Corporate relations with local communities and NGOs

Red Eléctrica de España
Repsol and Intermón Oxfam
20 examples of collaborative projects

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Institute for Social Innovation
The Institute for Social Innovation’s mission is to develop the skills of individuals and organisations in the business and non-profit sectors to strengthen, through their activities, their contribution to a more just and sustainable world. To this end, the Institute generates and disseminates knowledge and provides training in the areas of corporate social responsibility and the relationship with stakeholders, NGO leadership and management and social entrepreneurship.
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- Red Eléctrica de España: social participation in power transmission projects
- Repsol and Intermón Oxfam from indigenous communities to the shareholders’ meeting
- 20 examples of collaborative projects
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1. Introduction

The competitive setting in which companies find themselves today is delimited by two important forces: their economic survival in a highly competitive context and greater social pressure which is making companies assume a more active role in contributing to sustainable development. Both of these forces go hand in hand as, to a certain degree, economic profits are associated with companies improving their social and environmental impact.

In this respect, society not only expects companies to be capable of generating profits; it also demands that their activities have a positive impact on social justice while preserving the environment. To this end, companies have tried to establish relational frameworks with diverse social groups in an attempt to make themselves more permeable to these groups’ demands and more aware of their own impact on the communities in which they operate.

In addition to providing companies with greater legitimacy, these relations can have a positive effect on the companies’ success if they become a source of competitive advantage. This is due, for example, to companies learning specific skills which allow them to identify opportunities for innovation or adapt their business models.

As a result, corporate relations with actors not traditionally seen as primary stakeholders (including non-governmental organisations (NGOs) and local or indigenous communities as well as all the associations or groups included in these) have become a key topic in business management, receiving greater attention and dedication from corporate management teams. These relations tend to be complex, however, and finding points in common or shared interests is a true challenge.

Given the increasing importance and consolidation of this phenomenon, we undertook a research project last year to analyse the different methods and degrees of interaction companies establish and maintain with NGOs, local communities and other groups historically found at the periphery of corporate activity and with whom relations have been conflictive or difficult in the past. As a result of this earlier study, we published a report detailing eight business cases, exploring how these companies’ strategies, communications policies, dialogues and participation affected their credibility, effectiveness, and the construction of mutual trust. We specifically identified and analysed a series of factors which have an impact on the process of establishing relationships (see Figure 1). It can certainly be said that relations between companies and NGOs and local communities are, on many occasions, controversial and complex. This

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1 Arenas, D., Sánchez, P., Murphy, M. 2009. Relaciones empresariales con comunidades locales y ONG. Comunicación, diálogo y participación. Barcelona: ESADE–Instituto de Innovación Social, Universitat Ramon Llull.
complexity is greater with indigenous groups and ethnic minorities as the cultural gap between corporations and the latter is greater. That notwithstanding, we found several elements which can serve to facilitate this relationship, for example, creating processes or mechanisms with which to consult communities before launching a given project, using a neutral mediator to make the relations between companies and NGOs and local communities more dynamic, and creating forums for dialogue dedicated to the predominant issues. In other words, adopting planning mechanisms along with correctly managing internal processes is recommended to establish a relational framework.

It is also worth noting, however, that there does not seem to be a clear correspondence between the degree of planning and the quality of interaction. That is, good planning does not necessarily lead to true participation. As such, we can deduce from the results of our first study that the quality of interaction – especially in terms of participation – is more important than the planning mechanisms created beforehand when attempting to establish trusting relationships with NGOs and local communities. In other words, the lack of initial planning or not having a system already in place to manage relationships makes it difficult to identify the stakeholders. However, the companies’ predisposition, openness and sensitivity towards their environments can make up for this lack of planning and enable them to establish long-lasting and fluid relations with these groups. For this reason Figure 1 features an arrow which directly links “attitude and values” and “interaction.”

We also found that there seems to be a certain relationship between the degree of interaction and risk reduction; in some cases, this relationship also extends to other forms of value creation for companies, such as greater reputation or even as a factor for competitiveness and innovation due to the creation of alliances which enable companies to access complementary resources and other sources of learning. To summarise, there is some evidence which demonstrates that the greater the interaction with local communities and NGOs, the greater the additional benefits earned by those companies. Similarly, local communities and NGOs also obtain benefits from this greater involvement, opening more effective channels to discuss their expectations with the companies involved. As illustrated in Figure 1, a direct relationship exists between “interaction” and “mutual value.” Evaluating the results of this interaction should enable future improvements and encourage the alignment of all the participants’ interests.
Report objectives and content

Given the results of our prior study, we felt it was important to carry out a second phase of research with the objective of further exploring the mechanisms of interaction between companies, NGOs and local communities. On this occasion, however, we focus specifically on organisational adaptation mechanisms – and less on planning – which enable relationships to be established between companies, NGOs and local communities. As such, in addition to furthering our understanding of these relationships, the objective of this second phase of research is to explore to the following questions:

- Why is adaptation necessary to collaborate with NGOs and local communities?
- What mechanisms and types of adaptation are needed?
- What are the limits, risks and opportunities associated with adaptation when collaborating with NGOs and local communities?
To achieve this objective, we designed a qualitative research model based on an in–depth analysis of two case studies: Red Eléctrica de España and Repsol YPF. For this we carried out personal interviews with executives in both firms as well as the respective leaders of the social organisations with which they interacted.

It would also be worthwhile to examine any organisational or cultural changes as well as any adaptations occurring within the NGOs and local communities and the risks implied for them as a result of establishing relationships with companies. However, this is beyond the scope of this report.

The first case study in our report, Red Eléctrica de España: social participation in power transmission projects, examines the Spanish national power grid company, Red Eléctrica de España (REE), in its attempts to install a power supply cable between Spain and Morocco. This project encountered strong opposition from both environmental and social groups due to their fear of the cable’s possible negative effects on the health of local residents in the town of Tarifa in southern Spain, the effects on the territory and on the ecosystem within the Strait of Gibraltar. The cable was eventually installed, though with considerable delay and great social, economic and reputational costs for REE and the Tarifa Town Hall. However, this project also enabled REE to learn, and the company has since incorporated various tools to establish relations with social groups in the area. Thanks to these relations and a change in the regulatory system which better delimits the negotiation framework, REE was able to reach social consensus three years later and carry out the second phase of its project to increase the power transmission capacity between the two countries.

The second case study describes the relationship between Repsol and Intermón Oxfam based on the close contact established between the Spanish oil and gas company and indigenous communities in countries such as Peru, Bolivia, Ecuador and Colombia where it has operations. Intermón Oxfam had been carrying out numerous campaigns since 2004 requesting that Repsol adopt the principles established within ILO Convention 169 and that it implement operational policies and changes reflecting respect for indigenous communities. This pressure even led to Intermón Oxfam intervening in Repsol’s General Assembly Meeting of Shareholders, with ample repercussion in the media. From that moment on, Repsol has adopted a series of measures aiming to minimise the risks of its operations in those countries. At the same time, Repsol and

2 The International Labour Organisation (OIT) approved Convention 169 in 1989 to defend and respect the rights of indigenous and tribal communities.
Intermón Oxfam have successfully gone from a conflictive relationship to one based on dialogue. This is due, in large measure, to the company’s decision to adopt a specific policy governing its relationship with indigenous communities, a policy created after consulting with 24 international and national NGOs. This decision also made Repsol the first company in the industry to draft a specific policy of this type.

In addition to these case studies, we have also created a database which includes approximately 120 cross-sector alliances to demonstrate the clear increase in these types of collaborative relationships. This database should allow us to further our understanding of questions related to collaborative efforts between companies and NGOs and local communities through future quantitative studies.

This database includes initiatives implemented outside OECD countries in which at least one business entity and one NGO or community group take part. Approximately 13 business sectors are represented. The aims of these efforts span 12 large categories, including education, poverty reduction and health, amongst others. In terms of geographic focus, these collaborative projects are found in developing countries in Africa, Latin America and Asia, though some are global in focus.

Appendix 1 in this report includes a sample of 20 diverse and noteworthy examples from this database, serving to demonstrate that the establishment of innovative participatory relationships between companies and NGOs is encouraging the creation of alliances and projects with shared goals to resolve specific social and environmental problems.

The structure of this report thus includes a discussion of these two case studies, a section in which we present our conclusions, which are linked to the elements and levels from Figure 1, and the appendix with a sample of 20 collaborative efforts between companies and NGOs.
2. Case studies

Red Eléctrica de España: social participation in power transmission projects

<table>
<thead>
<tr>
<th>Company name</th>
<th>Red Eléctrica de España</th>
</tr>
</thead>
<tbody>
<tr>
<td>Industry</td>
<td>Energy</td>
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<tr>
<td>Corporate headquarters</td>
<td>Alcobendas (Madrid)</td>
</tr>
<tr>
<td>Sales</td>
<td>1,200.10 million Euros (2009)</td>
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<tr>
<td>Time period</td>
<td>2000 – 2007</td>
</tr>
<tr>
<td>Involved parties</td>
<td>Fundación Migres, Association of Tarifa Fishermen, municipal and autonomous community–level public administrations and social and environmental groups.</td>
</tr>
<tr>
<td>Key questions addressed</td>
<td>Institutional, social and political conflicts arising from the installation of power transmission cables in highly valuable ecological areas. Programmes to integrate new projects in the power transmission grid by means of the company’s Environmental and Social Participation (ESP) programmes. Creation of an environmental and social mediator (Fundación Migres) between the company and third–sector groups in the community.</td>
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Red Eléctrica de España (REE) is solely responsible for the electrical power transmission grid in Spain. In 2009 it earned approximately 330.4 million Euros in profit and had 1,679 employees. 20% of the company’s shares are held by the Government through its holding company, Sociedad Estatal de Participaciones Industriales (SEPI). The remaining 80% is traded in the markets.

The Spanish electrical power grid includes 34,300 kilometres of high–power lines and has more than 3,100 substations, with a total transforming capacity greater than 62,000 MVA. As manager of the power transmission grid, REE is responsible for its development, expansion, and maintenance, as well as power transmission between Spain and its neighbours and guaranteeing third parties equal access to the grid.

This responsibility has led REE to adopt a series of measures to gain greater social acceptance for its activities. The fact that 30% of Spanish territory is considered to be highly valuable ecologically and protected by different norms makes this acceptance difficult at times, and strong opposition has been found in the towns and communities where high–power electrical facilities have been installed.

It should come as no surprise, then, that these facilities are often accompanied by notable social, environmental and even institutional and political conflict. According to Víctor Navazo, in the REE’s Department of Institutional Relations: “In good measure, this is due to the diffuse relationship with electricity because we don’t perceive the value of something we take for granted. We want electricity, but it’s difficult to integrate in spaces that are highly valuable ecologically.”

Below we describe the project to interconnect Spain and Morocco’s power grids, the conflicts arising and the tools and mechanisms adopted by REE to correct these, including the involvement of Fundación Migres as a mediator between the company and various social organisations in Tarifa.
The first power grid connection was established between Spain and Morocco in 1997. For the first time in history, an underwater, 26-kilometer power cable, with a capacity for 700 MW, would cross the Strait of Gibraltar, representing a watershed moment in cooperative policies between Europe and southern Mediterranean countries. This cable would connect Spain and Morocco through Tarifa and Fardioua, but strong opposition from environmental and social groups soon arose in Spain due to a fear of the impact the cable could have on the health of Tarifa inhabitants, the territory as a whole and the underwater ecosystem.

The installation of this initial power grid connection between the two countries implied high social, economic and reputational costs for REE as well as elevated political costs for the Tarifa Town Hall (the social conflicts would be felt in the Town Hall, with two Mayors losing their office during this project). Installation began on Lances Beach, and both the Cofradía de Pescadores de Tarifa (Association of Tarifa Fishermen) as well as local opinion leaders launched a campaign to mobilise the community against the project due to its possible impact on the environment. This led to numerous demonstrations in which local police had to intervene. The cable was finally connected in 1997, though four years later than expected following arduous negotiations and considerable compensations.

The Association of Fishermen became one of the most active social groups, clearly opposed to REE’s plans due to their fear of its effect on their jobs. The Association’s manifest ability to organise fisherman and its influence on local public administrations gave it notable power during negotiations.
Later, after REE announced its plans in 2000 to double the power transmission grid’s capacity to reach 1,400 MW as part of its REMO II Project (Refuerzo Eléctrico Mediterráneo Occidental – “Western Mediterranean Electrical Reinforcement”), it expected similar opposition from the various affected town halls and communities. However, a legislative change had modified the relational framework: the area had been declared the Strait of Gibraltar Natural Park and was included within the EU’s Natura 2000 ecological network of protected spaces. This new law specified that compensatory measures were required when a given infrastructure passed through a protected area, the aim being to preserve the natural space and restore it to its previous condition after the construction projects were finalised.

**REE programmes to integrate new power transmission grids through Environmental and Social Participation (ESP) programmes**

In 2000, REE approved a series of internal guidelines which included the integration of new power grid projects through its Environmental and Social Participation (ESP) programmes. The aim of the latter was to establish a relational framework with stakeholders and create and maintain communication channels between the companies and all those interested in its projects.

The ESP programme objectives were to integrate the company’s presence in the social, environmental and institutional communities in the areas where it planned to install infrastructures; to encourage greater understanding of the projects and respond to calls for information in the community, maintaining transparency at all times; and to reconcile society’s general and specific interests with the projects’ feasibility and reach collaborative agreements that were compatible with the latter and encouraged the sustainable development of the affected communities.

The ESP normalisation model – developed by the company – uses different parameters (project characteristics, environmental characteristics, institutional and social make-up, and the company’s presence in the territory) to evaluate the expected index of conflict associated to any given project. The degree of conflict is defined as inversely proportional to its degree of acceptance. This index also determines the ESP programmes’ level of intensity: initial, basic and advanced (the latter is applied in the case of the REMO project). These programmes have been designed as transversal tools, with an internal team searching for synergies between the REE units involved in the project, and an external team, including participation from institutions involved in the project’s administrative management. Via this mechanism, constant communication channels are created, and foreseen actions can be tracked and appraised. However, it should be noted that the effectiveness of this tool may be limited in cases in which there is clear and frontal opposition to a given project.

**An environmental and social mediator to define compensatory measures**

The designation of the Strait of Gibraltar as a natural park within the EU’s Natura 2000 network implied radical changes when negotiating. As a result, no group could now question the need for compensatory measures and the fact that these compensations had to be environmental in nature.
The Spanish Ministry of the Environment would also have to approve the project’s declaration of environmental impact.

REE began preparing these compensatory measures but, given that its reputation had been damaged in the community due to the conflicts described above, it felt that its interaction with environmental groups, NGOs and social organisations would be complex. Due to the degree of conflict expected (advanced ESP), the ESP programme recommended involving a recognised and well-reputed local entity to serve as mediator and facilitate the determination of compensatory measures. The company felt that Fundación Migres, an NGO dedicated to studying and preserving the environment and educating about migrating birds, whales and turtles in the Strait of Gibraltar, met these requirements. In August 2005, Fundación Migres signed an agreement with REE to be responsible for the necessary consultations in regard to the compensatory measures.

However, the foundation’s board of trustees was not unanimous in its support for this agreement, given that it had no prior experience of collaborating with the private sector and this was, as yet unexplored territory. In addition, other environmental organisations in the area were completely opposed to the project. However, Fundación Migres’ Director Miguel Ferrer — a researcher in the Spanish National Research Council (CSIC) on the biology of conservation — and the fact that REE launched its ESP programme prior to initiating the required administrative procedures, led to the project being integrated within the community with greater social and environmental awareness, making the final collaborative agreement easier to achieve.

According to Miguel Ferrer, the situation with the first cable had been inflamed: “Environmental issues allow for diverse interests to group together, and, at times, an environmental flag is waved to unite opposition.”

**Action plan**

As a first measure after their agreement, REE and Fundación Migres drafted an action plan through which the foundation would consult with various groups in Campo de Gibraltar County regarding the projects these groups felt were needed both environmentally and socially.

Fundación Migres consulted with 25 different organizations (NGOs, universities, the Association of Tarifa Fishermen, town halls and other public institutions). These groups proposed 80 different projects to be included as compensatory measures. Through this mechanism, REE was able to learn about the interests and demands of each of organization, making later negotiations with them easier.

This consultation process lasted more than one year, a period in which some crises were noted though none led to a situation of risk. Conversations with the Association of Tarifa Fishermen were especially complex. The Tarifa Town Hall was asked to mediate these talks to ensure greater neutrality and legitimacy for the relations between the fishermen and REE. The Government of the
Autonomous Community of Andalusia also intervened to provide some of the compensations demanded by the fishermen.

After this consultation, Fundación Migres and the Cadiz Provincial Environmental Council selected 15 projects within the scope of conservation, research, environmental education, and communications. The aim of these projects was to reduce the loss of habitat due to the installation of the cable, minimise its direct impact on the affected communities, encourage lines of research in the biological preservation and use of these natural resources and, lastly, build and equip an informational centre for the Strait of Gibraltar Natural Park, providing diverse educational activities about the environment. All these projects were forwarded to the Spanish Ministry of the Environment which then forwarded them to the European Union. Lastly, the Ministry of the Environment approved nine of the projects presented as compensatory measures. In addition, REE, included a series of additional and voluntary environmental and social projects as part of its corporate responsibility programmes to complement the approved compensatory measures.

Image 2. Tarifa fishing port

Included amongst these additional projects were a viability study on the ecological and cultural use of Palomas Island in Tarifa and improving and repairing the town’s Los Lances Avenue. In addition, the company’s social programmes also included a “Sustainable development of fishing resources” project whose aim was to increase the industry’s value by developing traditional fishing techniques and investing in automating the local fish market. To ensure the greatest transparency possible when implementing and tracking these compensatory measures, a committee was created with representatives from the local, provincial and autonomous community governments, the Fundación Migres, the Tarifa Association of Fishermen and REE. At the same time, communication and informational measures were reinforced for the local community to be better informed about
the actions taking place. With collaboration from the Fundación Migres and Tarifa, Algeciras and Los Barrios town halls, REE also created a mobile exhibition and environmental classroom dedicated to the REMO project: *Conservar para vivir mejor* (“Preserve to live better”). This exhibition visited these communities and all their schools. Figure 2 below depicts the different stakeholder groups and the existing relationships between them. Worth noting is the mediating role played by the Fundación Migres.

**Figure 2. REMO II project stakeholders**

All the projects enacted through the compensatory and tracking measures have allowed the company, in Víctor Navazo’s own words: “to collaborate and interact with the county, its institutions and communities, something which has been well–received by the town halls and neighbours.” In this sense, the second cable connecting the Spanish and Moroccan power grids was installed in 2007, all within the timeline established and without any political costs or opposing social movements. On the contrary, it has permitted REE to meet with diverse social stakeholders, find out about their expectations and needs and become an important and valued player in regional development plans.
Conclusions and lessons learned

The collaboration between REE and Fundación Migres has been positive for both organizations, as well as for other stakeholders. According to Víctor Navazo: “REE is now better situated within the community. We have forged a new network within the existing local development network and we know what their needs and expectations are. This is of great value for us.” In addition, the REMO Project has had a direct influence on REE’s development of its own Corporate Responsibility (CR) policy, allowing the company to identify essential factors in its relationship with stakeholders and to define the basic components of its ESP programmes: the more precise identification of stakeholders, the importance of taking actions prior to launching a project and the inclusion of a mediator to enable relationships to be established. All these were included in REE’s CR policy created in 2002.

Since then, the company’s progress in managing CR has become renowned. Currently, the company has created platforms for dialogue, a mechanism through which the company meets separately (with the mediation of an NGO) with each of its stakeholders to find out about their requirements and needs when implementing and managing the CR policy for these demands. At the same time, the company sends out questionnaires two or three times a year to determine the stakeholders’ degree of satisfaction and their appraisal of REE. According to Ángel Ibisate, Director of CR and Quality at REE: “These platforms for dialogue provide us with a different vision, and they see us differently. We’re no longer the one who says how things are done but, rather, one who adds its opinion to that of the stakeholders and, from there, searches for points in common.” Despite this, however, when there is clear opposition from citizens to a given project, it can be difficult to implement.

To coordinate the ESP programmes and manage its CR policy, REE combined its Institutional Relations Department and Corporate Responsibility Department to create the Corporate Responsibility and Institutional Relations Management Office. The latter reports directly to the Presidency (see Figure 3).
From the perspective of Fundación Migres, Miguel Ferrer also positively values the relation with REE: “The experience demonstrates that by working together we can build the infrastructures that society requires, respecting, as well, the biological preservation that society also demands.” Thanks to the success of this collaborative effort, the foundation has gone on to establish relations with other companies in the private sector.
The most important lessons learned from this project can be summarised as follows:

- The conflicts arising from the installation of the first power transmission cable enabled REE to learn about the importance of being receptive to the demands and expectations of different stakeholders (social, environmental and institutional). The company’s Environmental and Social Participation (ESP) programmes are a tool which includes lessons learned and enables the company to systematically manage the relations created around its projects.

- The role of an environmental and social mediator (in this case, played by Fundación Migres) was key to overcoming the barriers erected after the initial tense relationships, and for creating the necessary conditions to establish a new relational framework.

- Regulations have a decisive impact on the relational framework, limiting demands and providing tools with which to negotiate. Similarly, participation by public administrations can favour the establishment of these relations, though their position will vary depending on the interests perceived.

- As social and environmental groups gain greater power and influence in the community, participatory and tracking processes become more effective. The introduction of measures to promote dialogue with other groups and the establishment of communications channels to inform the community as a whole about the company’s actions limits the firm’s operational risks while improving its reputation.

Future challenges

In 2009, REE approved the creation of what it called its Sustainability Laboratory, designed as an improvement over its ESP programmes. Like the latter, the aim of the Sustainability Laboratory is to identify the specific stakeholders and foment dialogue with them and increase their participation to reconcile the interests of social and environmental groups with the development of the company’s projects. However, the Sustainability Laboratory is not associated with the immediate implementation of any given project; rather, it is an instrument with which to encourage ongoing collaboration by maintaining permanent contact with the affected localities.

The programmes and projects developed by this Laboratory aim to encourage synergies between the company’s different focuses and its relations with stakeholders, all of which will serve to identify, select and develop those actions which will better integrate the company with society. As such, the Laboratory serves to promote an internal corporate culture which collaborates with the social and institutional players in the territory. This was one of the company’s main internal challenges. At the same time, REE’s projects represent the company’s contribution to sustainable development within the framework of its Corporate Responsibility policy.
Relationship between Repsol YPF and Intermón Oxfam: from the indigenous communities to the shareholders meeting

<table>
<thead>
<tr>
<th>Company name</th>
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<td>Time period</td>
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<td>Involved parties</td>
<td>Indigenous Communities; Intermón Oxfam</td>
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<td>Key questions addressed</td>
<td>Adaptation of corporate policies and practices to align with international conventions. Processes of criticism and dialogue leading to corporate change. NGO–Business collaboration in forming new policies</td>
</tr>
</tbody>
</table>

Repsol YPF is an integrated oil and gas company engaged in the exploration, development, production, refining, and transportation of crude oil and natural gas. With a presence in over 30 countries, Repsol achieved revenues of over 49 billion Euros in 2009 while generating operating income of 3.24 billion Euros.

The exploration, production and transportation of oil and gas is a resource intensive process that is potentially hazardous to employees of Repsol as well as to the environment and citizens of communities where the company conducts business. Therefore, health, environmental and safety issues are of paramount importance to both the company and communities which host its operations.

With this in mind, Repsol conducts social and environmental impact studies and consultations in the communities where it operates with the stated aim of earning the trust of communities and to minimize any negative impacts its operations may have on social, environmental or health standards.

Repsol also operates in numerous countries where it comes into contact with indigenous populations, including Peru, Bolivia, Ecuador, Argentina and Colombia. Indigenous communities historically have been marginalized and dispossessed of their rights and lands by colonizing powers – both of a national and corporate nature. Recently, the rights of indigenous communities have received considerable recognition and support from transnational bodies such as the U.N., national governments, and a multitude of NGOs. Thus, Repsol’s activity in indigenous communities receives special attention from political, environmental and human rights activists.

In the report that follows, we discuss the impact of oil and gas exploration and production on indigenous communities, Repsol’s own history of working in such areas, and the company’s interaction with Intermón Oxfam, a Spanish NGO which has sought to influence Repsol’s policies and actions toward indigenous communities.
Local communities and NGOs

Like other forms of identity, indigenous identity is a historically contingent, complex and relational experience. Thus, it is critical to recognize that indigenous identity is closely connected with the politics of national governments and the history of colonialism, a process that has denied indigenous populations their sovereignty and determined the shape and quality of their lives.

Where indigenous groups have the ability to control resources on which companies or governments are dependent, they may be considered as powerful stakeholders. Yet this is often not the case. Historically, indigenous peoples have been among the most marginalized members of society and from the perspective of business they are commonly viewed as “fringe” stakeholders who are remote, weak, isolated and poor.

Where extractives industries are concerned, there has been considerable debate on the impact companies have on indigenous communities. Because they generate sizable revenues, create jobs and business opportunities, and often bring new roads and access to water and power to isolated rural areas, companies in the extractives industry have the potential to stimulate economic growth, reduce poverty, and raise living standards. However, many indigenous communities and activists who represent their interests contend that the potential benefits offered by extractives companies have not materialized. To the contrary, they argue that the social and environmental costs of resource extraction – such as, for example, health problems, poor water quality, or the expansion of prostitution and alcoholism – have outweighed the benefits. Furthermore, they maintain that the rights afforded to indigenous communities by international conventions such as ILO 169 (1989) and the U.N. Declaration on the Rights of Indigenous Peoples (2007) have not been translated into national legislation by governments that have ratified these agreements. At times, national regulations ruling the exploitation of natural resources on indigenous lands has been weak and in other cases where appropriate regulations are in place, enforcement has been lax.

Such situations leave a moral free space where companies are obliged to sort out their own relationships with affected communities. This puts indigenous communities in a vulnerable situation vis–a–vis corporations who possess disproportionate financial and political power. At the same time, this situation leaves corporations open to uncertain risks regarding their investments and potential backlash from consumers, shareholders, the media and activist organizations.

To counter the vulnerable situation indigenous communities find themselves in when faced with natural resource extraction on their lands, a wide range of NGOs have pushed companies in the extractives industries to act as responsible corporate citizens by supporting the rights afforded to indigenous communities by international conventions as well as national laws and regulations. In the case of Repsol, Intermón Oxfam has played a key role in pressuring and shaping the company’s policies and actions towards indigenous communities.
Intermón Oxfam (IO) is a Spanish NGO and one of 14 member organizations making up Oxfam International, a confederation of like-minded NGOs that is among the world leaders in the provision of emergency relief, long-term development programs in vulnerable communities, and campaigns on behalf of such issues as indigenous rights, unfair trade rules, better health and education services for all, and the fight against climate change. IO was originally founded in 1956 under the name Secretariado de Misiones y Propaganda de la Compañía de Jesús. In 1973 the organization gave up its religious affiliation and changed its name to Intermón. Then, in 1997, Intermón became an affiliate of Oxfam International. Today, with a membership base of over 240,000 people, IO carries out its work through a network of offices in 16 countries staffed by approximately 970 full-time staff and almost 2,000 reliable volunteers.

In the section that follows we will provide an overview of Repsol’s relations with IO and indigenous communities where it operates.

Relations with local communities and NGOs

Since 1999, when Repsol purchased the Argentinean company YPF S.A., Repsol YPF has been a major player in the oil and gas industry of Latin America. With investments across 12 countries, Repsol is the largest privately owned oil and gas company in Latin America and the Caribbean. As such, its exploration activities result in regular contact with indigenous communities in Argentina, Peru, Bolivia, Ecuador and Colombia.

Against this backdrop, the political scene in Latin America has also been shifting over the past decade. In 2001, Alejandro Toledo, of indigenous Quechua heritage and educated at Stanford University in the U.S., became the first indigenous leader to be democratically elected president of Peru. In October 2003, violent protests in Bolivia over results of oil and gas privatization led to more than 80 deaths and the resignation of the country’s president, Sanchez de Losada. Similar protests arose again in June 2005 leading to the resignation of de Losada’s successor, Carlos Mesa. That same year, Evo Morales, of indigenous Aymara descent, became the first indigenous leader of Bolivia since pre-Colombian times. And in 2006, Rafael Correa, a Quechua speaker, was elected president in Ecuador, running on a platform calling for reform of the petroleum industry and the protection of indigenous interests.

These political changes have led to legal and regulatory transformation that has impacted heavily on companies in the extractives industries. For example, under Morales’ government, Bolivia enacted new regulations which enforce the provisions of ILO 169. The regulations provide detailed requirements with a view to guaranteeing the rights of indigenous people to a process of consultation and consent and the functioning of socio-environmental monitoring committees that should be established in each area subject to extractives exploration. Furthermore, in the face of potential nationalization of its operations by the Bolivian and Ecuadorian governments, Repsol was forced to renegotiate its contracts. On May 1st, 2006, Bolivian President Evo Morales signed a law nationalizing all gas reserves. Later that year, Repsol and numerous other oil and gas companies signed new contracts with the Morales administra-
tion which altered the regulation of the exploration and exploitation of reserves. In a similar turn of events, in October 2008, the government of Ecuador threatened to terminate its contract with Repsol because the company had failed to reach agreement with the Correa administration on terms of a new contract that would give the national government a greater share of the profits from oil exploration. In November 2008 and again in March 2009, Repsol signed temporary agreements to modify its contract with the Ecuadorian government in order to share a larger portion of its proceeds until March 2010, when all companies would be required to sign new fee-for-service contracts that would essentially put all of the country’s reserves under national ownership.

In parallel to these political changes, in 2004 Intermón Oxfam (IO) established direct contact with Repsol with the intention of starting a bi-lateral dialogue that would lead to a change in Repsol’s policies and practices towards indigenous communities in Latin America. Specifically, IO’s objective was to convince Repsol to adopt policies and practices which, at a minimum, would align with ILO 169. Initially the dialogue was conducted privately between the two organizations. Coinciding with the start of this dialogue, in 2004 IO published the report, “Repsol YPF en Bolivia: una isla de prosperidad en medio de la pobreza”, highlighting the vast wealth flowing to foreign companies relative to the lack of regulation and benefits for both local governments and their citizens. While accusing the company of working to the lowest environmental standards legally possible, the report emphasized the benefits reaped by Repsol, who, in 2001, controlled 29% of Bolivia’s oil and gas reserves, thus contributing to a market capitalization that was double the GDP of Bolivia.

Unsatisfied with the results of the dialogue process, in 2007 IO began a campaign to publicly denounce Repsol’s conduct towards indigenous communities. IO’s April 2007 report, “The extractive industry: black holes for indigenous people. Recommendations for Repsol YPF on the development of a policy and procedures for relations with indigenous people”, called on the company to recognise indigenous rights of free, prior and informed consent, the right to maintain their territories and traditions, the right to share in the benefits of extractive development, the right to fair compensation and redress, and the right of indigenous peoples to control their own development. Later, in July 2007, IO published the report “People without rights? The responsibility of Repsol YPF in the Peruvian Amazon”. This report accused Repsol of taking full advantage of weakness in Peruvian law and showing disregard for indigenous rights despite the company’s earlier ratification of the Universal Declaration of Human Rights, the Global Compact, OECD Guidelines for MNCs, and the ILO Fundamental Principles and Rights at Work. Again, in August 2007, Oxfam in Bolivia published a report detailing the denunciation of Repsol by the representative body of the indigenous Guarani people, “Repsol YPF en el Chaco Bolivia: El pueblo guaraní en el proceso de defense de sus derechos”. The Asemblea del Pueblo Guarani de Itika Guasu accused Repsol of socio-cultural, environmental and economic damages. Meanwhile, regulations passed by the Bolivian government in April 2007 required the company to develop a new policy in regard to its relations with indigenous people and the Guarani in particular.

Despite the proliferation of reports published by IO, it was at Repsol’s annual general shareholders meeting in May, 2008 when Intermón Oxfam made a remarkable impact. Granted the right to speak before the assembly by a coalition of Spanish individual, faith–based and institutional inves-
tors (with about 80,000 shares) and U.S. investors lead by Boston Common Asset Management, IO demanded that Repsol adopt a policy for relations with indigenous communities respecting the spirit of ILO 169. More than 10,000 citizens supported IO’s petition presented to the President of Repsol, asking that the company respect the rights of indigenous people.

Image 3. Dolores López from Intermón Oxfam addressing Repsol YPF’s Annual Shareholders Meeting

This event marked the shift of the indigenous issue from the fringes of stakeholder relations in Latin American oil exploration to the center of shareholder activism. IO’s appearance at the shareholders’ meeting made front-page news in Spain and Repsol’s CEO, Antonio Brufau, publicly committed to seriously address the indigenous issue.

While Repsol continued to adapt its policies to react to criticism from IO, other NGOs, and local governments, IO did not let up with its campaign to influence the company’s policies and actions towards indigenous communities. In July 2008, IO published the report “Letra pequeña, grandes abusos”, detailing the excessive advantages and huge profit margins, in the range of 32 – 74%, that Repsol enjoyed in its contracts relative to local governments.

The events outlined above attracted serious attention within Repsol. As newly elected leaders in Latin America and transnational NGOs such as Oxfam and Greenpeace raised the stakes, Repsol moved to mediate the risks to its vast portfolio of investments.

Action Plan

Repsol’s response to the pressures faced from Oxfam and other critics has evolved over time and has primarily been focused on minimizing and mitigating risks perceived by the company. First, in 2002 Repsol adopted the UN Global Compact principles on human rights, labor standards and environmental protection. In 2003, ethics and conduct guidelines were approved within the com-
pany and in April 2004, guidelines for community relations were approved for the first time. Then, in 2008, after consultation with over 24 national and international organizations, including Inter-món Oxfam, Repsol adopted a policy governing relationships with both local and indigenous communities where it operated. Importantly, and in response to the repeated calls of IO and other NGOs, this policy recognized the rights of indigenous peoples in accord with ILO convention 169 and the UN Declaration on the Rights of Indigenous Peoples adopted by the UN in 2007. In July 2009, internal guidelines clearly defining the means of implementing the policies of Relations with Indigenous Peoples were also adopted, making Repsol the first in its industry to take such action.

Most recently, in 2010, Repsol has begun a process of changing how CSR is managed within the company. Recognizing the importance of maintaining strong relationships with the communities where it operates, Repsol has integrated CSR and the maintenance of its license to operate into the corporate level strategic plan along with other strategic objectives. Accordingly, the CSR department now reports directly to the CEO rather than into the Communications department. To implement the new indigenous relations policy, a corporate committee centrally establishes a framework for norms of community and indigenous engagement. While the central committee is responsible for communication and oversight of community relations policies, decisions are taken by local teams who regularly report to the corporate committee. Using a decentralized process to implement corporate norms generates variation in the type of responses conceived and promotes solutions customized to local contexts while also creating the opportunity to select particularly successful approaches or programs for replication elsewhere.

In addition to changes in its corporate policies and procedures, Repsol’s relationship with IO has also evolved over time, moving from a relationship characterized by confrontation to one based on dialogue. As eluded to earlier, during their development stage, Repsol shared and discussed the policies that it was forming for relations with local communities and indigenous peoples with IO. Although IO didn’t control or take responsibility for Repsol’s policy making process, they did recommend that the indigenous relations policy and draft of internal guidelines for its implementation needed to improve in some aspects, specifically, a) the scope of application, as the policy only applied to future developments, and b) the position that the company would adopt in case of not obtaining the agreement of indigenous communities.

In 2009, IO returned to intervene in Repsol’s annual shareholders’ meeting, exposing the gaps it perceived in the Indigenous Relations Policy and incorporating a petition of a new line of work related to financial transparency in the extractive industry. To compensate for the deficits identified by IO in its policy, in July 2009, Repsol approved internal guidelines incorporating plans for the fulfillment of a social audit process for existing operations and the publication of future actions of the company after assessing the results and suggestions of the social performance review. That same month, an IO press release praised Repsol’s adoption of the Indigenous Relations Policy while also calling for more specific measures to make the policy effective. Upon writing this study in early 2010, Repsol and IO continue to dialogue about the implementation of Repsol’s new indigenous relations policy as well as other issues such as transparency.
Results and lessons learned

The actions of IO raised the profile of indigenous issues within Repsol. Eduardo Garcia, Director of Corporate Social Responsibility within Repsol YPF, explained that “because Intermón Oxfam’s campaign related to human rights issues, this raised the level of importance given to the issue within Repsol.” Garcia and other CSR managers within Repsol also learned that introducing social issues into Repsol’s risk analysis process was an effective way to include multiple stakeholder perspectives, including indigenous issues, into the company’s decision making process. The concept of risk is already very familiar to managers within Repsol and risk analysis is used as a tool to make decisions and distribute scarce resources, so framing the debate about CSR issues in these terms facilitates better understanding of what is at stake for the company.

From IO’s perspective, they recognized the importance of the method used for campaining to provoke change in corporate practices. The ability to link actual incidents on the ground to specific criticisms and recommendations on policies and practices allowed them to build a strong and clear case for lobbying and social mobilization. More concretely, the strength of the campaign resided in the bottom–up logic of the intervention. IO’s direct work with indigenous communities permitted it to learn first–hand of the realities on the ground and to have a base to carry out contrasting and objective research. Thus, IO accessed the information required to gain legitimacy and develop proposals that, in Spain, reached to the level of the annual shareholders meeting of Repsol. Laura Ruiz, Extractive Industries Advocacy Officer at IO, remarked, “this was a successful example of focus from the bottom–up.” IO also acknowledges the importance of mixing criticism with constructive dialogue and the very careful work necessary to strike the right balance to keep the process of change moving forward. Finally, as evidenced by the impact of IO’s appearance at Repsol’s annual shareholders’ meeting, IO appreciates the value of finding allies across sectors who share common interests. It was when Repsol heard the call for change coming from its own shareholders that the company committed to significant changes in policies and practices.

Key Lessons from this case may be summarized as follows:

- Using the language of risk may assist CSR managers to frame the discourse on CSR in terms more readily understandable by business managers.
- International conventions, such as ILO 169 and the UN Declaration on the Rights of Indigenous People, play an important role in shaping the policies and practices of both national governments and corporations.
- For both NGOs and CSR managers who want to bring about change in corporate practices, demonstrating how actual incidents have violated international conventions provides a convincing case for change.
- For NGOs, finding allies in the shareholders of corporations is an effective way to gain a voice within the corporation.
- For businesses, finding collaborators in civil society is a useful way to gain feedback and assistance in developing policies and practices more attuned to the expectations of local communities and NGOs.
Future Challenges

As the policies and procedures established by Repsol to engage with indigenous communities are very new, the company still faces the challenge of successfully implementing new practices under the watchful eye of an array of civil society organizations interested to see exactly how Repsol changes in practice.

Following the announcement of Repsol’s indigenous policy, which pertained to new exploration only, IO criticized the policy for not addressing the existing exploration projects of Repsol. In response to this criticism, Repsol is now in the process of establishing the terms of reference for a project which has the objective of studying the social impact of Repsol’s existing engagements within indigenous communities in Bolivia and Peru. The company’s goal is to better understand the risks it faces in relations with such communities so that it can improve both policies and practices.

The impact study will establish a process to compare Repsol’s existing operations with the requirements of the new indigenous relations policy in order to determine the degree of alignment between Repsol’s prior practices and the new policy. The study will be conducted independently by one external organization and will include consultation with organizations representing indigenous communities where Repsol has established exploration projects. The external assessors will then present a report of their findings to Repsol, including recommendations to bridge any critical gaps between prior practices and current policy. The recommendations and, later, Repsol’s response to them, will be made public. In order to bring transparency to the methodology, the findings of the consultancy hired by Repsol will be shared with external actors from civil society to obtain their comments on the report presented to Repsol, including recommendations to bridge any critical gaps between prior practices and current policy. The recommendations and, later, Repsol’s response to them, would be made public, although the study itself won’t be published.

Together with Repsol’s new structure for managing relations with indigenous communities, the impact study will likely prompt a focus on the capabilities that Repsol has and those that it is lacking which are necessary for successfully implementing the new policies.
3. Conclusions

1. Justification and motivation behind adaptation processes

Why is adaptation required?

In this report, our analysis has focused primarily on relational adaptation, that is, the changes provoked by conflictive situations between companies, NGOs and local communities. At times, the three groups have opposing or divergent interests which lead to situations of confrontation.

In this context, and given the growing power and pressure exercised by NGOs and local communities, we have seen how companies adapt their behaviour to minimise the risks derived from this confrontation. As seen in the case studies, not doing so implies great costs for the firms. Amongst these are:

- Negative repercussions for the firm's reputation
- Violent conflicts
- Operational delays and delays in implementing investments
- Costs associated with protracted negotiations

We have also seen how reactive–type adaptations can be transformed into more proactive attitudes which succeed in foreseeing potential risks. This develops companies' capacity and ability to adopt a series of mechanisms with which to establish closer relations with NGOs and local communities, allowing firms to have information about the others' expectations beforehand.

Without doubt, responsibly managing relations with local communities and NGOs allows firms to anticipate risks and, as such, minimise the potential costs they may have to face as a result of unexpected situations over the long term. A more complex task is evaluating the benefits these relationships can have for the firms, especially if we apply short–term criteria. As such, tensions may arise within companies between those with a more long–term view and others with specific short–term interests. That notwithstanding, a clear conclusion stemming from numerous studies evaluating the relationship between Corporate Social Responsibility (CSR) and the creation of economic value is that it is costly to be socially irresponsible while, on the contrary, there is no evidence that responsible management implies additional costs for the firm.

In this sense, we could argue that, beyond the instrumental nature of CSR policies, there are ethical reasons why a firm should be responsible without implying penalties for adopting such an attitude.

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3 We see managing relations with NGOs and local communities to be a concrete expression of a company’s CSR policy.
4 The profitability of CSR has been subject to extensive debate within academic circles and has led to numerous studies with diverse results. In a recent article, Donna Wood argued that this line of research should be stopped temporarily to open a new line of research exploring the origins of CSR (that is, the inclusion of stakeholders in corporate management) and analysing how CSR affects stakeholders and society instead of only examining how it affects the company. Wood, D. 2010. Measuring Corporate Social Performance: A Review. International Journal of Management Reviews, 12 (1): pp. 50–84.
2. Adaptation mechanisms

Institutional level

To a great extent, adaptation mechanisms are determined by institutional factors (see Figure 1 in page 11). In the case studies we have observed the following, amongst others:

The company’s prior attitude and values determine its degree of openness. Having values which allow for the firm to initiate dialogue and be more transparent is essential to be able to build relationships based on trust with NGOs and local communities. In the case of the clothing firm, Mango, we saw in the previous study that this pre-existing attitude is a part of the company’s values. By contrast, REE’s and Repsol YPF’s experiences demonstrate that this is precisely one of the lessons both companies have learned as a result of their actions, lessons which are allowing them to slowly change their mindsets.

As seen in the REE case study, with the creation of the Strait of Gibraltar Park and its inclusion in the EU’s Natura 2000 park network, regulations play a decisive role when establishing relational frameworks as they serve to delimit both demands and the scope of negotiations.

What types of adaptation mechanisms are needed?

At the organisational level

Developing specific policies reflects the company’s commitment to discuss issues which NGOs and local communities consider a priority. For example, Repsol YPF was the first firm in the industry to adopt a specific policy regarding its relations with indigenous communities. In addition, NGO and local community participation in defining these policies reinforced the commitment the company has assumed. The company consulted with 24 national and international organisations before adopting the above-mentioned policy.

Adapting or creating new organisational structures allows the company to assign responsibilities and give itself greater flexibility to implement the policies it defines. For example, the organisational changes within REE and Repsol YPF have given greater autonomy and flexibility to their
respective departments in charge of maintaining relations with stakeholders such as NGOs and local communities.

Adopting CSR policies which are aligned with the companies’ own management and strategy is a better way to responsibly manage basic aspects of their business and, by extension, their relations with NGOs and local communities. REE’s restructuring to include Corporate Responsibility organisationally or the creation of its Sustainability Laboratory and the process enacted by Repsol to analyse risks are all clear examples of how to move forward on the integration of relations with NGOs and local communities in the firm’s day-to-day management.

Creating management tools enable companies to evaluate the potential conflicts arising from a given project and, in parallel, the degree of dialogue or participation necessary with social groups. Both REE’s Environmental and Social Participation (ESP) programmes and its Sustainability Laboratory and Anglo American’s Socio Economic Assessment Tool (SEAT®) from the previous study are good examples, allowing both companies to assess their social impact to later draft an appropriate management plan.

Developing management systems to consult or establish dialogues with NGOs and local communities enables firms to understand the latter’s points of view regarding corporate policies or project development. For example, Repsol YPF invited Intermón Oxfam to publicly revise the company’s policy to establish and maintain relations with local communities and indigenous groups.

At the relational level

REE’s Sustainability Laboratory represents the creation of a mechanism to establish formal and permanent relations with local groups, allowing the company to better understand the institutions in the communities and their expectations. For example, this can be achieved by creating forums for dialogue or mixed committees in which representatives from both the company and social groups take part. An example is BHP Billiton’s implementation of this formula with the communities around the Tintaya mine.

Resorting to a mediator – generally an NGO – allows for the possibility of reaching greater consensus, promote collaborative initiatives and establish agreements between all the parties. For example, the role played

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6 Explained in the previous study. See note 5
7 See note 5
by Fundación Migres in the REE case in Tarifa was a decisive factor in the creation of a climate that favoured negotiations. Similarly, Ecoelce’s experience, which was analyzed in the previous study, demonstrates how mediation by the Instituto de Formação Empreendedora e Educação Permanente (IFEE) allowed the company to reach greater consensus with ragmen’s groups.

3. Limits, risks and opportunities of these adaptation processes

Limits

The expectations and demands of different stakeholders do not always coincide and, as such, it is not always possible to satisfy all of them. Adaptation processes have to strive to strike a fair balance between the various expectations of the different stakeholders. This premise is valid when the stakeholders’ demands are legitimate (for example, when based on international conventions or recognised international rights, if they have the support of well–reputed NGOs, or if they recognise legal or tacit rights over the affected territory).

It may be more complex to reconcile these interests if one of these groups isn’t considered legitimate. Even in this latter case, dialogue is recommended though it might seem difficult to reach collaborative or participatory agreements between the parties. If the process stagnates, mediation by public institutions may be required.

Risks

Successfully internalising new values which promote dialogue and collaboration within the organisation as a whole may prove to be a difficult challenge. To ease this process, measures such as support from senior management, the creation of transversal committees between various departments, training employees and raising their awareness may be appropriate.

It may be difficult to find the adequate and legitimated NGO or organisation capable of reaching agreements and acting as a mediator.

Opportunities

Companies may gain social capital and greater access to different and important interlocutors within the territory.
They can also develop relational skills which contribute to the company being more willing to understand social concerns and interests and better able to respond to these.

Through these adaptation processes and greater interaction with NGOs and local communities, the company’s reputation may be improved.
Appendix. Sample of 20 collaborative initiatives included in the database of inter-sectorial alliances

We have been compiling a database of 120 inter-sectoral collaborative initiatives since 2009. This database may serve to carry out quantitative research in the future regarding relations between corporations and stakeholders as well as on inter-sectoral collaborative projects within the context of developing countries.

The database includes projects in which at least one company and one NGO or community group take part. All collaborations pertain to projects or address specific issues within non-OECD countries. By contrast, the database does not include coalitions, affiliated organisations, associations between companies and governments or initiatives in which the company simply makes a donation.

The collaborative projects in the database span more than 13 different industries. The projects themselves are categorised into 12 broad groups such as education, poverty reduction and health, amongst others. These initiatives are located primarily in Africa, Latin America and Asia, though there are also examples of projects carried out on a global scale.

Below is a sample of 20 such initiatives included within the database. Beyond the two cases of Spanish firms included in this report, these international examples serve to illustrate the geographical diversity of alliances between companies and NGOs and offer an interesting perspective on the wide variety and possible means of collaboration. The sample of initiatives – and the database itself – also demonstrate how the phenomenon of inter-sectoral alliances has grown.

However, the existence of these collaborative efforts does not imply that, in some cases, the companies have not been criticised for some of their actions or, at times, for the very relationship established with the NGO in question.

In any case, and as a result of this proliferation of collaborative projects, it is clear that new skills are required to manage these relations and alliances. As such, it would be worthwhile to carry out further research on the management of these inter-sectoral alliances and to design educational programmes for executives to facilitate these processes.

**ACCOR – ECPAT International**

Unfortunately, many areas in Asia are renowned destinations for sexual tourism and the exploitation of minors. ECPAT International (End Child Prostitution Child Pornography and Trafficking of Children for Sexual Purposes) is an organisation fighting to preserve the rights of minors and protect them from prostitution rings. ACCOR, for its part, is one of the largest hotel chains in the industry, with numerous establishments around the globe. It too decided to take actions against sexual tourism in specific Asian countries. In collaboration with ECPAT, the hotel chain now educates its employees on the prevention of sexual tourism and has established specific procedures for employees to report cases of abuse in both the country these tourists visit as well as in their countries of origin.
Ahold – Partnership for Food Industry Development

Ahold is one of the world’s most important retail distribution chains, operating in Europe and the United States. With the Partnership for Food Industry Development (PFID) and Michigan State University, it has launched a project to develop entrepreneurial projects amongst farmers in Ghana. Ahold trusts in the ability of these farmers to supply their stores with quality products. With the help of PFID, Ahold identified potential local collaborators and soon began to distribute their organically–produced mangos, citric fruits and avocados. Given that the farming season and the variety of products in Ghana are limited, however, the company soon expanded its project, replicating it in other countries such as Burkina Faso, Egypt and South Africa.

Allianz – Care

Allianz, the multinational insurance company, and the NGO, Care, have joined their efforts to design insurance products which meet the needs and purchasing power of communities found in rural India. The project has begun in a very localised way, with life and health insurance products. The health insurance component works like a mutual association which is responsible for 67% of the premiums; the remainder corresponds to Allianz. The majority of medical expenses are covered by the association, and Allianz assumes those which go beyond the former’s financial possibilities. On the one hand, Allianz offers coverage for risk while, on the other, Care, which is very familiar with the area, filters and manages possible clients and interested communities.

Armor–lux – Max Havelaar

Armor–lux is a German–Swiss firm selling more than 3.5 million items of clothing every year. It has more than 2,000 retail distributors and billed 65 million Euros in 2006. Since 2005, it features clothing made exclusively with fair–trade cotton as certified by Max Havelaar. This certification ensures Armor–Lux clients that the clothes they buy have been made from cotton harvested in the Central African Republic without the use of child labour and that farmers are paid a fair price which allows them to live with dignity.

Autopista del Sol – Fundación SeS

Autopistas del Sol is a highway construction and management company which, amongst others, manages the primary access roads into Buenos Aires and around which poor neighbourhoods with severe social problems have developed. The Fundación SeS (Sustentabilidad, Educación y Sostenibilidad – “Viability, Education and Sustainability”), for its part, carries out educational programmes to favour the social integration of poor youth. Together, Fundación SeS and Autosol launched a programme entitled, Grupos de Estudio Comunitario (“Community Study Groups”) to encourage education in the various neighbourhoods criss–crossed by Autosol highways.
British Telecom – One World

The majority of India’s working class is found in agriculture and ranching, representing a significant portion of the country’s economy. Oftentimes, both ranchers and farmers are faced by plagues or illnesses affecting their herds or harvests. Given that they are found in remote areas, their ability to consult with agricultural engineers and veterinarians is difficult. The NGO, One World, and BT thus created a telephone system which included a database of “frequently asked questions,” addressing issues related to agriculture and animal care. Farmers and ranchers can now have their questions answered in less than 24 hours and for 5 Rupees per consultation. Today, this system provides coverage to more than 1,000 towns and villages and a population of 5 million people, receiving 4,000 calls on average every month.

DOLE – Makilala Women Federation – Kasilak Development Foundation

In 2004 the Dole company’s division in Stanfilco, Phillipines, decided to outsource the confection of protective clothing for its personnel to external firms. The NGO, Kasilak, which works with local communities to launch small businesses, informed Dole about the Makilala Women Federation, whose members were looking for ways to escape unemployment. With the use of microcredits and support from Dole and the Kasilak Development Foundation, the Makilala Women Federation produced more than 17,000 protective suits in 2004, offering jobs to more than 20 local women.

Ikea – The Natural Step

In the mid 1980s, Ikea was faced by a major change in regulations in Denmark and Germany which made the company’s previously legal products fall under the category of “health hazards.” The problem was the firm’s use of the chemical compound, formaldehyde, in the conglomerate wood it used to make most of its furniture. Ikea thus joined efforts with The Natural Step which imposed a series of sustainability-related conditions and objectives and designed an integral programme defining the steps to be taken to respect the environment within the company.

Lafarge – Habitat for Humanity

The cement company, Lafarge, and the NGO, Habitat for Humanity, are working jointly to build homes which meet sustainability criteria and are affordable for the least favoured in society. This project involves many Lafarge employees volunteering to work for Habitat for Humanity as well as the company providing free or low-cost construction materials to the NGO.

Nestlé – Fair Trade Labelling International (FLO–I)

Nescafé Partners’ Blend is one of Nestlé’s extensive range of coffee products distributed in the United Kingdom. A unique feature of this brand is that it is the first Nestlé brand to be certified as fair trade coffee by the organisation, Fair Trade Labelling International (FLO–I). The strict criteria used
to grant this certification span economic, social and environmental areas. The aim is to ensure that the product reaching the end consumer not only meets economic criteria but also contributes to the development of productive communities and the sustainability of their production methods.

**Nike – Population and Community Development Association (PDA)**

Chakkarat is a poor region to the north of Bangkok, Thailand. It stands out for its low wages as well as the scant services available. After carrying out a study on costs and risks, Nike decided to install one of its clothing and shoe manufacturing plants in this region, though how it did so was not what would generally be expected. The company contacted the local Thai NGO, “Population and Community Development Association” (PDA), and, together, they designed a global programme for Chakkarat’s social and economic development around the factory. This project included the construction of various schools, granting microcredits for local business projects as well as a series of social initiatives which, along with the expected employment opportunities, helped to increase the well-being in a rural area such as Chakkarat and stop migration to urban centres.

**Novartis–Caritas Buenos Aires–Fundación Tzedaka**

Those with the fewest economic resources in Argentina face great hurdles in accessing medicine. The Argentine subsidiary of Novartis wanted to contribute to alleviate this problem in line with its Social Responsibility strategy. For this the company and two local NGOs, Caritas Buenos Aires and Fundación Tzedaka, designed a long-term plan to provide free or low-cost medicine. While Novartis was responsible for making these medicines available, Caritas and Tzedaka were responsible for filtering the possible beneficiaries and providing medical assistance and follow-up to ensure this population received the correct medical treatment.

**Procter & Gamble – Population Services International**

Access to potable water is and will increasingly become a severe problem for millions of people in continents such as Asia and Africa. This problem is especially acute amongst the poorest in developing countries as they cannot generally afford to transport potable water nor install water purifiers. P&G worked with Population Services International, amongst other organisations, to create PUR©, a water filtration system consisting of powerful individual-dose sachets. Through a simple process, each of these can purify 10 litres of water, all without requiring any type of installation or additional power source. To date and thanks to PSI and the rest of the organisations working on this project, enough doses have been distributed to make 2 billion litres of water potable.

**Sanofi–Aventis – DNDi**

DNDi (Drugs for Neglected Diseases initiative) is a coalition of diverse NGOs and institutions (including Médecins Sans Frontières (MSF), “Doctors without Borders”), united in favour of research and the distribution of effective treatment for some of the most common diseases in poor coun-
tries. These illnesses oftentimes do not coincide with the most common in developed countries. One of the most severe is malaria. The complex treatment for the latter, involving several doses and the need for appropriate components, is very expensive and inaccessible for many people without resources. For this, collaboration from Sanofi–Aventis has allowed for the creation of a single–dose and low–cost drug which is now within reach of most people in Sub–Saharan Africa.

**Shell – Fauna and Flora International**

The Cape Floral Kingdom in South Africa is one of the world’s regions with the greatest biodiversity of flowering plants. For many of the communities living in the area, their subsistence depends directly on the flower harvesting season. The oil company, Shell, has operations in the area and it works with Fauna and Flora International to support and finance projects to preserve and strengthen the area’s biodiversity as well as to instil sustainable practices in the valley to have a positive impact on the communities.

**Statoil – LEDAP (Legal Defense and Assistance Project)**

Statoil is an oil company with extensive experience in conflictive countries in terms of human rights violations, countries often threatened by the possibility of war. For this reason, one of the pillars of the company’s Corporate Responsibility strategy is based on carrying out actions to promote human rights wherever the company is present. Within this line of action is Statoil’s association with the local Nigerian NGO, LEDAP, which educates and provides legal advice on human rights to more than 450 judges in seven states found in northern Nigeria which have implemented Islamic Law (*sharia*).

**Tetra Pak – ANERA**

Tetra Pak, a world–wide leader in food packaging, has launched its “Milk for Schools” programme around the world, all as part of its global CSR strategy “Food for Development”. Through the “Milk for Schools” programme, the company distributes hundreds of thousands of breakfasts on a daily basis in more than 11 countries with children at risk of poverty. To implement the programme, Tetra Pak counts on support from various NGOs. For example, in Gaza it has worked with ANERA (American Near East Refugee Aid) since 2003, when it was discovered that Palestinian children were suffering from nutritional deficiencies and anaemia. The programme offered jointly by the two organisations also includes workshops on how to prepare nutritious food on a limited budget.

**Unilever – UNICEF – Ghana Public Health Service**

Unilever wanted to expand its market in Ghana with its Annapurna product. The latter is a brand of salt which, thanks to the iodine it contains, provides essential micronutrients. Severe health problems can arise when these micronutrients are not included in the diet. The majority of local salts available, however, are not iodised given the high cost of this process. Unilever was able to design a low–cost product which met these nutritional needs and which was also affordable for the
majority of the population. Unilever then worked jointly with UNICEF and the Ghana Public Health Service to promote the product through campaigns in communications media around the country and raise awareness about the importance of consuming iodised salt.

**VISA – FINCA**

VISA is known as one of the most ubiquitous consumer credit companies around the world. In line with its primary business activity, a part of its Social Responsibility strategy focuses on providing credit to communities in developing countries which are generally ignored by formal credit agencies. With this aim, VISA collaborates with FINCA, an international microfinancing agency, by providing innovative technologies to make it easier to obtain credit and have access to technical assistance. Thanks to this collaboration, credit processes have been improved, and the company has been able to help FINCA capture 1.3 million dollars in donations from various state agencies.

**Vodafone (Safaricom) – Faulu Kenya**

In Kenya, the majority of low income people do not have a checking account nor do they have access to financial services. For this reason, the microfinancing agency, Faulu Kenya, has been working in this area for years. Over time, Faulu realised that it was having difficulties in expanding its operations to rural areas due to the dispersed population. It joined with Safaricom (Vodafone) to design a specific technological platform (M–PESA) which would enable transfers and payments and bank deposits to be managed all in an easy, accessible and secure fashion. This initiative has had resounding success in terms of providing the most basic financial services to the population with fewest resources. In May 2009, M–PESA managed 6.5 million subscribers and more than 2 million transactions in Kenya.
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Corporate relations with local communities and NGOs

Red Eléctrica de España
Repsol and Intermón Oxfam
20 examples of collaborative projects

Daniel Arenas | Pablo Sánchez | Matthew Murphy | Jordi Vives

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