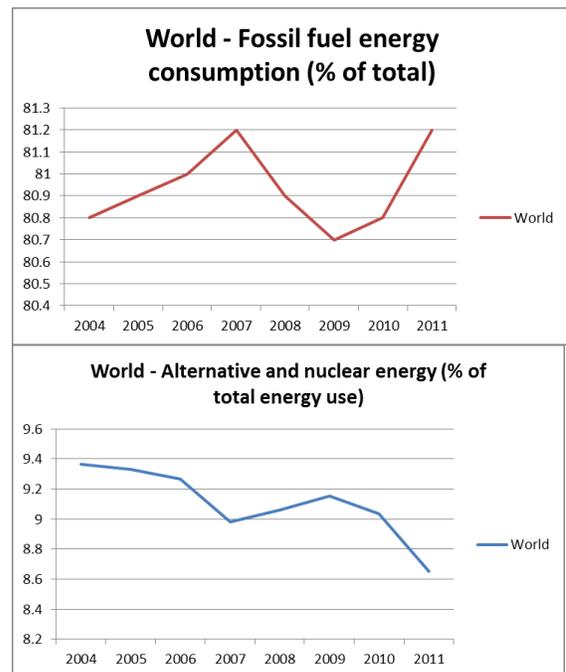


## LEVELING THE PLAYING FIELD: CORPORATE-COMMUNITY ENGAGEMENT IN THE EXTRACTIVE INDUSTRIES

### *Summary Note*

Even as discussions on energy focus increasingly on renewable sources, fossil-based fuels substantially dominate our energy use globally.<sup>1</sup> In the U.S. the expansion of horizontal drilling technology has increased the production of oil and gas to the point where we now export both. In Peru, a single project is moving seven mountain peaks in the Andes to extract copper, permanently erasing livelihoods tied to a long history dating to pre-Inca periods. While the focus on renewables is necessary, denial does not change the fact that fossil-based natural resource extraction continues to grow and represents an important source of economic development opportunity in many countries. In Africa, for instance, natural resource extraction represents a significant opportunity for development, if properly managed.



The emergence of concerns about climate change, and the large scale of extractive operations leading to damaging accidents, has focused the attention of activists and donors on threats to our environment. Environmental Impact Assessments are now a standard requirement, but the human dimension is often lost or peripheral to these assessments. Unlike impacts on the physical environment, social impacts are difficult to define and not grounded in the hard sciences. BCS has focused its work on the social and socio-economic impacts of natural resource extraction. Impacts on people require study of the family, of group cohesion, hierarchy, gender, informal authorities, power relations, prestige, respect, honor, dignity, money, livelihoods, equality and many other intangibles. To study the social effects of business operations, engineers and scientists who typically dominate extractive industry operations, must enter the world of perceptions and beliefs, and treat them with the same legitimacy they accord to facts.

<sup>1</sup>According to World Bank numbers that go to 2011, fossil fuel consumption is 81.2% of the world energy consumption. This percentage has been growing since 2009. Source: International Energy Agency (IEA Statistics © OECD/IEA, <http://www.iea.org/stats/index.asp>).

## Methodology and Data Sources

Over nine years, BCS gathered a considerable amount of qualitative data using an inductive methodology. Data sources included community<sup>2</sup> as well as corporate stakeholders. The approach is to build up a risk and opportunities analysis based on the gap between corporate and community perspectives. Since the analysis of inductively derived qualitative data is context-specific and not summable, and because many of these projects were associated with confidentiality commitments made to corporate clients, each assessment remained isolated from the others.

The results presented here cover a review of all the primary interview data from communities -- more than 1500 in-depth interviews in 17 countries. Patterns emerged across countries and across socio-economic levels.

The sources represent a diversity of people in communities: government officials such as local mayors, council members and regional authorities if they are present; health officials such as doctors, nurses, health aides, emergency personnel including fire departments where relevant; education officials such as teachers, school principals and Board members; male and female teen students; community leaders such as religious leaders, women leaders, social workers, others recognized informally as having authority; and people of all ages and sexes who are marginal to the community. We find the last group typically hanging out on street corners, in market places, in and around homes in economically or socially marginal areas, homeless shelters, food banks and other such places appropriate to the context.

Unlike many studies conducted by universities and other research think tanks, all the data here are derived inductively. The themes developed here are not those introduced by the researchers. There is no research question beyond a general mandate to get to know the communities in question. There are no hypotheses. Any topic that arises in the data does so because it was raised by the data providers. For example, we never ask, “How important is the quality of water for you?” We may never discuss water if the interviewee does not bring it up in conversation. This methodology has proven itself repeatedly for identifying and preventing problems by stressing the knowledge that already exists within communities.

### Case Example in Ghana

In the course of a community monitoring meeting, a step in the Community Scorecard process, the BCS-led facilitation was able to identify that despite the evaluation focusing on income generation from coconut palms, the real concern of the population (not on the agenda) was the fact that two of the three wells the company had paid for were not working, but no one was asking about the wells. The open-ended process highlighted this problem and validated it right away as the top priority and concern. Yet, it would have been unheard under the more structured objectives-based evaluation process that had been underway.

In this analysis, it is also striking that common themes that emerge clearly in the data, despite its sources in different countries.

<sup>2</sup> The word “community” is used loosely here to represent the full diversity of people and interests in a geographic locality.

## What Communities Want

The data revealed at least three high level themes:

1. Transparency and accountability
2. Local expectations of employment and economic development
3. Leveling the playing field in negotiations

These themes cut across countries with high access to information such as the U.S. to places with low access such as Uganda's Albertine Rift, in isolated rural areas such as the Peruvian high Andes to urban areas such as Johannesburg.

The findings warranted sharing, and BCS collaborated with George Washington University, the London School of Economics and InterAction Forum, so each sponsored a public discussion tackling one of the themes. The discussion series was held in 2013 and 2014.

### Theme One: Transparency and Accountability (George Washington University)

The first theme, transparency and accountability, is discussed much and funded at national and international levels, in the realm of policy. However, our work found that community information needs are actually focused on very specific local matters such as how companies operate, whom to speak with in a company, who makes decisions in a company, how to engage in an informed way with NGOs and other organizations that take strong positions and advise community leaders. They are worried about rights to their land and to other resources that constitute their livelihood. These may include social structures that create and sustain economic inter-dependencies. People in communities are wondering what benefits they can expect, how they can negotiate for the best combination of benefits, and what they can and should accept.

Our limited work with NGOs, thanks to a hodgepodge of large donors who made small contributions, revealed that even well-known and well-established NGOs that operated at the national and international levels were not adequately informed about extractive project cycles and opportunities for intervention. Many were stuck at the level of rhetoric and had no sources of reliable information about how things work within companies, how to engage with companies effectively and how to make an initial contact that is constructive. This lack of understanding and reliance on rhetoric on the part of NGOs who claim to be advocating for communities actually pushes communities toward frustration and violence. Our experience is that many corporate personnel also have little to no familiarity or contact with NGOs. Top demands from communities are to enhance understanding of the business of extraction, provide opportunities for deeper understanding of corporations in each particular context, help identify strategic opportunities for intervention, and help develop the basis for strong and peaceful negotiations.

#### Quotes from Interviews with communities

*We guess at what they're doing because we can see it. We get information from other people.*

*We have no problems getting information if we ask the right person the right question; the challenge is knowing who to ask and what to ask.*

*We felt like we had been tricked, we went with some [] lawyer and they said there was nothing we could do*

## Theme Two: Local expectations of employment and economic development (London School of Economics)<sup>3</sup>

Another aspect of corporate presence is that despite the extractive industries' inability to promise much in the way of long term employment, communities in many places welcome industry. Even short term or low paid jobs are considered to be better than what they have. Industry jobs tend to pay much more than many other jobs that demand educated workers such as teachers and doctors. Additionally, for those without much education there may not be direct jobs with companies, but there is typically a multiplier effect, opening up opportunities in a variety of service industries—restaurants and food service, taxi services, hotels.

Our studies suggest also that communities typically welcome industry without too much consideration of the environment. This point of view extends to youth of high school age. Jobs appear repeatedly in data as a fundamental need for which many compromises are willingly made, at least initially. Across the board (not surprisingly) people prefer to have a job than to have their needs met through donations.

Information about jobs, how local businesses can bid on contracts, training opportunities and learning about starting up and running a business are much in demand by community members. No funding is available for making this type of information accessible to communities. NGOs active in natural resource extraction also do not have the knowledge about how businesses work. Notably, companies too need and are asking for advice on how to set up their agreements with larger contractors to incentivize greater support for local development, local hiring, local contracting, and so on.

## Theme Three: Negotiating with strength (InterAction Forum)

This theme was repeated many times—deeper understanding of the company and the incentives that drive it will level the field in negotiations. Communities are diverse in their interests and priorities, and while companies do not typically set out to divide and conquer, the effect is that community groups are not able to organize their priorities, capitalize on their capacities and negotiate effectively. BCS encountered numerous requests for such assistance, but funding for this work is nearly non-existent outside companies themselves.

### Quotes from interviews with communities

*There's no other place for people to get job training in the [region], and we're facing cutbacks from the [local government]*

*Job creation is the number one benefit. Job creation is the best social program because it allows people to raise themselves up and feel good about themselves*

*We will buy our water. (talking about water contamination)*

### Quotes from interviews with communities

*We have no voice.*

*We need a way to be heard that doesn't require hiring a lawyer.*

*If you don't back them into a corner, they will take advantage of you.*

<sup>3</sup> The discussion at LSE was made possible as an extension of project between BCS and LSE with funding from the Alcoa Foundation.

Communities want support to negotiate with and manage large companies as a *third option* to welcoming them or opposing them. As extraction projects become ever larger and more complex, researchers and academics are falling well behind this dynamic context, usually studying change after the fact. Communities are on the frontline. While protection of the environment is increasingly funded, negotiating capacities for dealing with very large actors in non-conflict settings is not. International standards are not able to keep up with technological advances, and have continued to lag while the scale of extractive operations continues to increase significantly each year. Communities are faced with the challenge of negotiating for themselves around issues that are in many ways unimaginable, usually without any knowledge of the company, corporate priorities or strategies.

### Next Steps

Despite the production of more data, analysis, and capacity to respond to corporate-community relations in the extractive industries, ongoing cycles of violence continue to demonstrate the inadequacy of these initiatives to address community-level issues. Our analyses confirm that community-based needs and priorities with respect to transparency and accountability, local expectations of employment and economic development, and the ability to negotiate on a level playing field are only barely or inadequately met.

1. Support for much greater documentation and publication of the diversity of voices directly from the communities impacted by extraction is essential. Women, children and ethnically or economically marginalized groups are almost entirely excluded from decision-making while being disproportionately exposed to the risks of operations.
2. A program of training for communities about the extractive industries project cycle, corporate incentives and risks, and skills in negotiation could be tested in one to three countries.
3. Facilitation of corporate-community relationship building is needed to enable ongoing communication and trust building over the long-term. This makes it possible to reduce or prevent accidents, and deal with conflict in non-violent ways.

### Conclusion

Whereas corporate social responsibility has been expressed as philanthropy since the days of the East India Company, a broader, international agenda has emerged over the last 40 years to promote sustainable development and corporate responsibility. In some quarters a genuine effort has been made to understand what is the responsibility of a corporation to the society in which it operates and from which it profits. Indeed, an entire industry has grown up to help make corporate social responsibility an effective reality. However, its potential is overestimated. Without the engagement of the communities, corporate responsibility can be irrelevant at best and damaging for the company and communities, at its worst.

If corporate social responsibility is about the corporation's responsibility to society, i.e., to people, then the people most affected must have a voice in describing the context in which the corporation is operating. At present that voice simply is not recorded and not heard. Rationales,

studies, policies and practice are based on our hypotheses about what is needed. People who are directly affected by extractive operations have no forum to give voice to their perspectives. Companies are increasingly putting out Corporate Social Responsibility Reports with select quotations from beneficiaries, not unlike the old development reports, but many voices from communities remain silent.

---

For more information, contact:

A. Rani Parker, Ph.D.

[RParker@BCSynergies.com](mailto:RParker@BCSynergies.com)

Phone: 301.270.2241

CONFIDENTIAL