The Mining Association of Canada | L'association minière du Canada

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THE MINING ASSOCIATION OF CANADA

The Mining Association of Canada is the national organization of the Canadian mining industry. It comprises companies engaged in mineral exploration, mining, smelting, refining and semi-fabrication. Member companies account for the majority of Canada's output of minerals and metals, and include companies mining base and precious metals, diamonds, oil sands, uranium and metallurgical coal.

MAC's mission is to contribute to building a strong sustainable and internationally competitive Canadian mining, minerals and metals industry with broad national support and to promote sound corporate and public policy. An important means to do so is Towards Sustainable Mining (TSM), an initiative that has earned MAC the Globe Award for Environmental Performance and that has been evaluated by both Five Winds and Canadian Business for Social Responsibility as "best-in-class" across all major sectors and internationally.

Participation in TSM is a condition of MAC membership for Canadian operations and is being applied to international operations by several MAC members, including Teck, Inmet and IAMGOLD. Our members subscribe to a set of guiding principles backed by specific performance indicators that member companies report on annually. TSM performance assessments take place at the facility level, with the results externally verified every three years. TSM includes ongoing consultation with our multi-stakeholder Community of Interest Advisory Panel, which fosters dialogue between our members and civil society and helps hold our members accountable for their actions and performance. This mandate of this panel is currently being expanded to address international CSR issues.

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CANADA'S MINING INDUSTRY

Economic Contribution of the Industry

Canada's mining industry is a major contributor to Canadian prosperity - contributing $35 billion to GDP in 2010 and, based on Natural Resources Canada definitions, employing 308,000 workers in mineral extraction, processing and manufacturing. As well, there are over 3,200 companies who provide inputs to the industry, ranging from engineering services to drilling equipment – the world's second largest mining supply sector. The industry paid $8.4 billion in taxes and royalties to Canadian governments in 2010. Post-recession, the industry's trade levels have increased, with exports growing by 27% during 2010, to the point where mineral commodities presently account for 21% of total Canadian goods exports.

After seven years of strong performance from 2000 to 2007, a global recession took hold in late-2008. Mineral prices fell in most commodities, operations in some mines and smelters were scaled back and mineral exploration spending curtailed. However, metal prices began to recover early in 2009 and the sector quickly rebounded, ensuring that Canada's economic performance was among the strongest in the OECD. Since the crisis, new mining projects have come into production, existing mines have undergone or are undergoing expansions while other new projects are again advancing through regulatory approvals. In examining growth projections in China, India and elsewhere, and assuming a positive and efficient Canadian investment environment, it is evident that strong economic prospects face the Canadian mining sector over the coming decades. Currently, MAC has estimated that new mining investment over the next five years alone could total almost $140 billion, benefitting every region of the country.

Canada's Direct Investment Abroad

In addition to the prospects of significant domestic mining investment, Canada's mining industry will continue to pursue expanding opportunities abroad. Historically, Canada's mining industry has had a wide global investment reach that has, until recently, exceeded inward investment into Canada. Today, mining accounts for $58 billion or 9.4% of Canada's Direct Investment Abroad (CDIA), while the total value of Canadian mining assets abroad (CMAA) are valued at over $109 billion. Two-thirds of CMAA are in the Western Hemisphere, just under 50 percent of which is in just three countries: Mexico, Chile and the United States. The Conference Board of Canada, in a 2011 report, has shown how CDIA "translates into overall long term benefits for Canada and its regions," by improving productivity, jobs, trade, investment, tax revenues and worker skill levels, noting Canada's mining sector as a leader in this regard. (*Direct Investment*

Abroad: A Strategic Tool for Canada," Danielle Goldfarb, Conference Board of Canada, 2011).

Canada is home to the second-most "top 100" mining companies in the world, according to Natural Resources Canada, with 16 companies second only to China's 18. In recent years China has turned to Africa as a supplier of raw materials and, according to the African Development Bank, Chinese companies dominate deal making in Africa, accounting for 40 percent of corporate contracts signed in 2010. To this end, MAC fully supports Canada's CSR Strategy, *Building the Canadian Advantage: A Corporate Social Responsibility strategy for the Canadian International Extractive Sector*, as a means of differentiating Canadian extractive companies to provide a competitive advantage.

PRIVATE SECTOR INVOLVEMENT IN INTERNATIONAL AID AND DEVELOPMENT

Mining Association of Canada's Involvement in International CSR Issues

Historically, MAC's mandate has focused on issues affecting the domestic production of minerals within Canada. Issues of interest to MAC have typically included environmental, taxation, transportation and northern development with our only international focus being those issues related to trade. Beginning with the National Round Tables on Corporate Social Responsibility and the Canadian Extractive Sector in Developing Countries (the Round Tables), MAC's engagement on international corporate social responsibility has been steadily increasing. Our level of engagement on these issues was further increased by the debates over Bill C-300. Over the past year, MAC has been working to increase our internal capacity and in March, 2011 formed an International Social Responsibility Committee (ISR).

The mandate of the ISR Committee is to review international issues that affect the financial, commercial and reputational interests of our members and to develop policy positions. Over the last year the ISR Committee has commissioned a series of research projects, the first of which was recently released publicly (www.mining.ca). This first report, prepared by On Common Ground, a consulting firm, examined the current state of implementation of the 27 recommendations of the Round Tables Advisory Group. This report found that 18 of the 27 recommendations have been fully or partially implemented, including the following:

- The Government of Canada has become a participant country in the Voluntary Principles on Security and Human Rights and has joined the Extractive Industries Transparency Initiative.

- CIDA has supported a number of new initiatives to help build capacity in Host Countries, including support for the Andean Regional Initiative for Promoting Effective Corporate Social Responsibility.

- Export Development Canada became a signatory of the Equator Principles and applies the IFC Performance Standards and World Bank Environmental, Health and Safety Guidelines in its lending practices.

- The RCMP has established anti-corruption units in Ottawa and Calgary and launched investigations and prosecutions under Canada's *Corruption of Foreign Public Officials Act.*

Other areas of current research by MAC's ISR Committee include: documenting the current state of the art with respect to transparency of payments to government; examining accountability regimes in countries where Canadian mining companies operate; and an analysis of the nature and degree of implementation of the principle of Free, Prior and Informed Consent. MAC intends to publish all reports when completed for the benefit of the broader community engaged on these issues.

CIDA's mandate for International Aid

CIDA's $6.7 million investment in three pilot projects involving development NGOs and three Canadian mining companies has stirred considerable debate in Ottawa circles in recent months. While definitely a new approach for Canadian international aid, it is by no means new in the developed world and holds the promises of significantly improving Canada's aid outcomes.

As Alanna Rondi, Executive Director of the Devonshire Initiative, said in a recent article in *Embassy,* "collaboration is a powerful force for positive change". CIDA's new mandate, as spelled out in Government of Canada's *Building the Canadian Advantage: a Corporate Social Responsibility Strategy for the Canadian International Extractive Sector* is completely consistent with this idea. Long term, sustainable growth and prosperity are driven by the private sector, and forward-thinkers in the development aid policy field are recognizing that the effectiveness of government aid can be enhanced when aligned with private sector investment.

In fact, CIDA is following the lead of several countries including the US and Britain. Rajiv Shah, appointed Administrator of USAID by President Barrack Obama, advocates "forming new, high-impact public-private partnerships -- working and investing together to build new markets, unlock opportunity and improve global economic potential."[1] Shah is clear that he's "not talking about forming partnerships for partnership's sake or photo opportunities … [or] even talking about Corporate Social Responsibility or charity work." He's "talking about helping support the work of markets that can deliver profits and create jobs *and* deliver economic opportunity for women, minorities and the poor." In other words, aid plus business investment equals empowered, educated communities. And many progressive NGOs recognize this.

At a recent speech in October, 2010 at the London School of Economics, Andrew Mitchell, Britain's International Development Secretary, spoke enthusiastically about the role of the private sector in international development aid. He referred to that fact that "it is wealth creation, jobs and livelihoods above all which will help poor people to lift themselves out of poverty. Aid is a means to an end, not an end in itself".[2]

Mr. Mitchell points out that "the power of economic growth, and the importance of the path taken, is incontrovertible. Compare South Korea and Zambia. In 1960 South Korea had a GDP per capita only twice that of Zambia. By 2009 as a direct result of their different growth paths and policies, South Korea's per capita income was nearly 40 times higher than Zambia's, while the rate of children dying before their fifth birthday was 5 per thousand compared to Zambia's 141. And look at China where, during the period of nearly 10 per cent growth per annum between 1990 and 2005, 475 million people were lifted out of poverty." It is clear from these examples that economic growth is the most significant tool in the fight against poverty and it is only through working with the private sector that long term sustainable economic growth can be realized.

Andrew Mitchell's remarks at the London School of Economics came on the heels of an important UN Summit on the Millennium Development Goals. One of the key outcomes of the Summit was a global action plan and commitment by a number of Heads of State and Governments from developed and developing countries, the private sector, foundations, international organizations, civil society and research organizations, to commit over $40 billion in resources over five years to accelerate progress on women's and children's health.

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[1] Shah, R. (2012) Speech at Opportunity: Africa Conference. 20 January 2012. http://www.usaid.gov/press/releases/2012/ps120118.html

[2] Mitchell, A. (2010) Speech at the London School of Economics. 12 October 2010. www2.lse.ac.uk/publicEvents/pdf/20101012_AndrewMitchell.pdf

CIDA's partnerships

One of the key recommendations of the Round Tables Advisory Group Report called for Canada to support "multi-stakeholder development partnerships that encourage meaningful participation for host governments, affected communities, civil society and industry in local, regional and national development processes and programs". CIDA's investment in the three projects involving partnerships with international development NGOs and mining companies are completely consistent with this recommendation and the government should be commended for its forward thinking on its approach to development aid.

All three projects aim to help communities optimize the benefits from mining sector investment in their region. In Peru, the project with Barrick Gold will help local authorities diversify their economies. In Burkina Faso, the project with IAMGOLD will help youth receive skills' training that matches labour market needs in a variety of sectors. In Ghana, the partnership with Rio Tinto Alcan will support the capacity of the local government to implement development plans and diversify the economy.
Recent criticism of the involvement of CIDA in these projects is based on an incorrect assertion that CIDA is subsidizing the private sector. This is simply not true; in no way does CIDA's investment lower the costs of extracting minerals from the ground. In fact, what these partnerships do is leverage business dollars and expand the reach of development aid. All three companies have active corporate social responsibility programs in place—these projects go beyond them, in one case supporting local community capacity-building hundreds of kilometers away; in another in a country where the company no longer operates.

According to Carlo Dade (2012), a senior fellow at the School of International Development and Global Studies of the University of Ottawa and former executive director of the Canadian Foundation for the Americas, "co-funding has never meant subsidizing; it means both sides investing money or other resources in win-win projects that benefit the public. Given the resources that the private sector brings to these projects, this is almost always a better deal for taxpayers."[3]

Increased Effectiveness and Accountability

The advantages of this partnership approach are multi-fold. By working with mining companies, development NGOs can leverage new networks of government and private sector actors that may not have previously existed. By working with NGOs, mining companies tap into skills and expertise they may not possess, and development is delivered by those that often have long-standing relationships with governments and

[3] Dade, C. (2012) *Public-Private Controversy Only in Canada.* The Embassy. 22 February 2012.. http://embassymag.ca/page/printpage/dade-02-22-2012

communities in the host countries. By investing in these partnerships, CIDA is able to hold both NGOs and industry accountable for project outcomes. The net effect is a widening and deepening of development benefits.

There are many different interests and many different perspectives on this issue, but we must remember that first and foremost, these projects are about amplifying development benefits on the ground, where it matters the most.

REBUT OF MININGWATCH SUBMISSION

In November, 2011 Catherine Coumans, Research Coordinator for MiningWatch Canada, testified before the House of Commons Foreign Affairs Committee with a focus on the CIDA funded public-private partnerships. Unfortunately, there were a number of errors and misrepresentations in Ms. Coumans' testimony that need to be corrected.

Macroeconomic Effects of Mineral Development

MiningWatch asserted that "CIDA-funded CSR projects at mine sites are a poorly articulated attempt by the Government of Canada to help mining companies appear to offset the development deficits they are creating at local and national levels". MiningWatch cites the work of Dan Haglund (2011)[4], which examines macroeconomic impacts from mining on developing countries and was done in association with the International Council on Mining and Metals (ICMM). However, MiningWatch only tells half the story from this work. The main point Haglund makes is that the potential negative impacts of extractive sector investments are avoidable and that by being aware of macroeconomic risks, governments, NGOs and the private sector can work to optimize the potentially enormous benefits of multi-billion dollar capital investments. In 2011, the ICMM introduced its Partnerships for Development Toolkit aimed at enhancing mining's economic and social contribution.

MiningWatch further misrepresents Dan Haglund's work by citing that mineral-dependent countries "are more likely to have lower economic development than other countries, including countries dependent on oil and other fuel minerals" and that the number of developing countries that depend on minerals for more than 25% of their

[4] Haglund, D. (2011) *Blessing or Curse? The Rise of Mineral Dependence Among Low-and Middle Income Countries.* Oxford Policy Management. http://www.opml.co.uk/sites/opml/files/OPM%20Blessing%20or%20curse.pdf

exports has increased from 46 to 61 countries between 1996 and 2010. While these numbers are accurately quoted from Haglund (2011:9), again only half the story is told. What MiningWatch ignored was the policy implications for countries at-risk of the so-called resource curse. Haglund finds that “there is evidence that the recent boom in mineral dependence is taking place within an environment that recognises previous policy mistakes, based on a better understanding of both benefits and costs of minerals extraction.” Haglund also finds that:

> The private sector has become more aware of the long-term challenges to investment posed by a failure to address the resource curse issues, and is more actively engaged in this agenda (though thus far limited to the mining sector). OPM’s work to develop the ICMM Mining: Partnerships for Development toolkit is one such initiative. This framework for understanding and communicating the broader economic and social impacts of mining – at the national and local levels – has now been applied in nine countries. It aims to strengthen the debate and identify opportunities for partnerships to address the economic and institutional capacity gaps faced by so many mineral-dependent countries.

The bottom line is that governments, NGOs and private industry have learned much about the risks associated with the resource curse and are better able to make sound policy decisions to help avoid the pitfalls of the past. The three NGO-mining company partnership projects that CIDA is investing in are helping address this issue.

CONCLUSION

With the rise in global commodity prices, Canada faces tremendous opportunities as a global mining leader to significantly increase domestic production and foreign direct investment abroad, both providing significant associated benefits to Canadians. It is in this context that Canada's international development aid policy has made an important shift that, in MAC's view, Minister Oda should be commended for making. With CIDA now open to partnering on NGO/private sector partnerships, the Agency is aligning itself with forward-thinking development aid approaches elsewhere in the developed world, including the US, the UK, the Netherlands and Germany, to name a few. It is an approach that will serve Canadians well by enhancing the effectiveness of government aid, helping to increase the capacity of local communities to take advantage of private sector investments, reducing poverty and creating sustainable, long term economic growth.

RECOMMENDATIONS

- MAC recommends that CIDA continue to seek partnerships with NGOs and the private sector to help build capacity within host countries to enable them to increase the benefit they receive from mineral development projects.

- MAC recommends that the Government of Canada continue to implement the *Building the Canadian Advantage: A Corporate Social Responsibility Strategy for the Canadian International Extractive Sector* to help increase governance capacity within host countries and to help improve the competitive advantage for Canadian mining companies operating internationally.