

Tri-Sector Partnerships

Preventing and Resolving Disputes with Communities and NGOs

The Issue

Natural Resource projects frequently introduce conspicuous wealth into regions of extreme poverty. Further, such projects are often accompanied by:

- the acquisition of land and assets owned by communities;
- involuntary resettlement;
- employment prospects insufficient to meet local expectations;
- shareholders and government authorities with vested interests in keeping projects on schedule and operating at peak production; and
- scrutiny by non-governmental organizations (NGOs) and the media.

Given these potential sources of local grievance, it is not surprising that the operators of extractive industry projects sometimes find themselves embroiled in disputes with civil society organizations.

Impact on Business

Disputes with local communities and NGOs can affect both the financial return, and regional reputation and competitiveness of the company. For example:

- verbal and physical assaults on company staff can add security costs and impede community liaison staff from discharging their duties;

- road blocks and demonstrations by communities can delay project schedules and reduce the volume of materials exported from site;

- sabotage of facilities can add significant costs through repairs and compensation;

- theft of materials and vehicles, and illegal 'tapping' of ancillary infrastructure such as pipelines and electricity supplies, can severely disrupt production;

- hostage taking often leads to ransom demands, negative international publicity and staff recruitment problems;

- armed suppression of aggrieved communities by police or the military escalates security costs and erodes trust between

the company and communities.

Contributing Factors

The escalation of disputes into violence is often underpinned by other contributing factors. Understanding these 'externalities' helps design strategies to prevent or resolve disputes. They include:

- the **legacies of past projects**, implemented at a time when social safeguards were less rigorous - examples include land acquired without compensation, and redundant facilities that pose a danger to local children;
- **countries in transition** from state control to market liberalization, resulting in, for example, increased unemployment from privatisation and political violence;

Examples of Local Disputes

Indonesia – unresolved claims for land compensation leading to community road blockades and the loss of 5% annual gold production.

India – suspension of a major mining investment following suppression of social unrest by local police, attributable in part to perception that the company's social investment programme was in competition with local NGOs.

Bolivia – increased security costs for an oil company following charges of unfair asset evaluation relating to compensation payments for an oil spill.

- ▶ **ineffective regulatory framework** for the distribution of resource rents;
- ▶ popularist political movements, especially during **elections**.

Role of Partnerships in Dispute Prevention

Contributing to social programmes through tri-sector partnerships, means bringing the unique competencies of the project operator alongside those of government authorities and civil society organizations. Working closely together, these non-traditional parties build an understanding of each others motivations and constraints; transparency and trust is enhanced; and a network of new communication channels established.

Tri-sector partnerships are thus a new, and altogether deeper set of relationships, the characteristics of which can be applied beyond the deliver of social programmes, to prevent local jealousices, misunderstandings and grievances.

Inter-dependent Infrastructure

A direct application of tri-sector partnerships in dispute prevention is to use the approach to 'roll-out' project infrastructure to local communities (eg electricity supplies, roads, telecommunications). Business partnerships with government authorities (to share capital costs) and with communities and NGOs (to collaborate on maintenance) can create a level of inter-dependency on local infrastructure that effectively mitigates against the risk of sabotage and theft.

Tri-Sector Forum

Another use of partnerships to prevent disputes is to establish an industry-based forum in the region of operation. The forum should comprises all regional extractive companies (with managers from HSE, external/govt affairs and engineering); relevant government officials and industry regulators; representatives from affected communities; and credible NGOs. Initiated at the inception of the project, and supported by mediation and partnership brokering capacity, the forum acts as a platform for preventing disputes and exploiting partnership opportunities.

Examples of the Role of Project-Level Tri-sector Partnership in Dispute Prevention

In West Bengal, India, a partnership was brokered to manage income restoration, comprising the mine operator (ICML/CESC), two local NGOs and the municipal authorities. An incident involving villagers demonstrating at the company site for funds to rehabilitate the local school, was resolved due to the trust developed between the company and the District government, the latter acknowledging that school maintenance was their responsibility.

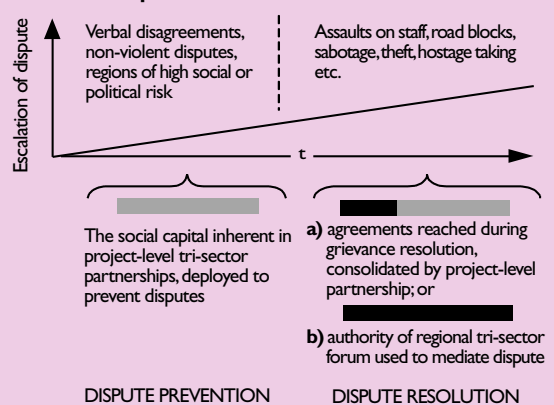
Examples of a Tri-Sector Forum and Dispute Resolution

Oil, gas and mining companies across Venezuela have joined government industry and public service ministries, national NGOs and universities, to form the Group Alianzas – a permanent, national level, forum to resolve disputes and explore partnerships associated with social issues and the extractive industries.

Role of Partnerships in Dispute Resolution

Once local disputes have escalated to the point of delaying projects or fuelling violence, it is likely that the 'triggers' of the dispute are being compounded by contributing factors. In these cases, **project-level tri-sector partnerships should NOT be deployed as the sole vehicle for dispute resolution**. Instead, either (a) project level tri-sector partnerships can be used to consolidate agreements arising from a 'prior' process of grievance resolution, or (b) the authority of a regional tri-sector fora can be used to provide mediation (see Fig 1).

Fig 1 The Different Roles of Tri-sector Partnerships in Dispute Prevention and Resolution



Where to go for Advice

The web-site of the Natural Resources Cluster of Business Partners for Development (BPD) provides case-examples of oil gas and mining operations round the world working in partnership to manage a range of social issues: see www.bpd-naturalresources.org

Alternatively, contact the person whose business card is attached to the Briefing Notes folder. He/she is tasked with providing advice to those interested in tri-sector partnerships.