

# Tri-Sector Partnerships: Maintaining Community Relations during Investment Uncertainty

## The Issue

Uncertainty and delay in investment decisions are a common characteristic of many natural resource projects. Examples include uncertainty:

- ▶ over whether **exploration** will lead to project development;
- ▶ due to **delays** in finalising Development or Investment Agreements, or obtaining permits and permissions; and
- ▶ due to staff **downsizing** or project **suspension** related to falling commodity prices.

The physical presence of an oil, gas or mining company raises community expectations. However, the financial controls imposed on companies during periods of investment uncertainty often constrain the company's ability to meet these expectations. Investment uncertainty therefore places a particular stress on company-community relations.

Common community concerns during such periods include:

- ▶ a lack of clarity over what employment will be created, for whom, and when;
- ▶ indecision and delays in planning resettlement and fear over who will be affected;
- ▶ unfulfilled expectations arising from delays to implementing the results of socio-economic studies, public consultation or community development planning; and
- ▶ uncertainty over when action will be taken to stop agricultural activity on land already acquired by the company.

Such stresses fuel mistrust and can jeopardize both the company's long-term social license to operate and the overall value of a concession.

## The Benefits of Partnership

Partnerships – particularly **tri-sector partnerships** between the company, local or central government and civil society (community groups and NGOs) – offer a new way to generate benefits for communities affected by investment uncertainty. Partnerships built on the principles of 'pooled resources' and 'shared responsibilities' can provide the following benefits:

- ▶ **rapid action** to mitigate social impacts and promote community development implemented prior to final investment decision-making;
- ▶ a **sharing of costs and risks** of social management, particularly with local government;
- ▶ a **leverage effect** of the partnership on the social investment efforts of the company, e.g. by increasing the quantity and quality of community development, and improving its reach and scope;
- ▶ **reduced community dependency** on the company due to the opportunities for communities to engage with other actors from government and civil society; and
- ▶ protection of the company's **reputation** by ensuring a legacy of community development activity performed by the 'other' partners, in the event that the company should decide not to proceed with the project.

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Environment  
(ICME)

▶ Norsk Hydro

▶ Placer Dome

▶ Rio Tinto

▶ Royal Dutch/  
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▶ World Bank  
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## Key Success Factors

Key success factors for adopting a partnership model during a period of investment uncertainty include:

- ▶ when negotiating with potential partners, **openness** and **clarity** by the company in its underlying interest for wishing to work in partnership, be that cost sharing, maintenance of its social licence to operate, or minimising reputational risk should the asset not be developed or the concession sold;
- ▶ recognition that company's **core business** activities (project management, technical skills, leadership, heavy equipment etc) can make a significant contribution towards social management, in addition to cash contributions;
- ▶ working with partners with **complementary** capacities and with **longterm commitment** to the project area; and
- ▶ a **willingness to renegotiate** roles and resource commitments within the partnership if uncertainties continue.

## Case-Study – Las Cristinas Gold Mine, Venezuela

### The Project

In 1991 Placer Dome de Venezuela (a subsidiary of the Canadian mining company Placer Dome Inc.) entered into a joint venture agreement with Corporacion Venezolana de Guayana, of the Government of Venezuela. The joint venture, operating as Minera Las Cristinas (MINCA), is to commercially develop gold deposits at a site in Bolivar State, southeastern Venezuela. The project is at the pre-construction phase of development.

### Social Management

All necessary land has been acquired and a re-settlement completed. Within MINCA the Sustainable Development Unit has worked to promote local social and economic development and to mitigate the mine's potential negative environmental and social impact. A modest socio-economic improvement programme has been implemented in the mine impact area, as well as a successful small-scale mining project.

### Investment Uncertainty

In the face of a rapidly declining international gold market, MINCA suspended construction in July 1999. The suspension meant that community expectations of benefits could no longer be met by the company, and that confrontation and invasion of the concession was a possibility.

### Partnership – Health Facility

In November 1999 (MINCA) along with 15 other organisations including international and local NGOs, the Governor's office, the army, community institutions and central and regional health authorities – agreed to pool their resources to construct a major **health facility**. At a time of investment uncertainty, the facility, and the enthusiasm generated by the partnering process has helped maintain the company's existing '**social licence to operate**', enhanced its social investment activities, reduced the level of **community dependency** on the company, and the **risk of confrontation**. Specific roles in the partnership include:

#### Civil Society

- ▶ **Humanitarian medical relief Foundation of Venezuela:** equipment, technical and management assistance
- ▶ **Communities:** labour and design input

#### Company

- ▶ **MINCA:** supervise construction, customs clearance for equipment, funding for volunteers

#### Government

- ▶ **Mayor's office:** donation of unfinished building, land, building materials and experts, as well as contribute to staffing costs for completed facility
- ▶ a local Brigade of the **army** - labour
- ▶ **State Government:** materials for access road, medicines and supplies for facility,
- ▶ **Ministry of health and Social Development:** funding for doctors, assistance with legal issues
- ▶ **Local hospital:** supply of medicines on cost recovery basis

All partners responsible for selecting a **management committee**

## 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.