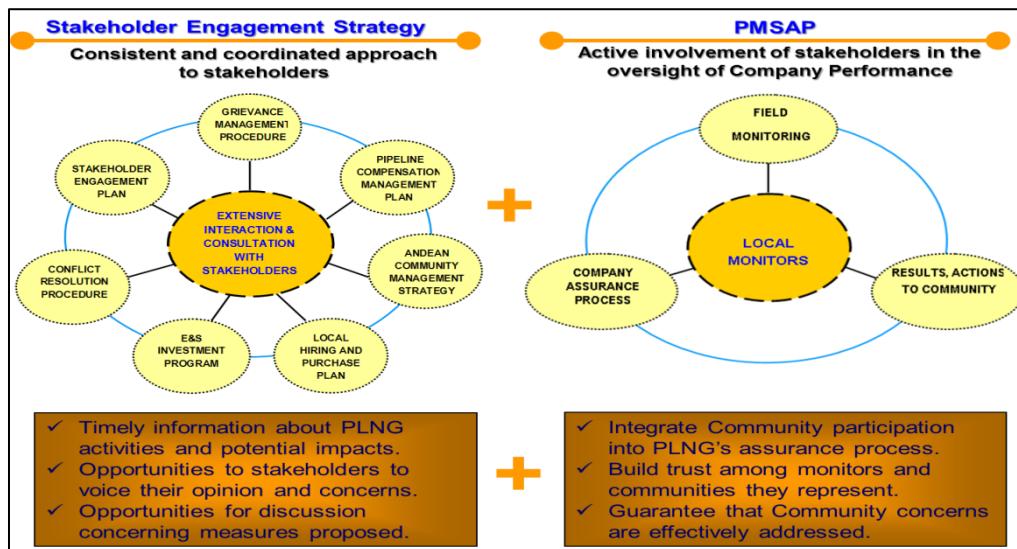


Figure 1 – PMSAP provides added value to the Stakeholder Engagement Process.

By allowing community members to provide field-based verification of project activities PMSAP addresses negative perceptions about impacts of pipeline construction and operation.

PMSAP's implementation followed a phased approach based on six steps:

1. Program design;
2. Program validation;
3. Selection of monitors;
4. Training of monitors;
5. Field monitoring; and
6. Presentation of monitoring results.

Each of these steps is described below:

1. Program Design

The philosophy of PMSAP is based on the voluntary participation of local monitors from communities within the area of influence of the project, who patrol the RoW to oversee the Company Environmental & Social (E&S) performance. The program aim is to establish a transparent and external monitoring process by local monitors who directly report field-based empirical findings (i.e. non-conformances), which are included in the Company's assurance process and tracked to resolution.

To avoid the direct interaction between monitors and the Company, and ensure the impartiality, objectivity and transparency of the monitoring process, an external implementing partner with gained respect and credibility from stakeholders is required.

The design and implementation of PMSAP was entrusted to a local and well respected independent organization. The NGO ProNaturaleza (www.pronaturaleza.org) was appointed as external implementing partner, based on its experience in similar projects in other areas of the country. Not only did this ensure the design was appropriate to the social setting, it also increased transparency and fostered trust in the program from the outset.

The program was divided into three areas following the distribution of the construction spreads and the geographic setting of the project: i) The San Miguel front from KP 0 to KP 52; ii) the Ayacucho area from KP 52 to KP 210; and iii) the Ica front from KP 210 to KP 408 (LNG Plant).

Specific environmental and social monitoring protocols (i.e. forms to record field findings) were developed, which cover E&S aspects of the pipeline RoW, camps, pipe yards, and access roads. Protocols allowed the recording of findings regarding poor waste management, problems with erosion control devices, improper topsoil management, unsafe conditions, affectation to off-RoW premises, breaches of the code of conduct, unsolved grievances, among many other aspects. Protocols also record observed good practices.

Findings are categorized in three levels depending on the severity or associated risk of findings: i) Observation; ii) Alert; iii) Risk. An action tracking system was developed to record and track findings to resolution, and monitor progress over time. The definition of non-compliance provisions and an action tracking system from the outset of the project is key to avoid ambiguity and confusion.

2. Program Validation

An important phase of the implementation process was the validation of the program with the communities that voluntarily participate in PMSAP. Informative meetings were held with local communities to explain the design, scope, objectives, and methodology of the program, together with a clear explanation of the role of local monitors.

Regular meetings were also conducted to ensure clear understanding of program, and to respond to communities' expectations. A code of conduct of local monitors was also agreed on with communities, so the role of monitors was understood. Communities recognize the value of having local monitors overseeing the Company performance, and understand the need to keep the monitor away (i.e. roles clearly separated) from any open discussion or unsolved issue between the community and the Company.

3. Selection of Monitors

Monitors were selected by communities, without any interference from either the implementing partner or the Company. The number of monitors was based on the extension of RoW within each community. The selection criteria were: i) be fluent in Spanish and Quechua (local language in the Peruvian Andes); ii) high school education; iii) not a local authority employee to avoid potential conflict of interests; and iv) be respected by the community at large. The participation of women and young members of the community was encouraged.

4. Training of Monitors

A training program was rolled out with a combination of classroom and practical training. Although 84 local monitors were required, a total of 178 monitors participated in training sessions for backup and to create broader awareness in local communities. Training topics ranged from pipeline construction and operations processes, to specific environmental and social matters, where E&S commitments, potential impacts and mitigation actions were duly explained. Training also included demonstration on how to use the monitoring protocols to record field findings, how to use findings database and upload information, and how to use cameras and GPS to identify the location of findings.

As part of the training, a pilot monitoring was implemented. This allowed a full-scale simulation of the monitoring and reporting process, and to test the practicality of monitoring protocols and logistics.

Once monitoring commenced, training is delivered every quarter through workshops organized by the implementing partner, where environmental and social topics are presented and discussed. These workshops also provide opportunity to monitors to express their views on recorded findings, and share experiences with monitors from other work fronts, promoting the integration, team building and effective communication between the communities they represent.

The monitors received extensive training on environmental issues to observe and register possible environmental and social impacts. Once trained, the monitors were able to understand the Project's complexity and communicate informed opinions.

5. Field Monitoring

Field monitoring commenced in early 2009 a few months after pipeline construction began, and has continued on a monthly basis ever since. During the construction phase, 84 local monitors representing 35 communities patrolled the pipeline RoW, camps and any other open work front in access roads, quarries and pipe yards. Monitors interacted with construction crews and recorded findings through the designed protocols.

Every month, monitors spend eight days in the field, and two days at ProNaturaleza office, uploading findings into the monitoring database and action tracking system, and coordinating the logistics and requirements for the next survey.

6. Presentation of Monitoring Results

Monitors report survey results to their communities. They use appropriate presentation methods ranging from elaborated presentations in power point, to posters with drawings and pictures in communities where there is no electricity.

Monitoring results are presented to leaders and other members of the community, who are timely informed about project activities and monitoring findings (positive and negative). Monitors also report on closed and open items, and on how the Company is performing.

To date, over 3,500 findings were reported, with more than 90% solved by regular construction or maintenance activities, and less than 10% requiring specific corrective actions. The Action Tracking System has also evolved over time. It now includes graphics and trends about indicators about findings per area, findings per topic, and observations closure time. In addition, observations are now uploaded into the Company's GIS and will be shortly disclosed to the general public through a webpage that is being developed by PLNG and ProNaturaleza.

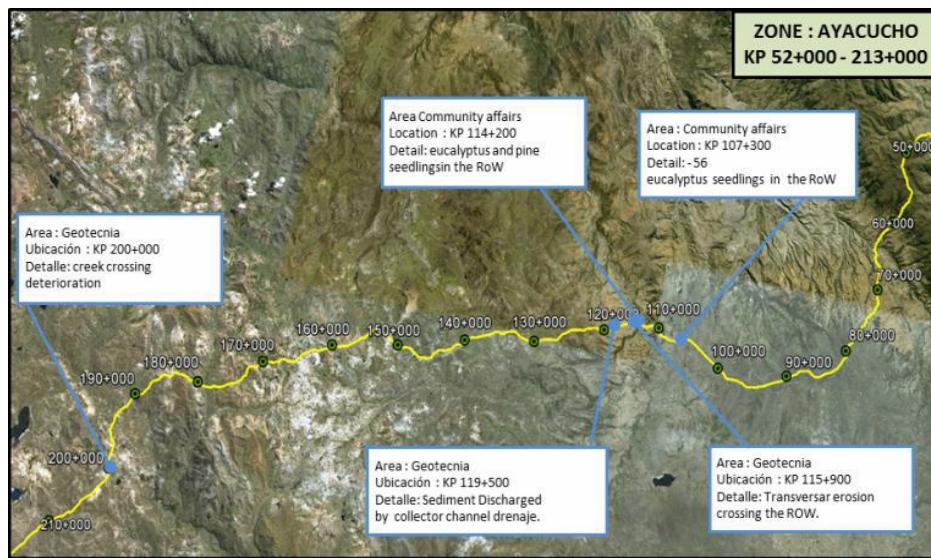


Figure 2 – PMSAP Findings recorded in the Ayacucho front in February 2012. The yellow line is the pipeline ROW.

Conclusions

Participatory monitoring programs foster close interaction with stakeholders and provide a two-way communication tool for affected communities. Communities receive truthful information on social and environmental performance, which in turn helps to address inaccurate perceptions about the project. On the other hand, the Company receives timely and valuable information on the conditions found on the

RoW and open work fronts. The feedback, once introduced into the Company's assurance process, helps to improve E&S performance and to timely address community concerns.

Measuring the effectiveness of a participatory monitoring program is always a challenge, because the aim of the program is to build trust by providing timely and effective information about Company E&S performance. The number of grievances along the pipeline RoW has decreased since the implementation of PMSAP. Although the reduction of grievances is the overall result of a combination of different Stakeholder Engagement initiatives implemented by the Company, PMSAP has contributed to the diminishing of grievances from local communities in topics related to the Company's E&S performance. From a general perspective, grievances recorded before PMSAP's implementation totaled 370 in 2008 and gradually decreased to 300 in 2009 and less than 200 in 2009. Communities understood that findings along the RoW were already being addressed by PMSAP, thus not requiring a formal claim or grievance through other mechanisms.

After four years of monitoring, local monitors have become integrated into the Project, with the ability to influence the decision-making process. This has built trust and strengthened relationships between the Company, local monitors, and the communities they represent. They act as an independent source of information helping to reinforce the credibility and trust in the project.

Community involvement in the Company's assurance process has promoted transparency and positive impacts are viewed as outweighing negative ones, preventing social conflict. The program represents the first participatory monitoring program that has been carried out during the construction phase of a major oil and gas development project in Peru. The initiative has made a significant positive contribution to the social responsibility of the Company and has been well-received by project's affected communities.

References

- Performance Standards on Environmental and Social Sustainability, International Finance Corporation – World Bank Group, 2006.
- A good practice handbook for companies doing business in emerging markets, International Finance Corporation – World Bank Group, 2007.