

Special report: Responsible mineral development

Multidimensional view

Multistakeholder dialogue helps mining companies understand how to utilise their resources more effectively

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Mining is a key driver of global economic growth, capable of having a long-term positive impact on lives, societies and nations. Although it has the potential to transform the economic prospects of mineral-rich developing countries, governments and communities are increasingly questioning the role of this sector.

Debates over the proper allocation of costs and benefits, growing resource nationalism and conflict over new projects reflect waning trust between stakeholders and lack of effective engagement mechanisms.

The need for dialogue between the mining industry and the people, communities and nations its operations affect has rarely been greater. It is also vital that it does not degenerate either into talking shop generalities or a dialogue-of-the-deaf based on fixed positions.

A report from the World Economic Forum (WEF) in collaboration with the Boston Consulting Group has tried to address these issues by developing a dialogue tool – Mineral Value Management (MVM).

Identifying challenges

The concept is outlined in a report called 'Mineral Value Management – A Multidimensional View of Value Creation from Mining', recently launched by the forum. It is the third report from the Responsible Mineral Development Initiative (RMDI), a forum project set up in 2010 with the aim of identifying and providing guidance on the main challenges around responsible, sustainable mineral development.

From the outset, its work has drawn on the continuous consultation and a worldwide series of events designed to draw in the knowledge and viewpoints of a wide range of stakeholders.

The concept of MVM grew logically out of the first two years' work by RMDI. Year one was largely devoted to consultation in relation to responsible mining, and finding out where stakeholders thought the main challenges lay.

This showed that trust and understanding between different groups is essential, with the main problems identified as inadequate stakeholder inclusion in mining consultation, opaque negotiations and development processes, poor compliance and monitoring and



inadequate institutional skills.

The following year began the search for answers, and brought rapid recognition that there can be no one 'silver bullet' solution. Instead six 'building blocks' – including collaborative processes for stakeholder engagement and a shared understanding of costs and benefits – were identified as offering practical steps in the right direction.

The report concluded that disagreements based on honest differences of interest and priority can never be eliminated, but those based on mistrust arising from ignorance or misunderstanding can at least be minimised, with benefits for all concerned with the industry.

"Improving understanding of the differences among shareholders is the key to establishing trust and constructive collaboration," argued Alex Wong, the forum's head of business engagement, when the report was launched.

He received weighty industry backing from Murilo Ferreira, president and chief executive of Vale, who said: "We believe that there is tremendous – currently untapped – opportunity to maximise wealth from mineral resources if stakeholders better understand each other's views on the benefits and costs created. For that you need dialogue based on mutual trust, and that is helped if they have a clear understanding of each other's starting perceptions and expectations."

Stumbling blocks

Four main stumbling blocks to that understanding – the focusing of debates on the easily quantifiable, a mismatch between expectations and what the industry could realistically offer, failure to involve the right stakeholders and assumptions that value is a zero-sum game – had also been identified over the first two years.

MVM is in its essence a survey tool, which was devised as a means of combatting those stumbling blocks. It is designed in particular, but not exclusively, for use in multistakeholder workshops. When used effectively it can help create mutual understanding based on a measure of the needs and priorities of different groups.

Most importantly, it takes a holistic view of value creation. As Steve D'Esposito, president of RESOLVE and an adviser to RMDI points out: "Financial value is important, but it is not the only measure. Anything that matters to stakeholders and affects their view of mining – be it a new road development which benefits local businesses or impacts of traditional cultures – needs to be included."

So MVM considers the whole range of impacts – cultural, psychological and environmental as much as financial and commercial, also takes into account the multiplier effects created by the industry's presence and acknowledges that value can take the form of costs as much as benefits.

It is divided into seven separate dimensions of value: fiscal, legal and regulatory, employment and skills, environment and biodiversity implications, social cohesion, cultural and socio-economic implications, procurement and local supply chain, beneficiation and downstream industry and infrastructure.

Still in its comparative infancy, the MVM tool already offers considerable potential benefits for mining companies, argues Roland Haslehner, partner and managing director of Boston Consulting Group: "Many mining companies invest significant resources in areas such as community infrastructure, environmental management and economic development. Establishing an understanding of needs and expectations across a range of dimensions can help more effectively direct those resources."

MVM will develop further as the WEF uses it to inform multistakeholder dialogues in a number of countries including Peru, Guinea and Mongolia. ▼

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