Mining companies and external stakeholders – salience and institutional analysis and design (SIAD)

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SDGs and international business

- Built on Millennium Development Goals, 17 goals to be achieved by 2030
- Launched on 1st Jan 2016

5 Ps:

- Poverty (SDG 1)
- Prosperity (SDG 10)
- Planet (SDG 7, 13)
- Peace (SDG 16)
- Partnership (SDG 17)

Ans Kolk, Arno Kourula & Niccolò Pisani (2017) Multinational Enterprises and the Sustainable Development Goals: What do we know and how to proceed? *Transnational Corporation*, In press

Business and sustainable development

- Conceptualisation of the role of business in the society and SD:
  - Market - Contribution to trade, business development, infrastructure development and markets
  - Supply chain relations - Collaborating with local suppliers and business, micro-entrepreneurs as partners
  - Innovation - Development of new inclusive business models, new products for SD
  - Knowledge - Sharing skills, knowledge and access to resources and markets
  - Responsibility – CSR, business ethics and human rights
- Broad view of business contributions to SD:
  1) Taxes and transparency (EITI)
  2) Embedding sustainability business operations (Environmental management, green products)
  3) Provision of public goods (education, health and infrastructure)

Yakovleva, N., Kotilainen, J. and Toivakka, M. (2017) Reflections on the opportunities for mining companies to contribute to the United Nations Sustainable Development Goals in sub-Saharan Africa, *The Extractive Industries and Society,* 4(3), 426-433.

Integrating SDGs in business management

- Business frameworks relevant to SD
  - Stakeholder theory, Bottom of the Pyramid, Microfinance, CSR, Triple Bottom Line, Sustainable supply chain, CSR reporting, Environmental management, Private-public partnerships, Business and human rights; Knowledge transfer; and Nurturing local talent
- CSR:
  - In-house (environmental management, HRM, supplier and community relations) SDG12
  - Outsourcing (through corporate foundations)
  - Partnership (business-government-civil society) SDG17
- Gaps in conceptualising business engagement with SDGs
  - How do concepts of stakeholder management relate to marginalised communities in poverty and poor health?
  - How to extend the stakeholder view to fringe or marginalised stakeholders – lacking power, legitimacy and urgency for business?

Business and SDGs

wbcsd

Global Reporting Initiative™

United Nations Global Compact

- Launched SDG Business Hub in 2016, promoting *Sustainable Landscape approach*
- Produced a report on *Measuring Impact: How Business Accelerates the Sustainable Development Goals*
- *UN Global Leaders summit in 2017* focusing on targets, innovations and measuring impact
- *UNDP, Columbia Centre for Sustainable Development and UN Sustainable Solutions Network and World Economic Forum* (2016) Links all 17 SDGs and its sub-headings with the mining sector activities and existing strategies

How businesses can engage with SDGs?

● Understand SDGs ● Define priorities ● Set goals ● Integrate ● Report and communicate

Mining companies and SDGs

RioTinto

- In 2016 CEO signed public commitment to SDGs

BHP

- In 2015 developed Social Investment Framework with is now aligned with SDGs (governance, human capital & social inclusion, environment, working in host communities, matched giving program)

GLENCORE

- In 2016 released *Mapping Glencore's policies and activities to the Sustainable Development Goals*

VALE

- In 2016 SD report reaffirms commitment to UN SDGs and UN Global Compact.

Current practice:

- **Commit to SDGs**
- **Map to SDGs**

Mining MNCs and water in sub-Saharan Africa

Two approaches to CSR:

1) 'Do not harm' – preventative approach to reduce negative environmental, social impacts
2) 'Do good' – proactive approach to actively contribute to positive environmental, social benefits

- International business needs to combine regional development priorities with their CSR strategies to achieve the greatest effect on SD
- Local developmental priorities – water, health, maternal health are very important SD challenges in some countries, where multinational mining companies operate

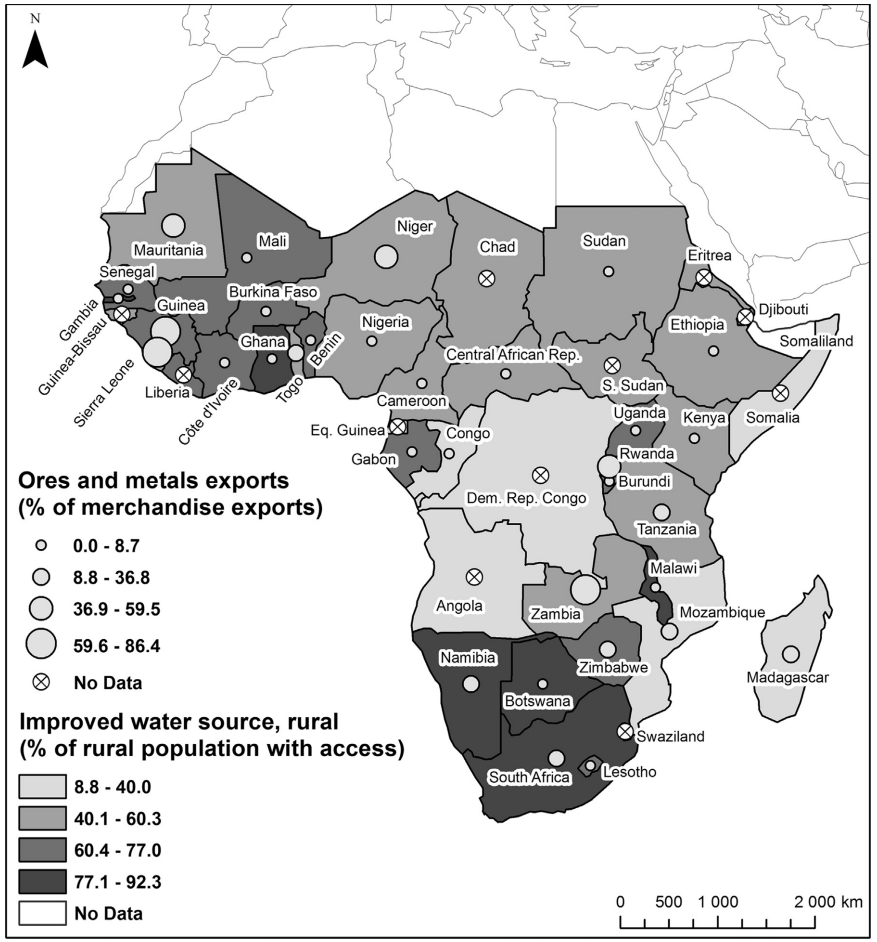

Fig. 1. Mining and water supply in rural areas of sub-Saharan Africa in 2014.
Note: Data for the ores and metals as percentage of merchandise exports are for 2014. Data for the percentage of the rural population using an improved drinking water source in Sub-Saharan African are for 2015. Improved water source is defined as one that is protected from outside contamination.
Source: Data from and World Bank, 2016a, World Development Indicators.

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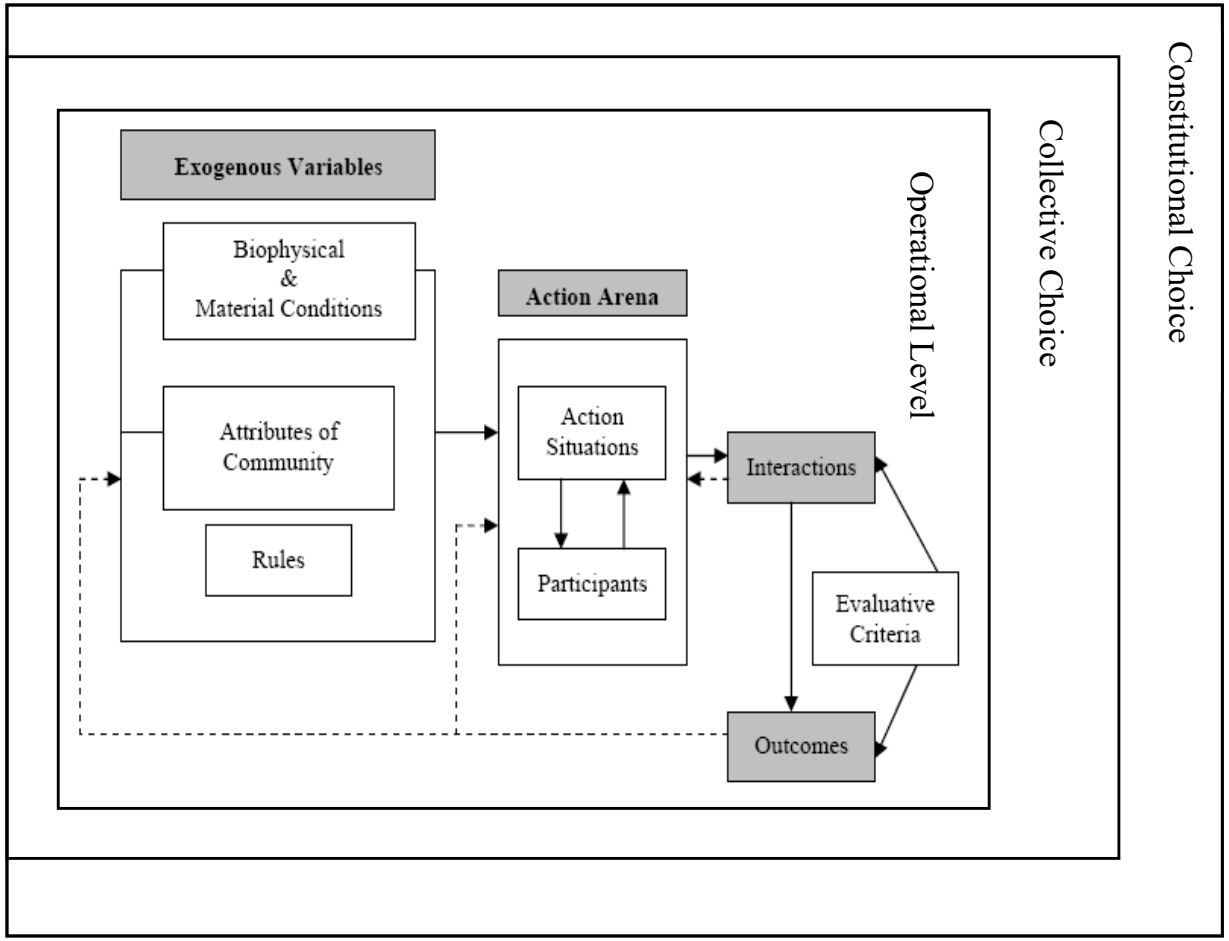
ASM in Ghana

- 300,000 people employed in ASM sector (which includes both informal miners and legalised miners)
- Traditional activity, increased since 1990s and 2000s due to increase in gold prices
- Informal ASM on concessions granted by the state to mining companies
- Direct rivalry for the same mineral resources – gold
- Challenges – transition from community-led governance of artisanal mining to state-led system

Institutional analysis and design (IAD)

- Framework developed by Ostrom and colleagues for analysis of competition and rivalry over use of common pool resources(forest, water, land)
- Conflict, overuse and degradation of common pool resources where formal and informal rules are in use
- Framework examines governance levels (or functional tiers), institutional rules and actor interactions
- Argues for self-regulation and collaboration between actors as a solution to resource conflict, overuse

Figure 2: the IAD framework (adapted from Ostrom, 2005)



Resources - Institutional rules and functional tiers

Institutional rules:

1) Rules of exclusion
   Who has the right to access and use the resources
2) Entitlement rules
   How can the actor use the resource – own, extract, trade
3) Monitoring rules
   How the users are monitored and by whom?
4) Decision-making rules
   How actors can influence the rules?

Functional tiers:

1) Operational – where rules meet physical world
2) Institutional – where organisations, institutions and actors interact to implement rules
3) Constitutional – where rules are developed

Environmental governance (Paavola, 2007, 2008, 2011)

Paavola argues that IAD can be applied to global commons, such as climate change challenge

Solutions of environmental governance can be:

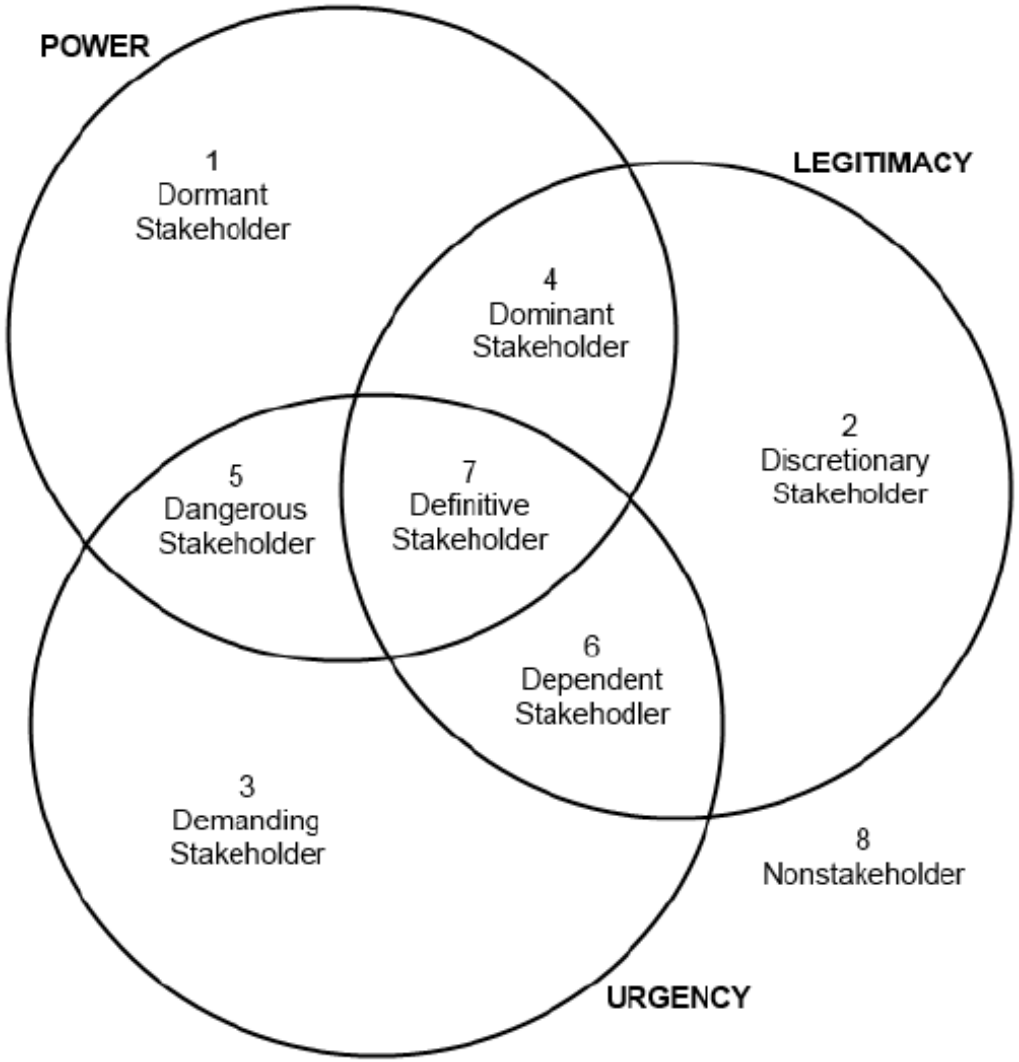
1) Community based
2) State-based
3) Co-management

Successful solution should have particular features - governance functions:

1) exclusion of unauthorized users
2) regulation of authorized resource use and distribution of benefits
3) provisioning of goods and recovery of costs
4) monitoring of resource users
5) enforcement of resource use rules
6) resolution of conflicts
7) collective-choice for modification of solutions

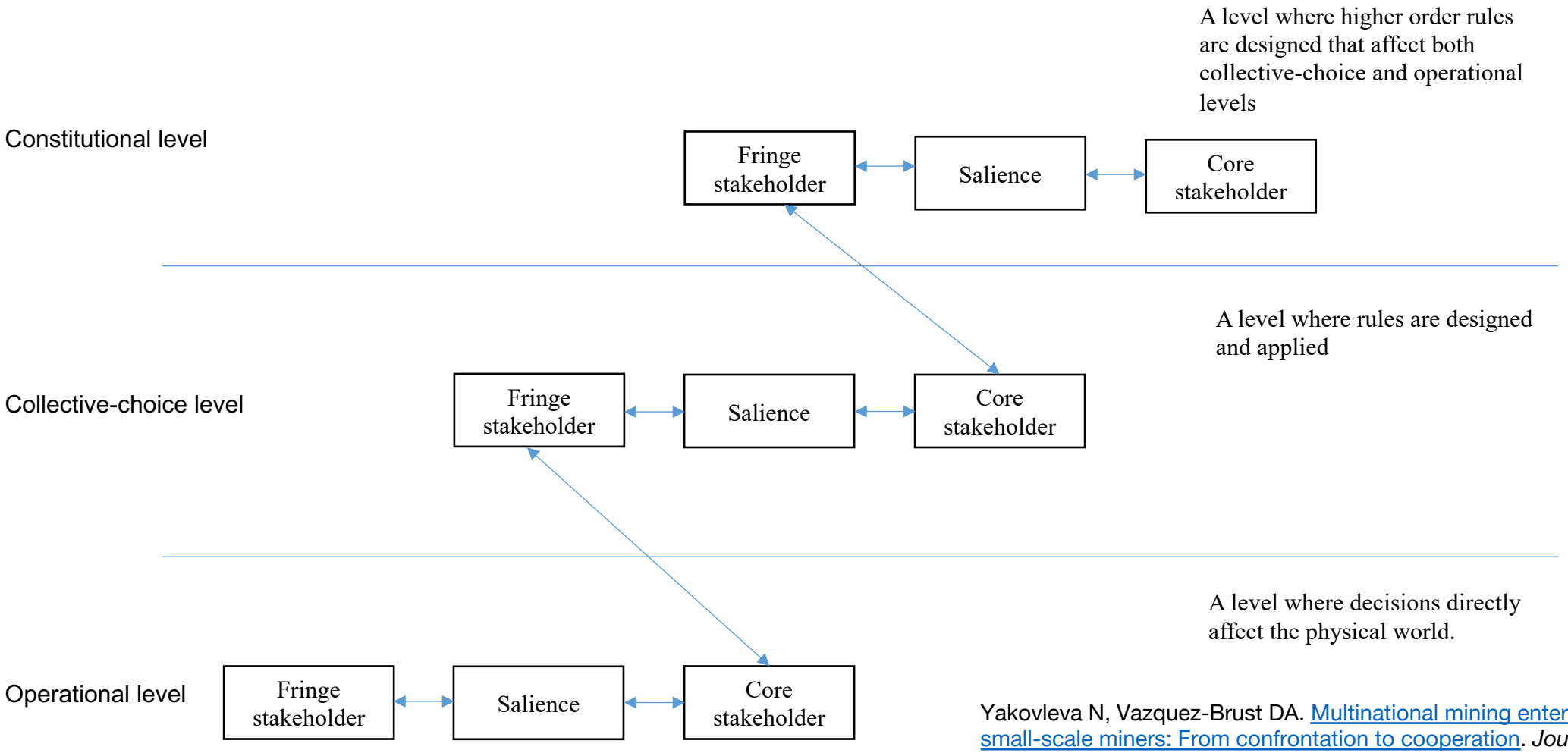
Stakeholder salience

Attributes of salience	Levels
Power	Coercive Normative Utilitarian
Legitimacy	Cognitive Legal Moral Pragmatic
Urgency	Time-sensitivity Criticality
Proximity	Geographical Emotional



Mitchell et al., 1997, 874

Stakeholder salience and governance levels



Yakovleva N, Vazquez-Brust DA. Multinational mining enterprises and artisanal small-scale miners: From confrontation to cooperation. *Journal of World Business* 2018, **53**(1), 52-62.

Two dominant solutions: state-led and cooperation

State-led solution

- Legislation on formalisation of ASM
- Legislation for protection of IP rights
- Planning regulation on consultation, EIA, SIA, compensation to affected parties, relocation
- Land rights legislation

Cooperation solution

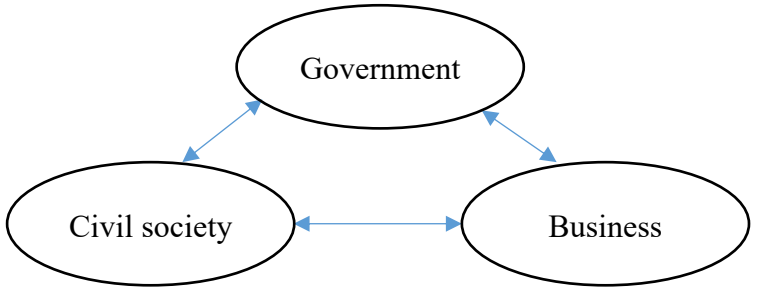
- Collaboration with informal miners
- Extended community development policies
- Extended consultation with affected communities
- Sharing resources
- Integration of stakeholders in decision-making processes – planning of projects

SIAD: implications for stakeholders

- Bottom-up cooperative arrangements that emerge at operational level have an ability to travel up to the constitutional level.
- Cooperation with stakeholders aids poverty alleviation, protection of human rights and in line with sustainable development agenda.
- Civil society organisations play an important role in the nexus business-government-community in assessment of stakeholder concerns and interests.
- Businesses can assist in sustaining governance of natural resources use when state-led solutions are failing by excluding some stakeholders.

Business-government-community nexus interactions

- Nexus relations: business-government-community. Assessment of stakeholder salience is determined in the interactions of the nexus.
- Usually government influences business, as well as civil society.
- Civil society can influence governments on social issues turning into legislation and turning into compliance issue for businesses



Indigenous peoples of North of Russia

- 40 small ethnic groups with population of less than 50,000 people receive state protection in the Russian North
- Historical settlement territories of IP cover 64% of Russia and include locations where many valuable mineral resources are extracted
- Total population of IP is 280,000 people (2002 census). Or 2% of the total Russian population and is dispersed across 32 regions of Russia

Source: Yakovleva, 2014

IP and extractive industry in Russia "Ethnological expert review"

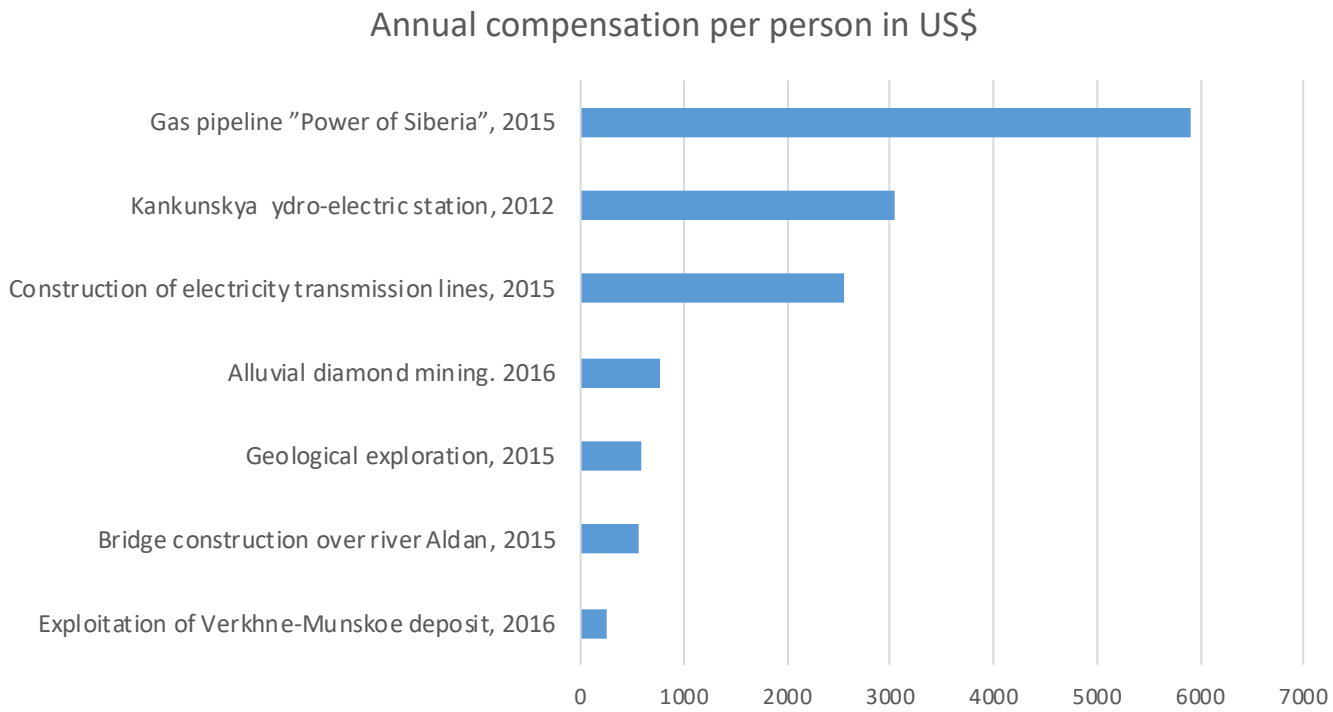
- 2006 – oil pipeline Eastern Siberia - Pacific Ocean planned across eastern Russia to bring oil resources to consumers in China and Japan
- 2008-2009 – regional environmental movement to protect rivers, IP and natural environment from risks of oil spills and contamination
- 2010 - Regional law introduced in Yakutia with on assessment of impacts on IP from industry with compensation payments
- In 2012-16 - 8 projects went through assessment and compensations paid for projects which went ahead

Photos from www.ysia.ru

Compensations during industrial projects in Yakutia

No	Project, year	Investor	Project value	Districts of Yakutia	Number of family communes /units	Number of indigenous people affected	Area affected, km2	Compensation amount	Ratio of compensation to project value
1	Kankunskya hydro-electric station, 2012	South Yakutian GEK	4,200 million US dollars	Neryungri and Aldan	8	89	258	3 800 thousand US dollars (one off payment) plus 6600 thousand US dollars per annum for 49 years)	0.37%
2	Geological exploration, 2015	Yuzhmorgeologia	10 million US dollars	Bulun and Anabar	8	157	26 720 (water surface)	81 thousand US dollars	0.81%
3	Construction of electricity transmission lines, 2015	Edinaya Energeticheskaya Sistema	189 million US dollars	Aldan and Olekma	4	64	4	140 thousand US dollars	0.07%
4	Bridge construction over river Aldan, 2015	Motorway department	4 million US dollars	Aldan	1	42	0.4	35 thousand US dollars	0.92%
5	Gas pipeline ”Power of Siberia”, 2015	Gaspromtransgas	11,000 million US dollars	Neryungri and Aldan	6	143	5200	270 thousand US dollars (annually) and 729 thousand US dollars (one off)	0.01%
6	Cosmodrome “Eastern”, 2016	Roskosmos	n.a.	Vilyuisk, Vrekhnevilyuisk, Zhgansk, Olekma and Aldan	7	83	15315	8 thousand US dollars (per each rocket launch to communes on whose territories the debris fall)	n.a.
7	Exploitation of Verkhne-Munskoe deposit, 2016	ALROSA	1,050 million US dollars	Olenek	13	190	8	583 thousand US dollars	0.06%
8	Alluvial diamond mining. 2016	Nizhnelenskoe	n.a.	Olenek	2	84	7.5	697 thousand US dollars	n.a.

Compensations to IP



- Gas pipeline compensation payments US$6000 per year compared to US$3800 one-off payment during oil pipeline construction (Yakovleva, 2014)
- Compensation per person range from US$ 260 to US$ 6,000 per year
- Compensation per area affected range from 0.50 US dollars per km2 to 92,900 US dollars per km2
- In practice, payments are a one-off payment or annual over number of years of the project

Critique of compensations

- Provided to the family communes, but not wider local communities of IP near industrial activities who maybe also affected
- Does not take into account land that is not officially registered for use by IP, but effectively used for hunting, gathering and cultural activities
- Some argue – it should not be monetary, but an investment in reclamation, social infrastructure, housing and social programmes (Potravny and Baglaeva, 2015)
- The methodology is based on estimations of cost-benefit to determine the lost benefit (income) based on expertly defined coefficients
- Compensations are project based and ignore cumulative impacts of several projects on adjacent/same territory

Critique of ethnological expert review

- Does the EER offer IP participation in governance of natural resources (forests)?

- Rules of exclusions
  - IP are considered in EER, but not the wider local community or IP without registration
- Entitlement rules
  - IP don’t have ownership rights of forests or land or minerals
- Monitoring rules
  - There are ideas to implement indigenous environmental monitoring, where IP engage in environmental monitoring of industrial projects
- Decision making rules
  - IP don’t have veto rights, don’t resign compensation parameters

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Thank you!

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