A SOCIAL LICENSE TO OPERATE: ESSENTIAL FOR SUCCESS IN INTERNATIONAL
EXPLORATION

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It is a fundamental truth of mineral exploration that mines are where you find them.   This places mining in a very different position from most other industries, in that it is not able to participate in a process of selection whereby the operation is established at a location chosen as most suitable from a logistical, environmental, social or economic point of view.

As a result, the explorer/developer has to face the reality that the company is inherently an outsider, a visitor or perhaps even a guest. All the more so in a foreign country.

The presence of an exploration company is a signal to the local community that a mine could be on the way and landscape, lifestyle and the neighborhood changed irrevocably.   For most people any change to established patterns is intimidating.   Furthermore, it is wrong to assume that just because we see a mine as a positive economic opportunity with jobs and a better standard of living, that everyone else has the same image of good times.

We must also recognize the high uncertainty surrounding mineral exploration.   We really do not know the outcome of an exploration project at the beginning of the program.   There is no certainty of success, timetable or, indeed, long term ownership of an exploration project.

None of this is new.   Agricola, writing more than 300 years ago, has an entire section in De Re Metallica devoted to discussions that would not be out of place on a modern report under the heading Environmental, Social and Economic Impacts of Exploration and Mining.

What has changed for us is the new sense of urgency and pressure to deal with these issues in the exploration stage.   It is reasonable to ask why?

The answers can be found within the complex processes which, collectively, have become known as globalization.   Certain driving forces are particularly important.

First, the internationalization of environmental and social issues.   As countries have changed their rules for doing business and opened their borders to foreign investment, international standards based on Treaties, Conventions and the policies of transnational organizations such as the World Bank, have become increasingly influential.   In some cases these are incorporated into national legislation.

For example, International Labour Organization Convention 169 is a particularly influential document to which a number of Latin American countries have signed on.   It has also formed the basis for World Bank policy.   Article 15 is very important because it recognizes that mineral title may be retained by the state and thus severed from surface title and specifically mentions exploration.   The key wording is that:

"governments will consult with peoples to establish whether their interests would be prejudiced, before undertaking any program for the exploration or exploitation of resources on their lands, and that the people will participate in the benefits and receive fair compensation for damages".

It is important to note that ILO 169 was written to protect the interests of Indigenous and Tribal Peoples.   However, the language has rapidly become more broadly applied to the point that current World Bank policy runs close to this wording and is relevant to all communities with a demonstrated attachment to a specific area of land.

A second driver has been the rise of international civil society to act as watch dogs and monitor the activities of companies, holding them accountable to international standards such as ILO 169. For the most part, these are Non Governmental Organizations, the NGO's, often based in North America and Europe, with specific agendas for social equity and environmental issues.   Also of consequence is the Church, which has a tradition of involvement in social issues.   These groups have good communications, savvy use of the media, influence national and international public opinion and have gained the ear of transnational institutions such as the World Bank and the UN.

A third driver is communications.   The explosive growth of the Internet and World Wide Web has provided a speed and capacity for information transfer previously unknown.   Remember that the Internet, as we now use it, came into being in 1989 and the World Wide Web arrived in 1992. Today, small rural communities arround the globe are plugged into the Net with access to unlimited information on environmental standards, social equity, human rights - and also mining companies.

The net result is that communities feel empowered to challenge mining companies and have access to a support and information network that can, and will, assist them in this challenge.

A further driver has been the process of political change.   in Latin America, for example, many Governments have only recently espoused democracy.   They are in transition, at times illiberal in character, and colored by past oligarchical and dictatorial practices.   In these countries, recent reforms give a legal framework that looks remarkably familiar.   Mining codes and environmental laws look like ours, but are not backed by a skilled bureaucracy or an impartial judiciary.   Away from the centers of commerce, in the campo where most exploration takes place, government may not be trusted and new laws are unknown or unrecognized by the local people.   In fact the national laws may not bear any relevance to the way rural people live.

In many countries, the issues of indigenous rights and land entitlement, whether indigenous or otherwise, have a long history of repression, frustration and confrontation.   These issues have moved forward strongly over the last few years, partially linked to environmental issues, as in North America, but also alone.   This has been facilitated by the decoupling of the language of

social rights and justice issues from the rhetoric of communism, legitimizing their discussion in mainstream politics.   The fall of the Berlin Wall was felt throughout Latin America.

Mineral exploration projects are commonly positioned in a complex set of relationships, many of which existed prior to the arrival of the company.   A natural alliance, real or perceived, exists between the company and the government which not only issues the license to explore or mine but is also promoting foreign investment.   This alliance may be seen by the community as being backed by the military and international capitalism, - the gringos are here to steal our gold.   The community may feel threatened by the presence of the company and seek assistance from groups supporting its interests.   Typically these are non-governmental organizations with international connections.

A teeter-totter model for this grouping of relationships vividly shows the inherent instability and potential for conflict.

There is ample real experience to validate the model.   For example:

An Australian company working in Turkey spent 18 months negotiating an agreement for mining with the central government while evaluating an old mine near an established community.   On reaching an agreement in Ankara, the company turned its attention to developing the mine only to find that the local community had organized themselves to reject the project.

In Ecuador, after five years of exploration, a multinational company signed a joint venture for development of a copper-gold property.   During exploration, contact with the local community had been restricted to the hire of laborers.   The joint venture was announced in the international press along with details of the ore body, proposed development plans, costs and schedules.   This information found it's way to the local people who were shocked at the size of the project and the speed of development.   With the help of local and national NGO's, the community demanded full disclosure of information and to be included in discussions over the development program.   Note that they were not actually opposed to mining.   When their demand went unanswered, an international campaign was launched against the project using the Internet.   The project was stalled and the company run off the property.   The environmental groups now drive the agenda.   Both community and company have lost control of the situation.

Problems are not restricted to late stage projects.   A Canadian company ran into difficulties after completing a short first drill program on a property in the central Andes.   Local people were concerned about possible contamination of farmland if a mine eventuated and called for a halt to all further work, pending consultation and assurances over how the company would proceed. A public meeting was arranged which rapidly deteriorated into disorder.   a riot ensued and The company was driven off the property.   Subsequently, it was realized that, just prior to the meeting, the company had issued a press release to shareholders in Canada describing positive results from the drill program and announcing the intention to restart drilling as soon as possible. The press release had been monitored in Quebec by the Oblate order, which had forwarded the information to South America where it was broadcast over a local radio station.   The community believed the company entered the meeting to negotiate in bad faith.   The subsequent confrontation was inevitable.

In other cases, problems have arisen when companies have failed to respect local custom over land use, religious sites, give notice of actions, pay fair market compensation and so on.   A common element in almost all case histories is communications.

Clearly, the risk of disruption due to social conflict has increased substantially in recent years, and local issues can rapidly become national and international in scope.   It is no longer realistic to think that, because you have legal title, and a license to explore or mine issued by the state, you have obtained all necessary permission to proceed with a project.   Various other parties may now become stakeholders with direct and indirect interests, and can influence the progress of a project.   It is however possible to reduce the risk of conflict by establishing positive relations with the community, thus minimizing the influence of third parties.

Mineral exploration and mining companies are now faced with the challenge of dealing with multiple, unequal, relationships with a variety of stakeholders that include the local community and government.

A few of the major companies have recognized the need to respond to this challenge, developing policies and procedures that address the concerns of the communities and the other interest groups.   RTZ, Western Mining Corporation and our own Placer Dome are the leaders in this area.   RTZ has developed policy on working with communities, linked to policies on environment and health and safety, that is intended to make the corporation the partner of choice for future mine development projects.   The policy on Sustainability introduced last year by Placer Dome has much the same objective.   These companies want to show that they are responsible corporate citizens and demonstrate that their activities are legitimate in term of relevant social, environmental and cultural norms and expectations.   Furthermore, that they are transparent in their dealings and accountable for their actions to the community at large through both government and Civil Society.   They are prepared to earn a social license to operate.

This is relatively straightforward around the stable reality of a mine, either in production or from feasibility onwards.   Issues of equity, wealth distribution, jobs, benefits versus impacts etc. can be related to mine life, profitability and the social profile of the community.   For exploration, this is a little more problematic.   Several issues come forward immediately.   The inherent uncertainty of exploration projects: - we can't promise anything.   Exploration produces no wealth: - we can't afford to run social programs.   Exploration is competitive and necessarily low profile: - we can't just tell everybody what we are doing.   How, then, does an exploration group earn it's social license to operate.

At this point, I wish to emphasize that community relations do not have to be expensive.   It does not depend on providing gifts, offering trinkets and beads.   That represents a paternalistic, colonialist approach that is increasingly unacceptable.   Rather, there must be direct engagement with the community.

Good community relations are based on providing the community with what it needs most: information and inclusion through consultation.   It begins with who you are and continues with what are you doing.   It involves an exchange of information, what is the community, what are

its hopes and fears.   Establishing communications requires listening to the community and recognizing the legitimacy of its inquiry and its cultural perspective.   The most powerful tool for community relations comes without cost and is called respect.

Along side of respect must come recognition that the company is involved in an exercise in cross-cultural communications.   Almost without exception, and that means here in North America as well as overseas, we are dealing with a case of a specialized business culture, that of mineral exploration, meeting a community with it's own distinct culture.   The company must recognize this and be prepared to receive the community way of seeing the world with an open mind, and not through the cultural filters of first world values or stereotypes.

Details of process and mechanism will vary from community to community.   What works in Peru may not be appropriate in Burkino Fasso.

A key element for both company and community is to ensure that expectations are not mismatched with the status of the project.   The onus is clearly on the company to make certain that this happens.   The company controls the project, understands the process of exploration and development and must be prepared to educate the community throughout the life of a project. there should be no surprises along the way.

I am sure there are people in the audience who have seen community members watch a company spend, what is to them, vast sums of money on road building, drilling and excavating and be incredulous when told that the mine is still not a certainty.

Building a positive relationship with a community during exploration requires care, patience and attention.   It will be subject to constant change as the project proceeds.   The relationship will have to be maintained through episodes of inactivity when the company may actually leave the area.   As a project advances, as the prospect of a mine become more real, the stakes are raised and the risks increase.

Community relations should be based on a real understanding of the community.   A social profile, risk assessment or similar evaluation may be needed to ensure that all sensitivities are identified.   A community relations strategy is required that is culturally appropriate and matched to the stage of exploration: and should be considered essential before any substantial work, such as trenching or drilling, is initiated.   Community relations should also include an exit strategy that allows the company to terminate exploration and leave the property in social good standing. this is something that becomes important when you are the next company on the property and should be of consequence to anyone who values their reputation as a good operator.

Establishing a stable relationship with the community based on trust should be the endpoint of all that i have been talking about up to now.   What is trust, and how you gain it, is the subject of another talk.   Nevertheless, this is the kind of relationship you want, since it will allow the company to confidently enter into a dialog with other stakeholders, such as the Non Governmental Organizations, likely to monitor the exploration or development program.   The Relationship with government will also be enhanced if there are no social or environmental issues festering at the project site.

The objective of these efforts is to establish a network of relationships and contacts that will give the company confidence that it has the acceptance of the community to proceed, and that other stakeholders are comfortable with it's activities. The project will be in social good standing and the company will have earned a social license to operate.

I have made this sound much more easy than it really is. Good community relations require skills that are currently in short supply amongst exploration groups. Developing and applying these skills is essential. Failure to do so risks conflictive situations over social, economic, cultural and environmental issues. Companies which fail to gain a social license, affect not only the future of their own projects but also the credibility of the industry as a whole. Just follow the stories in the media: mining is under mounting criticism over issues of social justice and equity.

We should be continually conscious that exploration groups are the front runners, ambassadors for the mining industry. Earning that social license begins the day a geologist arrives on the ground: first impressions are long lasting. Remember the significance of communications next time you meet someone at an outcrop and they ASK, "what are you doing?"