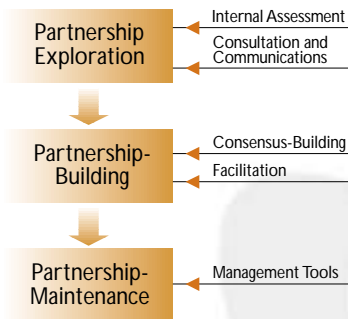


INTRODUCTION



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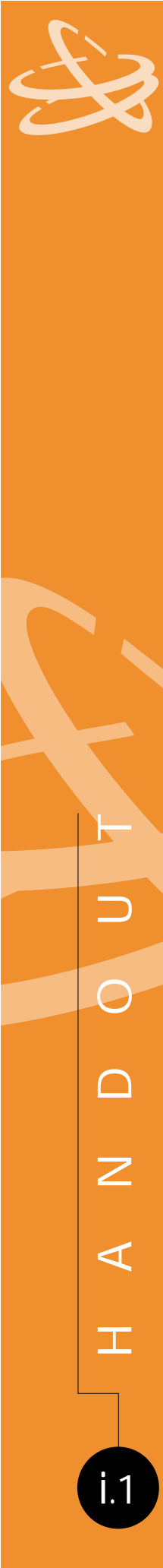
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March, 2001- Version 1.0
Printed in Canada



OVERVIEW

Business Partners for Development

The *Natural Resources Cluster* of Business Partners for Development (BPD) seeks to enhance the role of oil, gas and mining corporations in development. The programme is a unique collaboration between oil and mining corporations, CARE International, the World Bank Group and the Department for International Development. The members of the programme's Steering Committee comprise:

- Anglo American
- BP plc
- CARE International
- Department of International Development (of the United Kingdom)
- Integrated Coal Mining Limited
- International Council of Mining and the Environment (ICME)
- Norsk Hydro
- Phelps Dodge
- Placer Dome
- Rio Tinto
- Royal/Dutch Shell
- World Bank Group
- WMC Resources

The aim of the programme is to produce practical examples, based on natural resource operations around the world, of how **tri-sector partnerships**, involving companies, government authorities and civil society organisations, can be a more effective means by which corporate business manages its social risks and contributes to sustainable development. Working in different countries and at different stages of project development, the *Natural Resources Cluster* is systematically testing the performance of tri-sector partnerships in terms of both business benefit and development impact.

A consistent request from the field-based members of the cluster has been for training in skills and tools relevant to multi-party dialogue, cross-cultural consensus-building and partnership management. This demand reflects growing awareness within the BPD initiative as a whole that the **process** of developing tri-sector partnerships to address social issues is complex and needs to be both **systematised** and **professionalised**.

This document should be considered as **work in progress**. Though the modules have been 'road tested' on a series of oil and mining projects, there remains room for improvement. The document is being published now to meet the urgent demand for skills relevant to managing partnerships for social investment in the oil, gas and mining sectors. In addition, many of the principles tools used have application beyond the extractive industries sector (e.g. in infrastructure and construction).

There is no obligation on the part of the members of the *Natural Resources Cluster* to use or implement the ideas conveyed in this document.

BACKGROUND

Partnerships - a new way to manage social issues

The Issue

Managing the impact of natural resource projects on local communities, maintaining a company's social license to operate and improving the contribution a project makes to long-term regional development, present a complex set of issues that may be best solved through a collaborative effort between business and wider society.

The Importance of Relationships

The major oil, gas and mining corporations of the world increasingly operate in regions characterised by poor communities. More effective use of external relationships to ensure the visible contribution of the business to community development and poverty reduction is critical. Those companies that successfully develop and utilise their relationships to this end build a competitive advantage, both locally and globally. Those that do not threaten to marginalize themselves.

Turning Relationships into Partnership

Developing good relationships with communities, non-governmental organisations, central and local government authorities and international donor agencies is not new. What is new is strengthening these relationships to the point where organisations drawn from across the three sectors in society - business, government and civil society - voluntarily 'pool' their knowledge, resources and skills to solve complex social problems. This is the concept of tri-sector partnerships: a *voluntary collaboration to promote sustainable development, based on the efficient reallocation of complementary resources across business, government and civil society*. **Key characteristics** of tri-sector partnerships include:

- voluntary collaboration between company, government and civil society to address the social issues surrounding natural resource development
- mutually agreed objectives
- a 'pooling' of resources and risk
- added value to what each party could achieve alone
- a consensus across society on a more efficient distribution of project benefits, responsibilities and costs



Health Centre, in Bolivar State, Venezuela - constructed through a tri-sector partnership between the mining company (Placer Dome and CVG), regional governments, local communities, NGOs, and the Army.

Why 'Pool' Resources?

Tri-sector partnerships offer something more than conventional public relations or stakeholder consultation. Whilst these activities can improve a company's external relations, they do not necessarily lead to collective action. 'Pooling' resources signals a commitment to do something practical, together!

A tri-sector partnership approach assumes that the core **competencies** of each sector in society – business, government and civil society – contribute uniquely to the management of social and local environmental issues, for example:

- **government authorities** offer credibility to partnership arrangements, strategic co-ordination through local development plans, public investment, and may act as catalyst, broker or mediator.
- **oil, gas and mining companies** are learning that their unique contribution to managing social issues is to be found within their core business competencies (i.e. by extending the provision of employment, infrastructure, capital equipment, leadership, attention to performance and advocacy).
- **civil society organisations** (church groups, unions, non-governmental organisations, community based groups, SMEs etc.) contribute local knowledge, a capacity to mobilise community participation, and tools and methods to ensure relevance to local need.

Independent Evaluation of the Sarshatali coal mine LATM Partnership, West Bengal, India

District Government Administration - "Experienced the enormous potential of the partnership process...would like to try it wherever possible".

Operating Company - "Senior management of the corporation were convinced that the process orientated approach of tri-sector partnerships would help in fulfilling the corporation's responsibilities in the field of social development".

Local NGOs - "subscribe to the opinion that there should be many [types of] partnerships"...."desire to take up another partnership with ICML [the company] and Government in education and sanitation".

Business Benefits

Bringing these unique but complementary resources together into a tri-sector partnership can lead to the following business benefits:

- a more robust and durable local 'social license to operate'
- new channels of communication which increase the opportunities to prevent local disputes and manage social risk
- compliance with increasingly stringent requirements from regulators, investors and corporate Headquarters for social and environmental management
- direct cost savings during periods of investment uncertainty
- protected and enhanced local and corporate reputation
- more locally acceptable resettlement and income restoration
- more effective use of due diligence and Environmental Impact Assessment (EIA) studies in building community relations
- more visible and effective contribution of the project to the local economy
- reduced community dependency at time of closure and decommissioning
- more equitable spread of wealth across the region of operations

Development Impact

Some of the potential benefits of tri-sector partnerships for communities and local governance include:

- the rolling-out of operational infrastructure (e.g. roads, water supply, health care, electricity etc.) to local communities and associated cost-savings for both government and business
- an increase in the 'multiplier effect' of natural resource projects on the local economy (e.g. on employment and suppliers)
- the local-relevance, time-to-benefit and sustainability of companies' social investment programmes
- a more equitable distribution of the economic benefits of natural resource projects across the region of operations
- closer alignment of private sector social investment (e.g. community infrastructure, income restoration, etc.) with public sector development plans
- greater visibility of government authorities discharging their civic duties

...and the Risks?

The tri-sector partnership model is not without risk. For example, the reputation of the company is at stake if one of the partners reneges on their commitments.

However, these risks can be managed, and value added for all parties, if the proposed partnership is first assessed to determine its relative merits against other available mechanisms for managing social issues; if the process of building trust and reaching agreement between the partners is properly managed; and if partners can be found who have complementary resources and are willing to the share risks.

Building Tri-Sector Partnerships

Tri-sector partnerships can be defined in two ways:

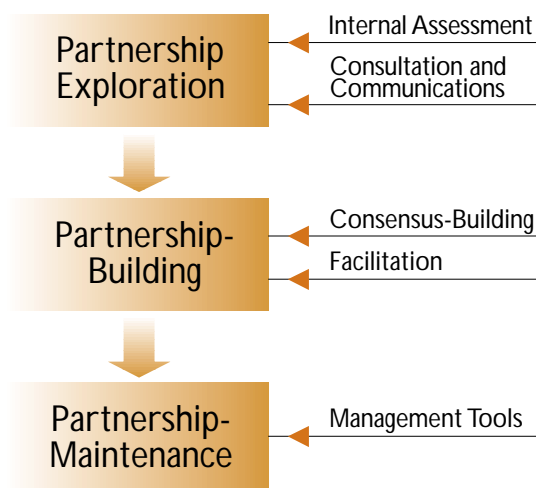
- as a **process** of trust-building, joint problem solving and relationship management between company, government and civil society.
- as a **product** – a set of agreements designed to deliver a joint action programme of social management.

The Partnering Process

Effective handling of social and environmental issues is as much about managing relationships as it is about data gathering and analysis. The process of 'partnering' offers a set of activities and tools to better utilise relationships. The process divides into three stages:

Partnership Exploration

- securing an internal 'champion' (senior manager) to drive the process of partnership development
- prior 'in-house' assessment of the costs, risks and benefits of partnership



- exploratory dialogue and consultation to identify the social or environmental 'theme' of the partnership and gauge the expectations and roles of potential partners

Partnership-Building

- consensus-building between partners to develop trust and agree specific commitments
- building the capacity of partners to implement their commitments and roles

Partnership Maintenance

- measuring the impact of the partnership
- on-going communication between partners and adapting the partnership to changing circumstances

Partnering Skills

The local skills involved in 'partnering' for social and local environmental management are the same as those now commonly used in 'project partnering' in the construction industry. The most critical of these skills are 'consensus-building' (i.e. 'win-win' negotiation) and 'third-party facilitation'. Other partnering skills are refinements of existing practices, namely: assessment, consultation and project management.

The Partnership Product

The outcome of the partnering process is a series of agreements between the partners. These include:

- a shared vision and stated objectives
- the anticipated mutual benefits
- a single workplan with clear roles and resource commitments
- a grievance mechanism to resolve disputes
- procedures for continuous dialogue

An example of a tri-sector partnership is given in the box opposite..

Case-Example - 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 Corporation Venezolana de Guayana, of the Government of Venezuela. The joint venture, operating as Minera Las Cristinas (MINCA), was to commercially develop gold deposits at a site in Bolivar State, southeastern Venezuela. At the time of BPD engagement the project was at the pre-construction phase of development.

Social Management

All necessary land has been acquired and a re-settlement plan 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 to maintain the company's existing '**social license to operate**', whilst also reducing its '**care and maintenance**' costs, 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**

USING THIS DOCUMENT

Purpose

This document presents a set of training modules. The training is designed for those likely to be engaged in, or the facilitator of, partnerships between companies, governments and civil society. The training promotes partnerships for managing the social issues surrounding oil, gas and mining development (e.g. employment, procurement, mitigation of social impacts, resettlement, community development, regional development and policy dialogue).

The training is directed at:

- ▶ **the operational units of oil, gas and mining projects** (e.g. asset managers, public affairs and community relations staff, and environmental, health and safety officers);
- ▶ **central and municipal government authorities** (e.g. officials from municipal government departments, central government oil, gas and mining regulators, central government public service departments - health, education, water supply, etc.);
- ▶ **local civil society organisations** (e.g. leaders of organised community based organisations, directors and programme managers from non-governmental organisations, and middle managers from small and medium scale private enterprises);

- ▶ **resident international development assistance organisations** (e.g. programme managers and advisors); and
- ▶ **experienced facilitators** who can be called upon to assist in the design, facilitation or 'trouble-shooting' of an evolving partnership.

Note: This document has not been designed explicitly for training community groups. It is anticipated that community participation in the training will be limited to community leaders.

Scope

The training modules are applicable to any context in which an oil, gas or mining operation comes into contact with local society. They are likely to yield the best results when applied to the following situations:

- ▶ when the presence of the company is likely to introduce disparities in wealth and welfare or raise local expectations;
- ▶ when the mitigation of the operation's anticipated social impacts is too complex for the company to manage alone;
- ▶ when the company is in a unique position to assist in exploiting social or economic opportunities in society.

The training modules are *not* designed for use in situations where a process of dialogue with parties drawn from across the corporate, government and civil society sectors would carry the following risks:

- ▶ enflame an existing dispute between parties or awaken historic grievances (e.g. exacerbate claims that community groups might have with a company over compensation or encourage the surfacing of past grievances related to the involvement of government authorities in armed oppression);
- ▶ put the lives or welfare at risk of representatives from one or other of the parties (e.g. cause community members to be implicated 'by association').

If developing cross-cultural partnerships in conflict-prone environments such as these *is* desired, we recommend seeking the commercially available services of conflict resolution specialists. The training modules in this document are intended only for conflict situations where tensions have been (or can rapidly be) brought to the point where parties from across the three sectors of society can safely enter into dialogue around some common social issue.

The Training Modules

The modules are as follows:

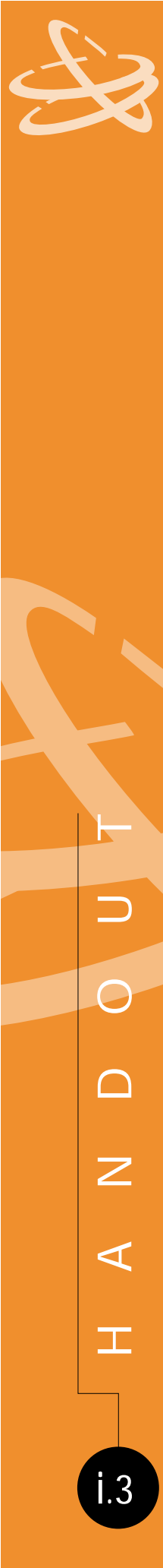
Module 1 (1-hour) is aimed at **senior managers** from any organisation curious about working in partnership to resolve the complexities of social issues affecting the oil, gas and mining sectors.

Module 2 (1-day) is built around a **route-map** designed to help participants navigate where they are with respect to the process of developing and managing tri-sector partnerships. Participants are encouraged to experiment with some of the key skill-sets required at different phases of the process.

Each of the remaining modules contributes a specific set of skills relevant to taking a pro-active role managing partnerships. The skills loosely divide into three phases:

- ▶ *Partnership Exploration* – skills relevant to exploring the merits of working in tri-sector partnerships, including an **internal assessment (Module 3 – 1-day)** of alternatives, benefits, costs and risks of working in partnership on social issues; and **communication and consultation** with potential partners (**Module 4 – 1-day**);
- ▶ *Partnership Building* – skills relevant to building the consensus critical to partnership effectiveness, including process design, negotiation, **consensus-building (Module 5 – 2-days)** and third-party **facilitation (Module 6 – 2-days)**; and
- ▶ *Partnership Maintenance* - skills that help sustain the flow of mutual benefits from partnership's activities, including workplanning, impact monitoring, and partnership adaptation and self-reflection - **management tools (Module 7 – 1-day)**.

A more detailed summary of the training modules is provided in the *Handout i.3* following.



Partnerships for Social Investment in the Oil, Gas and Mining Industry

Summary of Training Modules

Module 1 – Overview for Senior Managers (1-hour) A collection of overhead slides outlining why the tri-sector partnership concept is an improvement on conventional approaches to managing social issues; how tri-sector partnerships are built and maintained; the linkages between partnerships and other project management practices; and, through an example, the added value of partnerships in meeting both business and developmental objectives.

Module 2 – Route-Map (1-day) – recommended to be taken by all participants. Builds capacity for participants to understand where they are in the process of: *exploring* the need, benefits, and costs of partnerships and whether a partnership approach is the best alternative; *building* a partnership; or *maintaining* its flow of benefits over time. Provides experience in the key characteristics and underlying principles of successful partnerships. Ends with participants selecting which modules are most relevant to them in moving the process of partnership development forward.

All subsequent modules:

- are 'skills-based';
- builds explicitly on what participants already know;
- promotes 'clinic' based training, using existing or proposed partnerships as the case material (and includes case-examples where 'clinic' based training is inappropriate); and
- ends with the preparation of mini-workplans outlining how each participant will employ the completed training to move their organization forward in the process of developing tri-sector partnerships.

Module 3 – Internal Assessment (1-day) – builds capacity for participants to weigh the risks, costs and benefits of adopting a partnership approach to deliver their organisation's social investment objectives. Includes: internal assessment of the organisation's 'room for negotiation'; mapping of other stakeholders 'positions' and 'underlying interests'; identification of areas of potential 'common ground' around which a partnership might be built; and synthesis and selling of recommendations to senior managers.

Module 4 – Consultation and Communications (1-day) – builds capacity for participants to consult with prospective partners to agree on a common theme as the basis of the partnership and to 'match' partners in terms of complementary resources and skills. Also builds capacity for participants to manage processes of consultation and communication within an existing partnership, both among the partners and between these partners and their constituents.

Module 5 – Consensus-Building (2-days) – strengthens the capacity of participants to reach agreement between multiple stakeholders using a model of 'interest-based negotiation'. Includes: interpersonal communication and skills critical to interest-based negotiation; distinguishes between 'positions/demands' and underlying 'interests/motivations'; and emphasises creativity and synergy. The module involves role-playing exercises to agree on the vision and objectives of tri-sector partnership.

Module 6 – Facilitation (2-days) – aimed at those likely to be invited to act as a third-party facilitator of a process of partnership building. Begins with the ethics and functions of facilitators. The remainder of the module is dedicated to a single role-playing exercise that guides facilitators through the tools of their craft. The exercise ends with multi-party agreement on the detailed structure of a tri-sector partnerships.

Module 7 – Management Tools (1-day) – Builds capacity for participants to be able to move a partnership from the stage of an outline agreement to practical implementation. Involves tools for three sets of activities: workplanning; adaptation and self-reflection, and impact monitoring.

Who is this Document for?

The materials in this document are for use by **experienced trainers**. The following qualities are emerging as minimum standards for those offering to provide training in partnering skills for social management in the extractive industries:

- ▶ experience in the training of practitioners;
- ▶ experience designing and facilitating workshops involving participants from different sectors of society - corporate business, public sector, civil society, intergovernmental organisations;
- ▶ a professional qualification in some form in 'interest-based (win-win) negotiation'; and
- ▶ a thorough understanding of the extractive industries and the social issues raised by their operations in developing countries.

Disclaimer - With the above standards fully met, the authors are confident that the user of this document will be in a position to interpret the materials here in to deliver training relevant to the formulation of effective partnerships. The authors take no responsibility for outcomes where the trainer is deficient in any of these standards.

Training Strategy

In preparing this document we have sought to avoid producing a 'how to' manual on partnerships, divorced from practical experience. Rather, our aim has been to provide participants with hands-on experiences relevant to the stage they are at in thinking about a partnership approach to managing social issues. To this end, the participants are encouraged to walk away with a **workplan** outlining the next steps each need to take to move their own partnership process forward. We recommend, therefore, that training sessions function more like a 'clinic', where participants come to be mentored in pursuing their own partnering process.

Further, the goal of sustainable natural resource development in developing countries will not be achieved if a partnership has to depend on 'high cost specialists' for negotiation, facilitation or brokering skills. A more sustainable development model is for these **skills to be transferred** as soon as practicable to the organisations involved in the partnership and to local organisations acceptable as third-party facilitators.

For these two reasons we recommend that the training provided in this document forms an integral part of the activities undertaken to manage tri-sector partnerships. In short, **we recommend that training and practice be combined.**

Some examples of how the modules can be used in this way are given below. These are drawn from the current BPD programme. Each example is associated with a different phase of partnership management.

➤ **Partnership Exploration** in October 2000, a two-day training session using these material was conducted for Royal Dutch/Shell operations in Nigeria (SPDC). The focus was on enabling a multi-party, cross-cultural, advisory committee to systematically assess the risks and benefits of working in partnership. The training was built around the task of each organisation reaching an informed decision as to whether it was in its interest to form partnerships to improve the assessment and mitigation of social and health impacts from oil operations.

➤ **Partnership Building** – in March 2000, training in third-party facilitation skills was provided to community leaders and government agencies in the district of the proposed Las Cristinas gold mine, Venezuela. Immediately afterwards these new skills were applied to the task of building agreement between the company, government health department and community groups to construct and manage a local health centre. (See photo)

➤ **Partnership Maintenance** – the company sponsor of the Sarshatali coal mine in West Bengal is presently working in partnership with two NGOs and various government agencies to build trust with communities affected by the project, in particular by land acquisition. Training in consensus-building was provided to all the partners immediately prior to a re-negotiation of the parties' current roles and responsibilities.

We also recommend that the generic exercises and case-examples used throughout this document be **adapted to local circumstances**. This adaptation should be carried out in conjunction with local training institutions - the intention being for such organisations to eventually take over responsibility for delivering the training.

Materials

The guidance for each training session begins with an outline of the intended **learning objectives** and a set of **guidance notes** for trainers. Further support material is provided in the form of **handouts** (diagrams, case-examples, role-play briefs, etc.) and **references** for further reading. Whether the participants are left a copy of these materials is at the discretion of the trainer. Peppered throughout the document are case-examples of the process of partnership building drawn from the work of the Natural Resources Cluster of BPD around the world.



Health Centre, in Bolivar State, Venezuela