

## Rethinking Collaborative Arrangements with Local Partners Better Partnerships between Private Sector and Communities

For the private sector, partnerships with resource-dependent communities and landowners can produce three kinds of value: economic, social, and environmental. On the economic side, partnerships give the private sector access to land, natural resources, local skills, and labor and contribute to profit. On the social side, partnerships can generate jobs and enhance quality of life. On the environmental side, partnerships can be an avenue leading to sustainable resource use.

The three kinds of value are inseparable. Rural people appreciate responsible businesses bringing jobs, contributing to poverty alleviation, and improving their quality of life. Customers today are more and more aware of the “invisible quality” that corporate social responsibility adds to products. Socially and environmentally responsible conduct ensures “social license” for a business’s efforts to develop local natural resources. Achieving this may come with costs. In the end, however, responsible conduct advances the triple bottom line of the company.

But how does the private sector approach a local partner to build a partnership that will be low in risk, reasonable in transaction costs, and high in satisfaction for both sides? For arrangements involving carbon payments or payments for environmental services, how can an investor create working relationships that will last for an extended period?

A World Bank Study — *Rethinking Forest Partnerships and Benefit Sharing: Insights on Factors and Context that Make Collaborative Arrangements Work for Communities and Landowners* — offers success stories, and a few cautionary tales, for businesses to consider. In addition, it provides a list of inputs that managers can use when planning projects, negotiating agreements, and maintaining ongoing partnership work. These inputs build towards outcomes that support long-term, successful relations with local partners.

### PROCESS VS. CONTENT IN AN AGREEMENT

The process of reaching agreement with a local partner is as important to the success of a partnership as the content or legal form of the agreement itself. Project sponsors and community supporters therefore need to think beyond the technical parameters of the project. Successful partnerships must weigh biophysical and economic issues as well as business practices, laws, social relations, and cultural factors. This applies both to making and maintaining agreements. In keeping a long-term agreement, the sides frequently must come together, renegotiate bits and pieces, and revise their relationship to account for new information or changing conditions.





When transaction costs are too high to tailor the agreement and standardized contracts are necessary, a good practice is to engage a sample of potential partners — through workshops, interviews, surveys, or other means — to develop the contract template (See Box 1).

## THE KEY FACTORS

Effective and lasting collaborative arrangements tend to be characterized by a number of factors analyzed in academic literature on law, negotiation, and conflict resolution. Rethinking Forest Partnerships and Benefit Sharing examined twelve factors which are listed below in an indicative order of significance for making and maintaining agreements. While different combinations of these factors proved important in different types of collaboration, the first four emerged as nearly universally important.

**Communication.** Communication should be among all parties on all aspects of the partnership, throughout the duration of the agreement, without physical, behavioral, or cultural barriers. This facilitates transparency (See Box 2).

**Trust.** Most partnerships are based on commitments to deliver payments or products in the future. To enter into partnership each party must trust that the other party will keep their end of the deal. Over the course of long-term collaborative arrangements certain commitments may be

violated. The partners involved will need to rebuild trust to fix the resulting problems.

**Mutual respect.** Neither side should come to the table from a position of superiority or inferiority, nor leave the table feeling that the will of their counterparts was imposed or that some larger advantage and disadvantage provided unfair leverage.

**Practicality.** All participants must have the technical knowledge, capital, equipment, infrastructure, or simply labor and time to fulfill their obligations. Skills required can range from bookkeeping, to forest management and conflict resolution.

**Full, interest-based bargaining.** The parties should negotiate with each other and feel they understand the other's motives to their own satisfaction. The local partner should be engaged in negotiating the details of the partnership. Negotiations should focus on interests — not solely on what things people want, but why they want them. Such negotiations allow greater latitude for reaching agreement.

**Shared expectations.** Parties share common expectations about the undertaking and a mutual understanding of their own and each other's responsibilities. If you ask each to describe the agreement, their stories must mesh.

**Verifiability.** For purposes of transparency, obligations should be verifiable making it easy to determine if partners are fulfilling theirs. Measures such as milestones to demonstrate progress towards a distant goal, or recordkeeping that satisfies outside investors or regulators can facilitate verifiability.

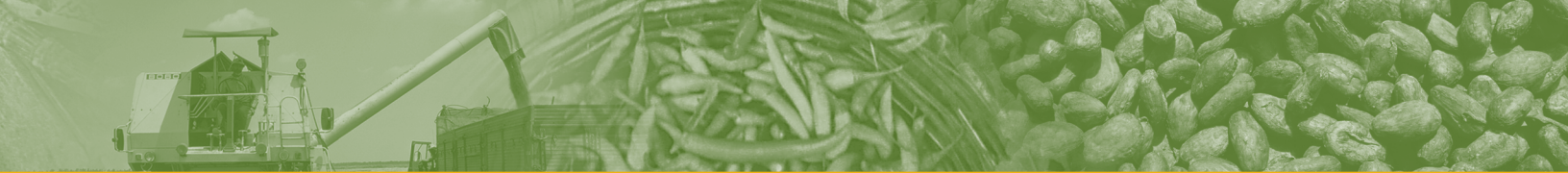
**Legal validity.** The promises and duties of all sides in the collaborative arrangement should be written out — in a contract, a charter, a regulation or some other formal, comprehensive, legally valid, and enforceable document. Often the costs and risks of going to court are so high that agreements are not enforced through the formal judicial system. Regardless, the process of reaching a written agreement builds a common understanding of responsibilities. The written agreement also serves as a reference to the details of the arrangement over time.

**Legal validity** can also require verifying and clarifying the local partner's underlying rights to the resource. In certain situations, the benefit that the local partner values most in a collaborative arrangement is acknowledgement of its rights to the land.

### BOX 1: MODEL CONTRACTS

Transplanting contracts from one location to another is dangerous for two reasons: (i) context matters, and each location presents different conditions and issues; and (ii) process matters, and attempts to shorten the process may reduce trust, respect, communication, and other characteristics that are important to the long-term success of the project. In situations where standardized agreements are necessary, it is good practice to develop the contract template based on consultation and discussions with potential partners and key technical advisors.

In an outgrower scheme in South Africa, the company reviews its model contract with grower groups every year and revises it based on their feedback. These changes apply to contracts signed with new growers or growers entering a new rotation. In addition, every year the company renegotiates the costs of some goods that it sells to all growers, such as fertilizer.



**Shared understanding about agreements.** The parties should share a sense of what it means to make and maintain an agreement. They should understand and accept how the other party views the agreement. All partners must comprehend the commitments being made, and share a common view of the importance of specific provisions in the agreement, e.g., deadlines, abiding by local laws, submitting reports, and so forth.

**Self-determination.** The decision to enter into a partnership should be informed. Neither party should feel compelled to negotiate but rather come of their own free will. If they were persuaded by an outside party to attend and agreed to see what was being offered, the offer should not be viewed as an ultimatum. The choices, and the accountability for making the choices, must belong to the local partner.

**Incentives.** The collaboration must be worthwhile not just to the local partner, but also to the particular people who have the power to help or hinder the project.

**Past issues resolved.** Agreements underpinning collaborative arrangements should address any past conflicts between the participants, and attempt to resolve them. Partners must deal with preexisting problems and reasons for distrust of similar arrangements, including past conflicts among the parties involved. This is particularly so if past issues concern rights to land.

These factors apply to partnerships as inputs, outputs, and outcomes. (see table on inputs, outputs and outcomes in Summary of Findings)

## BOX 2: USING THIRD PARTIES TO BOOST COMMUNICATION

Communication in partnerships can be facilitated through formal and informal structures. Formal channels included grievance committees and schedules of meetings with local representatives. Informal approaches included hiring local people who have needed technical competence and exposure to outside parties.

Developing communication takes time, expertise, and resources. A company can leverage its investment in communication by bringing in third parties who share an interest in seeing the partnership succeed and are willing to lend their expertise at a modest cost.

In Uruguay, a forest products company joined a local economic development roundtable and asked for help to communicate with local partners and identify projects to fulfill the company's social development obligations. The outcome was small-scale dairy and woolproducing cooperatives in need of pastures signed contracts to graze livestock on company lands. When logistical difficulties arose with one of the contracts, a member of the roundtable - the local municipal government - stepped in to improve the cooperative's capacity.

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This note was prepared by Kenneth Rosenbaum (Sylvan Environmental Consultants) and Diji Chandrasekharan Behr (World Bank) with editorial inputs from Gunnar Larson (World Bank). It is based on the economic and sector work entitled *Rethinking Forest Partnerships and Benefit Sharing: Insights on What Makes Collaborative Arrangements Work for Communities and Landowners* financed by the Trust Fund for Environmentally & Socially Sustainable Development (TFESSD).



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1818 H Street, NW

Washington, DC 20433

[www.worldbank.org/rural](http://www.worldbank.org/rural)