

# Tri-Sector Partnerships Contributing to Long-Term Regional Development

## The Issue

Extractive Industry projects tend to be both location-specific and long-term. Ensuring the distribution of project benefits across the wider region of operations is therefore critical to:

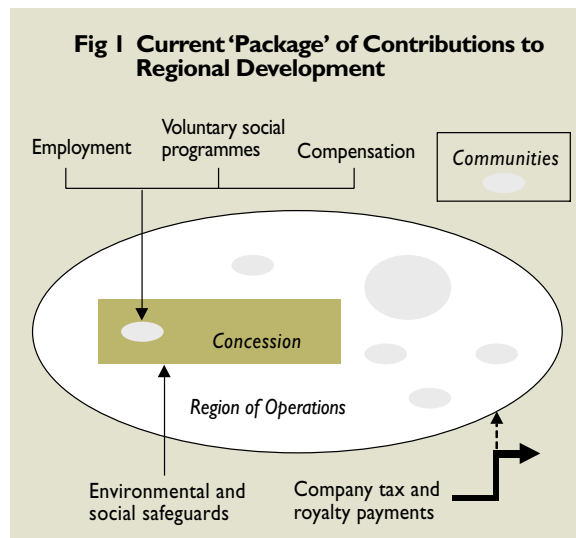
- ▶ **prevent conspicuous disparities** in wealth that can lead to local jealousies and hostilities, and stimulate migration towards the economic 'growth pole';
- ▶ encourage public policy and legislation to **attract foreign investors**;
- ▶ build **regional competitiveness** by demonstrating to host governments the added development value of the investment for the wider region;
- ▶ promote non-project dependent, regional development, in order to mitigate against the reputation and cost-liabilities often associated with **site closure**, eg collapsing economies and mass unemployment.

The current 'package' of resource rents and compensation, environmental and social safeguards (EIA, ISO 14001, social reporting etc) and local voluntary social programmes, is no longer sufficient. Why?

- ▶ ...because, despite royalty payments, company taxation and similar fiscal instruments, regulatory frameworks for **revenue distribution** frequently fail to distribute wealth to communities across the region of operations;

- ▶ ...because **environmental and social safeguards** are geared towards securing permissions to operate and comply with investors, and as such are designed to minimise localised negative impacts, rather than add development value; and

- ▶ ...because **compensation, employment opportunities and voluntary social programmes** all tend to be targeted at communities most affected by operations, (ie those losing assets or involuntarily resettled) rather than at the regional level.



## Regional Development: The Vision

What is needed to ensure natural resource projects add development value on a regional scale is:

- ▶ a comprehensive **plan** for sustainable regional development within which the potential economic and poverty reduction effect of the resource project can be assessed and optimized;
- ▶ **equitable and visible gain** for companies, communities and governments;
- ▶ **transparency, legitimacy and efficiency** in the use of resource rents by regional government authorities;
- ▶ **incentives and capacity** in local government and civil society organisations across the region to ensure that revenues 'reach' communities; and
- ▶ **community development opportunities** accessible across the region, and sustainable beyond the life of the natural resource project.

Natural Resources Cluster  
Business Partners for Development

A unique collaboration between:

- ▶ Anglo American Corporation
- ▶ BP plc
- ▶ CARE International
- ▶ Department for International Development (UK)
- ▶ Integrated Coal Mining Limited
- ▶ International Council for Mining and the Environment (ICME)
- ▶ Norsk Hydro
- ▶ Placer Dome
- ▶ Rio Tinto
- ▶ Royal Dutch/Shell
- ▶ World Bank Group
- ▶ WMC Resources



## Tri-Sector Forum

A tri-sector partnership forum, comprising leadership organisations from across the region, is one way for extractive industry companies to begin to deliver on this vision. The forum should include:

- ▶ national regulators, regional and local government authorities (finance departments, public works, social welfare etc);
- ▶ project operators from the extractive industries, other corporations (eg agri-business), employee unions, trade associations, regional corporate foundations;
- ▶ national NGOs, regional church and community leaders (eg Traditional Chiefs)

## Functions of a Tri-Sector Forum

The functions of such a forum include providing:

- ▶ a platform for negotiating strategic partnerships that optimise co-ordination and resource leverage across the corporate, civil society and international donors sectors, in support of government's development plans and communities' poverty reduction strategies;
- ▶ authority to convene project-based partnerships;
- ▶ a 'level-playing field' for negotiating voluntary codes of conduct among regionally competing corporate operators, for example, in providing market access for local suppliers, and agreeing equitable terms and conditions for employment and compensation.
- ▶ a 'safe space' for resolving grievances, eg companies 'poaching' staff from the local civil service, maintenance of public roads used by project vehicles etc.

## Key Success Factors

A tri-sector forum works best in supporting long-term regional development, when :

### BPXC Casanare, Colombia

The volume of BP's oil production in the Casanare Region of Colombia is now past its peak. With 10 - 20 years of production left, the operating company BPXC is keen to have contributed to a sustainable, non-project dependent, regional economy by the time of its departure. Over the last 10 years, millions of dollars have been paid to central government in royalties and tax, of which only a fraction has reached the people of the Casanare. In addition, BPXC have implemented a wide range of community projects, principally directed at those communities directly affected by their operations.

Work is now needed to spread the benefits of both BPXC's voluntary social programme and its resource rents across Casanare. With leadership from the company and support from the office of the President of Colombia, a regional tri-sector forum has been established: the Casanare Development Steering Committee, with a mission "to strengthen the three sectors of Casanare (business, government civil society) and replicate the tri-sector partnership model in all of their projects and initiatives, so as to achieve the common objective of Casanare's Sustainable Development".

An early project of the forum has been to 'pool' training capacity across Casanare to build the skills of regional authorities and communities to manage resource rents. A similar forum is being established in the Nicto region of Colombia, with the aim of promoting non-oil dependent regional development from the outset.

- ▶ there is sufficient **political capital** inherent within the programmes it promotes to ensure the release of resource rents by government;
- ▶ the forum is supported by administrative and **brokering/mediation** services;
- ▶ the role of project operators in social programmes is in **short-term inputs** (eg standards setting, project management or technical skills), such that neither local society nor the company are caught in a 'dependency trap';
- ▶ the forum is composed of members from across the region that give it **legitimacy**;
- ▶ consideration is given to utilising **existing tri-sector fora** in the region.

## 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](http://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.