

# MINING ETHICS AND SUSTAINABILITY

*Papers from the World Mining Congress 2013*

Editors

Nicolae Irina / Christoph Stückelberger

**Mining Ethics and Sustainability**

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# COMMUNITY CAPACITY BUILDING AND A LICENSE TO OPERATE IN THE MINING INDUSTRY

*Isabel Buitrago-Franco*

## **Abstract**

This paper aims to increase our understanding about existing community capacity-building approaches and their implications for obtaining a social license to operate in the mining industry. The notion of ‘capacity building’ is gaining increasing currency in the mining sector in developing countries, due to the rapidly increasing globalised nature of mining operations. Building a community’s capacity to understand and effectively respond to these transformations is vital for obtaining a social license to operate, as it promotes sustainable and locally relevant development. Accountability mechanisms, such as global norms and international standards, increasingly point to the need to build capacity among stakeholders, particularly among local communities adjacent to mining operations. International frameworks and mining companies have embraced the notion of community capacity-building as a driver to assist corporate social and operational performance. However, this narrow understanding of capacity-building through the prism of corporate social responsibility and ‘best practices’ is preventing the industry from impacting communities meaningfully, and from forging sustainable communities in the

## *10 Mining Ethics and Sustainability*

regions where it operates. The idea of a social license to operate is being widely embedded across multiple industry sectors, as a social and economic reward from mining companies to compensate communities for natural resource extraction and gain social acceptance.

Although both concepts are widely recognised in the minerals industry, insufficient attention has been paid to the implications of applying a top-down or a bottom-up capacity building approach for obtaining a social license to operate, or indeed how these two concepts are linked and applied in practice. At times, communities lack the necessary capacities in the form of education and skills to deal with mining-led livelihood transformations. This is preventing both mining companies and communities from forging sustainable livelihoods and responding to mining-led livelihood transformations, a situation that is creating discontent among communities and reducing the possibilities of obtaining and renewing a social license to operate for the industry. Based on a review of current scholarly debates, accountability mechanisms in the mining industry and fieldwork findings in Colombia, this paper will contribute to understanding the implications of exiting community capacity-building approaches for ensuring a social license to operate.

*Keywords:* Mining, capacity-building, social license to operate, community, sustainable livelihoods, Colombia, sustainability.

### **Introduction**

The overarching aim of this article is to explore the challenges of existing community capacity-building approaches for obtaining a social license to operate (SLO) in mining regions. The growing demand of minerals and metals is increasing the need for mining operations in remote areas. However, local communities adjacent to mining projects lack capacities and education to benefit from mining, and actively engage with other sectors of the local economy. In addition, informed by the media or local and global NGOs, communities are nowadays more aware of their rights and benefits in compensation for natural resource

extraction. This has altered these communities' demands for their future, and possibilities for forging sustainable livelihoods that last after mine closure. Similarly, communities are aware of the importance of developing skills and knowledge to contribute to locally relevant development.

On the other hand, the minerals industry is transforming existing corporate social responsibility approaches to obtaining an SLO and increasing productivity rates. Indeed, traditional corporate rewards for obtaining an SLO, such as donations and infrastructure, still occupy a privileged place in corporate agendas. However, capacity building is more often positioned as a key element of corporate social responsibility, as it has been shown to benefit all stakeholders involved in the mining industry. In theory, capacity building contributes towards forging more sustainable communities, achieving development aspirations, and facilitates the extension and opening of mining projects, due to extra values such as the skill shortage supply in the industry. From a theoretical standpoint, capacity building has been widely recognised, however, its linkages to SLO need to be further explored.

The concept of community capacity-building transcends disciplinary boundaries. The idea of capacity building was first conceived as a tool for the emancipation of the poor. Popular education theories first developed by Freire (1970) posited that capacity building transforms livelihoods and frees poor people from their living conditions. This idea of freedom was further developed in the capability approach later proposed by Amartya Sen (1979). According to Sen, when individuals develop capabilities, they are able to free themselves, and to make decisions determining their life plans. International organizations such as the United Nations embraced Sen's ideas, and adopted the notion of capacity building. As defined by the United Nations Development Program (UNDP), capacity building is a process in which individuals

## *12 Mining Ethics and Sustainability*

develop either tangible or intangible skills to achieve goals.<sup>1</sup> This notion is also often linked to concepts such as development and emancipation;<sup>2</sup> however, the connections between capacity building and the SLO have not been widely explored.

The concept of the SLO is defined as a corporate approach intended to gain community acceptance. It is also viewed as an agreement between both mining companies and locals, in compensation for mineral and metal extraction. Very often, these agreements involve financial and physical capital, delivered in the form of donations or infrastructure, whereas education and knowledge transfer initiatives are rarely included or simply neglected. In order to assure the effectiveness of mining operations and help mining companies to align with high environmental and social standards, the minerals industry has recently embraced the idea of capacity building. At the global level, international standards and global principles encourage mining companies to incorporate this notion in corporate accountability mechanisms.<sup>3</sup> Companies operating in Latin America, particularly in the case study areas, are engaging with this approach, now reflected in sustainability reports and social responsibility agendas.

However, these initiatives are hugely insignificant compared to the magnitude of the problem. Despite corporate attempts to deliver capacity building actions, local communities still lack capacities and education, which prevents them from forging sustainable livelihoods and finding gainful employment opportunities. This is not only causing productivity losses for the mining industry, but is also fostering discontent and resentment in mining regions, a situation that threatens future agreements to obtain an SLO. So far, local communities have been compensated by mining revenues and capacity building programs. However, these forms of social investment have not meaningfully

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<sup>1</sup> UNDP, 2014

<sup>2</sup> Eade, 1997

<sup>3</sup> ICMM, 2005; OECD, 2008; ISO, 2010; IFC, 2014; RJC, 2011

contributed to achieving development aspirations. Thus, existing capacity building approaches are not sustainable for the local population, as the loss of natural capital has not been adequately compensated. Hence, it is imperative to take capacity building more seriously, so that current development models become more sustainable and corporations can successfully undertake future mining operations. These dilemmas are further examined in the light of two case studies, including Antioquia, Colombia, where local communities have not been adequately compensated despite the implementation of capacity building initiatives, and where corporations face significant challenges to undertake new operations and extend existing projects. Another case in point is Risaralda, Colombia, where communities have benefited meaningfully from existing capacity building approaches.

This chapter is based on ongoing PhD research and qualitative research methodology. Approximately twenty interviews were conducted in each case, and involved stakeholders from the corporate, government and civil society sectors. The chapter begins with a review of the literature of the notions of capacity building and SLO, followed by a discussion of the two case study areas. Some background of the two cases will be provided, as well as a discussion of the main challenges and implications regarding existing community capacity building approaches for obtaining an SLO. These challenges are examined in the light of Risaralda and Antioquia, the case study areas. The chapter concludes by drawing some conclusions and recommendations for stakeholders in the industry.

### **Literature review**

This section contains a review of the notions of capacity building and SLO, and begins with an examination of the notion of capacity building, its trends, evolution and definition, and also discusses the linkages between the notion of capacity building and the minerals

industry. This is followed by an exploration of the concept of the SLO, and its implications for the mining sector globally and in the Colombian context specifically. The review is based on both scholarly and grey literature that deals with the key areas of research. The grey literature reviewed includes, among others, sustainable development agendas and frameworks that guide mining company performance and accountability mechanisms as they operate in Latin American countries. The review is also based on an examination of accountability mechanisms, such as corporate social responsibility agendas, sustainability reports, and web pages from a group of ten mining and exploration companies operating in Latin America.

*Capacity building: Historical and current trends in the mining sector*

Capacity building is an evolving term that has been subject to multiple definitions. The term was first coined by the United Nations Development Program (UNDP) in 1990 and defined as a ‘long-term process by which individuals, organizations, networks, and societies increase their abilities to solve problems and achieve objectives’.<sup>4</sup> Since then it began to be introduced in developing countries as part of technical assistance programs to help communities cope with the changes caused by globalisation and economic restructuring.<sup>5</sup> Although capacity building has applications in several sectors, this particular section focuses on exploring definitions and the characteristics of capacity building in mining communities.

As defined by the United Nations, capacity building is a long-term process that involves the commitment of multiple actors. Veiga et al (2001), for instance, state that ‘the first step to community sustainability ... may relate to local capacity-building and local governance’. Similarly, the Institute for Environment and Development (IED) (2001) argues that capacity building needs to be understood as a multi-

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<sup>4</sup> UNDP, 1997

<sup>5</sup> Amin & Thrift, 1992

stakeholder collaboration process that lasts before and after mining operations, intended to enhance existing skills in local communities. In addition, Loza (2004) defines capacity building as an ongoing process that improves existing conditions in local communities, and that requires the development of partnerships between corporations and communities. Indeed, capacity building cannot be considered as a reactive response from mining corporations to tackle community problems, but as a long-term process that takes into consideration community aspirations.<sup>6</sup> These characteristics suggest a mutually agreed framework of capacity building implementation; however, there is a lack of understanding about the roles and the interactions of the participants that take part in the implementation of these initiatives in mining regions.

While the idea of capacity building as a long-term process is appealing from a theoretical standpoint, there are major difficulties in its real-life application. Capacity building initiatives, particularly in the Colombian context, lack continuity, due to the absence of long-term commitment, resources, coordination and collaboration amongst stakeholders. This is reflected in the existing conditions of local communities adjacent to mine-sites operating in the north of Colombia. Despite the past implementation of several capacity building initiatives in areas such as training and education programs, mining communities are still experiencing joblessness and a lack of opportunities for forging sustainable livelihoods.<sup>7</sup>

#### *Capacity building: A historical background*

To reverse the effects of global economic consequences, such as inadequate compensation for the loss of livelihood options, international organizations promoted a set of technical assistance programs and capacity building initiatives in developing countries.<sup>8</sup> These global

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<sup>6</sup> Alizar & Scott, 2009

<sup>7</sup> Cardenas, 2011

<sup>8</sup> UNDP, 1997

initiatives have been the subject of analysis by scholars from various schools of thought, including education, economics, and, more recently, sustainable development and corporate social responsibility. The origins and evolution of capacity building have been influenced by two cross-disciplinary debates since 1970. On the one hand, capacity building has been regarded as a bottom-up approach that is situated at the local level and is intended to emancipate the poor.<sup>9</sup> On the other hand, it is thought of as a top-down process from the global level to build skills and allow individuals and organizations to perform specific tasks. This latter approach has mainly been adopted by mining companies through training programs and knowledge transfer strategies in the local communities in which they operate..

The bottom-up approach of capacity building was first developed by modern educational schools of thought, such as critical pedagogy. Freire (1970), one of the major representatives of this educational approach, argued that education serves as a means to free the poor and the most vulnerable, and (1970), notes that communities need to be provided with meaningful education to meet their development aspirations, envisaging education as a political process that involves the active and critical participation of students, teachers and the society. One of the premises of Freire's work is the notion of freedom, a concept that differs amongst contexts and individuals. This idea was later embraced by Sen (1979), in the capabilities approach to development, which was intended to challenge traditional welfare economic theories. Sen's (1979) contribution also develops the idea of emancipation that Freire (1970) first proposed. Sen (1979) argues that human beings are free to choose their life plans. However, this notion of freedom comes from the capabilities that the person develops. In other words, more developed capabilities equals more freedom, and more freedom equals more possibilities to choose the life plan that responds to one's expectations.

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<sup>9</sup> Eade, 1997

Sen's work later influenced the current global understanding of capacity building. The World Bank (2011) and the United Nations<sup>10</sup> view capacity building as a process that allows individuals and organizations to build abilities to perform functions, achieve goals, and solve problems. This global understanding of capacity building neglects the notion of freedom initially proposed by Freire (1970) and Sen (1979). Bypassing the notion of freedom in the capabilities approach has been challenged by a segment of development practitioners. In the development literature, capacity building is defined as a bottom-up approach to development to help the poor to free themselves and to improve their living conditions.<sup>11</sup> These tensions between the bottom-up and top-down approaches of capacity building keep influencing current understandings of capacity building in several sectors, including the mining sector.

#### *Capacity building in the mining sector*

Given the fact that this paper concentrates on mining communities, it is important to provide an overview of the scholarly and grey literature debates about the role of capacity building issues in the minerals industry. The inclusion of capacity building in this sector started with the discourses on corporate social responsibility<sup>12</sup> and sustainable development.<sup>13</sup> Scholarly debates about community development<sup>14</sup> and business<sup>15</sup> have also contributed to this notion in the mining sector.

The mining sector has developed a strong emphasis on capacity building in recent years. In fact, voluntary global norms that guide the

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<sup>10</sup> UNDP, 1997

<sup>11</sup> Eade, 1997

<sup>12</sup> Cornelius et al., 2008; Jenkins, 2004; Tracey et al., 2005

<sup>13</sup> United Nations Division for Sustainable Development, 2009a, 2009b

<sup>14</sup> Alizar & Scott, 2009; Hilson, 2006; Veiga, et al., 2001

<sup>15</sup> Loza, 2004

corporate mining sector<sup>16</sup> and mining companies operating in Latin America<sup>17</sup> have employed the notion of capacity building in their corporate rhetoric. However, at the global and the corporate levels, their concept of capacity building is clearly a top-down rather than a bottom-up approach.

The Guidance on Social Responsibility, ISO 26000 (2010), defines capacity building as a process that assists communities to achieve social and economic development standards. In addition, it is stated that capacity building is one of the most sustainable legacies that mining companies can deliver to local communities.<sup>18</sup> This notion is also regarded as a valuable legacy that fosters community development<sup>19</sup> and engagement,<sup>20</sup> and forges sustainable communities.<sup>21</sup> These interpretations of capacity building position mining companies as the major providers of capacity building initiatives, and neglect the participation of other stakeholders in the implementation of these initiatives. This top-down approach may in fact prevent the mining sector from impacting communities meaningfully.<sup>22</sup>

Capacity building initiatives have the potential to foster community resilience, and therefore increase the possibilities for mining companies to gain and maintain an SLO in the expansion of mining operations.<sup>23</sup> These initiatives can also provide sustainable outcomes for communities, mining companies and other stakeholders involved. Therefore, it is important that mining companies, communities, national and local governments, educational institutions and other relevant

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<sup>16</sup> ICMC, 2005; IFC, 2014; International Organization for Standardization, 2010; OECD, 2008; Prospectors and Developers Association of Canada, 2014; Responsible Jewellery Council, 2009, 2013

<sup>17</sup> AngloAmerican Chile, 2008; Barrick, 2014; BHP Billiton, 2009

<sup>18</sup> ICMC, 2005

<sup>19</sup> Rio Tinto, 2011

<sup>20</sup> BHP Billiton, 2009

<sup>21</sup> Barrick Peru, 2008

<sup>22</sup> Mate, 2001

<sup>23</sup> Warhurst, 2001

stakeholders in the mining sector take part in their implementation so that they can create shared value, hopefully for all parties. Certainly, capacity building involves important challenges in its implementation, since multiple interactions amongst stakeholders might foster or hinder this implementation. However, in spite of the difficulties that capacity building might experience in practice, empirical research has shown the potential of such approaches in Latin American contexts for creating value for communities, mining companies, local governments and other role-players in mining contexts.<sup>24</sup>

Whilst global norms and mining corporations posit a top-down approach to capacity building, other approaches to corporate social responsibility and sustainable development position capacity building as a bottom-up approach to assist mining communities to improve their living conditions.<sup>25</sup> Most importantly, capacity building is considered a sustainable legacy for mining communities.<sup>26</sup> In the literature, it is also stated that the implementation of capacity building initiatives involves the participation of several actors, and that it cannot rely on communities alone, since they often lack education and capacities to communicate their aspirations and become active participants in their development.<sup>27</sup> In those cases in which the underdeveloped conditions of local communities prevent the employment of a capacity building approach, government participation might overcome these obstacles. Hence, capacity building initiatives should not bypass the participation of other stakeholders such as governments.<sup>28</sup> In this sense, it is important to explore the collaboration of stakeholders in the mining sector, and the way in which their expertise and resources can become the drivers to achieve capacity building that is meaningful for all parties.

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<sup>24</sup> Institute for Environment and Development, 2001

<sup>25</sup> Alizar & Scott, 2009; Loza, 2004

<sup>26</sup> Lahiri-Dutt et al., 2009; Veiga, et al., 2001

<sup>27</sup> Bridge, 1999; Lanzi, 2007; Mate, 2001

<sup>28</sup> Institute for Environment and Development, 2001

Although the subject of capacity building has been well covered in the scholarly literature, there are few scholars that deal with its implementation, particularly with the roles, interactions and responsibilities of stakeholders in capacity building implementation in mining contexts.<sup>29</sup> This research gap needs further exploration, specifically in developing contexts such as Colombia, where capacity building approaches for sustainable communities are essential in the face of the escalating mining boom, and in obtaining an SLO.

*SLO: Implications of global mining locally*

There is a general agreement in the academic literature that the tensions between local and global forces have contributed to the widening of economic disparities, leading to an escalation of discontent, particularly in natural resource-rich regions of developing countries.<sup>30</sup> Existing discontent and lack of compensation for natural resource extraction challenge companies' possibilities for obtaining an SLO, and therefore threaten corporate reputation and productivity. Increasing global trade following deregulation has generated escalating demand coming from the newly emerging economies or BRIC countries (Brazil, Russia India and China) for natural resources such as metals and minerals. Global decision-making on natural resource extraction is raising tensions at the local level, as poor and local communities often feel that they are not being adequately compensated for their loss of livelihood options.<sup>31</sup> Although some scholars highlight the difficulties in measuring such compensation, as well as the impacts derived from the extractive industry over the poor<sup>32</sup>, empirical research in the Colombian case shows that lack of capacity building, in the form of education and

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<sup>29</sup> Cornelius et al., 2008; Jenkins, 2004; Tracey et al., 2005

<sup>30</sup> Cook, 2006; Haan & Maxwell, 1998; Harrison, 2006; Kabeer, 2000; Shankar & Shah, 2003

<sup>31</sup> Surborg, 2012

<sup>32</sup> Davis & Vásquez Cordano, 2013

gainful employment opportunities to work for either a mining company or a related local industry, further escalate poverty-related issues.<sup>33</sup>

The separation between employment generation at the local level and global industrial production has been mainly caused by the geographical dispersal of production and distribution nodes.<sup>34</sup> Business networks, such as joint ventures and other types of strategic business alliances, tend to look for cheap labour to support the growing accumulation of capital. However, some scholars argue that human capital is becoming more important than other assets such as natural resources,<sup>35</sup> arguing that regions with a skilled and educated workforce compete more successfully over physical and natural resource rich areas. However, this is not likely to happen in the mining sector, as increased demand in commodities has led the sector to expand operations in regions often rich in reserves of minerals and metals, but starved of skilled human capital.

The shortfall in skilled human capital in active mining areas has consequently increased population mobility across the globe, including international migration, preventing local unskilled human capital from competing against these global pressures. These circumstances are causing local tensions that very often threaten corporate investment. Local mining communities are becoming more aware of the marginal compensation that they get from natural resource extraction against the large corporate profits.<sup>36</sup> This situation has led communities adjacent to mining operations to deny multinational mining corporations an SLO in regions rich in natural resources.

The SLO is a term mainly used by the minerals industry, and is perceived as an agreement between the mining company and the mining communities in which '[companies] need to demonstrate positive benefit

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<sup>33</sup> Escobar & Baena, 2010

<sup>34</sup> Amin & Thrift, 1992

<sup>35</sup> Shankar & Shah, 2003

<sup>36</sup> Hilson, 2006; Mate, 2001

and engage directly in corporate social investment to ensure that host communities, particularly those directly or indirectly affected by mining operations, receive immediate benefit rather than wait for a possible “trickle down” effect from governments from the receipts of taxes and royalties’.<sup>37</sup> As a principle, the concept of the SLO varies amongst mining companies seeking community consent to start or expand operations. Given its informality, it is not subject to global or local regulations, and therefore can be easily neglected by companies. In 2011, in Santander, Colombia, a region rich in gold, the Canadian mining company Greystar was denied the SLO by the local communities of California and Vetás, causing significant financial losses for this mining corporation.<sup>38</sup> However, Greystar is determined to continue with the project.

Global actors aware of this situation are encouraging mining companies to become more accountable to local communities.<sup>39</sup> In response, mining companies feel pressured to increase such accountability, resulting in a proliferation of response mechanisms, such as corporate social responsibility (CSR) agendas, sustainability reports, use of the Internet and social media, social audits, consultation, and other accountability mechanisms and processes.

Existing accountability mechanisms state explicit corporate commitment to local community sustainability and sustainable livelihood opportunities. Global mining companies argue that corporate initiatives are intended to raise a community’s quality of life,<sup>40</sup> diversify local economies, foster community development<sup>41</sup> and engagement,<sup>42</sup>

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<sup>37</sup> Warhust, 2001, p. 59

<sup>38</sup> Dinero, 2011

<sup>39</sup> ICMC, 2005; IFC, 2014; International Organization for Standardization, 2010; OECD, 2008; Prospectors and Developers Association of Canada, 2014; Responsible Jewellery Council, 2009, 2013

<sup>40</sup> AngloAmerican Chile, 2008

<sup>41</sup> Rio Tinto, 2011

<sup>42</sup> BHP Billiton, 2009

and build more sustainable communities.<sup>43</sup> Pegg,<sup>44</sup> Alizar and Scott<sup>45</sup> agree that companies are becoming more accountable to communities, and that actions undertaken in compensation for the extraction of natural resources are reducing poverty and fostering employment in local populations. However, Hamann et al<sup>46</sup> and Hilson<sup>47</sup> disagree with these arguments, stating that corporations undertake these actions in pursuit of their own interests and benefits, rather than achieving community-sustainable development aspirations.

The argument that corporate accountability mechanisms are effective to achieve community sustainability is also contested in the development and environmental literature. In the scholarly literature, corporate acknowledgement of global norms and the execution of corporate initiatives in local communities do not guarantee benefits for local communities. Instead, these are seen as ‘green-wash’ actions that legitimise corporate practices and increase reputation and profits.<sup>48</sup> This argument is reinforced in global norms statements that show that when corporations abide by global norms, they favour corporate interests in terms of workforce recruitment and retention<sup>49</sup>, brand image, and better relationships between companies, employees and communities.<sup>50</sup> Likewise, business scholars agree that social investment undertaken by global mining companies is profitable for companies, as these actions accelerate local markets and strengthen corporate goodwill.<sup>51</sup>

However, a number of scholars situated in the business ethics field are concerned about this corporate approach. They feel that the legacies

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<sup>43</sup> Barrick Peru, 2008

<sup>44</sup> 2006, p. 383

<sup>45</sup> 2009, p. 24

<sup>46</sup> 2004, p. 85

<sup>47</sup> 2006, p. 46

<sup>48</sup> Bebbington et al., 2008, p. 900; Hamann & Kapelus, 2004, p. 85; Hilson, 2006, p. 44; Jenkins & Yakovleva, 2006, p. 272

<sup>49</sup> Prospectors and Developers Association of Canada, n.d., p. 20

<sup>50</sup> Responsible Jewellery Council, 2009, 2013

<sup>51</sup> Nwankwo et al., 2007, p. 91; Tracey et al., 2005, p. 342

delivered by global mining companies to local communities are not long-term processes intended to sustain communities, but tools to fix community issues and improve a company's reputation so as to favour corporate interests.<sup>52</sup> This limited approach makes explicit the narrow understanding by global mining companies of community expectations.<sup>53</sup> To date, this matter has not been exhaustively examined.

However, despite the potential social veto over mining corporations' activities by local communities, the need to access resources and capital has increased, along with the escalation of struggles in the local contexts wherein global companies operate. These operations more often represent a threat to traditional means of community livelihood, and are also seen as drivers of poverty, unsustainable communities, loss of land, internal conflict, and rights violations. These effects have crossed local boundaries, emerging in large-scale issues such as climate change and greenhouse gas emissions.<sup>54</sup> The large number of adverse impacts caused by global mining corporations have been widely explored in the literature,<sup>55</sup> however, the potential for mining companies to contribute to the eradication of those issues, particularly to forge build sustainable community capacity, has not yet been well documented.

Some scholars agree that the cause of these global-local struggles has to do with the inexistence of a mandatory legal framework at the global, national and local levels, and the weak institutional capacity of local governments in areas where the largest mining projects take place.<sup>56</sup> Global frameworks that regulate corporate performance in the minerals industry are voluntary.<sup>57</sup> This means that mining company

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<sup>52</sup> Jenkins, 2004, p. 25; Tracey et al., 2005, p. 331

<sup>53</sup> Cornelius et al., 2008, p. 363

<sup>54</sup> Evans, Goodman, & Lansbury, 2002

<sup>55</sup> Arellano-Yanguas, 2011; Escobar, 1989; Evans, et al., 2002; Mate, 2001

<sup>56</sup> Hilson, 2006

<sup>57</sup> ICM, 2005; IFC, 2014; International Organization for Standardization, 2010; OECD, 2008; Prospectors and Developers Association of Canada, 2014; Responsible Jewellery Council, 2009, 2013

accountability and compensation for natural resource extraction are not mandatory. This failure is caused by the poor institutional capacity of governments,<sup>58</sup> and weak legal mining frameworks in developing countries. These issues often result in unequal negotiations between mining companies and local governments, regarding, for example, labour laws and environmental regulations, and an imbalance of power. This can lead to unexpected scenarios in which, despite harmful incidents caused by mining operations within communities, global mining companies continue to run projects, without any regulatory framework.

In June of 2002, in Peru, the local government from the municipality of Cajamarca, where Newmont (the world's largest gold mining company) operates, came out second best during negotiations with the global mining company after a mercury spill threatened community health. This incident demonstrated that the government could not effectively deal with this and other related environmental hazards, requiring the intervention of civil society actors such as the CBO *Generacion de Capacidades* and the Canadian NGO *CoDevelopment* to assist the local government in this regard.<sup>59</sup> Likewise, research conducted by the World Bank and the Colombian Planning Department (intended to examine the institutional capacity of Colombian municipalities) provided evidence that local governments did not have leadership capacities,<sup>60</sup> preventing local administrations from effectively dealing with adverse impacts of global mining operations. These governance dynamics have increased scholars' concerns, and consequently highlighted the need to extensively explore governance issues in mining regions where global mining companies operate,<sup>61</sup>

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<sup>58</sup> Fiszbein, 1997; Gibson, 2001

<sup>59</sup> Institute for Environment and Development, 2001

<sup>60</sup> Fiszbein, 1997

<sup>61</sup> Alizar & Scott, 2009; Bridge, 1999; Lahiri-Dutt et al., 2009; Mate, 2001

These examples illustrate the point that there are serious tensions between the global demand for minerals and metals, and obtaining an SLO. Such tensions have not only amplified the need to foster economic sectors such as mining, and exposed the difficulties of delivering more sustainable legacies to local communities and accessing skilled human capital to expand mining operations, but, more importantly, these tensions have also shown the challenges to adequately compensating natural extraction with the substitution of other forms of capital, such as human capital, as well as providing communities with capacity-building initiatives to forge sustainable communities.

## **Discussion**

This section aims to discuss the way in which capacity building and the SLO are linked and applied in practice, and the implications of such as connections for stakeholders in mining regions. The discussion begins by presenting the implementation of both, a top-down and a bottom-up capacity building approach, and the challenges that must be met in order to obtain an SLO. This section also discusses capacity building initiatives that often do not meet community's expectations, nor tackle social issues. Some background of the case study areas, namely Antioquia and Risaralda, is also provided, as both regions differ substantially, not only geographically and politically, but also in terms of the complexities around capacity building, and the current implications for obtaining an SLO.

There are major challenges that need to be identified and further examined in order to improve existing capacity building approaches, and facilitate future SLO processes. Despite the mining industry's contributions to the communities adjacent to mining operations, there are still mixed feelings amongst locals, particularly in the Antioquia case. The compensation for natural resources in other forms of capital, such as capacity building local human capital through training and

education, has not meaningfully achieved mining communities' development aspirations. This is a situation that threatens the concept of the SLO, and the expansion of future mining projects: 'There are regions with a long-term mining history experiencing high levels of poverty, lack of development opportunities and where traditional livelihoods are threatened due to the increasing in mining operations'.<sup>62</sup> However, in Risaralda, the situation differs substantially, as mining and exploration companies play a stronger role in forging sustainable livelihoods in local communities.

### *Antioquia Case Study Area*

The State of Antioquia is located on the north Pacific Coast of Colombia. The region is going through a mining boom that has increased the complexities around mining community capacity building and the SLO. Antioquia has an active mining industry, as it holds the largest reserves of gold, silver, coal, platinum and construction materials in Colombia. Mining projects currently operated by domestic and South African multi-national companies have significant implications for local communities.<sup>63</sup>

Antioquia is also one of the largest regions in Colombia, and hosts a diverse population, inhabiting urban and non-urban areas. Antioquia's population has participated in capacity building initiatives at all levels. Data from the current census register shows that Antioquia had an urban population of 4,340,744 inhabitants, and 1,260,763 people inhabiting non-urban areas, and out of the total population, 51.7% were female and 48.3% male. Antioquia also hosted a total of 1,458,193 households in the same year. In addition, the illiteracy level in Antioquia was 7.5% for that segment of the population older than fifteen years. However, in the same year, a considerable percentage of the population had enrolled at

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<sup>62</sup> Senior government representative, interview, 16 January 2013

<sup>63</sup> *Camara de Comercio de Medellin para Antioquia*, 2010, p. 14; *Sistema de Informacion Minero Energetico Colombiano*, 2010, pp. 16-17

least in one level of education: elementary school (37.4%), followed by secondary (33.3%), undergraduate and postgraduate (11.3%) and vocational education (3.6%).<sup>64</sup> Although capacity building initiatives are in place, the outcomes have not positively impacted on communities, diminishing the ability of local inhabitants to forge sustainable livelihoods and overcome existing social challenges.

### *Risaralda Case Study Area*

Risaralda is a region located in the Colombian Andes mountain range. This geographical area is one of the most active producers of minerals and metals. With the escalation of mining operations, stakeholders in Risaralda have engaged to maximise social benefits in the mining boom. Governments, the private sector and civil society have joined efforts to develop a capacity building approach that tackles the most latent community issues. This approach is characterised by active community engagement. Mining is part of Risaralda's cultural heritage; however, the recent escalation of mining operations, undertaken mainly by international companies, has not prevented communities from forging alternative livelihoods and benefiting from existing capacity building approaches to development.

Mining and exploration projects operated in Risaralda impact on local communities in both urban and non-urban areas. According to the current census register, Risaralda hosted a population of 859,666 people by 2005. Out of the total population 665,104 people inhabited urban areas, whereas 194,562 were located in peri-urban and rural areas. 51.3% of the population was female and 48.7% male. A high percentage of Risaralda's population have participated in capacity building initiatives. The illiteracy rate of people older than fifteen years old was 6.8% in 2005, a lower percentage compared to the Antioquia case. By 2005, most of the population had enrolled at least at one educational

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<sup>64</sup> *Departamento Administrativo Nacional de Estadísticas*, 2010

level: elementary school (40.3%), followed by enrolments in secondary education (32.8%), undergraduate and postgraduate (9.8%) and vocational education (3.9%).<sup>65</sup> Locals have meaningfully benefited from capacity building initiatives, as they have been able to forge alternative livelihoods such as business, dress-making, jewellery and coffee production, and agriculture. Further details about the factors that have made these initiatives result in positive outcomes for communities will be provided in the following sections.

*From a Top-down to a Bottom-up Community Capacity Building Approach: Implications for an SLO*

Bottom-up capacity building agendas implemented by multinational mining corporations in Colombia can become one of the main drivers for local development and sustainable livelihood aspirations. Developing bottom-up rather than top-down capacity building approaches for development has meaningful impacts on local communities. The mining industry in the case study areas has been driven by Canadian and South African corporations; however, despite the fact that these multinational companies have embarked on social responsibility agendas focused on capacity building, at times they tend to bypass communities' expectations. This is an issue that threatens companies' possibilities of obtaining an SLO. Although companies operating in Risaralda have somehow overcome this barrier, the existing inadequacies of top-down corporate social responsibility approaches is one of the major challenges that Antioquia's minerals industry faces.

A preliminary analysis of the situation in Antioquia shows that existing corporate approaches are unsustainable, as they do not meet community's expectations. Some corporations operating in the region have not developed community-based social responsibility agendas to effectively implement capacity building initiatives, tackle livelihood-

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<sup>65</sup> DANE, 2005

related issues and respond to adverse mining impacts. However, when these accountability mechanisms are in place, they seem to bypass civil society's voice. According to senior government representatives at the national level, 'global corporations invest on projects that are convenient for their business such as infrastructure and facilities for mine's workers rather than on more sustainable legacies for communities adjacent to their operations. This corporate approach is preventing local communities from achieving development aspirations which questions the notion of sustainable mining in the region'.<sup>66</sup>

Despite existing corporate engagement in the Antioquia case, mining companies still continue to develop their social responsibility agendas on the basis of three premises: taxes, royalties and infrastructure. 'Social Responsibility does not go beyond some little help for infrastructure, royalties and taxes'.<sup>67</sup> Although other initiatives, such as capacity building, more often become part of such agendas, in most cases those tend to favour corporate interest rather than responding to a community's expectations and forging sustainable livelihoods. In the Antioquia case, for example, capacity building initiatives are mainly intended to supply the skill shortage in the industry, rather than providing other livelihood options for locals.

Similarly, existing corporate engagement with the community and their livelihood options has been circumstantial and opportunistic. This is another factor that shows the inadequacies of corporate social agendas, and prevents the industry from forging sustainable livelihoods and obtaining an SLO in mining regions. A case in point is an accident in 2010, which led to the death of 63 miners, caused by poor mining practices in Antioquia. This incident acted as a wake-up call for the mining companies operating in the region to improve their operational

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<sup>66</sup> Senior government representative, interview, 16 January 2013; Senior government representative, interview, 8 February 2013

<sup>67</sup> Academic from Antioquia, interview, 22 October 2012

practices, including engagement with the local communities.<sup>68</sup> After the accident, family members were promised compensation in the form of money and infrastructure. Additionally, capacity building also became part of the corporate agenda, as the company is currently working closely with local foundations and community organizations to promote education and training programs: ‘capacity-building in the form of education is a key element for this corporation, as it creates value to the mining company and the community’.<sup>69</sup> This opportunistic top-down approach to development is exacerbating discontent amongst community members, as they have not been able to achieve their development aspirations.

Risaralda’s case differs substantially from Antioquia, as corporate social responsibility agendas in that area are more community-oriented, contributing to meet community’s aspirations. Risaralda’s state and local governments have pushed companies towards a more bottom-up and community-oriented agenda. This scenario has been beneficial for local communities, as they have been compensated for natural resource extraction: ‘Companies operating in the region have embarked on social investment... one of the companies has helped us increase our productivity by providing us some financial assistance, capacity-building and some machinery to grow our local business’.<sup>70</sup> Community organizations for coffee, blackberry and jewellery production and commercialisation have been able to further develop livelihood options more appropriate to their life plans, and intended to last after the mine’s closure.

While corporations operating in Antioquia seem to have limited understanding of the importance of delivering sustainable legacies through capacity building, the scenario in Risaralda suggests that mining companies have a broader understanding, due to active corporate-

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<sup>68</sup> Ospina, 2010

<sup>69</sup> Manager, corporate social responsibility, interview, 25 October 2012

<sup>70</sup> Community leader, interview, 18 October 2012

community engagement in this regard. The companies' social responsibility managers, as well as other senior decision-making positions within mining and exploration companies, are former local government representatives and community leaders. This has helped the community engage with the company and express their concerns and demands, resulting in more effective and accurate community capacity building approaches, and gainful opportunities for both companies and communities.

Bottom-up approaches for capacity building in the frame of corporate social responsibility agendas have the potential to become key drivers of development and sustainable livelihood options for local communities. Existing approaches need to go beyond mining practices, and provide locals with alternative livelihood options more tailored towards their life plans. Promoting mining livelihood options as the only drivers for local development does not provide communities with sustainable legacies. Instead, this top-down approach increases discontent within local communities, as they cannot achieve their development aspirations, exacerbating internal conflict dynamics, and threatening companies' reputations and the expansion of future projects.

*Community capacity building and local expectations: Challenges to maintain an SLO*

Although existing capacity building approaches are in place, they need to be further developed, as they do not tackle priority areas relevant for locals, challenging the notion of the SLO. According to Eade (1997), capacity building approaches that have a positive impact on communities are those that better respond to their needs and expectations. However, at least for a preliminary analysis of the situation, stakeholders more often embark on capacity building initiatives that do not tackle important community issues and demands. Although capacity building is a core theme in Colombia's minerals industry's agenda, there are aspects that deserve early attention, so as to

effectively implement capacity building approaches in mining regions. While in Antioquia existing corporate approaches are mainly mining-oriented, Risaralda's communities have been able to develop assets to forge livelihood options that are more relevant to their life plans.

In Antioquia, capacity building actions are intended to attract and retain potential human capital for the industry. For example, mining companies are engaging with tertiary institutions to facilitate undergraduate practicum projects and mining student tours.<sup>71</sup> Similarly, corporations, in partnership with local governments, are running capacity building initiatives to build high school students' and locals' capacity in mining practices. Although these initiatives have helped communities to reach a broader understanding of the industry, they have not yet met community expectations. Miners and community members acknowledge mining as a livelihood option, but not as the only one. They agree that companies and governments should support alternative livelihood options more relevant to community members' life plans. Following Sen (1979), capacity building is a process in which individuals are free to choose their life plans. However, in the Antioquia case, mining has been positioned by the minerals industry as the most predominant livelihood option; as discussed previously, the notion of capacity building in Antioquia has been implemented as a top-down rather than a bottom-up approach to development. Companies are more often implementing capacity building initiatives in mining in order to supply the skill shortage in the industry, neglecting other sectors equally important for mining regions. This has become an issue that is preventing locals from developing other types of assets, and gaining employment opportunities in other relevant areas for the local economy.

The lack of livelihood options accompanied by the dearth of gainful job opportunities in the region has exacerbated frustration and discontent among members of civil society.. As one miner states: 'the company is

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<sup>71</sup> Mining engineering students from Antioquia, focus group, 22 October 2012

currently helping me finish high school, but I would like to specialise on gastronomy'.<sup>72</sup> In addition, community members and miners more often encourage their children and family members to abandon the town to look for better study and employment opportunities, as they do not want them to be part of the industry. This negative association that community members feel with regard to mining reflects their frustration and uncertainty regarding the lack of opportunities in the region:

'I am the only miner in my family. I have three children and want them to study. I am aware of the risks of working at the mine and I did not want them to be part of the industry. This is a mining town... a person who does not go to school becomes a miner. Most of us do not know anything else than mining, hence, we have to work here and sustain our family members with the little income we get'.<sup>73</sup>

Mining-oriented capacity building has adverse implications for local development at the economic and social levels. According to academics undertaking research in the region, the local economy has become more speculative with the increase of mining operations. This accounts for the adverse social impacts that are also undermining the regional social tissue and development opportunities:

'Mining towns get 15% of profits derived from mining production. In addition, other industries equally important for the local economy have been displaced as companies and local traders import goods and services, instead of investing and supporting local production in mining towns. Sectors like agriculture and manufacturing are threatened as mining companies pay higher wages to local farmers who have chosen mining over their traditional livelihoods. Unfortunately the little

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<sup>72</sup> Miner, interview, 23 October 2012

<sup>73</sup> Community members, group interview, 26 October 2012

income they get is wasted in gambling, prostitution and alcohol.’<sup>74</sup>

In spite of corporate improvements in capacity building approaches, those initiatives still need to go beyond mining practices, as they have resulted in a large number of issues that need major attention. Development aspirations have only been partially achieved, and mining companies need to play a stronger role in developing sustainable capacity building agendas, particularly in Antioquia. In addition, corporations need to take capacity building more seriously, so that existing initiatives can make a difference in local communities, and future SLO agreements can create value for all parties:

‘Unfortunately, mining communities who have participated in capacity-building actions have not been able to forge meaningful livelihoods. Most of the 600 children who finished high school in the last years became miners and bar tenders. A scenario that questions existing education and training initiatives to forge sustainable communities in Antioquia’.<sup>75</sup>

While Antioquia’s communities have not meaningfully benefited from corporate capacity building actions, this approach to development has become advantageous for Risaralda’s inhabitants. Active community engagement in Risaralda has helped communities request, and be part of, capacity building initiatives intended to develop their capacities and assets in economic activities relevant for the region. In order to respond to Risaralda’s communities’ requirements, corporations and governments have embarked on a community-oriented capacity building agenda, resulting in positive impacts on locals. Local coffee and jewellery producers, as well as female leaders, have experienced the benefits of these initiatives: ‘We have participated in capacity-building initiatives in jewellery design... the mining company has also provided

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<sup>74</sup> Academic from Antioquia, interview, 22 October 2012

<sup>75</sup> Academic from Antioquia, interview, 22 October 2012

us with some financial assistance to attend international fairs so that we can promote and sell our products'.<sup>76</sup>

Capacity building approaches need to be further developed according to a community's expectations and needs. This will have positive effects on communities, as it will provide them with more possibilities to develop sustainable assets. However, if existing capacity building approaches that do not meet community's expectations keep being implemented, this will not only be detrimental for locals, but also for companies operating in mining regions, as it will escalate community discontent and resentment towards the industry SLO agreements.

## **Conclusions**

This paper discussed the challenges of existing community capacity building approaches, and their implications for obtaining an SLO. Considering capacity building as a top-down approach in corporate agendas has adverse implications for communities, and challenges existing SLO agreements. Instead, capacity building as a bottom-up approach to development addresses community expectations, providing communities with gainful livelihood and employment opportunities, creating added value for companies. Mining companies have a substantial potential to transform existing capacity building policy concepts, and make this approach a driver to achieve community development. This will also create value for all parties, particularly for civil society and mining corporations.

In addition, it is necessary that mining companies and civil society share responsibilities, and articulate more effectively, so as to guarantee the success of capacity building actions. However, serious research is needed on the aspects that can foster multi-stakeholder collaboration for capacity building and potential connections to the SLO. This will provide stakeholders with greater understanding of the existing forms of

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<sup>76</sup> Risaralda's Community, Risaralda, interview, 18 October 2012

engagement, and the possibilities for achieving development aspirations in mining regions.

More than ever, there is a need to take capacity building more seriously, so as to adequately compensate communities for natural resource extraction and increase the possibilities to foster successful SLO agreements. This is possible through bottom-up capacity building approaches intended to meet community expectations, and active corporate-community engagement around capacity building implementation in Colombia and other mining regions in developing countries.

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# Mining Ethics and Sustainability

## *Papers from the World Mining Congress 2013*

This volume in the Globethics.net Global series highlights some of the most engaging conference presentations in the program stream on “Mining, Ethics and Sustainability” organized by the Canadian Business Ethics Research Network (CBERN) at the 2013 World Mining Congress hosted by the Canadian Institute of Mining, Metallurgy and Petroleum (CIM) in Montreal, August 12-14, 2013.

CBERN, a cross-sectoral network with a strong focus on the ethics of resource extraction was invited by CIM to broaden the traditional focus of mining conferences on the technical, engineering and financial dimensions of mining to include the social, environmental and ethical issues and challenges that are now central to mining operations worldwide. This collection of articles reflects the main topics addressed in the “Mining, Ethics and Sustainability” program stream.

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