

Tri-Sector Partnerships A New Way to Manage Social Issues In the Extractive Industries

The Issue

Corporate operations face a new reality throughout the world. Social issues are increasingly affecting the future of their core business. Issues include how to:

- ▶ demonstrate compliance with requirements to manage the **social impacts** of operations on communities;
- ▶ reduce the **risks to production** posed by local disputes and tensions; and
- ▶ improve the contribution operations make to **local and regional development**

Evidence is growing that these issues might be resolved through a collaborative effort between business and wider society.

Public Good

The major oil, gas and mining corporations of the world increasingly operate in regions characterised by poor communities and fragile environments. More effective use of external relationships to ensure the visible contribution of these investments to poverty reduction and local environmental management is critical.

Those companies that successfully develop their relationships to this end build a competitive and reputational advantage, both locally and globally.

Turning Relationships into Partnerships

Developing good external relationships with communities, non-governmental organisations (NGOs), public authorities and international aid agencies is not new.

What is new is strengthening these relationships to the point where organisations drawn from across the three sectors of society – business, government, civil society - ‘pool’ their complementary

resources, knowledge and skills to jointly address complex social problems.

This is the concept of **tri-sector partnerships**: *a voluntary collaboration to promote sustainable development based on an efficient allocation of complementary resources across business, civil society and government.*

Why ‘Pool’ Resources?

Tri-sector partnerships offer something more than conventional public relations or stakeholder consultation. Whilst these activities can improve a company’s image, they do not necessarily lead to collaborative action. ‘Pooling’ resources signals a commitment to go beyond consultation and dialogue and do something practical, together.



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

A tri-sector partnership approach builds on the idea that each sector in society has core competencies and resources that are complementary to one another. In the context of managing social issues, these include:

- **government authorities** – strategic co-ordination through local Development Plans; new decentralised powers; budgets for public services; a role as broker or capacity builder.
- **oil, gas and mining companies** – employment provision, procurement/supply chain management; local infrastructure; capital equipment, technical skills, logistics management; a performance-led work ethic, best international practices, capacity for advocacy.
- **civil society organisations** - local knowledge, capacity to mobilise community participation, tools and methods to ensure relevance to local need, and independent monitoring.

What are the Business Benefits?

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

- new robust channels of communication which increase the opportunities to **prevent local disputes** and manage social risk;
- a more durable local **'social license to operate'**, eg access to site
- a new management tool to help close the gap between the social **compliance** requirements of regulators, investors and Corporate HQs, and the social performance of operations on the ground.

When to Apply a Partnership Approach?

Consider the potential for tri-sector partnerships to:

- achieve direct **cost savings** during periods of investment uncertainty, eg exploration, financing delays, downsizing
- reduce the **dependency liabilities** that can result from company-dominated social investment programmes;

Box 1. Key Characteristics of Tri-Sector Partnerships

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

- ensure that **local government** assumes its responsibilities for public services;
- strengthen the company's negotiating position in **bidding for concessions**;
- utilise **EIA** studies to secure the social licence to operate;
- protect local **supply chains** and contribution to the **local economy**;
- reduce community dependency at time of **closure** and decommissioning; and
- achieve more equitable **spread of wealth** across the region of operation.

... and What of 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 the alternatives 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 share responsibilities.

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.