

Partnering with the Private Sector: Local Perspectives on Optimizing Development Opportunities

There is an expanding domain of shared interest between governments and CSOs on one hand, and private sector actors, on the other, in development and economic growth. Field-based evidence¹ collected by the Corporate Engagement Program of CDA Collaborative Learning Projects, based on engagement with more than 60 multinational corporations and visits to more than 30 corporate field operations sites, suggests that partnerships rooted in the shared interests of governments, civil society and companies can bring together complementary competencies. Such partnerships offer excellent potential for optimizing development opportunities that stem from corporate activities in local communities. As aid agencies and CSOs increasingly seek development partners within the private sector, they might usefully look to the many examples of effective private sector-CSO collaboration that have emerged within the area of corporate social responsibility. Yet evidence also indicates that even well-intentioned partnerships can, if not managed carefully, lead to negative outcomes. And the consequences of getting it wrong can be magnified in contexts of fragility and conflict.

The people most affected by external development actors – local communities – have much to say about the ways in which the behavior and activities of outsiders touch their lives. In discussing their experiences with private sector actors, people in local communities emphasize that the *how* of corporate-community relations, social investment, and operations is as important as the *what*. They consistently place the highest emphasis on *4 principles for effective corporate engagement*: **accountability, respect, fairness and transparency**. These principles are relevant to all non-local development actors, especially private sector actors, who, together with their partners, genuinely seek to improve the effectiveness of their development activities.

Accountability goes beyond meeting legal requirements and contractual obligations. It is increasingly accepted that corporations should bear responsibility for offsetting the negative outcomes of their presence and activities. But in the eyes of local communities, accountability means much more. For them, accountability is a genuine commitment to ensuring that the community is “better off” with the presence of the company than without it. One way to achieve this is by maximizing the economic benefits accruing to local communities through employment and contracting opportunities. Contracts can be structured with the intention of enabling the participation of local enterprises, and training programs can enhance their capacities as well as the ‘employability’ of local individuals. In one instance, an oil company that needed 200 km of pipeline – more than any individual local contractor could provide – organized communities along the pipeline route so that 100 people each provided 2 kilometers of pipeline. The company then helped them to negotiate a discount from a supplier. Embracing a broad accountability to communities can also spur companies to pursue long-term solutions to community problems. Some companies act to strengthen governments’ capacities and

¹ The findings of this work are presented in the book *Getting It Right: Making Corporate-Community Relations Work*, and in other CEP publications, most of which are available on our website: www.cdainc.com

responsiveness to the needs of their constituents. Others lobby governments to implement human rights protections. In a violence-prone area of Colombia, one company initiated partnerships with local government, CSOs, and a donor to establish a local facility housing legal, human rights, and family counseling services that had previously been difficult for the community to access.

Respect for local communities can be demonstrated by engaging them in genuine, open, and ongoing dialogue about development issues that affect their lives. This means including them as decision-makers in the process of designing and planning projects in their area so that initiatives intended to benefit them reflect their actual needs, views and priorities. Conversely, 'deciding for' and 'delivering to' local people are symptomatic of relationships and attitudes that are likely to foster disempowerment, dependency, and very possibly resentment. Assessing a bridge built by an extractives company without community input, a community member in Indonesia noted "We might have used the money to build the same bridge, but it would have been *our* bridge because we would have been involved in the decision-making process. Now it is the company's bridge, and we don't like it."

Local definitions of fairness should be used to define equitable distribution of economic benefits arising from the presence of corporations. Too often, well-intentioned actions by companies and their partners spark ill will because they run contrary to community notions of fairness. When jobs, contracts, and development projects accrue to some groups more than others, it can create a sense that there are "winners" and "losers" in local economic development, and create competition, enflame existing intergroup tensions, or create new ones. Hiring based solely on merit, for instance, may inadvertently advantage historically privileged over historically marginalized groups. One oil company security guard in Nigeria lamented that, "They employ people from the same elites and tribes that have been in power in this country for decades and have always gotten rich over our backs. Now the same people are sitting on the top floors of the company building. Meanwhile, the company is exploiting *our* oil." In contrast, when local standards of fairness guide company practice, benefits can be distributed in ways that reflect communities' needs and values and can contribute to improved relationships between groups.

Transparency promotes trust and contributes to the development of constructive relationships with communities. Communicating full and accurate information about plans for and impacts of corporate activities, as well as criteria for allocating jobs, contracts, and development projects is essential for communities to make meaningful choices about their futures. It can also forestall a wide range of problematic issues that undermine equitable development, including suspicions of corruption, trickery, and unfairness. By the same token, transparency in transactions with host governments, including disclosure of revenue sharing agreements, can aid in effective revenue management and serve as a basis for communities to hold authorities to account for investing revenues to spur economic growth and poverty reduction. The comments of a woman in the Philippines make this plain: "We know that 1% of the mining cost is provided by law to be given for Social Development Management Programs. From it, our Local Government Unit set up livelihood projects, infrastructure project, education assistance, health assistance, and feeding."

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