BPXC's Operations in Casanare, Colombia:
Factoring social concerns into development decisionmaking

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In 1987 British Petroleum Exploration Colombia (BPXC) began exploring for oil in a remote part of Colombia which only recently was designated the Department of Casanare, in 1991. The capacity of the Casanare government for planning, managing finances, and maintaining law and order was very weak. The lifestyle of most of its people was far less advanced than the more developed parts of Colombia, with education levels below the national average. Yet within ten years, Casanare's oil-related royalty income would exceed that of any other department in Colombia.

The expectation of economic opportunities resulted in large-scale immigration that resulted in a growing disaffection in local communities. The injection of cash into the local economy and the presence of contractors fueled corruption and extortion, causing civil conflicts to escalate. The violent activities of both guerrilla and paramilitary groups still affects all elements of society in Casanare, casting a shadow of intimidation among its communities and impeding its social and economic progress. In the midst of this complex web of expectations, impacts, and opportunities, BPXC consciously attempted to define and redefine its social responsibilities to stakeholders. How BPXC achieved its objectives, including the evolution of its social policies and programs despite various obstacles, lies at the heart of this evaluation.

In attempting to evaluate how BPXC integrated social concerns into development decisions, the important factors to consider are: the stakeholders (and the interplay among them), the chronology of decisionmaking, and the social, political, and corporate contexts throughout project development. In broad terms the four stakeholder groups of interest are corporate employees, representatives of government agencies, community representatives, and local nongovernmental organizations (NGOs).

For the most part, BPXC's community affairs activities have been progressive, far reaching, and beneficial to both the corporation and the community. This is a significant endorsement of the company's approach, given the difficult circumstances in which it has been operating. Perhaps its most remarkable achievement has been to obtain from communities a "license to operate," which paved the way for a major industrial development to be implemented, although it remains to be seen whether this license can be maintained.

The company will also acknowledge that its involvement with communities and other stakeholders has not always resulted in mutual benefit, or the perception of mutual benefit. In other cases, BPXC has been criticized for investments or other interventions some view as inadequate.
More significantly, BPXC risks being associated with a "lost" developmental opportunity if local governments are unable to manage locally accrued revenues for sustainable social and economic development, or if their efforts to do so are overshadowed by violence.

Environmental and Social Assessments

Prior to 1993 BPXC and other oil and gas companies were obliged to produce numerous environmental assessments (EA) for specific activities (over 80 in the case of BPXC), without producing an overall statement of the likely cumulative direct and indirect impacts of all planned actions. This piecemeal bureaucratic approach was unsatisfactory for the company and the regulatory authorities, and it provided little assurance of environmental and social protection.

In 1991 the company instigated a comprehensive environmental pre-diagnosis for the Cusiana project. This exercise was intended to provide the kind of environmental and social overview that the piecemeal approach required by regulation could never deliver. The decision by BPXC to undertake this work is commendable.

Although the information available was limited, the pre-diagnosis produced valuable information. For example, it accurately predicted the limited importance of direct impacts compared with indirect impacts such as inmigration and the lack of social and economic structures to accommodate it. The pre-diagnosis also helped to shape BPXC's social policies and programs. Some of the predictions made in the pre-diagnosis were not acted upon (in particular the strategic issues of royalties).

Some of BPXC's recent work on environmental assessment (EA) and social assessment (SA) go well beyond the legal requirements which were strengthened in 1993 by the enactment of Law 99 (figure 1). For example, the recently completed environmental and social studies of proposed operations in Piedemonte used sustainable regional development as an organizing principle for assessing impacts.
and developing mitigation measures. BPXC adopted a participatory approach throughout, involving a high level of involvement with interested and affected parties. The end product, and the process by which it had been achieved, are both highly commendable.

**Relevance of BPXC’s Social Policy and Programs**

Since 1993 BPXC has had a robust Community Affairs Policy that has been periodically reviewed and updated (figure 1). To a large extent BPXC’s original policy and related programs were timely and locally appropriate. In making the transition from exploration to full-scale production, the company developed a coherent framework for the disparate activities that it had previously supported. In particular, the appointment of a field-based Community Affairs team in 1992 shifted the interaction with stakeholders from mitigating impacts to actively attempting to promote local development (figure 1). The 1993 policy and programs provided a sound basis for managing expectations at the community level and creating trust and dialogue.

Employment opportunities with the company and its contractors were of major concern to stakeholders. Within the limits of the law, and often at great cost to the company, BPXC has sought to maximize employment opportunities for local people with considerable success, and incorporated this commitment into its social policy. In the sensitive area of human rights, BPXC has promoted such important initiatives as conflict management training for 800 leaders from across the 19 municipalities of Casanare.

The main criticism of the 1993 policy is in the somewhat narrow definition of the project’s area of influence as the immediate areas of exploration and production activity. This was somewhat divisive among communities, because those living beyond the area of influence were unable to benefit from BPXC-supported development initiatives. However, BPXC recognized this
problem, and in its policy of 1996 expanded support to regional as well as local programs, creating mechanisms through which benefits could be more broadly shared.

As early as 1992 the company helped communities to diagnose their development needs and priorities. This helped to ensure that programs were relevant, created a forum for discussion, and improved the prospects for success in the follow-up development projects. The company's insistence on cofinancing with municipalities and on community contributions was also a progressive attempt to improve the sustainability of community development initiatives.

BPXC might be criticized, however, for failing to adopt a strategic development perspective earlier on. The Cusiana environmental pre-diagnosis highlighted the failure of territorial authorities in the neighboring Department of Arauca to benefit from royalties and the consequent escalation in conflict. It also identified weak institutional capacity for planning, management of royalties, etc. BPXC appeared unable to help territorial authorities manage royalties in an equitable and transparent way. In its defense, the company is rightly sensitive about appearing to meddle in the affairs of state. The company also supported preparation of development plans and provided training for municipal and departmental personnel, but frequent changes in administration diluted the long-term benefits of such efforts.

The strategic perspective that the pre-diagnosis of Cusiana recommended for BPXC was reflected in Casanare 2000: BPXC's strategic vision for how the department could benefit from oil revenues in a sustainable manner. Casanare 2000 involved tremendous effort and vision at the corporate level, but BPXC made little effort to obtain input from the territorial authorities or civil society. Still, many of the principles, aspirations, and approaches outlined in Casanare 2000 are still relevant. The challenge is to obtain departmental and municipal ownership of the vision it presents and to find effective mechanisms to deliver the objectives. This is all the more challenging at a time when the responsibility for community affairs is being devolved to line managers and the numbers of community affairs staff is being reduced (figure 1).

This challenge is also complicated by community perspectives on the effectiveness of BPXC's social investment strategy. While most beneficiaries of BPXC's community projects interviewed did acknowledge the benefits of BPXC's involvement, they typically viewed BPXC's contribution as obligatory and as inadequate retribution for the disruption related to oil production. Given that BPXC's budget for community affairs of US$6 million is a fraction of the royalty-related earnings in the department (which totaled almost US$100 million in 1997), the real opportunity for sustainable development in Casanare lies in harnessing these revenues more effectively.

Recommendations

To become more actively involved at the strategic level BPXC must balance many conflicting considerations: its de facto capacity to provide leadership and technical skills coupled with its reluctance to interfere with the affairs of state, the difficulty of developing institutional capacity when the employees change every time there is an election, and the risk to BPXC's reputation of failing to act or from failure as a result of undertaking the wrong actions.

One overall conclusion the evaluation clearly points out is that if the goal is to sustain the benefits from BPXC's social investments, to promote better stewardship
Executive Summary

of the substantial incomes generated by royalties and to overcome the constraints to social and economic development resulting from increased violence, effective partnerships need to be developed between government, BPXC, and civil society.

Government

It is crucial to reinforce the framework for transparency and accountability in the allocation of royalties. This is best addressed at the national level. The starting point could be to begin a dialogue among government, oil and mining companies, and civil society to discuss how oil revenues can be distributed in an equitable and transparent way. This dialogue may also extend to the "wealth and violence" issue by building support for public-private development interventions and reducing the credibility of guerrillas.

The problem of poor institutional capacity is pervasive in Casanare and has diluted the development impact of royalties and of BPXC's social programs. Given the link between poor capacity and electoral cycles, this issue also needs to be addressed at a national level, with involvement by the territorial authorities. The objective should be to strengthen implementation capacity and continuity, particularly at the departmental and municipal levels. Ideally, this will involve reinforcing existing territorial bodies and other organizations, rather than creating new entities.

The undercurrent of violence in Casanare severely constrains the ability of Casanare to realize its development potential. There is also a need to more effectively involve civil society in development planning. The creation of a citizens network (comprising groups and individuals with a stake in the development of Casanare) could feed into the development planning process and in parallel, help to resolve conflict between opposing factions.

It is recommended that government provide additional support to upstream sector planning activities for environmental and social assessments. Finally, mechanisms should be explored to strengthen incentives for companies to invest in communities. For example, government might enable companies to offset a proportion of the costs of social investments in the early stages of projects against taxes on future profits (assuming that projects proceed to implementation).

BPXC

Despite BPXC's intensive efforts in Casanare at the local level, its reputation remains at risk if the opportunities presented by royalties are not realized. In devising Casanare 2000, the company outlined an appropriate sustainable development strategy for Casanare, but stopped short of obtaining buy-in from the other important development partners.

It is recommended that BPXC develop a "performance contract" with its development partners (government and civil society), using Casanare 2000 as a starting point for discussion. The partners should agree on objectives, programs, and institutional responsibilities and accountabilities for each party. The performance contract should identify indicators to measure the success of programs (based on outcomes) and responsibilities for monitoring.

Clearly there are risks to BPXC using this approach. However, these risks could be partially mitigated by parallel approaches to capacity development (described above) and by strong involvement from civil society in developing any performance contract to ensure continuity beyond electoral cycles. BPXC should also carefully monitor the devolution of responsibility for community affairs so that it does not compromise this or other ongoing community activities.
Civil Society

The territorial authorities should take measures to ensure that civil society is more actively involved in development planning using existing mechanisms such as the Departmental and Territorial Planning Councils. In parallel, there is a need for territorial authorities to improve transparency in the selection, implementation and financing of projects.

Local NGOs should seek opportunities for partnership with international NGOs so that they can match up complementary skills and draw from the experience of similar projects elsewhere. They should also become more actively involved in promoting transparency in the planning and implementation of projects. In particular, the mechanism for citizen's participation (Citizen's Auditing) could be more widely invoked for controlling the management of public services.

Finally, the potential for NGOs and local communities to actively participate in monitoring should be explored with government and BPXC. Such monitoring should use clearly specified indicators to track changes in incomes, living standards, and environmental quality, with links to action plans for corrective measures where necessary.
1. Introduction

As BP Exploration Colombia’s (BPXCs) operations in Casanare approach maximum production of almost 500,000 barrels per day (bpd), the extent and scale of the company’s activities is immediately apparent. It is easy to forget that just over a decade ago the company had no presence in Casanare and no oil production infrastructure, and that construction of the Cusiana central processing facility only commenced in 1993 once the commerciality of the oil reserves had been declared. Like many large-scale infrastructure developments, the project has evolved in a series of incremental stages, starting with exploration and punctuated by periods of intense construction activity, involving up to 7,000 workers. In evaluating the interaction between BPXC and its stakeholders, it is critically important not to lose sight of this incremental development.

While the evaluation centered on BPXC’s operations, it was implicitly assumed that socially responsible investment decisions in Casanare would necessitate partnerships among government, company, and civil society. Therefore the evaluation focused on the project stakeholders, the interplay among them, the chronology of corporate decisionmaking, the extent of stakeholder involvement, and the social, political, and corporate cultural context throughout project development. In broad terms the four stakeholder groups are corporate employees, representatives of relevant government agencies (dealing with oil and gas developments, social infrastructure, planning, etc.), local community representatives, and nongovernmental organizations who have been actively involved with some aspect of the project on the ground or in monitoring development activities. The intention was to engage each of the four stakeholder groups to obtain their perspectives and insights.

Aims and Objectives

The overall aim of the evaluation was to develop an understanding of the institutional and social context of the project, as the basis for a detailed exploration of how BPXC factored social concerns into the development of its operations in Casanare. The evaluation will be used to help ground-truth some of the conclusions derived from earlier work on the factors influencing corporate social responsibility, and to develop training modules to disseminate knowledge to key stakeholder groups. The specific objectives were to answer the following questions:

- What were the prevailing corporate (and government) objectives with respect to the social aspects of BPXC’s operations throughout the past decade?
- What were the motivations behind
corporate commitments to addressing social concerns?

- What were the approaches to addressing social concerns?
- How were obstacles to socially responsible behavior overcome, and what was the nature of these obstacles?

- What level of effort was involved in managing social concerns, and what were the costs?
- How did stakeholders measure the results achieved against the objectives (for example, of community development initiatives)?

- How did the various stakeholders view the outcomes of the corporation’s social interaction and initiatives?

Approach

In advance of BPXC committing to an evaluation of its operations, they reviewed and agreed to a detailed guidance note that had been prepared by the World Bank. The guidance note aimed to define the boundaries of the evaluations and clarify the nature and extent of the issues to be addressed. It also provided a basis for reaching mutual agreement on the precise details of the evaluation and for framing the approach adopted by the evaluation team in the field.

The evaluation visit to Bogota and Casanare took place over approximately three weeks (from late February to early March 1998) and involved a team of three people from the World Bank. The team reviewed key project documents and held extensive interviews with government representatives from the national, departmental, and municipal levels; BPXC employees and representatives of Ecopetrol; and representatives of civil society (annex 1). Due to security constraints, the team had limited direct access to communities. Consequently, a local NGO (CEMILLA – El Centro MicroEmpresarial Del Llano) was contracted to capture additional community perspectives on a limited number of BPXC’s community investment activities. Those findings have been factored into this report.

Project Location

BPXC’s activities in Colombia are located some 125 km to the northeast of the capital, Bogota, in the Department of Casanare, among the largest of Colombia’s 32 departments (figure 2). The company has entered into three association contracts with the state owned oil company, Ecopetrol, and other associate partners to continue exploration and produce oil in three geographically linked blocks (SDLA, Tauramena, and Rio Chitamena). In addition, BPXC has association contracts for two further adjoining blocks, Recetor and Piedmonte, where exploration is ongoing with other associate partners. These blocks are all situated in the Llanos foothills of the Andean mountain range in western Casanare, in a southeasterly to northwesterly orientation that runs parallel to the Llanos. Culturally and ecologically, the Llanos have distinct characteristics that transcend both national and international administrative boundaries.

Casanare is one of the newest departments in Colombia having been assigned departmental status in 1991. This partly reflects the remoteness of the region: it is cut-off from Bogota by the Andes. Administratively, Casanare is divided into 19 municipalities. The three municipalities that are most directly affected by BPXC’s operations are Aguazul, Tauramena, and Yopal. The towns of Tauramena and Aguazul are both within seven kilometers of primary processing facilities, and they have experienced rapid growth throughout the past decade. The departmental capital,
Yopal, has also undergone dramatic growth in the same period, although it has been less directly impacted by oil-related infrastructure.

Main Issues to Factor into the Evaluation

In theory, the social and environmental issues arising from the exploration and development of large oil reserves are fairly generic. In practice, their assessment and management becomes complicated due to a host of unique circumstances that collectively make up the social and environmental context of a specific project. In Casanare, BPXC began exploring in an area that had not yet achieved departmental autonomy and where institutional capacity for planning, managing finances, and maintaining law and order was extremely weak. Educational attainment was below the national average, particularly at the secondary level, and the majority of people lived a lifestyle far less advanced than the "more developed" parts of Colombia. Yet within ten years, Casanare's departmental income from oil-related royalty payments exceeded that of any other oil-producing department in Colombia.

Even before the extent of the reserves was proven, the expectation of economic opportunities resulted in large-scale immigration to the area that had significant socioeconomic and demographic impacts. This in turn led to heightened expectations and disaffection on the part of local communities, compounded by the fact that royalties were negligible until 1994. At the peak of construction in late 1996, BPXC's operations required a workforce of almost 7,000 people, but it rapidly declined thereafter. Like the neighboring department of Arauca, oil-related incomes from royalties and the presence of contractors fueled both corruption and extortion. It also led to an escalation of guerrilla-paramilitary-military conflicts and increased violence within Casanare.

In the midst of this complex and dynamic web of expectations, impacts, and opportunities, BPXC consciously attempted to define and redefine its social responsibilities to stakeholders and the objectives of its social programs. How BPXC pursued its objectives, including the evolution of its social policies and programs despite various obstacles, lies at the heart of this evaluation.

Route Map to the Report

The report is divided into five main sections. The introduction describes the aims of the evaluation and locates BPXC's operations in the region. The second section explains how the project evolved over time and the changing social and environmental context of BPXC's operations during this period. The third section describes the evolving regulatory, policy, and management framework for social and environmental issues relating to the project. Collectively, the first three sections set the scene for the findings of the evaluation, which are presented in section four. Finally, conclusions and recommendations are presented in section five.

1 BPXC is the appointed operator for a number of Association Contracts in the Department of Casanare. For convenience, this report refers to BPXC throughout as a surrogate for specifying the partners in each Association (in which Ecopetrol, the state owned oil enterprise, always retains a 50 percent stake).


3 Integrating Social Concerns into Private Sector Decisionmaking: Guidance Notes for the Evaluation of Selected Projects. The guidance notes include a schedule detailing the areas of interest to be evaluated, specific questions to be explored, and to which of the four stakeholder groups questions were to be addressed.
Figure 2. COLOMBIA
LOCATION OF LOCAL COMMUNITIES AND BPXC'S OPERATIONS

- ○ TOWNS AND VILLAGES
- □ CENTRAL PROCESSING FACILITIES
- ◇ STATE CAPITAL
- --- STATE BOUNDARIES

The map was produced by the Map Design Unit of the World Bank. The boundaries, colors, denominations and any other information shown on this map do not imply, on the part of the World Bank Group, any judgment on the legal status of any territory, or any endorsement or acceptance of such boundaries.
2. An Evolving Social and Environmental Context

This chapter provides a brief summary of BPXC’s activities in Casanare over the past decade, outlining the relationship between BPXC and its association partners. It also describes the evolving social and environmental conditions over the same period.

Description of BPXCs Operations

BPXC started exploring for oil and gas in the Llanos foothills of the Eastern Andes in 1987, beginning with the Santiago de las Atalayas (SDLA) association contract (figure 2). Its original geophysical and seismic surveys followed unsuccessful exploration forays by a number of other companies dating back to the late 1950’s. Based on the results of initial seismic surveys, the first exploration well was completed in early 1988 (Cusiana 1) and produced some gas and condensate. Thereafter a series of wells were drilled to determine the nature and extent of the reserves.

The geological stratigraphy in the Llanos foothills is heavily faulted and fractured and therefore highly variable over relatively short distances. In addition, the oil-producing quartz sandstone formations are located at depths between 14,000 and 16,000 feet, which requires the application of expensive advanced drilling technology. The consequent cost of exploration wells averaged US$35 million. Exploration work confirmed the extent of the reserves in two separate fields totaled 1.6 billion barrels, namely Cusiana—the largest oil field in Colombia—and Cupiagua situated some 10 kilometers to the north. This represents the largest oil discovery in Latin America during the past decade.

Commerciality was declared for the Cusiana association contract (SDLA) in mid-1993, which was followed by construction of the Central Processing Facility (CPF) at Cusiana some seven kilometers to the southwest of Tauramena. Commercial production commenced in October 1994 and reached 185,000 barrels by the following year. During this construction period, approximately 30 wells were drilled (including production wells and gas and water re-injection wells), and 86 kilometers of flow lines were laid to connect these wells to the CPF at Cusiana. In addition, the existing Central Llanos and Colombia pipelines were also upgraded to deliver the crude to an oil terminal at Covenas on the Atlantic coast of Colombia.

Construction began on the second phase of the Cusiana CPF in June 1995 and on the Cupiagua CPF in December 1995. During 1996 work also commenced on the new 800 km Ocensa pipeline between Cusiana and Covenas, which was completed in late 1997. The pipeline traverses the Andes at a
maximum height of 3,200 meters above sea level. The combined production from Cusina/Cupiagua was 450,000 at the end of 1998. Since commerciality was declared for the Cusiana field in 1993, BPXC and its partners have invested US$6 billion in Casanare. Major milestones in the development of operations in Casanare are summarized in figure 3. More recently, BPXC has been exploring in the Piedmonte block. In December 1997 it applied for Ecopetrol to declare the commerciality of the Volcanera-Florena-Pauto association contract: this was granted in 1998.

The function of the CPF's is to separate oil from produced gas and water, so it can be sent to the pipeline and export systems. Almost all of the 1 billion cubic feet of gas produced daily is re-injected at very high pressure to avoid the environmental impacts of flaring and to maintain reservoir pressure. It is thereby available for future exploitation. A small fraction (approximately 20 million cubic feet per day) is fed to the Colombian National Gas Distribution System. Produced water is also re-injected, principally on environmental grounds, following anti-corrosion treatment. The CPF's at Cusiana and Cupiagua produce sufficient light sweet crude to meet 20 percent of the requirements of the United States.

Partners in the Santiago de las Atalayas (SDLA), Tauramena, and Rio Chitamena association contracts are Ecopetrol (50 percent), BPXC—the appointed operator—(19 percent), Total (19 percent), and Triton (12 percent). The association contract system was introduced in 1974 under the terms of Colombian Government Decree 2310. The aim is to facilitate private sector associates of the state-owned oil company, Ecopetrol, to be involved in the exploration for and development of state-owned oil reserves. During the exploration phase, Ecopetrol’s associates assume all costs, which includes the costs of any social and environmental programs. If reserves are discovered and their commerciality declared by Ecopetrol, 50 percent of direct costs of producer wells are reimbursed. Thereafter, the associates benefit in proportion to the size of their holding for a period of 22 years, after which all facilities and goods revert to the state at no cost.
Twenty percent of the oil produced is paid in kind to Ecopetrol which is then transferred to the regional governments and the National Royalties Fund. Ecopetrol holds a 50 percent stake in the association contract; in addition, the total tax burden on production amounts to approximately 45 percent. The total government take of production exceeds 85 percent.

The Environmental Context of BPXC’s Operations

The landscape of Casanare in the vicinity of BPXC’s operations is topographically divided into two distinct categories: the Andean foothills (between 200 and 1,000 meters above sea level) and the plains (below 200 meters above sea level). The climax ecosystems of the foothills encompass humid tropical woodlands and transition to very humid sub-montane woodland, whereas the plains are characterized by savannah formations. Natural or semi-natural vegetation is largely restricted to inaccessible steeply sloping river valleys that do not readily lend themselves to agricultural conversion. Agriculture, particularly cattle ranching, has had a profound impact on the landscape. Since the early 1970’s agro-industrial operations like rice and palm oil production, oil-related activities, and increased human pressures related to immigration have accelerated the loss of remaining natural habitats.

In terms of agricultural potential, the soils of the foothills are the most fertile within the project area and are suitable for a range of agricultural crops. This factor has influenced the location of human settlements, with 11 of Casanare’s 19 municipal capitals located within this relatively small fraction of the department (23 percent of the total area). This, in turn, has influenced the distribution and density of roads and basic infrastructure. Soils of the plains are fragile and susceptible to erosion, and their potential is limited to cattle grazing.

The plains are traversed by numerous rivers (for example the Rio Meta) which originate in the Andean highlands and foothills and flow in a southeasterly direction to contribute to the Orinoco River. As recently as the 1950’s these rivers provided important trade routes. However, construction of the Bogota-Yopal highway, combined with siltation of some rivers and reduced water flows (related to deforestation), has diminished the importance of these rivers for transportation. Each of the Municipalities of Yopal, Aguazul, and Tauramena are located within its own river basin: Yopal in the basin of Rio Cravo Sur, Aguazul in the Rio Unete basin, and Tauramena in the basin of the Rio Cusiana.

The Social Context of BPXC’s Operations

Key Stakeholders and Their Interactions

Key stakeholders with an interest in BPXC’s operations in Casanare are national authorities (such as the Ministry of Mines and the National Royalties Fund), regional and local authorities (including departmental and municipal offices and Corporinoquia, a regional environmental authority), civil society and its representatives (such as village associations, church leaders and NGOs), and private sector commercial interests (represented by organizations such as ExpoCasanare and Chambers of Commerce). Illegal armed groups and providers of security to BPXC (including the Colombian military and police) complete the stakeholder landscape. A schematic diagram of the dynamics among stakeholders (centered on the common interest of BPXC’s operations) is presented in figure 4. This figure attempts to identify the main interactions among stakeholders relevant to the evaluation (although it clearly omits many other important interfaces).
The Hydrocarbons Directorate of the Ministry of Mines and Energy exerts overall control over oil exploitation by the state and the private sector. Within the Ministry of Environment, the Hydrocarbons Unit of the Under-directorate of Permitting is responsible for issuing permits, subject to oil companies submitting adequate environmental and social impact studies. To facilitate coordination between the Ministry of Environment and Ministry of Mines and Energy, a Mining and Energy Environment Council (CAME) and Mining and Energy Environment Group (GAME) were established in 1995. Finally, at a national level, the National Royalties Commission (FNC) administers the National Royalties Fund (FNR).

At the regional level, the Departmental Governor’s office is based in Yopal, the capital of Casanare. The governor’s administration comprises political appointees, most of whom will have had little experience in planning or in managing the finances of departmental authorities.

This lack of capacity is particularly important given the substantial royalty payments to Casanare from the FNR (see chapter 3). Newly elected governors are charged with producing a departmental development plan within four months of assuming office. Since achieving departmental status in 1991, there have been five governors with different visions for the future of Casanare. The maximum term governors may serve is three years, with no option to seek re-election.

So far it appears that no departmental appointments in Casanare have been made based on open competition for appropriately skilled people, and therefore the prospects for developing institutional capacity and memory are low. Unlike some other departments in Colombia, there is no civil service to provide continuity between administrations. Notwithstanding the patchy history of departmental governance in Casanare, the current incumbent appears to be committed to transparency and sustainable development of the region. The
An Evolving Social and Environmental Context

governor's office has considerable influence over certain aspects of BPXC’s operations, and the current governor views BPXC as a potentially important partner for the development of a sustainable economy within Casanare, unrelated to oil.

Corporinoquia is an institution with responsibility for stewardship of regional national resources of the Orinoco basin, one of six similar organizations covering other natural regions within Colombia. Its current administration is dedicated to the concept of sustainable development of the region and has established policies and programs for the management of natural resources at the regional level. It is also responsible for monitoring certain conditions attached to permits issued by the Ministry of Environment to BPXC, for example, licenses covering discharges to or abstractions from surface waters. In practice, with just 10 technicians to monitor an area that covers 20 percent of the land within Colombia, it can only monitor on a reactive basis. BPXC has worked in partnership with Corporinoquia on a reforestation initiative and has also provided financial assistance for a number of other programs.

Of the 19 municipalities in Casanare, the three principally affected by BPXC’s operations are Aguazul, Tauramena, and Yopal (figure 2). The production wells and central processing facility for Cusiana are located in the Tauramena, whereas Cupiagua’s CPF and production wells are in Aguazul. Both municipalities have experienced immigration and disruption related to exploration and construction and both receive substantial royalty payments from Ecopetrol (chapter 3). Yopal, the department’s capital, has also experienced high levels of immigration. The respective populations of these municipalities are 15,000, 10,000, and 90,000 inhabitants. Municipalities are headed by mayors, who must produce a development plan within four months of taking office. The factors that constrain the development of institutional capacity at the departmental level apply equally to mayoral administrations. The Mayor’s Office exerts few controls over the planning and development of oil-related infrastructure, but are important partners for BPXC supporting its social and community development programs.

Civil society within Casanare is represented by village associations, workers’ associations, church leaders, and NGOs. The communities most directly affected by BPXC’s operations and exploration over time have been Aguazul, El Morro, Nunchia, Tauramena, and Yopal. Representatives of these communities (including the mayors, village association presidents, and church leaders) have been actively engaged with BPXC in developing social mitigation/development programs. In addition, NGOs active in the area—for example CEMILLA (a Centre for Microenterprise Development) and Minuto de Dios (who are active in providing housing for the poor)—have developed partnerships with BPXC. In some instances, these groups are strongly critical of certain aspects of BPXC’s social programs.

The perspective of many Casanarenos who have lived in the area since before oil exploration began contrasts with that of immigrants who view Casanare as a place of opportunity. Most Casanarenos depict a somewhat romantic view of life before oil was discovered. They remember an uncomplicated, sparsely populated agro-ranching existence, where government involvement and interference was minimal and people had a high degree of self-determination. Disputes were resolved without legal recourse, and violence was minimal (notwithstanding the recent history of conflict in the region since the late 1940’s). They believe that the direct impacts of BPXC’s presence, and more importantly
BPXC’s Operations in Casanare, Colombia

the indirect effects of immigration from elsewhere in Colombia (in terms of social impacts such as prostitution, drunkenness, violence, competition for land and resources and related environmental degradation), has severely diminished their quality of life. Their perception is that, on balance, the social and environmental costs have outweighed the benefits.

Private sector commercial interests include chambers of commerce, ExpoCasanare, and contractors and suppliers to BPXC. These groups either directly benefit from providing goods and services to BPXC, indirectly benefit from the recent relative economic prosperity of the area, or represent the business sector in Casanare. ExpoCasanare is a civil association dedicated to the sustainable economic development of the region without dependence on oil-related incomes. BPXC has worked closely with ExpoCasanare and with the chambers of commerce on developing a sustainable economic platform. They have also worked with contractors and suppliers on issues such as employment of local people and payment of local taxes.

Finally, illegally armed groups are active within the area of BPXC’s operations. Guerrilla groups are opposed to BPXC’s operations, which they view as supportive of the government. They also attempt to extort finances from BPXC and its contractors. Paramilitary groups also operate in the area in opposition to the guerrillas. The dynamics of the conflicts within Casanare are explained in more detail below.

The Evolving Demographic and Socioeconomic Context

Some basic demographic and socioeconomic information for the Department of Casanare, presented in table 1, is discussed in the following section.

Population increases. Casanare’s population nearly doubled between 1973 (89,000) and 1993 (175,500), the year of the last census. The growth rate was highest between 1973 and 1985, with average annual increases of 4.2 percent. Between 1985 and 1993 the population grew at a more modest 2.2 percent per year. Over the past 25 years the annual rate of growth of Casanare’s population was 3.9 percent, far higher than the national average of 2.4 percent. The current population is estimated at 230,000 inhabitants.

Population growth in the municipalities affected by oil exploration and production was among the highest in the department. Tauramena is located within 7 kilometers of the Cusiana oilfield, and the Cupiagua oilfield is a similar distance from Aguazul. Although Yopal produces no oil, it is an important development center; as the capital of the department, it has better infrastructure, basic services, and financial and administrative capacity. Average annual rates of growth in Yopal (1973 to 1993), and in Tauramena and Aguazul (1985 and 1993) were 10 percent, 13 percent, and 8 percent respectively.

Between 1973 and 1993 Casanare underwent rapid urbanization, with urban populations increasing from 22 percent to 53 percent of all inhabitants. Urban growth rates in the department were more than double the national average of 10 percent in this period and were most significant in oil-producing municipalities like Tauramena, where the urban population increased from 15 percent in 1985 to 44 percent in 1993. In fact, immigration due to the oil boom is confirmed by the presence of an increasingly young adult male population in municipalities like Tauramena and Aguazul. The main demographic changes in the department, particularly in its capital and in the oil-producing municipalities, can be summarized in three trends: high rates of
Table 1. Demographic and Socioeconomic Information for Casanare

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Year</th>
<th>Colombia</th>
<th>Casanare</th>
<th>Yopal</th>
<th>Aguazul</th>
<th>Tauramena</th>
</tr>
</thead>
<tbody>
<tr>
<td>Per capita income (CP$/yr)</td>
<td>1995</td>
<td>1,850,000</td>
<td>930,000</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Population</td>
<td>1973</td>
<td>-</td>
<td>89,000</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>1993</td>
<td>-</td>
<td>175,000</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Unemployment (%)</td>
<td>1995</td>
<td>9</td>
<td>5</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Infant mortality (per thousand live births) (%)</td>
<td>1995</td>
<td>21</td>
<td>36</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Primary education provision (%)</td>
<td>1995</td>
<td>85</td>
<td>114</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Secondary education provision (%)</td>
<td>1995</td>
<td>64</td>
<td>58</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Educational attainment (%)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>None</td>
<td>1973</td>
<td>-</td>
<td>35.6</td>
<td>31.3</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>1993</td>
<td>-</td>
<td>15.0</td>
<td>11.5</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Full primary</td>
<td>1973</td>
<td>-</td>
<td>5.4</td>
<td>6.7</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>1993</td>
<td>-</td>
<td>15.2</td>
<td>15.2</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Full secondary</td>
<td>1973</td>
<td>-</td>
<td>0.3</td>
<td>0.9</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>1993</td>
<td>-</td>
<td>3.9</td>
<td>6.1</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Higher level education</td>
<td>1973</td>
<td>-</td>
<td>0.2</td>
<td>0.3</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>1993</td>
<td>-</td>
<td>2.5</td>
<td>4.7</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Urban population (%)</td>
<td>1973</td>
<td>59.2</td>
<td>22.3</td>
<td>45.5</td>
<td>32.7</td>
<td>12.2</td>
</tr>
<tr>
<td></td>
<td>1985</td>
<td>68.3</td>
<td>32.3</td>
<td>55.0</td>
<td>34.6</td>
<td>14.7</td>
</tr>
<tr>
<td></td>
<td>1993</td>
<td>68.9</td>
<td>53.3</td>
<td>74.4</td>
<td>66.7</td>
<td>44.3</td>
</tr>
<tr>
<td>Masculinity index</td>
<td>1973</td>
<td>-</td>
<td>107</td>
<td>102</td>
<td>109</td>
<td>111</td>
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<tr>
<td></td>
<td>1985</td>
<td>-</td>
<td>110</td>
<td>110</td>
<td>114</td>
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<td></td>
<td>1993</td>
<td>-</td>
<td>109</td>
<td>105</td>
<td>116</td>
<td>128</td>
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<tr>
<td>Type of urban dwelling (%)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>House</td>
<td>1973</td>
<td>-</td>
<td>-</td>
<td>94.6</td>
<td>96.3</td>
<td>99.2</td>
</tr>
<tr>
<td></td>
<td>1993</td>
<td>-</td>
<td>-</td>
<td>80.1</td>
<td>74.8</td>
<td>85.6</td>
</tr>
<tr>
<td>Flat</td>
<td>1973</td>
<td>-</td>
<td>-</td>
<td>2.4</td>
<td>2.7</td>
<td>0.0</td>
</tr>
<tr>
<td></td>
<td>1993</td>
<td>-</td>
<td>-</td>
<td>7.1</td>
<td>5.4</td>
<td>0.5</td>
</tr>
<tr>
<td>Room</td>
<td>1973</td>
<td>-</td>
<td>-</td>
<td>1.7</td>
<td>0.6</td>
<td>0.8</td>
</tr>
<tr>
<td></td>
<td>1993</td>
<td>-</td>
<td>-</td>
<td>12.1</td>
<td>16.6</td>
<td>10.4</td>
</tr>
<tr>
<td>Urban households served by water (%)</td>
<td>1973</td>
<td>-</td>
<td>-</td>
<td>94.1</td>
<td>84.7</td>
<td>92.4</td>
</tr>
<tr>
<td></td>
<td>1993</td>
<td>-</td>
<td>-</td>
<td>94.6</td>
<td>95.2</td>
<td>96.1</td>
</tr>
<tr>
<td>Urban households served by sewers (%)</td>
<td>1973</td>
<td>-</td>
<td>-</td>
<td>40.9</td>
<td>31.0</td>
<td>12.9</td>
</tr>
<tr>
<td></td>
<td>1993</td>
<td>-</td>
<td>-</td>
<td>65.3</td>
<td>32.7</td>
<td>56.0</td>
</tr>
</tbody>
</table>
urban population growth, increases in the young adult population, and high indexes of masculinity. Anecdotal reports of increased prostitution and drunkenness are consistent with these demographic changes.

Health and education. Only very limited information was readily available on the health status of the population of Casanare. However, infant mortality is high compared with the rest of Colombia; the national mortality rate per thousand live births was 21 in 1993, compared with 36 in Casanare. However, infant vaccination programs have covered 89 percent of the region's children, compared with the national average of 75 percent.

Education at the primary level is adequate in Casanare, at least in terms of available schools. But only 58 percent of children are provided with places at the secondary level, which is below the national average of 64 percent, but represents a great improvement on the 1988 level of 22 percent. The population's overall educational attainment is nonetheless very low at all levels. As of 1993, 11 percent of the population had received no education, and the percentages attaining full primary, secondary, and higher level education were 15, 6, and 5 percent respectively. These figures represented significant improvements over much lower levels of educational attainment in 1973. Despite these relatively low levels, unemployment in Casanare was almost half the national average of 9 percent in 1993, largely as a result of the oil boom.

In 1994, the Governor's Office measured the municipalities relative development using indicators based on the status of health, education, urban services, infrastructure, public administration, and public participation in decisionmaking. The results show that the municipalities located at the Andean Watershed Ecosystem were the least developed, and that Yopal was the only municipality showing a relatively high level of development. Of the 19 municipalities in the department, seven were rated as having average development, including Aguazul. Tauramena was categorized as poorly developed, but it did not benefit from oil revenues until 1993. Significant investments in infrastructure have occurred since that time. For example, the urban population with sewers in Tauramena has increased from 12 to 56 percent (despite significant increases in population). One of the main negative consequences of oil-boom-related immigration has been a deterioration in the quality of housing in Tauramena and Aguazul. Due to the subdivision of dwellings, people often live in one-room households.

Economic changes. The oil boom has not markedly improved overall employment in the region. However, it has significantly shifted labor distributions towards sectors like services, commerce, and construction, and away from the farming sector. In 1973, only 2.6 percent of the employed population in Yopal worked in the oil sector, 67 percent worked in agriculture and cattle rearing, and 26 percent in services, commerce, and construction. In 1993 the situation was radically different—with more than 60 percent employed in services, commerce, and construction and only 23 percent in farming activities.

Despite the low level of employment creation by the oil industry, the rate of economic growth in Casanare between 1985 and 1993 (8.6 percent) was more than double the national average. There has also been a significant improvement in the creation of added value. According to a study prepared by CRECE, a regional development think-tank, the contribution of the oil industry to the added value in Casanare increased from 12 percent in 1985 to 45 percent in 1993—a direct consequence of BPXC's operations.
Conflict in Casanare

Casanare has not escaped the violence that has afflicted much of Colombia. In the late 1940’s and early 1950’s, Los Llanos was the locus of some of the most intense and brutal internal conflict between liberals and conservatives in Colombia’s history, known as La Violencia. The origins of the current leftist guerrilla groups can be traced to this period, and guerrilla groups have maintained a presence in Los Llanos ever since. The two main guerrilla groups currently active in Los Llanos are the FARC (Fuerzas Armadas Revolucionarias de Colombia) and the ELN (Ejercito de Liberacion Nacional). The objectives of these leftist guerrilla groups, each with a different program for Marxist revolution, are broadly similar. Both are dedicated to overthrowing the government, which they perceive as unrepresentative and dominated by the traditional ruling classes. These guerrilla groups are the dominant political and security force in perhaps six of the 19 municipalities in Casanare.

The ELN also have explicit objectives related to oil exploitation in Colombia and favor the sustainable indigenous management of oil reserves for the benefit of the nation. They are conceptually opposed to the presence of foreign oil companies in general, and in particular they object to the foreign-managed export of large volumes of crude oil. Their perspective is that it is simply politically expeditious and fails to maximize the benefits for the Colombian nation, for example through developing a national downstream oil industry. On this basis, the ELN actively try to control oil-producing areas and were very active in the neighboring department of Arauca before oil production commenced in Casanare.

The conflicts among guerrilla groups, illegally armed paramilitary squads, and the Colombian Army tends to follow a consistent pattern. Guerrillas retain the popular support of peasants in some of the more rural areas, in some cases by acting as a surrogate provider of government services. They rely on extortion, robbery, and kidnapping to obtain finances and more recently have been linked to narco-trafficking. Paramilitary groups typically provide security to major landowners or other groups in society at risk from guerrilla attack (including drug traffickers). Their mode of operating typically involves collective massacre of peasants thought to be sympathetic to guerrillas, leading to the displacement of survivors, which is often followed by a negotiated return. More recently, they have turned to selective killings as a result of national and international outrage at some of the better-publicized massacres.

In conflict situations within Colombia (as elsewhere), security is the main determinant of property value. This sometimes leads to a perverse symbiotic relationship between the guerrillas and paramilitaries. The guerrillas create risks (perceived and real); paramilitaries offer protective security and intimidate peasants; the peasants support the guerrillas. The Army is involved in an internal war with both of these groups, although allegations of alliances between the Army and paramilitary groups are thought to have had substance in some situations. The latest US State Department report on human rights in Colombia for example, argues unequivocally that there are close ties between the military and paramilitary.

The discovery of oil in Casanare has undoubtedly contributed to increased conflict between these groups. In the neighboring Department of Arauca, the discovery of the Canon Limon oil field by Occidental in 1986 (and its related economic activity and revenues) acted as a catalyst for larger-scale conflicts. It is widely accepted that guerrilla groups successfully extorted
BPXC's Operations in Casanare, Colombia

money from certain contractors, which is thought to have exacerbated the numbers of guerrilla attacks and related paramilitary and military actions. For example, the pipeline between Covenas and Canon Limon has been attacked once a week on average since its construction. In Casanare, BPXC has publicly and consistently refused to pay "rent" to any illegally armed groups. BPXC has paid the price in periodic work stoppages based on threats to the lives of its employees and contractors, disruption of drilling operations during sporadic attacks, and very high security costs (including support for the 16th Army Brigade that is based in Yopal). Additional, though less tangible, costs have arisen from the association of the company with the violence between the illegal groups and the state's armed forces.
3. An Evolving Regulatory, Policy, and Management Framework

The legal framework for managing social and environmental issues related to petroleum operations in Colombia has changed over the past decade. Over the same period, BPXC’s policy and management practices relating to the social aspects of its operations in Casanare have evolved. Perhaps the most significant factor in these changes has been the distribution of royalties from oil production and the increasing importance of the contribution of royalties to departmental and municipal budgets.

This emphasis on distribution of royalties arises from the authors’ belief that stewardship of royalties is central to whether BPXC’s social and community involvement is perceived as having a lasting contribution to Casanare. This aspect is discussed in greater detail in chapter 4.

Regulation of the Petroleum Sector, 1987–1998

Like many other countries, Law 20 from 1969 dictates that hydrocarbons and mineral resources are the exclusive property of the Colombian Nation. The Hydrocarbons Directorate, part of the Ministry of Mines and Energy, is responsible for public and private activities related to oil and gas. In 1974, the Association Contract system was introduced to facilitate partnerships between private corporations and Ecopetrol, the state-owned oil company (chapter 2).

The National Code for Renewable Resources and Environmental Protection (Presidential Decree No. 2811 of 18.12.94) established requirements for environmental assessments in a range of project types, including oil activities. Under this system, project proponents had to provide INDERENA (the National Institute for Natural Resources) with an Environmental Impact Declaration based on an Environmental Impact Assessment.

This system was superseded in 1993 (under Law 99 of December 22), with the creation of the Ministry of Environment. This new ministry caused a restructuring of the government institutions in charge of environmental management. Law 99 also established an Environmental Permitting Process (Title VIII of Law 99), which is a prerequisite for starting any productive project. The Hydrocarbons Unit of the Under-directorate of Permitting (part of the Ministry of Environment) is in charge of this process. To facilitate coordination between the Ministry of Environment and the Ministry of Mines and Energy, the Mining and Energy Environmental Council (CAME) and Mining and Energy Environmental Group (GAME) were established in 1995.

Finally, the progressive National Constitution of 1991 (and subsequent legislation) established a range of mechanisms for public participation in the planning of private and public projects (box
BPXC’s Operations in Casanare, Colombia

1). It also ruled that territorial bodies (departments and municipalities) that exploit non-renewable natural resources, including the sea and river harbors where those resources or by-products are transported, have the right to participate directly in royalties and compensation schemes (Art. 360).

Royalty Allocation and its Impact on Casanare

The principle behind the royalties system is that a proportion of the income from resource exploitation should be used to enhance the social well being of the communities directly impacted and society as a whole. In practice, a fraction of revenues from the project accrue to the Department of Casanare and the municipalities where oil production wells are located. Although not unique to Colombia, such progressive provisions have only been implemented in a few other countries, such as Bolivia.

Box 1. Provisions for Public Involvement in Colombia

The Colombian Constitution of 1991 includes a participatory principle that obliges the State to further citizens’ participation (Art. 1). This principle has been incorporated into Law 99/1993.

Articles 69 and 70 of this law provide for any person to intervene in the procedures of environmental administration, through an Intervention Petition to the environmental authority. Article 72 provides for an Environmental Public Audience. This can be requested for any project that may cause environmental impacts and that requires an environmental permit (like petroleum projects). A public audience may be requested by any of the following:

- Select political appointees (Procurador or his Environmental Delegate, Ombudsman, or the Minister of the Environment)
- Select elected officials (Governors of departments or Mayors of municipalities)
- At least one hundred persons
- Three non-profit organizations.

The public audience must take place at least 30 days before an environmental permit is issued, modified, or cancelled. It is also possible to carry out a public audience during the development of a project, once there is evidence of violations of the environmental requirements demanded in the permit.

Article 74 provides that anyone may ask for information on issues that could produce pollution or that could harm people’s health. In addition, any person can demand information about the amount of financial resources for environmental protection and their utilization.

If exploitation of natural resources is going to take place within indigenous or black population areas, it must not affect their cultural, social, and economic integrity (Art. 76). Decisions on these issues must be taken after consultation with community representatives.

Another mechanism for citizen’s participation is Citizen’s Auditing (Veedurías Ciudadanas o Juntas de Vigilancia) to control the management of public services (Law 134/1994). After a process of community training supported by BPXC, this mechanism has been successfully used in supervising road construction projects in Casanare.
• Producing Departments, 47.5 percent
• Producing Municipalities, 12.5 percent
• Export Harbor’s Municipalities, 8.0 percent
• Royalties National Fund, 32.0 percent

As prescribed by Law 141, royalties must be invested in priority projects (as identified in development plans) and may not be used for operational expenses. Departments must invest 100 percent of royalties in priority projects in the sectors of education, health, water supply, and sewage systems. In the same way, municipalities must invest all royalties in education, health, public services, electricity, and sanitation.

Producing departments and municipalities (or exporting municipalities) receive monthly payments in direct proportion to the percentages outlined above. The Royalties National Fund (FNR), which is administered by the Royalties National Commission, receives the balance of resources not assigned to directly impacted territorial bodies. Territorial bodies can submit proposals for priority projects to the Royalties National Commission for consideration (figure 5). It is important to note that the royalties received by departments and municipalities are subject to a sliding scale: after a certain level of production, the incremental amount of royalties paid declines significantly.

The 8 percent royalty allocation to the Municipality of Covenas (where the export terminal is located) was not part of the original agreement on distribution of royalties, but was negotiated subsequently in the Colombian Congress. This represents very substantial earnings, given that all the oil produced in Casanare and Arauca passes through Covenas.

The contribution of royalties from BPXC’s operations to departmental and municipal incomes (particularly Tauramena and Aguazul) in Casanare has been very significant (figure 6). Prior to initial production at Cusiana, the 1992
departmental income from royalties was CP$6.9 billion. This comprised contributions from relatively low levels of oil production in seven municipalities and excluded an additional CP$1.9 billion distributed among the seven producing municipalities. Royalty earnings increased dramatically mainly as a result of initial production at Cusiana in 1993 (in the Municipality of Tauramena) and the commercial production beginning in late 1994. Between 1992 and 1997 royalty payments to the Department of Casanare increased 12-fold (including payments to municipalities), from CP$8.8 billion to CP$106.8 billion. Despite the fact that inflation averaged 20 percent over this period, this is still a dramatic increase. BPXC’s operations accounted for approximately 78 percent of total royalties in 1997 (in excess of CP$80 billion). The cumulative total of royalty payments from oil production in Casanare from 1992-1997 was CP$330 billion.

Income from national transfers and from local taxes in Casanare (which are fairly insignificant) have broadly kept pace with increases in royalties. However, royalties still account for between 45 and 73 percent of the department’s total income, which increased from less than CP$7 billion in 1992 to over CP$123 billion in 1997.

Aguazul and Tauramena, where BPXC’s production wells are located, first received royalties in 1991 and 1993 respectively. Incomes subsequently increased year-on-year, and in 1997 their respective royalty incomes were CP$10.7 billion and CP$12.1 billion (CP$22.8 billion in total). This combined total represents over 70 percent of royalties paid to the nine oil-producing municipalities in Casanare in 1997. The relative contribution of royalties to municipal incomes has also been important (ranging from 59 to 70 percent of total income in Tauramena). The total income of
Aguazul and Tauramena also eclipse that of most other municipalities in Casanare. For example, the total income of Yopal in 1995 was approximately half that of Tauramena, despite having a population approximately six times that of its richer neighbor.

It is important to remember that royalties are not the only form of oil-related income available to municipalities. Other sources of income include transportation taxes on pipelines (4 percent of the transportation tariff) and taxes on oil-related industrial activity. In the Monterrey municipal budget in 1998, these sources represented 24.5 percent and 34.8 percent. Royalties distributed among the non-oil producing municipalities (by the National Royalties Fund) account for a further 13.3 percent of Monterrey’s budget. Thus, 72.6 percent of the current Monterrey budget originates from other oil-related sources.

**BPXC’s Approach to Managing Social Issues, 1987-1997**

*An Evolving Corporate Policy*

Prior to 1993 there was no explicit policy governing the social aspects of BPXC’s operations. Social issues were encompassed within an overarching corporate health, safety, and environmental (HSE) policy stating that the company could do no harm to people or to the environment, and that it must consult with “neighbors and public interest groups.” The first comprehensive Community Affairs Policy, adopted in 1993, detailed BPXC’s policies, programs, and budgets. The policy defined the project’s area of influence (somewhat narrowly as the immediate areas of oil exploration or production). It summarized the socio-economic problems facing local communities (some of which were exacerbated by BPXC’s presence, such as increases in the cost of living and poor infrastructure), and outlining the principles underpinning BPXC’s involvement with the community. These principles included:

- Developing partnerships
- Developing relations of mutual benefit with stakeholders
- Complementing the activities of the state in relation to infrastructure provision
- Evaluating the basic needs of communities as the basis for investment
- Promoting community participation in developing investment proposals, and
- Developing tripartite relationships (among communities, the state, and private enterprises).

The 1993 Community Affairs Policy also defined BPXC’s employment policy, stating that it would employ Colombian Nationals wherever possible and uphold laws concerning equal opportunities for all Colombians to work while attempting to maximize employment of local people. The policy included clauses in contractors’ contracts concerning preferential recruitment of locals.

The social programs outlined in the policy aimed to provide greater investment in the community, increased involvement with local and national governments on such issues as planning, continual dialogue on proposed activities, managing local expectations, and developing strong relationships with stakeholders based on mutual benefit. The programs were designed to both improve people’s living conditions (for example, through providing basic infrastructure), while contributing to human development, with the common objectives of mitigating social impacts and improving people’s quality of life. The company made no distinction between these
two objectives; it viewed them as complementary.

The programs detailed in the 1993 policy were divided broadly into urban, rural, and support programs. Rural programs included projects in such areas as health, housing, reforestation, productive agriculture, and village-based projects responding to the basic needs of communities. Programs in the urban sector included microenterprise initiatives, and the construction of roads, community housing, and recreational facilities. Finally, several support programs that complement activities in the rural and urban sectors were also promoted, such as development planning, technical and environmental education, institution strengthening, and the start of a foundation to finance small-scale projects (Fundacion Amanacer). A budget was presented for these programs, which detailed anticipated expenditure in each of the areas outlined above for 1993 to 1996. It allocated US$2.9 million, US$4.3 million, US$6.4 million, and US$5.5 million respectively.

The 1993 policy was superseded in 1996, when BPXC published a detailed Community Affairs Manual. The manual outlined the overall objectives of the company’s Community Affairs Policy worldwide (box 2). These objectives were to earn and maintain a good reputation among stakeholders, encourage employees to use their talents for the benefit of communities, and help to create healthy economies. The three areas of focus to achieve these objectives were identified as education, environmental protection, and community development. The specific objectives of BPXC in Casanare were identified as:

- Implementing and executing all social programs as part of the Casanare 2000 strategy (see below), with the participation of communities and governments
- Increasing the reputation of the company and facilitating development of its operations
- Advising the companies and foundations

Box 2. Corporate Learning within BP

The concept of corporate learning is central to how BP conducts all aspects of its operations. The company has invested a great deal in fostering a culture where information is readily exchanged and freely available. The capacity of the organization to learn from experience is evident in the evolution of its community affairs policy, both in Casanare and corporate-wide.

Prior to 1993 there was no explicit corporate policy on community affairs, outside of a general commitment in the environmental policy to do no harm to people or to the environment. The community affairs team in Casanare developed a robust policy with related programs that were directly relevant to Casanare in 1992 and 1993, and, as the benefits of the programs emerged, the team communicated the lessons learned to the corporate center in London. A number of staff from the community affairs teams participated in peer-assisted reviews of other BP operations internationally (an internal peer review mechanism within BP) and in internal conferences on community affairs, which further helped to disseminate the benefits of the approaches adopted in Casanare.

The experience from Casanare, and perhaps from other BP operations, prompted the corporate center to critically evaluate its overarching corporate policy, which was subsequently strengthened. It is interesting to note that BPXC’s 1996 revised Community Affairs Policy is cast in the context of this worldwide policy on community affairs.
An Evolving Regulatory, Policy and Mgmt Framework

with which BPXC is involved on social matters—for example, Ocensa and the Sunrise Foundation (Fundacion Amanacer).

The principles underpinning the 1996 policy were broadly similar to those outlined in the policy of 1993. However, the strategy changed somewhat from programs categorized by sector (rural, urban, and support programs) to programs targeting three levels of development: the immediate impacts of the company’s operations, the local communities nearest the operations, and regional development initiatives. At each of these levels, programs were developed to address four areas: human development, institutional strengthening, economic development, and infrastructure provision. The 1996 Manual also provided detailed guidance on the responsibilities of community affairs personnel and on their procedures.

The company is currently revising its strategy in Casanare. The expectation is that this will emphasize devolving responsibility for community affairs to field-based operations managers, supported by fewer specialized Community Affairs personnel. To ensure that community affairs does not become peripheral to front-line managers, mechanisms for improved accountability will be instituted. In practice, community affairs will become one of the key areas that form the basis for evaluating the performance of managers (which in turn will influence remuneration packages and promotional prospects). This follows a similar approach to BPXC’s apparently successful devolution of the management of HSE issues.

**Evolving Objectives of BPXC’s Social Programs**

The objectives underpinning BPXC’s social and community programs have evolved over time. Originally, the main aim was to manage the direct socioeconomic impacts of exploration, with a view to developing support for the company’s activities and establishing lines of communication (a reactive approach). Following the establishment of a community affairs team in May 1992, when the license for the first CPF was sought, the aim switched to managing the expectations of local communities and to collaboratively developing a diagnosis of the needs of the communities affected (a more proactive approach). This objective is reflected in the 1993 Community Affairs Policy. In 1996, a parallel approach was devised that combined the day-to-day interactions in the three communities where BPXC was present with a regional development strategy (a strategic approach to support regional sustainable development).

The shift in emphasis from managing local impacts or expectations to one of sustainable regional development supported by oil revenues (while recognizing the finite nature of the oil reserves) marked a significant shift in policy. Casanare 2000: A vision of the future, a publication of BPXC’s, provided a summary of this policy shift and outlined a far-reaching social investment strategy for developing the hydrocarbon resources of Casanare. It also defined a strategy of integration with Casanare which, with the support of the local communities and authorities, was designed to enable people to take advantage of the socio-economic opportunities that oil and related developments offered.

**Responsibilities for Implementing Policy and Staffing**

Prior to 1996, the overall responsibility for implementing the Community Affairs Policy was vested in the President of BPXC. In practice, the responsibility resided with exploration managers until May 1992, though even at this early stage the need for specialist advice on social issues was recognized and three such professionals were employed by BPXC. The growing need
BPXC's Operations in Casanare, Colombia

for specialist guidance on social matters led to the establishment of the Community Affairs Team in May of 1992. This team was field based and autonomous from operations. They provided a service to operations, particularly as the project moved into new areas and in response to specific concerns. However, the team also developed and implemented the policy and programs described above, many of which were not directly related to exploration or production activities under implementation. The team formalized its interaction with the community in the 1993 policy discussed above.

In 1996 a BP Associate President was appointed and based in Yopal to take overall responsibility for community affairs. In practice, such issues occupied most of the Association President’s time, and this significantly raised the profile of community affairs. The Community Affairs Team comprised 16 people (plus an additional 14-18 working on the Ocensa pipeline project). This team developed the revised Community Affairs Policy of 1996 and Casanare 2000. Social aspects were factored into training for project managers and other staff, and the training budget for the Community Affairs team was US$250,000. However, following the departure of the incumbent at the end of 1997, a new post of Casanare Manager was created, replacing that of the Associated President, with responsibility for both the operational and community affairs functions. At the time of writing, seven community affairs personnel are retained.

Approach to Developing Community Investment Programs and Projects

Prior to 1992 most community investment initiatives were demand-driven and aimed at mitigating the local impacts of operations, while enabling BPXC to continue with exploration. Although many individual investments may have been locally appropriate, they took place without any overall development strategy. In many instances, there was a degree of local resentment from those who had not benefited at what was perceived as “buying favors.”

The establishment of the Community Affairs team in May 1992 marked a significant change in the way programs and projects were implemented. For example, a framework of programs was developed whereby individual investments could be made (as described above in the section of policy developments). Community Affairs personnel then worked with communities directly impacted by BPXC to develop a diagnosis of their development needs. This involved a series of iterations between communities and Community Affairs personnel (sometimes in the form of workshops or public meetings).

Once development priorities were established, communities had to prepare a plan for individual projects, specifying objectives, material requirements, and costs, with input from either a BPXC specialist or an appointed consultant. In almost all cases, projects were submitted to the appropriate municipal authority for initial approval, as BPXC’s involvement was generally contingent on the availability of counterpart funding. Except in emergency situations, the company would not finance projects without counterpart funding from municipalities and input from communities (in the form of labor or materials). For each project, all parties (BPXC, the community, and its municipality) had to sign an agreement detailing the responsibilities for planning, implementing, and sustainably financing the project.

1 In 1994 the FNR and the Royalties’ National Commission were created under Law 141, which regulates settlement and distribution of royalties. The Royalties’ National Commission is a special administrative unit of the Ministry of Energy and Mines in charge of the administration and control of FNR’s resources.
4. Evaluation Findings

The evaluation aimed to address a range of inter-linked questions outlined in chapter 1. These questions relate to the enabling environment for corporate social responsibility, BPXC’s community affairs policy and programs, and stakeholder perceptions of the outcomes. Some of these questions have been partially addressed in previous chapters. For example, BPXC’s evolving policy and programs have been outlined and obstacles to socially responsible behavior discussed (such as the conflict situation in Casanare and the general lack of institutional capacity). This chapter attempts to provide answers to the outstanding questions of:

- The enabling environment for factoring social concerns into the planning and implementation of resource development projects
- The adequacy of BPXC’s Community Affairs policy objectives, and whether BPXC’s programs met the stated objectives
- Whether BPXC monitored the results of its programs on the ground
- The adequacy of BPXC’s social and environmental assessment processes
- Stakeholder perceptions of the outcomes of BPXC’s programs.

The first section of this chapter explores the enabling environment for integrating social concerns. The second critically evaluates BPXC’s policy and programs, and other aspects of interaction with communities (such as security provision and assessment processes). And the final section presents community perspectives on the effectiveness of BPXC’s community investment activities.

Integrating Social Concerns: An Enabling Environment

An enabling environment encompasses the government incentives and the constitutional and regulatory provisions that facilitate the factoring of social concerns into planning and implementing resource development projects. This would include, for example, regulatory provisions for public participation in decisionmaking, mechanisms for distribution of revenues to those affected by the project, or incentives for corporations to invest in communities.

The National Constitution of 1991 strongly emphasizes the fundamental rights of Colombian citizens to participate in decisionmaking at various levels, and it has incorporated this principle into Law 99/1993 (box 1). However, the mechanisms for participation provided under Law 99 are primarily administrative and/or judicial, as they do not guarantee a community’s right
to participate in the design of projects that could impact the environment (with the exception of indigenous groups). Provisions for community participation are potentially more effective where environmental rules have been violated: once the law is broken, it is possible for communities to intervene.

The Colombian constitution also emphasizes the fundamental rights of citizens to benefit from development. The system for allocating royalties from resource development projects, is a progressive attempt to apportion benefits in an equitable manner. The Government operates a decentralized system (described in chapter 3) that aims to return a large proportion of the royalties to the communities directly impacted for social benefit, such as to health and education. The remaining royalties are also directed to similar programs elsewhere in Colombia through the National Royalties Fund. However, for decentralization to be effective, the capacity for planning and implementation of programs within the recipient territorial bodies must be adequate, which is not the case in Casanare. This aspect is discussed in greater detail below.

Not surprisingly, the constitution contains no specific provisions relating to the social responsibilities of the private sector. Although there are some government incentives aimed at promoting private sector investment in communities, these are also of limited relevance to BPXC or other resource developers. Consequently, the high level of front-end investment in communities (much of which is directed to mitigating social impacts) is unrecoverable.

The Association Contract system contains no strong incentives for corporate social responsibility. Until commerciality is declared, the cost of social and environmental mitigation or investment is assumed by Ecopetrol's associates. Once commerciality has been declared, the overall responsibility for managing social and environmental aspects resides with the operator.

**Capacity for Planning, Implementation, and Stewardship of Royalties**

In a relatively sparsely populated department such as Casanare (250,000 inhabitants), the revenues earned from royalties at both the departmental and municipal levels are very significant. In 1996 the royalties from oil production in Casanare, Aguazul, and Tauramena were CP$77.7 million, CP$10.7 million, and CP$12.1 million respectively. The anticipated development opportunities created by royalties have been constrained by a number of factors. These include a lack of capacity for planning and implementation of programs or projects (chapter 3), a lack of coordination between territorial bodies, failure to assign all royalties to priority areas, and a lack of accountability in the allocation of royalties.

Since access to royalties for financing priority projects is contingent on planning, the planning process is tremendously important at all levels. Law 152/1994, the Organic Law for Development Planning, establishes procedures for the preparation, approval, execution, follow-up, and evaluation of all development plans. This law rules that territorial development plans must account for policies and strategies of the National Development Plan (Art. 32) and that departments and municipalities must coordinate on formulating programs and projects (Art. 39). However, there is a lack of consistency within these bodies, particularly in terms of their planning schedules. For example, Yopal's Municipal Plan was not factored into the 1998 Departmental Plan, as it was incomplete and therefore not available for consideration.

Not all royalties are used for purposes that comply with the spirit of the definition.
of priority areas (figure 7). For example, in 1995 the combined investment of royalties in the priority areas of health and education in Casanare, Aguazul, and Tauramena amounted to only 11, 10, and 12 percent of income from royalties. It is also widely accepted that accountability for royalty-related expenditure is inadequate. For example, the current Mayor of Aguazul is taking legal action against the former incumbent to recover funds that were allegedly misappropriated during the construction of an aqueduct. Such incidents have contributed to a common perception of minimal social benefits compared to the enrichment of individuals. This perception is exacerbated by the escalation in conflict between illegally armed groups and the military.

Social Responsibility within BPXC

For the most part, it appears that BPXC’s Community Affairs activities have been progressive and far reaching in terms of their scope and aspirations, producing benefits for both the corporation and the community. This is a significant endorsement of the company’s approach, given the difficult circumstances in which they have been operating: weak institutional capacity for planning and maintaining law and order, heightened expectations and almost inevitable disaffection on the part of local communities, high levels of immigration, and the escalation of guerrilla-paramilitary-military conflicts. Perhaps the most remarkable achievement is that the company managed to obtain a “license to operate” from communities and implemented a major industrial development, despite these difficult circumstances.

The community affairs budget of US$29 million between 1993 and 1997 financed a comprehensive and wide-ranging program of social investment activities designed to

![Figure 7. Areas of Investment Supported by Income from Royalties](image-url)
BPXC’s Operations in Casanare, Colombia

meet expectations at the community level. These were developed in a participatory way with local communities and municipalities. However, as the company will acknowledge, its involvement with communities and other stakeholders has not always resulted in mutual benefit, nor in the perception of mutual benefit. In other cases, BPXC could be criticized for investments or other interventions that are viewed by some as too little or too late.

Relevance of Policy and Programs to Casanare

Whereas few companies have an explicit policy dealing with social matters, BPXC has had a robust Community Affairs Policy dealing with interactions between the company and its stakeholders in Casanare since 1993. This policy also described in some detail the structure of the company’s social and community development programs and related budgetary commitments. The evaluation sought to explore whether the policy and programs were locally appropriate, whether they tackled difficult issues such as human rights, and whether the policy (and consequently the programs) had changed in response to changing circumstances. The evaluation also measured the extent to which the policy and programs were likely to create lasting sustainable benefits or whether they would foster dependency on the company (for example, as provider of aspects of social services).

The fact that most of the social and environmental impacts of the project occurred during exploration and construction points to a need for planned early up-front investment in mitigation projects and programs. Yet the tendency in the initial stages of the project was for BPXC and its contractors to support targeted investments to obtain access, which inevitably lead to inequities. It must be acknowledged that there were no assurances of eventual success in the early stages of exploration, which limited the ability of BPXC to invest more strategically. There was also a legitimate desire on the part of BPXC to limit expectations. In retrospect however, this targeted approach was a source of disaffection and conflict, even if it served the short term-interests of the company.

To a large extent BPXC’s 1993 policy and related programs were timely and locally appropriate. In making the transition from the relatively low-level of activity relating to exploration to full-scale production, the company made a considered attempt to develop a coherent framework for the disparate activities it had been supporting. The appointment of a field-based Community Affairs Manager and the creation of a dedicated team in May 1992 marked a milestone in the company’s interaction with stakeholders. This shifted policy from a reactive impact mitigation approach to a proactive attempt to contribute to local development, while simultaneously managing the expectations surrounding the scaling-up of operations. The 1993 policy and programs provided a sound basis for meeting expectations at the community level and creating trust and dialogue.

Stakeholders were very concerned about employment opportunities with the company and its contractors. Within the limits of the law, and often at great cost to the company, BPXC has sought to maximize employment opportunities for local people with considerable success—and made this commitment an official social policy. For example, in 1998 between 50 and 60 percent of BPXC and contractors employees in Casanare were from Casanare. At the peak of construction activity, over 60 percent of the 7,000 workforce of BPXC and its contractors were recruited locally, in line with BPXC’s policy. As the demand for labor has declined, many less-skilled workers are employed on a rotational basis,
whereby all males seeking employment are assigned two months of work per year. This spreads the benefit of oil-related income more equitably, but it is costly for BPXC and its contractors who would prefer an alternative system.

The dynamics of conflict in Casanare and the escalation of conflict related to oil revenues already have been described. Despite the difficulties for BPXC in developing programs related to human rights, they have promoted some initiatives in this important area. For example, they supported training in conflict management for 800 leaders from all 19 municipalities in Casanare (using a program developed by Harvard University). In parallel, they promoted an awareness program on respecting the rights of civilians for army, police, and security personnel assigned to guard BPXC’s facilities. A new human rights peace and tolerance initiative was due to be launched in early 1999.

The main criticism of the 1993 policy is in its definition of the project’s area of influence to which programs were tied. This was somewhat narrowly defined as the project’s immediate areas of exploration and production. This issue became somewhat divisive among communities, because those living beyond the area of influence were unable to benefit from BPXC-supported development initiatives. BPXC was not slow to recognize this problem, however, which was largely addressed by the improved policy of 1996. It provides support for regional and local programs, as well as mechanisms for sharing benefits more broadly the departmental level.

**Policy and Programs: Creating Dependency or Fostering Independence?**

As early as 1992 the company began helping communities to diagnose their development needs and priorities. In so doing, the company helped to ensure that its programs were directly relevant to the intended beneficiaries. By creating a forum for discussion with communities and fostering their independence, communities gained better capacity to negotiate and plan, which in turn improved the prospects for success of follow-up development projects. The company’s insistence on cofinancing with municipalities and with community contributions (in the form of materials or labor) was progressive for its time in looking ahead to the sustainability of community development initiatives.

However, a more serious criticism of BPXC’s social policy and programs lies in its failure to adopt a strategic development perspective earlier. Despite the fact that expectations had been raised at an early stage, not just at the community level but also at the municipal and departmental levels, BPXC was slow to address strategic issues (figure 8). The company commissioned an Environmental Pre-diagnosis of the Cusiana project in 1991 from the National University of Colombia, which aimed to provide an integrated overview of the environmental and social aspects of the project. This study highlighted the importance of (1) sound stewardship of royalties and (2) strategic planning, if the mistakes made in the neighboring Department of Arauca were to be avoided. In Arauca, revenues generated by Occidental’s Canon Limon project were reportedly squandered, and corruption, violence, and political killings increased. The study concluded that BPXC had an important role to play in these two areas, which is explored in more detail below.

**Royalty Distribution: A Role for BPXC?**

Royalty payments to Casanare have not had the profound or lasting impact on local development that was expected. It is debatable whether BPXC should have any role in the management of royalties.
Arguably, by efficiently operating the Cusiana/Cupiagua fields and paying royalties on time to the National Royalties Commission for distribution, BPXC may be regarded as having discharged its duties admirably. However, the reality is that, depending on how royalties contribute to Casanare’s long-term development, BPXC will be intimately associated with either a development success or failure, and the related enhancement or deterioration in social conditions.

Given the accuracy of the pre-diagnosis, and the fact that royalties from BPXC’s operations in 1995 totaled CP$70 million, BPXC should have directed more effort earlier to promoting transparency in the allocation of royalties and to developing the local capacity to manage royalties. The reputation of successive administrations of Casanare may be held to account locally, but BP’s reputation will be either damaged or enhanced locally, nationally, and internationally. Chapter 5 makes recommendations on how the difficult issue of royalties might be addressed.

In mitigation, such interventions are not traditionally in the domain of private sector corporations, and the company is rightly sensitive to accusations of meddling in affairs of the state. BPXC has also funded consultants to support development plans at both the departmental and municipal levels. It supported some training for personnel involved in planning and other aspects of governance, but frequent changes in administration and a lack of continuity in planning and other aspects diluted the long-term benefits of such efforts. It also collaborated with a local NGO on producing a booklet advising local people of their constitutional right to demand transparency from their elected representatives. Finally, it developed the publication Casanare 2000: A Shared Vision or Tunnel Vision?

The strategic perspective demanded of BPXC by the 1992 pre-diagnosis of Cusiana is reflected in the 1996 policy in Casanare 2000 (BPXC’s strategic vision for the
department to benefit from oil revenues in a sustainable manner). The derivation of Casanare 2000 involved tremendous effort and vision at the corporate level. However, Casanare 2000 was conceived almost entirely by the company, with little involvement (or buy-in) from the departmental and municipal authorities or civil society. Irrespective of how well conceived it may have been, two years after its conception, the lack of input from stakeholders has delayed the adoption and implementation of Casanare 2000's strategic dimension. Consequently, the company's social investments appear as disparate development initiatives rather than part of a strategic vision.

Yet many of the principles, aspirations, and approaches outlined in Casanare 2000 are still relevant. The challenge is to obtain departmental and municipal ownership of the vision and to find effective mechanisms to deliver the objectives. This was partially achieved by the excellent work BPXC undertook in developing the Environmental Management Plan for Piedmonte Phase I (see section on environmental assessment processes above).

What are the conflicting considerations BPXC must balance to become more actively involved at the strategic level? These include BPXC's reluctance to interfere with affairs of state and its de facto capacity to provide leadership and technical skills. There is also the difficulty of developing institutional capacity when the employees of the institutions change every time there is an election, plus the risk to BPXC's reputation of failing to act or failing as a result of the wrong actions. Some suggestions on how BPXC might move forward are presented in the next chapter.

**BPXC's Capacity to Deliver on Policy Commitments**

In the past, BPXC has been well served by a critical mass of competent and committed community affairs personnel. The policy and programs that this group developed and delivered have made an important contribution to the development of the project, and the social well-being of local communities. The peak number of community affairs staff employed by BPXC (32 in total) coincided with the greatest level of construction activity in 1997, including 14 staff dedicated to Ocensa and related pipeline issues. However, the recent reorganization leaves just seven community affairs staff within Casanare (at three different locations). This reflects the company's strategy of devolving responsibility for community affairs to operations managers, supported by fewer specialized community affairs personnel.

While the intention is to ensure that community affairs becomes of central concern to managers (and a partial basis for assessing their performance), BPXC needs to manage the transition carefully. The skills required to effectively communicate with stakeholders (such as negotiation, cultural sensitivity, and conflict resolution) are acquired rather than innate. Community affairs work often involves intensive discussions of an iterative nature, particularly where the company's activities extend to new areas, which takes time. Granted, the company may subcontract to bring in expertise in community affairs on an as-needed basis. But this would require that the objectives of contractors be clearly defined, in addition to the boundaries within which they could negotiate on behalf of the company.

The devolution of responsibility for community affairs also raises some questions about cross-functional responsibilities. If the company is to maintain or develop strategic community affairs objectives, there is a risk of these being regarded as unassigned, unfunded mandates, which would prove hard to deliver. Furthermore, there is a risk of reinforcing perceptions of a "siege
mentality” that became evident during the evaluation. One of the defining characteristics of the Community Affairs team (following its creation in 1993) was the accessibility of its personnel to their constituents, which was facilitated by having local offices in Tauramena, Yopal and Aguazul. The movement of these offices to within the fence-lines of the two CPF’s, represented a symbolic retrenchment on the part of BPXC. This was to some extent exacerbated by the departure of the Association President and subsequent transfer of managerial responsibility for community affairs to the Operations Manager (where previously it had been ‘independent’ of operations). This prompts the question whether, having restructured and downsized the functional unit that was instrumental in helping BPXC implement the project, the company can continue to maintain a license to operate?

Learning from Experience

BP prides itself in being a learning organization. This is clearly evident in other aspects of its operations (such as the transfer of advanced “horizontal” drilling technology developed in the UK to Colombia), but to what extent does it apply itself to the social aspects of BPXC’s operations in Casanare? The company has made a number of attempts to measure results against achieved objectives and to learn from the outcomes.

At a strategic level, in 1997 BPXC commissioned independent research into community attitudes towards the corporation and its operations within Colombia. More substantively, BPXC conducted a review of ten percent of projects that the company had partially supported based on a pre-diagnosis of the development needs of communities (approximately 500 projects in total). These included schools, health clinics, and local water supply and sanitation projects, among others. The objective was to evaluate the impact of BPXC’s social and community investment projects in order to improve the development impact of BPXC’s social investment. Each of the 50 projects was evaluated jointly with the intended beneficiaries. Tabular summaries were prepared for each project summarizing:

- The objectives of the project (from the perspective of BPXC and the intended beneficiaries) and the fulfillment of those objectives
- The participants in the project (usually a community, the municipality in which they were based, and BPXC), their relative contributions, and the extent to which participants fulfilled their obligations
- The degree to which projects had been completed in accordance with the projected time frame and budget
- The extent to which projects had met the objectives of both the company and the community
- A commentary on the reasons for success and failure of the project and lessons learned.

The evaluations showed that most projects had been successful, due largely to the participatory way they were designed, financed, and implemented. Evaluations also highlighted recurring difficulties, such as the lack of capacity at the municipal level to deliver on commitments. That BPXC undertook these evaluations further illustrates the company’s willingness to learn from experience.

Environmental and Social Assessment Processes within BPXC

There are two milestones in Colombia’s
legislation regarding environmental and social impact assessments in oil activities:

- National Code for Renewable Resources and Environmental Protection (Presidential Decree No. 2811 from December 18, 1974)

Between 1974 and 1993, Title X of the National Environment Code required the promoters of oil projects and other productive projects, to provide INDERENA (the National Institute for Natural Resources) with an Environmental Impact Declaration (based on an Environmental Impact Assessment which, in turn, was to be based on an approved terms of reference (TOR). As the capacity to develop TORs in INDERENA did not exist, BPXC and other oil companies simply submitted a TOR that was rubber-stamped. These environmental assessments were invariably limited in scope to specific activities such as seismic work or drilling a specific exploration well. The result was that oil and gas companies were obliged to produce numerous environmental assessments (over 80 in the case of BPXC) for specific activities, without producing an overall statement of the likely cumulative direct and indirect impacts of all potential actions. This piecemeal, bureaucratic approach was unsatisfactory for the company, the regulatory authorities, and it provided little assurance of environmental and social protection.

In 1991, when exploration work indicated the prospect of a major commercial reserve at Cusiana, the company undertook an Environmental Pre-diagnosis for the Cusiana project as a whole. This exercise was instigated by BPXC in the absence of any legal requirement, and was intended to provide the kind of environmental and social overview the piecemeal approach would never deliver. The work was commissioned by the National University of Colombia in Bogota and was to be based on available information, supplemented by field visits by specialists. The proactive decision by BPXC to undertake this work is commendable.

Although based on the limited information available, the pre-diagnosis was excellent in many respects. For example, it accurately predicted the limited importance of direct impacts relative to those associated with immigration, and it identified the incapacity of social and economic structures to accommodate immigration. The pre-diagnosis also highlighted the acute institutional deficiencies in the department and recommended capacity development for delivery of strategic programs (in areas such as housing and health) rather than local interventions. As mentioned previously, it also identified the potential benefits of royalties and the results of failing to realize these benefits, as in neighboring Arauca. Clearly, the pre-diagnosis influenced the shaping of BPXC's 1993 policy and programs, many of which responded to issues raised in the pre-diagnosis. However, some of the predictions made in the pre-diagnosis were not acted upon (in particular the strategic issues of royalties, as discussed).

The introduction of Law 99 in 1993 strengthened the regulatory provisions for environmental and social assessment (including requirements for analysis of alternatives), along with the capacity of institutions to establish terms of reference, to review draft documents, etc. Some of BPXC's more recent work on environmental and social assessment go well beyond the limits of legal requirements. For example, the recently completed environmental and social studies relating to BPXC's proposed operations in Piedemonte (Environmental Management Plan for Piedemonte Phase I) adopted a regional approach to assessing impacts and developing mitigation measures. BPXC adopted a participatory
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approach throughout, involving a high level of involvement with interested and affected parties (including those with responsibility for regional planning).

Social mitigation and investment programs were based on an in-depth diagnosis of the socio-economic circumstances with an overlay of the projected socioeconomic impacts in all three affected municipalities. Consistent with the principles set out in Casanare 2000: A vision of the future, these programs were broadly categorized as relating to human development, institutional strengthening, regional economic development, and infrastructure and basic sanitation services, with environmental components within each of these categories. The end product, and the process by which it had been achieved, are both highly commendable.

Security and Social Interaction: Striking a Balance

Experience from elsewhere in Colombia led BPXC to correctly conclude that it would become the target of extortion attempts and attack from illegally armed groups. Construction of the Canon Limon project was disrupted by guerrilla attack, and the pipeline from Arauca to Covenas has been attacked on average once a week since it was commissioned. From the outset, BPXC adopted a strong anti-intimidation policy to prevent the company from entering into any dialogue or arrangement with guerrillas or other illegal groups. In order to enforce this policy and provide protection for its personnel and other assets, the company has adopted stringent security arrangements. A brigade of 3,000 soldiers is based in Yopal, many of whom are detailed to patrol the countryside surrounding BPXC’s production and exploration facilities (for which the company is required to pay a contribution). Armed police are stationed at lookout posts around the main production facilities at Cusiana and Cupiagua, and security guards provide static defense at the points of entry to these sites.

BPXC’s security arrangements have been severely criticized. Two high-profile documentaries made by UK television companies (the BBC and World in Action) prompted parliamentary questions when screened (both in the UK and Europe), generating a public relations problem for the company. Some high-ranking employees of Colombian institutions also questioned the efficacy of BPXC’s security arrangements during evaluation interviews. The evaluation team is not in a position to comment on specific issues raised in the documentaries, although neither could be described as presenting a balanced perspective. The fact remains however, that BPXC’s security strategy is preventative and reactive. The legitimate objective of protecting personnel from attack and the risk of kidnapping and consequent retrenchment of community affairs has led to perceptions of a siege mentality, which does little to foster relations between the company and communities. Allegations of alliances between the Army and paramilitary groups elsewhere in Colombia have been repeated in Casanare; these may be unfounded, but nonetheless add to local disaffection and an association between the company and increased military presence in the area.

One striking aspect emerging from the evaluation and follow-up community based work was the general reluctance of interviewees to comment on the issues of violence and human rights. This almost certainly reflects a sense of vulnerability on their part to speak out for fear of becoming victims of the very subject they might articulate. Yet all the indications are that violence is on the increase in Casanare and has a profound adverse influence on the development of the region and human rights. This illustrates the difficulty for ‘outsiders’ to obtain an accurate picture of
the significance of these issues. It also points to a need to address these issues in parallel with some of the institutional shortcomings described previously, if the development potential of royalties are to be realized.

BPXC is currently reviewing security arrangements. The challenge for the company is to explore alternative options for ensuring adequate security, while improving the negative perception of its current security arrangements among stakeholders. Furthermore, it is critical that security considerations be balanced by the fundamental need to maintain close ties to the communities within the projects’ area of influence.

Community Perspectives: BPXC’s Social Investments and Royalties

To obtain a more representative view of community perspectives on BPXC’s social investments, a local NGO (CEMILLA) was hired to evaluate five representative projects that BPXC had cofinanced. They were also asked to present an overview of community participation in the use of royalties. These aspects are presented below. One of the most striking findings to emerge from this work is the clear distinction that the people of Casanare make between social investments by BPXC, and social investments supported by royalties from the project. Despite the fact that royalties are a direct result of BPXC’s operations, their social investment potential is viewed as separate from the need for BPXC to invest in communities to mitigate the adverse social and environmental impacts of the project. This clearly has implication for BPXC and other potential investors in the oil sector in Colombia.

**BPXC's Social Investments**

The five projects included in the CEMILLA evaluation were a sanitation project, an animal husbandry project, an environmental education program, a sanitary landfill project, and an institutional strengthening program for improved environmental management within Corporinoquia and municipal authorities. The evaluations focused on the relative roles of the three participants—government, BPXC, and civil society—in planning, implementing, and managing the projects and on participants’ perceptions of the outcomes. In addition to the specific projects, the evaluations captured more general perspectives on BPXC’s activities that are also presented.

The evaluation by CEMILLA concluded that public participation in the planning stages of specific projects was often minimal, but that it improved substantially during project implementation. Although most projects resulted from a participatory diagnosis of the development needs of communities (or other beneficiaries), individuals with leadership skills often determined which particular needs received attention through follow-up projects. In terms of the processing of projects, a recurring criticism was that information was not always readily available, or that intended beneficiaries were unaware of how to access information to participate more actively.

Some of the projects cofinanced with BPXC responded directly to long-standing community concerns, such as the Aguazul sanitary Landfill Project, but community involvement was limited by virtue of the technological nature of the project. The design criteria adopted for the landfill, however, grossly underestimated the volume of wastes generated and the numbers of inhabitants to be served (which increased as a consequence of immigration and urbanization). There have also been difficulties in financing the recurring costs of waste collection and disposal, as there is a lack of willingness to pay for the service.
Overall, the outcome is still largely positive by mitigating potential pollution of the Unete River (beside which the wastes were previously dumped). With the benefit of hindsight however, increased participation in the design phase might have highlighted the issue of immigration and explored the issue of willingness to pay for improved waste collection and disposal.

In most cases, public involvement beyond the implementation of the five projects under evaluation was neither relevant nor was it perceived to be important by the public (although the responsible authorities did not always fulfill their obligations, which suggests that a monitoring role for the public might have been useful). In general terms, the level of public participation in ongoing initiatives cofinanced by BPXC appeared to have improved over time.

In the early days of exploration, it was common for projects to be committed to and designed without accounting for local development needs and cultural characteristics, as a means of "buying" access for exploration. The willingness of BPXC and its contractors to subscribe to this approach was partly matched by a desire on the part of communities to maximize benefits from the presence of companies. The communities recognized that contractors often had a limited local presence over a short-time frame and sought to maximize opportunities linked to their presence. Neither party had a stake in developing long-term relationships of mutual benefit and both operated in a manner that served their short-term interests. As the extent of the reserves and the prospects for longer-term investment became apparent, a shift towards participation of communities and municipal governments took place (in line-with BPXC's policy). The earlier focus of attention on a select number of communities, however, led to tensions between the haves and have-nots.

In the specific case of the water and sanitation project developed with the residents of the Rio Chiquito village, community participation was central to the success of the project. Members of the community were closely involved in the design and implementation of the project. For example, they identified a potential water source and contributed labor in the first phase of the work. They also identified the need for improved sanitation (phase 2) and supplied all labor for construction of sanitary latrine systems. To ensure the continued working of these systems, the community established a management committee to oversee collection of a maintenance fee. Perhaps most encouragingly, the experience gained from this process stimulated the development of and participation in other projects for the collective benefit of the community (for example, a community meeting hall and health center).

Overall, most of the evaluation participants saw the specific projects as delivering tangible, worthwhile benefits, although it was not possible to evaluate the long-term benefits of the educational aspects of certain project. A commonly held view of all BPXC's considerable efforts, however, is that they represent a partial (yet inadequate) retribution for the disruption resulting from oil production. These include employment-related impacts (such as disproportionately high pay scales) that result in immigration, increase land values, and increase the cost of goods and services, thereby promoting inflation. Other impacts cited include increased violence, prostitution, alcoholism and drug abuse.

This perception may be inevitable given
that communities have little faith in the capacity of government to deliver tangible benefits, despite their improved access to finance as a result of royalties from the project. Because of this community perception, BPXC has become the focus of expectations that often overlap with the roles and responsibilities of government (for example, in such areas as health and education). Thus BPXC, rather than government, has become the target of frustration and disappointment at the failure of government to deliver improvements in quality of life. It is also viewed as having contributed to social inequities, through its indirect influence in the distribution of royalties (see below).

**Participation in Royalties**

Although there is limited scope for public involvement in decisionmaking related to private sector projects, there are a number of legally prescribed mechanisms whereby civil society can participate in the planning process in Colombia, which determines the uses to which royalties are allocated. These are consistent with the shift from a representative to a participatory democracy embodied in the 1991 Constitution. For example, the Departmental Planning Council and the Territorial Planning Council are two mechanisms whereby civil society representatives (councilors) can contribute to planning (at the departmental and municipal level respectively). In some instances however, this participatory approach is viewed as hindering rather than enriching the planning process and the contributions of councilors has been ignored. This may partly explain why royalties assigned to priority areas of social investment are still directed to other infrastructure projects (chapter 3).

Many of the large infrastructure projects financed by royalties are designed and constructed by national companies, with minimal involvement of local contractors or professionals. Consequently, potential employment related benefits are limited. These national companies do not insist on preferential employment for local contractors or individuals, as provided for by the Casanarization policy of BPXC. The efficacy of this policy was challenged however, as certification to the Trade Board of Casanare is open to companies from outside the region. Many are said to maintain a local office for the purposes of obtaining BPXC contracts, which does not imply that they have a long-term commitment to employment in the region.

One recurring complaint amongst the civil authorities in Casanare (and others) relates to the 1993 Royalty’s Law, which limits royalty earnings from production to 185,000 bpd for individual departments and 100,000 bpd for municipalities. This is viewed as central government bias against Casanare, as it only affects the Cusiana and Cupiagua fields (because of their high levels of oil production). In practice, this reduces the potential departmental income from royalties by 60 percent (based on production rates of 450,000 bpd).

Furthermore, through indirectly biasing the distribution of royalties, BPXC are viewed as having contributed to social inequities. This is because the communities in the immediate area of BPXC’s influence have benefited disproportionately from projects cofinanced by BPXC and the municipal authorities. Despite BPXC extending the definition of the area of influence of its operations in its revised social policy of 1996, the oil producing municipal boundaries clearly demarcate the limits to royalty investments. This ignores the fact that nearby communities in non-producing municipalities perceive themselves to be equally affected by indirect impacts such as immigration and increased
BPXC's Operations in Casanare, Colombia

violence, but unable to benefit to any great extent from royalties. invest all royalties in education, health, public services, electricity, and sanitation.

1 Departments must invest 100 percent of royalties in priority projects in the sectors of education, health, water supply, and sewage systems. In the same way, municipalities must

2 For example, this is supported by personal communication from Alejandro Reyes of the National University of Colombia. Increased violence also emerged as a key issue facing Casanare in an Oxfam sponsored workshop held subsequent to the evaluation in July 1998.
5. Conclusions and Recommendations

Main Conclusions of the Evaluation

Explicit constitutional commitments to distributing oil revenues to territorial bodies and for public participation provide an important framework for ensuring the social and environmental sustainability of private sector investments. This legal framework is rare and could be usefully replicated in other countries, given the importance accorded to the national regulatory framework by companies.¹

There is, however, little institutional capacity in Casanare at the departmental and municipal levels to plan, manage, and implement projects that use the substantial oil revenues for sustainable development. This institutional vacuum has resulted in an enclave situation whereby BPXC, by default, is the most important development actors in the region. The Cusiana and Cupiagua oilfields are the largest in Latin America, and Casanare is sparsely populated, so the development potential of royalties is substantial. However, investment in the so-called priority areas of education, health, housing, and water supply, as mandated by Law 149, has been limited. The pervasive problems of corruption and violence have also hindered the social and economic development of the department.

BPXC has made concerted efforts to develop its operations in Casanare in a socially and environmentally responsible manner. It developed community affairs policies over an eight-year period that take into account the dynamics of the local situation, of corporate priorities, and of the transition from oil exploration to construction and production. Corporate social policies are still rare among companies, even though they have been identified as critical to successfully integrating social concerns into private sector decisionmaking.

BPXC has also implemented a comprehensive program of activities designed to meet expectations at the community level in a participatory way, albeit with mixed results. Not all the approaches adopted in Casanare to develop a relationship of mutual benefit to the company and its stakeholders have been successful, but this does not detract from BPXC’s willingness to “do the right thing.”

Whereas BPXC has actively attempted to engage communities at the local level, the company has been slow to recognize that successful implementation of strategic policies and programs depends on the involvement of other stakeholders. This accounts for Casanare 2000 being developed in isolation from key actors such as the regional authorities. BPXC’s ambivalence about its role—not wanting to appear to dominate local political structures—is
another reason for this isolation.

BPXC’s capacity to implement its social strategy was well staffed and budgeted until 1998, when the company embarked on a major restructuring exercise. Despite oil prices being at historical lows and both the Cusiana and Cupiagua oilfields approaching full production, BPXC is likely to further increase exploration in Colombia and thus face the challenges of working with different communities in Casanare. Current plans call for allocating responsibility to line operational managers for social and community affairs. This will need careful monitoring to ensure that the results achieved to date are not lost and that the challenges that lie ahead are properly managed.

One overall conclusion the evaluation clearly points out is that if the goal is to sustain the benefits from BPXC’s social investments and to promote better stewardship of the substantial incomes generated by royalties, effective partnerships need to be developed between government, BPXC, and civil society. BPXC must move from an enclave situation to one where private sector dominance is counterbalanced by a more robust regional development capacity that includes the active participation of communities. This need for effective partnerships is highlighted in the recommendations outlined below, which are grouped under the headings of government, BPXC, and civil society.

Recommendations for National Government and Authorities in Casanare

Conduct National Dialogues

If the development impact of royalties is to be optimized, it is crucial to reinforce the framework for decentralized planning and to strive for transparency and accountability. This is best addressed at the national level, as the issue is relevant to all natural resource extraction projects throughout the country. The starting point could be to begin a dialogue through national workshops that bring together government, civil society, and oil and mining companies to discuss how revenues can be distributed in an equitable and transparent way.

This may also begin a process to help resolve the “wealth and violence” issue by building national and local support for public-private development interventions. Such interventions could reduce the credibility of the local guerrilla factions and paramilitaries, and thereby help to alleviate the security situation, which has proved to be a disincentive to inward investment in Colombia.

Delineate Institutional Responsibilities and Strengthen Regional Capacity

The problem of poor institutional capacity for development planning and project management is pervasive in Casanare and has diluted the development impact of royalties and of BPXC’s social investments (particularly its efforts to build capacity). Within the framework of objectives set out in the regional development plan, there is a need to identify which institutions (public sector, private sector, and civil society, including international NGOs) are best suited to deliver which programs. Once institutional responsibilities are clearly delineated, the capacity of territorial authorities needs to be strengthened.

Given the direct link between poor institutional capacity and the electoral cycles (combined with the lack of a professional civil service in Casanare), this issue also needs to be addressed at a national level, with the involvement of the territorial authorities. The objective should be to strengthen implementation capacity and continuity, particularly at the
departmental and municipal levels, so that government is better able to deliver the services for which it is responsible, based on realistic planning horizons. Ideally, this will involve reinforcement of existing territorial bodies (and organizations such as Corporinoquia), rather than the creation of new entities.

**Support Regional and Sectoral Environmental and Social Assessment**

It is recommended that additional support be given to ongoing activities for upstream sector planning for environmental and social assessment. This has happened on an ad hoc basis in Casanare with the support of BPXC, sometimes at the instigation of the company (as in the case of the 1992 Environmental Pre-diagnosis) and sometimes prompted by government (for example, the Unete River Basin Management Plan). Both of these cases of regional/sector planning could be used as models to be replicated by government and by other companies in the natural resources sector, providing that an adequate definition of the project area is first established.

**Promote Departmental Peace and Development**

The undercurrent of violence in Casanare and related human rights abuses severely constrains the ability of Casanare to realize its development potential. In parallel, there is a need to more effectively involve civil society in development planning and implementation within Casanare (as provided for through mechanisms such as Territorial Planning Councils). One possible approach to help address both these aspects is to create a citizens network (comprising groups and individuals with a stake in the development of Casanare), that would feed into the development planning process through existing channels to increase public involvement in the planning process. This would partly help to overcome institutional shortcomings described above by establishing citizens priorities that should transcend electoral cycles.

The citizens network could also facilitate strengthening of civil society’s capacity to participate in planning and for resolution of conflict between traditionally opposed groups. Its development and implementation should draw upon experience from the CINEP-SEAP managed and World Bank sponsored Magdalena Medio Poverty Reduction Project, which has similar objectives. If such an approach is to prove successful, it must involve the active participation of all sectors of society. In this context, it may be possible to link it to the Permanent Assembly of Civil Society that forms part of the peace discussions taking place at the national level. As part of this process, Regional Working Groups are being convened that might provide the necessary convening power to involve the relevant parties.

**Recommendations for BPXC in Casanare**

**Align Corporate Policies with Regional Development Plans**

In devising the concept of Casanare 2000, the company outlined the basis of an appropriate sustainable development strategy for the department. However, they stopped short of obtaining buy-in from the other important development partners. Gubernatorial and mayoral elections at the beginning of 1998 have brought new and dynamic leadership to Casanare. A participatory departmental development plan has been designed, in part, around institutional partners such as BPXC, which should facilitate any attempt to align policies.

**Develop a Performance Contract with Development Partners**

Once the institutional responsibilities have been delineated to achieve the
objectives outlined by regional and corporate goals, BPXC, together with other development partners (government and civil society) should develop an "institutional performance contract." The various stakeholders would agree on objectives, programs, and institutional responsibilities, as well as the accountabilities of each party, based upon comparative advantage. The performance contract should identify indicators to measure the success of the programs (based on outcomes) and the responsibilities for monitoring. BP as a corporation has utilized a results-based management system with measurable goals to monitor performance for its commercial operations: it should move to adopt a similar approach for its community affairs strategy.

One advantage of this approach is that BPXC should be able to demonstrate that met its commitments, irrespective of the performance of its development partners. Goals would be set and accountabilities determined. This would also provide a framework for assessing where the gaps are and making plans to fill them. Despite BPXC’s intensive efforts in Casanare at the local level, its reputation remains at risk if the opportunities presented by royalties are not realized. Irrespective of whether it is fair or appropriate to expect the company to assume responsibility for poor stewardship of royalties that are managed and allocated by others, the company needs to take the lead on this issue.

Clearly there are risks to BPXC in such an approach. One of the most important of these is the inclination of successive administrations (within the offices of the governor, mayor, and Corporinoquia) to heavily criticize the programs and approaches of their predecessors. However, these risks could at least be partially mitigated (and continuity beyond electoral cycles ensured) by employing parallel approaches to capacity development (described above), with strong involvement from civil society in developing any performance contract. To a limited extent, BPXC has successfully adopted this approach in developing the Environmental Management Plan for Piedemonte Phase I (chapter 4).

BPXC should also carefully consider where its comparative advantage lies in assuming responsibilities under the terms of a "performance contract." For example, BPXC’s talents in the areas of planning, monitoring, and establishing clear procedures for accountability might be applied to strengthening capacity at the regional level.

**Actively Monitor Devolution of Community Affairs**

There are risks as well as benefits to BPXC’s devolution of responsibility for community affairs and the related reduction in dedicated community affairs personnel. These risks apply to BPXC’s capacity to develop and deliver strategic community affairs objectives and programs, and the related risks to its reputation. Consequently, it is recommended that BPXC carefully monitor the impact of the devolution of community affairs work and the reduction of specialized personnel, taking corrective action where necessary. In particular, it is important to not to exacerbate and to somehow overcome the perceptions of a siege mentality that emerged from the evaluation (chapter 4), which damage BPXC’s credibility as a development partner.

**Strengthen Efforts to Promote Human Rights**

The links between violence, human rights abuses and the failure of Casanare to realize its development potential has been mentioned previously. BPXC should continue its efforts in the difficult area of human rights, such as the proposed Peace and Tolerance Initiative to be launched in early 1999. In so doing, it should also
Conclusions and Recommendations

actively support and learn from the recommended citizens network approach outlined above. BPXC should be an important partner in helping to promote such an initiative, which could greatly enhance its own efforts in the area of human rights.

**Recommendations for Civil Society in Casanare**

**Strengthen Public Involvement in Planning**

The legal framework for public consultation as established under the 1991 Constitution needs to be more systematically implemented by territorial authorities. More could and should be done by the territorial authorities to ensure that civil society has opportunities to be effectively involved in development planning and project implementation, using existing mechanisms such as the Departmental and Territorial Planning Councils.

**Strengthen Procedures for Transparency**

In parallel with the need to increase public involvement in planning, there is a need for territorial authorities to improve transparency in the selection, implementation and financing of projects. Given the history of misuse of public money in Casanare (with adverse consequences for social and economic development), it is important that this aspect be addressed. This applies not only to the allocation and use of money for specific projects, but to the process through which investment priorities are identified.

**Seek Partnerships with NGOs and Promote Transparency**

Operational NGO’s (such as CEMILLA and the Fundacion Amanecer) should seek opportunities for partnership not only with government and the private sector, but also with international NGOs that can bring to bear complementary skills and experience from similar projects elsewhere.

There is also an opportunity for NGOs to become more actively involved in promoting transparency in the planning and implementation of projects. In particular, the mechanism for citizen’s participation (Citizen’s Auditing) could be more widely invoked for controlling the management of public services.

**Actively Participate in Monitoring and Evaluation**

The potential for NGOs and local communities to actively participate in monitoring and evaluating publicly financed (and cofinanced) projects should be explored by both territorial authorities and BPXC. Similarly, these groups should also be involved in the selection of indicators to assess the outcomes of these projects (in terms of changes in incomes, living standards, environmental quality, etc), and those indicators should be linked to action plans for corrective measures where necessary. Involving NGOs and local communities more actively in monitoring BPXC’s environmental impacts would also help to establish trust between all parties, and increase the credibility of BPXC’s monitoring efforts.

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1 This was one of the recurring messages from interviews conducted with companies in the review which led to the World Bank publication Integrating Social Concerns into Private Sector Decisionmaking: A Review of Corporate Practices in the Mining, Oil, and Gas Sectors.
Annex 1. List of Interviewees

British Petroleum Exploration, Colombia

Doug Webb  Presidente, BPXC
Fernando Villegas  Gerente Asuntos Externos, Casanare
John O’Reilly  Asuntos Públicos
Alonzo Ortiz  Gerente Asuntos con la Comunidad, Casanare
Marco Vinicio Cárdenas  Gerente Medio Ambiente
Jorge Guzmán  Asuntos Externos Cupiagua
Hector Merino  Asuntos Externos Cusiana
Orlando Chocontá  Medio Ambiente Cupiagua
Edmund Baruque  Cumplimiento, Medio Ambiente
Juan Guillermo Bernal  Gerente Casanarización
Ivonne Castro  Asuntos con el Gobierno, Yopal

Ecopetrol

Miguel Angel Santiago  Gerente Relaciones Externas
Herbert Gonzalez  Relaciones Externas
Francisco Rivera  Relaciones Externas
Luis Bernardo López  Ética Empresarial
Ruth Novoa  Relaciones Externas, Yopal
Alvaro Franco  Relaciones Externas, Yopal

Others

Julían Pertuz  Ministerio de Minas y Energía
María Isabel Escobar  Asuntos con la Comunidad, OCENSA
Carmen Elisa Flórez  Investigadora, CEDE Universidad de los Andes
Guillermo Acevedo  Jefe Dirección Ambiental Sectorial, Ministerio del Medio Ambiente
Cesar Buitrago  Ministerio del Medio Ambiente
Angela María Santos  Ministerio del Medio Ambiente
Mario Jaimes  Ministerio del Medio Ambiente
Alejandro Martínez  Asociación Colombiana del Petróleo
Luz Elena Chamorro  Unidad de Planificación Regional y Urbana - Departamento Nacional de Planeación
Others (continued)

Alejandro Reyes  Investigador Instituto de Estudios Políticos - Universidad Nacional de Colombia
Francisco de Roux  Director, Programa de Desarrollo y Paz del Magdalena Medio

Casanare

Jorge Prieto Riveros  Governador Departamento de Casanare
Pedro Nel Calderón  Secretario Privado del Gobernador
Santiago Marín  Jefe de Planeación, Departamento de Casanare
Ana Joaquina Rivera  Oficina Sectorial
María Teresa Sinisterra  Consultora Planeación Departamental
Oscar Galindo  Asesor Alcaldía Municipal
General Leonel Gómez E.  Comandante Brigada 16, Ejército Nacional
Teniente Sandra Quintero  Oficina de Derechos, Humanos Brigada 16
Ricardo García  CORPORINOQUIA Bogotá
Fernando Alvira  Fedellanos
Raul Granados  Expocasanare
Orlando Piragauta  Ex-Director, CORPORINOQUIA
Fabio Pinilla  Ex-Contralor, Departamento de Casanare
Padre Uriel Martínez  Coordinador, REDEPAZ, Casanare
Monsenor Olavio López D.  Obispo de Casanare
Cesar Iván Veloza  Director, Fundación Amanecer
Kuis Tobian  Programas Educativos
María Consuelo Rodríguez  Corporación Minuto de Dios, Casanare
Juan Carlos Quintero  El Porvenir, Ecopetrol
Miguel Alfonso Pérez  Defensor del Pueblo
Santiago Parra  Director, CEMILLA
Carlos Hernando Vargas  Director, CORPORINOQUIA