

Meaningful partnerships: building relationships of `trust`

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UNEP/World Bank/MMSD conference on Finance, Mining
and Sustainability,
14-15 January, 2002 Paris



Presentation Overview

- Investing in `trust' as the way forward
- Practicing `trust' through partnerships
- Stakeholder perspectives on partnerships

Why a focus on `trust`?

- ✓ **Erosion of trust** is the basis for the disaffection that is observed in mining regions even if there is no explicit conflict situation
- ▲ Creates **real options** for a company
- ▲ Builds **reputational capital** because of the support that stakeholder groups provide

(adapted from Fombrun et al, `Opportunity Platforms and safety nets: Corporate Citizenships and Reputational Risk)

` The real economic value of a corporation increasingly comes not from the assets that it owns, or the employees that it supervises, but from the **domain of trust that it has established....**

(**Economist**` The future of the company, Dec 22, 2001, p 74)



By 'trust' I refer to:

- a relationship between at least two agents, in this case three
- based on goodwill for the other and assumes that actions or decisions by either of the agents in the pursuit of their interests will favourably factor in the interests of the other, and
- where the detrimental consequences of such pursuit is seen as arising from an error of judgment rather than from ill-intention
- trust is about recognizing mutuality
- the goal of a culture of trust: to move from 'thin' to 'thick' relationships

... ..**relevance to the extractive industry?**

From a company perspective, trust is the knowledge and belief that

- its actions are seen in a positive light
- community oriented activities are perceived not to be mere PR exercises

From a government perspective, trust exists if:

- timely and correct royalty and other fiscal payments are made
- rules and regulations are observed
- environmental and social costs are being addressed

From a local community perspective, trust exists if there is:

- transparency in company actions and in methods of compensation payments
- a genuine addressing of mine related environmental and social problems
- consistency in actions
- no sense of collusion between companies and government bodies in matters that work to their detriment
- a feeling that they have a stake in the resource, & not just as obstacles that need to be 'overcome' in a race for it
- rule enforcement

Thus,

the breakdown of trust in mining regions is linked not only to company actions, but also to government non-actions

The breakdown of trust can be seen as

a **management failure** exposing the company to **reputation risk** and perceptions of **poor corporate governance** and a source of **competitive disadvantage**

The **domain of trust established** can affect mining investments

- a government's decision to grant a license to operate in a location
- a community's 'informal' license to operate
- media attention
- a worker's decision to work with the company (leave the job)
- access to finance if local conditions are seen to be hostile to company

Tri-sector partnerships

arrangements that allow the practicing of trust which encapsulate a **preferred way to manage mineral wealth** where:

- communication, commitment and continuous negotiation takes place
- the outcomes are beneficial and equitable to all concerned
- rights and responsibilities of the various stakeholders form the underlying 'perimeter' of the partnership

If Partnerships are endowed with this meaning it will shape the ways in which agents enact and perform their roles, and will determine the shift from a **thin** to a **thick** relationship of trust

Through

- addressing the issues of concern to all stakeholders and not just of those to the company
- moving the calculus beyond shareholder value towards stakeholder value by seeing mining activity not just narrowly in terms of profits but as a means to improve the quality of life of the local communities
- improving relations with the local community and reducing tensions and conflicts within local communities

Based on specific bridging mechanisms

- Delivery of information
- Resources
- Formal governance structures
- Processes and programmes

(Source: Waddell 1997)

Preconditions for meaningful partnerships

- Empowering communities so that power asymmetries are reduced
- Availability of social and environmental baseline information
- Understanding local dynamics: community & govt.
- A legal framework that provides effective voice to local and community interests
- Measures to strengthen rule of law and good governance
- A monitoring and evaluation system in place

Typical Issues of common concern that can be addressed in partnerships

- ✓ Land access and compensation
- ✓ Transparency and community relations
- ✓ Investment in environmental quality and impact
- ✓ Health
- ✓ Investment in human capital
- ✓ Infrastructure needs

Why partnerships?

-a company perspective

- Manage expectations from local community
- Sources of insights, expertise, innovation
- A middle ground for contentious issues
- Reduced dependency
- A better image
- Less investment risk as hostility gets reduced and local reputation is enhanced
- Cost savings-management time, production delays, etc

Why partnerships?

- a community & government perspective

- Provide a structure for stakeholder engagement
- Enable programmes & action tailored to local & community needs
- Provide a voice in the way resource rents are shared
- Improve knowledge base about project
- Create a sense of ownership & commitment to outcomes
- Provide improved & faster delivery of benefits to community

Potential risks

For companies

- limits to goodwill and opening doors to those who may create problems
- higher direct costs of supporting partnerships

For community and NGOs

- loss of credibility & reputation with members, general public, funders

For regulators

- could turn out to be a diversion from its regulatory functions and reduced enforcement

Challenges

- Stereotypical attitudes
- Corporate attitudes to valuing community resources
- High expectations from local community
- Conflicts with regard to representation
- Inconsistent actions and messages
- Unclear arrangements for effective functioning and responsibility
- Maintaining shared control and voice
- Inadequate resources