



Submission No 110

**Review of Australia's Relationship with the
Countries of Africa**

Name: Dr Richard Parsons

1. The Report (p. 5) comments that sometimes a gap exists between the aspirational statements in industry and corporate documents and company practices.

- How can a company's head office be assured that its aspirational statements are being carried through to completion?

Response

I would make three points here:

i) A company's head office can put in place measures that maximise transparency (e.g., following the EITI guidelines). Note that it can be just as important to exercise this transparency between corporate level and the various operations as it is between the operations and local stakeholders.

ii) At the corporate level, companies need to think carefully about whether their 'aspirational statements' are realistic in practice, and in all contexts. There is an excessive degree of rhetoric in corporate literature, and much of this rhetoric is framed in abstract language, making it very difficult to prove or disprove claims being made. This language needs to be reframed in more meaningful, tangible terms, so that stakeholders can more reasonably assess whether companies are meeting their stated objectives.

iii) There are initiatives emerging that seek to guarantee ethical practices, and companies are encouraged to participate in such initiatives, e.g. Fairtrade and Fairmined in the UK. The Australian Government, and industry bodies such as the Minerals Council of Australia, could also support such initiatives.

- How can the costs of this assurance be met, especially by small to mid-tier resource companies?

Response

While economies of scale inevitably work to the advantage of larger companies, the costs of such assurance should not be prohibitive in a well-run company, small or large. It is more about having good management practices in place, and a sound set of corporate principles, than it is about spending money. There are costs in seeking third-party assurance of sustainability reports, but it is commonly argued (especially from a strategic risk and reputation management perspective) that there is sound business case for being able to demonstrate that a company is maximising positive impacts and minimising negative impacts. Ultimately, though, if a company cannot afford to enact responsible practices, it should not be operating, particularly if it is imposing socially or environmentally destructive impacts.

2. The Report (p. 7) comments that the varied activities undertaken by Australia's resource companies abroad may complement or support the Government's public diplomacy objectives, but occasionally may detract from these objectives. The report adds that it is important for Australia's overseas missions to coordinate and integrate the relevant activities of Australia's resource companies into Australia's public diplomacy strategies.

- What level of contact and cooperation exists at the moment?

- What sort of cooperation do you envisage?
- Is this practical for Africa, given the limited number of Australian missions which have to cover the 53 African countries?

Response

I am not best placed to answer these questions as I do not have expertise in this area.

3. The Report (p. 12) advocates strengthening high-level engagement between the resources sector and AusAID. Ways in which collaboration could be achieved include (pp. 13–14):

- exploring ways to use AusAID small grants to strengthen those development efforts already being undertaken by Australian mining companies overseas; and
- enhancing local supply chains that enable resource companies to source materials and labour locally and boost the local economy.

The Report's recommendation is similar to, but provides more details than, a recommendation of the Australia-Africa Mining Industry Group:

A mining operation or mining development project provides an immediate commercial focus for the delivery and management of social development programmes that could be branded as 'AusAID' or 'Australian' projects. Government agencies and/or the independent consultants could ensure that the programmes are appropriately implemented and managed, and are consistent with UN regional objectives. It is important to stress that companies do not see this concept as an opportunity to abrogate responsibility, but rather a mechanism to increase the scope of these programmes, and implement and manage them in a more strategic way.

AAMIG's recommendation has been criticised by Oxfam Australia, Professor Geoffrey Hawker, and only received qualified support from Care Australia. The criticisms include:

- mining companies do not have the skills, expertise or mandate to deliver social development assistance;
- the location of social development projects supported by mining companies may not be in a location which meets AusAID objectives;
- dilapidated facilities and legacy issues after closure of the mine site may compromise Australian aid delivered via an 'AusAID branded' public private partnership;
- the lines of responsibility and accountability can be blurred, being particularly difficult to manage and monitor in conflict, post-conflict and weak governance zones (Oxfam);

- funding from the Australian aid program should not be used as an incentive in any negotiations with local communities around large Australian commercial involvements (Care Australia);
- limited government aid funding should not be locked into mining ventures (Professor Hawker).
- Would you comment on the criticisms of the AAMIG proposal made by Oxfam Australia, Care Australia, and Professor Hawker?

Response

These are valid criticisms, and it is true that extreme care must be exercised in designing any collaboration between the resources sector and AusAID. I would suggest that the strongest case for collaboration is on those occasions where there is currently duplication of effort and/or funding in delivering social programmes. Even on such occasions, however, any collaboration must be carefully thought through to ensure that:

- boundaries of responsibility and accountability are explicitly clear;
- each party (company and AusAID) undertakes only those activities for which it is qualified and experienced, and most specifically that resources companies do not become *de facto* governments;
- the promise of AusAID funding is not used to 'buy' community support for a resources project;
- the government is not effectively subsidising resources companies;
- social development programmes are fully sustainable, well beyond the life of the company;
- the social outcomes of collaboration (quantifiable and non-quantifiable) are greater than the sum of the social outcomes of non-collaboration (i.e., synergy in its literal sense).

These conditions may not always be as clear-cut as they sound here. Hence, it is important to have in place appropriate governance systems in which as much ownership and control as possible is in the hands of the communities affected, in order that they are able to make informed judgements regarding whether these conditions are being met, and empowered to determine their own futures.