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## The role of participation in sustainable community development programmes in the extractives industries

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WIDER Working Paper 2017/28

**The role of participation in sustainable  
community development programmes in the  
extractives industries**

Catherine Macdonald\*

February 2017

**Abstract:** A major challenge for almost all extractives activity is that benefits accrue predominantly at the national level while disruptions are invariably highly localized close to the resource. Recently, extractives companies have intensified efforts to correct this imbalance. The aim of this paper is to identify the optimal approach for companies to encouraging sustainable local development among host communities. The role that government and civil society actors can play in supporting this process is also addressed. Community participation is central to the discussion, which makes reference to case studies, particularly that of the community development programmes of a gold mine in Tanzania over a period of 15 years.

**Keywords:** community development, community participation, sustainable development, extractives industry

**JEL classification:** Z1, Q3, Y8, Y9

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# 1 Introduction

## 1.1 Scope

A central difficulty for almost all extractives activity is that, although the total benefits may be large, these benefits accrue predominantly at the national level and are typically concentrated in the hands of those in power and in capital cities. At the same time, the disruptions in terms of population movements, noise, air and water pollution, and so on are invariably highly localized close to the resource. Local benefits in terms of new employment opportunities frequently disappoint in terms of their magnitude. It has been recognized for many years, at least by those inside the industry, that these imbalances need to be addressed through active local policies and programmes. Increasingly, this corporate response is matched by complementary responses (either specific mandated requirements or discretionary approaches) by host governments.

Over the past decade, there has been an intensification of the efforts of extractives companies to demonstrate their positive contribution to their host communities. This is particularly strong in the remote and underdeveloped areas where many extractives projects are located. Often, an extractives project may be the major, if not the only, economic driver in a region. One action by the industry and by financial institutions has been the development of various international standards and recommended practices (Dodd et al. 2015: 15–17).<sup>1</sup> At the leading edge of this movement towards universal standards and guidelines has been the role of international finance institutions, such as the IFC and the Equator Principles banks, in insisting upon environmental as well as social responsibility as preconditions to project financing, the varying success levels of which are discussed in Ruth Greenspan Bell (2017, forthcoming). The concepts of corporate social responsibility (CSR) and the social licence to operate (SLO) have gained great currency in recent years and combine to make it almost essential for major projects to manage the social and economic impacts of their developments, ideally leading to an improvement of the standard of living of local communities. In cases where economic and physical displacement or resettlement occur, international standards require that those displaced must regain at least the same standard of living as they had prior to disruption by the project—preferably an improved standard. With the recent addition of human rights and business requirements, a greater focus on the local and regional contributions of extractives projects has emerged.

One area of community engagement that is still deemed controversial by some extractives companies is the issue of free prior informed consent (FPIC) by communities, especially indigenous peoples. Bell (2017, forthcoming) discusses the question of community consent, and the international NGO Oxfam recently prepared a community consent index that analyses corporate commitment to FPIC (Oxfam 2015). This found that no oil and gas companies had made a public commitment to considering the FPIC of indigenous communities, although a growing number of mining companies had made such commitments: 14 in 2015, compared with 5 in 2012, when Oxfam prepared the first consent index. Commitments to seeking FPIC from all communities, not just indigenous ones, is still a step too far for the industry, according to Oxfam,

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<sup>1</sup> The IFC Performance Standards are the most commonly referred to standards for private sector programmes. For guidance, in the mining sector there is the ICMM *Community Development Toolkit* (ICMM 2012), and for oil and gas, IPIECA's *Guide to Successful, Sustainable Social Investment* (IPIECA 2008). For further information see Dodd et al. (2015: 15–17).

although many companies have made commitments to actively seeking community support and agreement before embarking upon operations (Oxfam 2015: 15–20).

The role of host governments in enabling positive local impacts of extractives projects is important. The contribution that can be made by civil society organizations (CSOs) is also important. The ability of companies to align their efforts with both these key stakeholder groups is important, as the harnessing of extractives revenues for local development is very much the product of combined and concerted efforts. Such cooperation is discussed in this paper, and is analysed comprehensively in Kathryn McPhail (2017), which focuses on multi-stakeholder processes.

Another trend that may bring benefits to local communities is the recent focus on the negotiation of formal agreements between companies and project-affected communities. James Otto's (2017, forthcoming) paper on model community development agreements discusses this in depth (see also Otto 2012 and Rio Tinto 2016). The primary aim of this paper is to identify the optimal approach for companies to take in encouraging sustainable local development among host communities, with a secondary focus on the importance of alignment with other actors.

## 1.2 Structure

The paper considers both the conceptual and the practical possibilities for the improved management of extractives resources so as to generate positive and sustainable economic and social outcomes for local populations. The *conceptual* dimensions of these topics are presented via a review of the key recent literature, with a view to determining where gaps have been identified in corporate performance. The *practical* aspects that give life to the scholarship are presented in the form of a long-term case study of the community development programmes of a mining project in Tanzania, with briefer references to other relevant case studies. Additional contextual information was obtained from an unpublished survey of key stakeholders with insights into industry experiences 'at the coal face', which focused on the constraints posed to local development in mining areas. This survey was conducted by the author in 2015 for the International Council on Mining and Metals (ICMM) for the information of its members, and is included here by kind permission of ICMM.<sup>2</sup>

The paper considers the sustainability of local community development programmes, i.e. their capacity to endure. There is a focus on community participation—that is, the ability of the intended beneficiaries of programmes to influence their design and implementation—and an assessment of whether this is a major success factor in programmes that have worked. In order to demonstrate what participation means in practice, I draw upon my own intermittent close observation of the community development programmes of a gold mine in Tanzania over a period of 15 years.

The paper discusses a number of aspects of community development activities by extractives companies, in both conceptual and practical terms. For example, the degree of autonomy that specific extractives projects have to interact directly with their host communities and local governments in order to be responsive to their needs is considered, as social investment programmes have a tendency to be driven from corporate headquarters, thus minimizing the importance of local content. The degree of inclusiveness of community development programmes in general, i.e. whether a wide range of community members are able to participate, is also assessed.

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<sup>2</sup> Most of the discussion of the survey is contained in Appendix A.

In short, this paper concentrates on the local and regional (provincial) aspects of the community development programmes of extractives projects in developing economies. It seeks to show how carefully crafted, locally appropriate programmes—especially those led and initiated by the local community members themselves—can make a positive contribution to improving the lives of host communities. The role that can be played by extractives companies is analysed, as well as the best approaches for aligning with other major players. Often, their role will be a supporting one, rather than a leading one, which can be frustrating for companies wanting to demonstrate their good works, but which is more likely to lead to sustainable outcomes.

## 2 The conceptual dimensions

The literature over the past decade on local and community development associated with extractive industries projects has followed a trajectory from discussions on CSR up to, more recently, a focus on SLO. In most analyses of community development practices at the local level, writers have identified a lack of participation by local communities and their representatives as an obstacle to success. Alignment of development stakeholders, such as companies, local government, and civil society, is also considered, as are matters of resourcing. The most relevant articles are discussed below, i.e. those whose primary focus is on ‘participation’. This is now receiving renewed attention, having had a long history in the development field, where it predated both the CSR and SLO concepts. Although participation in community development has been the subject of much debate in development analysis for over 40 years, it has only emerged in the extractives sector over the last few years: the probable reason for its rise to prominence in the current literature. The new interest of international donor agencies in engaging in programmes in the extractives sector may also be a catalyst for this renewed attention to participation.

As far back as 1969, Arnstein described a ‘ladder of citizen participation’ in which the eight rungs representing forms of ‘participation’ range from manipulation at the bottom to citizen control at the top, with consultation sitting in the middle (Arnstein 1969: 217). More recent but still rather longstanding, and an effective description of the varying types of activity that can be described as participatory, is Pretty’s 1990s typology of participation, which ranges from ‘passive participation’—in which people are told what will happen by external professionals who have already decided what must be done (not really participation at all, not even consultation)—to ‘self-mobilisation’, in which people take initiatives independent of external institutions (Pretty et al. 1995: 61). Sustainable community development needs to be based upon the greatest possible participation of the intended beneficiaries—actual participation and planning collaboration—and this is where much of the current literature is focused.<sup>3</sup>

### 2.1 Literature review

In their introduction to a special volume of the *Community Development Journal* (CDJ) focusing on the extractive industries, community development, and livelihood change in developing countries, Maconachie and Hilson (2013) emphasize the frequent disconnect between local needs and corporate programmes. The CDJ volume contains case studies from many parts of the world, but common themes emerge from the discussion on the deficiencies of many corporate efforts. The editors note that

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<sup>3</sup> For a discussion of the development participation debate, see Cornwall (2009) and Cornwall and Pratt (2003).

considerable concerns have been raised by a number of scholars who have highlighted how extractive industries companies often implement community development programmes with little knowledge or understanding of the socio-cultural contexts of the people's lives in which they operate. In extreme cases, an overemphasis on meeting global performance standards has led to inappropriate and ill-conceived development outcomes at the local level, which have resulted in further fragmentation and inequality (Maconachie and Hilson 2013: 351).

Thus, although much scholarship has discussed the increase of CSR activities worldwide, and the increase of corporate attention and expenditure being accorded to CSR performance, there is insufficient evidence that this is actually bringing benefits to the communities living near extractives projects. Indeed, Maconachie and Hilson (2013: 353) caution that even when citizens are deliberately invited to participate in 'the community development programmes sponsored by mining or oil and gas companies, the inclusion of local actors in decision-making cannot be assumed'. This observation sends up a flag that mere statements of participation, predicated upon efforts to invite local stakeholders to engage in corporate-sponsored activities, do not guarantee genuine opportunities for community members to steer their own path.

In the CDJ special volume, Banks et al. (2013) explore community development in the localities surrounding four large mines in Papua New Guinea (PNG), and conclude that two principal kinds of local community development emerge from the presence of major mining projects in remote and underdeveloped areas: immanent and intentional. The concept of 'immanent' development is that it takes place neither through the direct intervention of the mine management nor as the result of an explicit development programme, but builds on the indirect economic growth associated with increased local employment, procurement, and royalties and taxes that accrue to the local area. These can be considerable in PNG, where customary landowners are legally acknowledged as having minerals rights. According to Banks et al. (2013), immanent growth makes up the major part of local and community development. The other form of community development they describe as 'intentional', using the term CCD, or corporate community development. This comprises the programmes and initiatives undertaken by the mining companies in pursuit of their CSR objectives. The authors view these programmes as conservative, often disconnected from the needs and wants of the intended beneficiaries, and hence less successful in terms of human development than actions taken independently by local people. They make a case for improving the outcomes of intentional CCD programmes in the following ways:

Corporations should also seek higher levels of community participation in project identification, design, monitoring and evaluation connected with their CCD. Much of the community input into CCD was weak (and seemed particularly so for higher level CSR-type activities), and there was typically little or no monitoring or evaluation of the development or livelihood outcomes of CCD activities (Banks et al. 2013: 497).

Banks and his colleagues observed that much CSR in PNG was top-down, driven by global corporate imperatives, with little connection to the situation and needs of local communities in the mining areas. They noted that it could be harder for CD departments and community members to obtain funding from the companies for locally driven initiatives than it was to gain grants for global corporate programmes such as HIV/AIDS projects. They advised that locally responsive, community-led programmes, especially when integrated with other local activities and developments, were more likely to produce sustainable benefits for the livelihoods of local communities.

In their study of the CSR performance of mining companies in Argentina, Mutti et al. (2012) take a strongly critical stance, accusing companies of undermining local capacity for self-management. They state:

In terms of implementation, CSR is perceived as patronising and paternalistic, when companies undermine knowledge and skills of local communities to identify their own needs and priorities. This leads to a lack of adaptation to local conditions, as companies appear to enforce their own vision of community 'good'. Mining companies are perceived as inflexible to engage with stakeholders, and incorporate community views in design of community development solutions [sic]. In terms of performance, the general view is that CSR does not have a substantial impact on poverty reduction or environmental management, and therefore, CSR outcomes have a negligible contribution to a society's welfare (Mutti et al. 2012: 221).

They draw the conclusion that CSR programmes that are designed to suit the company, at corporate headquarters, rather than utilizing community input, are essentially a failure in terms of human development. Once again, the lack of community participation destroys the good intentions of the programmes.

In their study of the Bolivian context, Campero and Barton (2015) explain that the purpose of SLO is to

generate a binding participation of the community, resulting in the construction of mutual agreements between community, firm, local and/or central government, and which define the basis on which actions will be taken to promote sustainable local development (Campero and Barton 2015: 174).

However, the reality they describe is a situation in which firms are voluntarily entering into activities designed to earn them an SLO, but only in a limited manner, as there is no compulsion for them to do so or regulation about how they do it. The limitations are primarily connected to a lack of inclusivity, as civil society actors likely to be antagonistic are often left out, as are many state actors, especially at the regional and local levels, in order to try to minimize costs and the demands that might otherwise be placed upon the company. The result is that there are insufficient levels of 'community participation in decision-making that affects local development', resulting in conflict and 'a persistence of weak local development trajectories within these communities' (Campero and Barton 2015: 168). Several stakeholders interviewed in the study commented that they recognized the need for greater inclusion, which they termed as going 'with God and the Devil', meaning engaging with difficult as well as amenable stakeholders. They also concluded that it was important to include local government representatives and officials, as well as regional ones where possible. One of the notable elements of this study is that it focused firmly upon inclusion and participation as essential ingredients of the SLO.

Harvey and Bice (2014) advocate an approach to SLO that requires

'collaborative moderation' – defined here as working directly with project-affected stakeholders to achieve accommodation and agreement on issues that are of priority in the local context, as opposed to attempts to respond to an array of deemed universal issues set by regulators and exogenous agencies (Harvey and Bice 2014: 328).



They go further in recommending activities that align with the shared value concept made popular in 2011 by Harvard's Porter and Kramer, at least in its development of local economic clusters. The key point Harvey and Bice make for the enhancement of local development is that the emphasis should be on collaboration and mutuality, not on programmes designed externally to solve problems deemed to be universal. Although not explicitly using the term 'participation', that is precisely what they describe.

In proposing a multi-criteria decision analysis model, illustrated by a disguised Central American gold mining case study, Erzurumlu and Erzurumlu (2015) highlight the crucial nature in the design of community development programmes of community participation from the outset of an extractives project. They state that 'conventional approaches have failed to respond to the needs of the community without this involvement in decision making' (Erzurumlu and Erzurumlu 2015: 6). They champion the inclusion in their model of weaker voices, a 'people first' design approach, and various other inspirational elements, such as a focus on iterative design thinking, involving multiple community engagements, and the participatory development of indicators for monitoring and evaluation processes, including a wide range of stakeholders. Although the model may appear complex to those unused to such an approach, it is unambiguous in its advocacy for community participation in the process.

Maconochie (2014), in discussing youth participation in mining company programmes aimed at livelihood improvement in Sierra Leone, finds it 'useful to make a distinction between autonomous forms of community-led development "from below" and corporate controlled development "from above"' (Maconochie 2014: 281). This distinction echoes that of Banks et al. (2013), noted above, who refer to 'immanent' and 'intentional' community development. Maconochie is very critical of what he describes as decontextualized 'blueprint CSR schemes' and finds that programmes not designed organically with grassroots participation will be unlikely to meet local needs.

Keenan and Kemp (2014), in researching the role of gender in the process of negotiating agreements between companies and communities, discovered that women were more likely to engage in processes that were participatory, open, and transparent. This ties in with recent business scholarship encouraging diversity as beneficial to improved outcomes in most business and community processes. Thus, a participatory approach to community development programme design in the extractives sector is also likely to be more gender-balanced, a goal that is being embraced by an increasing number of extractives companies.<sup>4</sup> The importance of gender balance in participation was also highlighted by Aaron (2012) in his examination of the changing models of community development adopted by Shell and Chevron in the Niger Delta in the form of a Global Memorandum of Understanding (GMoU) signed in 2006. He concluded that, to a large extent, success had been achieved in attaining enhanced participation and ownership of projects. He then pointed out, however, that it was only men who had participated, in spite of measures in the agreement specifying that a certain number of women had to be involved. In Aaron's view, this suggested that 'while the GMoU model has opened up space for popular participation at the grassroots level, the problem of voicelessness of marginalized groups, such as women, has not been adequately addressed or addressed at all' (Aaron 2012: 270).

In an article centred on the local-level development practices of mining companies, Kemp (2010: 199) stated that 'many mining companies now use the language of CD and participation as part of sustainable development (SD) and corporate social responsibility (CSR) frameworks'. And yet she found limited evidence of actual community participation on the ground, as companies remained

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<sup>4</sup> For example, see Kemp et al. (2009).

reluctant to cede control over programmes. She also made the important point that ‘participatory development requires engagement with individuals, families, households and small groups rather than only engaging at the level of the “community”’ (Kemp 2010: 208). This is necessary to avoid exacerbating structural disadvantages within communities by excluding certain sectors, especially the vulnerable and minorities. In her examination of community regeneration projects in the east Kent coalfields of the UK, Doering (2014) reinforced the importance of not assuming who or what is the ‘community’ or excluding from the participatory process individuals and groups that do not fit the paradigm of ‘community’ in the eyes of the company. This links back to the importance of engaging with ‘both God and the Devil’, as described by Mutti et al. (2012).

Khadiagala (2015: 37) exhorts African governments ‘to promote wider participation in natural resource governance’, which he sees as part of a movement towards greater transparency and inclusivity in all aspects of governance but as acutely needed in the natural resources sector, where increasing revenues are flowing in but not necessarily being equitably allocated. He advocates the decentralization of mining revenues and the training of local governments to enable them to manage those revenues, or their share of them, more effectively. Although his argument is generally pitched at a higher level than the community, his statement that ‘the incorporation of diverse voices in political and economic processes is the next battle in broadening participation’ (Khadiagala 2015: 39–40) is valid in the community context.

Suopajarvi et al. (2016) talk about the importance of ‘fate control’ or the ability for communities affected by mining in northern Europe (northern Finland, Norway, Sweden, and Russia) to guide their own destiny. In their view, the social aspects tend to be left out of discussions of sustainability in favour of economic and environmental aspects; if they are mentioned, it is usually only in terms of impacts or SLO. They state that ‘local people need a platform [from which] to be heard during the whole lifecycle of the mine and to be involved in decisions that have impacts on the local communities and different stakeholders’ (Suopajarvi et al. 2016: 66) in order for there to be sustainability of local communities. They are talking about not only the right of community members to be heard throughout the life of a mine but also their right to be involved in making decisions that affect them, a good description of participatory development planning. Although they find that modern mining company management recognize these matters, Suopajarvi et al. (2016: 67) urge that special attention be paid to ‘the local people’s empowerment when extracting natural resources in the North’.

In an article about a Chinese state-backed mining project in Myanmar—a kind of project structure not often featured in the literature—Tang-Lee (2016: 29) emphasizes the importance of the ‘empowerment of communities to participate in development decision-making, given the structured power asymmetry between the mine company and local communities’. She sees public participation as a way of achieving a more equitable distribution of both power and project benefits. Unfortunately, the hierarchical structure of both the Chinese company and the Myanmar ruling establishment has worked against allowing broad-based participation, resulting in tokenistic efforts primarily aimed at placating communities. Nonetheless, she sees that the company is trying to work towards more sustainable community engagement and urges it to continue to do so in line with broader industry practices.

Van Alstine and Afiotis (2013) presented a case study of the Kansanshi copper mine in Zambia, in which they discovered an extremely centralized decision-making process. They reported that local government councillors were told by the mine that discussions had been held between the company and the government at national level, so there was no space or need for their involvement. This had contributed to antagonism between the mine and the local council. The authors advised that ‘factoring in local governments could immensely enhance the understanding of the manner in which the livelihoods of mine-affected communities could be improved’ (Van

Alstine and Afiotis 2013: 371). They also highlighted human resource deficiencies in the community engagement staffing of mining companies, especially among mid-tiers and juniors. These limited resources prevented companies from being able ‘to effectively engage with community and sustainable development issues’ (Van Alstine and Afiotis 2013: 370).

In the Ugandan oil sector, Van Alstine et al. (2014) describe a situation where local government is left out of the planning process associated with the use of resource revenues, which is highly centralized ‘despite the rhetoric of participation’. They observe that a lack of information and investment provided to local officials and communities resulted in their inability ‘to take an active role in oil matters’ (Van Alstine et al. 2014: 56). In their view, civil society should engage with the industry to improve the alignment of their CSR plans with national and district development plans and enhance their implementation, monitoring, and evaluation. They outlined roles for increased participation by donors and civil society, who should ‘target research-led engagement that will help overcome these growing information, monitoring and participation gaps within local government’ (Van Alstine et al. 2014: 57).

## **2.2 Conclusion**

Extractive industry companies have moved a long way forward in recent years in accepting that they need to have CSR and must strive to earn and maintain an SLO. In order for the substantial investments in social programmes being disbursed by companies to have a reasonable chance of success and survival, corporates need to understand better the importance of locally designed and managed programmes, with community members at their core. Otherwise, there is a real danger that programmes will not be sustainable, nor even appreciated locally, and that company efforts will be seen as corporate window-dressing for the global audience, particularly by the people who are supposed to benefit from the social investment programmes—local communities.

## **3 The practical aspects**

### **3.1 Industry efforts to improve local community development performance**

Despite the significant level of criticism of company performance evident in the literature, it is important to note that there has been considerable effort made by the mining and oil and gas industries, particularly through industry bodies such as ICMM and IPIECA, to foster improved community development performance among their member companies, and there are examples of projects that have achieved good results. Both these organizations, plus international bodies such as the World Bank and the IFC, have issued guidance publications on a range of community relations topics, including working with indigenous peoples and protecting human rights. ICMM and IPIECA have both produced a large number of toolkits and guides that give practical advice about how to enhance company–community relationships, leading to sustainable development outcomes. These are freely available from their respective websites. IPIECA’s *Guide to Successful, Sustainable Social Investment for the Oil and Gas Industry* advises that programmes developed in a participatory way are more likely to be sustainable (IPIECA 2008: 24–25). The ICMM *Community Development Toolkit* (ICMM 2012), first issued in 2005 and revised in 2012, also emphasizes participatory planning as a foundation for successful community development programmes, among many other useful tools and methods. Although there has been no formal monitoring of which companies use which processes in their community programmes, ICMM has found over the years that many companies have incorporated aspects of the Toolkit into their procedures and found the guidance useful.

In a review of the mining industry's contribution to social development internationally, ICMM (2014) found that for local community investments to succeed, there was a need for company activities to align with local governments and civil society organizations and that the capacity of local institutions varied greatly from country to country (ICMM 2014). Thus the challenges of working with local stakeholders on community development programmes could also vary greatly in different contexts and this could affect the potential for successful collaboration. Nonetheless, some of the case studies revealed that companies can and do work in a participatory manner with local communities, with good results.

For example, in the Lao PDR, MMG sponsored a community participatory planning exercise across the greater project development area of its Sepon gold mine, aimed specifically at encouraging community-led development initiatives with a view to enhancing sustainable outcomes (ICMM 2011: 38). One of the results of working in this collaborative manner with local people has been high approval ratings for the mine in surveys of community satisfaction (over 80 per cent) and a reduction in inequality in mine-affected communities. As local incomes rose, the socioeconomic gaps between better-educated Lao people and local community members reduced rather than increased due to the mine's responsiveness to community insistence upon providing local opportunities as a measure of social justice (ICMM 2011: 43–44).

Another example of good results from increased community participation in development programme design was that of Vale at its Brucutu mine in Brazil, where the company decided to tackle a deteriorating community relations situation by increasing investment in dialogue rather than infrastructure. The result was 'joint solution groups', which brought together citizens, local authorities, and the company to develop programmes together, in a participatory manner. The success of this effort has led to Vale adopting the approach of 'open dialogue, transparency and the search for joint solutions' as its preferred method of working with local stakeholders, companywide (ICMM 2012: 70–71).

An example of successful participatory planning in the oil and gas sector is that of the BP Tangguh LNG project in West Papua, Indonesia. Community Action Plans, developed through participatory processes were adopted by project-affected villages and functioned as the basis for community development planning supported by the project for 10 years (2004–2014), as agreed to in the official Indonesian environmental permit (known as AMDAL). From 2015, BP has reoriented the process in the Tangguh Sustainable Development Program (TSDP), with a broader focus on indigenous peoples in the wider Bintuni and Berau Bays area, rather than just the nearer villages, while maintaining an emphasis on community participation (BP 2015: 56–57). The new programme is also aimed at supporting the Indonesian government's increased involvement in participatory planning in the project area through several initiatives, working towards greater control by community and government and enhanced sustainability (BP 2015: 50–51).

These examples, although they may not yet represent the majority of community development programmes in the extractives sector, nonetheless demonstrate that when companies work in a participatory manner with local communities, there are positive effects.

In an unpublished stakeholder survey in 2015<sup>5</sup>, ICMM discovered that companies needed to dedicate sufficient human resources to building and maintaining broad-based relationships with local communities in order to foster the genuine participation that can lead to sustainable local community development programmes. Such an approach builds solid relationships between companies and communities, and enhances the understanding of cultural contexts by corporate

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<sup>5</sup> See Appendix A.

community relations personnel and others in the company, thereby leading to greater chances for genuine community participation and effective sustainable community development. Without this understanding, the durability of development programmes is likely to be compromised.

### 3.2 Practical participation

There is much talk about participation, but little reflection upon what it means. It does not mean seeking agreement from communities to programmes or projects designed elsewhere, nor does it mean recruiting participants (confusing terminology) for programmes or projects conceived by others. Those may be appropriate actions to undertake for various activities but, when discussing the participation of local community members in deciding upon their own development priorities and plans, thought should be given to the fact that motivation to get involved must be allowed to emerge from the communities themselves.

Professor Glynn Cochrane, who established Rio Tinto's community relations system in 1995, has commented that 'in order to help the poor, it is necessary to know what they want and the extent to which they can help themselves with their own knowledge and social capital' (Cochrane 2009: 12). He noted further that offering poor people pre-designed projects and programmes to alleviate their poverty 'overlook[s] the fact that poor people have ideas, knowledge, and aspirations; that they wish to be treated with respect and as potential partners in any plans for them' (Cochrane 2009: 3), as he had observed in several decades of involvement in mining sector community development programmes. If they are to succeed in the long term, projects need to be chosen, designed, managed, and implemented by the beneficiaries themselves, with all necessary support from partners and donors.

Of course, if people neighbouring an extractives project are poor and have little infrastructure available, then it may seem easy to see what they apparently need—schools, roads, clinics, economic opportunities, etc. That is not the point. The point is that, in order for them to become economically empowered and self-motivated about their future development, they need to be enabled to plan and chart their own destiny, with the help and support of companies and other development agents. There are numerous examples demonstrating that what people assess as their own needs may be quite different from what 'experts' say they need. This results in the failure of projects, which rarely receive community support once any initial grants, funds, or gifts from the project promoters are finished. The way to promote the sustainability of social investments is to empower people by giving them the choice of what projects they want to pursue, and the dignity and autonomy to make their own decisions. This is the essence of participation.

#### **Box 1: The failure of non-participatory projects**

The mismatch of 'expert' good intentions and the needs and priorities of local people has been clearly illustrated by Ernesto Sirolli, originally in his book *Ripples from the Zambezi* (Sirolli 1999) and more recently in a very engaging TED talk (Sirolli 2012). In these works, Sirolli recounts the series of project failures experienced by him and his Italian development colleagues in Zambia. They failed primarily because they did not consult the local people but tried to introduce projects that the community knew were not feasible. Few development practitioners have been so frank in their admission and analysis of their own mistakes, which makes Sirolli's work remarkable and valuable for understanding the need for participation for project success.

In a widely-respected handbook on corporate community engagement, Zandvliet and Anderson (2009) advise the following:

Company-aided community projects should always connect to and support communities in their own efforts to reach their long-term aspirations. Independent outside NGOs or facilitators that enjoy credibility can conduct assessments by using a participatory rural appraisal (PRA) to determine the aspirations of the community and to prioritize these based on available resources. To the surprise of many managers – who expected that a PRA would produce a shopping list of requests for schools and clinics – communities often prioritize training and strengthening of soft skills if they know a company is prepared to support them over a longer period of time. Some companies assist local communities (often through NGOs) in designing a longer-term development plan. This development plan can also help the community to solicit support from donors other than the company, provided the company helps the community set reasonable expectations and reachable goals (Zandvliet and Anderson 2009: 148).

This is exactly what is described in the case study below.

### **3.3 Participatory planning in action—Tanzanian examples**

By utilizing participatory planning methods to design social investment programmes in collaboration with local communities, extractives companies and development partners such as governments and donor agencies have a better chance of their investments becoming of sustainable value. This has also been recognized by progressive governments such as Tanzania's, which introduced a participatory planning process for three-year rolling development plans at village level in 2002, called Obstacles and Opportunities for Development (O&OD). Delays in central government budget planning mean that it is not always certain that 'development programmes will be relevant to local needs and engender a sense of ownership' (Fjelstad et al. 2010: 1). Such delays can result in villages having to design their plans without knowledge of national-level plans, which may override local wishes. Nonetheless, the Tanzanian government's wish to empower its people to determine their own development priorities is one that can be supported by extractives companies' community development processes, and this is already being done in Tanzania.

#### *Case study—Participatory planning in Nzega District, Tanzania<sup>6</sup>*

An Australian mining company, Resolute Mining Limited, was the first company to open a modern gold mine in Tanzania. Resolute started producing gold in 1998 at its Golden Pride Mine in Nzega District, Tabora Region, in western Tanzania. The company started out with traditional community relations programmes, such as donations and repairs to school and clinic buildings, but in 2000 it took an innovative decision to try to encourage local communities to empower themselves and take responsibility for their own development plans. Resolute elected to use PRA methods to establish the foundations of its community development programme and engaged two experienced Tanzanian facilitators to conduct a participatory planning exercise in the four communities closest to the mine's perimeter —Isanga, Mwaluzwilo, Bujulu, and Udomo. The objective of the programme was to encourage the communities to develop their own Community Action Plans (CAPs), which the company could then work with and support.<sup>7</sup> The company talked to DFID in Dar es Salaam about joining forces on this pilot programme. Although some DFID officers were supportive, others were reluctant to work with a mining company, as this was not

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<sup>6</sup> An abbreviated version of this case study was included in Macdonald et al. (2015).

<sup>7</sup> A version of this case study is included in ICMM (2012: 170).

yet part of the agency's agenda. Eventually, Resolute ran the programme itself, although with advice and encouragement from DFID.<sup>8</sup>

This was the first time that Nzega community members had been asked what their development priorities were. Once they became familiar with the process, each community welcomed the opportunity to develop a CAP and worked hard to complete the planning process. Government representatives were included in the planning workshops, but only as observers, in recognition that the plans were the property of the community, not the government. Note that the Tanzanian government's O&OD programme had not commenced at this stage and had still not reached Nzega by 2008, so this was a new process for the district and village officials, too (JICA 2008). Resolute continued to support the participatory planning process in Nzega District and had underwritten community planning processes in 29 villages by the end of 2006 (Mavura 2007). When communities had completed their CAPs, the mine's Community Development team worked with community leaders to select projects to cooperate on, in collaboration and alignment with local government development plans. Examples of such projects were improvements to water supplies; advances in animal husbandry; the development of agricultural programmes such as pigs, poultry, and honey; the construction of school and hospital buildings; training programmes; and a variety of small business ventures. The company also continued with various philanthropic programmes such as sponsoring the visits of specialist paediatric surgeons. However, the cornerstone of the Golden Pride Community Development programme was the participatory planning collaboration, as described by the CEO in 2014:

Essentially our community programs are driven from the bottom up. We have consultative groups that operate within the various communities around our mines. We ask them to determine the key things that they would like to build in their communities, and we ask them also to make contributions to those particular selected projects (Sullivan 2014: 26).

The company assessed that over time it had been involved with some activities that were successful, and others that were less so, stating: 'It is difficult to be prescriptive about what you should or should not do' (Sullivan 2014: 27). This is especially the case when enabling communities to decide upon their own priorities, and supporting activities selected by communities. However, in choosing to work with communities in a participatory manner and supporting their priority projects, as long as these are in keeping with the company's parameters for community investment, companies are guaranteed the support and involvement of community members. It is important to remember that throughout the world there is a high level of early failure among small businesses and ventures, so a certain level of project failure is not a reason for abandoning grassroots participatory projects and opting for large-scale 'expert-designed' projects instead. What is essential is that entrepreneurs and local leaders learn from those mistakes so that they have a greater chance of subsequent success. This is true capacity building.

The use of PRA in Resolute's community development programmes at its Golden Pride Mine in Tanzania, over a period of 15 years, demonstrates that this approach can be undertaken in a low-key, cost-effective, and sustainable manner. The PRA approach allows people to build their capacity by making their own choices and learning through their own successes and failures. PRA methods specifically include women and a wide spectrum of society, to ensure that projects are broadly based and widely supported. Although there has not been a published study evaluating the outcomes of the Golden Pride participatory planning programme, the company in 2012 was

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<sup>8</sup> Author's own field notes, 2000.

awarded a Tanzanian Presidential Award for Empowerment Programs for Communities—recognition by the government of its efforts in community empowerment (Resolute 2013).

The mine ceased production in February 2014 and completed planned closure arrangements and handover to the Tanzanian government in November 2015. This process was guided by a Statutory Mine Closure Plan agreed between the Tanzanian government and Golden Pride Mine management in 2011. It included community development commitments aimed at fostering alternative income generation and specifically mentioned that PRA was the basis of its planning process. Some examples of long-running community development programmes are the use of maize milling machines by small business operators near the mine site. This has also improved the income-earning capacity for local farmers, as has an expanding project in pig husbandry that has improved the local livestock supply. The closure process incorporated the handing-over of social infrastructure—including a maternity ward at the local hospital, a medical laboratory at a health centre, and a number of school buildings—to the government, under the auspices of the National Closure Committee. The town water treatment plant was also part of the handover, as was the filling of the mine pit with water suitable for crop irrigation and livestock watering (Resolute 2014). Clearly, the ongoing management and maintenance of this infrastructure will need to be coordinated by government agencies, but the mine’s management is hopeful that the years of community and local government capacity building that they have supported through their participatory planning processes will lead to ongoing success.

### *Buzwagi Gold Mine*

Another Tanzanian mining sector example is that of African Barrick Gold (now Acacia Mining), which worked with the Kahama District administration in 2010 by supporting the O&OD process in the three villages most affected by its Buzwagi Gold Mine, sponsoring additional training in participatory rural appraisal (PRA) techniques by Professor Francis Lelo, an expert from Kenya. The mine then worked with local government to align the mine’s community development programmes with village development priorities.<sup>9</sup> This raises another common theme of good local community development planning—the need to align programmes with existing schemes wherever possible.

### **3.3 Summary**

Participatory planning, in which community groups determine their own development priorities and design their own community development projects, is an approach to social investment that is more likely to lead to sustainable, community-supported initiatives than projects designed by external experts. Extractives companies can work with their host communities to facilitate the participatory planning process, if needed, and should then cooperate with communities and local governments to work out the intersections between the varying priorities of the different stakeholder groups. The areas where the interests overlap will be the most fruitful ones for development cooperation. Some national governments, such as Tanzania’s, have their own participatory planning processes in place (O&OD), so companies can work with local government and communities to discover areas of mutual interest for social and economic investment.

Donor agencies can play an active role in facilitating this collaborative process, as many of them have considerable expertise in participatory planning, although usually not in the extractives industries context. For example, in Tanzania, research on improving the implementation of O&OD has been undertaken by the Japanese agency JICA, the Dutch agency SNV, and local

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<sup>9</sup> Interview with Ms Eliza Bwana, District Executive Director, Kahama, 29 June 2012.



research organizations such as REPOA (Fjelstad et al. 2010; JICA 2008; SNV 2008). All of these agencies and others are well placed to work with extractives companies and government agencies to provide support and guidance to communities about enhancing the sustainability of their participatory planning programmes.

## 4 Conclusions

This paper makes a case—through the literature survey, the ICMM research, cameo case studies, and the long-term example from Tanzania—for elevating the status of communities and local governments in the development planning processes associated with extractives projects. This study finds that growing levels of corporate expenditure do not usually improve conditions for community members on the ground, largely because most programmes are designed without their involvement, and often do not reflect their needs and priorities.

In addition to identifying a need to increase human resources to enable greater interaction between companies and their local stakeholders, observers advise that expanded efforts to enhance alignment between companies and governments are essential. The decentralization of extractives revenues is also seen as a key step in increasing the capacity of local governments and communities to benefit from the resources sector (see Appendix A).

Donor agencies could play a greater role in bringing their expertise in participatory planning, monitoring, and evaluation into the extractives arena. This could contribute much to improved outcomes for the neighbours of resource extraction projects. Although there is no doubt that extractives companies continue to devote resources to the human development of the countries in which their projects are located, a realignment that directs more attention to building relationships and inclusive planning processes at the grassroots level could make these corporate investments more effective. In that way, in the terminology of Banks et al. (2013), ‘intentional’ development could come closer to ‘immanent’ development in improving the lives of those affected by extractives projects.

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## **Appendix A: A survey of mining industry stakeholders**

In early 2015, the International Council on Mining and Metals (ICMM), the leading industry body for mining, commissioned the author of this paper to undertake a survey aimed at understanding local capacity to participate in the benefits of mining. I interviewed a range of stakeholders on a non-attributable basis. There were 37 respondents, of whom 12 were women. The respondents were based in 17 different countries. There were 18 responses from ICMM company representatives and 19 from external organizations: academics; government people; international organization staff; NGO personnel; and consultants who were previously company employees. There was only one respondent from a local-level government (LLG) and no community representatives among the survey pool, reflecting, once again, the challenges involved in obtaining direct inputs from local people. The survey was intended for discussion among ICMM members, not for publication, but ICMM has kindly allowed the results to be used in this paper. Some of the key findings are described below, to provide context to the challenges encountered by mining companies in fostering local and community development.

### **Constraints to local participation identified in the survey**

Although it is common to ascribe deficiencies in local and community development programmes to lack of capacity in LLGs and communities, the survey also discovered that there were constraints within companies that could prevent communities from participating in benefits. The most significant company constraint was the failure to provide sufficient human resources to support and enable local community development initiatives. The shortage in resources included both time and staff numbers, and was more significant than the provision of funds for programmes. There may have been funding available for programmes, but frequently these were not the programmes wanted or even needed by local community members and/or local governments. What was needed was time, space, and resources for company people to spend building quality relationships with community members and thus develop understanding within the company of local priorities and development needs instead of assuming what these were. Without that understanding, based upon firm relationships, community participation in sustainable collaborative plans was impossible to guarantee.

Another of the serious constraints to community participation observed by survey respondents is known as ‘elite capture’. That is when companies engage only with the better educated and more articulate sectors of a community, who do not necessarily represent the broader community and may not seek to share benefits widely. One respondent noted this as preventing ‘small and ordinary people from engaging’ and that it was a ‘result of negative cultural beliefs that perpetuate gender and age inequalities’.

Another identified constraint to local community development was the under-resourcing (both human and financial) of LLGs, who, with frequent staff turnover and unwieldy workloads, were so hard-pressed dealing with the many daily challenges created by the presence of a large extractives project in their neighbourhood that they had little energy left to devote to long-term planning. Besides, there was little incentive for them to take the lead in working in a participatory manner with companies and communities, whose activities they often saw as merely making more work for them.

The centralization of decision-making and finances in both mining companies and local governments was seen as a severe obstacle to local participation. One respondent commented on ‘most revenue collected from mining operations being accrued centrally, with very little being diverted to district authorities, who are starved of development monies. In essence, the

government has largely been absent in providing direction or policy instruments that would deliberately [put in] place mechanisms for local communities to derive economic benefits that are long term.’

Lack of localization of company stakeholder engagement was also seen as preventing local participation. Respondents noted that a large gap was created between companies and their host communities when the focus of the former was on national-level relationships. One commented that ‘inadequate dialogue among stakeholders, i.e. the mines, local authorities and communities, is an impediment’. Another said that ‘inactive engagement optimizes the anti-mining body’s presence and involvement in the life of the communities, discouraging their participation in benefits’. Thus, concentration on local programmes and community engagement by both host governments and companies was seen as important for increasing community participation.

The ICMM survey found that inadequate monitoring and evaluation of the outcomes and impact of social programmes of all kinds, which should be conducted in an equivalent fashion to the way that other mining activities are monitored, was a serious impediment to effective community participation in mining benefits (ICMM 2015). This is echoed in the literature; for instance, Van Alstine and Afiotis (2013: 372) state that ‘capacity needs to be developed within communities in order for more community-driven forms of interaction to take place, such as participatory monitoring and evaluation mechanisms’. Banks et al. (2013) note that there is typically little or no monitoring or evaluation of the development or livelihood outcomes of CCD activities. They comment that there is significant potential for companies to learn from other developmental actors, especially donors and governments.

A number of respondents in the ICMM survey said that they would like to be able to partner donor agencies in efforts to enhance local communities’ ability to participate in mining benefits. Many of the international agencies have been expressing interest in recent years in working in the extractive industries space. However, there seems to be limited information about how they might best undertake this collaborative work while enabling both parties to maintain their own priorities and policies, which indicates that exploring modalities for facilitating this intersection could be a fruitful area of further research.