

## CREATING SHARED VALUE IN COMPLEX ENVIRONMENTS: PART IV

*Part IV of this series will cover a company's approach to the acquisition of land and negotiations about land compensation, as well as company contracting policies and the impact of these on company-community relations. There will also be an overview of the need to incorporate long term economic development strategies into community projects, and the need to use local contractors where possible.*

### Acquisition of Land

A company's approach to the acquisition of land often becomes one of the earliest major issues to strain company-community relations. Rural people often value land for its cultural, and historic interest as much as for its commercial value. Land in this context is identity.

Negotiations about land compensation often need to focus on the meaning of land, rather than just a negotiation about its commercial price. Companies must acknowledge the implications of cultural attachment to land, and recognize that discussions about compensation will have a long term impact.

Compensation packages should not just be financial. In particular, efforts which help farmers increase their yield can work, especially if they also receive support when constructing a business plan. Compensation rates have to be consistent, and this might mean not paying anyone until everyone has agreed. Compensation payments must be made promptly, and assistance given with the management of any money handed over.

An inclusive approach is needed, with individual compensation packages taking a back seat to community based ones. Resettlement programmes require particularly high levels of assistance, including the reestablishment of networks. Transparency in all matters relating to compensation programmes is essential.

### Contractor Behaviour

The vast majority of community challenges are caused by contractor behaviour. Local contractors tend to lose out to larger, international or urban based contractors. The staff of these outside contractors, rather than company staff, can be the first representatives of the company to engage with communities.

A company's contracting policies can have a much larger and more lasting impact on the quality of company-community relations than most managers realize. The challenge is to use local contractors as much as possible, and there are various methods that can help achieve this.

- Integrating local contractors into project design should begin from a project's pre-feasibility stage;
- the removal of bureaucratic and administrative obstacles
- the providing of seed capital to Entrepreneurs;
- Sustainability should be built into local content strategy;
- Local content may be integrated into corporate management systems;

Effective contracting policies will result in fewer complaints about contractor behaviour, communities crediting the company with the provision of opportunities to local contractors, the

company receiving requests from local contractors for pre-qualification training, local contractors understanding why they did not obtain a contract, fewer *force majeure* claims and local contractors reporting an increased ability to gain outside contracts.

### Community Consultation and Negotiation

Three elements are essential to positive engagement:

- Relationship;
- Procedure;
- Content.

**Relationship** - The relationship needs to be respectful, and transparent.

**Procedure** - There needs to be clarity and agreement about the procedures of engagement.

Addressing all three elements will allow companies and communities to move towards common goals.

Respect and trust are high priorities for communities and created by effective community consultation. Indicators of effective community consultation may include the following:

- people reporting that they feel listened to, and that the company takes their concerns seriously;
- people reporting that the consultation process is respectful, participatory and inclusive;
- minority groups reporting that their interests are represented;
- both company and community say the other is their partner, not an opponent;
- a lack of sabotage/strike action due to community unrest

### Community Projects/Development

As a basic guiding principle, community development should seek to build a portfolio of strategic programmes with long term economic development strategies, rather than making one-off, reactive investments. Delivery of strategic effect will be vital in terms of acquiring an effective [Social License to Operate](#), as well as ensuring community support in the locality of mining operations.

There is no correlation between spending on community projects and the health of company community relations. Getting community projects right requires, first of all, acceptance of the complex mix of economic and political factors involved in true sustainable development.

Clear objectives must be determined for community projects, with a strategy devised that links such objectives to the business case. Projects must form part of a business process that ensures programmes are aligned with corporate objectives – the Creation of Shared Value as directed by corporate HQ.

Unless projects are integrated into this strategy, there is a danger that they fragment and lose momentum, due to pressure from other stakeholders. Clarity on goals and strategies provides clarity about what communities can and cannot expect.

## About the Author

*Mark Jenkins advises clients on Corporate Social Responsibility (CSR), security and risk management issues affecting the viability of on and off-shore energy, mining and infrastructure sector projects in Europe, the Middle East and Africa. Mark's experience has been focussed on creating reliable community support for projects through the development of a Social License to Operate (SLO) based on effective CSR initiatives. The success of these initiatives has been based on a thorough understanding of local environmental, commercial, and cultural dynamics, especially Islamic ones.*

*Prospect Law is a multi-disciplinary practice with specialist expertise in the energy and environmental sectors with particular experience in the low carbon energy sector. The firm is made up of lawyers, engineers, surveyors and finance experts.*

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