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# Briefing: Multi-sector partnerships for poverty reduction

Petter Matthews, *Engineers Against Poverty, UK*

The United Nations' (UN's) Millennium Development Goals (MDGs) commit member states to reducing the number of people living in extreme poverty by half within 15 years. However, the UN's Human Development Report for 2003[1] showed that during the 1990s, 50 of the poorest countries experienced declining living standards and that if current trends continue, Africa, the world's poorest continent, will need another 150 years to reduce poverty by half. Clearly, the pace of progress on poverty reduction has to be dramatically accelerated if the MDGs are to be met.

Poverty is a deep-rooted and complex problem that is comprised of political, economic and social dimensions. If its causes are multi-dimensional, it follows that any strategy aimed at reducing and eventually eliminating poverty must be similarly multi-dimensional in its approach. This realisation has led to a consensus amongst policymakers of the need to build partnerships for poverty reduction. Organisations such as the World Bank, the UN and the UK's Department for International Development (DFID) are now advocating partnerships as an important strategy for poverty reduction.

Multi-sector partnerships (MSPs) are a particular type of partnership and are increasingly being used to pursue business and social objectives. Advocates understand society to be comprised of three sectors: state (government and public institutions), market (companies and business associations) and civil society (such as non-governmental organisations (NGOs), community groups, organised labour). The underlying rationale for working in MSPs is that each sector possesses distinctive 'core competencies'—the things that they do best and which are integral to their primary purpose—that when combined with those in other sectors, can help solve complex problems more effectively than any sector could on its own.

The emphasis on combining the core competencies of the various sectors is important and distinguishes MSPs from other types of partnership. Of course, competencies will be combined to some extent in most types of partnership, but in MSPs a deliberate and detailed 'competency mapping' exercise is undertaken with all potential partners.

The core competencies of international engineering contractors typically include things such as project management, design, supply chains and logistics. They will not usually have expertise in areas like community development, the public policy environment or national poverty reduction strategies, although in many low and middle income countries, these are critical factors in the success of a project. These competencies will usually be found in government, NGOs and community based organisations. MSPs provide an effective framework that enables companies to work with these 'non-traditional' partners and tap into their competencies to meet business and development challenges in a way that adds value for each partner.

Professionals who are unfamiliar with MSPs will see some similarities with 'project partnering' as developed in the construction industry.[2] Both approaches share the desire to reduce adversarial behaviour between partners, minimise cost overruns and delays and avoid duplicating roles. But MSPs are distinctive in that they usually include partners drawn from civil society, that they focus explicitly on core competencies and because they are usually applied in situations where there are developmental challenges associated with the business operations.

## CASE STUDY: KONKOLA COPPER MINE, ZAMBIA

The World Bank's Business Partners for Development programme produced practical examples of such three-way cooperation.

> This case-study examines the partnership approach that has underpinned the efforts of Konkola Copper Mines plc (KCM) to (a) develop local businesses and contribute to poverty alleviation in the short-term, and (b) diversify the economy of the Zambian Copperbelt in the longer-term. Zambia, in common with many countries, has privatised its mining industry in an effort to revitalise loss-making mines that were threatened with closure. The privatisation process has been accompanied by a significant downsizing of the labour force as older mines have been worked-out and due to the need to restore the international competitiveness of the remaining mines. Local business development is seen as critical to reducing the effects of retrenchments on the Copperbelt. The privatisation process has been complicated by the historical role of the state-owned mining industry as the dominant development agent, providing virtually all social services to the communities in which it sourced its labour. With the significant economic and other challenges faced by the newly-privatised industry, it has become clear that the industry is not in a position to alleviate poverty or diversify the local economy on its own and needs to work in partnership with government and civil society to achieve these aims.
>
> The approach adopted by KCM involved a detailed stakeholder mapping exercise to identify potential partners, their underlying interests, their core competencies and their willingness to enter into partnership projects relating to local business development. This

process led to four themes for local business development being identified, namely the establishment of a venture capital facility for small and medium sized enterprises (SMEs), the mapping of SME facilitation and capacity building services, the preparation of a feasibility study to look at the constraints and opportunities for micro-enterprise development in the agricultural sector and the securing of a 'champion' within central government to further the 'enabling environment' for effective SME development. The stakeholders identified objectives for each of these themes and the possible contributions that each could make to enable these objectives to be met. These were carried through into the Social Management Plan (SMP) prepared by KCM, which, among other community development initiatives, detailed the contribution that would be made by KCM to local business development.

Since the completion of the SMP, there has been considerable uncertainty around the future of KCM. This has delayed the implementation of certain components of the SMP, in particular those relating to local business development. However, it is expected that, once implemented, the SMP will provide a significant boost to efforts to alleviate poverty and diversify the local economy, through enhancing the institutional structure for SME development.[3]

The current interest in MSPs is reflected in a growing body of literature on the subject, the establishment of new accreditation schemes and academic awards and in the many examples of action research that are becoming available on the internet. A consensus is emerging around the need for intermediary 'partnership brokers' to facilitate these complex relationships. The Overseas Development Institute and the International Business Leaders Forum have recently launched a 'Partnership Brokers Accreditation Scheme'.[4] Engineers Against Poverty (EAP) is currently pioneering the application of an MSP model of social performance/poverty reduction in the engineering services sector.

EAP's programme is based on the proposition that engineering services companies are under increasing pressure to improve their social performance. (The term 'social performance' is used here to refer to a company's impact on the social systems in which it operates. Poverty reduction can be thought of as a sub-set of a company's social performance.) This comes in part from their need to protect and enhance their own corporate brand and reputation, through, for example, effectively managing issues related to health, safety, security and operational risk management. It also comes from their clients—particularly brand sensitive private sector clients such as oil and gas companies and public sector clients backed by international development finance, which often has social performance conditionalities attached—who want to engage contractors with the capabilities, not only to meet the increasingly stringent minimum standards of behaviour, but who can also add additional value to social performance throughout the contracting process.

Forward-thinking companies are beginning to see this demand for improved social performance as a business development opportunity. They have identified an emerging role for themselves as delivery agents of social performance, a service aimed at clients willing to pay for this innovation due to their in house requirements for higher standards of social performance. EAP has been advising some of the UK's leading engineering services companies on the potential benefits of working in MSPs and positioning itself to become a broker of MSPs in the sector. One of its partners, AMEC, recently secured a major oil and gas operations and maintenance contract in part because their client was persuaded by the company's willingness to use an MSP approach to manage its social issues.

The role of an MSP broker falls broadly into three categories; partnership exploration, building and maintenance. The exploration stage is concerned with identifying the strategic objectives of the partnership and with scoping out the design parameters for the collaboration. In many cases it will also include identifying potential partners and making an assessment of the resources and competencies necessary to deliver the design parameters. Partnership building is concerned with institutionalising the relationship between partners and will usually include the formulation of a detailed partnering agreement that sets out the expectations and responsibilities of each partner and describes the institutional mechanisms that will be used to execute the partnership. The role of the broker during the maintenance stage is determined to some extent by how well the MSP is functioning. In circumstances where disputes arise or conditions determine that the design parameters need redefinition, the broker will usually provide the necessary support. There may also be routine tasks for the broker such as monitoring progress and assisting in tracking the costs and benefits of the MSP.

MSPs have the potential to contribute significantly to efforts to accelerate progress towards the MDGs, but they are not a panacea and it would be foolish to underestimate the difficulties involved in building relations across sectors and between non-traditional partners. Even with the support of a competent partnership broker, problems can result from the asymmetries of power and resources between partners, from their divergent decision making processes and even from the latent hostility that sometimes exists between partners as a result of past antagonisms. Building MSPs is difficult and time consuming and there is a danger that unrealistic expectations of their potential could undermine the current interest in the approach.

Companies considering working in MSPs need to recognise that it is necessary to invest time and resources to develop the capabilities necessary to partner successfully. MSPs are not always the best solution and they should only be considered where a strong business case exists. The potential benefits to those that take this route are already beginning to emerge. They include securing competitive advantage when bidding by helping to demonstrate the ability to meet and exceed the social performance objectives of clients, enhanced corporate brand and reputation, improved access to commercial and development finance, greater satisfaction of a range of stakeholders including shareholders, employees and the general public and a reduction in operational risks and project overruns.

Leaving the poor behind is no longer an option in our increasingly interconnected world for if left unchecked, poverty will deepen global instability and amplify the international divisions that threaten rich and poor alike. Investments through engineering skills and resources, particularly in relation to the development of key infrastructure, are fundamental to poverty reduction. MSPs seem to offer engineering companies an effective mechanism to manage the increased risks associated with working in poor countries and if they go to scale, could help

unlock the vast potential of the private sector to contribute more effectively to poverty reduction.

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