

Unlocking opportunities: Local procurement and effective engagement for exploration – A key to a social licence to operate

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Exploration is the first contact between companies and communities. Developing sound local procurement practices through effective community engagement enables inclusion of local communities, developing local procurement to build capacity, strengthening local businesses, securing and enabling participation in exploration, development, and eventually mining. Exploration, the first step in mineral development, may result in a conflict-free environment through building a local supply chain which is strategic in nurturing positive relationships, building trust with stakeholders - including indigenous (aboriginal) communities - smoothly, and respectfully. The O Trade tool developed and described uses local procurement to facilitate participation by local stakeholders and communities. Analysis views local procurement through two lenses: one from the perspective of the impacted community, the other from the exploration company as a business.

Exploration as the beginning in the mining cycle offers advantages to mineral development that lead to healthy relations with local stakeholders. These, in turn lead to stability in production phases in the event the project succeeds in becoming a mine. There are four considerations that need to be remembered relating to (i) inclusion and participation, (ii) time, (iii) capacity building, and (iv) local procurement and independence.

Inclusion and participation in early exploration allows for one-on-one interaction with a smaller team of geologists that have the time and dedication to work with local peoples, and in the process demonstrate best practices in the industry.

Time is a significant factor. Exploration takes from on average ten to 15 years of work, sometimes shorter periods of time or longer, depending upon the access to capital for junior mineral exploration companies. Rarely is this time thought to be an asset, as it is usually considered a liability. In the case of stakeholder engagement and local procurement, this time provides the opportunity to build capacity at the local level, before confirming that there is potential to build a mine and move to bigger demands and challenges.

Capacity building is useful, regardless of the positive or negative results of mineral exploration, as this will leave a positive legacy of capacity in regions where access to opportunities is limited, and this is one of the greatest contributions that exploration can make.

There is often confusion between local procurement and local purchasing. Companies may unwittingly create oligopolies or monopolies in local communities that degrade the local economies by creating a greater gap between poor and rich. Local procurement is also a risk management tool, as companies assess internally the risks of sourcing from local markets, or build capacity for local peoples to benefit from new opportunities or integrate with larger suppliers/contractors to work in collaboration with local people in training. By doing so opportunities expand, and the potential for economic growth increases.

Community perspectives hinge upon the success of inclusion, participation, and internal organisation facilitating collaboration. Understanding local dynamics, a community's internal local challenges and power, the relationship with land etc., are key. When starting exploration in a new region, internal conflicts are often encountered. These may result from differences between families, regional disputes, land tenure, relations around labour, economic power and political interests. These are usually different from conflicts created by exploration. Consideration of poverty and satisfying basic needs should be thoroughly and critically assessed prior to starting engagement. Ignoring these may lead to new conflicts that could be avoided. Often exploration is in remote areas, where local communities are at a disadvantage for access, education, sanitation, roads, clean water and health services. This introduces new complexities for companies as the locals may have expectations that the company will be the solution to their needs. Culture, including the role of women and participation in activities outside the home, are important in the engagement process. Consideration of decisions made in groups or individually, and the influence of leaders are also important elements requiring attention. Local procurement demands collaboration, transparency, discipline, hard work and commitment; values where communities in underdeveloped regions may need assistance to reach levels adequate for successful entrepreneurs to contribute.

Communities also have challenges internally, and in many cases hidden or unknown challenges represent a risk for companies. Sensible precautions to avoid such risks hinge on assessing root causes, assessing the impact of exploration through transparent practices and ensuring that impacts are clearly differentiated from conflicts.

For example, why assess the root cause of local conflicts? Internal conflicts or past conflicts are inherited by companies at the start of an operation in a region. If not assessed in the early engagements, companies will navigate in dangerous or risky waters forever and easily misinterpret signals or venture with parties into a conflict that is not related to their activities or operations.

Clearly assessing impacts of exploration and ensuring that these are easily made transparent is very helpful. When companies understand the impacts, both positive and negative, and properly plan communicating these to communities impacted, they build relationships with high levels of trust.

It is important to ensure that the difference between impacts and conflicts are understood. Impacts are anticipated effects of the operational activity, for example, a negative one could be deforestation created for drilling in a defined area with a reclamation plan to follow, while a positive one could be an increased demand for labour with a clear plan for local hiring, or demand for additional services with a clear plan for expanding local capacities to meet the demand.

From a business perspective, exploration needs a vision of inclusion of local businesses, inspiration for new local businesses, and requires adjustments in the company business model. Internal business processes may require adaptation to the new reality where monitoring, organisation and procedures might look slightly different to those in traditional exploration activities. Some business processes considered straightforward, e.g., finance and logistics, may require a new approach for exploration in remote areas. Mineral development is linear in terms of the processes. When considering inclusion of communities, this becomes a challenge: internal misconceptions (e.g., "expectations by the community that the company will solve their problems") are common and must be addressed. Ignoring these may end exploration projects, preventing land access, a Social Licence to Operate, and prevent exploration, collection of samples, and prevent evaluation of mineral potential. Trust in the quality and on-time delivery of local output become pillars of the relationship and a path towards collaboration.

Example of local procurement for inclusion in exploration

An example of the tool in use shows how local procurement works from the exploration and community angle. The example is a large exploration project in Ecuador, in a Protected Area in Amazonia. The land is considered Ancestral Land of the Shaur, an indigenous people who have been in the area since time immemorial.

The objective of the programme was to secure land access. Productivity was measured in the efficiency of getting samples from rivers and soil to the laboratory, and thereby defined areas for further work. Traditionally exploration teams hired locals as guides and cooks. Innovation was required to recognise each settlement as a community, respecting their traditions and boundaries as part of the land access agreement, including direct jobs and local services.

Innovation for local procurement started from understanding local capacities and project demands. One of the solutions was to organise local small warehouses and teach local women from the community where the geologists were working, keeping inventories and providing services like cleaning and organising supplies for the exploration expeditions. Here was an opportunity to create new jobs around warehouse and supply management, and also to build trust by empowering the community with care of tools and food supplies.

Women were chosen for this role as their tradition and culture demanded that they should stay home, but having a job in the community is well accepted. Therefore, working in supply and inventory control gave them status. The job was temporary, rotating to heads of the different families every week. Note that each community is small and normally has no more than ten homes.

Capacity building was key to the success, and was tailored to their limited capacities, previously identified in the capacity mapping process. From here we were able to identify that the highest levels of education offered them the ability to read, write and use basic maths, all the skills needed for small inventory management. Teaching them about care, maintenance and cleaning tools used by the exploration teams was also part of the training.

The results produced benefits:

- increased efficiency in geological exploration, including access to organised equipment, clean and ready for exploration work;
- shorter time to collect samples as the local teams were ready to assist the geological teams;
- reduced costs of transportation as equipment was transported once and then maintained in the local small warehouses, while effective monitoring of food inventories allowed the company to reduce and avoid waste;
- there was no need to fly in all equipment, only consumable supplies and the geologists;
- transparency was reflected in the activities of exploration as the community was part of the team and their contribution was strategic to the success of the exploration programme; and
- trust was built between the company and community as a team dependent upon the good work of each other and contributing to the social licence to operate.

Obstacles in engagement are opportunities for the mineral industry to highlight inclusion and participation for social development globally.



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Monica is a Corporate Social Responsibility (CSR) and Sustainability expert with recognized experience in designing and implementing CSR strategies that support operational productivity while building trusting relationships with communities impacted by mineral exploration and mining operations. Her innovative approach to transforming conflict into development and human and social capital into value for investors has contributed to ensuring operational readiness, improving the perception of mining and the well-being of communities across regions.

As an author, Monica created the Local Community Procurement Program (LCPP), a sustainable supply chain model, awarded by the IFC-World Bank in 2012. She has also contributed to the IFC-World Bank's Guide for the Early Stakeholder Engagement (published in 2015) and participated in discussion groups for the Sustainable Development Goals (SDGs) at the RIO + 20 World Convention on Sustainable Development in 2012. In 2020, she was awarded as Distinguished Lecturer by CIM (Canadian Institute of Mining).

Monica holds a Master's Degree in Diplomatic Studies from the University of Westminster. She has completed postgraduate programs in Sustainability Management from Harvard University and International Business Strategy from the London School of Economics.



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