

Extractive Industries and Conflict Prevention

Social Intervention Model for South America

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The impressive development of the extractive industries in South America in the last few decades has contributed significantly to the region's economic stability as well as generating many challenges to the social viability of its operations. Widespread dissatisfaction in neighbouring communities has seen the expansion of social resistance to the extractive industries, resulting in violent episodes and high costs not only for the private companies involved but especially for governments and local communities. For that reason, extractive companies are prioritizing the development of more effective relationship mechanisms which could enable the timely prevention of natural resource conflicts. These companies are challenged to find a new way of doing business, recognizing the fact that a reactive response in crisis conditions generates a significantly higher cost than managing social risks through a daily relationship with stakeholders. Considering the effects on the viability of extractive industries in South America, this article analyses the main sustainability drivers of conflict that should be taken into account when defining initiatives to improve natural resource governance. From this perspective, a social intervention model has been proposed to contribute to the prevention of social conflicts associated with extractive industries and to build trusting relationships and engagement with key stakeholders. Through this long-term effort, extractive activity could contribute to sustainable development by acting as a catalyst for local economic growth and social change.

- Sustainability
- Natural resource conflict
- Strategy
- Dialogue
- Local development

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THE EXTRACTIVE INDUSTRIES HAVE ACQUIRED increasing importance as an engine of macro-economic growth for the region, given the abundance of natural resources and government policies to incentivize foreign investment (Saade, 2013). Several South American countries possess a major share of the planet's mineral and oil reserves: 65% of the world's lithium reserves, 42% silver, 38% copper, 33% tin, 21% iron, 18% bauxite and 14% nickel. Moreover, during 2011 it was the region with the largest volume of oil reserves after the Middle East, with a share of 20% (Altomonte, 2013).

In this context, the boom in international prices for metals and oil between 2002 and 2008 was characterized by large-scale exploitation of natural resources in the region, which are exported as commodities and depend on enclave economies (Gudynas, 2012). The dynamism presented by investments in mining and hydrocarbons was caused in part by rising global demand as well as the extraordinary growth seen in China's economy and in other emerging economies such as Brazil, Russia, India and China over the past decade (Altomonte, 2013).

Many favourable conditions allowed 13 Latin American countries to occupy a position among the 15 leading producers of minerals in the world. Between 1990 and 2010 Latin America and the Caribbean almost doubled their percentage of world gold production (from 10.3% to 19.2%), molybdenum (from 15.8% to 31.8%) and copper (24.9% to 45.4%), and increased to a lesser extent refined copper (from 15.7% to 21.9%). Moreover, in 2013 fuels and mining products were equivalent to 40% of South and Central American exports in 2013, compared with a global average of 22% (Viscidi, 2015).

Among South American countries, Chile has been the world's largest copper producer since 1982; Brazil was the largest producer of iron until 2006 and continues to be among the top three; Peru is among the world's top five leading producers of silver, copper, gold, tin, zinc and lead; Bolivia is the fourth largest producer of tin and the sixth largest producer of silver; Colombia is the ninth largest producer of refined nickel; and Venezuela is the 11th largest producer of oil (US Geological Survey, 2014).

While the production performance of extractive industries has improved and remains fundamental for South American countries despite the current crisis, many companies have been facing difficulties in obtaining a social licence to operate from local communities, which do not perceive clear development opportunities derived from these activities. Widespread dissatisfaction in neighbouring communities has resulted in the expansion of social resistance to the extractive industries; these promising countries in South America now experience the most conflicts within Latin America.

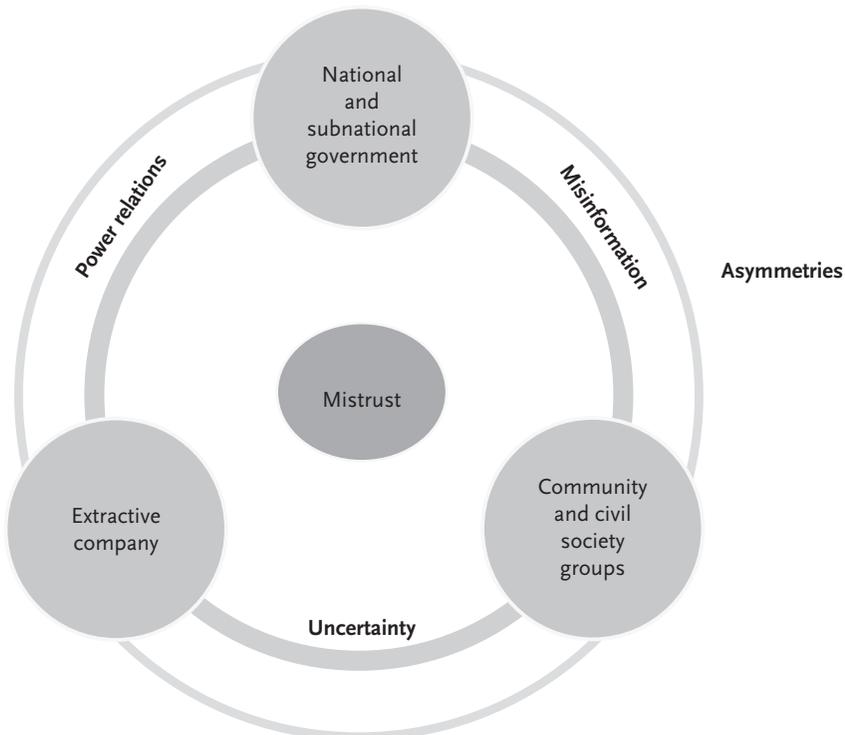
Conflicts associated with extractive activities have been analysed from different perspectives. For the purposes of this paper, they will be understood as a sequence of events organized around the differences between extractive companies, local communities and local governments, generated by the positions and actions conducted by them throughout the relationship. Those confrontations result in conflict over control and use of resources, particularly related to land use, environmental contamination and distribution of resource revenues (Damonte, 2013).

Focusing on the natural resource conflicts in the region, it is important to highlight the competition for natural resources such as oil, minerals, forests, water and fertile land that can be exploited for extractive activities. Derived conflicts are caused by situations that are poorly managed and resources are distributed or controlled in an unfair or unequal manner while they represent an important source of income and power. For instance, land and water, in particular, are essential to the livelihoods and subsistence of communities (Brown and Keeting, 2015).

Resource conflicts are typically categorized according to the primary resource involved and the main conflict driver. Typical resource categories include extractive resources, land and water, which may be interconnected within a conflict. Indeed, in the majority of cases, one or more of the following drivers are at play: 1) conflict over resource ownership; 2) conflict over resource access; 3) conflict over decision-making associated with resource management; and 4) conflict over distribution of resource revenues as well as other benefits and burdens (Brown and Keeting, 2015).

Although each case of conflict derives from the context of the relationship between the company, the community and the local government, where social, economic and environmental aspects converge, it is possible that some recurrent tensions are a result of the mistrust, misinformation and uncertainty caused by different asymmetries and power relations, as referred to in Figure 1. Those tensions in the region have therefore placed the relationships between economic development, environmental quality, land and human rights on the public agenda in new and powerful ways (Damonte, 2013).

Figure 1 Tensions between stakeholders



In fact, these conflicts involve key actors with a completely different access to information and resources. Concerning extractive companies, both senior¹ and junior large-scale mining companies have exploration and/or operation activities in South America, and are classified by their size, ownership structure and focus on specific minerals. Moreover, oil and gas companies operating in the region include multinational public companies,² which are typically engaged in exploration and retail, as well as independent oil companies usually focused on either “upstream” (exploration, production) or “downstream” (transport, retail) activities.

There is a diverse mix of mining, oil and gas companies in the region which have shown successful economic performance; however, those companies are frequently located near vulnerable communities, including indigenous populations which also depend on natural resources to survive. In this context, different kinds of conflict have developed: for example, at the La Colosa gold mine in Colombia, Crucitas gold mine in Costa Rica, Conga gold and copper project in Peru and the geothermal energy project at El Tatio in Chile. The violence resulting from these conflicts has eventually brought about the temporary interruption of operations, which usually has effects on the international trade in metals and hydrocarbons.

Most local communities affected by extractive industries in South America live in rural conditions or face unmet basic needs. Although cultural patterns are associated with each location, it is important to recognize that affected populations have some things in common such as poor knowledge about the functioning of the industry and the legal framework, as well as limited economic resources. Since these communities do not perceive a positive impact from mining/hydrocarbon activities in terms of quality of life, as they expect, disappointment might gradually increase, though companies have also increased their participation in local development initiatives.

This disappointment has been the basis for a new kind of violence in South America, which is related to unsolved structural development problems. In this sense, it is critical to note that disputes and grievances over natural resources are rarely, if ever, the sole cause of violent conflict. The drivers of violence are most often multifaceted. However, disputes and grievances over natural resources can contribute to violent conflict when they overlap with other factors, such as ethnic polarization, high levels of inequity, poverty, injustice and poor governance (UN Interagency Framework Team for Preventive Action, 2012).

These situations of crisis involving high levels of violence have caused elevated costs not only for companies but also for states and local communities. Consequently, the extractive sector is encouraged to prioritize the development

1 “Senior” companies have proven experience operating a mine and can already document a certain level of pre-tax cash flow.

2 State-owned/controlled companies are also significant players in the industry as they control some 94% of proven global reserves.

of effective relationship mechanisms that allow timely prevention or management of social conflicts. This context is challenging the extractive industry to find a new way of doing business, recognizing the fact that a reactive response in crisis conditions generates a significantly higher cost than managing social risks through the daily relationship with local stakeholders.

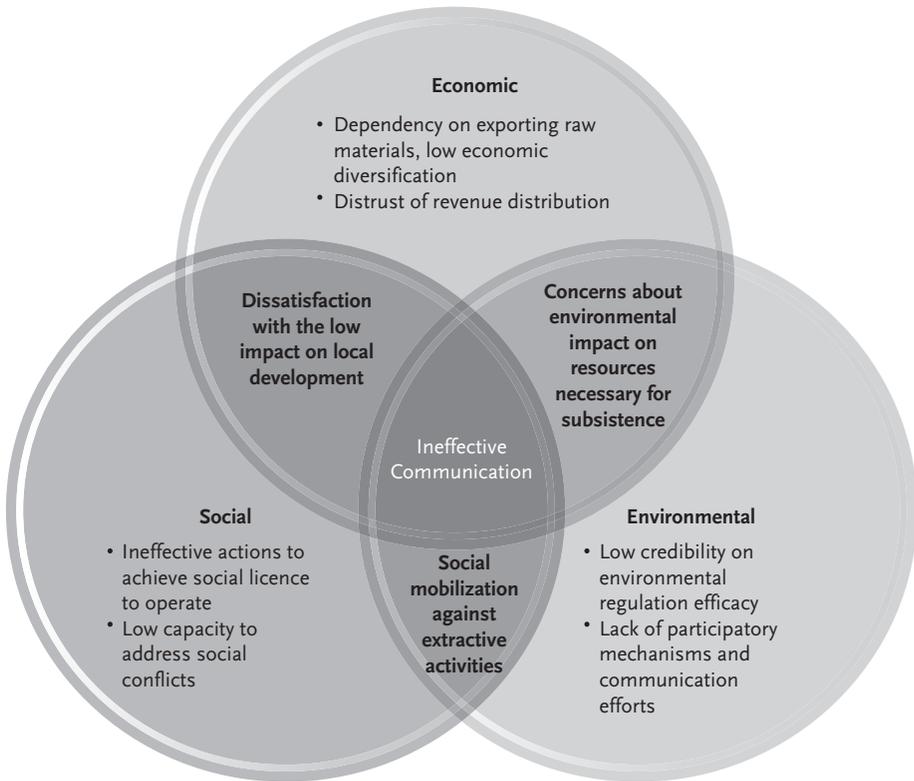
Main drivers of conflict in the extractive industry in South America

Countries with natural resource wealth from non-renewable natural resources are faced with many challenges. Extractive activities might contribute to greater prosperity for current and future generations, depending on the local governance capacities, which can be defined as the way a society organizes itself to make and implement decisions on economic, political and social affairs through interactions within and among the state, civil society and the private sector (UN-DPA and UNEP, 2015).

When governance is weak, such resource revenues may result in corruption and potentially even conflict, as groups fight over access to these resources, the associated revenue or the environmental threats (Viscidi, 2015). For this reason, debate on the sustainable and equitable use of natural resources is a priority for public policies in South American countries (Altomonte, 2013). Chile, Colombia and Peru provide examples of governments lacking clear processes, adequate resources and the political ability to prevent and defuse conflicts, leaving companies with too much responsibility for direct mediation (Viscidi, 2015).

Although governments in the region have increased their consciousness of the associated governance weaknesses, they do not adequately engage communities in consultations throughout the projects nor do they provide sufficient information about the plans and potential impacts over the extractive value chain (Viscidi, 2015). This failure to build legitimate institutions risks a vicious cycle of repeated violence and weak institutions (UN-DPA and UNEP, 2015) and, as a result, currently, several mining projects in the region are being evaluated as to whether they will be conducted, maintained or expanded (Saade, 2013).

Based on the key levels of sustainability analysis—economic, environmental and social—Figure 2 presents an overview of the main drivers of conflict associated with the extractive industry in the region. These drivers should be taken into account when defining initiatives to improve natural resource governance, since conflicts over renewable resources are essentially political issues concerning who should have access to and control over resources; whose views should count in identifying and prioritizing issues and problems; and desirable management goals and rates of use (UN Interagency Framework Team for Preventive Action, 2012).

Figure 2 Sustainability drivers of conflict

Economic level

Extractive industry development in the region has been directly associated with the geological conditions and the international prices of commodities. Therefore, one of the main criticisms regarding the competitiveness of the region is related to the export of primary products (Albavera, 2011). Although the importance of manufactured products has increased, the region continues to be dependent on primary commodities.³

Since the 1990s, several countries in the region have implemented policies of promoting foreign investment in extractive activities. The argument in favour of the investment was based on the need to attract capital to put new fields into operation, as well as expand and modernize existing activities. As a result, the region has experienced the removal of trade barriers in mining and oil exploration and exploitation activities, which resulted in a shared hegemony between state-controlled companies and, mostly foreign, private companies.

Corporate profits have risen steadily and as a consequence have had a direct impact on the tax revenues of the countries in the region (Saade, 2013). During

³ In Latin America, the exceptions to this trend are Brazil and Mexico. When exports are analysed excluding these countries, the primary products account for 74% (Albavera, 2011).

the period 2004–2009, the extractive royalties allocated as a percentage of GDP in Latin America and the Caribbean reached nearly four times as much as the average of the period 1990–2003, rising from 0.54% to 2.08% of regional GDP (World Bank, 2011). Although this increase has resulted in greater participation of subnational governments in revenues derived from extractive activities, there remains a challenge for local governments to manage the resources obtained effectively and contribute to the development of affected populations (Altomonte, 2013).

Invested well, these royalties could lift such communities out of poverty. However, local governments in the region often lack the institutional capacity to invest the revenues in projects providing tangible benefits for their citizens. Instead, the contrast between the wealth from extractive industries and local poverty helps fuel social conflict (Porter and Kramer, 2011). In fact, the historical weaknesses faced by governments in the region in terms of transforming non-renewable natural capital (especially in periods of natural resource export booms) into long-term capital management (i.e. human capital, productive infrastructure, etc.) have been studied by different disciplines.

The disappointment of affected communities is expressed in a context of limited information on the use and distribution of revenues generated by the extractive industry, and evidence of corruption by local institutions. Furthermore, the communities in which companies operate perceive that profits come at their expense, an impression that has become even stronger during the last decade, in which rising earnings have done little to reduce high unemployment, local business distress and severe pressures on community services (Porter and Kramer, 2011).

These uncertainties about the efficiency of income distribution exist despite the voluntary initiatives that have been implemented to promote transparency in the extractive industry (RWI, 2012).⁴ The extractive sector is not necessarily reaching the communities involved, even though those initiatives are achieving progress in terms of corporate accountability, which is defined as the commitment to reflect, at all stages of a process, the views and needs of all stakeholder groups, including future generations and the environment (AccountAbility, 2006).

Transparency is a prerequisite for accountability. However, piecemeal information is not sufficient; complete, official and credible data is needed. Therefore, while there exist ways to improve sustainability practices in the industry, companies need to ensure that the information published is available to local communities. Moreover, local governments must strengthen their role by creating and disseminating this information; for instance, by providing revenue data accompanied by information on the applicable tax rates and taxable income.

4 These include: the Code of Good Practices on Fiscal Transparency by the International Monetary Fund (IMF), The Extractive Industries Transparency Initiative (EITI), the Global Reporting Initiative (GRI), the OECD Guidelines for Multinational Enterprises, and the Publish What You Pay Initiative.

Environmental level

Despite the regulatory base developed in the region to ensure the right to a healthy environment, the conjunction of policies and laws is not always enough for an effective state response. For this reason, environmental performance has been considered one of the main concerns associated with extractive activities.

In fact, the responsible institutions are often weak, inefficient and affected by corruption (Altomonte, 2013). Consequently, the existing legislation (advanced or deficient) is not properly applied and this influences the institutions' legitimacy as well as the companies' credibility in the eyes of local communities. For that reason, an institutional framework is required to guarantee the legitimacy of the proceedings, along with a strengthened civil society; companies should adopt an environmentally responsible approach within their operations.

However, some governments in the region, such as Peru for example, are implementing measures to facilitate investment procedures including potential changes in the environmental requirements. Although the relevance of competitiveness for the development of the extractive industry is undeniable, it is important to recognize that the viability of such activity is highly associated with the corresponding environmental pressures, including land use, natural resource management, emissions, water consumption and energy use (UN Interagency Framework Team for Preventive Action, 2012). These pressures are commonly perceived as threats by local stakeholders and could be the basis of mistrust and disinformation.

Indeed, during the last decade, the focus of conflict has shifted from labour to environmental concerns. Workers' unions have been replaced by rural or indigenous communities as protagonists of local conflict, since nowadays competition is not for better salaries but for local land and water resources (Glave, 2012). The environment has become an increasingly important domain of contention and social mobilization, becoming both a vehicle and an objective of contentious politics, influencing the way in which politics is organized and performed.

As a matter of fact, the environmental performance of the extractive industries has improved during recent decades. For instance, the leading multinational companies which are operating in the region have achieved environmental quality standards certifications, incentivized by international commerce. While there exists significant risk in terms of environmental monitoring and the associated credibility acquired from the state, companies' management are obliged to put greater focus on environmental communication and information mechanisms.

The population affected by a project or extractive operation may be ill-equipped to interpret the available information. This is a critical matter in the region. Outsiders frequently appear with a political agenda arguing that extractive activities will negatively affect resources such as water and soil, which are needed to develop traditional economic activities such as agriculture and livestock keeping. This message is easily assimilated if the relationship between the company and the community is fragile, especially in areas where state presence is weak and the provision of public services is poor.

In the field of mineral exploration, communities are frequently very concerned about water access and availability, although companies are now performing better in terms of more efficient consumption of resources (UN Interagency Framework Team for Preventive Action, 2012). In communities with a mining tradition, the experience of poorly regulated activities associated with negative socio-environmental impacts prevails. With this perception, it is possible to be predisposed to believe that extractive activities will harm the soil and water sources, causing health threats for communities and affecting the development of subsistence economic activities such as agriculture, livestock and fishing.

Concerning the response of companies, previous liabilities caused by the development of mining and hydrocarbon activities are not always irremediable. Recognition, measurement and monitoring efforts are considered as the first step for structuring environmental recovery plans, which must be complemented by targeted communication strategies and participatory mechanisms.

Social level

Although the extractive industry has the potential to create economic prosperity, it can also increase the levels of conflict in communities in which it has an impact, especially when areas with high natural, cultural or archaeological value are affected. Such conflicts take place when the interests of both parties are incompatible, and in extreme cases can result in violent situations (International Mining for Development Centre, 2013).

While extractive companies have traditionally considered risk management as a critical success factor, factors which were considered secondary such as socio-environmental conflicts and social licence, are now the most difficult to manage. The expectations of society for corporate social responsibility (CSR) demand that companies go beyond mitigating their impacts and actively contribute towards local sustainable development (ICMM, 2012).

The approach to CSR within the extractive sector in the region has shown an effort to move from paternalism towards a more partnership-based approach to community relations (Rees *et al.*, 2012). Initially, CSR initiatives were reacting to pressures from local stakeholders in order to maintain a harmonious atmosphere and achieve their consent to operate. Moreover, given the weakness of local capacities and the absence of a common plan for the community, local leaders have been articulating requests for support for very specific and unsustainable initiatives that have contributed little or nothing to improve the quality of life of the local population.

Such practices occurred during the period of high raw materials prices since 2004; however, this trajectory is now showing another trend. In the recent period of falling prices in the stock market, the increasing costs of operation and especially the increase in social conflicts are limiting profits for companies (Saade, 2013). While the causes of these conflicts are to be found in local conditions, there might be recurring issues such as socioeconomic gaps, information disclosure, land tenure, water consumption, labour conditions and cultural differences, among others.

Nowadays, extractive companies have not only understood the importance of promoting strategic CSR but there is also evidence to provide a better understanding about the impact of conflict on the company's financial situation. Those cases of conflict which have temporarily delayed or stopped operations have resulted in significant financial risks to the companies involved, such as a fall in the share price. For instance, Newmont Corporation–Minas Buenaventura consortium lost about US\$750 million during 2010 owing to a delay of 9 months in the process of building the Minas Conga project in Peru (Davis, 2014). As a result, conflict prevention and control has become a priority for extractive companies which aspire to continue with their portfolio of projects.

Companies have adopted CSR policies which have resulted in actions to ensure that the communities in the area of influence perceive extractive activities as a way to improve their quality of life and basic needs such as housing, health systems, education, electricity and potable water. The scope of these actions, occasionally outside the core competence of the company, has caused misunderstandings over the companies' jurisdiction in local economic development. It has also generated over-expectations about the companies' potential contribution, which have then stimulated high demands and requirements in return for accepting an operation.

Moreover, communities face many issues related to the weakness of leadership representation and legitimacy. This situation makes it difficult to turn short-term requests for initiatives into promotion of local development planning. The participation of vulnerable groups, such as women, youth and indigenous minorities, has increased during the last decade but further development is needed. Women's access to community decision-making could be improved within the region, since the employment opportunities within the extractive industry value chain as well as the development projects delivered by the companies have allowed them to improve their status, training and independence.

Opportunities to promote local sustainable development from the extractive sector

In recent years, much research has been undertaken to understand the expansion of the extractive industry in the region and how developing countries have been impacted positively and negatively. Most of them agreed on the potential contribution of extractive activity to local development, when the macro-economic success achieved is shared with the local communities surrounding the operations (International Mining for Development Centre, 2013).

From the perspective of the extractive sector in South America, many companies have improved their economic, environmental and social performance, and as a consequence they are treating the people and the environment affected by their operations with greater respect (ICMM, 2012). In fact, multinationals in the extractive sector face challenges encountered by other global industries,

including environmental, corporate governance, transparency and workers' rights issues, as well as broad-based human rights concerns.

However, the possibility to achieve significant impact on the quality of life of local communities is a bigger challenge than merely improving the internal management of companies. For this reason, some decision-makers and stakeholders are reconsidering the key conditions defined for the extractive activity in the region and analysing every stage of the value chain (International Mining for Development Centre, 2013).

In order to obtain the social licence of local communities and avoid social conflicts, extractive companies have developed diverse initiatives within the framework of policies and practices of corporate social responsibility. The common practice in corporate social responsibility in the region has been related to the implementation of social programmes and initiatives related to education, health and productive development, since those are basic needs unmet by local communities around the extractive operations.

Most of this investment has generated a positive impact on communities; however, it has also caused dependency on the companies although it has not necessarily contributed to improving their mutual relationship. In fact, many companies that have implemented a high level of social investment have not been exempt from socio-environmental conflicts because these programmes have had little positive impact on their reputation with local stakeholders.

Furthermore, the social investment projects implemented by mining companies are not necessarily responding to the expectations of communities and therefore are not generating the expected impact on building trust between both parties. Moreover, the improvement of the quality of life of affected populations has showed slow progress during the last decade.

Extractive companies have also invested in social projects to raise their social legitimacy; however, this has been without the participation of communities in decision-making processes from the outset. Generally, this lack of participation has generated strong opposition from the communities, who did not see their interests and concerns reflected within these initiatives. At the same time, they have generated over-expectations about investment opportunities funded by the companies.

For example, in Peru, as shown in Figure 3, the perceived failure to meet corporate social commitments is a fundamental driver of conflict at the stage of both mining exploration and exploitation. This finding allows us to understand that there exists a discontent and dissatisfaction in relation to projects that are being implemented.

Figure 3 Drivers of mining conflict in Peru

Source: prepared with data from the Ombudsman Agency reports



Apparently, the causes of opposition to extractive industry projects in the region are not only related to land ownership and environment protection, but also to people's need to control their resources and decide on the course of their lives (Glave, 2012). In this context, disappointment over the benefits perceived from the extractive activities is produced, including the social commitments and investment projects developed by companies.

Certainly, the communities involved with high levels of mining investment cope with situations of poverty and poor access to basic services. In fact, cities around extractive operations usually grow in a disorderly way, at the same time as the activity and its scope grow. This growth has not necessarily generated the strengthening of institutions and community-based organizations to conceive a vision and a path to planning. In contrast, such communities have undertaken isolated initiatives not linked with development processes, such as the construction of monuments and town halls, among others.

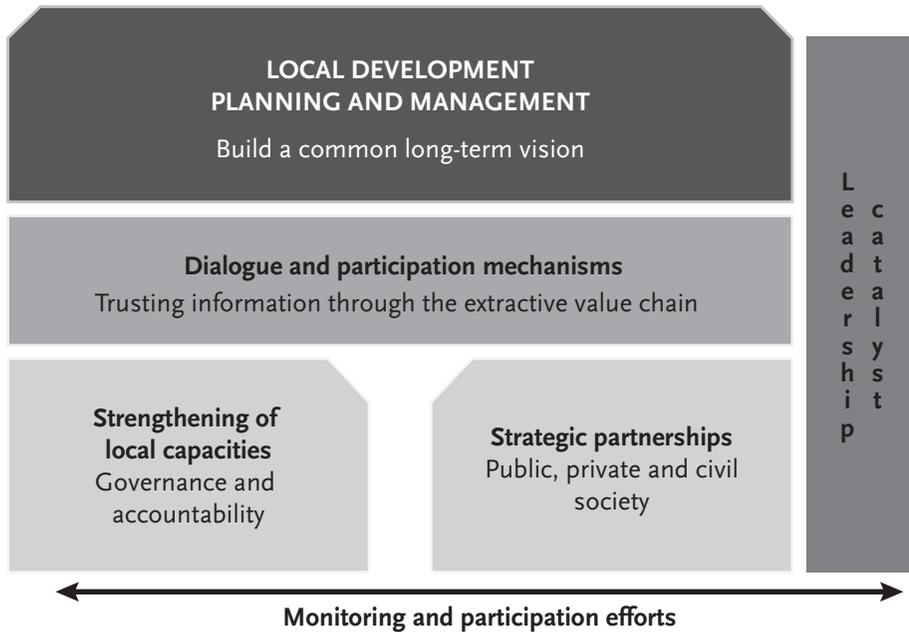
In that sense, corrupt practices have increased along with the prevalence of individual interests over collective ones, making it difficult to reach consensus on the future development of communities. As a result, dependence relations between mining companies and communities have been built and it is possible to identify a lack of identity and collaborative work between local institutions.

Based on the analysis of the above-mentioned challenges, Figure 4 presents a proposal for a social intervention model, which details some steps that a company could start taking to promote local development. This model is a result of the combination of the conceptual analysis with the benchmarking⁵

⁵ The benchmarking was based on the analysis of the Sustainability Report of each company selected, focusing on the revision of initiatives implemented to contribute with the community development.

of best practices already implemented by Antamina⁶ in Peru, Codelco⁷ in Chile and Votorantim Metais⁸ in Brazil.⁹ These leading mining companies in South America are improving their approach related to stakeholder engagement, social investment and shared value strategies.

Figure 4 Proposed social intervention model to address extractive industry challenges



Considering that the main bottleneck to improving stakeholder engagement in the extractive sector is the lack of strategic alignment within companies, the first step of this model considers the importance of developing internal skills. It means working with the core strategic and operational departments inside the company to create or strengthen the required capacities to promote an effective dialogue with all stakeholders.

6 The Antamina mine in Peru is one of the largest copper/zinc mines in the world. It is an open pit mine which had an estimated life of 15 years. It also produced molybdenum.

7 Codelco (Corporación Nacional del Cobre de Chile or, in English, the National Copper Corporation of Chile) is a Chilean state-owned copper mining company. It is currently the largest copper-producing company in the world and produced 1.66 million tonnes of copper in 2007, 11% of the world total.

8 The Votorantim Group is a 100% Brazilian company that is present in more than 20 countries and will have completed 95 years of activity in 2013.

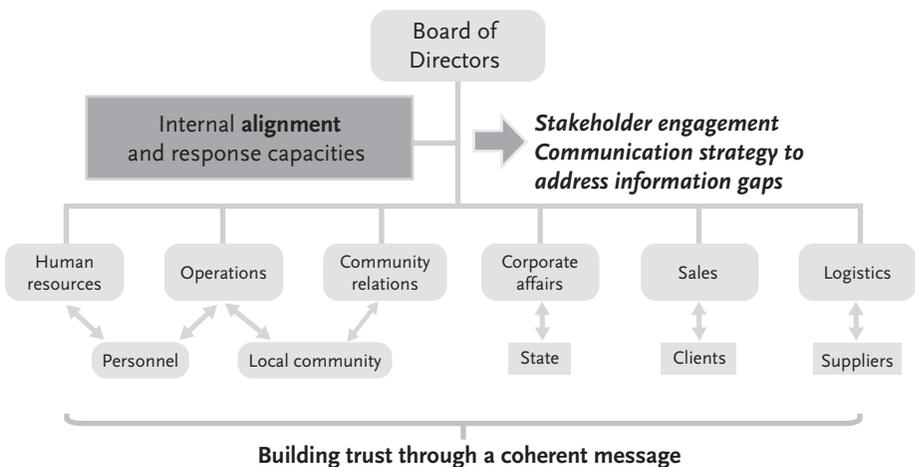
9 These three South American leading mining companies were selected from the ranking of major business in Latin America published by *América Economía*: <http://rankings.americaeconomia.com/las-500-mayores-empresas-de-latinoamerica-2014/ranking-500-latam-151-200/>

It does not just mean an internal alignment under the corporate communication plan, but also ensuring response capacities to address expectations from key stakeholders. In fact, some research has been conducted in this field, which demonstrates the challenges faced by community relations staff of working on non-scientific issues within a workforce of colleagues trained in scientific disciplines and engineering, and how these challenges can be mutually reinforcing (Rees *et al.*, 2012).

It is clearly an essential step for any extractive company that aims to address conflict management effectively to build a shared view across different functions/departments that company–community relationships matter fundamentally to the company’s own success. However, this is only one step. On its own, it does not address a sometimes ingrained assumption that it is solely or primarily the responsibility of community relations staff to achieve good relationships with communities and prevent conflict (Rees *et al.*, 2012).

For this reason, it is fundamental to develop a relationship-building approach and create an ownership strategy with the personnel to transmit a consistent message and avoid the communication fragmentation commonly faced by many companies. Achieving internal alignment of policies and practices across functions and departments—including technical departments—is a necessary precursor to achieving strong and resilient relationships with communities, and thereby mitigating the risk of conflict, as highlighted in Figure 5.

Figure 5 Building internal skills to promote stakeholder dialogue



Once the communication skills are strengthened within the company, working on the gaps in information with local stakeholders is needed. In this aspect, although extractive companies have intensified the efforts made to disseminate environmental data among local stakeholders, the lack of trust between them and the absence of the state inhibit any improvement in knowledge of environmental management progress.

For this reason, informative campaigns are not enough; it is also necessary to enhance the capacities of local institutions to request information and use it properly. As the principal concerns are related to environmental performance, special effort is needed to deliver targeted communications and information mechanisms. In addition, it is important to strengthen understanding of the industry value chain, the development of the main phases and to identify in which phases the communities could be involved.

Once the informational component is in place, the company should establish mechanisms for dialogue and participation. Ideally, the company should incorporate these mechanisms throughout the value chain, engaging key stakeholders to be part of the process and as a consequence reduce information asymmetries and demystify the threats associated with the extractive activity by the local communities. This step has been addressed by many companies, so that the dialogue mechanisms have been overused, for example, the dialogue roundtables.

Once the dialogue mechanisms are consolidated, the company could promote the local stakeholders' capacity building to design local development plans. In this process, land use planning¹⁰ could be used as a tool to organize multiple demands for land while minimizing the likelihood of competition and conflict (Glave, 2012). Land use planning does not necessarily prohibit extractive industries; rather it regulates where extractive activity should not take place and where it may go ahead subject to certain conditions. Although restrictions on land use may limit opportunities for extractive industry developers, establishing clear rules can provide important incentives by reducing perceived investment risk.

On this route, communication plays a strategic role in building a common long-term vision, which involves strengthening and empowering local institutions and leaders, through capacity building on strategic management with a local economic development approach. This stage particularly has been improved by Antamina, Codelco and Votorantim Metais and could generate a greater positive impact on local communities than the social programmes previously implemented.

Codelco has implemented a trust-building strategy to improve the relationship with local communities in Chile, using resources such as roundtables with local stakeholders. As a result, the key stakeholders have engaged in a successful experience called *Calama Plus*, which includes the creation of a local development plan to improve the quality of life of communities (Codelco, 2014). Similarly, Votorantim Metais has been working on the promotion of community councils in the localities where they operate, especially in Brazil. These councils create a forum for stakeholders' interaction to find solutions to local issues, engaging the main leaders from the government, civil society and businesses (Votorantim Metais, 2014).

10 The main objective of land use planning is to prioritize economic activities within a specific territory, while at the same time ensuring the sustainable use of natural resources. This is achieved by identifying the right balance between economic, environmental and social goals (Glave, 2012).

One of the critical success factors of these local development plans is related to the promotion of collaborative efforts between institutions, ensuring a greater impact and avoiding the duplication of actions. The public–private partnerships could contribute significantly to fostering key initiatives and promote a better use of revenues derived from the extractive industries. In this process, communication is also necessary to build sustained relationships among stakeholders and restore confidence in order to plan joint strategies.

For example, Antamina has also achieved major changes through the intervention model as a local development catalyst in the surrounding zones of influence in Peru. This company has implemented participatory mechanisms with private and public stakeholders, generating synergies between them (Antamina, 2014). As a result, they have created territorial management units which may be able to improve natural resource governance.

Since these partnerships involve the contribution of each stakeholder, the dialogue capacities of local government and community leaders should be strengthened in order to maintain an effective mechanism to discuss land priorities and opportunities to contribute to natural resource governance. Finally, it is important that the company delivers monitoring efforts with the participation of different stakeholders to ensure compliance with the sustainability plan (Skoldeberg *et al.*, 2013). In this field, the information not only serves a basic function but is a vehicle through which citizens can monitor compliance themselves.

Conclusions

The development of the extractive industry in South America has shown significant positive impacts on development and macro-economic stability, accompanied by specific policies designed to promote foreign investment. This context has led to the redefinition of the main actors involved in the industry: state, extractive companies and society.

The increasing resistance to the industry has been contextualized using the three main sustainability challenges: economic, environmental and social. These are directly related and must be taken into account to generate the minimum conditions for sustainable management of large-scale extractive activities.

Based on the analysis and stakeholder definition, it is evident that strategic communication has a clear role in understanding and managing the key sustainability challenges. Moreover, elements such as information, participation, mutual understanding and trust-building processes should be built in throughout the extractive activities value chain.

For this reason, the social intervention model presented aims to enhance the contribution of extractive companies in local development by acting as a catalyst for economic growth and social change. Without replacing the functions of the state, the core potential of extractive companies is related to the articulation of efforts between stakeholders along with increased capacity building to consolidate participation mechanisms.

This proposal could reduce dissatisfaction with extractive activities and as a consequence reduce the risks and costs associated with social conflict. In this way, the company would improve its reputation with local stakeholders and investors, as well as generate greater efficiency and productivity through increased local employment and logistics supply. Finally, the company can become a sector leader, ensuring opportunities for attracting and retaining talent.

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