

Partnerships in Procurement

Understanding Aboriginal business engagement
in the Canadian mining industry



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Canadian Council for
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An Engineers Without Borders Canada Venture

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About the research

In Aboriginal communities across Canada, procurement of local goods and services by mining companies can drive business development, create local jobs, and contribute to improvements in well-being. Today, companies across Canada are increasingly recognizing that developing partnerships with Aboriginal communities is an effective business strategy that mitigates social risk and improves long-term operational security for extraction activities.

The Mining Shared Value (MSV) venture of Engineers Without Borders Canada partnered with the Canadian Council for Aboriginal Business (CCAB) to conduct national research to investigate the economic and social impacts of procurement from Aboriginal suppliers and to further develop the business case for mining companies to procure goods and services from Aboriginal businesses. Through field visits and case studies across mining operations (see map below of field sites) this research sought out practical examples of the successes and challenges both companies and Aboriginal suppliers and economic development corporations (AEDCs) encounter. Between February and June 2016, the research team interviewed over 70 individuals including procurement staff, Aboriginal suppliers, AEDCs and Aboriginal government representatives to compare best practices and highlight successes and opportunities for improvement.

The current state of Aboriginal business involvement in the Canadian mining industry

Currently, there are an estimated **222** Aboriginal businesses supplying the extractive industry in Canada. In the past year, **75%** of all Aboriginal businesses supplied goods to the private sector. Aboriginal suppliers provide exploration, drilling, camp and environmental monitoring services. Our research shows that mining companies are designing their engagement with Aboriginal suppliers in diverse ways. Eight of the 11 mining operations interviewed used frameworks or models to conceptualise their Aboriginal engagement, and **64%** said they had an active Aboriginal supplier directory to guide contracting. Hard targets for procurement contracts were not common across the country. Companies prefer instead to have 'set-asides' or sole-sourcing agreements for Aboriginal suppliers that are agreed upon in Impact and Benefit Agreements (IBA) or other contractual arrangements.



"We aren't just giving a cheque to the community. No - we are focusing on creating opportunities, apprenticeship programs and education programs and utilizing these programs... We moved from that entitlement stage to 'I want to be a partner.'"

"We found that relying on local contractors gave us more stability and more flexibility, and they are there and available. They are not just there to finish this project and go away. They are there to do a good job so their interest in the quality is higher. Quality, safety and the relationship, which is what we are looking for."



= Research sites visited

The business case

The business case for procuring goods and services from Aboriginal suppliers can be framed in terms of both obtaining a social license to operate and building a reliable, efficient supply chain for operations. Prioritizing supply contracts with Aboriginal communities is a powerful tool to improve relationships and obtain social license with local community members. Partnerships demonstrate a willingness to work together and compromise with community concerns, which helps prevent conflict and creates a more productive operating environment. Positive relationships with local communities also demonstrate responsible corporate behaviour and can improve a company's reputation, both for stakeholders and the general public.

In Canada, many mining operations are located on or near Aboriginal territories. Local Aboriginal suppliers are easier to contract flexibly and with short notice, which minimizes the transportation costs and inefficiencies associated with bringing service providers and supplies in from distant southern cities. Additionally, Aboriginal suppliers close to mining operations are best equipped with experience and skills to work safely and react knowledgeably in harsh conditions. Investing in local businesses through procurement contracts can also incentivize local suppliers to increase the range of goods and services available locally, which further decreases transportation and procurement costs.

Social License to Operate



Reliable Supply Chain

“When you create and sustain local employment and businesses, you are investing in your own future”

Some best practices identified

- Focus on relationships between the organizations. Discussing mutual challenges encourages transparency and honesty and enhances the ability of both parties to find workable solutions and improve collaboration and workflow.
- Build structures that facilitate reliable and consistent relationships. Mining companies should have IBA coordination teams that have regular communication with Aboriginal

communities and businesses, and ideally are housed in and staffed by the community and mining operation. Aboriginal suppliers can support their economic development officers (EDOs) by providing information for local business directories, which EDOs and IBA coordinators can work from.

- Companies and Aboriginal economic development committees should devise systems and metrics to assess the level of real benefit to Aboriginal contractors through

procurement opportunities to ensure that contracts actually lead to capacity growth and business development, and are not just monetary payments or a percentage of contract value.

- Assess joint ventures and partnership opportunities on the basis of capacity development and lateral skills training to ensure that these opportunities build transferrable skills that can be used in other industries and after mining operations have ceased.

Some common challenges

Capacity - Aboriginal suppliers say they lack the organizational capacity to plan, secure financing, and grow their businesses. Mining company respondents suggest that inconsistent corporate strategies and insufficient internal tracking systems are major capacity gaps. 'Paper companies' or superficial joint ventures that contain little meaningful skills or capacity development are a persistent problem.

Coordination - Lack of forecasting information prevents Aboriginal suppliers from responding to RFPs or submitting competitive bids. Corporate respondents have difficulty translating corporate procurement policies into practical site-based protocol without training.

Location - Remote locations present unique personnel, logistical, and capacity challenges to suppliers and procurers.

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"The mining companies – they know very well about the mining cycle and tools, but First Nations don't always know a lot about mining, so it's harder."

"To verifiably measure and report on Aboriginal content has been almost impossible... We're not sure how businesses make the cut as a business or not – even if they did self-declare, we have no system to note that."

"We know that contractors are a direct source of employment, and we need to verify what that means, and be sure that its not just a situation where people are receiving cheques and not showing up to work. It is not simply a transfer of money. We want to see impact on Aboriginal employment and business."

Innovative partnership examples

The Ktunaxa-Teck Procurement and Employment Operational Working Group (PEOWG) at Teck's Elk Valley operations in British Columbia is an example of a supportive partnership structure designed to promote mutual growth and business development. The PEOWG, which meets every two months, facilitates relationship building and cooperation between the Ktunaxa Nation Council (KNC) and Teck to increase employment and procurement opportunities for Ktunaxa Nation members and businesses. The group addresses issues such as training, education, employment, job readiness, procurement, and business development.

Another successful partnership example is the Secretariat to the Cree Nation – Abitibi-Témiscamingue Economic Alliance in Quebec. The Secretariat was created as a non-profit organization to act and build alliances between Aboriginal and non-Aboriginal people in Quebec, and is housed in Val d'Or, a common meeting place for people from all over the territory. Within this partnership, members work to promote sustainable relations and socio-economic alliances between the Cree Nation (Eeyou Istchee), Jamésie (non-Aboriginal residents), private industry and the Abitibi-Témiscamingue and Nunavik regions and foster harmonious development through professional working groups, networking sessions and other events.