Dialogue 4: **Measuring and evaluating the development footprint of natural resource production in Africa?**

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Key themes:

- **Defining the development "footprint" –** Determining the development "footprint" of a business requires an understanding of its impacts and sphere of influence. Mining projects are unique due to (a) the non-renewability of the resource (b) their fixed geography linked to the location of resource and (c) their finite lifespan. These unique factors require mining operations to meticulously plan, structure and monitor their contributions to development. This includes recognising direct development impacts (e.g. revenues, taxes, employment) and indirect (or multiplier type) impacts resulting from investments in enterprise development, social investment, skills and capacity building of both employees and other stakeholders. Mining operations need to plan from the outset to ensure they deliver lasting contributions to national development goals and capacity post mining and post closure. Mining operations also need to appraise and understand how they contribute to development in all parts of the value chain. This includes the promotion of local procurement and ethical supply chain management.

- **Broader definitions of impact assessment –** Impact assessment is sometimes presented as being largely about permitting and obtaining the mining licence. Some impact assessments sit on shelves and gather dust. Rather impact assessment should include a baseline, a prediction and a mitigation and management plan. The absence of proper impact assessments can lead to critical mistakes with respect to negative impacts on local communities and the generation of business and reputation risks e.g. poor assessments may neglect to identify local community claims on mining licence areas. Broader definitions of impact assessment are required to determine meaningful socio-economic baselines pre-mining. Good impact assessments should fully determine the links between different stakeholders and issues they consider to be relevant and material. Impact assessments need to be fully inclusive of affected stakeholders and take their viewpoints into consideration. This includes governments (at local, regional and national levels), local communities and civil society organisations. These stakeholders are only fully empowered to understand the results and process of impact assessment when it is done rigorously and inclusively. Impact assessments should draw on both scientific and indigenous knowledge to avoid later conflicts of interest between stakeholders. Data would ideally be used to produce quantifiable baselines that can then be reviewed, measured and monitored throughout the mining lifecycle. Learning and actions determined during impact assessment should be integrated into subsequent business processes including closure planning. Both Anglo American and De Beers have developed tools for impact assessment and plans for closure that they are in the process of rolling out.

- **Working in partnership with stakeholders –** Different stakeholders have different viewpoints. Mining companies will often need to balance these sometimes conflicting viewpoints. External stakeholders play a special role as they are best able to confirm to mining companies that they are addressing issues that are relevant and material and contributing appropriately to development. There are benefits for all if companies find ways of engaging stakeholders in multi-lateral partnerships to address development concerns and build lasting contributions together. Development issues are too complex and significant for mining companies to deal with them independently of other stakeholders e.g. government, civil society and local communities. The formalisation of partnerships with stakeholders is partly about building consensus. Whilst there may not be obvious "management systems" solutions for these partnerships, there are clear management requirements for success. These include a clear set of mutually relevant objectives and terms of reference, plus good governance as part of the partnership agreement and activities. The group identified the challenges of working where government partners for whatever reasons are weak, uninterested and corrupt. It is not always the case that business can influence governments who naturally have their own develop agenda. We discussed how best to engage governments on the basis of cooperation with regional development objectives and programmes. This topic might merit a future dialogue.

- **Consulting local communities –** Some communities have unique associations with native lands that need respecting on the basis of the values that are important to them. For example, we discussed community value systems that emphasised values like reciprocity, distribution of benefits and complementarity [of presence]. Not taking different viewpoints and approaches into account from the outset can generate mistrust and resistance. It was suggested that mining companies would ideally operate in accordance with the principles of free, prior and informed consent … at least making every effort to engage and obtain the consent of communities in advance of mining operations. Local communities may need to be empowered by mining companies to ensure they are able to participate fully in discussions that impact them, decision-making where appropriate and sustained engagement. Local communities would ideally also help co-determine what capacity building and skills development opportunities might be provided by the company i.e. they should be empowered to work together where the proposed mining activities might impact their futures. It was emphasised that completing a rigorous impact assessment is not the same as obtaining consent from stakeholders. Moreover, the process is ongoing not one-off.

- **Engaging and empowering artisanal miners –** Some artisanal mining is formalised and well structured and needs to be recognised as such. Artisanal miners however are often marginalised groups and their rights to land may not be recognised. Such miners are often looking for legitimate business opportunities – not charity. There need to be formal mining codes developed that recognise the rights of artisanal miners and facilitate their legitimate activities. Multi-nationals would ideally take a more proactive role in helping advance the licensing and land rights of artisanal miners and engaging with governments to facilitate formalisation and legalisation. This is especially poignant for mining operations in countries recovering from conflict e.g. The Democratic Republic of Congo and Angola. Whilst the formalisation of informal small scale mining is an opportunity for development, it may also create tension and conflict if handled incorrectly.

- **The role of government –** Some governments assert clear development requirements on mining companies in the mining contract process. Others rely on progressive and well enforced legislation and development strategies e.g. the black economic empowerment criteria in South Africa. Where governments are weak both financially and from a capacity perspective, other stakeholder (such as business and civil society) have an increased responsibility to be proactive in delivering development benefits at both a national level and for local communities. How does business balance national government goals and local community needs? Sometimes governments don't fully understand or recognise the nuances of local issues, or elect to neglect these issues in favour of national development priorities e.g. collecting revenues and taxes. There are also party political implications which may impact government approaches. Participants felt business should mediate the interest of their local communities with local and national governments. Participants also advocated enhanced revenue transparency on the part of both business and governments – in line with the Extractive Industries Transparency Initiative (EITI).

- **An evolved sphere of influence and capacity building –** What are the reasonable boundaries of responsibility for a business at different moments in time along its value chain? Multi-nationals have a responsibility to educate and build the capacity of governments especially when operating in countries with weak regulatory structures. Many businesses also need to develop their own technical skills and capacities – especially with respect to managing non-financial risks and being a responsible corporate "citizen". These non-financial issues should be clearly integrated and recognised as completely fundamental to mainstream business processes i.e. they should not be positioned as just an "add on" or "educating space" within the business. It was however argued by some that education within the business on these issues is still crucial.

- **The legitimacy of civil society –** Civil society plays a critical and legitimate role as part of the democratic process. Part of the role of civil society is to raise awareness about issues (e.g. respect for non-discrimination, plight of artisanal miners etc.) where they are insufficiently addressed by government. Sometimes civil society is weak. In such instances business would ideally help build the capacity of civil society organisations e.g. some suggested by enabling them to understand what to do with information relating to taxes and revenues (EITI) and how it makes business and government stakeholders more accountable. The relationship between non-governmental organisations (NGOs) and governments was felt to be blurred and variable in some resource rich emerging economies. Some NGOs were perceived as being de facto "opposition parties" to government. Other international NGOs were identified as often being the partner of governments as they are implementers of development programmes and priorities. Local community based NGOs in particular were seen as struggling to engage effectively with governments. "But just because NGOs are local doesn't mean they have legitimacy". Some local NGOs represent their own interests. Good impact assessments were seen as being critical to identifying legitimate NGOs that are representative of community concerns and take account of traditional (indigenous) forms of knowledge and governance.

- **The importance of good governance –** Investors are unable to do on-the-ground auditing. They expect companies to be managing non-financial risks and responsibilities proficiently as part of their core business. Investors look primarily to understand the financial and "governance" structures of a business i.e. that intelligent, representative decision-makers are involved etc. Good governance structures and processes are critical to providing a "sense of security about whether things are being run properly". For a company to be successful in the long term it needs to take account of what its stakeholders are saying. Whilst the market doesn't necessarily reward good performance, it certainly penalises bad performance.

Conclusions:

How a mining company is able to contribute to development is dependent primarily on the economic viability of the deposit. International and national development goals and strategies provide a framework for understanding expected development contributions, but there is no single rule book for companies to implement. Business should find a balance between how it meets development objectives through employment and how it contributes to local communities and local and national government goals. Mining projects have a finite lifespan and stakeholders need to be engaged in jointly determining how mining companies contribute to development. Stakeholders should also be involved in appraising the medium and longer term contribution of businesses to local and national development goals. Recognising cultural differences, responding to different needs and completing rigorous and quantifiable baseline assessments is a critical foundation of this appraisal process. The need to build capacity in governments and civil society and empower people to seize economic opportunities was seen as fundamental to ensuring sustainable contributions to development. "It's not about whether mining per se is sustainable. It's more about whether the impact of mining on development is lasting and creates a positive legacy". Mining should lead to sustainable futures and lasting competencies in host countries by leaving people with the skills and ability to earn alternative livelihoods post mining. Integrity and transparency are a key part of that process.

Next steps:

- To provide feedback. Please send revisions to this note to: alyson.warhurst@maplecroft.net by Friday 25 January.
- To ensure the final version of this report will be uploaded to our shared websites at http://share.maplecroft.com/Diamond_Dialogue, http://www.business-humanrights.org/Documents/DiamondDialogue. Other stakeholders interested in hosting these reports are invited to contact Alyson Warhurst as above.
- To ensure insight and questions from the Diamond Dialogues are addressed in the Report to Stakeholder 2007.
- To explore the feasibility of Diamond Dialogues at a national level and the involvement of mining managers.
- To continue the Diamond Dialogues in 2008. A programme of work is in development and we value your opinion and suggested topics for discussion. The topics likely to be covered by request from participants include: combating corruption, artisanal diamond mining, engagement with governments, environment (energy, climate and water).