

Getting to NetPositive

A New Approach to Extractive Development

NetPositive.



NetPositive is a non-profit organization that supports a collective process to change the approach to extractive development and to increase the likelihood that communities will see sustained positive outcomes from mining and oil and gas development. NetPositive works in resource rich areas with local sponsors to:

1. Provide stakeholders with tools and information to implement a new approach in a collaborative manner.
2. Build a global body of evidence of effective approaches to extractive development that ensure sustained positive outcomes for local communities.

Acknowledgments

This project was only possible because so many people, including 150 research participants, provided their time, thoughts, experiences, personal insights and ideas so willingly. The amount of time and energy that was provided speaks to the commitment and community of people who are invested in seeing extractive development create sustained positive outcomes for local communities. NetPositive is extremely grateful to all those who participated in the research and supported the project.

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Executive Summary

The extractive sector affects communities around the world on a daily basis. Half of the global population and 70% of those who live in extreme poverty, live in countries where non-renewable mineral resources dominate the economy.¹ Many people champion the ability of mining and oil and gas development to contribute to society and to leave a lasting benefit for local communities. 'Shared value' and 'prosperity with local communities' are common rallying cries. However, the effects of extractive development are both positive and negative, and more often than not, the negative impacts of extractive development outweigh the positive. Over the past several decades there has been an increased effort to find a positive balance between the benefits and negative impacts associated with extractive development. These efforts have led to improvements in regulatory frameworks, international standards and policies, company social performance, mechanisms for community participation, support from civil society, and forums for dialogue. While these improvements are significant, the current approach to extractive development globally still has not led to sustained positive outcomes for local communities. **For local communities to see long-lasting benefit and positive social change from extractive development, a new approach is needed.**

NetPositive has developed an evidence-based understanding of what that approach could look like. This evidence-based understanding was developed through an extensive collaborative research process that included 150 dialogue-based interviews with representatives from communities, extractive companies, various levels of government, civil society, academics, and service providers around the world. Research participants from all stakeholder groups and geographies identified the key aspects of an approach to extractive development that will lead to sustained positive outcomes for local communities.

¹World Bank 2016, <http://www.worldbank.org/en/topic/extractiveindustries/overview#1>

To achieve sustained positive outcomes, stakeholders must collectively:

I. Treat communities as legitimate, equal partners in extractive development

Communities are recognized as legitimate stakeholders in extractive development. Yet, treating communities as legitimate, equal partners is a different story. It requires involving and enabling communities to be partners in decision-making from the beginning and taking the time to build strong, non-transactional relationships among communities, companies, and governments.

II. Build strong partnerships among communities, companies, and governments

Communities, companies, and governments are the three legs of the extractive development stool. Achieving sustained positive outcomes for local communities requires the partnership of all three stakeholders. Partnership means being honest, working together to make decisions, addressing power imbalances, and holding each other accountable.

III. Create a clear vision and define outcomes

A vision for extractive development creates a road map for stakeholders to work together in partnership. It starts the conversation about how extractive development can leave communities better off and identifies how extractive development can fit into broader economic priorities and development plans. A vision enables stakeholders to guide the changes that extractive development will inevitably bring in a way that meets their objectives.

IV. Make decisions in a systematic and transparent manner

Extractive development systems which affect social outcomes, such as permitting processes, project design, consultation, and decision-making, are usually complex and are often unclear or not transparent. Stakeholders need to communicate how their systems work and they need to find creative ways to work with others and within different systems.

V. Manage tensions between worldviews

Extractive development is a catalyst that brings individuals and groups with divergent worldviews together – which can create points of tension. Managing those points of tension requires stakeholders to recognize where they might have a different worldview from that of others and to find ways to meet in the middle and achieve common goals in creative ways.

These five elements are not new. Stakeholders that have been working towards sustained positive outcomes for local communities will not be surprised that participants highlighted these elements. However, they are not consistently and collectively implemented in a way that effectively leads to sustained positive outcomes for local communities.

To achieve sustained positive social outcomes, the approach to extractive development must focus on these fundamentals. These five elements are globally applicable. While the implementation of the elements will look different in every jurisdiction and in every community, the fundamentals are the same.

Collective action by all stakeholders is imperative. Each stakeholder group can play a role in defining and achieving a new approach to extractive development through their application of these five elements. Incremental change by individuals and organisations must be the first step. Small changes in practice, mindset, or approach can have a very meaningful impact as highlighted in the experiences shared by research participants.

NetPositive encourages readers to consider their own place in extractive development and how their daily activities relate to these five elements and sustained positive outcomes for local communities. Stakeholders that want change must take a hard look at their organisation and ways of working – whether they are part of a company, government, community, investor, service provider, or civil society group. Defining and implementing a new approach to extractive development will require a readiness to change, courage, strong leadership, and an ability to think outside the box. **Continuing as before will not cut it. If extractive development is to bring sustained positive outcomes to local communities, a systemic step change is needed.** By building and sharing evidence about what an effective approach looks like, NetPositive is dedicated to supporting those incremental changes that will bring us toward collective, systemic change.

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Introduction.

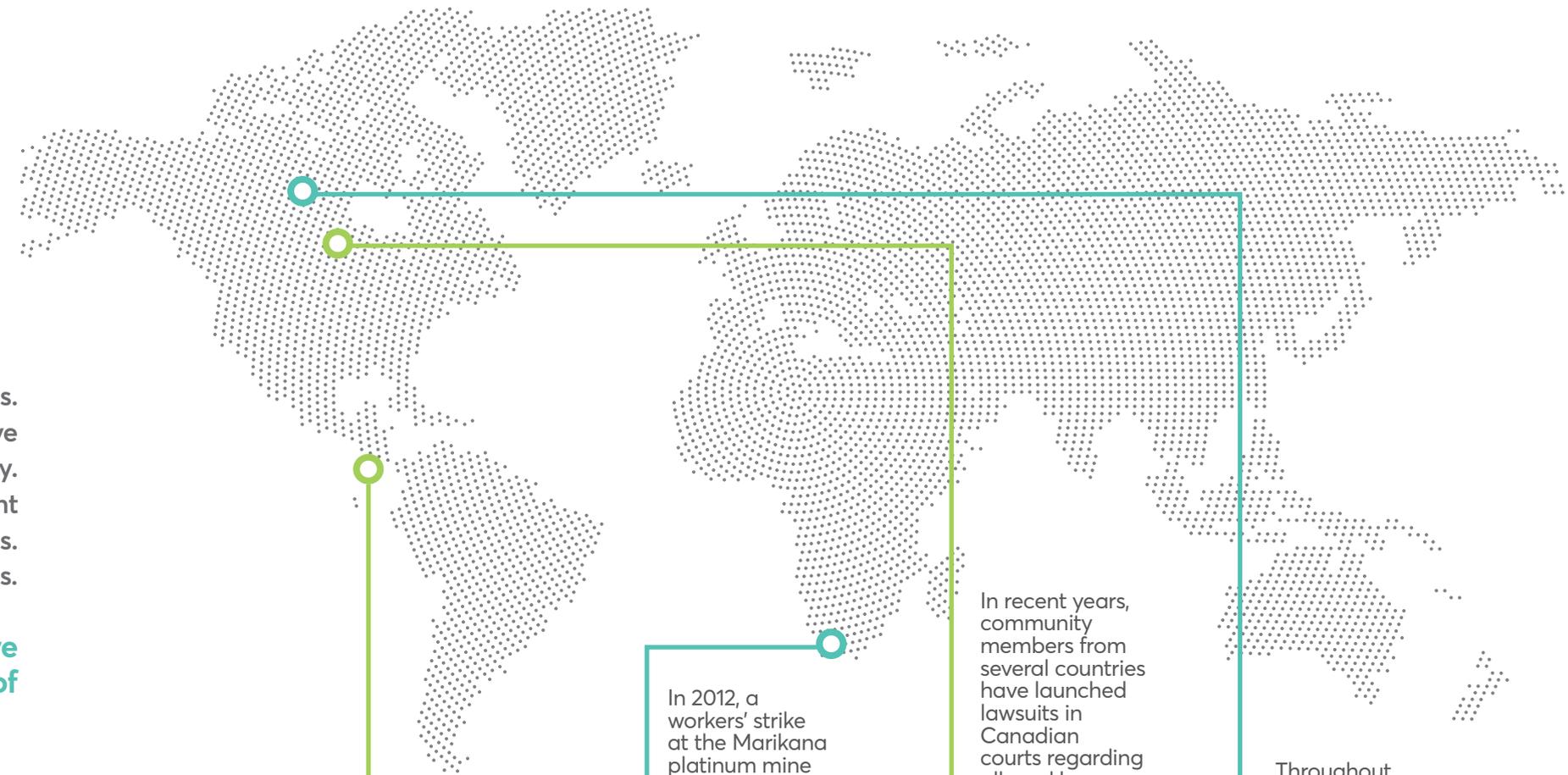
Introduction

The extractive sector affects communities around the world on a daily basis. Half of the global population and 70% of those who live in extreme poverty, live in countries where non-renewable mineral resources dominate the economy.¹ Many people champion the ability of mining and oil and gas development to contribute to society and to leave a lasting benefit for local communities. 'Shared value' and 'prosperity with local communities' are common rallying cries.

However, the effects of extractive development are both positive and negative, and more often than not, the negative impacts of extractive development outweigh the positive.

Across the world, there are many examples of these negative experiences reaching a boiling point.

¹World Bank 2016, <http://www.worldbank.org/en/topic/extractiveindustries/overview#1>



In April 2017, El Salvador passed a national ban against metal mining in the country. The ban was enacted in response to Salvadoran people's concerns about the negative impacts of mining, particularly on the environment and water.

In 2012, a workers' strike at the Marikana platinum mine in South Africa ended when police opened fire on the protesters and killed 34 people. The Marikana Massacre, as it is now known, is seen by many in South Africa as indicative of the broad failures of the mining industry to provide long-lasting benefits.

In recent years, community members from several countries have launched lawsuits in Canadian courts regarding alleged human rights abuses by Canadian mining companies.

Throughout 2016, Indigenous communities led high profile protests in response to the Dakota Access Pipeline and its potential impacts on water sources and burial grounds. The protests grew into a grassroots movement of support from people concerned about the environmental impacts of pipelines and the oil and gas industry more broadly.

Over the past several decades there has been an increased effort to find a positive balance between the benefits and negative impacts associated with extractive development.

People and organisations around the world are involved in improving government and company performance, setting new regulations and standards, providing guidance and training to communities and companies, and developing new legal frameworks. These efforts have led to significant milestones such as the Voluntary Principles on Business and Human Rights, regulations around extractive revenue transparency, and an increased commitment to free, prior, and informed consent (FPIC) by industry groups. In addition, proven approaches to share benefits and to mitigate negative impacts have been developed, such as skills development, local employment, participatory water monitoring, and community health and safety programs.

While these improvements are significant, the current approach to extractive development prioritizes production and profit and has not led to sustained positive outcomes for local communities. For local communities to see long-lasting benefit and positive social change from extractive development, a new approach is needed. NetPositive has developed an evidence-based understanding of what that approach could look like.

This evidence-based understanding was developed through an extensive collaborative research process that included 150 dialogue-based interviews with representatives from communities, extractive companies, various levels of government, civil society, academics, and service providers around the world. This report provides the detailed understanding of NetPositive's research and findings. It is intended for stakeholders whose work relates to the social outcomes of extractive development, including individuals, groups, and organisations from communities, government, industry, service providers, civil society, and academia.

NetPositive will continue to build and share a knowledge base of practical ideas and solutions. Moving forward, our research will focus on how stakeholders can implement an approach to extractive development that supports sustained positive outcomes for local communities.

The Stakes are High

Sustained Positive Outcomes Matter for Everyone

Mining and oil and gas projects are developed in diverse geographies, historical contexts, communities, and political and economic environments. This context plays an important role in shaping the approach to extractive development. The context also shapes the way communities and individuals understand and define sustained positive outcomes. Sustained positive outcomes are inherently subjective. However, there are underlying aspects that remain the same. Sustained positive outcomes:

- Are long-lasting; they persist beyond the life of an extractive development project
- Involve a balancing act, where the positive outcomes of extractive development outweigh the negative outcomes

Regardless of how it's defined, stakeholders across the spectrum are invested in achieving sustained positive outcomes for communities.

In the past several decades, community and societal expectations of extractive development have evolved.

Communities want to participate in extractive projects that contribute to their well-being (e.g. economic, social, or cultural well-being). Increasingly, the social and environmental costs of extractive projects that are often unaccounted for are being acknowledged. Unmitigated negative impacts are not acceptable, and a net neutral impact, or 'zero harm' is not enough.

Concerns around the severity of climate change and project requirements for land and water mean that local communities and society expect companies to mitigate and manage their impacts on the environment in an effective and sustainable way.

Increased calls for resource nationalism and government intervention as well as growing resource localism are driven by concerns that economic benefits are not being realized by a wide enough group of people in many countries where resource extraction occurs.

As a result of these global trends, there is growing recognition amongst many stakeholders that if resource extraction is to continue to be a viable industry it must bring sustained positive outcomes for local communities. To achieve that, things need to change urgently.

Sustained Positive Outcomes

The Common Thread.

The local context (including the social, political and economic history of an area, culture, geography, nature of the local economy and socioeconomic conditions, governance, political institutions, available infrastructure and services) will affect what sustained positive outcomes from extractive development might look like in an area. Understanding how extractive development could bring sustained positive outcomes in these environments requires a keen understanding of the local context. It requires an awareness that the starting point for an extractive development process is never the same.

The following examples are drawn from discussions with research participants and provide a picture of what sustained positive outcomes might look like. They are not necessarily applicable to every context.

The local economy grows and diversifies

- Local businesses grow and diversify outside of the region or sector to lower dependency on the extractive industry
- Long-term revenue streams from equity and revenue sharing arrangements support local government investment in public and social services
- The tax base grows and allows local government to invest in public services, infrastructure, and land protection

Community members have increased education and socioeconomic status

- Employment from extractive projects allows families to afford education costs and promotes higher levels of educational attainment
- Local employment and businesses grow and encourage youth to pursue education and skill development programs

Traditional ways of life are supported and promoted within the community

- Economic development and social investment programs that support youth cultural programs spark new interest in traditional activities and connection with community elders
- Higher incomes allow families to invest in supplies to maintain traditional livelihoods such as hunting, fishing, gathering

There are intangible benefits that support community well-being

- There are opportunities for communities to connect with others more widely
- Individuals and communities are better able to exercise their rights
- Community institutions are strengthened by the process of making decisions around extractive resources

An Important Note on Terminology

Throughout this report, the terms stakeholders, local communities, and rightsholders. They are defined as follows:

- **Stakeholders:** Groups of people or organizations that have a vested interest in how mineral and oil and gas resources are developed. It is used as an umbrella term that encompasses diverse groups, including local communities, companies, government and government institutions, civil society organizations and institutions, investors, etc. Each of these stakeholder groups are diverse within themselves - they are made up of sub-groups and individuals with a wide array of interests, worldviews, and motivations. The term stakeholders is used for clarity and to facilitate a deeper discussion about the complex ecosystems that exist around an extractive project.
- **Local communities:** Communities that are most impacted by extractive development in an area or that have a connection to the impacted land. NetPositive recognizes the diversity of communities. Communities are not monolithic entities and are made of various groups and individuals who have different interests, perspectives, and experiences. NetPositive uses this term to refer to communities of place (versus communities of interest) for concision and clarity.
- **Rightsholders:** In some jurisdictions, such as Canada, communities that possess legal rights related to extractive development, including Indigenous people, are referred to as rightsholders and are distinct from other stakeholders. NetPositive acknowledges and respects these rights, and where applicable has used this term. Otherwise, where the term stakeholders is used in this report, it refers to the definition above of all the individuals/groups involved, including communities, companies, government, and civil society.

Collaborative Framework.

A Collaborative Framework for Achieving Sustained Positive Outcomes

A collaborative, evidence-based understanding of how to achieve sustained positive outcomes provides the many rightsholders and stakeholders involved in this space with a framework to re-imagine the approach to extractive development.

To develop this framework, NetPositive completed a global collaborative research project over six months in 2016/2017. The research project was based on 150 dialogue-based interviews with rightsholders and stakeholders, including community representatives, company personnel, consultants, governments, civil society organizations, and academics. Interviews were held in-person and remotely with stakeholders from Canada, the United States, Chile, South Africa, Zambia, Kenya, Tanzania, India, Uganda, Australia, Peru, the United Kingdom, and Colombia. Interviews were conducted using an inductive dialogue-based approach, where participants guided the conversation and raised issues that are important to them. All interviews were confidential and as a result, quotes in this report are presented anonymously. "This allowed participants to speak about their individual experience. This also meant that participants were free to speak outside of the official positions of their respective organizations. As a result, quotes in this report are presented anonymously. You can learn more about the people who participated in this research process in the Appendix.

NetPositive asked research participants two main questions:

1. In your experience, does extractive development lead to sustained positive outcomes for local communities?
2. What contributes to these outcomes? How do we increase the likelihood that there are sustained positive outcomes?

NetPositive's analysis of these interviews identified the following themes:

A

Local communities are not seeing sustained positive outcomes from extractive development.

B

Stakeholders must collectively adapt their approach to extractive development.

A. | Local communities are not seeing sustained positive outcomes from extractive development.

Research participants believe the current approach to mining and oil and gas development does not lead to sustained positive outcomes but that it has the potential to do so.

Common Community Experiences with Extractive Development

Communities around the world have very different experiences with extractive development. Communities are also not homogeneous: individuals within communities have different experiences and views. However, when participants discussed their experiences with extractive development the following poor outcomes were common.

- Governments and companies do not keep promises made to communities and community expectations are not met
- Communities have limited or no information about project impacts and programs designed to mitigate those impacts
- Resettlement of the community takes place without proper consultation and compensation, and often leaves communities in lower quality areas and homes
- There are limited local employment opportunities, specifically management opportunities, over the life of a project
- When local employment opportunities are available, higher incomes and new schedules can increase social ills, such as alcohol or drug use, or family separation

- Community members are not respected and are discriminated against in various direct or indirect ways by company and government representatives
- In-migration puts increased pressure on public services (e.g. education, health, housing, roads), results in fewer economic opportunities for local people and increased incidents of violence, particularly against women
- Environmental rehabilitation is poorly managed; communities and governments are left with environmental legacies such as contamination
- Spills and poor tailings management affect community sources of water and are not properly addressed or cleaned up
- Companies damage or do not adequately protect cultural heritage located on company lands (e.g. within a mine lease)

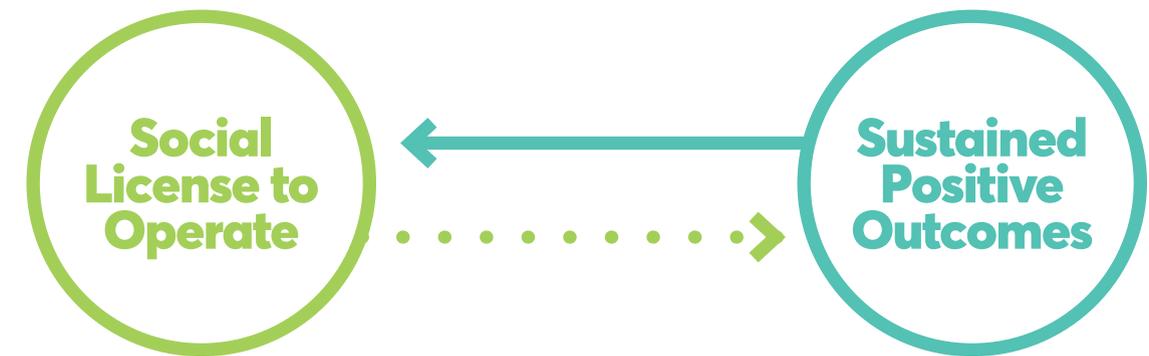
In addition to these negative experiences, participants emphasized that the extractive development process places a disproportionate burden on communities.

Extractive projects are not inherently cost neutral. Often the costs of social and environmental externalities are borne by the community. A mining or oil and gas project is also only one of many things that a community is dealing with. It can be difficult for communities to respond to proposed extractive developments or to keep pace with approved projects and their schedules, to review technical information, participate in consultation, and communicate and discuss issues within the community.

The Current Approach to Extractive Development

The existing approach to mining and oil and gas development is based on extracting the largest quantity of a resource at the lowest cost. **In order to achieve successful production, many companies and governments focus on obtaining a social license to operate.** This is a commonly-used term that refers to a community supporting a company's presence. In practice, achieving a social license to operate and focuses on managing risks associated with a project to ensure there is a stable environment that does not interrupt production. Risk-management by extractive companies is often focused on the short-term to align with company planning processes, budgeting decisions, performance incentives, and quarterly and annual reporting. This is reinforced by short-term investment expectations and the cyclical nature of the commodity market.

Research participants noted that sustained positive outcomes are different than a social license to operate. A project can adequately manage social risks without communities seeing widespread positive outcomes or feeling that there is long-term lasting benefit beyond the project's life.



While a social license to operate is different from sustained positive outcomes, the elements that contribute to sustained positive outcomes for a community can help a company achieve a social license to operate. These elements also contribute to a more durable, longer lasting social license to operate. However, the reverse is rarely true: **the risk-management approach taken by companies to maintain a social license to operate is insufficient to ensure sustained positive outcomes and meet communities' expectations.**

B. | Stakeholders must collectively adapt their approach to extractive development

In order to achieve sustained positive outcomes stakeholders must collectively adapt their approach to extractive development and:

- 1 Treat communities as legitimate, equal partners in extractive development
- 2 Build strong partnerships among communities, companies, and governments
- 3 Create a clear vision and define outcomes
- 4 Make decisions in a systematic manner
- 5 Manage tensions between worldviews



All five elements were identified by participants from all stakeholder groups and geographies.

The elements were consistently identified when participants felt positive social outcomes were achieved or were more likely to occur. Participants identified that the elements were missing when they felt that extractive projects did not lead to sustained positive outcomes.

The elements are not new. Stakeholders that have been working towards sustained positive outcomes for local communities will not be surprised that participants highlighted these elements. However the elements are not consistently implemented in a way that effectively leads to sustained positive outcomes for local communities.

The elements can't stand alone. They are mutually reinforcing and need to be adopted and advanced in tandem in order to deliver better social outcomes.

The elements are globally applicable. While the implementation of the elements will look different in every jurisdiction and in every community, the fundamentals are the same.

The elements are relevant to all stakeholder groups and require collective action.

A new approach requires a systemic step change. Participants were clear that a new approach to extractive development can only be achieved if the broad array of stakeholders that are impacted by or have an interest in extractive development are involved; including communities, extractive companies, governments, civil society groups, and investors. It is not only about company performance or government regulation; we need to focus on the approach taken by all actors within the broader ecosystem of extractive development. Each stakeholder group can play a role in defining and achieving a new approach to extractive development.

- Communities must play a central role in shaping this new approach. They can also influence governments, companies, and other stakeholders
- Governments at local and regional levels can play a foundational role and use governance, regulatory, and permitting systems to do so
- Companies need to understand the many ways their practices influence sustained positive outcomes, including permitting, investment decisions, project design, and budgeting. Companies can also leverage their position to encourage governments, other companies, and civil society groups to act
- Investors can influence companies and government to adopt higher standards or improve governance, in order to move beyond a short-term approach
- Civil society organisations can support the process by providing information, expertise, and mechanisms to collaborate and express opinions and perspectives

Moving Forward

Adapting the approach to extractive development requires a paradigm shift – undoubtedly an enormous task. For stakeholders that have been working to improve outcomes for local communities, the elements outlined in this report and the idea of collective action might be inspiring, frustrating, or even overwhelming. However, **each stakeholder involved in extractive development can make incremental changes that have meaningful impact.** By building and sharing evidence about what an effective approach looks like, NetPositive is dedicated to supporting those incremental changes that will bring us toward collective, systemic change.

The remainder of this report discusses the five core elements in depth. Each section describes the characteristics of the element in action and the very real challenges to implementation. **NetPositive encourages all stakeholders to reflect upon their own place in extractive development, how their daily activities relate to these five elements, and ultimately how they can contribute to an approach to extractive development that leads to sustained positive outcomes for local communities.**

The background features a large, light blue circle on the right side. Inside this circle, there are several stylized human figures, each represented by a simple outline of a head and torso. The figures are arranged in a group, with some overlapping, suggesting a community or a team. The overall color scheme is a solid blue background.

**Treat
communities
as legitimate,
equal partners.**

Element 1. | Treat communities as legitimate, equal partners in extractive development

Treating communities as legitimate, equal partners is the critical starting point for governments, communities, and companies to work towards sustained positive outcomes. It lays the groundwork for relationships that are built on trust and mutual respect, and for decision-making processes that support positive outcomes for communities. Legitimacy is the pre-condition for meaningful relationships. Many governments and companies do recognize the legitimacy of communities. However, in practice, communities are not always treated as legitimate, equal partners.

Communities are legitimate stakeholders

Research participants cited many reasons why communities are legitimate stakeholders in extractive development and should be treated as equal partners. In some parts of the world communities have legal rights concerning land use and natural resource development, which codifies community legitimacy in decision-making processes and systems. The right to consultation in Canada and Chile are examples of this. Even where they do not have formal rights, participants see communities as legitimate stakeholders because of their deep physical and emotional connections to land and water and their long-term presence in an area.



What does this look like in action?

- 1 Companies, governments, and other stakeholders are invested in building meaningful, non-transactional relationships with communities.** They take time to learn about and understand each other. Companies learn about and align with local culture, history, community dynamics, and decision-making processes. Communities learn about the company, how it operates, how decisions are made, and what the company's priorities and interests are. Governments and government agencies learn about community priorities, needs, and concerns, as opposed to taking a top-down approach to working with communities. Governments also work with companies to understand their priorities, decision-making processes, and concerns. Understanding the local context makes relationship-building smoother and enables an informed discussion about how to work together towards sustained positive outcomes.

"We need to re-frame engagement. Early engagement should not be about 'telling'. It's about building the relationship. Curiosity and trying to understand what is unique about this community should be the focus. What are their interests? How do they exist together? What brings them together? What tears them apart?" – Company representative, Canada

"When companies are building fences, using armoured cars, and embedding the police, it does not help. When they are not participating in cultural activities and divorcing themselves from the community, the community says, 'Who the hell are you? You're not part of us.'" – Civil society representative, Kenya

"We need to explain to outside companies how the community works, about our land and culture, our protocols."
– Community representative, Canada

"A company in Alberta has been working on pre-engagement for four to five years now, even though it is not required and they have not yet submitted a formal proposal to the government. [Pre-engagement is when a project proponent comes in and discusses a project idea with the community before they submit any documentation to government.] It shows the importance of both parties [company and community] understanding and developing the process together."
– Consultant working with communities, Canada

2

Community perspectives and knowledge are included in permitting and approval processes, site design, and environmental and social assessments, and they can influence decision-making. Companies, governments, and communities are willing to listen, receive input, and then respond to and act on that input. This applies in particular to companies and governments as they seek out community and stakeholder contributions and input.

"If local [traditional] knowledge was given equal weight to Western science, that would help a lot." - Consultant working with communities, Canada

"Consultation is about meeting face-to-face and asking instead of telling. [Saying] 'we'd like to do this' instead of 'we are going to do this.'" - Community representative, Canada

"If you say you're going to value input, that means not just listening, but responding and actioning. It doesn't mean giving in, but there needs to be give and take." - Company representative, Canada

"It's too easy to be glib and say that [positive outcomes are] all about more consultation. More important is the ability of the company to listen and respond. If you look at the constraints about why companies are bad at that, there are implicit assumptions, pressures from government and shareholders, etc. You need to have a receptive organisation to properly change. We need to tie communities into natural resource extraction, but it's easier to say than do." - Company representative, East Africa



Communities make important contributions

Communities make important contributions in many ways. They provide a workforce or a pool of local businesses and suppliers that extractive companies can hire and draw upon. Communities can also offer local knowledge about the history and geography of an area or the local environment, including a deep understanding of biodiversity, local species of flora and fauna, watersheds, climate, seasons, and cycles (e.g. droughts, floods, planting seasons). Recognizing the range and depth of possible community contributions not only values local knowledge and recognizes the legitimacy of communities as partners, but also will improve extractive projects.

- 3 **Decision-making processes are accessible to communities and communities have the time, resources, and access to information to participate.** This may also require capacity building to ensure communities can adequately participate in decision-making processes.

"If you want to have a fair process, then people need information."
– Company representative, Uganda

"The company hasn't taken the time to sensitize the community about how decisions are made. The community doesn't understand what's going on." – Community member, Zambia



4

Individuals within communities, including women, youth, and minorities, are valued legitimate stakeholders. Their opinions and knowledge are included in decision-making.

“Talking to representative bodies (such as a community council) is historical industry practice. Unless a community has done the work to engage the many voices in their community, you’ll only hear that voice [of those on representative bodies.]” – Company representative, Canada

“If you [the company] don’t listen to communities, then you don’t know how the community looks at you. You’re not maximizing information coming in. The community could help you in understanding how to operate and give you practical, locally-important information that you’re missing, but that requires reciprocity.” – Civil society representative, East Africa

Free Prior and Informed Consent

For Indigenous communities, legitimacy is most often discussed as consultation and free, prior, and informed consent (FPIC). Representatives of varied stakeholder groups consider community consultation and FPIC as a path to both a social license to operate and sustained positive outcomes for local communities. Voluntary industry commitments and legal requirements are evidence that consultation and FPIC are increasingly considered to be a useful approach. Many participants also spoke about the importance of adopting similar practices and principles for engaging with and involving non-Indigenous communities in extractive development.

There is an important discussion ongoing at a global level about FPIC, particularly as it relates to the extractive industry. There are also national discussions which are more directly related to national laws and regulation. The findings in this report contribute to these discussions about FPIC and how it can be implemented. While the practical implementation of FPIC can be complicated, the principles behind free, prior and informed consent are common sense.



Challenges and Obstacles

Participants cited several reasons why communities are not seen as legitimate:

- 1 Companies are perceived as not having the ability or willingness to understand local communities.** Extractive development increasingly takes place in or near communities where there may be limited infrastructure and services, a history of colonization and/or conflict, and few alternative economic drivers. This context shapes local communities in profound ways and can make communities more vulnerable to the actions of outsiders. In addition, local communities often have communication and decision-making processes that differ considerably from a company. However, companies often do not successfully incorporate the contextual understanding necessary to effectively build a relationship with communities, let alone contribute to sustained positive outcomes.

"Companies are not interested in drilling down into what is happening at the community level. Communities are seen as black boxes." – Community representative, Canada

- 2 Company processes and management systems maintain company and government control over decision making, which limits community involvement.** Current processes that are used to make project decisions, including licensing, project design, and impact management, offer limited avenues for community input.

"By the time companies engage with communities, they already have an idea of what information they want to share and they'll explain it from their perspective." – Consultant working with communities and companies, East Africa

"Government is often partly to blame for pushing companies so hard so that community engagement is rushed. In an ideal world, there would be a 'pre-agreement' agreement signed where government says everyone is going to spend one year talking on the ground before any minimum work requirements kick in." – Company representative, Kenya

"Corporations as much as possible try to avoid communities. They try to bypass communities to go straight local authorities, to engage with the local Chief, in order to get 'community' approval." – Civil society representative, South Africa

3

National governments are seen as the ultimate owners of land and resources.

This makes it more difficult for companies and governments to recognize community connections or rights to land. It also can complicate discussions about how benefits should be shared within the country because different levels of government and local communities can have different expectations over which group deserves the most benefit. This has made conversations about community land rights (such as discussions around free, prior, and informed consent) complicated.

"Governments can be quite arrogant about land, saying 'It's our land, we give the permit' but in communities the real landowners might be the traditional leaders, like the Chiefs." – Consultant working with finance providers, Africa

"Everything is seen through the lens of gross domestic product and growth, but these benefits do not reach the inhabitants of the country. The negative impacts outweigh everything else. To prevent these types of negative results, we must change the matrix of production of resources." – Community member, Chile

"A true partnership approach to developing projects means that there is a real possibility that a project won't be developed." – Company representative, Canada

A focus on achieving sustained positive outcomes means that governments and extractive companies need to consider that not every project should go ahead.

If projects are planned and evaluated from a perspective of sustained positive outcomes, there is the possibility that the negative impacts on social, cultural, or environmental factors are too severe or that they are unable to be avoided or mitigated to the extent required.



4

Communities are not always able to assert their legitimacy.

This is often related to historical relationships (e.g. marginalization of the community) that are rooted in broader power dynamics within a region or country. This can also be related to a lack of resources and skills to participate in established decision-making systems.

“Just because the people who have been sitting on the resources didn’t know that they were, or because they don’t have the knowledge and skills to develop that resource, doesn’t mean they should be excluded from planning and visioning.” – Community member, Zambia

“You [the community] have a responsibility to explain to the guest about the area (such as how cultural interactions work). However, being a good host requires having information and the ability to be involved in decision-making.” – Consultant that works with communities, East Africa

Local Access to Financial and Human Resources

Access to financial and human resources, particularly for communities and the most local levels of government, is a frequent barrier to achieving better social outcomes. This occurs because these groups cannot adequately respond to proposed extractive developments, fully participate in decision-making processes, or take advantage of economic opportunities. Additionally, there can be a real (or perceived) disparity between community and company resources. As a result, communities in particular can feel disconnected, left out of natural resource decisions, and that the process is unbalanced from the very beginning.





**Build strong
partnerships.**

Element 2. | Build strong partnerships among communities, companies, and governments

Extractive development requires the involvement of three core stakeholder groups: local communities, government, and the extractive company. Research participants emphatically stressed that achieving sustained positive outcomes for local communities requires these three groups to work in partnership and develop strong relationships. Companies, governments, and communities need to recognize that partnerships are a prerequisite for success and that strong partnerships are about more than talk.

A new approach to extractive development will not be possible without collaboration and collective action between these groups. It is not enough that stakeholders are willing to work together - they must put that willingness into practice, which requires a critical examination of how they approach relationships.

Local communities, government, and the extractive company are three legs of a stool: without one group securely and closely attached to the extractive development process, the stool won't hold up. Each group must contribute.

To move towards a partnership approach, stakeholders, especially companies and government, must be willing to understand why and how the current approach isn't working, to change their behaviour, to give something up in the pursuit of broader goals, and to challenge the status quo or current dynamics. This, of course, means stakeholders must realize when the status quo is not working.

What does this look like in action?

- 1 Companies and governments engage with communities as early as possible, before exploration or prospecting begins.

"There is no guarantee that being honest with communities will convince them or change the dynamics or provide a social license to operate. But by informing people early on that you are there, in a language that local people will find meaningful, this helps to manage expectations and build relationships." – Consultant to communities, East Africa

- 2 Companies and governments are willing to give communities and other local stakeholders the time and information required to plan, make decisions, and take advantage of economic opportunities.

This could mean that companies adapt current processes to align with community methods and/or community leaders and members develop new skills and knowledge to participate in decision-making.

"We try to build a commitment to share information on both sides. We let people know we can come back and keep the conversation going, that we will share info. We are trying to be really open with people about what [mining] does and doesn't mean." – Company representative, South America

3

Companies and governments are honest with communities about the likelihood of extractive development, their decision-making processes, the potential impacts and benefits, and the inherent uncertainties of resource development.

"If we are not notified and supported to be able to take advantage of [economic] opportunities, then we are not ready when the project arrives and we only end up getting the tip of the iceberg in terms of benefits. We are being told to partner with industry but only getting a small amount of benefit because we are not included or given enough information." – Community leader, Canada

"If the company's timelines change, be honest with [the community]. We can't always wait to disclose new information until we're ready or know exactly what is happening. We're not the secret service; we can tell them that we don't know. The communities still may not like you, but they have respect because you're being honest." – Company representative, Global

Addressing the history

Partnership requires trust and building trust is not simple when there are complex histories and legacies between communities, companies, and governments. Colonialism, historical trauma or conflict, past marginalization by government or other groups, political allegiances, or prior natural resource development, may affect a community's relationship with the government, extractive companies, or outsiders of any kind. Participants from all groups emphasized how important it is for companies to understand and be sensitive to these legacy issues in their work because they can have lasting effects and influence future relationships.

4 Companies, governments, and communities recognize that there are power imbalances. Companies and governments are willing to give communities resources to balance these dynamics.

This can include providing resources to hire independent technical advisers and conduct independent assessments and giving communities access to more information. For communities, this means recognizing power imbalances and dynamics within a community and amongst communities.

"Communities need access to the same information that investors and insurers get. Those two groups [investors and insurers] need to know exactly what the risks are, but communities never get that: a really frank assessment of what could go wrong." – Civil society representative, Global

"When communities have learned from external sources, such as through visits to other communities, NGOs, or external advisors, they can learn about the pros and cons of extractive activity. When communities are closed off from outside sources of information, they learn more from their own trial and error which creates more turmoil around extractive projects." – Academic working with communities and companies, Canada

"Communities need to have the expertise and time to review all the documents from their perspective – and that expertise needs to be entirely working for them." – Civil society representative, Global

5 Communities, companies, and governments hold each other accountable for what they are meant to do. In order to hold stakeholders accountable, communities in particular need to have the power, influence, information, and sense of safety to do so.

"We need community leadership to speak up – because as things [company practice and behaviour] start slipping, then it becomes the norm." – Community member, Canada

"Communities have low understanding of their rights and don't hold duty bearers to account. We need to educate people about their rights. There is low public participation because people don't understand they're rightsholders." – Civil society representative, Zambia

"Companies say that's why they pay taxes: for government to take care of social services. But what is government actually doing to offset the negative impacts from mining? Do small [communities] have the power to get government to spend tax dollars on social services in their communities?" – Government representative, Canada

Challenges and Obstacles

There is no shortage of discussion about the importance of partnership but meaningful partnerships are hard to develop for many reasons:

- 1 The balance of power often sits with companies and governments. The system is not inherently set up in favour of groups working together as partners.** There are often few opportunities for communities to work with companies and governments or to contribute to the extractive development process.

"A community needs to be at the table. If a company comes to the table ready to do consultation and engagement but has already decided what it's doing – that puts lots of limits. How do you tell people that you're going to give them a say when there are already limits? The entire system is set up against it [community involvement]." – Community representative, Canada

"Mining companies want to put forward a narrative of being omnipotent but we need to re-write that more honestly around partnerships. Communities are more powerful than they realize." – Company representative, Africa

"Indigenous people are supposed to be custodians of land but the national government has the upper hand." – Community representative, Zambia

The Importance of Leadership

Participants often emphasized the importance of "good leaders" or "the right people" when discussing positive examples. This begs the question: "good" or "right" in what way? Digging deeper, good leaders were those who were willing to partner with others in a meaningful way – to put leadership into action and go beyond rhetoric. They were also those with the courage to do something different or controversial. This often meant they had to be willing to take a risk, to listen to, or to try to trust the company or the community or the government. It also meant they might have to give something up, such as information, an equity position, or a revenue stream, in the pursuit of hopefully greater gains in the form of economic opportunities, an improved quality of life, a smoother or more efficient permitting process, or cost savings and higher share prices.

Leadership is a critical component in the equation of what it takes to see sustained positive social outcomes. Leaders who build their approach to daily activities around the five elements explained in this report were the ones lauded as successful by their peers and other stakeholders.

2 Stakeholders often see extractive development as a zero-sum game, where giving something to one stakeholder means giving up control or taking it away from another stakeholder. For example, a company sees giving a community more information as giving up control, or a government sees respecting Indigenous peoples' rights as reducing the opportunities available to non-Indigenous people.

"There is a view that, 'The more rights that they [Indigenous People] get, the more that I lose.' It's very difficult to break out of that mindset." – Community representative, Canada

"When communities are really well-informed and have the time and resources to work with technical information in particular, they tend to be better equipped, and they can feel more confident and in control. Some companies don't get that – they think detailed information sharing gives up control."
– Consultant working with companies and communities, Canada

3 Building partnerships takes time, and extractive development timelines are not necessarily designed to provide the time needed to develop partnerships before decisions are made, specifically at the beginning of a project.

"By the time a company decides it really does want an orebody, it's too late for the community to have a reasonable chance of understanding a project and to have the expertise and time to review all the documents from their perspective." – Civil society representative, Global

"To use the excuse that we haven't got enough time is bullshit. If you've got the time to spend on early feasibility and early design, you can afford the time to do your engagement and preparation."
– Consultant to companies and former company representative, Australia

4 Companies are often afraid and/or unwilling to share information.

There is an important balancing act that needs to take place when it comes to information sharing. Companies, governments, and communities should be open with each other about the risks and opportunities. Yet there is a real concern about sharing certain types and amounts of information because it may be material or proprietary or provide a competitive advantage. There can be also be risks involved with communicating information, such as causing or influencing in-migration and land speculation after communicating a project design. These risks can negatively affect companies, communities, and governments.

“Companies should start negotiating early, but they don’t because no one knows what the deposit is like or what the agreement will be. Then when they start to negotiate local participation, it is too late.” – Community member, Canada

5 Companies tend to focus on quantitative performance (such as share price, production, schedule, and budget). Qualitative successes, like partnerships, aren’t acknowledged or rewarded.

“Whether companies have a results-based performance culture versus a focus on relationships makes a difference.” – Consultant working with companies and communities, Canada

6 There may be limited entry points for a community to build a relationship with the company. There are both real and perceived barriers for communities to interact with companies. These barriers can be tangible such as fences, walls, security checkpoints, language differences, or requirements to use phone or email communication. There can also be intangible barriers such as power dynamics, differences in cultural practices or norms (e.g. women interacting with men), or fear.

“The company made it completely impossible for communities to have any interaction with them.” – Civil society representative, East Africa

Equity and Revenue Sharing

Several participants highlighted equity and revenue sharing in extractive projects as “one of the best means by which to get to sustained positive outcomes,” (Government representative, Canada). This is an emerging practice which builds off current revenue sharing mechanisms used by governments and the extractive industry.

Participants described how equity and revenue sharing can:

- Enable communities to “to become partners in development” (Government representative, Canada)
- Provide communities with “access to their own source revenue, as opposed to fighting with governments” (Community representative, Canada) and provide untied, predictable funds which communities can “plan for and use in a way that meets their own priorities” (Government representative, Canada)
- Value community contributions to extractive projects, such as land access and traditional knowledge
- Mean that communities have a stake in the success of the project and are more attuned to the economic pressures facing extractive companies (e.g. commodity prices, operating costs)

Participants highlighted that equity and revenue sharing is not always straightforward.

“What we should be hearing is not an equity sharing debate but a discussion about how communities want to participate. What do we want as communities? Some communities want equity and some don’t. We should keep discussions and opportunities for how to involve communities open moving forward.”
– Community representative, Canada

Equity sharing can also create internal divisions within communities when one group is in control and the benefits are not shared widely. Furthermore, a company representative noted that revenue and equity sharing can be complicated by defining who is the ‘community’.

“Giving communities an equity stake in the company is a real partnership model. Mining companies are going to have to think more broadly about the options for working with host governments and communities in the future.”
– Company representative, Canada



**Create a
clear vision.**

Element 3. | Create a clear vision and define outcomes

A clear shared vision and defined desired outcomes for extractive development increase the likelihood of sustained positive outcomes for local communities. It is a human tendency to focus on short-term opportunities and issues. A vision helps extend that focus to consider long-term goals and objectives. In extractive development, a clear vision encourages communities, companies, and governments to see beyond job numbers or social investment figures, to consider other long-term collective benefits and potential impacts.

Research participants highlighted that a **vision is often missing in the extractive development process**. Stakeholders, including local communities and government, may have no or little experience with an extractive project and as such may not know what to expect or their historically negative experiences can influence their expectations for a new project. This creates knock-on problems which decrease the likelihood of sustained positive outcomes. Without a vision, there is greater uncertainty for local communities about what an extractive project means for their future. This can create tensions between a community and company. In the absence of a clear vision, investments in skills, training, and infrastructure can be misaligned. It can also be more difficult to hold people and organisations accountable to other rightsholder or stakeholder groups for their actions because there is no agreement on the way forward.

A vision is a starting point for future action and helps set expectations. Visions can and should be developed at a community, regional, and project level.

A project-specific vision takes into account the likely life of a project and where the community hopes to be when the project closes. The visioning process itself is an opportunity to set a strong relationship between stakeholders and can provide a useful forum for stakeholders to interact. It is also an opportunity for stakeholders to understand and discuss the trade-offs that are inherent to natural resource development and to balance community, government, and company interests and concerns in an equitable way.

An extractive project needs to fit into a broader regional vision for development. Extractive developments bring change, but those developments are also finite (because resources are finite). While extractive projects can be a catalyst for broader development, on their own they cannot sustain development. A regional vision can also help local stakeholders to understand how national-level benefits (e.g. tax revenue) fit in the picture and how they may indirectly contribute to local development.

It is also important for communities to have their own vision for the future. Having a clear vision helps to contextualize the change that extractive projects bring and enables stakeholders to guide those changes in a way that meets their objectives. A community vision helps local communities to understand how they can contribute to extractive development and proposed projects as well.

What does this look like in action?

1 Visioning can, and often should, be part of a broader planning process.

A visioning process should be appropriate for the local context. This might mean that the vision and the planning process take the form of a regional development plan or that planning for a specific project can be inserted into existing government development planning. Regional planning can be particularly important when there are other extractive projects nearby and coordination is important to both understand and plan for cumulative effects and broader opportunities.

"We need to have a government-led regulatory and development process that is aligned with concepts of cost/benefit analysis. Right now, government is leaving it to industry to facilitate conversations." – Former government representative, Canada

"Cumulative effects are becoming more and more important, particularly during environmental assessment processes. Industry needs to contribute to the search for answers. They also need to be more open to the possibility that they've contributed more than was previously thought to major changes that are happening in the local environment which could be a result of mining and indirect impacts. It's hard for industry to take the long view, but it's all about the long view." – Government representative, Canada

"How can you understand the benefits or impacts of a major pipeline if you are only assessing a small geography around the pipeline?" – Community representative, Canada

2 A project-specific vision must look beyond the life of an extractive project.

A vision for a specific extractive development project may be developed as part of existing consultation or agreement-making processes. Stakeholders can start with a project-specific vision and build it into a larger regional planning process. Or they can work from a larger regional process towards a project-specific vision.

"Agreements between companies and communities need to go until after reclamation is complete. Planning until closure is not enough." – Consultant working with communities, Canada

"Let's move away from just doing Environmental Social Impact Assessments and impact management at the beginning and instead let's figure out what the future looks like. Let's take a true tripartite approach, let's look at topics like education and food security. Many strategies are built around impact management for permitting and compliance. But there is an X factor as well: let's step back and think about this as a macro issue." – Company representative, Tanzania

"Alberta is moving away from a project by project approach to a holistic approach where proponents must do a more comprehensive application for the life of the project. This includes the land impact over the life of the project. The assessment process is more resource intensive but it gives a much better picture of how all pieces relate and takes it away from the granular." – Company representative, Canada

3 Communities define their vision for the future. This enables a community to come into a broader planning process better prepared, with a generally agreed upon set of priorities. A clear vision or plan helps companies, governments, and civil society understand how to work with communities (and to not treat communities homogeneously). A community vision also helps stakeholders understand how the community can contribute to and play a role in any proposed extractive development.

"The community has to know what they want." – Community member, Zambia

"Communities need to start with an understanding of 'What do we want to get out of life?', 'How do we want to live together?', 'How do we want to deal with investors?'" – Civil society representative, East Africa

"For community, the big issue is always going to be a balance between the relative benefit of development in the area with the less positive outcomes like environmental degradation or reliance on one source of economic activity. Each community must decide this for themselves. Some decide they don't want anything and some decide they want to find a balance." – Government representative, Canada

4 Planning for the future must include all stakeholder groups: community, government, companies, and civil society. The format will depend on the local context, but it must be inclusive and enable local stakeholders, particularly communities, to share their priorities and views.

"There is no sophisticated matrix within which to have conversations around projects and with communities about trade-offs. There needs to be a more mediation and dialogue-based approach." – Former government representative, Canada

"Companies need to start thinking about the future: Where [commodity prices] may go, what does that mean for the community and for the country, how can you plan for that, etc. They need to think strategically up front about different models (for supply chain, operations) and how to maximize economic benefit and benefits broadly. Otherwise we're always playing catch up." – Company representative, Tanzania

"The decentralization of the regional government and the forum for development discussions are a starting point for all of us to get together and discuss the future, including the community." – Company representative, Zambia

5 The stakeholder that leads a visioning process should be appropriate for the local context. The government is usually best placed to do this, and often has the oversight and authority to do so. In some cases, a company and government may work together to lead the process. In many jurisdictions, it can be helpful for companies to use their influence to push for planning to happen.

“Companies can use their convening power to encourage government to develop some sort of development plan that thinks about wider development beyond jobs and contracts. That planning process also needs to be participatory with local communities and Civil Society Organisations.” – Civil society representative, East Africa

“The company established a Community Sustainability Committee where First Nations, municipalities, health and academic institutions, economic development groups all came together. They didn’t limit the discussion to just friendly organizations. These meetings provided a forum to discuss a long-term vision because there weren’t any other mechanisms to do that. At the end of the day, it also brought communities much closer together.” – Consultant working with communities and companies, Canada

“Companies and governments should focus on their core business and bring in external experts who can convene a long-term, strategic development process. This could be NGOs or consultants. They would need to have a proven track record of brokering agreements, bringing people together, and understanding the local landscape, and they must be credible.” – Government representative, Tanzania

6 Civil society groups play a role as supporters, conveners, and capacity builders. For civil society groups to do this well, they must be seen as credible and objective.

“When there are plans that are community-led and driven by community priorities, then different actors can zero in on what communities identify as to what to focus on, contribute to, and support.” – Government representative, Canada

“We are facilitators of communities’ engagement with companies and others. We support communities to do development planning and to bring in the company and government to be involved.” – Civil society representative, Global

7 The vision includes defined target outcomes and objectives, roles and responsibilities, and mechanisms to ensure accountability. The government is usually best placed to do this, and often has the oversight and authority to do so. In some cases, a company and government may work together to lead the process. In many jurisdictions, it can be helpful for companies to use their influence to push for planning to happen.

“How can companies or the government be held accountable when there are no targets in place?” – Civil society representative, East Africa

Challenges and Obstacles

Creating a vision for extractive development is done infrequently because it is not necessarily straightforward.

- 1 **It's hard to talk about the future**, especially for communities when there are more pressing day-to-day issues to address or when they don't have access to sufficient information.

"When people live in precarity, then of course they are going to grab it [e.g. benefits, opportunities] while they can. If you want to really remove this dynamic from the process, you have to spend a lot of time with communities, which isn't aligned with project timelines." – Company representative, Global

"We have to recognize that communities are on such an unlevel playing field. Communities don't have much knowledge of impacts or or ESIA processes. We need to start allowing communities to participate and understand." - Civil society representative, South Africa

Impact Benefit Agreements and Community Agreements (IBAs)

Many people point to agreements and agreement-making as an effective system for decision making, and one that is increasingly used. Agreement-making can be useful because it provides a process for stakeholders to communicate how they do things and to create a new system for working together. In doing so, stakeholders find creative ways to align their ways of working. Agreements can also "keep the process honest and provide a record to go back to," (Consultant working with communities and companies, Global). However, many agreements can impose one party's approach on the other (often the company's way of working) and may not succeed in bridging the gap between stakeholders. Agreements are not a panacea; taking a partnership approach to the agreement-making and implementation process is vital for long-term success. The process of agreement-making is as important as the agreement.

"If the process is felt to be fair and equitable, then the outcome is more likely to be seen as fair and equitable." – Consultant working with communities, Canada

2 **There is no clear starting point for a visioning process.** Extractive development is inherently uncertain, making it challenging to develop a collaborative vision when the earliest work begins (e.g. at the start of exploration). This can lead to strained relationships throughout a project and be a source of tension. Companies often do not know whether their work will progress and whether they will have a long-term presence in an area. As a result, there is a fear that including communities too early will create unsustainable expectations. Momentum around a project tends to build as a company's work in an area continues, making it more difficult to give communities a chance to be involved in decision-making. This poses a problem, particularly in cases where impacted communities are Indigenous and there could be a case for FPIC.

"We have to accept as a company that so many of the critical opportunities are right up front. When you think of operations that have tried to do it correctly from the front, it ends up better and you lose fewer opportunities." – Company representative, Africa

"We don't want to want to be consulted at the end. We want to have input at the beginning. We want to provide influence and guidance on an outcome that is reflective of our values."
– Community member, Canada

3 **It takes time** to develop the relationships required to begin and sustain discussions about the future and to balance multiple issues and interests.

"It's very hard to have these conversations to talk about what might go well, how might this not go well, how can we work towards positive outcomes. It is often so charged and ideological. This is why the dialogue process is so important – to move past these discussions to build relationships and talk about constructive issues."
– Former government representative, Canada

"We need to build in a way for communities to sit at the table and have say before the [extractive development] process moves forward – in all the regulations and processes. But to build the capacity of citizens you need to start early and it takes a long time." – Civil society representative, Zambia

4 Companies and communities look to government to lead the process of developing a vision, but there are many hurdles that prevent governments from taking the lead.

Government resources and capacity to lead such processes are often stretched. Extractive development may be a side conversation to regional development planning and not included in the existing process. Often, visioning and planning processes exist at a national level, but not at a local or regional level. There is often a focus on getting projects started in order to demonstrate progress, but not on time and resources into planning how the engagement process will unfold.

“There are government processes to have these development discussions. The process is owned by government, but often the challenge is that government representatives aren’t well-informed about how it works or sometimes they don’t even know about the process at all. There are so many bottlenecks, including an absence of clear land laws, well-understood permitting processes that are adhered to, etc.”
– Company representative, Tanzania

“Governments should play a role in helping communities envision what sustainable development looks like. The problem is there is frequent turnover within government and politicians will play to local populist whims when it suits them; it’s not interesting to talk about slow steady improvements. Civil servants often have more vision but lack the resources and end up less willing to be creative and energetic.” – Consultant working with companies, Global

Social Investment Programs

Well-designed social investment (SI) programs were some of the most important benefits highlighted by community representatives. Yet more often, research participants spoke of the abundance of poorly designed or implemented SI programs created by the natural resource industry. These SI programs were seen to be ineffective or, in the worst cases, colossal wastes of money. This was often because SI programs were developed in a vacuum by companies with no meaningful involvement from the communities they were intended to benefit. Additionally, several participants highlighted that companies launch social investment programs to ‘throw money at the problem’ or to mitigate impacts. This is problematic because it allows companies to feel like they are addressing community concerns and creating benefits, but they are usually not achieving the intended result. Engagement and a visioning process can create a forum to discuss community and company priorities to find more meaningful, synergistic social investment opportunities. Social investment programs should be aligned with the vision that stakeholders have developed and agreed upon.

“Chequebook consultation means you are not respecting the integrity of the community. If you think you can just write a cheque to deal with anything, communities get that. They’ll play the game, but at the end of the day it isn’t going to go well.”
– Consultant working with companies and communities, Canada



**Make decisions
systematically.**

Element 4. | Make decisions in a systematic and transparent manner

Clarity, certainty, and transparency about how decisions related to extractive developments are made will increase the likelihood of sustained positive outcomes.

Extractive development involves multiple, complex decisions that influence a wide variety of groups and individuals over a long period. This is often realized through multiple formal and informal systematic approaches that align and come together into one overarching system. For example, environmental assessment and permitting systems are often complicated. They take a long time to implement, require a large amount of data, and involve many different stakeholders. **The process may not be transparent or clear to outsiders, particularly local communities. This can exacerbate existing power imbalances where only a small group understands how 'the system' works and ultimately how decisions are made.**

Decision-making systems take many forms. They can be formal, codified, prescribed processes such as permitting processes, regional development plans, or consultation frameworks. They can also be informal or normative processes, meaning they are an understood way of doing things which are not necessarily written in a policy or law, such as social or cultural norms for consulting with elders.

Regardless of whether a stakeholder group tends to use more formal or informal systems, each stakeholder group should have a system for decision-making that:

- Incorporates an assessment and understanding of the local context
- Includes a mechanism for action and for monitoring progress
- Identifies roles and responsibilities
- Includes a way to share information
- Provides a way to talk about the future (e.g. economic development, land use and ways of life, social impacts, environmental considerations)

While the extractive sector is highly systematized from a technical perspective, the approach to social outcomes is often less systematic.

For example, companies may not have a plan for consulting with communities or addressing project-related in-migration. Governments may not have a plan for addressing extractive development-related impacts that fall under their responsibility. Communities may not have a plan for responding to a proposed development, engaging with companies, or participating in consultation and permitting processes.

Unclear and opaque systems generate uncertainty. **Companies, governments, and communities need to understand each other's systems, particularly those which affect them in some way, to be able to partner and work together.** This increases certainty which enables better decision-making, controlled expectations, and greater trust.

What does this look like in action?

- 1 Stakeholders communicate how their systems work.** This could be communities explaining traditional norms for how to talk to community members; companies explaining management systems and procedures related to project planning or investment decisions; or governments ensuring that all stakeholders understand the permitting and regulatory processes in a region.

"Companies need to put things into perspective for communities. They need to use analogies that are meaningful for the community, do site visits, be transparent." – Government representative, Canada

"We have to spend the time to figure out the genuine opinion [of the community]. Take them to see another project, take them to meet other community leaders, take the time to walk through the issues." – Company representative, East Africa

- 2 Stakeholders understand and are willing to find creative ways to work within different systems.** Stakeholders can work together to co-design systems such as environmental assessment, participatory monitoring, and dispute and grievance resolution. This requires time, respect for other practices, and a willingness to adapt current practices

"The local [regulatory framework] includes local knowledge with technical knowledge. It balances traditional knowledge with science. It's an opportunity to not be tied to old processes and old frameworks." – Community government representative, Canada

"The Community Relations function and mine planning are generally focused on annual planning. Why can't we have two to three year-long plans and budgets? Budgets that are aligned with impacts and engagement requirements of site and not an annual cycle that is related to production alone." – Company representative, Global

systematic

Company Organizational Structures

A company's organizational structure affects its ability to support sustained positive outcomes for communities. Organizations in the extractive industry have been designed to maximize production. This affects how extractive companies think about and position 'social issues' or 'community relations' within the company. Many companies have made a commitment to sustainable development or to respect local communities, but that commitment does not always flow down into the rest of the organisation, particularly at the site or facility level. This is often due to the size or decentralized nature of the organization. Furthermore, while many companies have built internal capacity to address community-related topics, this is often siloed in separate social performance or community relations teams which are tasked with managing social risks to production.

Research participants highlighted that companies should have a commitment from company leadership to sustained positive outcomes for local communities and integrate social performance across the organisation. Key management positions (e.g. the heads of human resources, procurement, or logistics) must therefore understand their role, buy into, and be held accountable for social performance and contributing to positive social outcomes. Social performance teams need to be able to work cross-functionally. As one company representative noted, "You must have decision makers who understand the importance of social performance and support it internally to provide the budget and time needed."

Company culture and employee behaviour also affect a company's ability to contribute to sustained positive outcomes. Company cultures that are built on "a command and control approach, are more about people protecting themselves than working towards [positive social outcomes]. Everyone has become very good at disguising it- but it is the norm," (Consultant working with companies and communities, Africa). One company representative noted that "including social performance in the company's incentive programs is a no-brainer and a must if you want to change behaviour."

Challenges and Obstacles

It is difficult to provide clarity, certainty and transparency around how decisions are made for several reasons:

- 1 Systems are set up without clear roles and responsibilities being clearly defined.** While there is often a system in place for key activities and processes in extractive development (e.g. a regulatory process for consultation), within those processes, specific individual roles and responsibility and accountability for key tasks may not be clearly defined.

"How are all the parties going to interact and at what stage? How does this pan out when it comes to information sharing and consultation?"
– Company representative, Global

"We need a transparent system of who is doing what and who pays for what. Only then can you hold people accountable – whether that's communities, governments, companies."
– Government representative, Canada

- 2 Governments have control and authority over the extractive development processes and decision-making systems.** Yet government often suffers from low capacity to implement or communicate those systems effectively. Research participants frequently expressed frustration with 'government' – across all levels, departments, and ministries. Concerns were expressed about the lack of cohesion between departments and levels of government; low face-to-face involvement by government representatives in addressing social-related issues with companies and with communities; and a lack of leadership amongst government representatives.

"It's structural. Governments are big machines, complex, and bureaucratic. There is so much turnover that programs can't be completed properly. Unless there is a legislative timetable, almost any policy or legislative framework takes years to work through the system, and you will churn through people several times."
– Consultant and former government representative, Canada

"Taxes from mining are paid to the central government but the province where mining takes place is not a national priority for development. We are the most impacted region but government is spending those mining revenues elsewhere and local municipalities don't have the authority to determine the pace of development themselves."
– Community member, Zambia

"There are limited regulatory or legal requirements that are driving good outcomes."
– Company representative, Colombia

"The one who is royally failing in their burden of information sharing is government (national and local) but they are often unable because they lack the resources, knowledge, or skills."
– Civil society representative, Global

"The company and the community have to build a relationship so they can address the absence of the government together."
– Community member, Zambia

3

Existing systems often do not include ways to balance different stakeholder perspectives or considerations such as economic opportunity, traditional land use and way of life, social impacts, environmental considerations, cost pressures, or shareholder expectations.

"IBAs and regulatory frameworks are seen as important to get that balance between social and environmental impacts and economic growth. But not everyone thinks that those systems are sufficient."
– Civil society representative, Canada

"Regulation, law, and policy should help us balance different concerns. However, the power is in the hands of government or industry. Communities have done what they can do to have a voice, but they end up having to take strident positions because they are not at the table doing the balancing." – Academic, Canada

Permitting and Approval Processes

Stakeholders routinely point to permitting and approval processes as inefficient, costly, time consuming, inaccessible, and most significantly, exclusionary. Many permitting and approval processes don't consider local communities. If social impacts are included in assessments, management measures are often developed without meaningful community input or direction.

However, research participants highlighted a participatory approach from the Northwest Territories, Canada. "There is a participatory co-management framework which flows from [Indigenous] land claims. This framework sets out requirements for regional land use plans, and any application from a project proponent must be in line with those regional land use plans," explained a government representative. Furthermore, the project assessment process is unique because "there is a much lower threshold for public participation" and there is "a direct link" between the review board [which oversees the assessment and review process] and the community because the board itself is composed primarily of Indigenous and community members.

4

Stakeholders, particularly companies, don't always realize how their systems can impact communities or social outcomes. Participants also highlighted that there are structural reasons why systems might inhibit working towards positive social outcomes. For example, company systems are designed with technical and production objectives in mind. Government systems might be aligned with government budgeting and planning cycles.

"Companies don't think about the negative implications and costs of not developing local participation until they end up paying through the nose to contractors and they face project delays because their relationship with the community is in limbo."
– Community member, Canada

"Companies' normal ways of operating and doing business often play into the hands of spoilers or those who are in it for personal gain. Companies think that to do business in certain areas they have to do business with gate keepers, but they end up playing into the hands of corruption because of their lack of creativity and an unwillingness to consider other ways of doing things." – Civil society representative, East Africa

Community Decision-Making Systems

A community in Canada, with the support of a local university, developed their own system for evaluating potential economic development projects. The community's leaders "were in need of systems to assess the socio-cultural fit of economic development projects," (Academic working with the community). The system evaluates projects and measures potential outcomes across four dimensions: economic, environmental, community, and culture. "Each dimension is given a weighting based on the community's own worldview [and what they prioritize]. Indicators are selected for each dimension and then the impact is rated for the expected effects from a given project – both good and bad." This provides the community with an idea of the potential impacts and a systematic way to learn about a project and make decisions.

systematic



**Manage
tensions
between
worldviews.**

Element 5. | Manage tensions between worldviews

Natural resource development is a catalyst that brings individuals and groups with divergent worldviews together. In this context, there is an increased opportunity for tension and conflict between rightsholders and stakeholders with different worldviews. This tension and conflict can make it more difficult for groups to engage with each other and work together as partners or to develop and implement effective approaches to decision-making and addressing issues that affect social outcomes.

A worldview is the set of values and beliefs that influence the way that an individual or group behaves and makes decisions. Worldviews are often deeply held and **the group that holds the most power often wants their worldview to dominate.** For example, companies often want other stakeholders to meet them on their terms and are unwilling to adjust their behaviour and decisions to accommodate them (e.g. companies may assume communities have low capacity to participate in decision-making or companies may make a limited effort to understand how a community operates).

When stakeholders are aware of and manage the tensions between their worldviews, it is easier to develop partnerships and work together towards a common vision. **Managing tensions between worldviews refers to finding ways to meet in the middle and to achieve common goals in creative ways. It does not mean that communities, governments, companies, and other stakeholders need to align their worldviews.**

Aligning worldviews is unrealistic and problematic.

- It assumes that one worldview is the 'right' one
- Stakeholder groups don't have one homogeneous worldview (e.g. companies can be focused on both quarterly returns and long-term value creation; communities can be concerned about cumulative effects on the environment and job creation)
- Individuals and groups have many overlapping and sometimes conflicting priorities and experiences that result in complex worldviews

More about Worldviews

- A person's or group's worldviews are influenced by many different elements, such as life experience, religion, economic standing, history, geography of an area, experience with land tenure, social systems, and institutions, media, social rhetoric and civil society
- Groups of people can share worldviews, especially groups that have shared histories, positions, religions, and economic opportunities, or people from similar generations or geographies

- Every society is based on a certain set of worldviews. As a result, the systems and structures that we use to function as a society are based on and reinforce worldviews (e.g. capitalism)
- Worldviews are multifaceted; they influence each other and often change over time. Worldviews are complex: often a person or group has internally conflicting worldviews (e.g. interested both in employment and preserving the environment). Priorities and incentives can overlap, which compounds the tension between worldviews

What does this look like in action?

- 1 All stakeholders acknowledge and understand their own worldview, as well as that of others.

"Companies think that they have a preeminent right to mineral development, but they need to put themselves in the communities' shoes – would you want someone coming in to your backyard and digging a hole? Why would an Aboriginal government be any different? They use their traditional lands to sustain themselves. It's common sense." – Government representative, Canada

- 2 Stakeholders recognize where their worldview is different from that of others and where it might align or conflict.

"Companies are focused on profitability over human development – it's up to us as owners of the land to think about these issues and take action." – Local government representative, Zambia

"We need to listen and understand. We need to acknowledge that we're not from here and don't know much. We just have a concept for some work we want to do." – Company representative, North America

Understanding Capacity as a Worldview

There is a sentiment among many stakeholders that communities have 'limited capacity' to engage with natural resource companies and governments which prevents them from participating in negotiations, reading technical information, etc. Several participants highlighted that this is based on a worldview that company systems and engagement methods are the 'right' way, implying that community systems and engagement methods are the 'wrong' way.

Limited capacity can plague all stakeholders: Local governments may be under-resourced or unfamiliar with the technical aspects of extractive development and relevant decision-making processes; companies may not have internal expertise to understand community and social issues; civil society organisations may lack the funds to support communities. The remoteness of projects can further complicate things. As one participant noted, "there may be an information base in the capital [within government, civil society], but how do you get that out there to the rural areas?"

All stakeholder groups must build capacity, in order to bridge the gap between the established systems in the extractive industry and common community systems, and to address information gaps about the extractive industry, which is inherently complex and unfamiliar to many stakeholders. However, the research highlighted that despite the discussion about "capacity building," there is no long-term model to do this.

"I am frustrated by the fly-in fly-out model of training and capacity building around extractive issues. We don't have a long-term model. We don't even have a medium-term model!" – Civil society representative, Global.

3

Stakeholders find ways to address points of conflict and work with others with differing worldviews.

“Don’t close the door on [employees] that mess up – accommodate different schedules, don’t make communities stick to your way of thinking. When companies are hiring people, ask about time off and how to accommodate cultural needs. Industry often sets targets or is forced to hire locally, but then they get away with saying that people don’t work out and have the excuse that they don’t need to hire locally. This just confirms the company’s way of thinking, as opposed to trying to work with the local context.”

– Community member, Canada

“People look at developing countries with rose coloured glasses and go on about how lazy and hopeless everyone is in developing countries. Those prejudices hinder any effort to do things properly.”

– Consultant, Australia

The Importance of Time

Research participants highlighted that communities, companies, and governments, including individuals within those groups, are not always thinking in the same timeframes. **Concepts of time are important aspects of systems and worldviews.** It is important for stakeholders to understand their concept of time might be different from others. For example, companies have annual, quarterly, and monthly deadlines and incentives. Employees have immediate career goals as well as longer-term goals. Communities can be concerned with both shorter-term economic opportunities (e.g. education and jobs) as well as long-term generational impacts (e.g. access to land). Some communities may be in more precarious situations and have very immediate needs and issues. Governments are often oriented towards election cycles (e.g. provincial governments may operate on four to five year cycles; First Nations governments in Canada operate on two year cycles).

“Communities can think ten years is so short: Why would we damage the environment for ten years, that’s not even employment for one generation?” – Company representative, Africa

Challenges and Obstacles

- 1 Company worldviews are the dominant worldview in extractive development.** The extractive sector continues to focus on shareholder returns or pushing projects forward. The dominance and the power given to company worldviews is legitimized by regulatory frameworks and economic systems. This makes it difficult to shift towards a system where other worldviews are given equal weight. Companies usually have more control than communities over decision-making and set the tone for how the process will proceed.

"The language used to talk about projects is very technical and not accessible [to different people within communities, such as women]."
– Academic working with communities, Canada

"The company used to decide what CSR projects they were going to do and then informed us afterwards. The mine is not aware of our challenges." – Community member, Zambia

"Companies do a lot of risk analysis and think about what are the risks to the company. But it's also useful for us to think about risks to the community as well. We're so used to thinking about things from our perspective, but we need to start thinking about things from a community perspective, which is harder to do." – Academic working with communities, Canada

- 2 Community worldviews are not necessarily incongruent with extractive development.** There are many beliefs and values that influence their decision-making, such as concerns about livelihoods, spiritual and cultural land use, and desires for economic growth.

"There can be terrible conflicts and deep divides within communities. People are saying we need this because we need jobs, and others are saying we have to protect the earth. These people come from the same paradigm. The answer lies in decision-making processes that are balanced and legitimate in the eyes of communities."
– Academic working with communities, Canada

"Resource development has been both good and bad. Extractive project environmental assessments have benefited traditional culture because they have helped us to document information and traditional knowledge. [However,] safeguarding the land base is really important to us. People's lives are so closely linked to the land."
– Community member, Canada

3

It's difficult to reflect on and talk about worldviews because they are deeply held, can be hard to articulate, and can seem invisible.

Particularly for the group in power (either formal or informal power), it can be hard to see how their worldview affects other people. It often requires creativity to find ways to reduce the tension between your worldview and others'.

"Everyone is dealing with the same evolution of their worldviews and from their own angles. If leaders and opinion makers could drive those discussions more openly in society it would lead to better outcomes." – Government representative, Canada

The Effects of Racism and Prejudice

Research participants from communities, companies and governments were open about the effect of racism, prejudice, and paternalistic attitudes. They discussed the extreme challenges these attitudes and behaviours present to achieving sustained positive outcomes, particularly the ability of stakeholders to build strong and equal relationships. Entrenched worldviews can often lead to the persistence of racist or prejudiced beliefs within a group of people or organisation. As one government representative noted, "Culture within an organisation is often not intentional but becomes embedded because of the omission of a clear statement of values and principles." Racism and prejudice are real obstacles to partnership and must be confronted head on.

Conclusion.

Conclusion

Stakeholders across the world believe that there is potential for the industry to leave a lasting benefit for local communities. However, in many places where extractive development occurs, local communities are not currently seeing sustained positive outcomes.

In order to achieve sustained positive outcomes, stakeholders must collectively adapt their approach to extractive development and:

- 1** Treat communities as legitimate, equal partners in extractive development
- 2** Build strong partnerships among communities, companies, and governments
- 3** Create a clear vision and define outcomes
- 4** Make decisions in a systematic manner
- 5** Manage tensions between worldviews



Where do we go from here? ● ● ● ●

Highlighting the elements that should make up a new approach to extractive development is just the first step. Changing the approach to extractive development is an enormous task that requires a fundamental paradigm shift. The core elements outlined by research participants may seem obvious, but the obstacles and challenges stakeholders face are real. For the past several decades, increasing energy and effort have been put into improving social outcomes, yet the needle still has not shifted.

Collective action by all stakeholders is imperative. Incremental change by individuals and organizations must be the first step, but collective action by all stakeholders is imperative.

Incremental change by individuals and organisations must be the first step. This report highlights that to achieve sustained positive social outcomes, the approach to extractive development must focus on the fundamentals. Small changes in practice, mindset, or approach can have a very meaningful impact as highlighted in the experiences shared by research participants.

NetPositive encourages readers to consider their own place in extractive development and how their daily activities relate to these five elements and sustained positive outcomes for local communities. Stakeholders that want change must take a hard look at their organisation and ways of working – whether they are part of a company, government, community, investor, service provider, or civil society group. Taking a hard look involves understanding how established systems, values, and incentives promote or prevent their ability to support positive outcomes for communities.

Defining and implementing a new approach to extractive development will require a readiness to change, courage, strong leadership, and an ability to think outside the box. **Continuing as before will not cut it. If extractive development is to bring sustained positive outcomes to local communities, a systemic step change is needed.**

Moving forward, NetPositive will work collaboratively with stakeholders to understand the five core elements presented in this report in more depth. NetPositive will work with communities, companies, governments, and civil society to overcome challenges and define and implement a new approach. Through this work, NetPositive will build an evidence-based understanding of how these core elements can be effectively implemented and share practical ideas and solutions. By building and sharing this evidence about what an effective approach looks like, NetPositive is dedicated to inspiring and supporting systemic change.

Glossary.

Glossary

Local communities: The communities that are most impacted by natural resource development in an area. Will be context-specific.

Community relations (CR): Can refer to both the activity and the department within an extractive company of building and managing relationships between an extractive company and local communities and stakeholders.

Element: An element or characteristic that when prioritized and put into place will produce the right outcomes: sustained positive ones for local communities. More importantly, when all core elements are put in place, they are synergistic, working in unison to produce the most consistent and impressive outcomes.

Extractive development: The large-scale, formalized extraction of mineral and petroleum resources.

Impacts: The effects of the natural resource project on a specific area, community, or aspect of any area or community.

Impact Benefit Agreement (IBA): A contractual agreement between an Indigenous community entity and an extractive company. IBAs can be between two parties, or multiple parties.

Rightsholders: Distinct from stakeholders in that they have specific legal rights that must be acknowledged and respected, particularly when making decisions related to natural resource development, for example, Indigenous groups.

Social investment: The voluntary contributions made by a company to the communities and broader societies where it operates, with the objective of mutually benefiting the company and external stakeholders.

Social license to operate: Term used to describe the legitimacy, in the community's eyes, of a mining company's operations in an area. Most often the term social license is used to mean the implicit acceptance by a community of a project.

Social performance: A subjective measure of how well an extractive company manages and address social issues related to their activities and their presence in an area. Social performance is similar to a company's safety or financial performance in that all company activities collectively determine the mine's social performance, not just the activities of one department. Many companies also name the internal department responsible for social or community issues, "Social Performance".

Sustained positive outcomes: Where the positive effects felt by a community from natural resource development are long-lasting and felt not just by current generations, during the life of the resource project, but by future generations, after the project has closed/completed. Communities are left better off.

Stakeholders: Any individual or group that is impacted by or involved in extractive development. This can include impacted communities; Indigenous communities and groups; cultural groups; natural resource companies, including company representatives that are site-level decision-makers (e.g. General Managers) and corporate policy makers; industry associations; government departments and agencies at the federal, provincial/territorial, and local level; academics; and other interested parties such as consultants who work in the sector.

Appendix.

Appendix 1 | Interview Details and Statistics

Confidentiality

All interviews were confidential. This allowed participants to speak about their individual experience. This also meant that participants were free to speak outside of the official positions of their respective organizations.

Category

The categories represented below are based on self-selected categories. Participants often selected more than one category (e.g. community and civil society, community and consultant, etc.).

Community. A member of the community that is highly impacted by a mining or oil & gas project

Industry. A representative of a company, project proponent, service provider for other industry partners, or industry associations

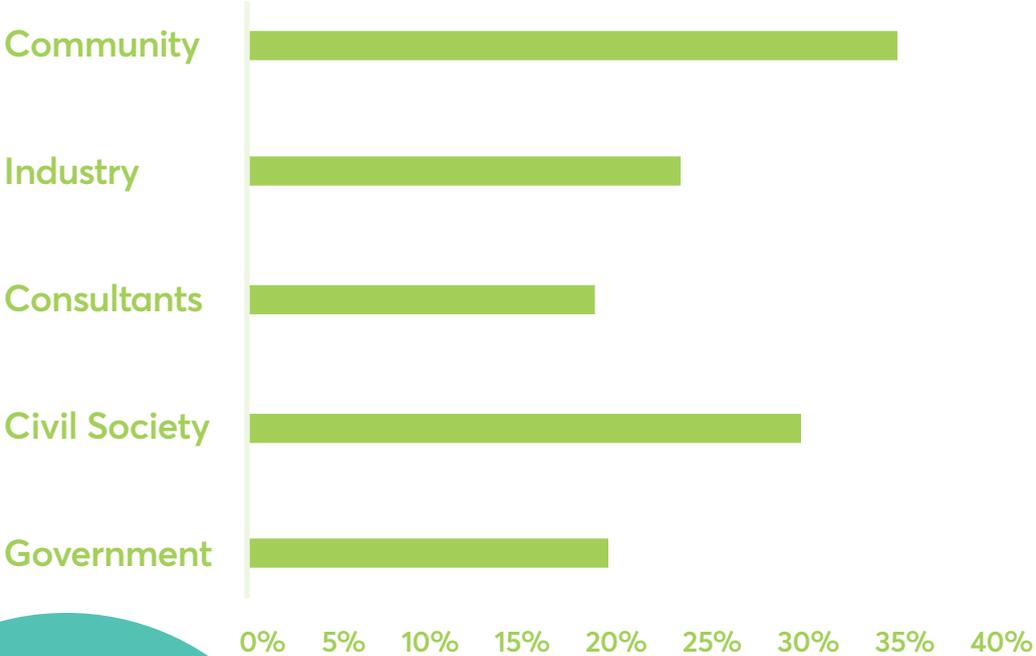
Consultants. Individuals that support communities, industry or civil society groups in strategic planning and problem solving

Civil Society. Representatives of academia, non-profit and non-government organizations that participate in research, advocacy and/or service provision.

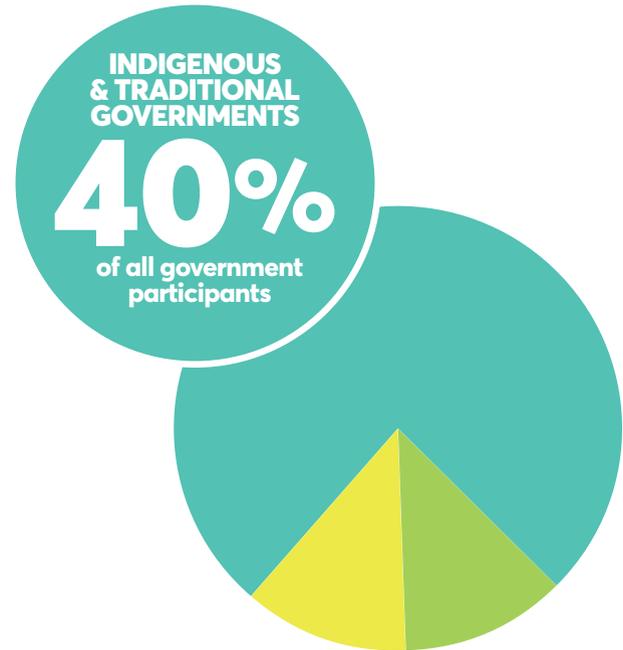
Government. Representatives of various government agencies, regulatory bodies and ministries, including federal, regional, and local level governments.

General

Types of Participants



INDIGENOUS PARTICIPANTS
15%
of all participants



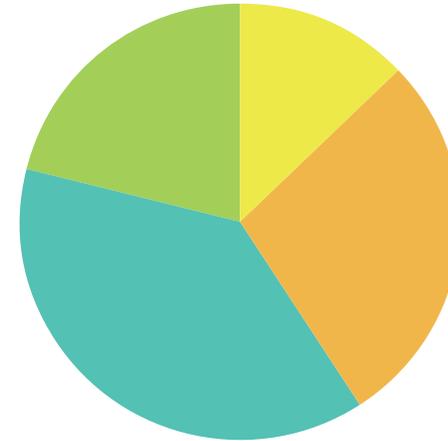
Types of Government Participants

- Local = 12%
- Federal = 12%
- Regional = 76%

Participant Locations and Geography

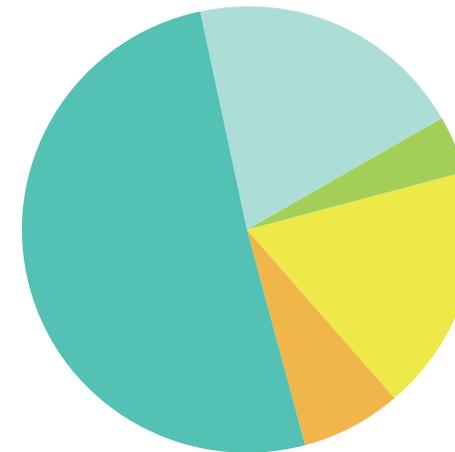
Participants that have specific local experience in one geography are categorised under that region or country. Participants that have experience working in more than one region or country are categorized as global.

Canada	United States	Africa	South America	Global
42%	3%	32%	2%	22%



Civil Society Organizations

- International = 21%
- Academia = 13%
- Local = 28%
- Regional = 38%



Canadian Participants locations

- North West Territories = 51%
- Canada = 20%
- British Columbia = 4%
- Alberta = 18%
- Saskatchewan = 7%

