

Tri-Sector Partnerships: Contributing to Community Development

The Issue

The major contributions that natural resource projects make to the development of local society are through taxes, royalties, employment and procurement. Other contributions are through compensation for land acquisition and the measures adopted to mitigate the project's social and environmental impacts.

Many companies are finding that these 'conventional' measures are insufficient. It is becoming clear that in order to secure their 'social license to operate', manage social risks and enhance local reputations, companies need to play a more active role in **supporting local communities**. However, companies face real challenges in achieving this, including:

- ▶ the risk of **raising community expectations** and demands to a point where the cost of contributing to community development becomes excessive;
- ▶ the danger of creating **community dependency on the company** for the provision of basic services - a situation from which the company may find it hard to exit, eg during periods of economic slow down or at closure;
- ▶ a lack of 'in-house' expertise in community development skills, leading to **community projects that fail** and/or **jealousies** between community members.

Approaches to Community Development

Common business approaches to community development (ie social investment) include

donations to 'good causes', such as education and youth development, and the establishment of company-funded foundations, trust funds, or local NGOs.

In recent years some companies have shifted from company-led approaches to community development, to programmes managed through partnerships with established NGOs and community groups. An extension of this idea is the concept of **tri-sector partnerships** – a voluntary partnership to promote community development involving the company, civil society organisations and local and/or central government. Some of the roles for the different partners are given in Box 1.

Tri-Sector Partnerships for Community Development/Social Investment - Roles for Partners

Company	Government Departments	NGOs/church groups etc.	Community Groups/leaders
catalyst employment/procurement 'rolling out' of infrastructure, eg roads, electricity technical skills/heavy equipment	leadership role strategic co-ordination leverage of departmental budgets vocational training	community project planning participatory tools and methods project efficiency and sustainability long-term commitment	local knowledge local leadership mobilisation of community participation and labour

Box 1

Benefits of Tri-sector Partnerships

A tri-sector partnership can help a company contribute to community development in a number of ways:

- ▶ ensuring that the **profile of local government** remains high, such that the company is not expected to take on tasks properly belonging to the state;
- ▶ drawing on the **skills of NGOs and community organisations** so that community projects more accurately reflect community priorities;
- ▶ by recognising that in relation to community development a natural resource company can serve as a **catalyst for community**

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



development but without taking on 'all' responsibility;

- ▶ **leveraging resource commitments** from others (eg local government, communities and international development agencies) and so achieve greater returns on its social investment than it could have achieved alone;
- ▶ **widening the range of community benefits**, for example: broadening the 'reach' of NGO and government programmes; strengthening the negotiating capacities of community leaders; and improving the 'visibility' of government;
- ▶ **speeding up delivery of benefits** to communities, for example, making it possible for government Development Plans to be implemented faster; and
- ▶ enabling the **company to focus on those aspects of community development it is best placed to deliver**, for example: clearing supplies through customs; 'rolling out' operational infrastructure to communities; extending employment and procurement opportunities; secondment of skilled staff and heavy equipment.

Key Success Factors

Factors critical to the success of a tri-sector partnership approach to community development include:

- ▶ the company undertaking an **early assessment** of the resources, skills and technologies it has to offer, including:
 - ▶ the level of **cash contributions** intended to invest in social programmes; and
 - ▶ those areas of **core business** where changes in design or procedures could increase the opportunities for the company to contribute to community development.
- ▶ **remaining firm** over the objectives the company wishes to achieve (compliance with investment agreements, meeting deadlines, 'capping' social investment expenditure, etc.), **but flexible** in how to achieve it;
- ▶ find partners who have **complementary (not duplicate) resources**, skills or knowledge; and
- ▶ **inform regulators and investors** of the company's intentions to secure their support in the event that the partnership causes deviation from commitments made in formal Social or Environmental Management Plans.



A Tri-Sector Partnership for rural road infrastructure - Sarshatali coal mining project, West Bengal, India.

Project

Project sponsor – ICML/CESC. An open-cast captive coal supply for fuelling power stations in the Calcutta region. Excavation anticipated to commence in 2001. Population of 10,600 within the mine impact area. 50-65% of households below the poverty line. Region dominated by rain-fed agriculture and poor infrastructure - health, education, water supply and **road access**.

Partnership arrangement

In June 2000 ICML instigated a partnership arrangement with the infrastructure department of Zilla Parishad (the District level Panchayat government). The aim is to collaborate to upgrade and maintain 7 km of rural roads required by the company to join the mine concessions to a railway siding. Areas of collaboration include: alignment of the company's proposals with the road construction strategy of Zilla Praishad; a sharing of costs; procedures for local government to receive revenues from traffic tolls; communities along the route consulted to mitigate noise impacts, reduce the risk of accidents, and ensure improvements in access to schools, a health centre and the distribution of agricultural produce.

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.