



Business Partners for Development Natural Resources Cluster

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Tri-Sector Partnering to Manage Social Issues in the Extractive Industries Learning from Project Partnering in the Construction Industry

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The construction industry in the United States started to develop 'partnering' as an approach to project management in the 1980s. The UK followed in the early 1990s. The use of Tri-sector Partnering as a tool to manage social issues in the extractive industries is more recent, the first systematic piloting being that undertaken through the Business Partners for Development programme. With reference to case-examples this paper examines the lessons to be learned for Tri-sector Partnering from the more established discipline of Project Partnering.

Summary of emerging lessons

- The Project Partnering and Tri-sector Partnership methodologies share the same key drivers, a desire to reduce adversarial behaviour between parties, minimise cost overruns and delays, avoid duplication of roles, better predict liabilities and improve the reputation of the wider industry.
- Project Partnering demonstrates the feasibility of including SME (Small and Medium-scale Enterprise) sub-contractors within Tri-sector Partnerships to improve supply chain opportunities.
- 'Term partnering' (strategic agreements whereby contractors improve by learning on sequential jobs) offers a possible 'entry strategy' for NGOs reluctant to be involved with companies on a 'one-off' basis.
- Undertaking a joint risk analysis, and incorporating this within a Partnering Agreement, can reduce the fears of NGOs, community groups, company managers and government officials alike, over the loss of ownership and control that partnering implies.
- It is important to develop two levels of partnering agreements: a shorter version for senior managers laying out agreed principles, and a more detailed version for those elected to implement the joint work programme.
- A key tenet of Project Partnering is that it reduces duplication and ensures the 'right person for the job'. This accords with the emerging principle in the Tri-sector Partnerships model that roles should be allocated on the basis of each organisation's 'core complementary competencies'.
- The evolution of construction contracts to encapsulate partnering principles and to allow for partners to join and leave (eg the new standard NEC contract) both explodes the myth that NGOs can only engage in Tri-sector Partnerships through voluntary, non contractual, arrangements, and provides an example to companies and others of how to reduce the longer-term liabilities of partner inter-dependency.

"In five to ten years I would not be surprised if over half of all major [construction] contracts were carried out under a partnering agreement"

C. Davis, Project
Manager, Bridgend
Borough Council

Preamble

In this paper, as with other papers in this series, reference is made to Tri-sector Partnerships as a tool to manage social issues in the extractive industries. To avoid repetition of material in past papers, and to focus on lessons from 'Project Partnering' in the construction industry, the reader is recommended to first familiarise themselves with the Tri-sector model. Key literature includes: *Working Papers Nos. 2, 5 and 6.*, and *Briefing Note No. 1*. These documents, and all other publications of the Natural Resources Cluster of Business Partners for Development, can be found at: www.bpd-naturalresources.org.

“[Project] Partnering is not a contract, it is a culture...an attempt to change adversarial attitudes in the construction industry.... Partnering is about building working relationships, about building trust where none used to exist”

Trevor Drury
Executive Director,
James R Knowles,
London,

Drivers of Project Partnering

The origin of ‘Project Partnering’ in the western world is founded in the desire to improve low profit margins and project overruns inherent in the construction industry. The industry has few hurdles to entry such that in times of ‘bust’ contractors frequently bid ‘at cost’ (or below) to secure contracts, knowing that they will make a return by invoking claims for uncertainties such as inclement weather, client-induced delays, unforeseen ground conditions etc. Compounding this, there is a tendency for the main contractor to outsource to sub-contractors, leading to a cascade of claims, duplication of skills, project delays and a litigious work environment. In short there is an ethos of conflict rather than co-operation.

Landmarks in the UK construction industry were the Latham (1994) and Egan (1998) Reports. These reaffirmed what many already knew: that the construction industry was inherently inefficient. They suggested a 30% wastage on costs from a combination of lawyers (to prepare for arbitration or adjudication), project delays and duplication of roles.

Part of the Government response was a shift in public sector tendering procedures towards ‘best value’ as opposed to ‘least cost’ - a shift driven in part by an EU Directive on local government tendering. Project Partnering between client, contractors and consultants can thus be seen as part of this general move towards strengthening the ‘value’ side of project management in the construction industry. A summary of the key drivers of Project Partnering are given in *Box 1*, set against the key drivers of the Tri-sector Partnership model of social management in the extractive industries. What is interesting is that both are fundamentally the same, namely the need for:

- improvements in the global reputation of the industry as a whole,
- reduction of unpredictable liabilities,
- reduction of cost overruns and delays due to disputes within the work environment, and
- reduction of duplication of roles.

Definitions

Partnering in the construction industry has been defined as “a management approach used by two or more organisations to achieve specific...objectives by maximising the effectiveness of each participant’s resources” (*Centre for Strategic Studies in Construction, 1995*). Tri-sector Partnering in the extractive industries has been defined as “a voluntary collaboration to manage social and local environmental issues based on an efficient allocation of complementary resources across business, civil society and government” (*Natural Resources Cluster, Business Partners for Development, 2001, Briefing Note 1, 2001*). Above all, both types of partnering emphasise practical co-operation based on an efficient ‘pooling’ of competencies.

When to Apply Partnering

Project Partnering works best, and repays the initial investment in time and resources, where the client accepts that the project will be both high value and high risk. High value and high risk are precisely the same characteristics displayed by many oil, gas and mining projects in the poorer

Box 1 Key Drivers of Partnering

Drivers of Project Partnering

- global reputation of the construction industry at risk from adversarial nature of projects
- unpredictable liabilities for client due to contractor’s dependency on claims
- cost overruns and project delays due to an adversarial work environment between client, and contractor.
- duplication of design, project management, quantity surveying and engineering roles

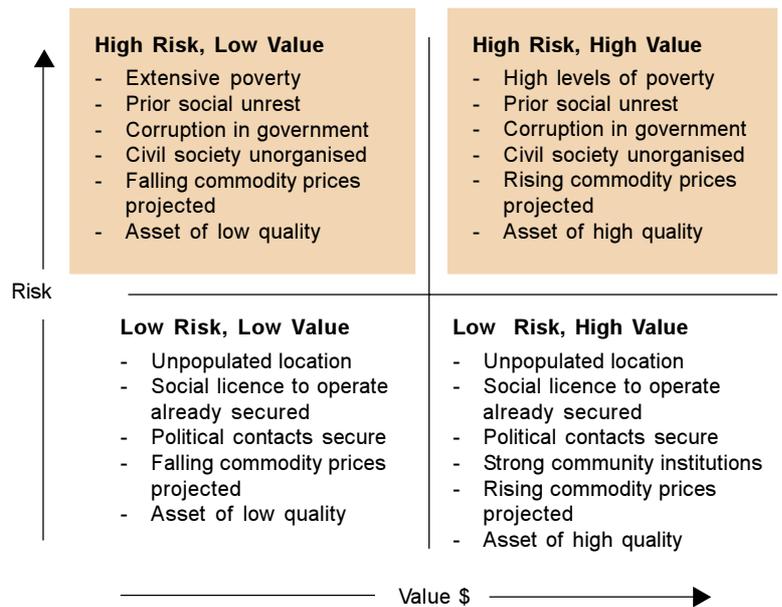
Drivers of Tri-sector Partnering

- global reputation of the oil, gas and mining industries at risk from continued adversarial nature of projects despite new CSR policies
- unpredictable liabilities for company due to dependency of communities on company for social provision
- reduced return on core investments and project delays due to an adversarial operating environment between company and community
- duplication of social investment roles with government and civil society

Above all, both Project Partnering and Tri-Sector Partnering emphasise practical co-operation based on the efficient ‘pooling’ of competencies

areas of developing countries. The main difference is that the 'risk' element has less to do with managing cost uncertainties, and more to do with managing social and political uncertainties. Drawing on a tool developed to help identify when to apply Project Partnering to a construction project (Construction Industry Board, 1997), an adapted version is presented as *Figure 1*, tailored to the question of whether to adopt a Tri-sector Partner-

Fig 1 Company's Assessment of the Need for Tri-sector Partnering



ship approach to managing social issues in oil, gas or mining projects. Because the Tri-sector model seems to work equally well, if not better, when a company's resource availability for social investment are scarce, Tri-sector Partnering is recommended when the conditions in either the top right or top left box are prevalent (rather than just top right as in Project Partnering).

Which Partners?

Box 2 compares the usual composition of partners in the two models. Of note is that construction industry partnering agreements rarely include either community representatives or local authority departments (other than the client if a public sector contract). This seems to hold true even when the construction project in question has substantial community implications, such as a housing estate refurbishment or school complex. Usually it is perceived sufficient for residents to be informed and the Client (if public sector) to voice the community view. Project Partnering therefore seems to accept that community relationships are governed by the law and accepted norms of public consultation. This is understandable for construction projects where the community are not affected. However, where this is so, or where there are opportunities for exploiting the construction project as a catalyst for other local development (eg road rehabilitation, communications infrastructure, community facilities etc.), community representation and/or the inclusion of other local government departments should be an option.

Most usually then Project Partnering is a bi-sector model of partnership between a public or private sector client, and a private contractor. In contrast, the model developed through the BPD programme is tri-sector, between a major company, local government and communities. What is particular illuminating in terms of strengthening the tri-sector model is that Project Partnering demonstrates the value of including contractors in a partnership arrangement. For social investment programmes of oil, gas and mining companies, this means that it might be possible to build notions of enhanced collaboration into the formal contracts between the oil, gas or mining company (ie the client) and sub-contracting firms, be that construction companies or suppliers.

At the time of writing the BPD programme was working with an Anglo American company - Konkola Copper Mines (KCM) - in northern Zambia. Efforts to develop a partnership approach to managing social issues have centred around new arrangements between KCM, their investors (the International Finance Corporation (IFC)) and local SMEs (small and medium-scale enterprises), with the aim of improving the participation of local firms in supplying services and goods to the company's mining operations. What Project Partnering suggests is that the specific arrangements between KCM and the IFC to develop a venture capital fund to stimulate local SME supply chain activity, might be able to be developed to include partnering agreements with these suppliers. The aim would be to use the partnering ethos to improve the

Box 2 The Partners

Construction Industry 'Project Partnering'

- Client (public or private)
- Consultants (the client's design and management consultants)
- Main contractor
- Sub contractors

Less frequently

- Auditors
- Regulators

Extractive Industry 'Tri-sector Partnering'

- Corporate operation (Operations, HSE and Community Affairs)
- Community Leaders
- NGOs
- Government departments (local and central)

Less frequently

- International aid agencies
- Investors
- Regulators (eg of concession agreement, or of environmental permit)

quality and reliability of local suppliers, whilst at the same time increasing their own returns and improving prospects for winning new contracts. Similarly, Project Partnering suggests that it might be possible for the client (in this case the managers of the proposed KCM-IFC SME venture capital facility) to widen these partnering agreements still further to include local NGOs who provide business management and technical training to the SME suppliers.

The Partnering Process

'Project' and 'Strategic' Partnering

The search for suitable partners in Project Partnering usually begins with the tendering process. Tender documents increasingly require evidence of a track record in partnering, viewing this as one feature of Best Value (BV). However, the detailed process of 'partnering' (ie building the working relationship, defining roles and engaging in joint value engineering and management) only commences 'after' the contract is awarded. The partnering arrangement then lasts only for the duration of the project contract.

It is recognised that, though this type of 'project-based' partnering yields benefits to both client and contractor, further added value can be gained for both from more strategic 'term partnering'. These are longer-term arrangements where the client allocates successive projects to one of a small number of preferred contractors. Both ASDA and Tesco currently work in this way with their main contractors, and the UK Government have issued Construction Procurement Guidelines (1999) advising public sector clients on the use of term partnering. Through the application of partnering principles (ie agreement on a project vision, mission, objectives, roles, KPIs, share of benefits/losses, grievance mechanisms etc.) the added value of 'term partnering' is that performance improvements take place from project to project - rolling contracts where contractors and clients alike improve by learning on sequential jobs.

Continuing with the example of KCM in Zambia, this idea of strategic partnering could be applied to the development of contracts with local sub-contractors, material suppliers and local NGOs involved in business management and vocational training.

In another case, the Framework Agreement signed between Transredes (a Shell joint venture in Bolivia) and CARE Bolivia (an international NGO) is an example of 'term partnering' applied to the management of social issues. Here CARE is contracted to develop compensation arrangements for a major oil spill, on the understanding that they will be involved with Transredes in community development programmes across a wider region and population over time. It is precisely the long-term nature of this Framework Agreement that underpins the willingness of CARE to be involved in what is essentially the oil company's responsibility, ie the oil spill. Without the prospect of future involvement in wider community development, CARE would have been unlikely to have participated in the clean-up operations. As it is, this participation - because undertaken in line with partnering principles - added value to both the community relevance of the compensation measures and a reduced risk from illegal 'tapping' and sabotage of pipelines and other oil infrastructure.

It is recognised in Project Partnering that though single 'project-based' partnering yields benefits to both client and contractor, added value can be gained for both from more strategic or 'term partnering'.

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Importance of Champions

Though in both Project and Tri-sector Partnering the commitment of senior management in the partner organisations is crucial, it is perhaps more so in Project Partnering. Given the direct and total linkage between the activities of the partnership and core business (ie construction), all decision-making between the partners has an immediate operational impact. In Tri-sector Partnerships the impact is often less direct (though not necessarily less significant).

In Project Partnering, not having the right champion at the right level of seniority reduces the efficiency of the working relationships and undermines the trust built between, for example, the Clerk of Works (client) and Foreman (contractor). In the Tri-sector Partnerships brokered through the BPD programme there are similar examples where decisions made by the organisation's representatives were eventually vetoed because one party failed to secure 'buy-in' at a senior enough level.

A feature of strategic or 'term' partnering in the construction industry, is that the need for a third-party facilitator reduces over time as clients, contractors and consultants learn to work together within the partnering principles.

Third-party Facilitators

Partnering is not currently natural to the construction industry. Workshops using trained external facilitators are often necessary to develop the new rules of behaviour, at least in the early stages. Not surprisingly, a dedicated consultancy and training industry has grown to service these workshops.

In Tri-sector Partnering, although the experience of the BPD programme is that third-party facilitation is indeed sometimes necessary, the expense, huge diversity of human resource skills of oil and mining operations, and the cultural characteristics of many developing country societies, means that just as much emphasis has been placed on facilitation by a 'known insider', as on external, independent, third-party facilitation. A feature of strategic ('term') partnering in the construction industry is that the need for third-party facilitation reduces over time as clients, contractors and consultants learn to work within the set of common partnering principles. Again, in the BPD programme, we have seen a similar situation developing, where external facilitators give way to direct face-to-face negotiation between the partners.

Box 3 Dudley Bypass – An Example of Project Partnering in the Construction Industry

In central England, the Dudley Southern Bypass dual carriageway runs for 3.1 km through a brownfield corridor of contaminated land and over a network of worked coal seams.

The client, Dudley Metropolitan Borough Council, called for tenders in late 1997 with a construction period to start in March 1998 and a completion date of March 2000. Kvaerner Construction, now Skanska Construction Ltd, put in the lowest tender together with a proposal to manage the contract through 'partnering'. In addition, the Environment Agency and Client's auditor were involved from day one, leading to a 'fast-tracking' of contaminated land issues as they arose, and the rapid resolution of claims, respectively. Two subcontractors joined the overall partnering arrangement under a separate agreement with Skanska, M & L Civil Engineering (earthworks) and Hanson Construction Projects (blacktop).

A modified Institution of Civil Engineers (ICE) 6th Edition Contract was overlaid by a 'bolt-on' partnering agreement, and the partnering ethos developed through a series of facilitated workshops. A single, combined, project office was set up with single filing, management and IT communication systems and with the contractor operating a single open-book accounting system approved by the client's auditors.

A joint risk analysis was carried out before the Contract agreement was finalised and led to the definition of risks, a 50:50 gain/loss incentive structure and a revised final overall scheme price of £47 million. Joint earthwork designs and value engineering by the contractor in conjunction with the client's designers generated solutions that reduced both costs and environmental degradation, for example avoiding removal of 66,000 cu m of contaminated material from the site, replacement and 26,000 lorry movements.

Partnering had the biggest impact in value engineering and value management. Solutions were developed between the client and contractors together "literally sitting round a table" in the shared office. An enhanced ability to manage uncertainty was demonstrated by a major variation to the design of earth works when, completely separately, a metro scheme was resuscitated by the council. The section of the bypass thus affected fell eight months behind programme, and yet the road opened in October 1999 five months early, with no outstanding claims.

The project was completed within cost target and early. Both Arul Selvaratnam, project manager/resident engineer for the council, and Andy Monk, the Skanska commercial manager, still enthuse about the experience in September 2001.

This achievement was despite technical difficulties and changes in scope of work, all overcome within the partnering framework "because there was a determination to do so".

Construction News 21 October 1999

Joint Risk Analysis

Risk analysis is a standard management tool in the construction industry. What Project Partnering makes possible is 'joint' risk analysis and 'joint' risk management. To be fully effective joint risk analysis needs to started before the Contract agreement is finalised, for example at the stage of 'preferred bidder'. The case-example of Project Partnering in the Dudley Bypass scheme between Dudley Metropolitan Borough Council and Kvaerner Construction - now Skanska Construction Ltd - (Box 3) shows the importance of an early joint risk analysis. The results of this analysis can then be used to design risk mitigation measures, renegotiate the terms of the contract to achieve a better power balance between the players, and develop more rationale 'pain/gain' (ie penalty/incentives) arrangements.

In the Dudley Bypass example the pain/gain arrangement was set at 50:50, ie all cost overruns and all cost savings would be shared between the client and contractor. The same arrangements were agreed between the contractor and its two main sub-contractors. The 50:50 split was not only a commercial motivator but also a clear expression of the equality of the partners.

The idea of a 'joint risk analysis' has merit in the Tri-sector Partnership model, not least since it would help expose the fears of communities and NGOs in collaborating with the extractive industries.

A joint risk analysis and management procedure has merit in the Tri-sector Partnership model, not least since it would help expose the fears of communities and NGOs in collaborating with the extractive industries and demonstrate that they were being addressed. There are already a number of opportunities for risk analysis in the existing Tri-sector Partnering process promoted by the BPD programme, but it has not been carried out as a formal discipline. Third-party facilitators have been relatively successful at soliciting the fears and potential risks of individual partners, and reaching consensus on mitigation measures. These activities have taken place implicitly within either the process of agreeing the objectives of the partnership, when identifying key 'assumptions' or when discussing how to manage potential threats. Further opportunities have presented themselves during progress review meetings of the partners, through the application of SWOT analysis.

Examples of all these types of risk analysis can be found in the Partnering Agreement of the Sarshatali coal mining partnership, India (see www.bpd-naturalresources.org). Perhaps the lesson for the Tri-sector Partnership model here is to bring the process of identifying potential 'threats' higher up the agenda when constructing the partnering agreement; give greater emphasis to the 'joint' nature of the risk analysis process; and link the results of the analysis to a joint incentive structure that reflects the need for risks to be shared.

Legal and Contractual Basis

Partnering As a 'Bolt-On'

Project Partnering has been described as 'a step into the unknown'. Clients and contractors alike have preferred the security of a traditional contract onto which is then 'bolted' the partnering agreement. Hence, in the construction industry partnering is usually based either on a standard or modified contract (such as in the UK JCT 1998 Contract), overlaid by a non-binding partnering agreement.

There are now new contract formats appearing which incorporate partnering directly into the contract in a single tier. Box 4 captures the evolution of partnering contracts. However, as articulated by B. Potter, April 2000 (virtual debate on Partnering hosted by the UK Construction Best Practices Programme (CBPP)) - "[Partnering] is not a contract, or a substitute. It is a mutual agreement between the interested parties to work together. It is effective teamwork,

Box 4 Types of UK Construction Contracts and their Relationship to Project Partnering

- 1990 + Standard NEC bi-party contract – designed to stimulate collaborative working
- 1995 + Standard NEC bi-party contract onto which clients elect to 'bolt-on' separately developed partnering charters and agreements
- 2000 + Standard NEC contract with 'designer' Partnering Agreement: "providing everything needed to create a full partnering process around the designers, contractors, sub-contractors and supplies as well as the client and other key stakeholders"; a strong emphasis on pain/gain incentives; and allows for partners to join at any stage and leave as their part of the work is completed.
- 2002 + Project Partnering Contract (PPC) 2000, from the Association of Consulting Architects (ACA) – as above but requires that all partners sign up at the inception of the contract and remain until completion.

‘Buy-in’ from senior managers and community leaders to their own partnering Charter can help delegate responsibilities to field staff and reduce the need to ratify ad hoc decisions with wider constituents.

for the benefit of ‘best practice’ completion of the project”. In other words, purpose-designed partnering contracts are not sufficient on their own, in addition “a change of mindset is needed” (D. Vernon, ICE, 2001).

Partnering Charters

Both Project and Tri-sector Partnering promote early joint workshops to generate a shared vision, mission-statement and set of objectives between the parties. In the current Tri-Sector model, these ‘charters’ are embedded within a broader wider Partnering Agreement or Memorandum of Understanding. In the Dudley Bypass example (see Box 5), two charters were discussed, one between senior managers and between Foremen (contractor) and Clerks of Works (client). There are similarities here to the partnership arrangements currently being brokered through the BPD programme with both the Kelian Equatorial Mine (Rio Tinto) in Indonesia and SPDC (Shell) in Nigeria. In the former partnership charters have been developed for a tri-sector Steering Committee established to oversee mine closure. In addition, separate governance rules are being developed for four tri-sector Working Groups, each working on a particular closure issue.

With SPDC, a vision statement and set of objectives is being negotiated for the two tri-sector working groups convened to undertake the EIA studies for an oil and gas development. In due course similar statements will be brokered between a Co-ordinating Committee comprising senior managers from SPDC, the Head of the EIA consultants, Federal Ministry of the Environment and leaders of the affected communities.

Box 5 Example of a Partnering Charter – Dudley Bypass

Vision - We agree to work together on site to implement the intent of the Partnering Charter and to achieve the most successful outcome we can. We want to be proud of being part of a quality product.

Mission - Our aim is to complete the Dudley Southern Bypass within time and below cost by working together as one Team.

Objectives:

- promote honesty, openness and trust
- complete within target cost and time
- a safe site for all
- a quality product to be proud of
- value engineering through innovation
- maintain good public relations
- productivity through efficiency
- promote effective communications
- pro-active management
- maintain positive attitude to the environment
- seek effective involvement of affected parties
- minimise waste

“The Dudley Southern Bypass is a huge success for partnering and for Kvaerner Construction....The area where partnering has had the biggest impact is in value engineering”

Construction News,
October 1999.

Partnership Structure

Value Engineering and Value Management

Value Engineering and Value Management has provided a set of tools for improving the design and management of construction projects now for over ten years. Until recently a usual approach was for an external consultant to review the project ‘in its totality’ to find areas of duplication and synergy from which costs could be saved or value added. With its collaborative working Project Partnering can maximise the opportunities for value engineering and value management by enabling duplication and synergies between the contractor and client to be revealed on a rolling basis. Joint problem-solving, the ‘best person for the job’ and the rapid resolution of disputes all feature as aspects of value engineering and management gained through Project Partnering.

Integrated Organisation

A key component of the Dudley Bypass partnering experience was a single, integrated, site office, with responsibilities based on ‘the best person for the job’; combined IT, communications and management systems; and with the contractor operating a single accounting system with the approval and rolling validation of the client’s auditors. This suite of collaborative practices allowed project solutions to be developed between the client and contractors together, faster, and with cost savings. The close working relationships that emerged acted to prevent and rapidly resolve disputes. The accounts were closed out without claims or litigation.

The Tri-Sector model seeks an assignment of roles based on ‘core complementary competencies’, or, as described in Project Partnering: ‘the best person for the job’.

The parallels here with the Tri-sector Partnership model are clear. The Tri-Sector model seeks an assignment of roles based on ‘core complementary competencies’, or, as has been described in terms of Project Partnering: ‘the best person for the job’. One of the principal reasons why the Tri-Sector model is of interest to international oil, gas and mining companies is that they have learnt through hard experience that their core competencies rarely stretch to sustainable community development. Far more meaningful to them is to partner with NGOs, community based organisations, local government authorities and international donors - organisations tooled-up to address issues of poverty and international development. Conversely though, local government, NGOs and donors are increasingly looking to the unique competencies presented by the presence of major oil, gas and mining corporations to help eradicate poverty - competencies such as employment, infrastructure development, supply-chain and marketing opportunities, political advocacy, business ethics etc.

Decision-Making

In Project Partnering the combination of a single management office, high level of senior management ‘buy-in’, and that the activities of the partnership impact wholly and directly on the core business, provides the basis for rapid decision-making. Private sector construction industry partners in particular normally have efficient decision-making systems and the ability to import skills and resources when it is necessary to solve problems. They are able to assess situations and to resolve internal conflicts quickly, and can reach decisions that commit them to new activities in a matter of weeks. The client side of Project Partnering (particularly where this a public authority) is often more constrained. Public authorities may be bound by legal or transparency requirements, and external factors such as finance or planning permission. These problems are compounded still further in the Tri-sector Partnerships model, where involvement of NGOs and community groups can mean extended periods of ratification with partners’ constituents.

Two elements of the Dudley Bypass partnering process offers ideas for improvement in the decision making of Tri-sector Partnerships, both previously mentioned. First, a single management office for the partnership’s activities might help parties to present a uniform position where measures to ameliorate the different underlying interests and fears of constituents have already been taken into account. (The alternative is often a drawn out process of shuttle diplomacy). Second, ‘buy-in’ from senior managers and community leaders to their own partnering Charter can help delegate responsibilities to field staff and reduce the need to ratify *ad hoc* decisions.

The Benefits of Partnering

“As work progressed complete trust was built up. It is worth pointing out that a major variation to the value of £1.3M, in the middle of the contract, was accommodated without dispute”

A. Selvaratnam, p 17,
New Civil Engineer, July
12th 2001

Construction industry partnering has been established as a method of reducing costs and of making outcomes more predictable. The cost savings quoted in many published papers are substantially larger for strategic ‘term’ partnering than for single project agreements. However the relatively short Dudley Southern Bypass project is generally believed to have provided savings of 20-25% achieved largely through the complete integration of the project office and extensive value engineering and management. Other documented benefits include improved quality of project, ability to handle set backs and changes and greater staff satisfaction.

Similarly, there is now evidence that Tri-sector Partnerships can deliver a range of benefits for all parties, in terms of business benefit, development impact and good governance. In the Tri-Sector model, from the company perspective, the cost savings involved, though potentially substantial as a proportion of the overall cost of social investment programmes, are not so significant when set against the expected cash flow of oil, gas or mining operation as a whole. However, as can be seen from the summary table of potential benefits (*Box 6*), oil, gas and mining companies are looking just as much at long-term risk management and global reputation as they are at project costs; and against these criteria the Tri-Sector model holds potential as good value for money.

Most notably the Tri-Sector model is proving itself as a cost effective way of managing relationships with communities and local government and securing the social licence to operate (*see various base-studies on the NRC/BPD web-site*). It also can provide outcomes better for both business and communities than those provided for through simply meeting the minimal

Box 6 Benefits of Partnering

Construction Industry Project Partnering	Tri-sector Partnership for Social Investment in the Extractive Industries
<p>Client</p> <ul style="list-style-type: none"> • cost savings through reduction of duplication of roles, conflict and claims • project costs more predictable • greater certainty of completion date • reduced delays due to improved co-operation, access to and sharing of ideas and information. • claims and litigation reduced. • best value concept strengthened • a 'quality control measure' in a non standardised industry • more effective PFI and PPP arrangements • value engineer/management strengthened through joint problem solving • experience of contractors developed within the project and captured for repeats • project and reputation risks reduced • more rewarding experience for staff. <p>Contractor</p> <ul style="list-style-type: none"> • competitive advantage in bidding process • increased possibility of repeat work. • reduced Health and Safety incidents • risks and profits (pain/gain) more evenly distributed between client and contractor • more chance of achieving bonuses through pain/gain arrangements • reputation enhanced • more rewarding experience for staff • accounts settled quickly after project completion <p>Consultant/Project Manager</p> <ul style="list-style-type: none"> • Improved design through Contractor input. • Role may be reduced 	<p>Corporate operation</p> <ul style="list-style-type: none"> • securing of long-term social licence to operate • public and community relations risks better managed • evidence of meeting compliance and social reporting requirements and SRI fund criteria • costs of social investment reduced (or added valued) • opportunities to leverage govt. resources <p>NGOs and Communities</p> <ul style="list-style-type: none"> • pathway to modify oil, gas and mining projects to reduce negative impacts • improved outcomes for poverty, livelihood security and sustainability of affected population. • risks and fears of affected communities addressed. • position of NGOs and community leaders strengthened. <p>Central and Local Government</p> <ul style="list-style-type: none"> • demonstrates response of public office to community need • delivery of legal requirements and development plans/policies • governance of public office improved • greater transparency in use of resource rents and public sector budgets • skills transferred and experience gained • reputations enhanced and democratic process strengthened, ie seen to be discharging civic duties • PPP arrangements (eg for infrastructure) that involve civil society

compliance requirements of investors or regulators, and can enhance stakeholder relationships further and in a sustained way than can the use of external social consultants.

Neither in Project Partnering nor in Tri-sector Partnerships are the benefits listed in *Box 6* assured. In both cases they are dependent on good management, preparation and identification of suitable partners. Tri-sector Partnering in particular is not risk free, neither for NGOs, the community and local government, nor for the corporate operation. But the process does provide a tool for managing the risks inherent in the social complexities of oil, gas and mining activity, complexities which 'must' be addressed one way or another in order for economic globalisation to be seen to be beneficial for all.

Conclusions

This paper has compared the Tri-sector Partnerships approach to managing social issues in the extractive industries in developing countries, with Project Partnering in the construction industry. Project Partnering, though different in terms of its sectoral emphasis and type of partners, has many similarities with the Tri-Sector model. As a discipline, Project Partnering is now well advanced, with many of 'tricks of trade' learnt the hard way. Those developing good practice for business partnerships in developing countries would be wise to learn lessons from Project Partnering.

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