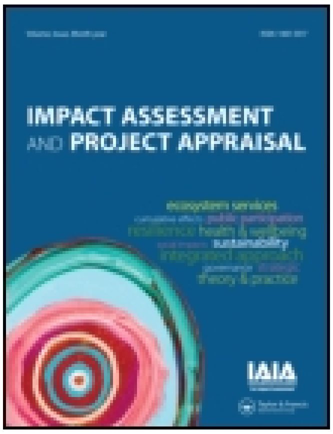

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Social impact assessment, social development programmes and social licence to operate: tensions and contradictions in intent and practice in the extractive sector

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Social impact assessment, social development programmes and social licence to operate: tensions and contradictions in intent and practice in the extractive sector

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In the past decade, the extractive sector has embraced social responsibility. Despite this, broad-based support for many extractive projects and operations remains elusive. Community opposition to resource projects appears to be increasing, even where compliance-based social impact assessments (SIAs) and generous benefits are in place. In seeking to understand this, the authors explore unintended contradictions in the implementation of regulatory SIA and the social development programmes (SDPs) being pursued by many extractive companies. Communities continue to mistrust extractive companies in the face of escalating regulation and offsetting development agendas. The authors contend that trust can only be attained by mobilising a company's core competencies, achieving credibility through total transparency, and maintaining appropriate roles and responsibilities of companies, governments and communities. The article presents an alternative approach, centred on the trust-building necessary to a social licence to operate. Such an approach involves 'collaborative moderation', aligns with the 'creating shared value' concept advocated by Porter and Kramer, utilises best practice SIA and uses SDP only where appropriate.

Keywords: social licence to operate; social development programmes; social impact assessment; mining; extractives

Introduction: extractive companies and society

It is inevitable that the role of profit-oriented resource extractive companies in society will be intensely debated. The extraction of non-renewable resources coupled with negative environmental and social externalities will always be contentious. Nevertheless, global demand for natural resources continues to grow and, especially in economic frontiers, resource extraction remains the primary option for wealth creation (Auty 2002). Natural resources are commodities that cannot be differentiated in the global market and – as evidenced by market-driven increasing volumes – there is general acceptance at a global level that appropriate resource development is possible.

At the local level, however, the situation is quite different. While huge value from resource extraction accrues nationally and globally, the costs are most often borne disproportionally by people living local to resource operations. Governments, financial institutions and extractive sector leaders progressively recognise that relationships with these increasingly empowered communities are the central challenge to securing project consents (International Council for Mines and Metals [ICMM] 2010). Recent surveys by Goldman Sachs and Citibank have identified that more than half of new extractive sector projects in the world are at risk of delay, dramatic cost overrun or cancellation due to 'stakeholder-related' issues (Chatham House 2013).

Historical differences in resource regulation and rents around the world mean that the distribution of local benefits and costs has been highly variable (Kolstad & Wiig 2009). Under the panoptic effects of globalisation, these legacy differences are subject to intense comparative scrutiny and local social impacts are increasingly subject to moderation (Dashwood 2012). Attempts to moderate local impacts come in many forms that overlap in emphasis but can be generally characterised as primarily 'regulatory', 'offset' or 'collaborative'. Within each of these categories, structured and semi-structured 'tools' with corresponding labels and fashionable acronyms have been devised in attempts to standardise moderation approaches. In this article, we explore three of the most widely deployed of these approaches: regulatory social impact assessment (SIA), social development programme (SDP) and social licence to operate (SLO), respectively.

In the latter half of the twentieth century, moderation in the form of SIA emerged as a regulatory responsibility of many governments and international financial institutions, such as the International Finance Corporation (IFC) and the European Bank of Reconstruction and Development (EBRD). While enormous reductions in local negative impacts were induced, particularly in the environmental area through actions such as the elimination of riverine tailings disposal, improvement under SIA is not keeping pace with escalating transaction costs.

In the twenty-first century, local communities are increasingly empowered to set their own conditions and resource developers are looking for options to satisfy these demands. One approach is to offer 'offsets', manifest in calls for resource sector contributions to exogenous SDPs. Yet compliance-based SIA and offset SDP frequently fail to develop the company–community trust essential to maximising benefits and achieving an SLO.

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In this paper, we explore the tensions and contradictions arising from regulatory SIA and related approaches to offset SDP (defined as the provision of benefits that seek to 'offset' unrelated and unmitigated negative impacts). We then posit a third and, we believe, more viable approach centred on the trust-building necessary to an SLO (Moffat & Zhang 2014). We argue that, to succeed, such an approach to SLO requires 'collaborative moderation' – defined here as working directly with project-affected stakeholders to achieve accommodation and agreement on issues that are of priority in the local context, as opposed to attempts to respond to an array of deemed universal issues set by regulators and exogenous agencies. Frequently, we see SDP being used in attempts to achieve SLO, with an absence of the operative word 'collaborative'. This often results in confusion, both about the concepts themselves – what they offer and what they can achieve – and about roles, responsibilities and boundaries of companies, governments and their key stakeholders (Bice 2013).

The remainder of the article draws on our combined 50 years of experience in the extractive industries, globally, in locations including Australia, the Pacific, Africa and Central Asia. The article therefore distils our experiences of SIA, SDP and SLO from a variety of regulatory, social, political and cultural environments. In so doing, we present an approach more suited to emerging industry and global conditions: the employment of SLO as a means of trust-building, in combination with best practice SIA, appropriate or very limited SDP, and extensive corporate 'in-reach' to embed strong community competence in extractive companies.

SIA: the regulatory approach

SIA under the auspice of governmental regulatory regimes and Equator Bank financing requirements has (perhaps unintentionally) shifted its focus away from public involvement and disclosure to focus more on prescriptive sets of potential issues that may or may not be relevant to the development under consideration. While no standard SIA methodology exists or is prescribed, typically these issues are studied by teams of interdisciplinary social science professionals, researching such things as demography, social groupings and their respective behavioural norms, social services and infrastructure, labour market, local education, environmental resource use, household incomes and much more. Invariably the studies focus on community risk (usually understood as potential negative impacts), occasionally on opportunity, and are often undertaken by large consultancy firms which are particularly geared to satisfying the demands of compliance.

Moreover, despite efforts to involve local people and people who intimately understand the development options from a technical perspective in the analysis, time and cost pressures often constrain such actions (Harvey 2011). The resulting large volumes of text serve primarily to secure permitting from distant bureaucrats and are rarely referenced again beyond audit requirements. Any genuinely good work tends to get diluted in the narrative or camouflaged in the tick boxes. In short, regulatory SIA, as we have seen it practised, is most often regarded as a permitting hurdle rather than an integral part of operational planning and management, let alone a tool for 'democratic development' (Vanclay 2003).

Under regulatory SIA, businesses' social engagement is focused primarily on the demands of regulators, auditors and the legally minded (Vanclay & Esteves 2011). This style of SIA requires compliance with particular practices deemed universal, rather than focusing on exploring local concerns and aspirations. Too often, community members are afforded the same status as environmental objects; they are presumed to be passive and vulnerable (see e.g. Macintyre & Foale 2004). Under these circumstances, the fundamental behaviours of businesses towards host communities are largely alienating. In such situations, little credence may be given to community members as agents of their own destiny and they can become further marginalised from the business. To host communities and the outside world in general, therefore, the business can appear uncaring and the staff who work within it may be seen as public relations representatives focused on protecting the company's image (Kemp 2010) or even as insular technophiles who would rather deal with bureaucrats.

Moreover, the compliance focus of regulatory SIA regularly results in the assessment falling within the remit of business areas distal to community relations (Harvey 2011). This allocation within the corporate architecture may (inadvertently) reinforce structures which segregate community members from decisions which affect them. In our experience, for example, the operational, safety, security and other systems at an extractive operation – all of which are necessary for safe running of the operation – also have the effect of distancing the general public from the operation. In other words, the very structure of the operation creates 'quarantine' through which community members find it difficult to access impact information and related decisions and actions about impacts. Such 'quarantining' tends to become inadvertently reinforced over time. Under these circumstances, public trust is unlikely to develop and broad-based community consent is fragile (Harvey 2014).

Yet in situations where communities are viewed as key agents, are equally included in deliberations concerning impacts, and are regularly consulted, we see stronger company–community relations and improved, longer term outcomes (Nish & Bice 2011). Here, the 'quarantine' of the operations is acknowledged and productively broken down, allowing for greater community input and participation. Many such situations involve Indigenous communities and prize consent and collaboration, with examples including the Diavik Diamond Mine, Canada, and the Western Cape Communities co-existence agreement, Australia (Nish & Bice 2011).

In light of this history, regulatory SIA has evolved into numerous compliance schema deployed with widely varying competence. In more recent times, some governments, financial agencies (such as the IFC and EBRD) and others have extended the SIA mandate beyond the protection of affected people to include and attempt to 'lock in' enhanced community benefits. Such efforts have also been reflected by industry initiatives. In Australia, for example, the Minerals Council of Australia undertook extensive social research to develop the Socio-economic Benefits and Impacts Toolkit (MCA 2010) in an effort to help project proponents and consultants to identify community benefits as well as negative impacts within SIA processes. In certain places, such as Lihir in Papua New Guinea, the Pilbara region of Western Australia and Ahafo in Ghana, analyses have involved economists, small business developers or public policy specialists in an effort to provide more holistic data. Yet normative behaviour across corporate social responsibility in global mining often manifests in programmes which adopt a compliance or welfare outlook (Dashwood 2012). Consequently, recommendations are often disconnected from core business and are therefore usually resisted or poorly supported by project proponents during implementation.

This is not to argue that enhanced benefits are not possible or that extractive companies should be oblivious to moral concerns. They do need to protect the most vulnerable from any adverse impacts arising from company activities and to guard against inadvertent complicity in any violation of human rights. When it comes to health and safety, for instance, extractive companies clearly have an ethical – not just a legal – responsibility to protect their employees and surrounding communities from harm. Social mitigation work is important, focusing on:

- human rights and the potential for community impacts;
- resettlement and livelihood compensation;
- migration, influx and population growth;
- specific attention to land-connected and marginalised people;
- project-induced 'resource curse' and inflation;
- law and order, public and private security;
- gender and diversity considerations;
- complaints, disputes, grievance, compensation and conflict resolution;
- community health and communicable diseases and
- the governance deficit of weak, distant or absent governments.

The question then becomes not what issues should be considered, but what practices and approaches are most likely to facilitate companies to meet these responsibilities, while actively involving local communities but remaining realistically attuned to business demands. Regulatory SIA falls well short of achieving this balance, and many companies have adopted a 'SDP' approach, partly, as a means of addressing this.

SDPs: the 'offset' approach

In the past decade, under the rubric of 'net positive impact' (United Nations Environment Programme [UNEP] 2011), some extractive sector companies have extended attempts at earning their SLO to include contributions to exogenous SDP. A growing number of publications describe how the sector can contribute to the economic and social development of the communities that host extractive operations (e.g. Hamann 2003; Esteves 2008; ICMM 2013a). Yet publications in this vein frequently read like material expected of the development sector, rather than tailored advice for the extractive industry. For instance, many publications do not necessarily suggest exogenous SDP in isolation from business-connected contributions. Our concern is that if this trend continues, it will not be long before some companies present themselves as development agencies. Indeed, at the 2013 African Mining Indaba, then-Anglo Gold Ashanti CEO Mark Cutifani went so far as to argue that:

> ... [the extractive industries] have to think beyond our historical characterization and eliminate a conversation that talks to us being an 'Extractive Industry'. While we may extract products from rocks – we are overwhelmingly a 'Development Industry' that creates new social possibilities. (ICMM 2013b)

Such statements from industry leaders represent a seismic shift in industry perspectives about the appropriate roles and responsibilities of extractive companies. Although the taking of social and environmental responsibility should not be rebuffed, at the same time, it is vital to examine and critique the style and extent of engagements such shifts are creating, and to question the most appropriate and beneficial role of the industry. This is critical for companies, governments and host communities.

In particular, recent movements towards extractive company-led social and environmental initiatives, based on an outreach model and involving activities which sit uncomfortably with the remit, capacity and resources of extractive firms, are of concern (Harvey 2014). Although local employment, procurement and shared infrastructure programmes are sustainable for at least the life of an extractive operation – and beyond when linked into the broader economy – the long-term development value of stand-alone social and environmental programmes remains dubious. For example, it has been observed that the impact of such 'initiatives' disconnected from core business have a long history of negatives outweighing positives (Frynas 2005; Ite 2005; Slack 2012; Bice 2013). Some publications state that corporate objectives should explicitly include, as an indicator of good 'corporate social responsibility' or 'corporate citizenship', bold strategies to contribute to reducing poverty (Hahn 2009; Poruthiyil 2013). Yet most operational managers in the extractive sector work within a complex business environment that puts a central business case ahead of altruistic arguments. Moreover, development initiatives exogenous to the business and regulatory penalty payments both encourage 'offset thinking', rather than a preference for avoiding negative impacts in the first place through design and operational adjustments (Harvey 2014).

Examples of extractive sector contributions that fit this style of SDP thinking include

- donations and other charitable contributions to civil society groups, non-governmental organisations (NGOs) and other organisations;

- direct funding or delivery of welfare programmes (e.g. community-based health and education projects);
- unilateral construction of civic infrastructure (e.g. hospitals, health clinics, schools, recreation centres, sports fields and non-employee housing);
- setting up and funding company-controlled trusts, funds or foundations (i.e. local development NGOs) and
- payments to agencies that offer 'outsourced' community development services, particularly those associated with national and international (supply-side) organisations.

While we would emphasise that there is nothing inherently wrong with extractive companies promoting SDP, we are equally concerned that where such programmes are implemented, they are appropriate to circumstance, done transparently and not promoted internally or externally as the centrepiece of the company's contribution to local and regional development. Thus, a major caveat to SDP by mining companies is that it is vital that there is a true understanding of what is actually taking place in the context and minds of local people. For instance, in many societies at the economic frontier, reciprocating gift exchange remains of central importance in the maintenance of the social fabric. The solicited or unsolicited provision of large 'gifts' that cannot be reciprocated can lead not only to dependency, but also to resentment, not to accommodation (Harvey 2014). For example, the long-running opposition to uranium mining by the Mirrar Aboriginal land owners in the Northern Territory of Australia continues, despite receiving over many years Australia's most generous community payments from the Ranger uranium mine. Jeopardy compounds when programmes degenerate into the delivery of 'cargo' (e.g. Filer 1990; Bainton 2010) in the form of 'gifts' that are unlikely to satisfy the new generation of aspiring community youth. In the worst cases, in a trap for the unwary corporate donor, wealthy elites establish NGOs that, via a conglomerate model of business, can be suspected of allowing the laundering of money and reputation (see e.g. Tukur 2012; Rediff News 2014).

In an increasing number of places, such as South Africa and Peru, we are beginning to see convergence between regulatory SIA and offset SDP approaches. This is demonstrated by governments mandating, through one means or another, as a condition of the grant of a legal licence that companies submit and commit to the delivery of local or regional SDP (McNab et al. 2012). This need not be an unwelcome condition, so long as it results in an appropriate allocation of benefits to directly affected communities rather than exclusively to national coffers. In addition, there must be a commensurate balancing adjustment in company payments to central government and a generation of self-sustaining economic conditions that will ensure that operational costs diminish over time.

SLO: the 'collaborative' approach

SLO remains poorly defined and understood (Raufflet et al. 2013; Bice 2014) and there is ongoing debate about whether the concept itself in its assorted guises is useful (Kemp & Owen 2013). What is clear, however, is that the SLO cannot be defined by regulation; it must be collaborative, be specific to individual operations and projects, and has to be based on a site's overall social performance on a continuously maintained basis (Joyce & Thomson 2000). Although essentially intangible, reflecting the broad-based sentiment of stakeholders towards a specific activity, SLO can be withheld or enforced by reference to the 'court of public appeal' and/or linked politically to the grant or otherwise of various legal licences (Thomson & Boutilier 2013). Thus, SLO is often linked tightly to an operation's legitimacy (e.g. Joyce & Thomson 2000; Prno & Slocombe 2012).

An important question for SLO is, therefore, who grants it and who gets it (Bice 2014). This has led to increasingly sophisticated methodologies for mapping stakeholders along dimensions of concern, ability to influence, networking capacity and other factors (Thomson & Boutilier 2013). Network effects mean that a single group or organisation cannot grant the SLO; it is a collective approval granted by a network of stakeholders. Use of the term 'stakeholders' – here meaning all individuals or groups who can affect a project or operation – tends to elevate the importance of many with peripheral or no connections, whereas 'communities' are defined as those who are directly affected by a project or operation, carrying a stronger badge of legitimacy. Along with the moral case for affording directly affected communities greater attention, it is also much easier for the developer to visibly behave according to local expectations and do things of tangible common local interest (Nish & Bice 2011). Hence, the developer is well advised to secure directly affected community support by collaborative means as early as possible and use it to nucleate the collaborative SLO approach.

The SLO is not transferable from one place to another, nor one set of stakeholders to another (Kemp & Owen 2013); hence, it cannot be earned at a corporate level, notwithstanding that a developer's reputation often precedes its appearance in a local community. The ubiquity of this situation is reflected in the marketing campaigns of many major miners. Newcrest (2014), for example, aims to be the 'miner of choice' in all its operating environments. Unfortunately, much to the chagrin of development proponents, reputation negatives accrue at a far greater rate than positives. Hence, attempts at positive global 'branding' by extractive companies face huge hurdles. Given that the SLO must be earned at each specific site, the ability to earn it time and time again through locally deployed competence is a distinct competitive advantage.

Where previously resource developers regarded community interaction as the responsibility of specialists, such as community relations practitioners, public relations or communication experts, for real success it is increasingly recognised as the responsibility of all employees to understand their role and responsibility. This whole-of-business approach requires defined departmental contributions, for instance:

- human resources taking all necessary steps to preferentially employ local people;
- procurement contracting local service and supply on an escalating trajectory;
- security designing and deploying site security and access protocols which actively involve local people;
- environment involving local people in environmental monitoring and mitigation, affording them recognition as custodians of the local landscape;
- finance and accounting assisting with local government and administrative issues, such as fiscal management, audit advice and submissions to central government;
- infrastructure and asset management designing and managing company assets and ancillary infrastructure in a way that provides for maximum civic access;
- maintenance and operations actively mentoring young local people as trainees and future valuable artisans and employees;
- occupational health and safety enhancing the natural tendency for employees to take learnt safe behaviours home, such as wearing of seat belts, drug and alcohol self-management and measures to reduce communicable disease and
- management consciously recognising that a great deal of time should be directed to securing social, and particularly local, support for a business as a fundamental business driver.

For a tangible form of SLO that formalises site-wide interactions, some companies and communities have opted for security through contract law, whereby the respective parties make a formal agreement recording each other's institutional obligations and contributions on a legally enforceable basis. This is particularly the case where enabling legislation recognises the rights of land-connected Indigenous peoples, such as the Native Title Act in Australia (Wand & Harvey 2012). The agreements that emerge are known by different labels in different jurisdictions – Indigenous Land Use Agreements in Australia, Impact Benefit Agreements in Canada and, more generally, Community Development Agreements. Agreements of this type are explicitly referenced in national extraction contracts negotiated with resource developers (for instance, the Oyu Tolgoi Investment Agreement in Mongolia). An additional benefit is that these agreements, when appropriately negotiated, contractually satisfy the precept of 'free, prior and informed consent' as described in the UN Declaration of the Rights of Indigenous Peoples and the IFC Performance Standard 7.

From a community perspective, when contributions and interaction are negotiated collaboratively and incorporated into dynamic departmental planning they have a greater chance of successful implementation (Nish & Bice 2011). Although compliance-driven SIA can identify potential negative impacts and help design mitigation, it is business-embedded SLO approaches that will most successfully lead to enhanced community outcomes.

Building trust via the collaborative SLO approach

Extractive companies are usually unpopular and generally mistrusted; there is no getting away from this. Often, the wealthier a society is, the more vocal its suspicion and censure. The popular outcry against 'gas fracking' in eastern Australia offers one good case in point (see Sherval & Hardiman 2014 for a recent example). Partly, this is an inevitable result of people having a choice, and partly it is due to poor behaviours by extractive companies themselves. The poor also often voice deep mistrust, but until recently did not get the same attention. Where extractive companies' bad behaviours remained hidden from empowered critique, they could operate with little or no moderation. Local issues, however, are now global news (Beck 2000), and poor communities aligned with wealthy commentators and politically vulnerable regulators can stop a project in its tracks by withholding permitting (Ballard & Banks 2003; Thomson & Boutilier 2013). Where local community support is not present, then extractive projects are in great jeopardy (Franks et al. 2014).

The defining dilemma at the heart of this issue is lack of local community trust, and trust cannot be regulated into existence or secured with gifts. Indeed, trust has been closely linked with a company's ability to secure an SLO (Moffat & Zhang 2014; Parsons et al. 2014). In our experience, although public relations approaches can secure short-term support, such strategies can lead to even greater mistrust over the longer term, especially if the public relations message is not based on real performance. Instead, trust must be steeped in social capital, based on a rock-solid belief that companies understand community issues (listening) and will do what they say they will do (promise keeping) (Boutilier 2009). Trust is then secured through demonstrated behaviours. Ironically, saying no and not deviating from a stated plan in the face of a moral dilemma can contribute more to mutual trust than giving in to unreasonable demands, no matter how expedient (Boutilier 2009).

The offset SDP approach, on the other hand, usually presumes that local people will be grateful recipients of benevolence and will accept negative impacts or bad behaviour as long as the offset is generous enough. Such a 'cost–benefit' approach to community relations has been critiqued elsewhere (e.g. Owen & Kemp 2012), including in this issue (see Brueckner et al., 2014). Suffice to say, there are major flaws in this thinking.

First, many traditional communities in frontier situations will not recognise SDP contributions as 'offsets', no matter how earnest the development proponent's attempts to have them understood this way. Instead, there are many alternative local perspectives that can be attached to SDP behaviours in order to culturally accommodate them. For instance, offset SDP may be regarded as 'rent' that will need to be paid regularly and on an inflationary curve.

Second, while unilateral gifting might work for a time with people who have known little in the way of modernising comfort, this also will not sustain operations over long term. Demands for more offsets on an escalating trajectory are very likely to come from the next generation of community leaders. Conversely, in societies customarily kept intact by reciprocating gift exchange, the recipients can be humiliated by an inability to respond appropriately. Finally, whatever 'meaning' local people attribute to inappropriately planned or poorly understood SDP contributions, it is extremely unlikely to be synonymous with that of a non-local provider.

A collaborative SLO approach is therefore better able to build trust than regulatory SIA or offset SDP because it is based on comprehension of local socio-cultural values and practices, and on collaboration at the local level. In order to establish a collaborative SLO, host communities and developers are obliged to work through processes of listening, understanding each other's concerns and interests, and reaching compromise. Wherein regulatory SIA and offset SDP approaches the accommodation of needs and interests is usually weighted against those of the locals and interpreted by regulatory arbitration, increasingly the onus of collaborative accommodation lies more with the developer.

For trust to develop, every actor needs to see clearly the self-servicing interests of the other actors. SIA and SDP, as described here, do not provide for this. Under conditions of regulatory SIA, even when community outcomes are beneficial, it is clear that extractive companies are attempting to achieve compliance; in other words, actions are generally not spurred by a commitment to collaborate and build trust. With the offset SDP approach, the extractive company rarely presents a strong, direct or obvious link to its own self-interest and business case. Thus, cynical observers are unlikely to trust the motives of companies engaging in SDP activities that are not visibly linked to self-serving purposes. Conversely, without a clearly articulated business case, extractive sector executives and owners will not support SDP contributions.

Discussion: collaborative SLO through creating shared value and 'in-reach'

Extractive companies seeking to develop land-based resources are drawn to frontier or struggling economic regions for very good reasons. Social consent, as a necessary precursor to legal consent, is a key rate-determining step in the twenty-first century. Poor communities with few development options, when treated with dignity and respect, are more likely than urban dwellers and wealthy rural communities to accept the imposition of an extractive operation.

The preceding sections have presented three approaches to community engagement by extractive companies, especially those operating in frontier economies: regulatory SIA, offset SDP and collaborative SLO. The above examples demonstrate that there are very good, often self-serving reasons why extractive companies operating in frontier regions need to state clearly why they intend to pay attention to locals and contribute to local development through their business activities.

First, if wealth-generating resource extractors attempt to operate for any length of time against a backdrop of local poverty and despair, they will be subjected to continuous attempted expropriation on a small, medium and possibly large scale, ranging from state actors to spontaneous criminal behaviour (Bebbington et al. 2008). Moreover, such situations can provoke or worsen community conflict, which can result in real and substantial costs to proponents (Franks et al. 2014).

Second, and more inspiringly, with well-directed, business-driven contributions to local development (as opposed to the type of offset SDP described above) an extractive company that intends to operate over the long run will generate around itself the kind of self-sustaining economic conditions that will drive its own costs down over time. Hence, an extractive company that intends to establish a sustainable presence can justifiably make commitments to help grow livelihoods and a local economic cluster aligned to its own interests. Indeed, this fits well with extractive sector management skills and professional specialties, with business priorities, and with the needs and aspirations of host communities. When an extractive company helps to build a multiplier economic cluster around itself, it amplifies visceral connections between its own and host community success (Harvey 2014).

Having established a thoroughly plausible reason for why an extractive company should pay attention to local economic development, it then needs to develop an approach for how it will do this. For all the reasons discussed in the preceding sections, a collaborative SLO approach will work best. Such an approach offers the leveraging benefits of comparative advantage, collaboration and transparent credibility. For instance, a number of non-extractive global companies have developed in the past decade – with great success – the equivalent of collaborative SLO approaches. Recognising that 'corporate social responsibility' approaches retain peripheral connotations and do not deliver business value, companies like Nestlé and Unilever have developed sophisticated core business activities that unashamedly benefit themselves as well as business-affected communities. Nestlé has fundamentally re-designed its coffee procurement function as an agricultural support group that works intensively with poor growers to improve quality and volume, allowing it to pay a premium for consistency and reliability (Porter & Kramer 2013).

This emerging collaborative business behaviour was first described in the Harvard Business Review in 2006 (Porter & Kramer 2006) and later refined as 'creating shared value' (CSV), defined as 'policies and operating practices that enhance the competitiveness of a company while simultaneously advancing the economic and social conditions in the communities in which it operates' (Porter & Kramer 2013, p. 6). CSV is closely aligned to collaborative SLO thinking. SLO and CSV encourage a focus on business-connected 'activities'; the things that companies do every day in the course of their operations. Although SLO is quite explicit in seeking reciprocating support for extractive operations from host communities, CSV is more general in advocating for broader shared value options across all business sectors, a position which should be further considered in relation to SLO.

Of the three CSV 'opportunity categories' described by Porter and Kramer (2006) – products/markets, productivity in the value chain and local cluster development – it is the latter that offers the greatest opportunity for the extractive sector in terms of creating trust to collaboratively build an SLO with local communities. 'Clustering' – the geographic concentration of related businesses, along with such things as schools, suppliers, service providers and logistical infrastructure – opens up benefits for individual businesses and host communities alike. Clusters typically involve individual businesses that are closely related; think of the narrow specialisation of Silicon Valley and Wall Street. In the extractive sector, however, it is the broadening of economic activity into otherwise mono-economy locations that offers the greatest opportunity. Long-life extractive operations should seek to broaden economic options around themselves in order to induce competitive supply, to lessen expatriate dependency and to share infrastructure costs. In short, they should aim to nucleate clusters of broader economic development.

In order to establish such collaborative clusters as part of building an SLO, extractive companies must invest in and build the internal skills necessary to create lasting and meaningful relations with local communities. Currently, very few extractive sector companies or employees can focus effectively on this. They are overwhelmed by the strictures of regulatory compliance on the one hand, and happy to be buffered by philanthropic approaches to host communities on the other. Increasingly, these protective mechanisms will no longer secure a 'quiet presence' for extractive companies; host communities are demanding active engagement involving behavioural shifts across the whole of an extractive operation's activities.

With a regulatory safety net in place, this can be initiated through 'in-reach': the building of internal capacities across the extractive company, as opposed to outward-facing, offset SDP. Such in-reach would involve employee training courses aimed at identifying and bringing about behavioural shifts in internal business and workforce practices. This is what has worked for the industry in relation to sustainable safety improvement, and the approach will work equally well for securing the mutual trust and development support of communities.

Once trust is developed through introductory courses that focus on community-set agendas, broader issues can be explored. These would include how the company and community can work together to create an economic cluster; how to jointly lobby third parties over matters of common interest; and how to compete as a geographic entity with other regions. Building a knowledge base through best practice (non-regulatory) SIA, like that espoused by the International Association for Impact Assessment could provide information to support pursuit of these activities. Appropriately designed and delivered SDP could also play a role in supporting economic clusters and addressing common issues. Most importantly, all of these activities rely on a foundation of trust between the company and local communities and play a major role in establishing a collaborative SLO.

Conclusion

This article has considered three approaches to community engagement in the extractives industry, namely regulatory SIA, offset SDP and collaborative SLO. The article has considered each of these, based on the professional experiences of the authors in a variety of resource regions, worldwide, over many years. Regulatory SIA is critiqued for its myopic focus on compliance and the limited use of contextualised knowledge to inform socio-economic understanding, risk and opportunity analysis and company practice. Regulatory SIA has arrived at a point where the transaction costs far outweigh benefits. Although regulation is necessary for well-functioning countries, regulatory SIA has evolved in a way that does not encourage extractive companies and host communities to pursue imaginative collaboration of interests.

Offset SDP, meanwhile, may offer short-term community acquiescence and gratification, but the majority of such programmes sit outside the expertise, remit or self-interest of companies and frequently result in services or activities unneeded or unwanted by communities. Extractive companies are not development NGOs and should not attempt to emulate them. Instead, to enhance relationships and trust with host communities, what is more appropriate is for extractive companies to act transparently as businesses eschewing charity and subsidy. Offset SDP cannot substitute for the implacably difficult task of working with local people on a face-to-face basis on issues that are important to them and the developer, not agendas set by exogenous development thinking.

While perhaps most rare, collaborative SLO, closely aligned to the emerging business paradigm of CSV, offers the best opportunities and outcomes for resource development proponents and host communities. Business has the ability to deploy resources and management capability with a laser-like intensity that even well-intentioned governments and NGOs can rarely match. Freed from distracting regulatory and charitable demands, extractive companies could increase the exposure levels of their highly skilled employees to helping solve pressing host community issues. The next decade will see a wave of research and development innovation as successful companies explore the convergence of collaborative SLO and CSV thinking.

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