Creating shared value through collaboration

Remarks by Ian Satchwell to World Gold Council and IGF Meeting on Responsible Gold Mining and Value Distribution, United Nations, Geneva, 22 October 2014

I am pleased to participate in this launch of the World Gold Council report on the economic value created and distributed by member companies of the Council.

The report contains some enlightening data, which the Gold Council's Terry Heymann has highlighted.

Without data, we might have good stories but we don't have quantitative information on which all stakeholders can base decisions.

And quality, timely data will be all the more essential if we are to be successful in convincing stakeholders that shared value is indeed value and is shared equitably.

Thank you Mark Pfitzer of FSG for your excellent presentation on creating shared value through the extractives sector. I am sure we are all looking forward to the Shared Value in Extractives White Paper.

The case for creating shared value is very strong.

In the end, mining can only be sustainable if all of the stakeholders feel that the benefits are substantial, sustainable and equitably distributed.

My remarks tonight go to the essential requirement for collaboration to be able to creating shared value.

In the minerals and energy sectors, creating value for both companies and others stakeholders is not a new concept – companies have been doing parts of it for years.

But few companies have overarching strategies for shared value, and what they do usually falls short of the potential.

In my past work, I participated in many economic and social impact assessment studies of major resources and infrastructure projects in Australia and South East Asia.

Those studies used economic modelling to look at standard measures of impact such as employment generation, impact of on other sectors and revenues to government.

Such impacts tend to flow though the usual economic processes that we are all familiar with.

But in most of those studies, my colleagues also identified opportunities for creating shared value, such as local business development, development of people, and provision of shared infrastructure and services.

We did not call it *shared value* (I wish I'd thought to call it that!), but we did discuss what was necessary to activate such benefits that would not automatically flow without specific strategies.

We termed such actions, rather unimaginatively, "management measures".

In almost all cases, these actions for creating shared value necessarily involved not only the project operator, but also others, including other companies in the region, suppliers, governments at all levels, business and community associations, and education and training providers.

Without collaborations of these players, the potential shared value remained and will remain just that – potential.

Quite simply, comprehensive shared value cannot be created without all of the actors working together to activate it.

So what are the specific roles of each of the actors?

Mark's presentation focused on the role of extractives companies in creating shared value.

But as Mark noted, companies in any case work in a broad context that includes other stakeholders such as NGOs, local and national governments, sector and industry associations, investors, and of course host communities.

The White Paper will make the point that every actor has a broader role to play in promoting shared value, for example:

- Sector and industry associations and NGOs can become centres of excellence for shared value and disseminate best practices to their members.
- Governments can put in place policies and regulation that encourage companies to create shared value and facilitate it.
- NGOs can balance holding sectors accountable with engaging them constructively to advance their mission.

The international development community also has a role to play to support developing country partners to maximise the development potential of mining and build shared value.

Experience has shown that, when major extractives operations establish in region, resource-stretched governments often quietly pull back from engagement, leaving much of the regional development work to the company.

But because it's <u>shared value</u>, it follows that the tasks of creating it has to be shared, too.

Creating shared value requires shared effort.

Governments need to shift their relationship with minerals and petroleum companies from a contractor model to a development partner model.

Just as shared value for companies is about generating value for host stakeholders while enhancing commercial outcomes, so to should shared value create a business case for other stakeholders.

To create shared value, governments, business bodies and education and training institutions need to invest at least in terms of time and effort, political capital, internal capacity building, and often in terms of financial investment.

Now governments and other shared value stakeholders may not see or be capable of making the business case for such investment in-kind or financial.

In my experience, it is often necessary for business investors to help make the case for others to collaborate by demonstrating the shared value return on investment.

For example, making the shared value business cases for:

- collaboration in education and training, and workforce development
- pre-investment in community infrastructure in advance of demographic shifts driven by mining
- or, collaborative investment in energy, water and transport infrastructure.

And resource-constrained governments and other stakeholders may need support to work out how deliver their part of the shared effort necessary to create shared value.

That's where innovative approaches can help, such as new generation public-private partnerships for infrastructure and creating alternative markets for infrastructure and services.

I am pleased to note that a number of progressive governments are moving down the pathway to creating shared value.

IM4DC's recently published handbook, *50 pieces of advice to an official who is engaged in the negotiation of mining contracts*, is underpinned by a mindset of delivering value to all stakeholders in a new mining project. It was written by Professor Fabien Nkot of the Government of Cameroon with input from Liberia's Melvin Sheriff and an Australian team.

Congratulations again to the World Gold Council on its second economic assessment report. Congratulations in advance to FSG on the extractives shared value white paper to be published next week.

Together, these publications will help all stakeholders move towards creation of much greater shared value though collaboration to achieve extraordinary change.