MINERAL COMPANIES AS LOCAL STAKEHOLDERS: PROBLEMS OF COOPERATION WITH LOCAL AUTHORITIES AND OTHER LOCAL STAKEHOLDERS

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Abstract

This examines the impacts of the involvement of private companies, such as resource-rich mineral companies, on local stakeholders on sustainable development and good governance in affected municipalities. Using documents and evaluation reports it does this based on a mostly normative approach at the interests and benefits of companies and local authorities, the actors within companies and local authorities, the usage of different coordination tools, and possible differences between public and private mineral and energy companies as local stakeholders. The best practice experiences are relevant for all countries where mining companies are active in a large scale, including for Mongolia, Germany and Hawaii.

I **Introduction**

The worldwide trend from government to governance pushed the role of a variety of stakeholders in the local decision-process in all countries with local self-government. For mineral companies, local stakeholder-ship is becoming more and more of a prerequisite of business success since ethical behavior and corporate citizenship becomes increasingly important for local operations of the companies. The corporate social responsibility (CSR) approach provides the appropriate framework for these activities.

The central question of this paper is under what circumstances the involvement of private companies as local stakeholders may contribute to sustainable development and good governance in municipalities. Documents and evaluation reports of suitable cases (e.g. Peru, Canada, Finland, Russia, Papua New Guinea, and South Africa) form the empirical basis of this paper. This paper does not intend to examine individual cases, but to work out common challenges and solutions in the local stakeholder-ship of mining and energy companies.

Stakeholder theory forms the theoretical basis of the first part of this paper. In the second part, the paper analyses the classical role of mineral companies as stakeholders at the national level. The paper then focuses on the trend of mining and energy companies engaging as local stakeholders. The drivers of companies' engagement and the grouping of other local stakeholders form the next part of this paper. Finally, it discusses the possibilities and limits of public participation.

II **Concepts of Stakeholder-Ship**

According to Freeman (1984, p. 46) a stakeholder is "any group or individual who can affect or is affected by the achievement of the organization's objectives" (see also Freeman et al., 2007). Bryson (1995, p. 48) defines a stakeholder more broadly "as any person, group, or organization that can place a claim on an organization's attention, resources, or output or is affected by that output".

Stakeholders are sometimes divided into those who have a direct stake in the organization and its success (*primary* stakeholders) and those who may be very influential, especially in questions of reputation, but whose stake is more representational than direct (*secondary* stakeholders). The latter can also be surrogate representatives for interests that cannot represent themselves, i.e., the natural environment or future generations (Wheeler/Sillanpaa, 1997, p. 205).

The local authorities in modern municipalities (both in cities and even in smaller villages) interact with many stakeholders within the local decision-making process. In most countries, they have the final say in all local affairs. Some stakeholders are *internal* ones (as local administration, the companies' local employees, the citizens, and local business, local media). Other *external* as pressure groups, central government agencies and non-local companies may play an important role in the socio-economic development of municipalities. This applies especially for resource-rich companies.

Donaldson and Preston (1995) have suggested a stakeholder theory based on three theoretical approaches: normative, descriptive and instrumental. Normative studies are concerned with the nature of the relationships formed between stakeholders and organizations. In some cases, it is a matter of how ethical these relationships are. Descriptive or empirical studies aim "to describe, and sometimes to explain, specific corporate characteristics and behaviors basis" (Donaldson/Preston, 1995, p. 70). Instrumental studies focus on tracking down "connections, if any, between the practice of stakeholder management and the achievement of various corporate performance goals" (Donaldson/Preston, 1995, p. 67).

Gomes developed in his study about the relationship of English local authorities and its stakeholders a “stakeholder map” in which power and influence are balanced in order to depict the people, groups or organizations that are likely to represent either a threat, or an opportunity to the local decision-making process (Gomes, 2006, p. 60). His model indicates a set of stakeholder influences based mostly on their powers and specific interests. It shows also the incentives for them to participate in this process as a stakeholder. By pointing out clusters of influences, the model underlines the role of stakeholder management.

Corporate Social Responsibility

The idea of local stakeholder-ship of private companies is strongly connected with the approach of “Corporate Social Responsibility” (CSR). This concept integrates companies’ social and environmental concerns in their business operations and in their interaction with their stakeholders. Other terms used to refer to the same concept include “Corporate Environmental and Social Responsibility (CESR), corporate citizenship and corporate responsibility. CSR is not only about ethics; it entails also economic benefits and has implications for political power implication. Companies engaging as local stakeholders from the beginning of mineral exploration seem to have better opportunities for building sound company-local community relationships.

The implementation of the Corporate Social Responsibility (CSR) on the local level can also help to increase acceptance. International agreements eventually exert social pressure on companies to get involved locally. Some examples are the Johannesburg Declaration of the UN-World Summit on Sustainable Development (WSSD) (Johannesburg Declaration, 2002), the Mining, Minerals and Sustainable Development Report of the World Business Council for Sustainable Development (WBCSD) (MMSD Report, 2002), the UN Global Compact (2000ff.) and the “Sustainable Development Framework” of the International Council on Mining and Metals (ICMM, 2003). These activities varied and included improving the image of the company, promoting the efficiency of its own staff, but especially local infrastructure projects and social programs of the mining companies.

Socially strategic local investments can provide a double benefit for the respective companies. The commitment affects on the one hand the long-term positive impact on the economic success of the company, because it helps to reduce resistance and protests. On the other hand, the local community gains a lot through improved social, economic and ecological environment (Esteves, 2008, p. 40). These investments pay long-term for the company because the project cycles in the mining sector are extremely long. On average one to 10 years of exploration are expected, one to five years on the design and construction side, two to 100 years of operation, one to five years final closure and decommissioning and an undefinable period for post-closure activities (ICMM, 2012).

Social Licence

The CSR approach for mining companies and the local communities is defined and operationalized by the concept of "Social Licence to Operate" (SLO). It refers first to social acceptance, which shall be granted by all stakeholders that are or can be affected by mining projects (e.g. local communities, indigenous people) and other groups of interest (e.g. local governments, NGOs) (Boutilier/Thomson, 2009). An SLO depends "on the degree to which a corporation and its activities meet the expectations of local communities, the wider society, and various constituent groups." (Esteves, 2008, p. 41) It does not refer to a formal agreements or documents but to the real or current credibility, reliability, and acceptance of mining companies and projects. The SLO is a dynamic process because stakeholders' perceptions can change over time (Nelsen, 2006).

Finally, organizational theory (Christensen et al., 2007, Olsen, 2008) and isomorphism concepts (DiMaggio/Powell, 1991) can be helpful to find out how a specific type of organization (e.g., local government) behaves and performs when influenced by external and internal stakeholders.

III **Mineral and Energy Companies as National Stakeholders**

International practice shows that for a long time energy and mining companies tried to secure their economic activities mainly by concentrating their activities at the nation-state level of the countries concerned. They focus was on negotiating and agreeing on contractual agreements, especially with the national government and other relevant state authorities, but also through networking with other national key government, business and civil society actors or stakeholders (or potential veto players). This included the international actors, mainly represented in the capitals of the national-states.

Conflicts on Mining at National State Level

Conflicts related to mining activities and energy production arise both at the national and local level. The actors involved in the conflicts about mining and energy production are the governments at the national, regional and local level, citizens and indigenous communities in the mining areas, civil society organizations and social movements, state-owned and foreign private companies and non-governmental global organizations (NGOs).

The interests but also the values of the actors involved have can differ greatly. Because of its overall social significance, the discourse expressed is much more than a typical sectorial debate. In most countries, no basic consensus exists on the value that should be given to these activities at the macroeconomic and societal level (Zilla, 2015, p. 6). Typical are asymmetries of power and lack of information, while functional mechanisms for balancing interests often does not exist. The main areas of conflict are “conflicting views on the national economic and development model, based on natural resources, the distribution of its financial revenues, the local development in the mining regions, the evaluation and distribution of environmental burdens, the pros and cons of informal and formal mining and finally information and participation rights of the parties." (Zilla, 2015, p. 6) In essence, this conflict is also about the distribution of power and financial benefits between various levels of government, informal power structures like clans and influential persons.

At the national level, governments in all countries are seen as biased since they benefit from economic activities in mining or energy production politically and financially through taxes and royalties, but also through direct participation in state-owned enterprises. Nevertheless, the needed definitions for social and environmental standards, human rights and participation possibilities in the context of the economic activity of energy and mining companies can only take place at this level. To insist on these definitions is particularly the responsibility of foreign companies and the governments of these countries.

Natural resources, including mineral resources, are usually owned by the state, namely the nation-state, not the other levels of government. An interesting exception is the federal state of Argentina, which in 1994 transferred its ownership to the provinces (See Zilla, 2015, p. 9). However, in a number of countries, indigenous communities have a collective right to ownership of the natural resources in the areas they inhabit. According to "Convention 169 on Indigenous and Tribal Peoples in Independent Countries" of the International Labor Organization (ILO) of 1989, the affected communities have a right to prior consultation on the exploitation of natural resources concerned.

In most developing regions of the world, the state has difficulties in effectively applying legislation and regulations due to a lack of resources, capacity and the inadequate training of civil servants. This causes fears of contamination and social inequity among the neighbors of mining companies, and other local stakeholders.

Companies as local “surrogate” governments?

The state in developing countries also has difficulty improving social conditions, resulting in local communities increasingly calling upon companies to act as “surrogate governments in developing areas that lack a strong government presence” (The Chamber of Mines of South Africa, 2002: appendix 1 p. 2). There are numerous examples in different countries where local communities, local or provincial authorities have indeed approached mining companies for assistance. This is not without risk for the mining companies. Although improving their relations with local communities by this way, they risk at the same time worsening cooperation with the national state.

Especially in areas where the state is nearly not present, such “social-paternalistic” policy strategies of the companies may have dangerous consequences. Because, by this strategy the state “is undermined and released from its welfare responsibilities.” (Zilla 2015: 17). Current basic needs of the local population are satisfied in the classical sense of development “aid”, but there is no lasting development of self-help through empowerment. This is solidified by the dependence of the local community on financial support from the mining company.

More success is promised by trilateral approaches, relying on agreements between the companies, the state and the local community. Thus, the national state takes on the responsibility for local development and for establishing a framework for sustainable development in the mining areas. A positive example of this approach is the “Mining Funds” in Peru, introduced after 2006 instead of a special tax on mining companies. (Zilla, 2015, p. 17ff.) Although these funds have a number of shortcomings (e.g. lack of transparency, exclusion of representatives of civil society from the coordination of local funds, weak accountability), yet it shows positive impacts in the local promotion of health, nutrition and education.

Beyond this fund, Peru has several mechanisms for transferring funds to local governments. Half of income taxes on mining companies’ are distributed as “mining canon” payments to fund infrastructure development projects. Mining royalties transferred from the treasury to municipal and regional governments in mineral-producing areas, with a small percentage going to national universities, local governments, the Institute of Mining and Metallurgy Geology (INGEMMET), and the energy and mines ministry. The rules for revenue sharing defined by legislation and published. The ministry of economy and finance and local governments disclose the amounts of these transfers. Additionally, mining companies contribute directly to local development projects through social funds and voluntary contributions to the "*Programa minero de solidaridad con el pueblo"* (Peru, 2013, p. 2).

A central question - which must be resolved at the national level – is defining a consensual fair distribution of benefits and burdens of mining in the respective countries. This includes the participation of the various levels of government in the revenue from mining and energy production. There are various ways to organize this distribution process such as trust funds, financial compensation mechanisms, participatory development plans and other methods of redistribution of resource rents. Unfortunately, the local level, which is most affected by the impacts of mining and energy, usually benefits least economically.

Another national interest may be affected when the economic activities of mining or energy companies takes place in territories of indigenous communities (Whiteman/Mamen, 2002). According to international law, they have to be consulted if mining is to occur in their territories. Conflicts of interest arise in practice and, in practice, undermining the rights of these peoples can be easily seen in the example of Brazil. In Colombia and Bolivia, this right has been rather exemplary implemented (Zilla, 2013, pp. 43-49).

IV Mineral and Energy Companies as Local Stakeholders

Since 1990, mineral and energy companies have become increasingly involved as local stakeholders. The consequences of mining and energy production for the local communities are ambivalent. On the one hand, such projects can have positive economic and social effects for the local population. On the other hand, they change the demographic and social balance at a fast pace especially with the influx of new workers. This leads to a lot of social, environmental and economic consequences, putting many new burdens on the local communities (See table 1).

Under these circumstances, it depends on the quality of relations with local communities on whether mineral or energy companies can "operate in a more consensual or conflictive environment" (Zilla, 2015, p. 16). If a company prefers to operate in a consensual environment, it can establish this through gaining the above-mentioned "social license" by acquiring a positive reputation locally and finding acceptance of the local community for its activities. In the meantime, many "Stakeholder Engagement Manuals" support this process (e.g. The Chamber of Mines of South Africa, 2002; Sigma Project, 2003; AccountAbility 2005; Stakeholder Research Associates Canada, 2005).

The contents of the local commitment of businesses arise from the consequences of their economic activities. An impressive list of potential positive and negative impacts of mining activities, developed by Evans and Brereton (Evans/Brereton, 2006). It helps to understand the complexity of aspects of mining company activities as local stakeholders (see table 1). Evans and Brereton focus risks and opportunities on the six key areas of (1) community health and safety, (2) social change, (3) local and regional economy, (4) local and regional infrastructure as well as (5) physical environment (See also Whiteman/Mamen, 2002, pp. 15ff.; Päivi/Rustad, 2012). The consequences of the activities of energy companies have similar effects.

Table 1 Risk and Opportunity Assessment Framework of Mining

Community Health and Safety	
Local/regional public health issues	Endemic diseases, community health standards, introduction and spread of diseases, disease control and prevention
Health services and facilities	Health services, clinics, government support, health systems, emergency access, hospitals, specialist support and availability
Community safety & environmental health	Traffic safety, access to lease areas, emissions and discharges, heavy metals
Social Change	

Demographics	Population, gender, age, mobility, socio-economics, cultural origins
Community identity	Networks, community groups, volunteers, relationships
Education and training	Community education standards and facilities, apprenticeship program, adult education and training initiatives
Local political structure	Traditional positions of authority, governance, political parties
Crime and social order	Crime rates, policing arrangements, theft, violence, disturbances
Security forces	Armed forces, checkpoints, protection, human rights, insurgencies, national government, paramilitary organizations, criminal activity
Cultural heritage	Traditional sites, historical buildings, cultural heritage surveys, community organizations
Indigenous communities	Indigenous culture, land rights, community structures, health standards, history of interactions, community infrastructure
Resettlement	Housing, services, traditional livelihoods, family structures, compensation, government intervention
Local/Regional Economy	
Labor Market	Employment pool, wage relativities, impacts on existing employment patterns
Local economy	Service industries, tourism, agriculture, workforce, regional development, business

	development
Management of taxes and royalties	Taxes, royalties, governments, services
Traditional livelihoods	Food sources, markets, cultural activities, workforce, local economy
Artisanal mining	Safety standards, environmental impacts, traditional livelihoods, migration
Land tenure	Traditional landowners, land rights, agricultural leases, mining and exploration leases/permits, cultural values, community ownership
Local/Regional Infrastructure	
Local services/utilities	Changes in demand for power, water, sewerage etc., provision and management of facilities
Transport infrastructure	Access for workforce, import/export of materials, roads, rail, port facilities, airstrips, fuel management, river access, national highways
Housing	Availability and cost of housing in community, impacts of construction of new residences
Recreational facilities	Pressure on existing recreational facilities and locations, changes in access
Physical Environment	
Water	Demand on local water sources, discharges, competition with other
Other natural resources	Flora and fauna impacts, rehabilitation practices, physical degradation

Environmental amenity	Impacts on other industries, neighbors, noise etc.

Source: Evans / Brereton, 2006, pp. 5f.

This paper focuses on the stakeholder-ship of mining and energy companies in local community networks. Undoubtedly, in this case they belong to the group of primary stakeholders. It should however be noted that local authorities act in a complicated double structure. On the one hand, they are part of a general government political-administrative system with widely differing competencies, dependencies and powers. Here we find in most countries still strong hierarchical government structures and weak local autonomy. On the other hand, modern local networks are largely characterized by governance structures. A high diversity of stakeholders tries locally to influence the development. Although local authorities mainly have the formal right to decide on matters within their territory, in practice they are only able to exercise this right when they have included local stakeholders in the local decision-making process sufficiently.

Drivers of Companies Local Engagement

What are the drivers of engagement of mining companies at local level? Undoubtedly, local communities and authorities are becoming increasingly important in achieving these companies achieving their economic goals. To conclude agreements only with the central government turns out to be insufficient. The local level therefore now has the necessary relevance to the strategies of the mining and energy companies.

The main organizational objectives for engagement as local stakeholders and participating in the local stakeholder networks are relationship building, decision-making, information gathering, reputation building and learning/innovation (SIGMA, 2003, p. 6). The mining and energy companies are interested in building their own enduring and resilient relationships with local stakeholders, especially with local authorities. This has mainly to do with the above-mentioned long-term nature of their activities. They are especially interested to take part in the local decision-making process to form from their engagement a consensual framework. Information gathering is an important prerequisite for the success of this attempt. If we consider the local decision-making process as a bargaining process, companies can offer investments in local infrastructure to obtain a “social license” from the local community. If this commitment develop permanently and without or little conflict, it may contribute to reputation building of the company. Their local commitment can only be successful as a long-term learning process, including some innovation.

Grouping Local Stakeholders

Mining and energy companies meet a diverse network of stakeholders at the local level in the countries of their economic activities. In modern municipalities, many stakeholders are influencing the local decision-making process. At a first level, one can differ between *internal stakeholders* (as the management of the local administration, the employees, the citizens, local business, and local media) and *external stakeholders* (as pressure groups, central government agencies and non-local companies). A more precise differentiation is possible by grouping stakeholders according to the three dimensions of sustainable development. Then one can identify special groups of stakeholders, focusing more or less on economic growth, on ecological integrity and social equity.

State authorities may be regard as a special group, representing both general national, regional and local interests, but also including ministries or departments focusing more or less on one of the three dimensions of sustainable development. Finally, of course, we must take into account the specific power interests of the authorities and the personal interests of their managerial staff. The state therefore is not acting as a unitary actor. Particularly at the national level, different state authorities represent diverse, contradictory interests. At the local level, the authorities are, mostly; better able to focus the local community's interests. Local authorities are interested in a long term, adequate compensation for the possible negative social impacts of the mining activities. Table 2 shows such a stakeholder grouping based on the example of South Africa.

Table 2 Stakeholders Grouping (example South Africa)

Stakeholders focusing on economic growth	**Stakeholders focusing on social equity**
Forestry companies Mining companies Industries	Water user associations Women's groupings Church bodies Labor unions

SA Agricultural Union National African Farmers Union Local farmers unions	Water services committees Others
Stakeholders Focusing on Ecological Integrity SA National Parks Wildlife Society Professions Committee Others	**State and Local Authorities** **General Focus**: Departments of national and provincial government, Local governments **Stakeholders Focusing on Economic Growth:** Departments of economic development (national, provincial) **Focusing on Ecological Integrity:** Departments of environmental affairs and tourism (national, provincial), Environmental planning **Focusing on Social Equity:** Departments of welfare and housing (national, provincial), local governments

Source: The Chamber of Mines of South Africa, 2002, p. 27.

Naturally, this list is incomplete. It is probably not possible to create a general list of stakeholders for all cases of mining activities all over the world. However, some important other stakeholders should still be mentioned.

First is the group of *traditional leaders or authorities* (e.g. customary leaders, chiefs and village elders). This group undoubtedly plays an important role in the local decision making process. However, their integration into the local activities of mining companies could be sometimes conflictual, especially if tensions between these people and the local authorities exist.

Second, as is well known *civil society organizations or NGOs* such as citizens' initiatives, community groupings, religious and welfare organizations, residential, women's and youth organizations, environmental and development-focused play an important role as local stakeholders. They may focus either on social equity or on ecological integrity. However, the level of institutionalization of these NGOs is very different. If local units of national NGOs are acting as local stakeholders, they sometimes represent different interests in comparison with the corresponding national organization.

Third, the *local and regional media* (print, broadcast or web-based) are often underestimated as stakeholders. They can contribute in different ways, both in systems with a free media as well as in those without, to the relationship between the local communities and the mining companies. Their coverage can promote cooperation, but also create conflicts.

Finally, for the stakeholder-ship of mining and energy companies in local communities their *locally employed staff* plays a special role (local company management, personnel and employees, including shop stewards). They contribute significantly to the development of a "social license" for the company. The company's management of local stakeholder activities is based on its corporate culture. The sustainability of the commitment of companies by the establishment of regional or liaison offices and local language skills of some companies' representatives can contribute to the success of this process.

Dialogue, Consultation or Participation?

Different terms, ranging from dialogue over consultation to participation, describe the character of the local commitment of companies. Many problems arise from the differing views about the meaning of "consultation" and the lack of differentiation between consultation and "participation". Traditionally many mining companies (and national governments) view consultation (or dialogue) only as a one-way informative process. But, economic-based consultations "may be too narrow in scope, with industry focusing on consultation with like-minded individuals (who seek economic benefits from mining partnerships) rather than consulting with the community at large, which may have legitimate concerns about negative social and environmental impacts.“ (Whiteman/Mamen, 2002, p. 27) Companies regard consultation as a tool to improve the relations to the local community and quell local project opposition, but generally not leading to significant changes in the mining project plans. Nevertheless, local authorities, NGOs and indigenous communities often mean by consultations something entirely else. They regard consultation as a process that provides space to communicate meaningful feedback about natural resources management and have this feedback acted upon by governments and mining companies.

Under these circumstances, the notion of participation to characterize the relationships between companies and local communities seems to be more appropriate. This has to fit into an existing participatory network. Nevertheless, there is no blueprint of a public participation process fitting all over the world. The "International Association for Public Participation" (IAP2) differentiates, for example, between five levels of public participation, each with different objectives and with an increasing public impact on decision-making:

- *Information* - to provide the public with balanced and objective information to enable people to understand the problem, alternatives and/or solutions.
- *Consultation* - to obtain public feedback on analysis, alternatives and/or decisions. It involves acknowledging concerns and providing feedback on how public input has influenced the decision.
- *Involvement* - to work directly with the public to ensure that public issues and concerns are understood and considered at every stage. This approach shall directly be reflected in the planning, assessment, implementation and management of a particular proposal or activity.
- *Collaboration* - to work with the public as a partner on each aspect of the decision, including the development of alternatives and the identification of the preferred solution.
- *Empowerment -* to place final decision-making in the hands of the public.

The World Bank identifies three types of involvement. *Passive participation* is involved only in the dissemination of information to stakeholders, such as disseminating information during an awareness campaign. *Consultative participation* with stakeholder consultations before the company makes a decision but they do not share decision-making responsibility. An example would be the consideration of stakeholder issues expressed during a workshop. Finally, *interactive participation* with stakeholders means involvement in collaborative analysis and decision-making. (World Bank, 2000; see also Zandvliet, 2004)

However, in the last decade it is getting increasingly important to develop additionally a local strategy by establishing the energy and mining companies as local stakeholders to be involved in the political decision-making. The different approaches are:

First, companies try to avoid possible local conflicts through a *proactive policy towards the local community*. The main tools here are an active information policy, transparency in economic activity and a social underpinning for the economic activity. In a case study of three Finnish mineral companies Ziessler-Korppi concluded, that, “all three case companies still considered to having succeeded in gaining and maintaining the local stakeholders' trust and approval” (Ziessler-Korppi, 2013, p. 5).

Secondly, some companies are focusing their local stakeholder-ship *only on a local decision maker*, not the community. The companies try seeking to achieve their goodwill or to purchase mostly by granting financial benefits.

Finally, in some cases, mining or energy companies set up local authority themselves, acceptable to and depended on the respective company. Inter alia, some so-called "mono cities" in Russia are good examples of this strategy, where the economic livelihood largely depends on one company. A scientifically studied example is the city of Berjazniki in the Kraj (Region) Perm. The largest manufacturer of mineral fertilizers in Russia - the company Uralkalij - secures through agreements with the regional administration – This installed one of them dependent local self-government. This was presented to the public as a guarantee for "political stability" of the city (e.g. Stoner-Weiss, 2006; Gel'man, 2003).

Tools of Local Shareholder-Ship

The process of participation includes several phases that have different tasks and use various tools (The Chamber of Mines of South Africa, 2002, p. 29):

Scoping phase for identifying stakeholders representing all relevant sectors of society, both as potentially directly affected and as interested parties. In this phase, it is important to include in the process the representation of all sectors, perspectives and interests. The main tools in this phase are providing information, public meetings, roundtables or workshops with stakeholders and a final scoping report.

Impact assessment phase with special use of summary reports, issues and surveys of the affected population, public meetings or workshops.

Decision-making phase finishing with the announcement of the local authority’s record of decision. In a number of countries, stakeholders can make this decision have judicial review.

Implementing phase: Companies can act as potential agents for social development through the provision of improved services and infrastructure, capacity building, employment and local economic development initiatives.

Trained, neutral and independent *facilitators* may be useful to provide a participation process into which everyone can move as equals for joint deliberation. They are also able to prevent vociferous stakeholders from depriving others of the opportunity to participate. They can help to raise multiple options during the discussion process and develop joint criteria to assess them.

Also at the local level a trade-off between environmental protection and poverty, reduction often exists in which local authorities tend regularly to favor the latter. In the long term, this is counterproductive, as the poor population mostly suffers most of the pollution.

Extremely sensitive issues, such as corruption or bribery, would require a confidential avenue of communication and special tools. "A telephone hotline would, therefore, be more appropriate than a focus group discussion for reporting incidences of bribery or corruption; whereas, a focus group discussion would be a better form of communication for raising awareness of bribery and corruption." (SIGMA Project, 2003, p. 10)

V **Conclusion**

Since the 1990s, the local level has had the necessary relevance to the strategies of the mining and energy companies. The main objectives for mining and energy companies to engage as local stakeholder and participate in the local stakeholder networks are relationship-building, decision-making, information gathering, reputation building and, based on that, an independent learning and innovation process. The latter is particularly important for the sustainability of the economic commitment of the companies as the local commitment can last up to 100 years. The main aim of mining companies is to get a "social licence to operate" by the local community, showing the social acceptance of their economic activity.

The local stakeholder network groups act according to the three dimensions of sustainable development: economic growth, ecological integrity and social equity. Mining and energy companies have to develop local commitments in all three dimensions. Then they will have a chance to operate in a more consensual local environment. In this process, they should avoid to act as "surrogate government".

This paper has shown that economic based consultations with the local communities are not sufficient. The best results can be achieved through inclusive participation, including a good information policy; consultation with local authorities and communities to obtain public feedback; involvement in the planning, assessment, implementation and management process of mining or energy projects; and the empowerment to place final decision-making in the hands of the local authorities.

Finally, the paper identifies several phases (scoping, impact assessment, decision making, implementing) in the participation process that have different tasks and use various participatory tools.

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