Corporate Citizenship and Corporate Social Investment

Drivers of Tri-Sector Partnerships*

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There is a growing literature about both sustainable development and corporate social responsibility. Few links are made between these two important areas of work. This paper does not review this literature; rather, it suggests a conceptual approach to bridge the two areas. It then explores the new roles and responsibilities of business within a new operating paradigm that has shifted from a 'do no harm' approach to a 'demonstrate positive development benefit' imperative. The paper then makes a case for business to respond to a growing range of both global and project-specific drivers of corporate social investment. To do this, the paper draws on case studies in the mining and energy sectors of tri-sector partnerships between business, civil society organisations and government/intergovernmental agencies. Finally, the paper suggests that management tools, such as tri-sector partnership models and sustainability performance indicators, have a role to play in assisting both companies and their stakeholders in assessing the extent to which their production activities are contributing to, and not detracting from, sustainable development goals.

- Tri-sector partnerships
- Sustainable performance indicators
- Corporate social investment
- Corporate social responsibility
- Sustainable development
- Mining
- Energy

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Corporate citizenship and sustainable development

Corporate citizenship and the social licence to operate

A growing literature both in academic journals and in the media chronicles increasing 'voice of society' concerns about corporate environmental and social responsibility. These concerns are often linked to worldwide environmental disasters or human rights incidents. Some key incidents are categorised in Table 1. It is notable that many of these have taken place in the mining and petroleum industries.

The first observation to be made here is that empirical research investigating these incidents, and also cases of best practice, suggest that they occur within the boundaries of both industrialised and developing countries. This suggests, therefore, that, while public policy might provide the framework for the internalisation of previously external environmental and social damage costs (that is, the role of regulation), it is corporate strategy that can make the difference between disaster and prevention and between irresponsibility and responsible business practice. The latter is defined, in part, by its anticipatory and proactive approach to ensuring that, from the outset of operations, pollution is prevented, human rights are respected and that plant closure is accompanied by clean-up, reclamation and social impact mitigation and planning.

Notwithstanding the salutary fact that explanations are usually found retrospectively for each incident that occurs, and in one way or another these relate to mismanagement, it remains the case that each industry sector is judged by its poorest-performing member. So, increasingly, public interest groups are requiring responses from the industry or sector. This suggests that there is a growing need for companies to acquire a 'social licence' to operate as well as its more customary regulatory licence. Moreover, the criteria for the 'award' of the former are far more intangible than for the latter and pertain to track record and demonstrated intent. As yet, unlike in the environmental arena where a failure to comply can be clearly linked by law to the penalty of withdrawal of permits, the social licence exists on an iterative and informal basis and requires collaboration and mutual

Table 1: CHANGING CORPORATE OPERATING PARADIGMS DEFINED BY ENVIRONMENTAL DISASTERS AND HUMAN RIGHTS INCIDENTS

Source: Developed by Jörg Andriof and Alyson Warhurst

	Phase I: 1960–1983 *Awakening of post-facto societal concerns*	**Phase II: 1984–1994** *Engaging in addressing implications*	**Phase III: 1995–today** *Networking to prevent future incidents*
Critical incidents	▶ Aberfan, Wales '66 ▶ Seveso '74 ▶ Wankie Colliery '75 ▶ Amoco Cadiz Oil '78 ▶ Nationalisation in South America '60s–'70s	▶ Bhopal '84 ▶ Strava, Italy '85 ▶ Chernobyl '86 ▶ *Exxon Valdez* '89 ▶ Wheal Jane '92 ▶ Summitville '92 ▶ Ok Tedi and Fly Rivers, PNG '94	▶ Shell: Brent Spar '95 ▶ Saro-Wiwa execution '95 ▶ Omai '95 ▶ Grasberg '95 ▶ Marcopper '96 ▶ Los Frailes, Spain '98 ▶ Remin and Esmeralda, Romania '00

trust and a self-governing structure for monitoring performance throughout. Research and recent events suggest that companies ignore this imperative at their peril. A new operating paradigm now exists. No longer are companies obliged to 'do no harm'. They need to demonstrate positive benefit and engage directly in corporate social investment to ensure that host communities, particularly those indirectly and negatively affected by their operations, receive direct and immediate benefit rather than wait for a possible 'trickle-down' effect from governments from the receipts of taxes and royalties.

Tri-sector partnerships

This is, in turn, an argument for a tri-sector partnership—an agreement between business, government and civil society—which is a model or framework for managing coherently and systematically over time project-level partnerships between business, government agencies/intergovernmental organisations and local communities or civil society organisations. The tri-sector partnership can also be referred to as a multi-sectoral partnership. The idea of a tri-sector partnership agreement is to address areas of concern by establishing agreed partnership goals, monitoring and reporting systems and collaborative activities. Such partnership agreements may pre- or post-date the project development phase and be used as a mechanism to ensure communication and participation in relevant decision-making, or the funding of social investment programmes: for example, through foundations. Such partnerships will help to find answers to the key social challenges confronting industrial investment projects, and in particular to address the following:

- Social and political risk management
- Relationship management, including the resolution of local disputes
- New local skills and local procurement
- More effective environmental impact assessment and social impact assessment
- More effective public consultation
- Environmental management after site closure
- International standards, voluntary codes of practice
- Involvement of local contractors in social risk management and social investment
- Building trust and confidence and co-operation
- Consultation processes
- Integration of business strategies with regional development plans, rural poverty adjustment schemes and local education programmes
- Allocation of roles and responsibilities between partners and defining community expectations of business
- Closure planning, decommissioning, site remediation, viable future land-use options and employment options
- The funding of social investment projects aimed at local community development priorities
- The management of foundations as vehicles for social investment

Sustainable development

The key quest that business has now to embrace is: how can industrial development be undertaken without damaging the environmental or undermining the development opportunities of local communities; and can the benefits be distributed among stakeholders equitably while promoting economic growth?

Such a quest requires a point of entry as well as a project management system, which provides structure and milestones along the way. Our suggested point of entry here is our working definition of sustainable development and corporate social responsibility, and a framework of indicators that defines both operational targets for the tri-sector partnership and milestones to guide individual firms along a route of social investment and also to chart progress.

Our definition of sustainable development—as a working concept—builds on other definitions that suggest it is a process whereby future generations receive as much capital per capita, or more than, the current generation has available (Serageldin 1996a, 1996b). This includes natural capital, physical (or produced) capital, and social (including human) capital. Together, their measurement provides indicators of the wealth of nations and they might be considered as forming the basis of sustainable economic development and growth (World Bank 1997). In this process the composition of capital changes: some natural capital will be depleted and transformed into physical capital. The latter will depreciate, and it is expected that technological change will generate more efficient replacements. It is the effects of this transformation process on human health and wellbeing that are at the heart of public-interest concerns about achieving a sustainable economy and the related role of corporate environmental and social responsibility.

The United Nations Development Programme (UNDP) usefully described sustainable development as a process for realising human development 'in an inclusive, connected, equitable, prudent and secure manner' (Bansal and Howard 1997). Key elements of sustainable development, according to Bansal and Howard (1997) are:

- Connectivity embraces ecological, social and economic interdependence.
- Equity suggests fairness, within and across generations and species.
- Prudence connotes duties of care and prevention, technologically, scientifically and politically.
- Security demands safety from chronic threats and protection from harmful disruption.

By extrapolation, any form of development that fails to satisfy each of these elements could be deemed to be unsustainable. Research so far suggests there is little evidence to date that these four elements combined have been sufficiently acknowledged by business. However, there are governments worldwide—and specifically the UK—that are endeavouring to address the issues both in law and through research and education initiatives, and civil society organisations and industrial associations that, in turn, are promoting global codes of conduct, as will be discussed below.

These recent working definitions of sustainable development are more 'operational' than the original definition proposed by the World Commission on Environment and Development: 'development which meets the needs of the present without compromising the ability of future generations to meet their own needs' (WCED 1987) and reflect a research and activist agenda that is moving from theory and vision to operational reality and 'solutions'.

This paper, therefore, builds on these advances and understands sustainable development as an 'intra- and inter-generational development process defined by sustained improvements in human health and well-being, quality of life and ecosystem health' (Warhurst *et al*. 1998).

Corporate strategy is considered to be the prime mover in ensuring that industrial production and product use contributes to, and does not detract from, these constituents of sustainable development. We argue that **corporate social responsibility** (CSR) is key to operationalising the strategic role of business in contributing towards this sustainable development process, so that business is able to engage in and contribute to society as a corporate citizen. This implies a need for both internal change and adjustment on the part of companies and external proactivity with respect to their relationships with stakeholders. Hence, we argue that tri-sector partnerships and sustainability indicators, as management tools, can help evaluate and communicate progress to stakeholders both internally and externally.

For those rich in natural capital or the technology and skills to transform it, such as developing countries in the former regard and, particularly, industrialised economies in the latter, there are three areas that merit analysis for understanding better the contributions of business to sustainable development. These are:

1. **Product use** in society and the contribution of industrial products to improved health, wellbeing and quality of life
2. **Business practice**, that is, the way in which the business is run—corporate governance—and in particular the extent of social (including environmental) responsibility integrated within corporate strategy
3. **Equity**, and the intra- and inter-generational distribution of the benefits of industrial production across different societies, especially within host communities

These three areas, product use, business practice and equity, lie at the heart of new concepts of strategies of corporate social responsibility, and the growing imperative for business to engage directly in corporate social investment programmes.

The development of the concept of corporate citizenship has fast expanded since the days when it was considered that 'the social responsibility of business is to increase profits' (Friedman 1970). For example, Andrews (1988) argued that

> corporate strategy . . . is the pattern of decisions in a company that determines and reveals its objectives, purposes, or goals, produces the principal policies and plans for achieving those goals, and defines the range of business the company is to pursue, the kind of economic and human organisation it is or intends to be, and the nature of the economic and non-economic contribution it intends to make to its shareholders, employees, customers and communities.

And, more recently, Drucker (1993) stated that '[corporate] citizenship means active commitment. It means responsibility. It means making a difference in one's community, one's society, and one's country.'

A strategy of corporate social responsibility is defined here as the internalisation by the company of the social and environmental effects of its operations through proactive pollution prevention and social impact assessment so that harm is anticipated and avoided and benefits are optimised (Warhurst 2000b). The concept is about companies seizing opportunities and targeting capabilities that they have built up for competitive advantage to contribute to sustainable development goals in ways that go beyond traditional responsibilities to shareholders, employees and the law, and that internalise indirect socio-economic and biogeophysical effects as well as direct impacts. Tri-sector partnerships are one example of how companies can manage such social investment activities in accordance

with a strategy of corporate social responsibility.

Drivers of tri-sector partnerships

This section reviews both the global and the project-specific 'drivers' of a tri-sector partnership approach to social investment in the oil, gas and mining sectors. Broadly, global-level drivers encourage the formation of tri-sector partnerships, while project-specific drivers encourage project managers and staff to ensure those partnerships deliver tangible benefits to business, government and local communities. The key drivers are illustrated below with a number of examples.

Partnerships between oil, gas or mining corporations, civil society organisations and government authorities can be formed around investment projects to provide new models for contributing to local sustainable development. In particular, they can be convened to address the concern that local communities are often excluded from the direct benefits of the current wave of new oil, gas and mining investments, or concerns about negative environmental and social impacts. Drivers can be divided in two categories: macro-level or global drivers, and micro-level or project-specific drivers. This paper considers each category in turn.

Global drivers

Figure 1 summarises the key global drivers, which are discussed below.[1]

Globalisation. Over the past three decades, multinational corporation activity has expanded significantly. Their number has risen from 7,000 in 1970 to around 40,000, with more than 200,000 globally spread affiliates. As the President of the World Bank states:

> In the space of the last ten years, the private sector has taken an increasingly important role in terms not only of our economic life, but of development. Ten years ago, the flow of funds to developing countries was $30 billion [from the private sector]. Nine years later, it was $300 billion. Ten years ago, official development assistance was $60 billion. Ten years later, it's $45 billion. So from being half the size of development assistance ten years ago, the private sector is now five, six, seven times the size, depending on the year.[2]

In the extractive natural resources sectors (oil, gas and mining) multinational corporations are particularly active in developing countries and are potentially major conduits for technology transfer and economic benefit. In addition, since 1989 more than 75 countries have liberalised their investment regimes for mining and oil and gas exploration, and have privatised state mining companies such as COMIBOL in Bolivia and CENTROMIN in Peru. This privatisation has led to significant downsizing and reduced state provision (via these companies) of 'social wages', e.g. subsidised food, health services and education, with consequent negative socioeconomic impacts. A tri-sector partnership arrangement may offer a vehicle for recently privatised state-owned corporations to continue to play a part in social investment while avoiding the past problems of community dependency.

1 The discussion draws on research of the Mining and Energy Research Network of the Corporate Citizenship Unit (Warwick Business School) at the University of Warwick.

2 Remarks at the National Press Club; 'Challenges facing the Bank in the 21st Century', by James D. Wolfensohn, President, The World Bank Group, Washington, DC, 14 March 2000.

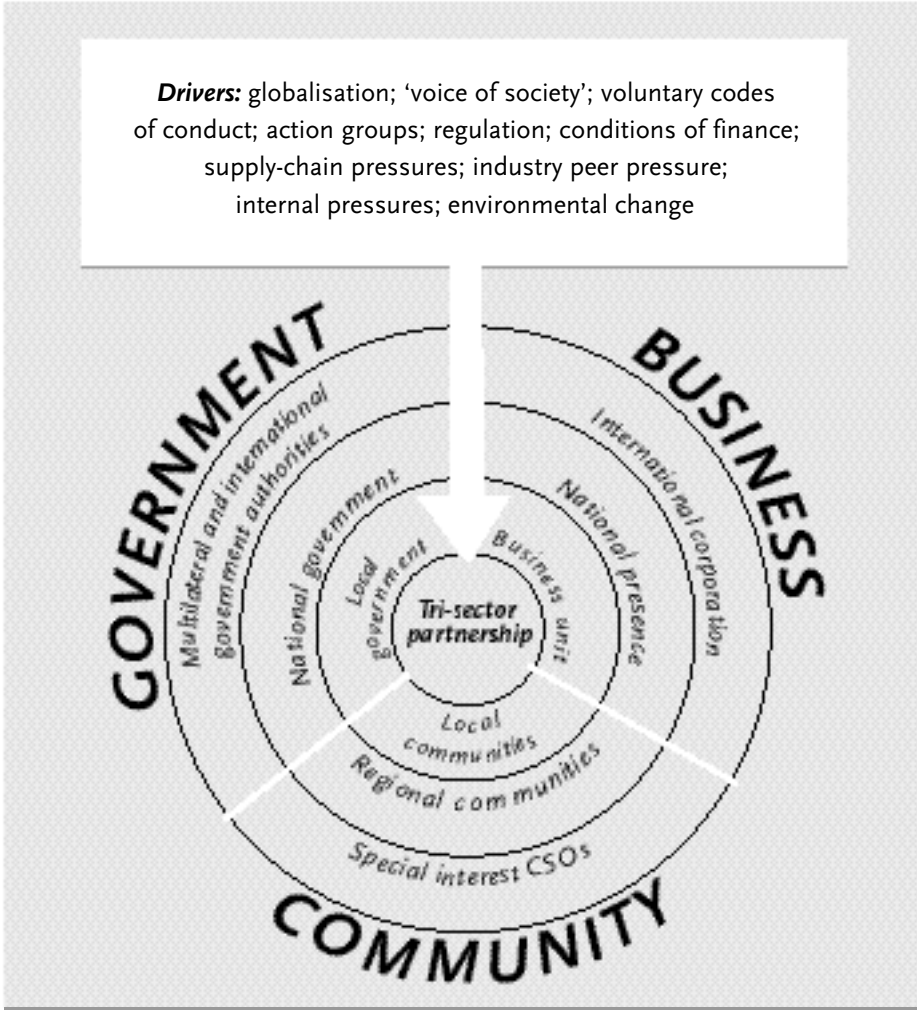

Figure 1: GLOBAL DRIVERS OF TRI-SECTOR PARTNERSHIPS

'Voice of society'. A growing 'voice of society' is demanding that corporations, particularly those that have benefited from privatisation, address past inequalities and broaden the distribution of business benefits. Society also calls for these corporations to mitigate the more far-reaching and indirect effects of their activities on the quality of life of local communities, including environmental damage and health liabilities resulting from previously unregulated pollution, as well as past social exclusion. Increasing demands for information, accountability and, particularly, community participation have encouraged the private sector to adopt various voluntary codes of conduct. Tri-sector partnerships may represent a means to visibly resolve some of these grievances. Similarly, Agenda 21, the action plan resulting from the Rio Earth Summit in 1992, obliges industry—although morally, not legally—to contribute to local capacity-building in developing countries and to assist in transferring clean technology. Tri-sector partnerships can provide a framework for companies to address these goals.

Voluntary codes of conduct. Public concerns have given rise to various voluntary codes of conduct for corporate social responsibility. These codes are becoming important levellers of corporate activity and provide useful guidelines for social reporting. Examples include the Amnesty International Principles for International Business, the SA 8000 Accreditation Scheme, the World Bank's *Environmental Guidelines and Participation Handbook* and the International Chamber of Commerce's Business Charter for Sustainable Development.

Voluntary codes of conduct also exist at the sector level: for example, the mining sector has the International Council of Metals and Environment, which is currently in the process of producing a Code of Sustainable Development.

Special-interest groups and NGOs. non-governmental organisations (NGOs) and other civil society organisations are increasingly important drivers of change. Friends of the Earth and Greenpeace not only run high-profile exposé campaigns but, recognising the creative and shaping role of business in the global economy, also seek to develop a 'solutions agenda' with the business community. The role of special-interest NGOs has grown in part in response to the 'retreat of government'. Special-interest groups especially active in regard to the natural resource sectors include Minewatch, the Third World Network, Survival International and the World Wide Fund for Nature (WWF). Companies may elect to use a partnership approach to meet requirements for public consultation or to more fully utilise stakeholder consultation throughout an investment project's development and implementation. 'The cost of civil issues is rising rapidly . . . How then can it be that an area which can add considerable cost to a project and certainly escalate project costs to a stage that the project may no longer be viable, be still so poorly understood and lack the necessary tools and expertise to assess and manage the associated risks?'[3]

Regulation. The environmental arena has seen a fundamental shift from the regulatory paradigm of 'command and control'—single-medium, end-of-pipe regulation, incrementally enforced through inspectorates, the courts and penalties—to one of 'integrated pollution control' with pollution prevention from the outset, promoted through market incentives and innovative rehabilitation bonds. Similarly, the social arena has moved from the paradigm of 'do no harm' to that of 'net positive development benefit'.

Considered a key driver of a company's social performance, regulation in developing countries is often weakly developed and poorly enforced, its principal role to define the conditions attached to the permitting of industrial activity—the formal 'licence to operate'. Rarely does a formal licence to operate specify that the company should deliver on its social obligations through a tri-sector partnership. However, companies may voluntarily elect to use a partnership approach to meet requirements for public consultation (such as the Colombian constitutional requirement for 'prior consultation' before developing oil or minerals on indigenous peoples' land), or to more fully utilise stakeholder consultation throughout an investment project's development and implementation. Such a strategy may assist the company to acquire that more intangible 'social licence to operate'.

Conditions of finance. In mining, investment costs are high (most projects have one-third equity and two-thirds debt financing). Often the equity investment or credit attaches environmental or social conditions to reduce any future liabilities. The University of Warwick's Mining and Energy Research Network found that more than 90 international banks undertake environmental financial risk assessment of borrowers, and 50 of these incorporated environmental liability into loan terms. A tri-sector partnership

3 Personal communication with a corporate executive, Western Mining Corporation Resources, 2000.

that addresses liability-related concerns could conceivably boost the risk-related credit rating of a country, company or project. 'It is only through exploring new ways to promote dialogue and build partnerships between donors, corporations, security organisations, NGOs and the diplomatic community together with host governments that a more conducive environment for investment, economic growth and stability can be achieved' (business strategy analyst, quoted in Warhurst 2000b).

Supply-chain pressures. The mining and oil and gas sectors, particularly, are organised around extensive networks of subcontractors. Increasingly, firms are purchasing products from local suppliers and environmentally proficient or ethically sound sources, driving upward environmental and social performance along the supply chain. As accreditation schemes diffuse and social auditing increases, having successful tri-sector partnerships in place may enhance market advantages in strategic supply-chain management. 'This is new territory. This is a new way of thinking. It is saying that as a business you cannot do it alone' (James D. Wolfensohn, President of the World Bank Group, quoted in Warhurst 2000b).

Industry peer pressure. In the natural resource sectors, the best environmental performer may still be judged against its peers. In response to these pressures, some leading companies are seeking environmental management system ISO 14000 accreditation. In the mining sector, companies are in the process of setting up the CEO 'Global Mining Initiative' looking at best practice in social and environmental performance and, as an example of an emerging trend in the oil sector, Shell International has established a multi-million-dollar foundation for sustainable development. Companies may choose to adopt a tri-sector partnership model in the implementation of these schemes or, for example, in the delivery of foundation-sponsored community projects, or to more efficiently meet targets set through accreditation systems. Notably, 'problem-solving through partnerships' is one of four key operating principles of the new Shell Foundation.

> No one body has the knowledge, skills or resources by itself to solve the complex and interwoven problems of sustainable development. Wherever possible the Shell Foundation will partner with other groups in supporting projects, and will prioritise initiatives where partnership is a key feature of the delivery mechanism (Shell Foundation, quoted in Warhurst 2000a).

Internal pressures. Shareholders and employees alike are increasingly pressuring mining, oil and gas corporations to be more environmentally and socially responsible. Some NGOs are even purchasing shares to be able to raise strategic questions at AGMs. It is not yet conclusive whether such pressures promote companies to work in collaboration with campaigners. In some instances, particularly in North America, the activist nature of much internal advocacy fosters a hardening of attitudes within the corporation.

Environmental change. Pollution hazards—such as volcanic dust, acid rock drainage, rising sea levels, changing precipitation levels and natural variations in biodiversity—are also prompting companies, governments and communities to consider the advantages of responding proactively to reduce the risks of environmental disasters. In addressing these issues business are increasingly drawing on the expertise of environmental groups and universities, and linking into government's national biodiversity conservation plans and international conventions. In recognition of these concerns, Sir John Browne, CEO, BP Amoco has stated:

> Business is a continuing activity, not a one-off event, and that's the context in which we invest and reinvest in communities. Because we want and intend to be part of their communities,

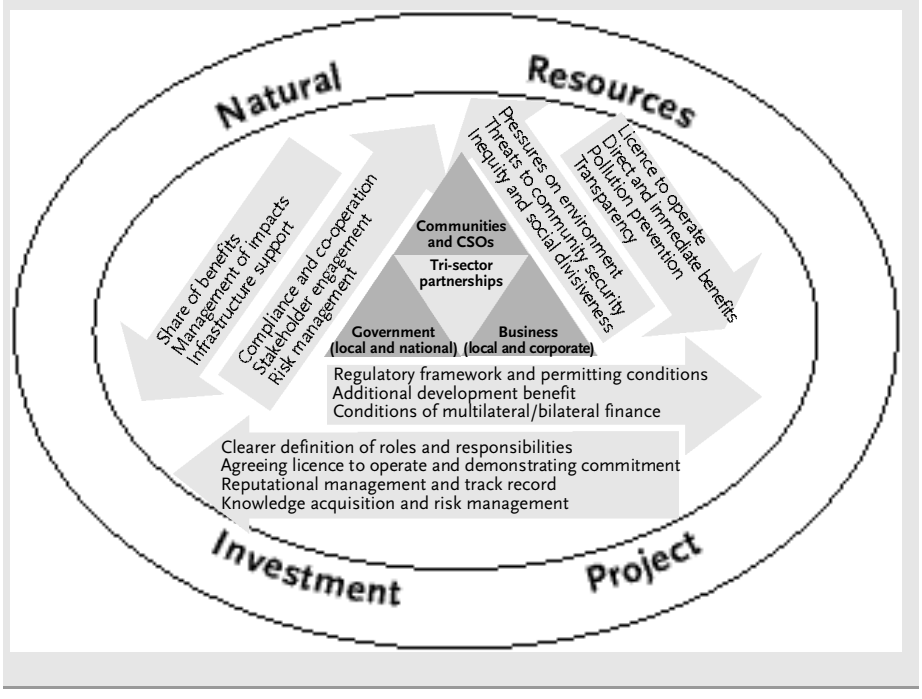

Figure 2: PROJECT LEVEL DRIVERS OF TRI-SECTOR PARTNERSHIPS

not just today but for years to come, and so we have a direct interest in their successful development (Warhurst 2000a).

Project-specific drivers

In addition to the influence of the global drivers, project-specific drivers may account for the development of particular tri-sector partnership agreements in specific socio-economic and political contexts. Figure 2 summarises drivers at the project level across the three sectors of community, business and government. The arrows identify the key factors and the pressures that one group of partners imposes on another. The following discussion of these drivers draws on the results of a survey and interviews conducted by the author.

A review of 47 tri-sector partnerships across the oil and gas and mining sectors revealed five key sets of project-level drivers:[4]

- Stakeholder expectations and local community needs
- Corporate policy and practice
- Local technical innovation
- Local reputation management
- Government development plans

4 This research was undertaken with the assistance of Anupama Mohan, Research Fellow, Corporate Citizenship Unit, Warwick Business School and supported by the Natural Resources Cluster of the Business Partners for Development.

Stakeholder expectations and local community needs

Project-specific stakeholder expectations and local community needs drive tri-sector partnerships in a number of key ways:

- Contributing to local community development
- Legal funding frameworks
- Integrating local communities and the local workforce with the core business process
- Responding to the demands and expectations of NGOs and other special-interest groups.

Contributing to local community development. Tri-sector partnership arrangements can help to provide community benefits in situations where government commitment or the institutional capacity to equitably distribute resource rents (tax and royalty revenues) is lacking. The Integrated Childhood and Youth Centre in Tauramena, Colombia, is one example. The partners include the BP Foundation, BP Amoco, the World Bank, the Colombian government, the mayor of Tauramena, local NGOs (Minuto de Dios and Fundación Amanecer) and local businesses. The centre delivers comprehensive healthcare to pre-school children, mothers and youths, provides a community facility for education, recreation and sports, and offers business skill and income opportunity development.

Another example is the RBM (Richards Bay Minerals) Business Advice Centre, set up by Rio Tinto in Mbonambi, South Africa, in 1986 to promote local business. The scheme provides comprehensive information, advice and training services to area residents, as well as assistance in establishing factory units. Over 2,500 jobs have been created and close to 900 businesses established. The scheme has also developed the new 'pavement' banks for micro-credit provision to small traders, and encouraged large corporate buyers to purchase the services of emerging entrepreneurs. In 1996, RBM won the Worldaware Development Award for the Business Advice Centre's project on micro-credit. Partners in the scheme include Richard Bay Minerals, the African Council for Hawkers and Informal Business (ACHIB), the National Economic Initiative and local traders.

At Tampakan, in the Philippines, WMC Resources places funds from compensation agreements for land access and company donations into individual community foundations that aim to benefit local communities. Each foundation's board comprises representatives of the corporation, the community (elected through the tribal council) and the government. Communities implement, manage and maintain their own development programmes and projects, with assistance from WMC's community relations team, which provides training in needs assessment and project management, and offers technical guidance. 'Tri-sector partnerships are the principal means by which services can be delivered to affected communities in remote regions where the cost of doing so can be underpinned by the development of the resource' (Dr Stephen Davis, formerly Head Geographer's Office, WMC Resources, quoted in Warhurst 2000a).

Legal funding frameworks. Companies, governments, NGOs and community organisations often use the 'foundation'[5] or trust fund model to frame their social investment programmes. Community development initiatives at the Yanacocha mine in Peru are

5 Professor Alyson Warhurst, Anupama Mohan and Dr Assheton Stewart Carter are working on a project funded by the Mining Policy Research Initiative (IDRC Canada) on foundations as agents of corporate social investment.

organised within the framework of a tri-sector foundation, the Yanacocha Association. The company provides funding, management expertise and technical support for community welfare programmes (e.g. school meals, emergency shelter, tree and plant nurseries, sawmills and bridge construction). Partners include Yanacocha, Ade Four, ITDG, Care International, the Peruvian department of health and community association leaders.

A common characteristic of the tri-sector model of company-sponsored foundations is its potential to deliver financial leverage, which itself becomes a contributory driver to further increase the foundation's scope and impact. For all partners involved, the incentive for leveraging additional funds is the enhancement of social investment goals in the region of operation and the 'added value' that such funds represent. An example is the Foundation of San Isidro in Colombia, which was established to integrate the Cerro Matoso nickel-mining company with the local community and has expanded to administer a growing number of donor agency grants.

Community participation in core business. An increasing number of tri-sector partnerships have been established to enhance core business processes, including improving production skills, integrating local expertise and knowledge into production activities, and complying with requirements for environmental and social impact assessment and monitoring. At the instigation of Canadian Occidental Petroleum in Yemen, one such partnership was convened to develop an environmental regulation framework. The framework was later adopted by government regulators. The partners included Pecten, Consolidated Contractors, the Yemen government, UNICEF, Canadian Aid, local communities and NGOs. Through the relationships developed in the partnership, the company recruited and trained local people, encouraged contractors to hire from the local area, and developed infrastructure through community participation with implementation through village co-operatives. Material and technological support for these initiatives was sponsored by Canadian Occidental, while the community contributed labour for construction.

Likewise, a partnership arrangement monitors environmental performance at the Cusiana and Cupiagua fields in the BP Amoco Casanare project in Colombia. Partners include BP Exploration Colombia, the Colombian Natural Renewable Resources Institute, local consultants, the local community and the government of Colombia. This award-winning partnership model has since been promoted elsewhere in Colombia and in other developing countries.

A growing trend is for bi-sector partnerships (between the company and *either* civil society *or* government) to develop into tri-sectors arrangements, where the three parties come together. One example is the Rio Tinto–Earthwatch partnership. This began as a worldwide bi-sector 'corporate-cum-NGO' project, designed initially to expose employees to 'hands-on' work with international experts. It has since expanded to include government partners, not least since corporate strategists saw the advantages of contributing to wider policy debates. In contrast, in some situations, bi-sector partnerships may be a better model for delivering social development goals. For example, corporate staff working in remote areas report that the inclusion of government agencies perceived as corrupt or abusive of human rights in a partnership would undermine community trust or credibility among the international NGO community. One example is the WMC Resources Tampakan copper mining project in the Philippines, where a company-managed community training programme in environmental monitoring was found to be the most effective mechanism for incorporating local communities more fully in the mining workplan.

Local responses to special-interest groups. The concerns of NGOs and other groups advancing such issues as biodiversity conservation or human rights, or targeting specific

problems at particular project sites, are also driving companies to work in collaboration on social and environmental concerns. Mining and oil and gas companies previously categorised such concerns as 'pressures' and reacted to them accordingly. Increasingly, however, some companies are instigating tri-sector partnerships as a means to respond proactively. For example, the relevant NGOs or community groups are invited to participate directly in the partnerships, with an emphasis on the added and unique value that they can bring to strategic decision-making in terms of specialised knowledge and insights. To illustrate, through its centre for ecological exploration and education at Wereldsend in Namibia, the Environment Education Network promotes environmental training and scholarships, with a particular emphasis on drought relief. Partners include the Rio Tinto Rossing Foundation, the Endangered Wildlife Trust, the Save the Rhino Trust, and the Department of Wildlife, Conservation and Tourism.

> . . . it is essential that we use opportunities like the Earthwatch partnership to improve our understanding of the complexities of both environmental and social issues in the countries where we work. The partnership also helps Rio Tinto support activities that link with the operation's own environmental and community priorities and provides unique, hands-on experience for our staff (Leon Davis, Chief Executive of Rio Tinto, quoted in Warhurst 2000a).

In another example, preventing environmental destruction in the ecologically diverse and sensitive Kikori River Basin in Papua New Guinea (PNG) was the key driver behind a tri-sector partnership that is the Kikori Integrated Conservation and Development Project. The project, which involves Chevron Niugini, WWF, local communities and government authorities, aims to promote sustainable development and resource use, including forest conservation, and to build community awareness of the environmentally destructive aspects of large-scale logging. Closely co-operating with local landowners and communities, as well as the PNG government, the project receives financial, material and logistical support from the participating oil companies: Ampolex, BHP Petroleum, Japan PNG Petroleum, Oil Search and Petroleum Resources Kutubu.

At the moment the evidence is stronger for pressure groups promoting environmental and, in particular, biodiversity agendas, as drivers of corporations working in partnership to address the concerns. There is less evidence that groups campaigning on social issues such as resettlement and human rights are causing a similar reaction.

Implementing corporate policy and practice

Possessing a track record in responsible business practice can reduce a project's permitting time and enhance corporate–community relations, as well as contribute to the overall competitive advantage in future operations worldwide. Increasingly, corporate policy and board-level support for its implementation drive closer collaboration with governmental, NGO and community partners at the operational level. Most mining and oil and gas corporations have policies that guide local businesses and operators in the areas of the environmental management and community relations. Some also have policies that address indigenous peoples, human rights and corporate governance. A key challenge for each business unit is in translating these policies into a practical strategy at the project level, underpinned by the 'business case' and able to be implemented with the capacity and resources available. Managers of local businesses are increasingly looking to partnership arrangements in general (and tri-sector partnership arrangements in specific cases) to assist them in meeting these performance requirements.

Local technological innovation

A number of current partnership arrangements are designed to explore technological innovation in companies' environmental, social and economic performance. These partner-

ships may work best where there is a combination of input from the wider scientific community, collaborative funding from local government and business, and consultative input from special-interest groups. Examples of such multi-partner projects include the international network MEND (Mine Environmental Neutral Drainage) created in Canada to address acid rock drainage problems, and robotic underground mining, developed by INCO in Ontario, Canada. It remains to be seen whether similar research-based partnerships will emerge to improve the environmental and social performance of extractive industries in developing nations.

Local reputational management

An increasingly relevant project-level driver of tri-sectoral partnerships is the need of the local operating company to protect and promote its local reputation. Tri-sector partnerships for social investment in the oil, gas and mining sectors, if fully inclusive of civil society and relevant public-sector agencies, can demonstrate to government regulators and special-interest groups that the company is genuinely committed to promote social development alongside business goals. Increasingly, being able to demonstrate this commitment improves the attractiveness of the company when competing for concessions or transferring permits.

> Chevron has also been the first major corporate organisation in the country to have gone a long way to not only deal with the effects of its activities on the environment and people but to [also] assist landowners in consultation with government to protect their natural environment (Iamo Ila, Secretary, Environment and Conservation Department, Papua New Guinea, quoted in Warhurst 2000a).

Government development plans

Local and national governments hosting natural resource investment projects are increasingly identifying the advantages of full alignment of corporate social development initiatives with national and regional plans. Such alignment can add value to the efforts of all parties involved in implementing the plan: government departments, NGOs, small- and medium-sized companies and community-based organisations. An infrastructure development programme in Colombia, initiated by Cerro Matoso, has involved road building through partnership in accordance with government infrastructure plans. The local council has supplied raw materials, the company the managerial expertise and the community labour. In another example, a multi-sector dialogue, supported by a Rio Tinto subsidiary, QIT Madagascar, has helped to frame a Regional Plan for Development in the area of the mine. Partners in this dialogue have included local government, local community groups and the national government, with further support sought from the World Bank.

Summary

Some of the principal **global drivers** promoting tri-sector partnerships for social investment include: managing the social consequences of globalisation; implementing voluntary codes of conduct on corporate social responsibility; meeting regulations and conditions of finance relating to social and environmental issues, and responding to industry peers, shareholders and staff.

Project-specific drivers include: improved management of stakeholder expectations; improving the effectiveness of social investments in both developmental and business terms; the need to demonstrate that corporate policy on sustainability is being implemented;

responding to local special-interest groups; enhancing local reputations and competitiveness; and aligning social programmes with government development plans.

With regard to globalisation, a tri-sector partnership arrangement may offer a vehicle for recently privatised state-owned corporations to continue to play a part in social investment while addressing some of the related socioeconomic impacts of downsizing and avoiding past problems of community dependency.

Research has found that more than 90 international banks undertake environment-related financial risk assessment of their borrowers, and of these 50 incorporate environmental and social liability into loan terms. A tri-sector partnership that specifically addresses liability-related matters could conceivably boost the credit rating of a company or project, and the trust that local communities feel towards the project.

A key incentive for companies to adopt a tri-sector model of administration in the design of community development foundations is the potential this model has to leverage greater financial resources.

Corporate citizenship, tri-sector partnerships and future challenges

Secondary-source data is currently limited. To better understand the drivers and incentives that lie behind corporations' willingness to adopt a partnership approach to deliver certain aspects of their social investment, more in-depth primary research is needed in the following areas:

- Identifying the key drivers of civil society and government organisations, and whether these complement or contradict those of corporations. If the latter, under what circumstances may they be reconciled?
- Using the knowledge of partners' key drivers in designing successful tri-sector partnerships: for example, in allocating roles and responsibilities within the partnership, or ensuring that the outcomes of the partnership meet expectations.
- The extent to which project-level drivers of core business may conflict with those related to the companies' policies for demonstrating contributions to sustainable development and social investment.[6]
- The institutional incentives (e.g. key performance indicators, reporting requirements, challenge funds) needed to develop partnerships that transform global and project-level drivers into action on the ground.[7]

6 This is an area where MERN/CCU is working. Building on four papers written in the area of tri-sector partnerships within the World Bank/Industry/NGO Business Partners for Development programme, two projects are under way: Rob Ashley, seconded from Aggregate Industries UK Ltd, and Trina Malaga, who is sponsored by Placer Dome Inc., are working on the development of tri-sector partnership models to manage relationships and social investment programmes between government, industry and civil society, working on case studies of respective sponsors. We are seeking funding to complete the set of studies and fellows, with a strong third candidate whose background is in government organisations.

7 This is an area where MERN/CCU is working. Our programme of sustainability indicator development is headed by our three-year project, supported by DfID and our Industry Club of Sponsors, to develop environmental and social performance indicators for extractive and metal projects. In addition, we are also developing indicators for the non-ferrous metals, nuclear and oil sectors. This now covers business practice indicators as well as product use indicators with a key focus on evaluating contributions over time to quality of life. Our work in this area is advancing well, and initial frameworks of indicators, verified through fieldwork are now being constructed across the economic, social and biogeophysical spheres. Phase II of our international collaborative research is now under way, in partnership with TERI (India), INER (University of Antioquia,

Conclusions: towards a 'sustainability licence' to operate

This paper has discussed the imperative of corporate citizenship. It has suggested that public policy, particularly regulation, is important but that there exists substantial potential and a growing number of global and project-specific drivers for companies to act proactively and become the prime mover of change. This is all the more relevant in some developing countries where local communities, disillusioned with weak government and failed promises to return to them portions of royalties and taxes, are engaging directly with companies so as to ensure at least a minimal receipt of economic benefit within the host community. We are witnessing a trend towards civil society groups 'granting' what amounts to a social licence to operate alongside normal regulatory licences and permits. This is heralding a need for formalising that social licence and monitoring progress towards sustainable development goals. We could call it a 'sustainability licence', since we suggest that, increasingly, communities and special-interest groups, and some governments, will require from the outset that industrial development projects meet pre-defined criteria of sustainability on the one hand and, on the other, that the ongoing project demonstrates good progress towards contributing to sustainability goals of enhanced human health, wellbeing, quality of life and ecosystem health. More than ever there is a need for management tools to guide and communicate to stakeholders the extent of progress. Sustainability performance indicators are one such mechanism, tri-sector partnerships are another. This paper has explored and made the case for corporate consideration of the latter, as a framework for increasing corporate social investment and, in turn, as a means of demonstrating to different stakeholder groups that a project is contributing to, and not detracting from, sustainable development goals.

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Useful website links

www.bsr.org	*Business for Social Responsibility*
www.ceres.org	*Coalition for Environmentally Responsible Economies*
http://users.wbs.warwick.ac.uk/ccu/	*Corporate Citizenship Unit, Warwick Business School, University of Warwick, UK*
www.csreurope.org	*CSR Europe (formerly European Business Network for Social Cohesion)*
www.worldbank.org	*World Bank*
www.bp.com	*BP*
www.riotinto.com	*Rio Tinto*
www.wmc.com	*WMC Limited*