

Public-Private Partnerships for Sustainable Development:

Towards a Framework for Resource Extraction Industries



This conference was made possible in part by generous funding from the Canadian International Development Agency, as well as Rio Tinto Alcan, SNC-Lavalin and Teck Resources

Conference Report prepared by Susan Dodsworth, McGill University

Executive Summary

The marked growth of the resource extraction industry poses new opportunities and challenges for development. While natural resources have the potential to make a significant contribution to economic development, they also have the potential to spark conflicts. Private companies engaged in resource extraction face increasing pressures to devise policies for community engagement that more effectively promote local development. It is increasingly recognized that companies, and the broader development community, need to move beyond CSR as a guiding concept. Public-Private Partnerships (PPPs) for sustainable development may be one way in which this can be done.

This conference addressed the challenges and opportunities associated with the increasing use of PPPs as a model for sustainable development in the resource extraction sector. The conference, and the planning workshop which followed, focussed on 3 crucial questions:

1. What are the challenges faced in trying to establish effective medium and long-term collaborations for promoting sustainable development between extractive industries and the communities they work in?
2. Are there effective practices or models that can be identified for achieving this goal? and,
3. How can government policies and the activities of relevant non-governmental organizations facilitate such PPPs?

In addressing these questions, several key themes emerged. The first was the importance of communication and information about PPPs. The use of PPPs as a model for development projects has recently attracted substantial criticism. While the use of PPPs for development purposes is not without pitfalls, participants noted that much of the current criticism of this development model stems from a lack of information about what such projects entail and what they aim to achieve. There has been a failure to communicate effectively, most notably on the part of NGOs and government agencies who are seeking to engage in these projects.

Another recurring theme was the need to develop balanced models of co-operation which build on the strengths of the different parties without leading one to displace the other. By definition, PPPs entail an important role for the government. Without critical infrastructure or the necessary legal and regulatory frameworks, PPPs are unlikely to be successful in promoting sustainable development. This is one of the biggest challenges that they face. In many developing countries government capacity is weak. It is far too easy for resource extraction companies or NGOs to displace the state.

There are, however, some solutions to the challenges identified by this conference. Among these, participants stressed the critical importance of early community engagement. Resource extraction companies, governments and NGOs need to initiate this process as early as possible. Doing so has clear benefits, allowing potential problems to be addressed early and dramatically increasing the chances that efforts to improve local livelihoods will be successful and sustainable. This has perhaps been the most important lesson learnt so far.

The conference also suggested a number of ways in which academic institutions generally, and ISID in particular, can contribute to the successful use of PPPs as a model for sustainable development in the resource extraction sector. ISID can act as a focal point and a forum for discussions between industry, NGOs and government. It can also play a valuable role in disseminating information, helping to tackle some of the misperceptions that surround PPPs and ensuring that mistakes (and successes) are learnt from. ISID can help Canada to leverage its experience in dealing with sustainable development and minerals extraction, including by facilitating greater exchange between Canada's First Nations communities and those working in the international development context.

Thursday, March 29: Setting the Stage

Welcome

Arnold Steinberg, Chancellor, McGill University

The work of McGill's Institute for the Study of International Development (ISID) reflects two main themes; globalization and multidisciplinary approaches. Both of these are reflected in the topic of this conference. Sustainable development in the resource extraction industries is a complex area, and one in which it is difficult to find solutions that please everyone. Mineral resources are frequently a source of conflict in both developed and developing countries. As such, it is an important issue in Canada's foreign relations. While the challenges in this area are formidable, the potential rewards are great.

Philip Oxhorn, Founding Director, Institute for the Study of International Development

Development today occurs within a changing landscape. It is a landscape shaped by the emergence of the BRICS, new complexities, greater awareness of the need to increase aid effectiveness, and the increasing importance of alternative sources of development financing. In this conference, we have chosen to focus on the mineral extraction sector because it cuts across many of these issues. Our goal is to find ways of adapting to these new challenges and to map out some new architectures for development.

Franque Grimard, Associate Director, Institute for the Study of International Development

This conference addresses three key questions:

1. What are the challenges we face in trying to establish effective medium and short-term collaborations for prompting sustainable development between extractive industries and the communities they work in?
2. Are there effective practices or models that can be identified for achieving this goal?
3. How can government policies and the activities of Non-Governmental Organizations (NGOs) facilitate public-private sector partnerships?

Keynote Addresses

Stephen Kakfwi, Former Premier of Northwest Territories

In Canada, the development of mineral resources has a huge effect on indigenous communities. The historical experience of indigenous communities is an important factor that must be taken into account if public-private partnerships for sustainable development are to be successful. Indigenous communities have experienced rapid change over the last century. In many ways, they lost control of their own lives; many lost rights to their lands. Official resistance to the

recognition of indigenous land rights is a central issue shaping sustainable development of mineral resources.

Historically, mineral extraction projects have occurred with very little consultation with, or consideration of impacts on, indigenous peoples. While indigenous peoples are not opposed to all projects, they do want to be recognized as full citizens who have a right to manage their land. Resource extraction projects must accommodate the needs of indigenous communities and their plans for their futures. If this is ignored, conflict is the result. Involving indigenous communities not only reduces conflict, it can be beneficial in terms of commercial success. Indigenous communities can contribute valuable knowledge and expertise to resource extraction projects.



There is an important international element to this debate. Companies pressured to change have often threatened to withdraw investment. This makes cooperation and networking between indigenous communities in different countries essential. Indigenous communities in Canada have had important successes. They are now one of the largest land owners in the country and have accumulated experience in managing a range of natural resources. This experience is something that Canada's indigenous peoples can share with indigenous communities overseas.

Lawrence Masha, Former Minister of Home Affairs, Tanzania

The task of managing relationships between local communities and resource extraction companies is a difficult one. Local communities can see the value of resources of world markets, but often have poor understanding of the costs of their extraction. Companies are, by their nature, focussed on profits. Despite this, harmony is not impossible. Governments, which also have their own interests, have to find "win-win" solutions.

We can learn from cases of good practice. There are examples of companies that have had the foresight to invest in their relationships with local communities. They have worked out how to engage with different groups within the community, and have sought to leave legacies that will outlast the life of mining projects. Where this has taken place, communities have become supporters of mining projects. Experience so far suggests that the most critical factor in success is planning and commencing community engagement well before mines enter into operation (i.e. at the exploration stage). This may raise costs, but ultimately it makes economic sense if the costs of poor relationships with local communities are factored in. It allows problems to be addressed

early, or perhaps even avoided entirely.

Resource extraction companies need to address both the short term and long term needs of local communities. It is important to recognize that communities don't want handouts. Instead, they want to participate in wealth generation. Their most common demand is for jobs.

Ian Smillie, Author and Chair, Diamond Development Initiative

NGOs, CIDA and the Extractives; A guide for the perplexed

Public-Private Partnerships (PPPs) are not new or rare in CIDA's development assistance. In the past, many have been unsuccessful; however they offer significant potential. They must recognize that conflicts over mineral resource extraction projects are serious. As a result, we see increasing efforts to examine the relationship between mineral extraction and war, and pressure on companies to increase their transparency. In Canada, there have been attempts to strengthen government regulation of the overseas operations of Canadian mineral resource extraction projects. However, progress has been slow and has faced significant resistance. Recently, CIDA's involvement in CSR projects have attracted strong criticism, as has the decision of some NGOs to work with mining companies. This issue highlights how strongly politicized the debate has become.

We should not assume that partnerships between NGOs and private companies are necessarily bad. There are areas in which PPPs might work. However, NGOs who want to work with private companies need to follow some guidelines. This might include:

- ⤴ Think about how it will appear to the public and in the media.
- ⤴ Thoroughly check the background of the company.
- ⤴ Talk to the local community.
- ⤴ Explore the company's relationship with the government.
- ⤴ Think about how the project will affect your core goals.

Above all, human rights standards should be the starting point for PPPs and for NGOs' engagement with the minerals extraction sector.

Ally Samaje, Commissioner for Minerals, Government of Tanzania

Tanzania has become a major mining country, and attracts a substantial amount of FDI in the mining sector. The challenge of building effective PPPs for sustainable development is one among many that it faces. Most notably, the mining sector has developed as an enclave, poorly integrated with the rest of the Tanzanian economy. This has reduced the benefits which resource extraction projects generate for local communities, and for the nation as a whole. This has, in turn, led to a growing negative public perception of mining.

The Tanzanian government has taken a number of steps to address this. The most notable is the 2007 review of policy on the sector and the subsequent amendment of legislation in 2009. The changes introduced include programs designed to strengthen local engineering capacity, the establishment of the regulatory framework necessary to facilitate value-added activities, and

policy changes which require mining projects to procure a greater percentage of goods and services locally. Greater attention is now paid to compensation and resettlement of local communities. There has been a shift away from one-off financial payments to an emphasis on long-term, participatory approaches to resettlement and greater consultation with local communities.

Discussion

The discussion addressed recent Canadian attempts to increase transparency in the resource extraction sector. While some initiatives have stalled at the final legislative hurdle (Bill C-300), members of the panel noted that there have been some very important changes at the local level, at the government level, and at the consumer level. One example is the establishment of the Kimberley Process.

Participants noted that mutually beneficial relationships between companies and communities are possible, but rare. Questions were raised about the major obstacles to success and how they can be addressed. It was noted that conferences such as this one are a start. In the past, there has been a reluctance to talk about the issue. Panellists emphasized that we need to search for cases of success and learn from them. The lesson so far is that early community engagement is critical. There is also clear evidence that giving communities access to jobs and procurement contracts works. It is effective in stimulating local development and building community support for mining projects.

Participants queried whether developing countries can renegotiate development agreements with companies that have not previously been subject to stringent requirements. Panellists responded that while this is difficult, it is possible. Companies have an interest in maintaining good relationships with governments. They know that circumstances change and are aware of political realities. Tanzania has been successful in renegotiating agreements with major mining companies.

Participants raised the issue of whether soft law and voluntary best-practice guidelines are sufficient. Panellists noted that while soft law and voluntary guidelines are valuable, they cannot substitute for adequate domestic legislation.

Friday, March 30: The Experience on the Ground

The State of the Art I: Successful Private Sector Strategies for Community Engagement

Moderator and discussant: Milla Craig, Principal of Millani Perspectives and President of the Finance and Sustainability Initiative

Milla Craig, Principal of Millani Perspectives and President of the Finance and Sustainability Initiative

Sustainable Investment

Sustainable investment involves identifying environmental, social and governance risks and opportunities. It recognizes that while the interests of shareholders are important, companies have a range of other stakeholders. Companies also have important intangible assets, including their reputation and their 'social license to operate'. These assets have real value as they can, for example, affect a company's access to credit. Corporate research is also increasing the availability of information on corporate policies and practice. Investors are demanding more information about the business practices of the companies in which they invest. This context informs PPPs for sustainable development.

Susan Stocker, Manager, Sustainability and Community Investment, Teck Resources Limited

Teck's Approach to Sustainability

Communities provide the foundation of Teck's work in sustainability. The company's approach is governed by two guiding questions:

1. Does this make us a better company?
2. Does this make the world a better place?

One important aspect of the company's approach is that it is published publicly, together with regular reporting on its implementation. Other important aspects of Teck's approach to sustainability include:

- ⤴ The appointment of 'executive champions' for each key focus area.
- ⤴ Clear identification of both short term (2015) and long term (2030) goals. Short term goals are designed to lead in to long term ones, with progress towards both being measured against clear indicators.
- ⤴ The establishment of communities of practice in each of the key focus areas. This facilitates learning within Teck.
- ⤴ Embedding sustainability within decision making processes and management systems. This includes integration into performance management systems.
- ⤴ Community investment in a strategic, not simply philanthropic, manner.

Etienne Lamy, Rio Tinto Alcan

Toward New PPPs for Sustainable Development in Resource Extraction Industries: A Private Sector Perspective

Rio Tinto Alcan places its focus on the concept of "social license to operate." This is distinct from the company's legal license to operate, which is generally negotiated with the government. The social license to operate is more fluid. It is something that must be earned and sustained through robust community engagement practices. Rio Tinto Alcan views it as one of its most valuable intangible assets.

A central component of Rio Tinto Alcan's approach to sustainable development is the negotiation of participation agreements with communities. This recognizes that investment in community relations is ultimately beneficial for the company, helping to build community support for projects. Experience so far indicates that community expectations centre on livelihoods; employment opportunities are the primary concern, but the environmental impact is also very important. Rio Tinto Alcan's experience also demonstrates that companies need strong internal mechanisms to support community engagement. Key components of this include publicly available standards and mechanisms of assurance.

Valerie Pascale, Manager, Corporate Social Responsibility, Gold Corp

The challenges to effective PPPs for sustainable development are many and varied. They include:

- ⤴ Community misconceptions about how mining works, how it is regulated and what will occur at different stages. Mining is complex and technical, something that often makes discussion difficult.
- ⤴ History, which has left a legacy of lack of trust, and high community expectations. It is important that companies avoid making promises that cannot be guaranteed.
- ⤴ Different priorities and interests within communities. There may be competing visions of a community's future.
- ⤴ In-country governance, which is often poor. It can be tempting for companies to simply replace government, but such an approach is not sustainable.
- ⤴ Getting everyone to the table. It is not easy to include all groups, particularly those which have traditionally been marginalized (for example, women).
- ⤴ Different understandings of what sustainable development means.

There are some effective practices and models out there. Experience so far suggests that the following are crucial for success:

- ⤴ Starting community engagement as early as possible.
- ⤴ Maintaining a clear point of contact for communities to reach the company.
- ⤴ Explaining the technical aspects of the project in creative, flexible ways.
- ⤴ Adapting plans and strategies to local contexts and to different stakeholder groups.
- ⤴ Establishing a strong grievance mechanism for responding to concerns and complaints from the community.
- ⤴ Ensuring that community development plans are community-driven and long-term.

Jean-Francois Gascon, SNC-Lavalin

Creating Shared Value: Corporate Case Study in Developing Countries

SNC-Lavalin uses an approach called "Creating Shared Value," (CSV) which is distinct from corporate social responsibility. CSV means adopting policies and operating practices that enhance the competitiveness of the company while simultaneously advancing the economic and social conditions for the communities in which it operates. It is not simply about maintaining good will or reputation. It emphasizes convergence of economic and societal benefits. It reflects the company's interests and is not driven solely by philanthropy.

The Local Resource Development Initiative is one of the most important ways in which SNC-Lavalin implements CSV. It is a proprietary methodology that includes set of policies and best practices that have been developed from experience. It aims to create shared value with local labour, local companies and local farmers. This can, for example, mean breaking up big contracts into smaller components for which local companies have the capacity to tender.



Discussion

Participants noted that the closure stage of projects needs to be planned as early as possible, with community engagement continuing past the point of mine closure. Strategies for diversifying the local economy should be put in place well before closure.

Discussion raised the issue of how archeological and cultural material is protected and managed. Participants emphasized that there needs to be procedures in place for dealing with unexpected finds. These are often subject to government regulations.

Participants raised the question of whether communities should also be involved in the process of obtaining a legal license to operate. Panellists noted that there is scope for this, but that it often depends on the context. Obtaining a legal license can be affected by the social license, so the two processes are not absolutely separate.

Participants expressed concern that there may be a disconnect between policy and practice. There are many examples of mistakes and bad practice. Panellists responded that it is impossible to achieve 100 percent compliance with policies. When mistakes are made, it is important to look at how companies respond: do they enter into dialogue or to they refuse to engage with communities? We should also examine whether or not companies learn from their mistakes: this

is a good indicator of whether their commitment to sustainable development is genuine.

When Capitalism Meets Tradition: Resource Extraction and Indigenous Communities

Moderator and discussant: Philip Oxhorn, Founding Director, Institute for the Study of International Development

Chief Willie Littlechild, UN Expert Mechanism of the Rights of Indigenous Peoples

There are widely held expectations that resource extraction will be an increasing source of conflict between indigenous communities, governments and resource extraction companies, but this does not necessarily need to be the case. The UN Declaration on the Rights of Indigenous Peoples has an important role to play in guiding community engagement.

Other international documents also provide guidance and standards for engagement with local communities.

A fundamental question, which is often overlooked, is the question of who owns natural resources. In some states the rights of indigenous peoples have been recognized in legal documents, but in others this has not taken place.



There is an important relationship between economic development and reconciliation. Private industry has an important role to play in reconciliation, but it is not clear how it can become engaged in the process. Historically, the root of conflict between indigenous communities, the state and private industry has been exclusion. Best practice models must address this problem. Engagement to support the process of obtaining free, prior and informed consent should be central. Both the private sector and the state should also recognize that indigenous peoples have interests as investors. As such, the interests of private industry and indigenous communities are not necessarily in opposition.

Natividad Gutiérrez Chong, Universidad Nacional Autónoma de México

Ethnic conflict and natural resources

Indigenous communities make up a significant portion of the population in Mexico and other countries of Latin America. Ethnic conflicts therefore have significant potential to affect the sustainable development of natural resources. One current research project involves the

construction of a database of ethnic conflicts in Latin America. These conflicts are rarely secessionist, but are rather fights to be included in the state. They have their roots in economic and social exclusion.

Failure to engage with indigenous communities has serious consequences, including the potential use of violence. Yet consultation processes have often been very limited. The quality of consultation has also been undermined by the fact that indigenous communities often have limited access to information. This is an area that needs to be improved and in which guidance is provided by a number of international frameworks.

Chief Tony James, Guyana

Guyana's history demonstrates indigenous peoples' common experience of dispossession. Only a fraction of the indigenous people's claims to land have been recognized by the government. Mining concessions have generally been granted without any consultation, and frequently overlap with areas to which indigenous communities have title to land. This has eroded indigenous communities' control of lands to which they have title. Part of the reason for this is that while Guyana's laws require consent from indigenous communities on small and medium scale mining projects, their consent is not required on large projects.

Indigenous communities have serious concerns about the impact of some projects. Projects often place strain on weak infrastructure essential to community livelihoods or divert water courses without considering the impact on communities. As government regulation is weak, projects are rarely required to clean up sites or take remedial action. Mining projects have had very significant social impacts, exacerbating some old problems and creating new ones. As access to land has become restricted, traditional ways of living have become difficult to maintain.

An important first step for indigenous peoples has been conducting their own mapping of territory and preparing land use management plans. These provide a basis for negotiation with government agencies and companies, and allow indigenous communities to clearly identify and articulate how mining projects will impact on them.

Discussion

Participants raised the question of whether indigenous communities want to become closer to industry, closer to states, or find a third way. Panellists responded that it depends who they are fighting; sometimes it is the government, sometimes it is industry. It was noted that companies can be very valuable allies in political disputes.

Participants expressed concern that consultation may not be meaningful when there is a large power differential between indigenous communities and the private sector and/or government. Panellists responded that it is ultimately a question of finding ways for the community to benefit, rather than simply opposing all projects. This requires that indigenous communities are part of the decision making process.

Discussion touched on current steps being taken in Canada to address issues of corruption in the

resource extraction sector. Some participants suggest that there should be greater monitoring of Canada's compliance with international treaty obligations. It was also noted that the community engagement strategies must take into account the potential for corruption. Some of the economic benefits offered by companies can be perceived as bribery, particularly when benefits are not evenly distributed among the community, or when there are different opinions in the community about whether or not projects should proceed. Discussion noted the potential for conflict within communities, though some panellists noted that the extent of this is often overstated.

Participants discussed the meaning of free, prior and informed consent. Discussion considered whether it must allow for the possibility of communities saying 'no' to projects. If the right is to be meaningful it must be possible to say no. However, panellists suggested that the right should not be understood as a veto power. Rather, it should be seen as creating an opportunity for indigenous communities and the private sector to work together.

The State of the Art II: Successful Community Strategies for Engaging with Resource Extraction Companies

Moderator and discussant: Wayne Dunn, Wayne Dunn and Associates

Wayne Dunn, Wayne Dunn and Associates

One of the biggest challenges that PPPs for sustainable development face is the capacity of the different parties to engage. Another challenge can be the absence of frameworks for engagement. Both of these issues are addressed by the members of this panel.

Jerry Asp, Consultant

The Experience of the Tahltan Nation

The Tahltan Nation has invested in building its capacity to engage with government and the private sector. It has developed its own policy on resource development, which clearly sets out principles for engaging with resource development. This provides an agenda for negotiation and clear parameters for community negotiators. The community also established a Heritage Resource Environmental Assessment Team. This team ensures that the community has capacity to participate in working groups, ensuring that it is represented at all stages of environmental assessments. It also conducts research, training, consultation, policy development and holds meetings to disseminate information throughout the community.

Capacity building is not an issue only for indigenous communities. Companies need to build their capacity to engage with communities, including through cross-cultural training. From the communities' perspective there are challenges in engaging with junior exploration companies, who have less experience and often lack the policies and mechanisms that have been put in place by major companies.

Chris Eaton, Executive Director, World University Services of Canada

Recent partnerships between Canadian NGOs and the resource extraction sector have attracted substantial criticism. However, much of that criticism is based on a lack of knowledge about the nature of those projects. World University Services Canada (WUSC) will be undertaking a project in Ghana, partnering with CIDA and Rio Tinto Alcan. It is important to note that this is a WUSC project, not a CIDA or Rio Tinto Alcan project, and will be conducted with and through local government. It is



also important to recognize what this project is *not* doing - most notably, mine-site CSR. Mine-site CSR is the company's own responsibility and it should not be funded by public money. The WUSC project goes beyond the scope of CSR, addressing much broader issues and providing benefits beyond the mine area.

WUSC's experiences in community engagement suggest some important lessons. This includes the importance of transparency about the distribution and management of mining revenues and the need for regular, national level forums that bring together all stakeholders.

John Mason, Chief Executive Office, Nature Conservation Research Centre, Ghana

Resources have been an important source of conflict in Africa. This trend is likely to continue as regional governments and local communities have become more assertive in relation to resource rights. This change is in part driven by the spread of democracy and increasing access to information. However, there is still a huge disconnect between who makes decisions, who bears the cost, and who receives the benefits.

Solutions to the problem of sustainable development need to move beyond CSR. CSR tends to be paternalistic and so is not adequate for building and maintaining a social license to operate. An important challenge for the future is ensuring that local communities are represented in decision making, including at the board level and through equity stakes in companies. One positive development is that new project developers are already experimenting with novel ways of including local communities. This reflects the fact that governments are generally not innovators: most new ideas are coming from civil society and private companies.

Canada has developed significant expertise in capacity building in indigenous communities. This expertise should be exported. There should be much greater exchange between indigenous communities in Canada and local communities in Africa.

Discussion

Discussion raised the issue of the role of government, with different perspectives being offered by participants. While some noted that government has an essential role to play, it was also noted that governments do not tend to be innovators or creative thinkers. However, there are exceptions. In some countries (most notably Botswana and Rwanda) governments have been quite creative in finding ways of retaining benefits within the country and channelling them back to communities.

Discussion also raised the issue of the 'resource curse' and the question of what kind of economic development governments and NGOs are aiming to promote. There was a general consensus that the development community must develop strategies for avoiding enclave development and continued over-reliance on resource revenues.

Questions were also raised regarding the importance of protecting traditional ways of life while also allowing for development. Members of the panel noted that traditional lifestyles and economic development are not necessarily in opposition. Maintaining traditional lifestyles should not be equated with continuing to make a living off the land. Traditional lifestyles and economic development can coexist if development takes place in the right ways, particularly in ways that protect the environment.

Laws, Institutions and the Challenges of Good Governance

Moderator and discussant: Manuel Balán, Institute for the Study of International Development

Paul Masanja, Chief Executive Officer, Tanzania Minerals Audit Agency

Laws, Institutions and the Challenges of Good Governance in Tanzania

Tanzania has significant mineral resource wealth but it has taken time to build the regulatory capacity needed to make the most of this wealth. There is now a large body of legislation governing the mineral extraction sector, much of which is the result of a 2007 review. There are also a number of different government agencies with responsibility for providing oversight of the extraction sector. While the quality of governance in Tanzania is above average for Africa, there is still room for improvement.

Tanzania faces a number of challenges to the sustainable development of its mineral resources. One of the most important is community dissatisfaction and an expectation gap. Communities have very high expectations for mining projects and these can not always be met. Communities also often perceive a huge gap between the revenue generated by mines and the amounts re-invested in communities. They are often unaware of how much revenue is consumed by overheads, taxes and interest on loans. Another challenge is the problem of inadequate linkages between the minerals sector and other sectors of the economy. This limits the contribution of the sector to Tanzania's economic development.

Kernaghan Webb, Board Member, Transparency International - Canada

Anti-Corruption, CSR and the Law in Resource Extraction; Making the Connections

There has been a lot of debate about what CSR means. International standards, in the form of ISO 26000, provide a definition. One important component of this definition is transparency about decision-making. This is important when it comes to addressing corruption. It also includes compliance with national laws and international standards. CSR is not the whole answer to sustainable development. Rather, it is the contribution of business to sustainable development, and part of the contribution of governments and civil society.

Corruption can be a significant challenge to CSR. The minerals sector requires a lot of licenses and approvals, creating scope for corruption. No single actor or process will be sufficient to address this problem. While co-operation and collaboration between stakeholders is important, competition is also vital. It provides an important check. Without some competition and opposition there will not be effective oversight of the resource extraction sector.

Riccardo Rossi-Ricci, President, Society for International Development, Ottawa-Gatineau Chapter

Two fundamental points must be noted about the mineral extraction sector. First, companies are private and will pursue profits. Second, there continues to be debate about ownership of, and rights of access to, natural resources, including basic resources like water and air. Ultimately responsibility for meeting basic social needs lies with public institutions. We must be realistic about what CSR is and what it can achieve. In terms of PPPs, we must recognize that teamwork requires clearly defined responsibilities. Different actors have different roles to play; they cannot replace each other. Companies are best at extracting resources profitably, not at providing infrastructure and social services.



We should also pay more attention to the role of parliaments in the developing world. They are the source of legislation that shapes the industry. Yet we often find that parliaments are under-informed and that executives tend to take on a dominant role in making decisions about resource extraction. Foreign governments should do more to support capacity building of legislatures in developing countries.

Discussion

Discussion noted that a common theme has been an emphasis on the state. Questions were raised

about possible alternative forms of governance. Panellists suggested that consent should take a central role as it is the most powerful and most effective form of governance.

Participants queried how conflict between different norms and statements on CSR should be managed. Panellists noted that we are beginning to see greater coherence and convergence around a single set of norms. However, the lack of clarity has created significant concern among the development community. This is why ISO26000 is so important.¹

Discussion noted discontent in local communities in Tanzania. Participants questioned whether this is really due to ignorance about the resource extraction sector, or the result of poor consultation, or the fact that private-sector investment in infrastructure has often been self-interested rather than philanthropic. Panellists responded that such discontent ultimately stems from poor consultation and poor communication with communities.

Participants queried whether the Government of Canada has made any response to the OECD's report on Canada's management of corruption in the minerals extraction sector. Panellists noted that there has been a notable increase in the enforcement of existing laws. There is likely to be an official response at the next OECD meeting, though this cannot be guaranteed.

¹ According to the International Organization for Standardization, "The International Standard ISO 26000:2010, Guidance on social responsibility, provides harmonized, globally relevant guidance for private and public sector organizations of all types based on international consensus among expert representatives of the main stakeholder groups, and so encourage the implementation of best practice in social responsibility worldwide" (http://www.iso.org/iso/iso_catalogue/management_and_leadership_standards/social_responsibility/sr_iso26000_overview.htm, accessed 05/12/12).

Saturday, March 31: Planning Workshop

The planning workshop addressed 5 key questions. A summary of the discussion around each of these questions is provided below. Generally, the planning workshop emphasized the following key themes:

- ⤴ The critical importance of early community engagement.
- ⤴ Recognition that the great potential which PPPs offer for promoting sustainable development comes with a number of possible pitfalls.
- ⤴ The need to develop a balanced model of co-operation, which builds on the strengths of the different parties without leading one to replace or displace the other.
- ⤴ The important role that academic institutions, such as ISID, can play in supporting the exchange of experience and research, as well as driving debates forward.

Question 1: A key impediment to more effective PPPs for sustainable development is the existence of a variety of misperceptions at the level of recipient countries, the international level and within Canada. What is the source of these misperceptions and how might they be addressed?

Participants noted that an important source of misperceptions is a lack of certainty about the role of different actors in PPPs, particularly NGOs. While the move away from automatic oppositional relationships between the private sector and NGOs is a positive development, there are legitimate concerns about the implications of NGOs working more closely with the extractive sector. It is important that NGOs continue to provide criticism and to demand accountability. There is a fear that closer relationships with the industry will lead NGOs to lose their voice, but engagement can also make their voice more effective.

Bad communication about the nature and goals of PPPs also creates misperceptions. Bad communication creates fear: it means that local communities feel locked out and unrepresented. The solution to this is transparency and consultation, as well as the participation of said communities. Participants noted that engagement needs to involve the whole community, not simply a handful of community leaders. Technology can support transparency and community engagement by increasing access to information.

One important misperception is the assumption that the extractive industry will not listen and is not interested in learning. Participants noted that this is not the case: many companies have realized that they need to change and learn if they are to maintain their social license to operate. However, there is clearly a spectrum of corporate behaviour. Some companies have adopted good practices, but some have not. This raises serious issues for PPPs. If NGOs only engage with those companies that have already adopted best practice, their impact may be limited.

A lack of readily available information about different actors compounds many misperceptions. Participants noted that it may be useful to develop a database or register of mining companies that provides information on their respective track records. It was noted that this might be an initiative in which ISID could take a leading role.

Question 2: In addition to misperceptions, a variety of other impediments exist at various levels. What are these and how might they be addressed?

One impediment to effective PPPs is structural poverty and historical exclusion of indigenous peoples. The legacies of the past have led to a lack of trust and a lack of capacity. This continues to shape communities' relationships with the government and with the extractive sector. Lack of consultation is a chronic problem. One way in which this might be addressed is by investing more time and resources in learning about communities. Companies need to know whom they are engaging with if engagement is to be effective.

Another impediment to effective PPPs is the assumption that NGOs and local communities always have the same agenda. This is not always the case. There can be tensions between environmental agendas and the opportunities for economic development of local communities. There are also misunderstandings about what protecting traditions and culture means. For this to be addressed, NGOs must be more considerate of how their own agendas might diverge from those of local communities. They must also be honest and transparent about how their projects or agendas will impact on communities.

Perhaps one of the biggest potential challenges to establishing effective PPPs for sustainable development is the increasing importance of Chinese companies in the extractive sector. Chinese companies often represent a very different approach, and, in some cases, one that has often had very negative impacts in local communities. Engagement with these companies is a big challenge for NGOs.

Another challenge is that the role of local communities is changing. They want to be partners in, and in some cases owners of, resource extraction projects. In the future we are likely to see indigenous mining companies developing their own resource extraction projects. NGOs will need to adapt to this change.

Participants also suggested that governments need to think more carefully about which government agencies are engaged with PPPs. Donor agencies may not be the only relevant agencies, and in some cases they may not be the most appropriate ones to engage in PPPs. Governments also need to think more carefully about how PPPs are justified. In Canada, this has occurred largely in terms of the benefits for Canadian companies. Some participants suggested that if the goal is commercial promotion, it may be more appropriate for agencies other than CIDA to be involved.

Discussion raised the issue of goal setting, performance measurement and learning. Participants noted the need for clear standards to facilitate discussion and accountability. It was suggested that the Millennium Development Goal framework could provide a model of performance targets and indicators as a means of increasing clarity. Better learning could also be achieved through the development of manuals that translate cases of success into clear guidance, identifying steps that could be taken by others.

Question 3: It is clear that governance is a crucial aspect of effective PPPs for sustainable development, despite the prevalence of non-state actors. What are the key governance challenges and how might they be addressed?

One challenge is striking the right balance between all the actors. It can be easy for extractive companies to displace the government, or take over the role of an absent government. This should be avoided as it has significant implications for sustainability. Neither should NGOs become a substitute for the government. By definition, PPPs mean that the state has an important role.

Another governance challenge is that of engagement with local governments in addition to engagement with central governments. This requires new skill sets, including greater capacity on the part of NGOs, some of whom have less experience at this level of government.

There is also a challenge in terms of which components of governments companies and NGOs engage with. Parliaments have a central role to play in governance of the extractive sector, but in the developing world they are often poorly informed about the issue.

A final challenge is the fact that the development priorities of NGOs and mining companies may not always be consistent with the government's priorities. Governments have a broader developmental agenda; they have broader priorities within which extraction projects must fit.

Question 4: What are the key lessons learnt from successful PPPs for sustainable development?

An important lesson learned is the concept of the social license to operate. There is potential in the concept of an industry social license rather than a site-specific social license. This might help to raise the standards applied by junior companies and could provide a way of addressing the problem of engagement with companies with poor track records. It would mean that there would be pressure from within the industry, not just pressure from outside of the industry.

Another important lesson learned concerns the centrality of engagement and the importance of early engagement, tailored to suit local circumstances. Investing in building relationships with local communities pays off - it allows problems to be identified and addressed early, before they become politicized. It is also clear that what works in one community may not work elsewhere. Engagement has to be driven by the situation on the ground. Engagement must also be forward looking. It should be seen as a continuing process rather than a project.

One valuable lesson is that there are linkages between issues faced within Canada and issues faced in the international development context. There are lessons that can be learned in both directions.

Another lesson is that a base level of state capacity is a prerequisite for successful PPPs. Without this, the public side of the partnership is illusory. PPPs are far more likely to contribute to sustainable development if they take place within the context of a good legislative and regulatory framework.

Question 5: What is ISID's potential role in the advancement of PPPs for sustainable development as a development model?

Discussion suggested several ways in which the Institute for the Study of International Development can contribute to the advancement of PPPs as a model for sustainable development. It can act as a focal point and a forum for discussions. In addition to facilitating discussion between industry and NGOs and government, ISID could also facilitate discussion within the industry.

ISID could also play a valuable role in disseminating information. A number of resource extraction companies are investing in research on how they can improve their CSR projects. ISID could play a role in distributing information. It could also provide information resources to parliaments in the developing world or facilitate exchanges between those with experience within Canada (particularly First Nations communities) and those working in the international development context.

Perhaps the most important task that ISID can undertake is to help carry forward momentum. While discussions at conferences such as this one are valuable, the lessons and ideas that they bring forward need to be implemented. ISID has a role to play here. It can help to move the public debate past sensationalism by developing a clear articulation of potential benefits from PPP, the challenges associated with them, and possible solutions and ways forward.