

# Negotiation and Partnerships

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## Negotiation and Partnerships

Negotiation and consultation are different, but related, processes along the spectrum of greater engagement. While consultation tends to be more open-ended, with the intent of exchanging views and information, negotiation intends to reach agreement on a specific issue or set of issues. Because effective negotiation rarely happens in a vacuum, laying the groundwork by establishing trust and credibility through a prior process of consultation is important. Companies who are perceived as engaging with stakeholders only when it seems to suit their purposes or when they want something from communities may be undermining their own interests. Consultation offers, among other things, a valuable opportunity to “humanize” the relationship between the company and neighboring communities through face-to-face interaction, and to foster more realistic expectations through dialogue. Without this, the project can more easily be regarded by stakeholders as an impersonal entity with unlimited resources from which maximum financial gain should be extracted. With negotiation and partnerships – as with so many other things – the quality of stakeholder relationships are key to facilitating mutually acceptable outcomes.

## ✓ Understand when you should negotiate

Negotiation is useful in certain circumstances. Companies usually negotiate when an agreement from stakeholders is needed in order to proceed, for example when seeking rights to land and other resources. In the case of compulsory land acquisition and involuntary resettlement, negotiation offers the chance to reach a settlement outside of any legal proceedings to determine levels of compensation. While this is not appropriate in every situation, where it is an option, it can often yield a better result in terms of reducing time and red tape, and creating a higher level of satisfaction among affected land owners.

Negotiated agreements might also be appropriate in sensitive situations where stakeholder concerns present a significant risk to project operations or company reputation. In addition to consultation, the negotiation process may provide further assurance to affected parties by giving them a greater say in the outcome. It also provides them with the additional clarity, predictability, and security of a signed agreement detailing precisely what the company commits to doing, and the roles, if any, for the affected stakeholders.

## ✓ Negotiate in good faith

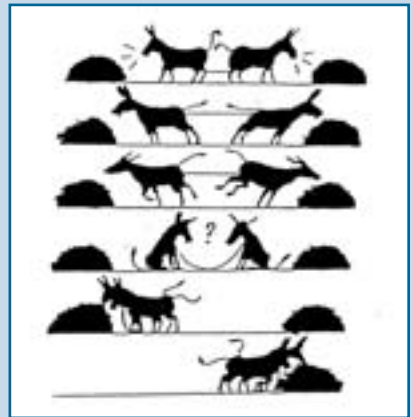
Negotiations with stakeholders should be entered into in “good faith,” that is, conducted with an open mind, a willingness to engage in the process, and a genuine desire to build solutions and to reach agreement. Good faith negotiations are transparent, considerate of the available time of the negotiating parties, and deploy negotiation procedures and language readily understood and agreed to by all parties. Some key principles to keep in mind are:

- involvement of legitimate representatives
- willing engagement free from coercion or intimidation
- joint exploration of key issues of importance

- equal access to the best available information
- use of participatory approaches
- accessibility in terms of timing and location
- provision of sufficient time for decision-making
- mutual respect and sensitivity for cultural and other differences
- flexibility, consideration of multiple options, and willingness to compromise
- documented outcomes
- inclusion of a grievance mechanism to address any issues arising in the implementation of the agreement

### ✓ Choose a style of negotiation that is likely to build relationships

Good faith negotiations work best when conducted pursuant to the rules of “interest-based” consensual agreements. This approach seeks to deliver an outcome for all negotiating parties that satisfies, if not their initial proposals on entering the discussions, at least the deeper interests and motivations that lie behind them. For example, initial demands by communities for cash compensation are often a “position,” since there may be other ways to satisfy the reason why this cash is being demanded (e.g. employment opportunities, restored status for traditional leaders, provision of social infrastructure or services). This particular style of negotiation, driven by principles of joint problem-solving and consensus-building, tends to strengthen relationships between the negotiating



Without communication, participation, and joint decision-making, neither will be successful.

Source: University of East Anglia, School of Development Studies

parties and often works best when facilitated by a third party acceptable to all sides. Other styles of negotiation that focus on one party seeking to “win” the best deal it can, regardless of the consequences for the other parties or their relationship with them, are often not sustainable and generally fail to exploit the opportunity to build relationships at the same time as reaching an agreement.

### ✓ Negotiate strategic partnerships

Beyond consultation, participation, and negotiation on the engagement continuum, lie strategic partnerships between companies and communities and/or other stakeholders, such as government or NGOs. Instead of negotiated programs or agreements being implemented primarily by the company, strategic partnerships are about **joint activities and collaborative efforts** which can lead to the building of social capital. The common interest that brings parties together is often some aspect of development, such as environmental stewardship, public health, social inclusion and community investment, or local economic development. Some general characteristics of effective partnerships are:

- a common objective or strategic interest
- the pooling of cash or in-kind resources by all parties
- sharing of information, transparency, and joint fact-finding
- drawing on the core and complementary competencies of each of the parties
- sharing the risks and benefits associated with the venture, both financial and reputational



## INDIA: NEGOTIATING A BEST ENVIRONMENTAL STANDARD FOR LEAD BATTERY MANUFACTURING AND COLLECTION

The annual health cost of lead poisoning in children is estimated at over \$600 million in India and \$43 billion in the U.S. Manufacturing, handling and disposing of batteries for automotive, telecom and other applications are the greatest sources of lead toxins in the environment worldwide. To address this issue, **Occupational Knowledge (OK) International** saw the need to establish an international environmental standard for certification of lead battery manufacturing and collection.

To develop and promote the standard, known as BEST or “Better Environmental Sustainability Targets,” OK International and two Indian NGOs partnered in 2002 with one of India’s largest battery manufacturers, **Amara Raja**, to undertake a pilot audit of their operations. Through observation and testing, areas for improvement in sustainable environmental and health practices were identified. The pilot-testing led to the drafting of the first BEST standard for battery manufacturing.

The move from a draft to a certification standard, however, required negotiation with all concerned parties. For this purpose, a diverse multi-stakeholder forum was convened in India. Twenty-three organizations participated, representing all key sectors, including large battery purchasers such as Hero Honda and Tata Motors, local and international agencies, industry experts, and health and environmental organizations. Through a series of technical meetings, the group carefully reviewed and debated the draft standards and audit results, proposed changes in the standard as needed, and, in some cases, began to review related guidelines in their own sectors. Deliberations led to a final draft standard with agreed criteria for certification that will undergo two public disclosure and consultation periods prior to being finalized. Equally important, the engagement process created an alliance among a diverse constituency and encouraged battery purchasers to expect best practice from their suppliers. Through stakeholder engagement, the negotiation solidified multi-sectoral commitment to building a BEST international eco-label for lead battery manufacturing.

## HOLCIM, VIETNAM: STAKEHOLDER PARTNERSHIPS FOR HABITAT CONSERVATION

In the Ha Tien Plain, a remote area of southwest Vietnam, the population has experienced an influx of migrant labor over the past 15 years, with people seeking economic opportunities for rice and shrimp farming and work in local cement factories. One of these cement factories, **Holcim Vietnam**, was financed by the IFC. The land-use changes as a result of the factory led to significant and escalating loss of the local natural habitat—a complex mix of seasonally flooded grasslands, wetlands, limestone towers, sandstone hills, and mangrove forests—despite growing awareness of the area's biodiversity value.

As the project progressed, it became clear that any effective intervention for habitat conservation would require a common agenda and collaboration among a number of key stakeholders. In 2002, discussions commenced around the role of each of these stakeholder groups: the convening power of IFC; the local influence of the Holcim cement company; the technical expertise of local NGOs and academics; the mandating authority of the local government; and the active support of the local population. All of these stakeholders would be needed to secure a successful outcome. The next step in the process was to design a model to reach the desired outcome of sustainable resource management and conservation.

Feasibility studies and mapping exercises took place in the first quarter of 2003, funded through a joint agreement between IFC and Holcim. In May 2003, a stakeholder workshop was held to discuss results among all parties and agree on a site for the pilot project. A joint Memorandum of Understanding was drawn up to provide the formal authorization for the pilot to proceed. By February 2005, the pilot had yielded tangible results. More than 200 households in one of the poorest provinces of Vietnam had seen their income double through sustainable harvesting of resources from a community-managed wetland/grassland, while at the same time safeguarding the last pristine habitat of its kind in the Mekong Delta.