

GRADUATE SCHOOL OF PUBLIC AND INTERNATIONAL AFFAIRS
MAJOR RESEARCH PAPER
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MINING AND DEVELOPMENT

A descriptive study of the Canadian and Australian development initiatives in the countries where their mining companies operate.

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August, 2013

ABSTRACT

This research paper explores ways in which developed mining countries can contribute to sustainable mining development of less developed resource-rich countries. A descriptive study is made of Canada's and Australia's development initiatives in the countries where their mining companies operate. To do this, the paper constructs a framework of Sustainable Mining Development (SMD) against which the two country initiatives are measured.

This study suggests that while Australia's *Mining for Development* initiative has chosen to put a bigger emphasis on working directly with other governments to support the development of host countries' mining sector, Canada's *Building the Canadian Advantage* initiative has chosen to work more closely with Canadian mining companies and NGOs.

Overall, both initiatives described in this study address certain challenges identified in the literature (section 1) and they are also aligned with the principles that define SMD. However their actions risk being too weak to have a significant impact in host countries and there are certain aspects of SMD that are ignored. While progressive capacity building of host countries' mining industries has been expansively addressed by the Australian government (and to a limited extent by the Canadian government), there are many other challenges faced by developing mining countries that could be better addressed by both initiatives such as: promoting more revenue transparency and accountability in the industry, supporting host countries' understanding of the costs and benefits of mining activities and, assisting in the development of mechanisms that ensure thorough compliance of mining regulations and monitoring of commitments and activities by foreign mining companies.

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ACRONYMS

ARI: Andean Regional Initiative

ASM: Artisanal Small-scale Mining

AusAID: Australia Aid

EITI: Extractive Industry Transparency Initiative

CIIEID: the Canadian International Institute for Extractive Industries and Development

DFATD: Department of Foreign Affairs, Trade and Development (Canada)

CSR: Corporate Social Responsibility

GMI: Global Mining Initiative

IFC: International Finance Corporation

IFI's: International Financial Institutions

IIED: International Institute for Environmental Development

IM4DC: International Mining for Development Centre

MMSD: Mining and Minerals Sustainable Development Project

NGO: Non-Governmental Organization

RMDI: Responsible Mineral Development Initiative

SLO: Social License to Operate

SOE's: State Owned Enterprises

WBCSD: World Business Council for Sustainable Development

WUSC: World University Service of Canada

Introduction

Growing global demand for mineral resources has led to an expansion of mining operations in many developing regions around the world. But as private mining companies move into these regions, a responsible, sustainable approach to mineral development is necessary so that these countries are able to unlock the social and economic benefits of the extractive sector.

Many private mining companies come from developed countries with mature mining sectors and institutional structures that regulate the industry. This paper will describe Canada's and Australia's development initiatives in the countries where their mining companies operate as a way to explore possible approaches in which investor countries can transfer their knowledge and contribute towards sustainable¹ mining development (SMD).

There are over 50 countries around the world that can be considered "mining countries," recognized for the sector's contribution to export earnings (World Bank, 2002)². In 2002, over 90% of these mining countries were developing or transition economies (World Bank, 2002). For this reason, mining offers these countries the potential for mineral wealth that could help them in their path of economic growth and poverty alleviation.

But what makes mineral resources different from any other national resource? The mining sector provides the same opportunities as any other sector to contribute to a country's economic growth. However, there are specific aspects of the extractive sector (if oil and gas are also considered) that distinguish it from other sectors such as manufacturing or farming.

¹ Sustainable mining development does not only refer to more environmentally friendly mineral extraction. This term also includes an economic, social and governance sphere that will be explained in more detail in section 1.2.2

² Since this World Bank report was published in 2002 it is very possible that the list of mining countries has increased over the past ten years.

A 2002 World Bank publication identifies four reasons why mining activities differ from other sectors. First, underground resources are normally a national asset³ and therefore there is the expectation that since mineral resources belong to all citizens, mineral revenues or royalties should benefit everybody. As a result, states usually own these resources under state-owned enterprises (SOE's) or the state is heavily involved in this industry by imposing royalty payments to private companies that extract the resources. Second, the extractive industry can have a very large and visible footprint. Badly managed mining operations can have a negative environmental, social and economic impact. Third, the extractive industry is a priority area for foreign direct investment⁴. Foreign investment in developing countries poses a high risk to foreign investors. Since mining operations are mostly export oriented and with dollar-based costs and revenues, this sector represents one of the first acceptable risk-rewards for investment. But, host countries are often not prepared to negotiate contracts and might fail to strike a deal that best addresses the country's interests. Fourth, mining operations are a large source of government revenues. This poses a challenge to governments in terms of responsible management and how these revenues are distributed (World Bank, 2002).

Mining activity can thus be seen as both an opportunity and a risk. An opportunity because it can provide revenue to finance socio-economic development of host countries, but also a risk as developing countries may lack adequate mining regulations and transparent mechanisms to ensure mineral exploitation is done in a sustainable way and its revenues benefit the country's population.

³ In most countries the owner of surface land (be it a house, building or plot of land) has no rights over the mineral resources that may be found underground. In the United States, however, the owner of surface land can also have rights to extract minerals from underneath that land. (IENEurope, 2013)

⁴ It is a priority area for both foreign private companies and foreign state-owned companies.

International voluntary codes, good practice guidelines and stakeholder engagement processes are increasingly becoming more relevant for promoting better actions in areas where host governments are still found incapable of performing their role as an effective regulator. Governments' development agencies are also collaborating with both NGOs and mining companies to work on sustainable development projects.

Canada's *Building the Canadian Advantage* and Australia's *Mining for Development* are both development initiatives linked to each country's mining interests abroad. These two initiatives are illustrations of how governments are partnering with NGOs and the private sector in an effort to enhance the socio-economic benefits that can be obtained from mining activities.

In this paper, Canada's and Australia's development initiatives will be described and analysed to determine how and to what extent these contribute to more sustainable mineral development (SMD) in the countries where their mining companies operate and, how these country strategies are aligned with already existing international initiatives.

Since these two initiatives were launched only a few years ago⁵, it is still too early to measure any final results and compare the outcomes of implementing these different strategies. Nevertheless, this study will allow the reader to have a better understanding of how developed countries support SMD in developing regions. It will show the different approaches adopted by the two countries' initiatives, as well as identify which aspects of SMD are given more attention and which ones are overlooked.

To go about making a comparison between the two, this paper first describes the risks many resource-abundant countries face by providing an overview of the resource curse literature.

⁵ The Canadian initiative was launched in 2009 and the Australian initiative was launched in 2011.

Following this, an account is made of the most important international initiatives aimed at helping countries avoid the resource curse trap and bridge the gap between mining activities and sustainable economic growth.

The second section briefly describes the Canadian and Australian mining industries, placing an emphasis on their mining operations abroad. Following this, section two provides a framework that allows us to contrast the two country initiatives and measure to what extent these are helpful mechanisms towards achieving SMD. The framework is based on the principles, guidelines and requirements developed by the international initiatives presented in the first section. The last part of section two discusses the findings of the descriptive study and provides an overall assessment of both country strategies.

Section I- The Resource Curse: What is it and What Has Been Done to Address it?

This section first discusses what the resource curse is. Factors like institutional quality, transparency, capacity building and a shared knowledge of the costs and benefits, are identified as possible keys to determine whether a country avoids the resource curse or not. From the resource curse literature it is gathered that international initiatives, aimed at increasing the benefits of natural resources in host countries, should target institutional arrangements which currently favour corruptive activities. Until these arrangements are modified, international assistance will have a small impact, if any, on the economic development of a country.

Following this discussion, current international initiatives to help address the resource curse are described. These international initiatives help create a vision or paradigm of SMD and

serve as base for the construction of a SMD framework against which Australia's and Canada's initiatives will be measured in section two.

1.1 Understanding the Resource Curse

While there are cases where mining has contributed to economic development of industrialized countries like Australia, Canada, Sweden and the United States, there are also many cases where mining activities have not made countries better off. Mining, in certain places, has actually contributed to making countries worse off due to misguided investment, conflict over mineral exploitation and unequal revenue distribution.

Since the 1950's economists had raised concerns about countries specialising in natural resource exports. Prebisch and Singer implied that countries that mainly exported primary products (natural resources) would have a slower economic growth (Toye and Toye, 2003). Auty (1994) was one of the first to coin the term resource curse to describe the situation where resource-abundant countries often lag behind countries with fewer natural resources.

The resource curse literature was further developed during the 1990's. Studies, like the one by Sachs and Warner (1995), argue that the long term macroeconomic effects from resource extraction are actually negative. In this study, they show that the rate of economic growth of resource-rich and in particular resource-dependent countries tended to be slower when compared to resource-poor countries.

In their study they use regressions to confirm that high resource intensity tends to correlate with slow growth. In Figure 1, real growth in GDP and exports of natural resources of various countries are plotted against each other (Sachs and Warner, 2001). In it, a trend is observed where none of the countries that had an abundance of natural resource exports in 1970

experience a rapid growth for the next 20 years (economic growth rate understood as equal or above 1% GDP growth per capita). The exceptions are Malaysia, Mauritius and Iceland.

Figure 1. (Sachs and Warner, 2001) Real growth in GDP and exports of natural resources of various countries are plotted against each other. In it, a trend is observed where none of the countries that had an abundance of resource exports in 1970 experience a rapid growth for the next 20 years. The exceptions are Malaysia, Mauritius and Iceland.

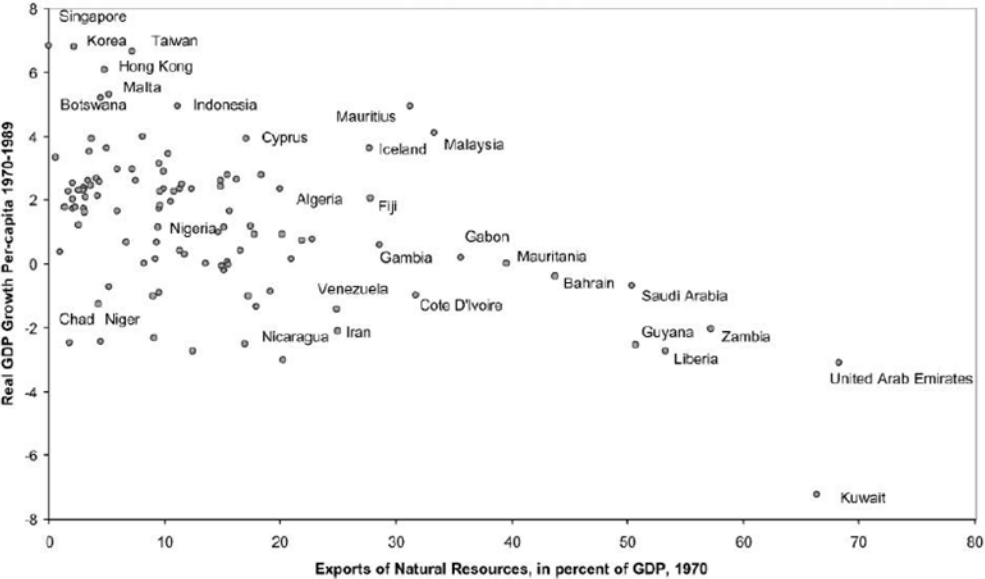


Fig. 1. Growth and natural resource abundance 1970–1989.

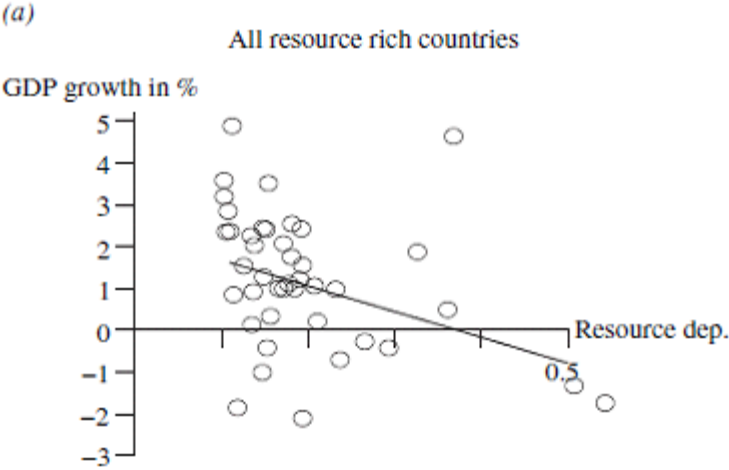
However, the resource curse has been challenged by more recent studies. In Brunnschweiler and Bulte, (2008), it is argued that instead of a trend where resource abundance and resource dependence lead to poor institutions and slow economic growth, the causality might be, in fact, reversed: poor government institutions in resource-rich countries might lead to resource dependence and might prevent the government from effectively utilizing resource revenues to finance other sectors in the country.

Studies like the one by Mehlum et al. (2006), also advise not to jump to the conclusion that all resource-rich countries are cursed. Whereas Sachs and Warner give little importance to

the role played by institutions, Mehlum et al. suggest that the quality of institutions is key to understanding why some countries avoid the resource curse.

To support this argument, Mehlum et al. plot the average yearly economic growth from 1965 to 1990 against resource dependence in countries that have more than 10% of their GDP from natural resource revenues (see Figure 2 below). Their dataset includes 42 countries. Panel A is based on the data of these 42 countries and the regression gives a strong indication that there is in fact a resource curse.

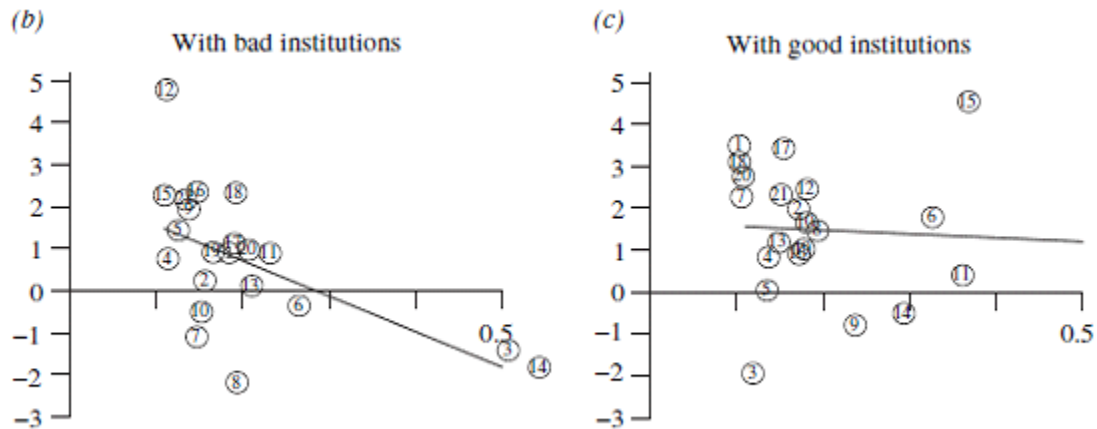
Figure 2. (Mehlum et al., 2006). Average yearly economic growth of 42 countries against resource dependence (% of GDP coming from natural resource exploitation). Each circle represents one country.



However, they later split the sample into two subsamples of equal size according to the quality of their institutions (see Figure 3 below). The indication of a resource curse only appears for countries with inferior institutions (panel B), while the indication of a resource curse vanishes

for countries with better institutions (panel C⁶). Their study would then suggest that institutional quality determines the variance in growth performance among resource-rich countries⁷.

Figure 3. (Mehlun et al., 2006). B- resource-rich countries with bad institutions, c- resource-rich countries with good institutions. Mehlun et al. 2006. Their dataset includes 42 countries.



To measure countries' institutional quality, Mehlun et al. combine an unweighted average of five indexes based on data from Political Risk Services: a rule of law index, a bureaucratic quality index, a corruption in government index, a risk of expropriation index and a government's repudiation of contracts index⁸.

⁶ The regression for the total sample of 42 countries in panel A gives a correlation of R squared= 0.11 and a significant slope of -6.15. The regression for the 21 countries with worst institutional quality in Panel B gives a correlation of R squared 0.35 and a significant slope of -8.46. The regression for the 21 countries with better institutional quality in Panel C gives a correlation of R squared 0.00 and an insignificant slope of -0.92.

⁷ The countries in Panel B are numbered as follows: 1- Bolivia, 2- El Salvador, 3- Guyana, 4- Guatemala, 5- Philippines, 6- Uganda, 7- Zaire, 8- Nicaragua, 9- Nigeria, 10- Peru, 11- Honduras, 12- Indonesia, 13- Ghana, 14- Zambia, 15- Morocco, 16- Sri Lanka, 17- Togo, 18- Algeria, 19- Zimbabwe, 20- Malawi, 21- Dominican Republic. The countries in panel C are numbered as follows: 1- Tunisia, 2- Tanzania, 3- Madagascar, 4- Jamaica, 5- Senegal, 6- Gabon, 7- Ecuador, 8- Costa Rica, 9- Venezuela, 10- Kenya, 11- Gambia, 12- Cameroon, 13- Chile, 14- Ivory Coast, 15- Malaysia, 16- South Africa, 17- Ireland, 18- Norway, 19- New Zealand, 20- Belgium, 21- Netherlands.

⁸ A more detailed description of the index is provided by Knack and Keefer, 1995.

In their study they explain that countries with inferior institutional quality have “grabber friendly” institutions. Under “grabber friendly” institutions rent-seeking and production are competing activities and there are gains from specialisation in unproductive activities due to a weak rule of law, malfunctioning bureaucracy and corruption. “Grabber friendly” institutions in resource rich countries therefore attract scarce entrepreneurial resources into unproductive activities. On the contrary, countries with better institutional quality tend to have “producer friendly” institutions where rent-seeking and production are complementary and resource abundance attracts entrepreneurs into productive activities (Mehlun et al. 2006).

Resource abundance puts countries’ institutional arrangements to the test. But the negative effect that resources can have on inferior institutions also depends on the type of natural resource. Mehlun et al. 2006, show in their study that the resource curse is weaker in countries that specialize in agricultural activities as opposed to countries that specialize in mineral activities.

Mineral resources are more prone to corruptive activities than agricultural resources because mineral resources are concentrated in particular locations and owned by the state, unlike agricultural resources that are expansively distributed across a large territory and normally owned by multiple families or firms.

Kolstad and Soreide (2009), further explain that a lack of competition in mineral resource markets increases profits in the sector which inspires corrupt acts from agents eager to appropriate parts of the rents. While Kolstad and Soreide also identify a country’s institutional quality as key to determine whether a country avoids the resource curse or not, they go a step

further by directly highlighting corruption at the source of the resource curse phenomenon (2009: 225).

Their argument implies that best practices and institutional arrangements from developed countries may not be transferable to a developing country context until the corruption problem is eliminated. Policies that increase the benefits of natural resources on developing countries should thus target the institutional arrangements that currently favour corruptive activities. According to Kolstad and Soreide (2009), corrupt gains and individual interests in the status quo are likely to prevent any transition to better institutional arrangements where the gains from mineral extraction can have a bigger impact on the economic development of a country.

Collier (2007) adds that since natural resources mean that governments do not have to tax their citizens as heavily, these are less likely to demand financial accountability from their politicians, which further inspires corruptive practices. A citizenry that is better informed on the costs and benefits of the mineral sector would also force governments to become more accountable.

From what is gathered in the literature, resource-rich countries may not be necessarily destined to fall into the resource curse trap. The studies mentioned above point towards transparency, institutional quality, capacity building and shared knowledge of costs and benefits as keys to determine whether a country avoids the resource curse or not. In the next subsection, a description will be provided of international efforts that seek to improve these aspects in developing resource-rich countries.

1.2 International Initiatives

Awareness of the mining activities' inefficiency in providing prosperity to developing countries with poor institutions has been present in global mining industry associations and international fora for at least the past two decades. There have been numerous projects intended to allow host countries to better benefit from mineral extraction. Therefore, Canada's and Australia's initiatives would add to the tendency of making businesses more responsible in contributing to sustainable mineral development (SMD) wherever they operate. But how did the need to increase the socio-economic benefits from mining operations become a global issue?

From the late 1960's to mid-1980's most mining properties in the developing world were nationalized. Participation of private companies, particularly foreign private companies, was limited to minority holdings and non-equity arrangements with state-owned enterprises (SOE's). However, the debt crisis that afflicted so many developing countries in the mid 1980's forced indebted countries to enter into negotiations with the IMF and World Bank. The stabilization programs established with these international financial institutions (IFI's) involved a variety of measures. Trade liberalization and privatizations were at the top of this list of measures (Teichman, 2001: 2). As a result of these open market reforms, the nationalizing trend reversed towards the late 1980's. Weak performance, mostly due to poor management often associated with SOE's, was another reason for privatizing mining properties (Macmahon, 2010:6).

In an attempt to attract additional foreign investment into the mining sectors, the World Bank was called upon to assist in the design of policies and laws that would make countries

attractive destinations for private investment⁹. But, by the mid 1990's it was evident that despite the Bank's assistance in policy design, many client countries lacked institutional capacity to enforce and monitor new policies as required. Simultaneously, social and environmental impacts of mine development became more noticeable (Macmahon, 2010: 8).

Furthermore, technology advances in mining throughout the 20th century meant that mining operations required fewer persons than before, thus reducing the benefits communities could receive from mining in terms of job creation. Consequently, in order to gain the "social license to operate" (SLO)¹⁰ there was increasing pressure for mining companies to provide other benefits to communities such as hospitals, schools, sports and recreational facilities, power and transport infrastructure, among other services (Macmahon, 2010: 8).

With the wave of privatizations, the role and responsibility of companies to contribute to sustainable development became more significant. In 1990 the Business Council for Sustainable Development (Later called World Business Council for Sustainable Development, WBCSD) was created in order to represent the voice of 48 business leaders at the Earth Summit in Rio in 1992. Several mining industry chief executives began to meet at this Business Council and recognized that the mining industry needed to re-think the way in which it operated, given the changes in the industry since the privatizations of the 1980s. Improvements had to be made to ensure that mining could effectively contribute to prosperity of developing countries (Littlewood, 2000). Yet why would the executives of mining companies care? What incentives do they have to improve the sector?

⁹ From 1988 to 2010 the World Bank has worked on 35 mining policy and law design projects in 24 countries with a total funding of over \$1 billion. Almost two-thirds of these projects were in Sub-Saharan African countries (21), with almost the rest in Latin America (6) and East Asia and the Pacific (5). (Macmahon, 2010: 7)

¹⁰ Social License exists when a mining project is seen as having the broad and continuous approval of societies to conduct its activities. (Thomson and Boutilier, 2000). In Gunningham et al. (2004: 307) include that SLO "governs the extent to which a corporation is constrained to meet societal expectations and avoid activities that societies deem unacceptable, whether or not these expectations are embodied in law".

The incentives behind improving mining practices and maximising its benefits for the local population are different for different parties. For foreign private companies, investing in Corporate Social Responsibility (CSR) helps them to increase their legitimacy among the local population, reducing future risks for operations. Mining industry's contribution to local development helps to enhance their image as a responsible industry that respects social, cultural, environmental and labour rights of the people living in host countries. Developed countries like Australia and Canada, also have an interest to support CSR as it helps to improve their reputation as a responsible mining country and gives a competitive advantage to their private mining companies abroad. Host countries benefit from more socially responsible mining practices as this can translate into increased socio-economic development for their citizens.

The following subsection describes relevant international initiatives that help create a paradigm of what Sustainable Mining Development SMD should be. This is useful not only because it shows the efforts that have been made in order to reverse the resource curse that many developing countries suffer, but also because these initiatives are in line with CSR practices. These initiatives will be used in Part 2 to construct a framework against which the Canadian and Australian initiatives will be measured and compared.

1.2.1 The Global Mining Initiative

In 1999, nine of the largest mining companies in the world launched the Global Mining Initiative (GMI) in order to prepare the sector for the 2002 World Summit on Sustainable Development that would mark the tenth anniversary of the Rio Earth Summit. Through the WBCSD, they contacted the International Institute for Environment and Development (IIED) to

undertake a two year research and consultation project - The Mining, Minerals and Sustainable Development Project (MMSD)¹¹.

The MMSD project concluded a report after a two year process, entitled *Breaking New Ground*. This report presented an analysis of the sector through the many stages of minerals and metals exploration, production, use, re-use and final disposal. The project assumed that sustainable development could be a viable and useful framework to guide the sector's activities.

The report recognized the need for better wealth management by host countries where the potential of minerals to national economies was often far from realized and it also identified the need for greater collective effort by companies as corporate performance in the sector was variable. While some companies had made improvements, other companies' bad actions were inexcusable (IIED, 2002: 23). Certain companies' bad actions could damage the entire reputation of the international mining industry which could lead to conflict with local governments and communities as well as international civil society groups.

During consultation with different stakeholders, it was emphasized that although mining companies had a responsibility in improving the way they operated, roles and responsibilities had to be clearly defined. Governments had a central and important role to play in improving governance for sustainable development through national policy framework, regulations and enforcement. But since not all governments had, and still lack, the capacity to make these changes, it is important to focus on capacity building of national and local governments (IIED, 2002: 12). Multilateral organizations and other international efforts could be useful in supplying this capacity building.

¹¹ The IIED was contracted as a way to guarantee the project's independence from industry associations. Richard Sandbrook, then Executive Director of the London-based NGO IIED, was given the task to lead this project.

1.2.2 Defining Sustainable Mineral Development (SMD)

Breaking New Ground is particularly relevant for this paper because it provides a definition of SMD which will serve to construct a framework against which to measure both Canada's and Australia's development initiatives in the countries where their mining companies operate.

In the report, sustainable development is described as one of the range of ideas about how humans should interact with each other and the environment. It integrates the economic, social and environmental goals of a society. The report agrees with the Brundtland Commission's definition of sustainable development as "development that meets the needs of the present without compromising the ability of future generations to meet their own needs" (Brundtland, 1987).

The application of this definition to the mineral sector would then mean that "the sector, as a whole, contributes to human welfare and well-being today without reducing the potential for future generations to do the same" (IISD, 2002: 24).

Breaking New Ground provides a set of guiding principles and considers several dimensions of sustainable development such as the economic sphere, the social sphere, the environmental sphere and the governance sphere. Table 1 lays out these principles and groups them according to sustainable development dimensions.

Table 1 Sustainable Development Principles. (Breaking New Ground Report, 2002). This report provides multiple dimensions of sustainable mineral development: economic, social, environmental and governance. These principles have been divided into different groups for the purpose of clarification. However, the principles often overlap each other.

Economic Sphere	<ul style="list-style-type: none"> • Maximize human well-being. • Ensure efficient use of all resources. • Seek to identify and internalize environmental and social costs. • Maintain and enhance the conditions for viable enterprise
Social Sphere	<ul style="list-style-type: none"> • Ensure a fair distribution of the costs and benefits of development for all those alive today. • Respect and reinforce the fundamental rights of human beings, including civil and political liberties, cultural autonomy, social and economic freedoms and personal security. • Seek to sustain improvement over time: ensure that depletion of natural resources will not deprive future generations through replacement with other forms of capital.
Environmental Sphere	<ul style="list-style-type: none"> • Promote responsible stewardship of natural resources and the environment, including remediation of past damages. • Minimize waste and environmental damage along the whole of the supply chain. • Exercise prudence where impacts are unknown or uncertain. • Operate with ecological limits and protect critical natural capital.
Governance Sphere	<ul style="list-style-type: none"> • Support representative democracy, including participatory decision-making. • Encourage free enterprise within a system of clear rules and incentives. • Avoid excessive concentration of power through appropriate checks and balances. • Ensure transparency through providing all stakeholders with access to relevant and accurate information. • Ensure accountability for decisions and actions, which are based on comprehensible and reliable analysis. • Encourage cooperation in order to build trust and shared goals and values. • Ensure that decisions are made at the appropriate level, adhering to the principle of subsidiarity where possible.

Although the principles are listed under different dimensions, they should be applied in an integrated manner when building a framework for SMD (IISD, 2002: 24). For example, the principles of ensuring the efficient use of all resources should be encouraged, but it must be done

in a way that considers the social and environmental aspects of SMD. Likewise, when deciding on future mining projects in a region, the environmental and economic principles should not be the only ones to be taken into account. Local communities' consent should be sought and transparency achieved by ensuring that all stakeholders have access to relevant and accurate information.

These guiding principles can serve to build a framework for SMD but goals and priorities should be agreed at the appropriate level (from local to global). As the *Breaking New Ground Report* explains SMD requires a comprehensive approach that comprises the whole mineral system and is forward-looking, setting out long term as well as short term objectives.

However to this date, no such comprehensive framework has been done and applied throughout the entire international mineral sector. Nevertheless, there are initiatives and instruments based on these principles (which are described in the following sub-sections) that have had a significant impact on the mining sector and which show that, while there is still work to be done, mining can be transformed into a more sustainable activity that contributes to socio-economic development of the countries where it operates.

1.2.3 The Extractive Industry Transparency Initiative

Another significant initiative that originated around the same time as the ICMM is the Extractive Industry Transparency Initiative (EITI). In 2002, Tony Blair announced this initiative at the World Summit for Sustainable Development in Johannesburg¹². The EITI is a globally developed standard that promotes natural resource revenue transparency at the local level by establishing the rules that countries need to follow to become fully compliant. This initiative's

¹² The EITI is a coalition of companies, governments, civil society groups, investors and international organizations.

objective is to strengthen governance by promoting transparency and accountability in the extractive sector. An annual report is made of each implementing country by an independent validator to ensure compliance. In the report, private companies must publish what they pay to governments and governments must disclose what they receive as payments¹³.

The EITI provides incentives for different actors to participate: (1) for governments, an international standard accreditation demonstrates that they are committed to anti-corruption which in turn enhances their ability to raise taxes and improves credibility and trust in the sector; (2) companies benefit from having a level playing field where all companies are required to disclose the same information, therefore making the country a more attractive and safer destination for investment; (3) civil society benefits by having access to information about the sector while also increasing their capacity to hold governments and companies to account. According to an ex- EITI board member, “The EITI cannot resolve the *resource-curse* on its own. But with revised rules which strike the right balance between rigour and diversity, it could be effective as a source of emerging-norms and good practices” (O’Sullivan, 2012). The EITI seeks to eliminate corruptive practices in the industry, which is the main obstacle identified by Kolstad and Soreide (2009) that must be overcome in order to have a mining sector that effectively contributes to the socio-economic prosperity of a country.

¹³ The EITI process is overseen by a multi-stakeholder group made up of government, companies and civil society groups. 16 countries are now EITI compliant (the country has performed an EITI validation and met all the requirements): Azerbaijan, Central African Republic, Kyrgyz Republic, Liberia, Mauritania, Mali, Mongolia, Mozambique, Peru, Nigeria, Niger, Norway, Timor-Leste, Yemen and Zambia. There are 21 candidate countries (countries have made progress but they have not met all EITI requirements): Afghanistan, Albania, Burkina Faso, Cameroon, Chad, DRC, Republic of Congo, Cote d’Ivoire, Gabon, Guatemala, Guinea, Indonesia, Iraq, Kazakhstan, Madagascar, Sierra Leone, Sao Tome and Principe, Solomon Islands, Tanzania, Togo and Trinidad and Tobago. There are also supporting countries that provide political, technical and financial support both internationally and at a country level that include Australia, Canada, France, Spain, United Kingdom and the United States. (EITI 2012 Fact Sheet)

The EITI is a voluntary measure. Although the standard is a multi-stakeholder initiative, the main actors are the countries that decide to implement and comply with the EITI rules. However the companies operating in an implementing country are obliged to display their payment information. Developed countries could also contribute to the success of the standard by encouraging their companies operating abroad to adopt the EITI.

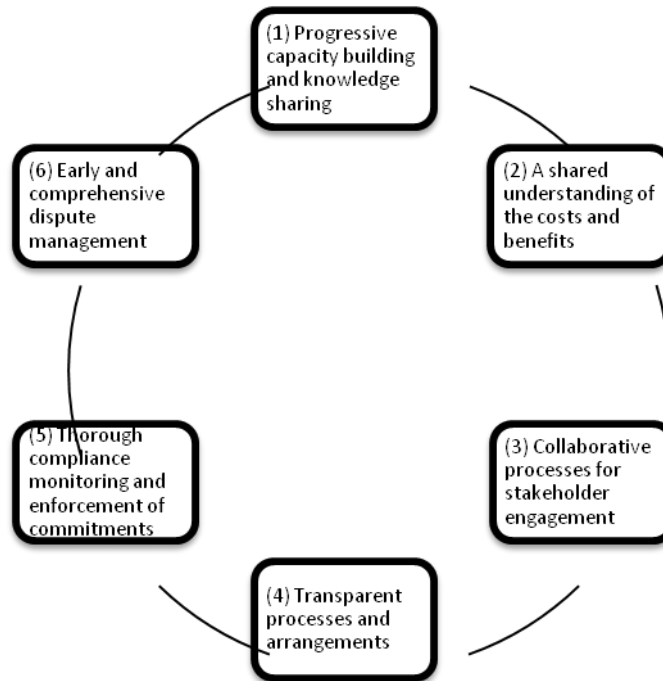
1.2.4 Responsible Mineral Development Initiative (RMDI)

As demand for mineral resources increases, and mining operations move to more remote places and poorer regions, initiatives like the EITI become very relevant as there is the need to improve governance in the sector. However there is a lot more that can be done to ensure that the development of mineral resources can be an effective driver of economic growth.

In 2010 the World Economic Forum launched the Responsible Mineral Development Initiative (RMDI). In its first phase, the project started by asking a global range of stakeholders to identify the main challenges around SMD. In its second phase, the project sought to gain a greater understanding of these challenges in order to present a constructive and practical way to address them. Through further consultation with stakeholders, a framework of six building blocks was identified to provide future guidance on what should be done to address these challenges ¹⁴(see Figure 3 and Table 2).

¹⁴ Stakeholders included mining companies, (local, regional and national) governments, NGOs, indigenous groups, international bodies and multilateral development associations

Figure 4 and Table 2: Six building blocks for responsible mineral development as identified by RMDI



RMDI Building Blocks	Description
1: Progressive Capacity Building and Knowledge Sharing	This addresses the lack of capacity across stakeholders which currently creates inefficiency and fosters distrust from the start of mining projects. Knowledge sharing allows stakeholders to learn from good practices and others' past experiences.
2: A Shared Understanding of the Costs and Benefits	Raise trust and reduce misunderstandings and misconceptions. This helps identify ways in which government and communities can maximise their benefits.
3: Collaborative Processes for Stakeholder Engagement	An effective dialogue platform among stakeholders enables debate at a local and national level. These platforms facilitate understanding of group values, priorities and concerns.
4: Transparent Processes and Arrangements	Help build accountability and reduce corruption and inefficiencies. Because information on payments and receipts is open and transparent, misunderstandings are minimized.
5: Thorough Compliance and Monitoring Commitments	Ensure that all parties are living up to their promises.
6: Early and Comprehensive Dispute Management	Prevent a dispute from escalating to a serious conflict that could endanger the stability of the project.

The RMDI involved a great deal of outreach and communication with different stakeholders from all over the world. While the report's intention was not to provide a definitive and one-way solution, it serves as a summary report of the many views and ideas of the different

types of stakeholders involved, drawing out the main building blocks to address the most important challenges around responsible mineral development.

The RMDI provides a good image of current global stakeholder expectations about what steps should be taken when designing policies towards promoting more sustainable mining. For this reason, the building blocks presented in the report will also be used as a way to evaluate the Australian and Canadian initiatives to promote development goals in the countries where their mining companies operate.

Section II- The Canadian and Australian Development Initiatives

The first section discussed the risk of falling into the resource curse trap that many developing resource-rich countries must overcome in order to maximise the socio-economic development potential of their extractive sectors. Factors like institutional quality, transparency, capacity building and a shared knowledge of the costs and benefits, were identified as possible keys to determine whether a country avoids the resource curse or not.

Relevant international initiatives to help address this issue were also described in Section 1. Most of these initiatives are important to our study because they help envision and create a paradigm of what the mining industry should look like in order to achieve more sustainable mineral development (SMD). There are two projects or initiatives that are considered particularly relevant for this section: *Breaking New Ground Report* and *Responsible Mineral Development Initiative (RMDI)*. These two initiatives are based on the work generated during workshops, regional forums, regionally convened advisory groups and commissioned research. They identified the key priorities to improve the way in which the sector contributes towards sustainable development and present a very comprehensive image of what the stakeholders' expectations are when it comes to SMD.

This section describes Canada's and Australia's international development policies or initiatives towards resource-rich or resource-dependent countries. As more companies expand their operations into developing regions, it becomes relevant to observe how investor countries can contribute to SMD. Many foreign mining companies come from developed countries with

mature mining sectors and institutional structures that regulate the industry. These developed mining countries could then assist developing mining countries to overcome the challenges presented by the sector. It is also interesting to look at how these countries' strategies align with the international initiatives and SMD frameworks described in the first section.

Australia and Canada were chosen for this descriptive study because both countries are recognized as leading mining countries around the world. These two countries also participate in international aid and development programs around in many regions: through Canada's International Development Agency (now part of DFATD), and Australia's Ausaid. As there is a growing global need to address the challenge of unlocking the socio-economic benefits of mining, it's not surprising that both countries have linked their development assistance goals with mining, which is one of their most prominent economic sectors¹⁵.

These two countries are the first ones to launch international development initiatives directly aimed towards the mining industry of developing countries (Canada's *Building the Canadian Advantage* and Australia's *Mining for Development*)¹⁶. However their approaches differ and it is the objective of this section to determine what these differences are and how these development initiatives are aligned with the SMD framework.

These two country initiatives are relatively recent (less than 4 years since they were first announced). For this reason it would be difficult to determine whether their different approaches

¹⁵ These two countries are also considered interesting for a cross-national descriptive exercise because they are both commonwealth countries with Westminster parliamentary systems.

¹⁶ Germany and Norway have also launched similar development programs in recent years. Through the Federal Ministry for Economic Cooperation and Development (BMZ), Germany is working in collaboration with partner countries in their efforts to develop and improve their raw material sectors. In particular, they provide assistance in the development of better local legal frameworks. The Norwegian Agency for Development Cooperation (Norad) launched the Oil for Development Program in 2005 with the goal of helping partner countries achieve economically, environmentally and socially responsible management of petroleum resources.

lead to more beneficial outcomes for host countries. Nonetheless, it is still very interesting to look at them closely in order to understand how they intend to assist host countries and to determine whether these two initiatives are aligned with internationally established SMD principles and guidelines.

To do this, a description of the Canadian and Australian mining sectors will first be presented, placing a special emphasis on their mining operations abroad. After, a SMD framework will be created against which each country initiative will be measured. The methodology for this descriptive study will be described in detail in sub-section 2.2

2.1 Canada's and Australia's Mining Sectors

Canada is one of the leading mining nations in the world. In 2010 mining and metals represented 2.8% of national GDP by contributing \$34.7 billion to the Canadian economy. In the same year, the industry employed 308,000 people which represent 2.1% of Canada's total employment (NRCan, 2012).

Mining also accounted for 6.7% of Canadian direct investment abroad in 2011, with a total of \$66.8 billion (Cansim, 2012). Most Canadian mining assets are in developing regions, including Latin America (a total of 48% of all assets) and Africa (a total of 22% of all assets in 2010) (NRCan, 2012).

In addition, Canadian urban centers represent hubs for mining finance. The Toronto Stock Exchange (TSX) handled 83% of the world's mining equity transactions over the past five years and Vancouver is a cluster for many national and international mining exploration companies (MAC, 2011).

Similarly, Australia is also a major mining country. The mining industry was the fourth largest contributor to the Australian economy, with 8% of total GDP. The industry employed 169,000 workers in 2012, which accounts for 1.4% of the Australian labour force (Australian Bureau of Statistics, 2012).

Furthermore, mining is the largest sector for outward direct investment, with 41% of Australia's total direct investment abroad (Australian Government, 2012). Australian mining investments in Africa have increased, making it the biggest region for investment outside of Australia¹⁷.

Both countries are usually considered by international mining associations as top mining countries, not only for their domestic mining sector but also for their industries' interests abroad. If companies' size and importance by market capitalisation are measured, both countries are represented in the "Top Ten" biggest mining companies in the world: Australia with BPHBilliton (Ranked 1st) and Rio Tinto¹⁸ (Ranked 3rd), and Canada with Barrick Gold (Ranked 8th) and Potash Corp (Ranked 9th) (PWC, 2011).

2.2 Descriptive Analysis

2.2.1 Methodology

A framework will be used against which to measure Australia's and Canada's initiatives and determine how these programs contribute to SMD in partner countries. Although there is no universal agreement of what SMD should be and what specific actions should be taken to achieve this, the international initiatives described in the first section help to build a paradigm of

¹⁷ Although most Australian mining companies were located within Australia and in the Pacific and Indian Ocean, (like Indonesia or Papua New Guinea).

¹⁸ Rio Tinto has headquarters in both the U.K and Australia.

what the mining industry should look like if it is to contribute to the sustainable development of countries. *Breaking New Ground* Report and the *Responsible Mineral Development Initiative* are particularly relevant for this section.

The *Breaking New Ground* Report offers a structure based on a set of principles and grouped into the four dimensions of sustainable development that should guide the mineral sector: economic, social, environmental and governance. Complimentary to this, the *RMDI* provides a group of six building blocks or next steps aimed at overcoming recognized challenges in the industry.

The framework, against which the two country initiatives will be measured, will be constructed based on the two reports mentioned above. The different components and actions of each country initiative will be linked to one or multiple dimensions of guiding principles identified in *Breaking New Ground* and to one of the six building blocks outlined in the *RMDI*. This approach will not only help determine whether the initiatives of Canada and Australia contribute to SMD, but also how they contribute and whether more attention is given to certain dimensions of the guiding principles and RMDI building blocks than others.

Each country initiative will be analysed in two parts. Part one will look at the components that make up each initiative at the time when the initiative was first announced, while part two will evaluate the concrete actions taken following the launching of each country initiative. The evaluation of each initiative in two parts is relevant because the components that are presented initially are often vague. Looking at the actions that have been implemented by both countries allows the reader to see if and how these initial components have been turned into concrete activities.

The graph below illustrates how each country’s strategy will be evaluated. Each component and action will be measured against this framework and will be placed in this table according to the building block and the SMD dimension it addresses.

Table 3 Illustration of the SMD framework to measure country initiative components

RMDI Building Blocks	SMD Dimensions as Presented by <i>Breaking New Ground</i> Report				Country Initiative: Components and Actions
	Economic	Social	Environmental	Governance	
Building Block 1: Progressive Capacity Building					<i>Each component and action will be measured against this framework. Each component and action will be placed in this table according to the building block and the SMD dimension it addresses.</i>
Building Block 2: A shared understanding of the Costs and Benefits					
Building Block 3: Collaborative Processes for stakeholder engagement					
Building Block 4: Transparent processes and arrangements					
Building Block 5: Thorough Compliance and Monitoring of Commitments					
Building Block 6: Early and Comprehensive Dispute Management					

RMDI Building blocks: Each component or action of the country initiative will be placed in the table according to the RMDI building block it addresses.

SMD dimensions: the SMD dimensions that each country initiative’s component or action touches on will be identified on with an “X”.

2.2.2 Canada's Initiative: Building the Canadian Advantage *Components*

In 2009 the Canadian government launched *Building the Canadian Advantage: A CSR Strategy for the Canadian Extractive Sector Abroad*. According to the Canadian government, *Building the Canadian Advantage* “is a strategy that aims to improve the competitive advantage of Canadian extractive sector companies by enhancing their ability to manage social and environmental risks” (DFATD, 2009). In the same press release, it was explained that although most Canadian mining companies are recognized for respecting ethical, social and environmental standards, those companies that still lack this commitment could undermine the competitive advantage of other Canadian mining companies. Bad actions by certain Canadian companies could damage the reputation of the entire Canadian mining industry.

Even though Canadian mining activities abroad are presented in this initiative as a win-win economic opportunity for both Canada and host countries, in the presentation of the initiative, emphasis is given to assisting Canadian companies overcome the many challenges they face when operating in developing countries. Therefore it is an initiative which gives a strong focus to protecting Canadian private investments abroad.

The initiative is founded on four main components. Table 4 lists the *Canadian Advantage* components so that the reader can have a clear picture of what these are. Later, these components are measured against the SMD framework as illustrated in Table 5. This framework (Table 5) helps the reader understand how the country initiative aligns itself with SMD dimensions and the RMDI building blocks. In table 5, the SMD principle dimensions that each component touches

on are listed under the second column. In the third column, each component is located according to the RMDI building block that it is intended to address.

Table 4. *Building the Canadian Advantage*: initiative components

1	Support initiatives to enhance the capacities of developing countries to manage the development of minerals and oil and gas, and to benefit from these resources to reduce poverty.
2	Promote, primarily through the Department of Foreign Affairs and International Trade and Natural Resources Canada, the following widely-recognized international CSR performance guidelines with Canadian extractive companies operating abroad
3	Set up the Office of the Extractive Sector CSR Counsellor to assist stakeholders in the resolution of CSR issues pertaining to the activities of Canadian companies abroad.
4	Support the development of a CSR Centre of Excellence within an existing institution outside of government to encourage the Canadian international extractive sector to implement these voluntary performance guidelines by developing and disseminating high-quality CSR information, training and tools.

The first component of *Building the Canadian Advantage* is intended to support initiatives that improve developing countries' capacity to better manage their natural resource. As we can see in Table 5, component 1 of *Building the Canadian Advantage* addresses the first building block described in the RMDI which is progressive capacity building. For this first component, importance is given to developing all SMD dimensions related to the mineral extractive sector (economic, social, environmental and governance).

The second component of the Canadian initiative is to promote internationally recognized CSR performance and reporting guidelines. This component is related to the fifth building block of the RMDI which is thorough compliance and monitoring of commitments. These guidelines' main objectives are to guarantee the human rights of mining workers and members of nearby communities as well as to set higher environmental standards in mining operations. For this reason component 2 of *Building the Canadian Advantage* mainly relates to the social and

environmental dimensions of SMD. However the government of Canada only supports Canadian extractive companies endorsing these standards and guidelines but it does not create any mechanisms that require Canadian firms operating abroad to legally abide by these performance and reporting guidelines.

The third component of the Canadian initiative is to set up an office for the extractive sector CSR counsellor. This office will assist different stakeholder groups, including local communities and labour groups, to manage CSR issues pertaining to activities of Canadian mining companies abroad. This component is directly related to the sixth building block of the RMDI which is to develop early and comprehensive dispute management. Since the purpose of this component is to resolve disputes among stakeholders, in particular stakeholders most directly impacted by mining operations like workers and nearby communities, this component mainly addresses the social sphere of SMD.

The fourth component of *Building the Canadian Advantage* initiative is to support the development of a CSR Centre for Excellence that will promote CSR best practices among Canadian extractive sector companies. This component can also be located under the first building block of the RMDI (progressive capacity building). But it only partially addresses this RMDI building block as its target is the Canadian mining industry (as indicated in table 5). This component excludes stakeholders from host countries such as local governments, nearby communities and civil society groups. This component is mostly associated with the social sphere of SMD.

Table 5. *Building the Canadian Advantage* measured against the SMD framework- Components. In this table the four components of the Canadian initiative are measured against the SMD framework. First, the dimensions that each component touches on are listed in the second column of the table. Later, in the third column, the components are located under a particular RMDI building block.

RMDI Building Blocks	SMD Dimensions				Country Initiative's Components: BUILDING THE CANADIAN ADVANTAGE
	economic	social	Environmental	governance	
(1) Progressive Capacity Building	X	X	X	X	<p>First component- Support initiatives to enhance the capacities of developing countries to manage the development of minerals and oil and gas, and to benefit from these resources to reduce poverty.</p> <p>Partially Related¹⁹ Fourth component- Support the development of a CSR Centre of Excellence within an existing institution outside of government to encourage the Canadian international extractive sector to implement these voluntary performance guidelines by developing and disseminating high-quality CSR information, training and tools.</p>
(2) A shared understanding of the costs and benefits					
(3) Collaborative processes for stakeholder engagement					
(4) Transparent processes and arrangements					

¹⁹ Partially related means that this component only addresses part of this RMDI building block.

<p>(5) Thorough compliance monitoring and enforcement of commitments</p>		<p>X</p>	<p>X</p>	<p>Partially Related Second component- Promote, primarily through the Department of Foreign Affairs and International Trade and Natural Resources Canada, the following widely-recognized international CSR performance guidelines with Canadian extractive companies operating abroad:</p> <ul style="list-style-type: none"> • International Finance Corporation Performance Standards on Social & Environmental Sustainability for extractive projects with potential adverse social or environmental impacts, • Voluntary Principles on Security and Human Rights for projects involving private or public security forces and, • Global Reporting Initiative for CSR reporting by the extractive sector to enhance transparency and encourage market-based rewards for good CSR performance.
<p>(6) Early and comprehensive dispute management</p>		<p>X</p>		<p>Third component- Set up the Office of the Extractive Sector CSR Counsellor to assist stakeholders in the resolution of CSR issues pertaining to the activities of Canadian extractive sector companies abroad.</p>

Building the Canadian Advantage: Actions

After describing the four components of *Building the Canadian Advantage*, it is also interesting to look at what has been done in terms of concrete government actions related to this initiative. Whereas the initial initiative in 2009 was mostly associated with building blocks 1, 5 and 6 of the RMDI, the six main actions undertaken by the government of Canada can be associated, or partially associated, with building blocks 1,3,4,5 and 6 of the RMDI (see Table 6 at the end of this subsection).

Under building block 1, progressive capacity building, the Government of Canada has launched the Andean Regional Initiative (ARI). This four year project is a governance capacity building project which seeks to enhance the ability of local communities and governments to effectively engage with extractive sector firms in Colombia, Bolivia and Peru. The project's first step consists of local funds managed by DFATD which will be used for socio-economic projects aimed at promoting sustainable community development in partnership with civil society, local governments and extractive companies. The second step of the ARI consists of institutional capacity building to help local governments plan and manage sustainable development projects in accordance to the needs of their communities. Finally, the third step will seek to promote information sharing mechanisms among all the participants in the project across the three countries. This project relates to all four dimensions of SMD but has a strong focus in local communities and governments, in particular those communities closest to mining operations (Merx, 2012). \$20 million (CAN) have been allocated for this project.

Under the first RMDI building block, the Canadian initiative also includes the Centre for Excellence for CSR. The centre was created as a web-based resource managed by the Canadian Mining Institute (CIM) where mining companies and Canadian NGOs could get together to

develop CSR projects. But in 2012 the Government of Canada cut funding to the centre and since then, the NGOs working in partnership with the CIM have left the centre's executive committee.

Just after announcing the end of funding to this Centre, the Government of Canada announced new funding, of \$25 million (CAN) over 5 years, for the creation of a Canadian International Institute for Extractive Industries and Development (CIIEID). According to the DFATD website "the institute will benefit developing countries by enhancing their capacity to utilize and benefit from the extractive sectors". In 2012, a call for proposals was made to Canadian universities wanting to host this Institute. The University of British Columbia was selected to establish the institute in coalition with Simon Fraser University and l'École Polytechnique de Montréal. The coalition wants to create partnerships with NGOs, academic and industry advisors and inter-governmental organizations from Canada and overseas. However the institute is still in its initial stage and is currently trying to conduct a review of the Canadian mining sector in order to develop an action plan and determine its strategic partners.

Under building block 3 of the RMDI, collaborative processes for stakeholder development, the Canadian International Development Agency (DFATD) announced \$6.7 million (CAN) in funding to support CSR projects in countries such as Peru, Burkina Faso and Ghana. Enabling companies like Barrick Gold, Iamgold and Rio Tinto Alcan to work with Canadian NGOs like Plan Canada and World Vision Canada. Together, the three companies will add another \$1.4 million (CAN) to fund the CSR projects. These private-public partnerships will

offer skills development²⁰ and other benefits to the communities affected by mining activities in those countries.

Building block 4 of the RMDI, transparent processes and arrangements, is covered by the Governments of Canada's support to the EITI. Although Canada supports the initiative financially it has chosen not to be an implementing country. According to the NRCan note on the subject, Canada is not an implementing²¹ country because "There are existing regulations and financial disclosure requirements in place in Canada that support the transparency in taxation, royalties and other natural resource revenues" (2011).

Despite the existence of transparency mechanism at the provincial and federal level in Canada, refusal to become an implementing country could send a wrong signal to developing countries where Canada has mining and energy interests. These countries may not see the need to comply with a standard if a major investor country does not consider it appropriate or good enough to be adopted domestically.

Canada's promotion of international CSR guidelines and reporting mechanisms will fall into building block 5 of the RMDI, thorough compliance and monitoring of commitments. This proves Canada's recognition of other international efforts in this field but its support goes as far as encouraging Canadian companies to adopt the frameworks, by publicly announcing their support in official statements, without imposing any legal requirements or developing fiscal advantages for Canadian companies that adopt such standards abroad.

²⁰ Including skills development related to small business management and information technology.

²¹ Implementing country: Meaning that Canada adopts the standard domestically and is subject to an EITI annual evaluation.

Another important element of the Canadian initiative is the creation of the Office of the Extractive Sector CSR Counsellor in 2010, which addresses the need to develop early and comprehensive dispute management mechanisms, RMDI's 6th building block. Up to now, the office has promoted dispute resolution through dialogue and joint-problem solving between Canadian companies and people directly affected by extractive projects overseas. The creation of the office is an innovative idea developed by the government of Canada and it is the first time an investor country has designed a mechanism to peacefully mediate conflicts between mining companies (they must be Canadian companies) and local communities in other countries. But its mandate is very weak, as participation of Canadian companies in the dispute-resolution process is voluntary (DFATD, 2012).

(3) Collaborative processes for stakeholder engagement	X	X		3 pilot projects implemented in partnership with NGO's and mining industry	Rio Tinto Alcan IamGold Barrick Gold WUSC Plan Canada World Vision	DFATD	\$6.7 million over a period of 5 years 2011-2016	These public-private partnerships are aimed to reduce poverty and provide skills training and agricultural grants in local communities in Ghana, Burkina Faso and Peru. Canadian NGOs partner with Canadian mining companies to work on these projects. Funding is supplied by DFATD and partner Canadian mining companies. Also related with building block 1
(4) Transparent processes and arrangements	X		X	Support EITI (Canada is not an implementing country)	EITI	Led by NRCan In collaboration with DFATD and Minister of Finance	\$1.15 million (contribution throughout 4 years) Ongoing support	Canada supports the implementation of the EITI standard by developing countries so that these countries disclose what they receive in revenues from the extractive sector. It also promotes Canadian companies operating abroad to adopt the standard and disclose company payments by country of operation. Canada contributes financially to the EITI multi-donor trust fund which provides technical and advisory support to countries seeking to implement EITI.
(5) Thorough compliance monitoring and enforcement of commitments		X	X	Promotion of CSR performance guidelines	Canadian extractive companies GRIorg IFC Voluntary principle on human rights org		Ongoing support	Promotion of internationally recognized CSR performance guidelines with Canadian extractive companies operating abroad: <ul style="list-style-type: none"> • IFC performance guidelines on social and environmental sustainability for extractive projects. • Voluntary principle on security and human rights. For projects involving private and public security forces • The Global Reporting Initiative (GRI) for CSR reporting by the extractive sector to enhance transparency. Partially related because these guidelines and reporting initiatives have no legal enforcement mechanisms
(6) Early and comprehensive dispute management		X		Creation of the Office of the Extractive Sector CSR Counsellor		DFATD	Ongoing support	The mandate of the counsellor will be to: <ul style="list-style-type: none"> • Review the CSR practices of Canadian extractive companies operating abroad. (Dispute resolution role through dialogue and joint-problem solving). Project affected communities and Canadian companies can constructively resolve their disputes through this office. • Advise stakeholders on the implementation of endorsed CSR performance guidelines. (Advisory Role)

2.2.3 Australia's Initiative: Mining for Development Components

In October 2011, the Government of Australia launched a \$127 million (AUS)²² *Mining for Development Initiative*. The Government's official statement when it announced its initiative was that "Australia will share its significant expertise and experience in mining to assist resource-rich developing countries maximise the benefits and opportunities of mining... The Australia Government's aid policy, Effective Aid, highlights the importance of mining to economic growth and poverty reduction" (AusAID, 2012).

Table 7. *Mining for Development*: Initiative Components

1	International Mining for Development Centre
2	Engaging with communities
3	Bring international best practices to the table
4	Promoting transparency
5	Supporting partnerships
6	Bringing skills and knowledge

As Table 7 shows, the emphasis of the Australian initiative is placed on development while hardly any mention is made of Australian mining interests abroad. However, in this initiative, special attention is placed on development aid in Africa, the region where Australia's recent mining investments have been more prominent. As a result, it would not be surprising that Australia's initiative served as a way to enhance the image of Australia as a mining nation while also demonstrating its commitment to the socio-economic prosperity of its trading partners and investment destinations.

²² \$1 Canadian dollar= \$1.02 Australian dollar. (Central Bank of Canada, June 15th 2013).

The *Mining for Development* initiative has six different components. Table 7 lists the Mining for Development components so that the reader can have a clear picture of what these are. As with the Canadian initiative, these components are measured against the SMD framework as illustrated in Table 8 (below). In Table 8, the SMD principle dimensions that each component touches on are listed under the second column. In the third column, each component is located according to the RMDI building block that it is intended to address.

The first component of *Mining for Development* is the creation of the International Mining for Development Centre that will provide capacity building to developing countries in areas such as governance and regulation, community and environmental sustainability and operational effectiveness and safety. This first component focuses on progressive capacity building, represented by building block 1 of the RMDI and targets all dimensions of SMD.

The second component is engaging with communities. This component's objective is to identify opportunities for community participation and greater community engagement in the decision-making process of mining operations in developing countries. This component relates to the third RMDI building block, collaborative processes for stakeholder engagement, as well as with the second building block, a shared understanding of the costs and benefits, as it also seeks to strengthen local communities' comprehension of the implications of mining agreements. This component focuses on the social sphere of SMD.

The third component, bringing international best practices to the table, is also related to progressive capacity building (RMDI building block 1). With this, the Government of Australia wants to make use of already existing partnerships with the World Bank and IMF to provide

assistance to strengthen mining regulations in developing countries. The governance and economic SMD dimensions are targeted with this component.

Building block 4 of the RMDI, promoting transparent processes and arrangements, is addressed with the fourth component of Australia's initiative, which is to promote transparency through the support of the EITI standard by donating money to the Multi Donor Trust Fund and supporting developing countries to become implementing countries. The governance and economic SMD dimensions are also targeted with this component.

The fifth and sixth components of the initiative, supporting partnerships and bringing skills and knowledge, both address building block 1 of the RMDI. Australian authorities will support partnerships by planning to work with their counterparts in developing countries to improve their skills in mining regulation and administration. The government of Australia will bring skills and knowledge by granting scholarships to undergraduate and graduate students in various academic fields related to mining. While the fifth component only targets the governance sphere of SMD, the sixth component will target all four SMD dimensions.

Table 8 *Mining for Development* measured against the SMD initiative –Components. In this table the six components of the Australian initiative are measured against the SMD framework. First, the dimensions that each component touches on are listed in the second column of the table. Later, in the third column, the components are located under a particular RMDI building block.

RMDI Building Blocks	Dimensions of SMD				Country Initiative's Components: AUSTRALIA'S MINING FOR DEVELOPMENT
	economic	social	Environmental	Governance	
(1) Progressive Capacity Building	X	X	X	X	<p>First Component - International Mining for Development Centre: developing countries have access to education and training, as well as technical advice. The centre provides capacity building in three main areas:</p> <ul style="list-style-type: none"> • Governance and regulation • Community and environmental sustainability • Operational effectiveness and safety
	X			X	<p>Third Component- Bring international best practices to the table: provide technical assistance to developing countries to strengthen their mining approvals, regulations and macroeconomic policy frameworks, delivered through existing partnerships with the World Bank and IMF Also partially related to building block 2</p>
				X	<p>Fifth Component- Supporting Partnerships: Through a Government Linkages program, Australian federal and state government authorities and universities will work with counterparts in developing countries to improve their skills in mining regulation and administration for the long term</p>
	X	X	X	X	<p>Sixth Component- Building Skills and Knowledge: Australian mining awards will provide scholarships to undergraduate students and graduate students in fields such as engineering, geoscience, finance, public administration, community and environmental management, resource economics, regulation and governance</p>
(2) A shared understanding of the costs and benefits					
(3) Collaborative processes for stakeholder engagement		X	X		<p>Second Component- Engaging with Communities: the program will support NGOs and multilateral organizations that promote social and environmental responsibility in developing countries. The program will identify opportunities for community participation and encourage community engagement in decision-making.</p>

(4) Transparent processes and arrangements	X			X	Fourth Component- Promoting Transparency: Support the EITI and encourage developing countries to become implementing countries
(5) Thorough compliance monitoring and enforcement of commitments					
(6) Early and comprehensive dispute management					

Mining for Development: Actions

After going through the main components that make up the initiative, we see that most efforts are placed in building block 1 of the RMDI, progressive capacity building of developing countries (see Table 7). Building blocks 3 and 4 of the RMDI, which are collaborative processes for stakeholder development and transparent processes and arrangements, are also addressed, but to a lesser extent. Similarly to the initial initiative announced in 2011, the actions undertaken by the Government of Australia (and more specifically Ausaid) have focused on building blocks 1, 3 and 4 of the RMDI. Additionally, some actions could also be located under building block 2 which is a shared understanding of the costs and benefits (see Table 8).

Building on Australian expertise in mining, the Government of Australia considers that they are well placed to help developing countries overcome the challenges they face in order to maximise the benefits of the extractive sector. It is observed that the Australian government works on progressive capacity building by collaborating with domestic partners (such as universities and subject specific agencies and institutes), multilateral organizations and other industrialized countries with similar international development priorities.

The International Mining for Development Centre (IM4DC) and the mining scholarship program are examples of how Australia tries to transfer its “know how in the sector” to its development partners. These two actions target all 4 dimensions of the SMD principles. Although the mining scholarships form part of a broader academic awards-program funded by Ausaid, emphasis has been placed in awarding the scholarships to international students with an interest in working in their home countries’ mining sector.

The Geoscience Strengthening Program, conducted by Geoscience Australia²³, is another action undertaken by the government of Australia under progressive capacity building. The purpose of this program is to increase and improve the geological information available to governments of resource-rich developing countries. A better knowledge of mineral deposits will enable these countries to be better placed when negotiating with private mining companies, which will result in better arrangements such as higher royalty payments and greater investments in shared infrastructure. This program is currently in the design phase and will be completed in the summer of 2013. A complete report on the mineral potential of Africa, Asia, Latin America and the Pacific will be released this year.

In 2013, a joint declaration of intent was signed between Ausaid and Germany's Ministry for Economic Cooperation and Development. The two governments have agreed to collaborate on skills development projects related to the extractive sector in developing countries (Ausaid, 2013). The declaration was signed in 2013 but specific actions are yet to be announced. However this is an action that would be interesting to observe in the future in order to analyse the results of joint international development collaboration by two countries.

Ausaid's contribution to the IMF Topical Trust Fund on managing resource wealth also falls into the first RMDI building block as the fund will deliver technical assistance to resource-rich developing countries for improved fiscal and macroeconomic management. The Trust Fund's five areas of assistance are extractive industry fiscal regimes, extractive industry revenue administration, extractive industry macro-fiscal and public expenditure policy, natural resource asset and liability management and statistics for managing natural resources (Ausaid, 2013).

²³ Geoscience Australia is an agency within the Resource, Energy and Tourism portfolio. It provides geoscientific advice and information to Australian government. It also provides geoscientific information to industry and other stakeholders

Under the second RMDI building block, a shared understanding of the costs and benefits, *Mining for Development* is contributing to the World Bank's Extractive Industry Technical Advisory Facility which assists resource-rich countries understand, negotiate and analyse the complex financial, legal and environmental aspects of mining agreements. This program is targeted towards governments but leaves out local communities who could also benefit from increased understanding of the implications of nearby extractive operations.

In 2011 AusAID's Direct Aid Program (DAP)²⁴ started to approve funds for CSR projects of mining companies who are members of the Australia Africa Mining Industry Group (AAMIG). This collaboration with Australian private mining companies was not announced when the *Mining for Development* initiative was launched, but these CSR projects seek to increase stakeholder engagement which falls under the third building block of RMDI. Under this program, Australian mining companies can apply to receive funding for up to Aus \$30,000 per individual project. In February 2012, seven companies obtained DAP funding and three more were waiting for approval (AAMIG, 2012)²⁵

Building block 4 of the RMDI, transparent processes and arrangements, is addressed by Australia's support to the EITI. Australia not only supports the initiative financially, in July 2012 a process was started within the country to undertake a pilot of the EITI to evaluate whether Australian standards and regulations are compatible with the EITI (EITI, 2011). The pilot project does not guarantee that Australia will adopt the standard in the future, but this could be considered a positive sign towards full implementation at a national level.

²⁴ DAP is a flexible small grants program funded by the Australian Government through AusAID and managed by the Department of Foreign Affairs and Trade. The funds are administered by Australia's diplomatic missions and fund are available on a non-for-profit basis to individuals, NGOs, community groups and other entities engaged in development programs. (Australia's Department of Foreign Affairs and Trade, 2012)

²⁵ Companies with approved DAP funding are Bannerman Resources LTD, Endeavour Mining Corporation, Globe Metals and Mining LTD, Mawson West LTD, Middle Island Resources LTD, Paladin LTD and Resolute Mining LTD.

Table 9. Mining for Development measured against the SMD framework- Actions. In this table the implemented actions of the Australian initiative are measured against the SMD framework. First, the dimensions that each action touches on are listed in the second column of the table. Later, in the third column, the actions are located under a particular RMDI building block.

RMDI Building Blocks	Dimensions of SMD				Country Initiative's Actions	Partners	Funding by Government Department	Total Project Duration and funding	Description
	economic	social	Environmental	governance					
(1)Progressive Capacity Bulding	X	X	X	X	International Mining for Development Centre	University of Western Australia	AusAID	\$31 million (AUS) over four years	Provide access for developing countries to education, training and technical advice through: short courses, fellowships, capacity building, published guides, conferences and alumni events. In first year of existence the centre has commenced training of 294 people in 25 countries and commissioned 11 research projects.
	X			X	IMF Topical Trust Fund on Managing Natural Resource Wealth	IMF	AusAid	\$5 million (AUS) over 4 years	Deliver technical assistance to developing countries for improved macroeconomic and fiscal management.
				X	Geoscience Strenghtening	Geoscience Australia	AusAid	\$1 million over 2 years	The program will improve geological capabilities in developing countries. This will allow partner countries to plan for their long-term, economic and fiscal needs.
	X	X	X	X	Partnership on Development Cooperation in the Extractive Industry Sector	Government of Germany: the Federal Ministry for Economic Cooperation and Development	Ausaid	Up to this point, only the declaration of intent has been signed. There are still no specified financial commitments	A joined declaration of intent was signed between the two countries in May 2013. Collaboration on extractive skills development including coordinated support for education and training initiatives and activities.
	X	X	X	X	Australia Awards for Mining	Developing countries (Ausaid partners)	Ausaid	Ongoing support	This is part of a broader program, Australian Development Program, which aim to contribute to the long-term development needs of partner countries.

(2) A shared understanding of the costs and benefits	X			Extractive Industry technical Advisory Facility	World Bank	AusAid	\$4.9 million over 2 years	This facility provides short term assistance to developing countries to help them understand, negotiate and analyse the complex financial, legal, environmental and related technical aspects of mining agreements.
(3) Collaborative processes for stakeholder engagement		X	X	Support 7 CSR projects of Australian mining companies	Australia-Africa Mining Industry Group	AusAid and Department of Foreign Affairs and Trade	Ongoing support. Up to \$30.000 per project	7 Australian mining companies operating in African countries received up to \$30.000 (AUS) to fund CSR projects. These grant are part of the larger Direct Aid Program administered by DFATD to advance development objectives while also supporting Australia's international relations and public diplomacy objectives
(4) Transparent processes and arrangements	X		X	Support and implementation EITI pilot	EITI	Ausaid	\$17.45 million over 9 years. \$5.35 million given during 2012-2013	Australia supports the implementation of the EITI standard by developing. In July 2012, an EITI pilot project was initiated by Australia. Australia contributes financially to the EITI multi-donor trust fund.
(5) Thorough compliance monitoring and enforcement of commitments								
(6) Early and comprehensive dispute management								

2.2.4 Discussion

By comparing both initiatives it is noted that their approaches differ considerably. While the Australian approach prioritizes helping developing countries use their rich resources to grow their economies and provide social benefits to their people (country to country efforts), the Canadian approach places its priority on working directly with private mining companies and NGOs to increase the competitive advantage of Canadian firms while also promoting more sustainable and socially responsible practices in the countries where these companies operate.

By just looking at the components at the time when *Building the Canadian Advantage* is launched, Canada addresses building blocks 1 (progressive capacity building), 5 (thorough compliance and monitoring of commitments), and 6 (early and comprehensive dispute mechanisms) of the RMDI. Canada's mostly focuses on the social and environmental dimensions of SMD while little attention is given to the economic and governance dimensions of SMD. While Australia's components at the time when *Mining for Development* is launched also addresses building block 1, it differs from the Canadian initiative as it touches on RMDI building blocks 3 (collaborative processes for stakeholder engagement) and 4 (transparent processes and arrangements). Australia's *Mining for Development* mostly focuses on the economic and governance dimensions of SMD.

Despite what these two countries originally announced, in some cases the actions undertaken since the launch of these two initiatives have only partially or weakly addressed these RMDI building blocks. In some other cases, initial action plans have been abandoned to concentrate more efforts on new projects that had not been previously announced and that address other RMDI building blocks.

Australia has mostly devoted its efforts on capacity building. In doing so, Ausaid has joined forces with different types of partners including universities, industry associations, multilateral organizations and even other industrialised countries, like Germany.

On the other hand, Canada's capacity building efforts have been more concentrated and limited. For example, the ARI project will provide assistance to Andean countries so that local governments and communities can more effectively engage with mining companies and develop successful CSR projects.

Another capacity building project that constituted one of the main components of the Canadian initiative was the creation of the CSR Centre for Excellence, which was conceived to serve the Canadian mining industry and Canadian NGOs. Although public funding to the Centre was stopped, the creation of the Canadian International Institute for the Extractive Industries and Development (CIIEID) will allow more international stakeholders to benefit from Canadian expertise in the sector than with the CSR Centre for Excellence. The objectives of the CIIEID are similar to those of the Australian M4DC and focus on all dimensions of SMD. However, the institute is in its initial phases and its full impact on stakeholders is still uncertain.

At first, not much attention was given to building block 3 of the RMDI (collaborative processes for stakeholder engagement). Australia had weakly addressed the building block in its second component "engaging with communities" without explaining how it would go about doing this. Furthermore, neither Australia nor Canada had announced private-public partnerships at the time when the initiatives were officially launched, but since then, there has been an increasing tendency for both governments to fund CSR projects of mining companies.

Although Australia's private-public fund allocations are significantly smaller than Canada's pilot projects, it nonetheless reveals the trend of governments' financial support to

CSR projects of highly profitable companies. These public-private partnerships have different incentives for different stakeholders. For companies, it can improve their public image if they are seen to be supported by their home governments and working in tandem with NGOs. For NGOs, it can guarantee that they will have the necessary funds to run their development assistance projects.

However it is not very clear how this could benefit governments like Australia and Canada. On one hand, it could help protect their private investment interests abroad by making sure that their extractive companies are seen as socially responsible enterprises in the countries where they operate. But on the other hand, if these CSR projects fail, or the partner mining company does not behave accordingly or violates local laws, the governments of Canada and Australia could be held accountable for private companies' wrong doings. This particular subject has generated much debate and more time would be required to analyse the actual results of private-public CSR projects.

Building block 4 of the RMDI (transparent processes and arrangements) has been partially addressed by both countries. Both support the EITI initiative by contributing to the Multi Donor Trust Fund, but neither country has committed to implement the standard domestically. Australia has showed a slightly bigger commitment by agreeing to undertake an EITI pilot, but it is still too early to say that it will fully adopt the standard at a national level.

According to Kolstad and Soreide (2009), industrialised countries' most important contribution to help overcome the resource curse would be to support mechanisms that prevent corruption. Up to date, the EITI has been the most important international initiative towards increasing transparency in the extractive sector. Therefore Australia's and Canada's weak

commitments to the EITI (block 4 of the RMDI) could be considered a missed opportunity for effectively contributing to SMD.

Although Canada has emphasised the promotion of CSR practices and provided dispute-solving mechanisms (building blocks 5 and 6), it is also significant to notice that neither are legal requirements for any of its Canadian mining companies operating abroad. Similarly, there are no legal requirements for Australian companies to commit to particular CSR standards. A possible explanation for this could be based on international trade's reciprocity principles: countries have the tendency to impose minimum legal requirements to their companies operating abroad as they expect foreign companies, which operate inside their territory, to comply with their domestic law and not those of their home countries.

However in many resource-rich developing countries regulatory frameworks and enforcement mechanisms are so limited that foreign private companies can often act in a way that would probably be prohibited in their home countries. By not imposing any legal requirements to mining companies operating abroad, Canada and Australia could also miss another opportunity to contribute to responsible and sustainable mining practices in developing countries. Imposing legal requirements to their companies could also improve the way the Canadian mining industry is perceived abroad as it could be seen as an industry that is strongly committed to respecting social, cultural, environmental and labour standards.

Conclusion

The study puts forward a SMD framework to evaluate the Canadian and Australian development initiatives in the countries where their mining companies operate. By measuring each country strategy against the RMDI building blocks and the SMD principles listed in the *Breaking New Ground Report*, it is seen that both address certain aspects of the SMD framework. However, their strategies are often weak and by overlooking other aspects, they miss opportunities to have a greater impact on host countries' socio economic development.

It was observed that both seek to improve host countries' mining benefits but their approaches differ on many ways. While Australia has chosen to put a bigger emphasis on working directly with other governments to support the development of host countries' mining sector, Canada has chosen to work more closely with Canadian mining companies and NGOs.

It is not the objective of this paper to decide which one of these approaches is better. More time would be needed to measure the actual impact and results across time of these two initiatives. This paper, however, shows us that there are different ways in which developed mining countries can contribute to SMD of host countries. While Australia has mostly emphasized capacity building of host countries, Canada has devoted fewer resources to this area but has addressed RMDI building blocks that were mostly ignored by Australia, such as support to CSR standards and the creation of a dispute-solving mechanism. Australia mostly addresses the economic and governance dimensions of SMD, while Canada places more attention on the social and environmental dimensions of SMD.

A similarity found in both initiatives was government support for CSR projects of mining companies. An increasing trend of public-private partnerships is observed that could result from a convergence of both Canada's and Australia's traditional commitments to international

development and the need to minimize the social and environmental risks of their private foreign investments. Therefore, these initiatives link investment and commercial interest with international development goals.

Although Canada and Australia cannot address every single RMDI building block and principle included in the SMD framework, their status as investor countries places them in a position where their actions could translate into enhanced socio-economic development outcomes of host countries. In addition, by contributing to the socio-economic development of host countries, Australia and Canada could also benefit by improving the reputation of their mining companies abroad.

There are certain areas of SMD where Canada and Australia could make a difference but these areas have been overlooked or weakly addressed in their initiatives.

Despite support for international initiatives concerning SMD, neither country has any mechanism that would legally bind their companies to implement transparency, environmental or social standards in the countries where they operate. Canada and Australia could impose stricter social and environmental requirements to their companies operating abroad and not simply promote them as a desirable practice²⁶. The mandate of Canada's CSR Counsellor could be modified in such a way that Canadian companies were obliged to participate in the dispute resolution process and not just have the process as a voluntary option. Failure to do this will mean that certain companies, the ones that have freely adopted responsible and sustainable practices, will agree to adopt all these standards and dispute mechanisms, while the problematic companies will continue to ignore social and environmental standards.

²⁶ Mechanisms should also be put in place to monitor all Canadian and Australian companies.

Transparent processes and arrangements is another area where both countries could do more. Their support to the EITI could be made stronger by complementing their financial contribution to the fund with the implementation of the standard domestically. The fact that many developed countries support the EITI financially, but choose not to implement it at home, sends a wrong signal to developing countries that the standard is not good enough. Domestic implementation could also create more pressures on Australian and Canadian companies operating abroad.

While it is also early to evaluate the outcomes of private-public partnerships, the Australian and Canadian governments risk being held accountable for private companies' failures in effectively executing CSR projects. This situation could damage Canada's and Australia's image as serious international development partners and many host countries could perceive them as only interested in protecting their private investments abroad.

Overall, both initiatives described in this study address certain challenges identified in the RMDI and are also aligned with the principles listed in the *Breaking New Ground* Report. However their actions risk being too weak to have a significant impact in host countries and there are certain aspects of SMD that are ignored. While progressive capacity building has been expansively addressed by the Australian government (and to a more limited extent by the Canadian government), all other building blocks of the RMDI could be better addressed by both initiatives. The RMDI building blocks that have been more overlooked by both strategies are a shared understanding of the costs and benefits (RMDI building block 2) and, thorough compliance and monitoring of commitments (RMDI building block 5). RMDI Building blocks that could be better addressed, or at least strengthened include: collaborative processes for stakeholder engagement (RMDI building block 3), transparent processes and arrangements

(RMDI building block 4) and, early and comprehensive dispute management (RMDI building block 6).

The evaluation of these two country initiatives was an interesting exercise as it allowed us to explore how developed countries are increasingly linking their international development assistance objectives to economic interests abroad (in this case to their mining industry). The final outcomes of this link can be quite positive because the initiatives are designed in such a way that all parties involved could potentially benefit from this. Local populations benefit by enhancing the way mining revenues are distributed and ensuring that these revenues contribute to socio-economic development. Countries like Canada and Australia benefit by improving the image of their mining industry around the world. Private mining companies benefit because their reputation, as responsible enterprises, is also enhanced when their home governments support their CSR activities abroad. Therefore, it is in these groups' best interest to ensure the objectives of these initiatives are achieved.

Nevertheless, it is worrisome that certain aspects of both the Canadian and Australian initiative are still ambiguous. The Canadian government's "change of mind" concerning the CSR Centre for Excellence gives the impression that there is no clear direction and that the initiative is developed "on the go". Similarly, the Australian government's funding of private companies' CSR projects was something that had not been originally planned. In addition, both initiatives seem to lack adequate mechanisms to monitor activities and measure results. For the successful implementation of the two initiatives, Australia and Canada need to have more concrete action plans and appropriate performance evaluation tools.

Although it is hard to predict these initiatives' medium to long-term results, we can expect that the Canadian initiative's outcomes will be more localised to specific communities,

which have a direct contact with Canadian mining companies, while the Australian initiative's outcomes will have a larger impact on the host country. The Canadian initiative's results will be easier to measure, whereas as the Australian initiative's results will be more difficult to evaluate, as its activities have the potential to impact a larger number of groups and communities. On the other hand, since Canada has placed an emphasis on working directly with Canadian companies, the long-term results of *Building the Canadian Advantage* risk being insignificant after closure of mine properties operated by Canadian firms. Since Australia's *Mining for Development* collaborates more directly with host countries' government institutions, as well as local civil society and academic groups, its long-term results have the potential to last beyond the lifetime of mines operated by Australian companies.

Looking forward, the research's next steps would be to evaluate the performance of these initiatives in order to carry out a comparative analysis and determine whether using either one results in a more effective outcome.

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