

Social accountability in the extractive industries

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Project background

- IFC CommDev sponsored (Oil, Gas and Mining Sustainable Community Development Fund established in response to Extractive Industries Review)
- The project builds on the World Bank's social accountability (SA) in the public sector work
- Conceptual paper and training module seek to establish a rationale and shared language for multidirectional accountability within the EIs
- **Premise:** EIs have largely fallen short of their development promises because actions of firms, communities and governments are not sufficiently held to account

Context

- Demand for resources is strong, exploration into countries with higher political risk is increasing
- Reputational risks are amplified through globalization of ICTs
- If social and environmental issues are well managed then EIs can contribute to local sustainable development and poverty reduction
- Social and environmental risks should be embedded into strategy along with the traditional economic, technological and political risks that firms encounter
- “**Social license to operate**” needs to be gained and maintained
- Community **context** needs to be better understood

Community complexity

- Poor, remote and politically marginalized communities are the most impacted by extractive industries
- Host communities may have unique issues, including:
 - Varied institutions of culture and history in isolated areas
 - A complicated network of relationships within communities
 - Legacy of conflict
 - Lack of legitimacy of government laws and regulations
 - Struggles over distribution of mining benefits
 - Uncertain land tenure
 - Population migration into the economic zone of opportunity
 - Firms as de facto government or service providers
 - Risk of community opposition throughout the project lifecycle

Accountability

- Accountability: the process of being held to account by an authority figure
 - Obligations that arise within a relationship of responsibility
 - Answerability and enforcement (Schedler 1999)
 - External scrutiny, social interaction and exchange, rights of authority by those calling to account (**principal-agent problem**) (Mulgan 2000)
 - Accountability is **co-produced** (Evans 1995)
 - **External vs. internal** accountability
- Accountability: “the **obligation** of power-holders to account for or **take responsibility** for their actions” (WB 2004: 2)

Accountability in the frontier

- Uniqueness of frontier operating environments, failure of traditional modes of accountability to ensure local development benefits of EIs:
 - X markets
 - X governments
 - X international norms and standards
 - ? companies
 - ! communities
- A distinction between **CSR** and **accountability** measures: accountability can be both internal and external

Rationale

- Social accountability (SA) approaches enable citizens and/or civil society organizations to participate directly or indirectly **to exact accountability** from various power-holders including firms, government and donors (WB 2004)
- SA measures have:
 - Improved trust between community members and power-holders
 - Improved services and development impact through greater relevance, equity and sustainability
 - Empowered citizens to strengthen citizen voices and influence and address power imbalances
- But, “**tripartite development**” and “**multidirectional accountability**” needs to be problematized

Communities and globalization

- “Companies may be more likely to see communities as valued members of networks as opposed to something external to them” (Anderson et al 2006)
- Is it possible for frontier communities to participate in the global economy on their own terms?
- A community may choose to opt in or out of the global economy and may choose to do so and accept it ‘as is’ or attempt to transform it in some fashion
- Can lead to dissent and protest, or activist participation ‘on their own terms’ (e.g. Aboriginal people in Canada and property rights struggles)
- Communities may choose to **resist or participate** in tripartite development and multidirectional accountability

Communities and globalization

- E.g. a range of viewpoints on current mineral development in Peru (Peru Support Group 2007: iv):
 - Those against mining at all costs
 - Those in favor of mining but demanding what they deem to be a fairer distribution of the benefits
 - Those who insist that mineral expansion be managed in such a way that prioritizes the defense of human, economic, social and cultural rights and of the environment
- Both hard and soft law for “community engagement” are evolving quickly: see WRI 2007 report on the “business case” for operationalizing free, prior, and informed consent
 - Six principles underlying consent procedures: information; inclusiveness; dialogue; legal recognition; monitoring and evaluation; and corporate buy-in

SA and community development in EI contexts

- SA tools can be used to improve: broad issue areas of human rights, labor standards, environment and anti-corruption; and more specific aspects of culture, livelihoods, social capital, community health programs, gender, safety, monitoring & evaluation, communications, and transparency in everyday operations
- Using SA tools moves a social contract/license to operate **from paper to practice**
- **Trust** is the core to process, outcomes and impacts of community development projects

Community-company engagement

Arnstein's ladder (1969)	Key concepts and principles of stakeholder engagement (IFC 2007)	Community actions to exact accountability from firms
Manipulation	Stakeholder Identification and Analysis	Illegal activities
Therapy	Communication strategies	Direct action
Informing	Information disclosure	Capacity building and networking
Consultation	Consultation & informed participation	Information based approaches
Placation	Negotiation & Partnership	Research and knowledge generation
Partnership	Grievance Management	Community-based regulation
Delegated power	Stakeholder involvement in project monitoring	Participatory projects
Citizen control	Reporting to stakeholders	Partnership with co-benefits



Integrating social accountability with the project cycle

- Project concept
- Feasibility studies and project planning
- Construction
- Operations
- Downsizing, decommissioning, and divestment

Implementing social accountability

- Tools (presented as case studies):
 - Participatory planning
 - Public opinion polls and public hearings
 - Community scorecards and citizens' report cards
 - Multi-stakeholder monitoring & evaluation
 - Participatory budgeting and expenditure tracking of royalties or social investment initiatives
- Tools need to be defined that can be applied throughout the project cycle and entry points need to be specified
- Tools may differ but **underlying principles** remain the same: rights-based approach, transparency, mutual accountability and citizen participation

Understanding context

- Dimensions:
 - Incentive structures: punishments vs. awards
 - Accountability levers: rule or performance-based
 - Level of institutionalization: low or high?
 - Involvement: external or internal?
 - Inclusiveness: elitist or inclusive?
- Criteria for success:
 - Political context and culture
 - Access to information
 - Publicity and media
 - Civil society capacity
 - State capacity
 - Industry capacity: e.g. SMEs, MNCs and domestic firms
 - State-industry-society synergy
- **Challenge:** moving from social accountability to multidirectional accountability

Next steps

- Evaluate case studies
- Workshop conceptual paper
- Develop training module
- Launch sometime this Autumn in Africa
- Questions:
 - Terminology and developing a shared language - “social accountability, multidirectional accountability” or another term?
 - Case studies?