

Partnerships in Procurement

Understanding Aboriginal business engagement
in the Canadian mining industry



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Canadian Council for
**ABORIGINAL
BUSINESS**



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This report was written by Anthea Darychuk, MPH, Project Manager at the Mining Shared Value (MSV) venture of Engineers Without Borders Canada, and Dr. Karen Travers, Research Analyst at the Canadian Council for Aboriginal Business (CCAB).

A note on terminology: The terminology used in this report is evolving and in flux. While *Indigenous* is now becoming more acceptable, *Aboriginal peoples* are constitutionally recognized and our use of this and other terms is limited to where it is required for policy reasons and for legal and historical accuracy.

Our Supporters:



Introduction to research

This report presents the findings from a research study carried out by MSV and the CCAB. The goal of our research was to identify the working relationships between Aboriginal businesses and mining companies operating across Canada, and investigate how both parties are responding to internal and external challenges, in an effort to increase Aboriginal supplier involvement and engagement in the supply chain.

To do so, this research involved interviews with individuals from across the country, ranging from mining company staff working in procurement and sustainability to independent Aboriginal business owners supplying local mining operations. In all, eight different mining companies participated in this work. Mining staff were interviewed at the following locations: Cameco (Saskatoon headquarters and telephone interviews with northern suppliers), Detour Gold (Toronto headquarters), Goldcorp (Porcupine Lake, ON, Éléonore, QC), Imperial Metals (Red Chris, BC), Potashcorp (Allan, Rocanville, and Saskatoon headquarters, SK), New Gold (Kamloops, BC), Teck (Elk Valley, Highland Copper, BC), and Vale (Voisey's Bay, Nain and Goose Bay offices, NL).

As this list suggests, the research was broad in its aims and covered a wide spectrum of regional and corporate policies and practices related to Aboriginal supplier engagement. This report presents opinions from over 80 individuals and is therefore not representative of any one company or business. Rather it is intended to be an overall snapshot of the state of procurement opportunities for Aboriginal suppliers in the mining industry in Canada today, and documents ways that both parties can work together in the future for mutual benefit.



Commonly used abbreviations

- AEDC** – Aboriginal Economic Development Corporation
- CCAB** – Canadian Council for Aboriginal Business
- EDO** – Economic Development Officer
- IBA** – Impact and Benefit Agreement
- MAC** – Mining Association of Canada
- MSV** – Mining Shared Value
- NWAC** – Native Women's Association of Canada
- RFP** – Request for Proposal

 = Research sites visited

Setting the context: why does industry need a business case for Aboriginal procurement?

According to TD Economics, natural resource development contributes one-fifth to our national GDP and creates 1.8 million jobs.¹ Aboriginal participation in the construction and resource sectors both as employees and employers, hovers between 7 and 9%.² According to the Canadian Chamber of Commerce, Canada's ability to leverage its natural resource endowment "increasingly depends on industry and government's ability to address concerns over the social impacts of resource development," particularly as it affects Aboriginal peoples and communities.³ The recommendations of the national Truth and Reconciliation Commission⁴ (see below) and Canada's adoption of the United Nations Declaration on the Rights of Indigenous Peoples (UNDRIP) all suggest that our national sentiment on the role of economic equity in reconciliation has altered the Canadian business landscape. In this spirit, greater participation and involvement of Aboriginal businesses in the extractive industry should be one of Canada's top priorities.

"We call upon the corporate sector in Canada to adopt the United Nations Declaration on the Rights of Indigenous Peoples as a reconciliation framework and to apply its principles, norms, and standards to corporate policy and core operational activities involving Indigenous peoples and their lands and resources. This would include, but not be limited to, the following: i. Commit to meaningful consultation, building respectful relationships, and obtaining the free, prior, and informed consent of Indigenous peoples before proceeding with economic development projects. ii. Ensure that Aboriginal peoples have equitable access to jobs, training, and education opportunities in the corporate sector, and that Aboriginal communities gain long-term sustainable benefits from economic development projects. iii. Provide education for management and staff on the history of Aboriginal peoples, including the history and legacy of residential schools, the United Nations Declaration on the Rights of Indigenous Peoples, Treaties and Aboriginal rights, Indigenous law, and Aboriginal-Crown relations. This will require skills based training in intercultural competency, conflict resolution, human rights, and anti-racism"

Ironically, at a time when attempts are being made to address historic wrongs on a national level, one of the most regulated sectors in Canada faces tremendous uncertainty and lacks guidance to uniformly engage with Aboriginal peoples on development issues. As some commodity prices are forecast to pick up over the next 18 months, it is reasonable to predict that more mining companies will move into exploration and production across the country. The Fraser Institute currently estimates that the Duty to Consult (DTC) with Aboriginal communities is triggered over 100,000/year in Canada,⁵ yet across the country there are jurisdictional inconsistencies regarding timelines, procedure and recourse. A lack of clear engagement expectations for Aboriginal communities and proponents has created a patchwork of *ad hoc* policies and procedures. A review of current literature on this issue underscores the current ambiguity and complexities inherent in the permitting and consultation process.

Over the last 30 years, Aboriginal-extractive company relations have been guided by different frameworks, one of which is the Impact and Benefits Agreement (IBA). While IBAs exist in many sectors, for the purposes of this report, an IBA is a contractual agreement signed between a mining company and Aboriginal communities impacted by the operations of a proposed mine. It is important to recognize that while signing an IBA is not legally required, it has become a widely implemented as a best practice across the mining industry. IBAs enable proponents to foster their social license to operate while acting as a vehicle through which Indigenous communities exercise their right to benefit from work undertaken on their land. According to interviewees from both mining companies and Aboriginal businesses, IBAs "keep the process honest" and prevent miscommunication and misalignment of expectations; all of which increase operational, financial and social licence risk.

In the current Canadian media, tensions between government and Aboriginal communities regularly make the headlines. The increasing number of exploration projects on or near First Nation, Métis and Inuit territories necessitates that more benefits flow

into local Indigenous communities. Indigenous people interviewed for this study said while they are not unequivocally against resource development, it must be sustainable, safeguard the environment and provide them an equitable share in the benefits and opportunities that accrue from extraction and development. Over the past several decades, the business climate has changed; Aboriginal business capacity has steadily increased, and Aboriginal people are demanding long-term benefits from resource development, rather than one-time revenue payments. The need for increased capacity coincides with population growth that is four times the non-Aboriginal average, resulting in a significantly larger proportion of youth in First Nations communities across the country.⁶ More than half of the Aboriginal population is under 30 years of age and the under-25 cohort in particular, faces a 30% unemployment rate, has significant gaps in educational attainment, and often lives in a community with inadequate infrastructure.⁷ Aboriginal entrepreneurs told us they want to see clear commitments from federal and provincial governments to develop training partnerships and facilitate capacity building initiatives in their communities so that they can be equal players at the table when resource development and business decisions are made.

The diverse kinds of equipment and services required by mining operations also offers significant investment and business growth opportunities for local Aboriginal suppliers if they can successfully bid on RFP's and execute contracts. The procurement spend of mining operations dwarfs what is spent on community philanthropy and provides a catalyst for business development and local supply chain creation. Buying goods and services from local suppliers offers a mutually beneficial opportunity for shared value for both parties: it provides mining companies with valuable services and goods, and allows local Aboriginal companies and communities to take advantage of lucrative contracting and training programs offered through the extractive industry. Aboriginal communities and businesses stand to gain greater access to resources such as mentoring and business management guidance while reaping the economic benefits of business growth through direct and indirect involvement with the mine. Supplier development through procurement is also a meaningful way to increase the diversity and capacity of the local business base, and procurement set-asides or joint ventures often provide an important first entry-point for AEDCs or entrepreneurs to enter into the mining supply chain. In this way, procurement from local Aboriginal businesses can encourage business development and entrepreneurship, and bring jobs and wages to communities. Despite being understood as "the right thing to do," procurement from Aboriginal suppliers as a core responsible business practice is a relatively new phenomenon in a

¹ TD Economics. (2015). Special Report, *The Long and Winding Road Towards Aboriginal Economic Prosperity*.

² TD Economics. (2015). Special Report, *The Long and Winding Road Towards Aboriginal Economic Prosperity*.

³ Canadian Chamber of Commerce. (2015). *Aboriginal Edge: How Aboriginal People and Natural Resources Businesses are Forging a New Competitive Advantage*. Available at: <http://www.chamber.ca/download.aspx?t=0&pid=21afb216-1e45-e511-add8-000c29c04ade>.

⁴ Truth and Reconciliation Commission of Canada (2015). *Calls to Action*. Business and Reconciliation, Call to Action #92 (i and ii), pg. 10.

⁵ Ravina Bains and Kayla Ishkanian. (2016). *The Duty to Consult with Aboriginal Peoples: A Patchwork of Canadian Policies*. Fraser Institute. www.fraserinstitute.org

⁶ National Aboriginal Economic Development Board. (2015). *The Aboriginal Economic Development Report*. Available at: <http://www.naedb-cndea.com/publications/>

⁷ TD Economics. (2015). Special Report. *Aboriginal People in Canada*.

continually evolving landscape. It is widely recognized in the literature that Aboriginal people have historically been isolated from Canadian society and the economy. Many communities lack critical infrastructure and Indigenous peoples statistically have lower educational attainment and retention rates, and disproportionately suffer from health, substance abuse and other social issues that can affect their ability to maximize development potential.⁸ Across the country, many Aboriginal business people we spoke with said their communities still struggle with problems such as low literacy or substance use. While often perceived as outside the purview of traditional business operations, these issues are not insurmountable and we saw many examples where they were addressed and overcome by culturally educated and understanding management backed by proactive policies in a supportive corporate environment. Procurement processes and policies vary greatly across mining operations and are shaped by history, geography, corporate philosophy, and Aboriginal business community readiness. In partnership with local First Nation communities, several mine sites we visited created training, networking, and business development programs, but these were largely the result of IBAs and based on individual creativity and initiative. AEDC and mining company representatives both said they were confused and frustrated with the ever-changing, overlapping, and vague consultation requirements. Clear guidelines are needed to not only allow mining companies to fulfil their social duties but create a reliable, consistent environment for Aboriginal community capacity and business development growth.

Companies with diverse approaches and at different stages in their Aboriginal procurement strategy will find value in this report. Many companies are interested in partnering with Aboriginal companies and procure from Aboriginal suppliers because they recognize the business case for doing so. They understand that cost savings and efficiencies, with or without reference to legal requirements, benefits their bottom line in the long run. Other companies have less experience with local communities and see procurement contracting primarily as a method of fulfilling IBA requirements. Still another group want to know how to engage and procure from local Aboriginal businesses in better and more efficient ways, but do not know how. The goal of this report is to examine the state of procurement from Aboriginal businesses in Canada (hereafter referred to as Aboriginal procurement) and identify the best practices, so that these insights can benefit those looking to overcome challenges and develop a more open and productive approach to Aboriginal business engagement. Our hope is that our findings help make the process easier for both groups so that they can take advantage of supply chain opportunities that support Aboriginal business growth and development and build long-term relationships.

⁸ National Aboriginal Economic Development Board. (2015). TRC, *Honouring the Truth, Reconciling for the Future: Summary of the Final Report*, The Legacy: 135-182.

The business case for Aboriginal procurement

It became clear in our interviews with mining company staff and Aboriginal suppliers that many procurement departments across the country have a strong understanding of the business case for seeking out and using Aboriginal suppliers in their operations. Figure 1 illustrates the main components of the business case for investment in Aboriginal owned and operated businesses, which is focused on two outcomes: creating reliable supply chains and fostering the social license to operate.

Supply chain reliability is fundamental to the security, profitability and sustainability of any business. The majority of current and future mining operations in Canada are located on or near Aboriginal territories in rural and remote regions of the country. Aboriginal suppliers are often locally-based and easier to contract flexibly and with short notice, reducing transportation costs and inefficiencies associated with bringing in outside service providers and supplies from distant southern cities. Several companies told us that working with Aboriginal suppliers translated into large cost savings by reducing the need for flights and accommodation. Procurement staff at companies with northern operations, such as Cameco's Cigar Lake, Goldcorp's Éléonore, and Vale's Voisey's Bay, reported that using companies located near their operations resulted in significant savings because of the high costs and unpredictability of air and ground travel in the north.

Social License to Operate



Reliable Supply Chain

Figure 1: Components of the business case for Aboriginal procurement.

Local Aboriginal businesses are owned and employ people who are closely connected and live in the area where they work. Hiring local Aboriginal people translates into better worker retention and lower recruitment costs. One mine manager who had experienced great difficulty retaining a skilled workforce with people from outside the area and said, ***“if we can find people locally, they are more likely to be stable, and stick with us than jump ship for a dollar an hour more... so it reduces costs and there is definitely a strong business case for working with them.”*** Our research highlights the Red Chris Development Company Ltd, a subsidiary of Imperial Metals, that works closely with the Tahltan Nation Development Corporation (TNDC) at the Red Chris mine near Dease Lake, BC, to monitor tailings and build roads. Mine staff told us that there is immense

value in the fact that TNDC's diverse service offerings are located within 80 km of the operations, much closer than bringing in supplies from Terrace (7 hours by road) or Vancouver (2 hours by plane), particularly in the winter.

Local Aboriginal businesses also bring significant advantages such as specialized knowledge and experience to mining operations. Because of their knowledge of the land and environment, Aboriginal suppliers are often best equipped with the experience and skills necessary to work safely and react knowledgeably in harsh conditions that typify remote, northern climates where mines tend to operate. Voisey's Bay, Vale's nickel operations in Labrador, is an exclusively fly-in, fly-out site, with operational continuity issues due to the local environment and geography, which is very remote and subject to extreme weather. Vale's operations require year-round, constant shipping access to move nickel concentrate from Voisey's Bay to the processing plant in Long Harbour. However, constant ship traffic disrupted traditional Inuit transportation corridors on the sea ice, which freezes over during the winter months. To accommodate both Vale and the Inuit and Innu communities, an Inuit business based in Nain, Sikumiut, were awarded the contract to provide Ships Track Maintenance to guide ships out of the sea ice to open water. One aspect of their work is a portable, deployable system that allows local people to continue to move around the sea ice without fear of harm from ships. Through this partnership, Vale was able to develop the mine and extract and ship nickel concentrate to market efficiently and economically and Inuit communities benefited from business provisions outlined in the IBAs. Even in less challenging locations, procurement officials at Cameco and Imperial Metals both spoke about how their local suppliers reduced operational risk and by allowing them to react quickly to changing weather conditions and navigate winter roads in remoter parts of the province.

Another pillar of the business case for greater business engagement with Aboriginal companies relates to demographics. The Mining Industry Human Resource Council estimates that by 2024, 25% of its current workforce will retire from the sector, producing a major skills shortage and threatening future supply chain stability. Many procurement personnel we interviewed are acutely aware of this, and are actively increasing their procurement from Aboriginal businesses now in an effort to improve supply chain sustainability. One procurement manager said that ***"they're all facing the same environment. Our suppliers, many of them are baby-boomers so the sustainability of our supply chain becomes an issue as they retire and have no succession plans... it does leave an opportunity open for AEDCs to invest."*** Across the country, the Aboriginal population is projected to increase four times faster than the national average,¹⁰ and a growing young workforce represents a strategic benefit to mining companies both in terms of the availability of local labour and the potential for Aboriginal business growth in mining related industry and services. As Cameco's Director of Contracts notes, ***"if you want to be in business here in Saskatchewan, you better wake up to the reality of where we are working."***

⁹ Mining Industry Human Resource Council. (2013). Managing through the Cycle. Available at: <https://www.mihr.ca/pdf/publications/Managing-through-the-Cycle.pdf>

¹⁰ National Aboriginal Economic Development Board. (2015). The Aboriginal Economic Development Report. Available at: [file:///C:/Users/Lenovo/Downloads/NAEDB-progress-report-june-2015\(1\).pdf](file:///C:/Users/Lenovo/Downloads/NAEDB-progress-report-june-2015(1).pdf)

In addition to the core economic savings Aboriginal suppliers can bring to procurement contracts, there are several social and political components of the business case that facilitate shared value between both parties. Aboriginal communities are central stakeholders in any natural resources discussion and procurement contracts can enhance a company's profile in a community and encourage greater Aboriginal buy-in and involvement. Partnerships demonstrate a willingness to work together and address community concerns which reduces points of conflict and creates a more productive operating environment. Prioritizing supply contracts with Aboriginal communities is a powerful tool to improve relationships and obtain social acceptance with local community members.

“At Teck, we’re committed to strengthening relationships and creating real benefits for Indigenous communities with procurement being an important component of that work,” says Heather Lawrence, Teck’s Manager, Indigenous Affairs. ***“Having strong relationships and Indigenous support are significant benefits when we’re discussing our activities with government or other local community members.”***

Positive relationships with local communities also demonstrates responsible corporate behaviour and can improve a company's reputation, both for stakeholders and the public. More recently, the 2014 tailings dam breach at Imperial Metal's Mount Polley Mine in BC caused a major public outcry and increased concern about the impacts of mining on the environment, threatening the viability of future operations in the province and across Canada. In an effort to regain social licence and earn back trust, the company recognized it would have to involve local First Nations in their operations. At the Red Chris mine, TNDC currently works closely with Imperial Metals on their tailings pond management. The success of this business partnership suggests that involving local Aboriginal businesses not only gives mining companies the benefit of Aboriginal environmental and land use management expertise, but also demonstrates that partnerships build stronger support for operations in the area. Darrel Burnouf, Manager of Northern Business Development & Community Relations for Cameco also said that working with Aboriginal suppliers in Canada led to significant business advantages for the company abroad. ***“It does bring value to us in terms of gaining more business. An example is in Australia, where because of what we do with Aboriginal companies and the workforce in Northern Saskatchewan, they chose us to be a partner.”*** Companies can leverage progressive domestic corporate policies to become more competitive and increase their access to opportunities in the global marketplace.

As they recognize the manifold benefits of working with Aboriginal businesses, ***corporations are increasingly viewing procurement as an investment in a long-term partnership rather than ‘a cost of doing business.’*** In the medium and long-term, increasing procurement contracts with local Aboriginal suppliers can save companies financial and social costs, and build operational stability for mining activity. Investing in local suppliers through procurement contracts can also incentivize local suppliers to increase the range of goods and available services which further decreases transportation and procurement costs. According to the Secretariat to the Cree Nation,

since the 1974-5 James Bay and Northern Quebec Agreement, sustained investment in local contractors by companies such as Goldcorp, has created an environment where there are now more than 150 Aboriginal businesses in Val d'Or, Quebec.¹¹

The final, and less often discussed aspect of the business case for Aboriginal procurement identified by this research was the impact Aboriginal suppliers have on the 'triple bottom line' of communities living and working around mining operations. According to Tony Marinaro of the Naicatchewenin Development Corporation near Fort Frances, Ontario, one of the key benefits of employing Aboriginal businesses and a source of pride for many in the local community is the fact that **"in the last year, we took 40 people off of social assistance – that's the stuff that makes the difference."** In the same vein, Sean Willy, past Director of Corporate Responsibility at Cameco and now Vice President of the Des Nedhe Development Corporation in Saskatoon, said that **"the best way to eliminate poverty in our communities is to invest in Aboriginal businesses."** Several companies said they had procurement contracts with Aboriginal suppliers not because of legal requirements but because they were committed to building community capacity and improving economic development through contracting opportunities. **"You only have to turn on the news to see the challenges in our communities... and they struggle with youth suicide, underemployment, demands on infrastructure, and we know that these contracts can play a role in improving that situation"** says Leonard Rickard, Manager of Aboriginal Relations at Detour Gold.

"When you create and sustain local employment and business, you are investing in your own future" says Dmitry Barsukov, Vice President of Supply Chain Management at Cameco headquarters in Saskatoon. One Aboriginal Relations director in Ontario told us that **"we're all in this for a lot of reasons,"** recognizing that Aboriginal procurement is a priority that makes sense for all parties involved and is an issue that everyone in the industry needs to work on if significant improvements in outcomes are to be realized sooner rather than later.

¹¹ The Secretariat to the Cree Nation Abitibi-Témiscamingue Economic Alliance (SAENCAT) facilitates relationships and provides information about Cree businesses in the James Bay Region. See www.creenation-at.com/en-ca/

Measuring local procurement in Canada and abroad

Aboriginal business procurement fits into the larger picture of responsible mining in Canada and abroad and is part of a global movement to lessen the impacts and improve the economic outcomes of mining activity in host countries. Ensuring there are more economic linkages between mining activity and the host communities and countries where this activity takes place has become an important issue since the idea of “the resource curse” was first introduced by Auty,¹² and Sachs and Warner.¹³ This “paradox of plenty” found that on average, countries with higher extractive industry resource production counterintuitively had worse development outcomes than those without. While this argument has been tempered and qualified in the decades since it was first introduced, mostly by incorporating the role of institutional quality (government/regulatory) on outcomes¹⁴, for the most part this resource curse stubbornly persists (see McKinsey Global Institute’s 2014 report, *Reverse the Curse*).¹⁵

One of the key factors blamed for resource curse outcomes is the “enclave” nature of many extractive industry operations. Not only does a lack of economic linkages to the rest of economy result in less revenue and jobs for the host country, this lack of connection has been associated with a negative impact on institutional quality, in that problematic governments are able to rely on the tax revenue coming out of the enclave and ignore other parts of the economy.¹⁶

In this context, a great deal of work has been directed towards creating best practices for both mining companies and host governments to increase local procurement. A coalition out of the University of Queensland in Australia and the International Finance Corporation created two key toolkits in 2010¹⁷ and 2011¹⁸ respectively that worked to codify best practices in local procurement in the most comprehensive manner to date. Importantly, both of these toolkits incorporate guidance and case studies from Canada and Australia involving companies that purchase from Aboriginal suppliers. These, along with a number of leading efforts by a handful of mine sites around the world – such as Newmont in Ghana, BHP Billiton in Chile and, Rio Tinto in Mongolia - have contributed to the development of industry best practices. In many ways this scattering of case studies and best practices is similar to studies of Aboriginal procurement in Canada in that best practices have been developed but are not yet standard operating procedure across the industry.

¹² R.M. Auty, (1993). *Sustaining development in mineral economies: The resource curse thesis*. London: Routledge

¹³ J.D. Sachs, and Warner, A, (1995). Natural resource abundance and economic growth. Harvard Institute for International Development, Development Discussion Paper No. 517.

¹⁴ C.N. Brunnschweiler, and E.H. Bulte, The resource curse revisited and revised: A tale of paradoxes and red herrings. *Journal of Environmental Economics and Management*, 2008. 55(3): p. 248-264.

¹⁵ McKinsey Institute. (2013). *Reverse the curse: Maximizing the potential of resource-driven economies*. London: McKinsey & Company.

¹⁶ M. Moore (2004) Revenues, State Formation, and the Quality of Governance in Developing Countries. *International Political Science Review* 25, 297–319.

¹⁷ A.M. Esteves, Brereton, D., Samson, D. and Barclay, M.A. *Procuring from SMEs in Local Communities: A Good Practice Guide for the Australian Mining, Oil and Gas Sectors*. (2010) Brisbane: Centre for Social Responsibility in Mining, Sustainable Minerals Institute, University of Queensland.

¹⁸ International Finance Corporation. (2011) *A Guide to Getting Started in Local Procurement: For Companies Seeking the Benefits of Linkages with Local SMEs*. Washington DC: World Bank Group.

Lessons from Down Under?

Canadian mining companies, AEDCs, government officials and other stakeholders could look to Australia for guidance and ideas to increase procurement from Aboriginal businesses. Sharing similar geographical challenges and sparse populations, as well as a similar average standard of living across non-Aboriginal populations, Australia has been moving along a path over the last two decades that is similar to what is underway in Canada. Agreements between mining companies and Aboriginal communities share commonalities with IBAs in Canada and their experience contains many lessons. Rio Tinto signed the first of these agreements in Australia in the 1990s and drew on many of those early experiences for their subsequent work in Canada at the Diavik diamond mine in the Northwest Territories.

Two resources that provide lessons from Australia are:

- Esteves, A.M., Brereton, D., Samson, D. and Barclay, M.A. Procuring from SMEs in Local Communities: A Good Practice Guide for the Australian Mining, Oil and Gas Sectors. (2010) Brisbane: Centre for Social Responsibility in Mining, Sustainable Minerals Institute, University of Queensland.
- Barnes, R., Harvey, B. and Kemp, D. (2015). 'Benchmarking Leading Practice in Aboriginal Business Procurement in the Extractive Resource Sector'. A report prepared by CSR for AEMEE under the AEMEE and QGC Partnership Agreement. CSR Brisbane.

In Canada, Aboriginal procurement and spend across Canadian mining operations exists within the context of voluntary initiatives put forward by organizations like the Mining Association of Canada (MAC)'s Toward Sustainable Mining (TSM) Protocol. The protocol has four performance indicators related to consultation and engagement and includes grievance mechanisms to support companies who engage with Aboriginal groups. While there are no legal requirements to engage Aboriginal communities in business development opportunities, the TSM Protocol has operating principles that encourage corporate policies to guide Aboriginal business development, and many companies choose to publish their annual Aboriginal spend as part of their social reporting. In line with current existing federal and provincial legal requirements, these protocols and principles encourage companies to engage with Aboriginal communities and businesses. Despite this, there is little clear guidance and in most cases, mining companies are tasked with coordinating and navigating their relationships with Aboriginal businesses on their own.

The Aboriginal Business Landscape

According to a recent CCAB report,¹⁹ nearly 40 percent of all Aboriginal businesses in Canada (39%) are working in mining or extraction-related industries (See Figure 2). Across Canada, this number translates into an estimated 230 Aboriginal suppliers providing goods and services to mining operations. Business size and capacity varies greatly across the country, from individual entrepreneurs such as Wayne Jenkins of Aivek Holdings in Nain, Labrador to large AEDCs, such as Kitsaki Management. Kitsaki, the business arm of Lac L'orange Indian Band in Saskatoon, provides a large range of services including trucking, catering, environmental, engineering, and procurement services.

Aboriginal Businesses working in the Extraction Sector

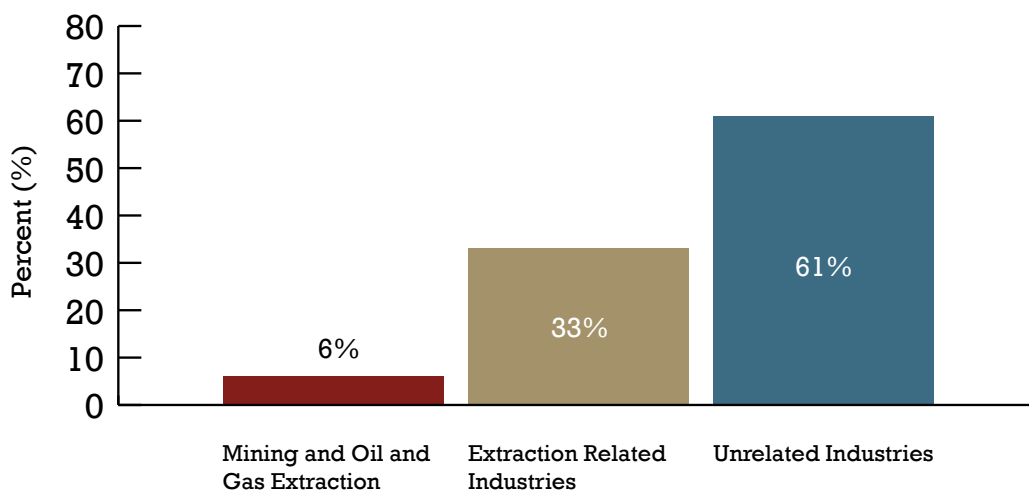


Figure 2: Proportion of businesses interviewed that work in mining or mining-related activities.

As part of an AEDC or a privately-owned business, Aboriginal suppliers work in the following fields:

- Project Management
- Construction
- Heavy Hauling
- Remote Lodging
- Camp setup
- Catering
- Aviation
- Transportation and Fuel
- Electrical services
- Engineering services
- Powerline and pipeline construction
- Drilling and Blasting
- Communications
- Environmental Monitoring, Reclamation and Risk Assessments

¹⁹ Canadian Council for Aboriginal Business. (2016). Promise and Prosperity. The 2016 Aboriginal Business Survey.

Labor-intensive

- Janitorial
- Earthworks
- Laundry
- Security

Large projects / Heavy equipment

- Transportation
- Reclamation
- HVAC
- Construction
- Welding
- Shop Maintenance
- Drilling

Specialized technical/ professional

- Engineering
- Management
- GIS and modelling
- Mapping services

Figure 3: Evolution of Aboriginal businesses

The evolution of Aboriginal businesses

A majority of Aboriginal businesses working in the mining industry today began with contracts in catering, janitorial or construction services – work that requires little formal training and places an emphasis on physical labor. Taking on this “low-hanging” fruit as an initial step into the highly technical environment of mining allowed several businesses we interviewed to develop gradually and take advantage of partnerships to scale up and transition into more technical and management-focused services. The breadth of services provided today by Aboriginal businesses suggests that many have been able to grow and expand and take on any contract or service required at a mine. However, at the same time the concentration of Aboriginal suppliers in construction and camp services (janitorial and catering) remains a challenge. While there are fewer barriers for smaller contractors initially breaking into the supply chain in technical and managerial fields, opportunities for these companies to scale up and grow is still highly dependent on partnership opportunities available to them as well as the perception of procurement officials at mine sites who are often accustomed to working with larger, non-Aboriginal contractors.

Once they achieve a certain level of operational sophistication, Aboriginal businesses and entrepreneurs possess several characteristics that give them a long-term competitive advantage in their areas of operation. **“When the mine is gone, we are still here”** says Tony Marinaro of NDC, underscoring how investing in businesses and actively pursuing partnerships that promote regional development can act as catalysts for economic growth in resource-dependent regions. The recent 2016 CCAB survey shows that the majority of Aboriginal businesses surveyed consider themselves to be successful, and have a strong potential for future growth (See Figure 4).

Aboriginal Business Owners: Perceptions of Success

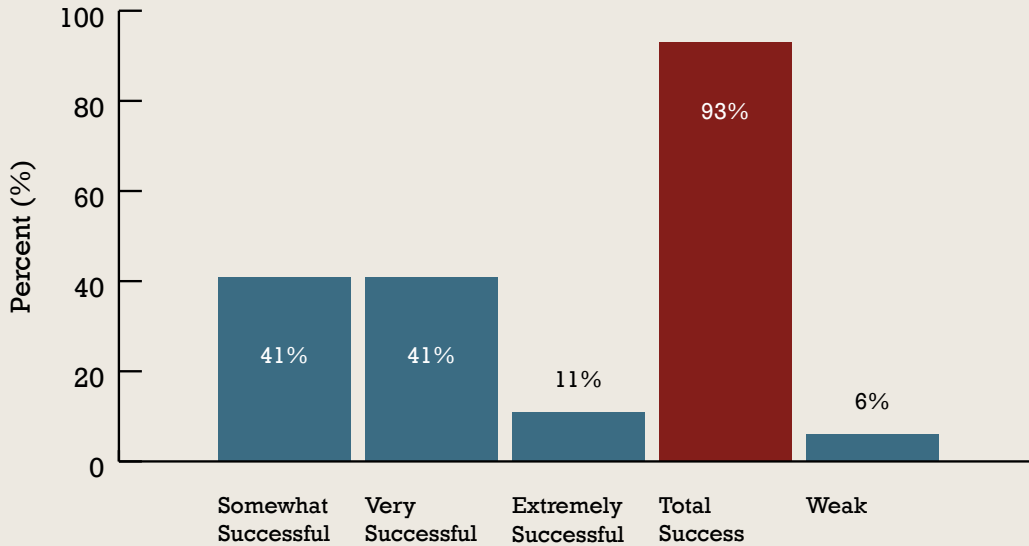


Figure 4: Self-identified success of Aboriginal businesses.²⁰

Aboriginal businesses cover a range of sizes and structures, including joint ventures, private businesses, and community owned Aboriginal Economic Development Corporations (AEDCs). Whether they are a sole proprietorship, joint venture, or other partnership arrangement, they are commonly defined as any business that is at least 51% owned and controlled by an Aboriginal person or persons. Aboriginal businesses often have strategic goals or plans that strive to balance cultural values, community investment, and concern for the environment in addition to profitability. In terms of private businesses, across the country there are several large private Aboriginal-owned general contractors, such as Points Athabasca Contracting in Saskatoon, which employed 220 employees in 2015, 45% of whom were Aboriginal, and had revenues of \$220 million for the same year.

Joint ventures are arrangements or partnerships that allow businesses to work together for mutual benefit without surrendering ownership. Aboriginal businesses and AEDCs often opt for the joint-venture model because it allows them to leverage the expertise and resources of established companies to increase their own capacity. One of the most common business organizations are AEDCs, which range in size from 5-100 employees and are often formed as a result of an IBA agreement. AEDCs are the economic and business development arm of a First Nations, Métis or Inuit government and control, invest in, or manage subsidiary businesses for the benefit of the community members who are their shareholders. Nupqu Economic Development Corporation in Cranbrook, BC, Whitecap First Nation Industrial Services in Saskatoon, SK, and the Nunatsiavut Group of Companies in Nain, NFLD are some AEDCs involved in partnerships in industrial and construction services across the country.

²⁰ Due to rounding, numbers may not add up to 100%

Supporting environments or set up to fail? The uneven terrain of training, supports and growth

The urgent need to create partnerships to improve training and skill development programs for Aboriginal students, business owners and potential entrepreneurs is one of the major findings of this study. In Canada, mining and education are under provincial jurisdiction while First Nations education specifically is funded by the federal government and provided by First Nations and the provinces and territories. The result is a patchwork system of government programs and private initiatives designed not only to provide secondary and post-secondary education, but to further skill-building, business incubation, economic development and capacity building goals. The overarching lack of a federal framework creates a situation where actors do not talk to one another, and longer-term initiatives such as skills training are rarely championed or properly resourced. According to individuals interviewed from both mining companies and Aboriginal businesses, provincial or regional training supports are complex, intermittent and short-term in duration. Further, the majority focus on certificate or pre-apprenticeship training programs or offer support for new businesses and do not include mentoring or guidance for established businesses that wish to maintain or grow their operations.

To what extent do any of the following present obstacles in growing your business over the next two years?

Percent who answered 5 meaning "a great deal" (Scale of 1-5)

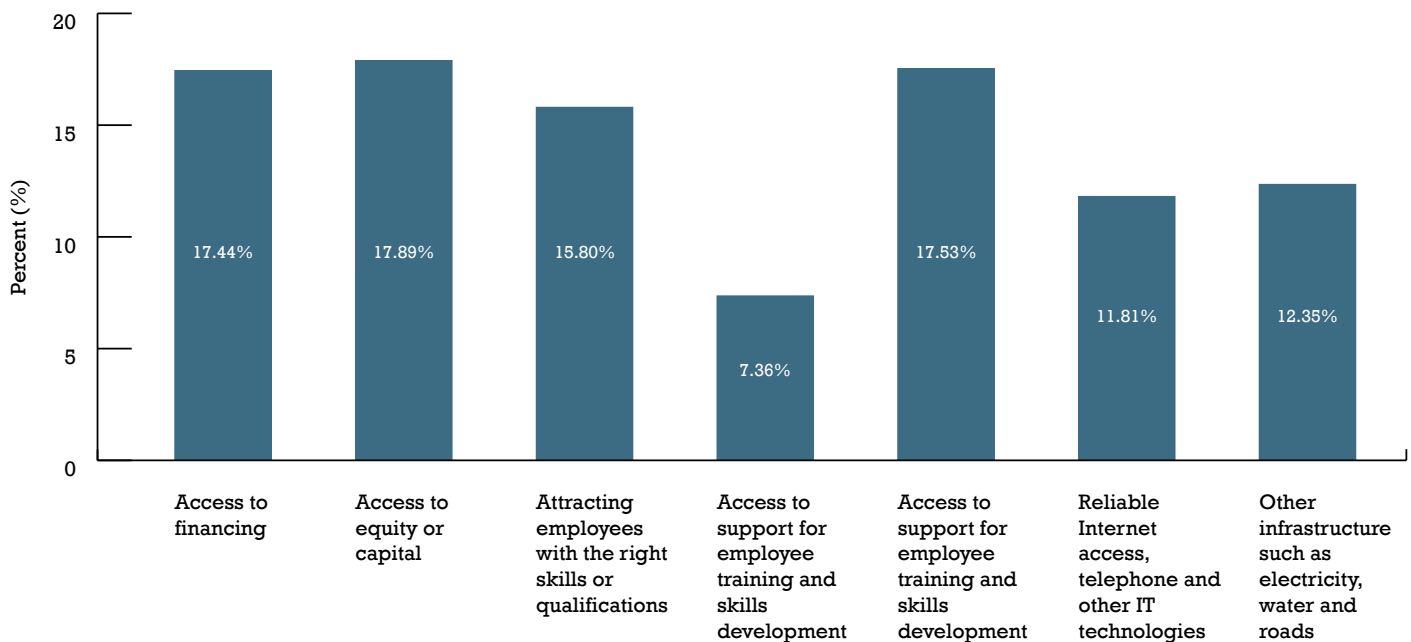


Figure 5: Obstacles faced by Aboriginal businesses looking to grow their business.

As Figure 5 shows, government policy, rules and regulations are some of the most challenging realities Aboriginal businesses face when looking to expand their services, affecting everything from training subsidies to available wage supports. Another systemic barrier voiced by Aboriginal business owners in remote areas of the country is inadequate infrastructure – both physical and communications – which hampered their attempts to work with clients outside of the region. Wayne Jenkins of Aivek Holdings in Nain noted that ***“it is not businesses’ responsibility to provide the infrastructure, to provide internet or roads, it’s the government’s responsibility,”*** noting that poor infrastructure in Atlantic Canada, with a lack of air strips and poor internet connections, was a major deterrent for local businesses to start-up or expand.

Respondents in several regions spoke positively about previous provincial funding programs designed to increase Aboriginal involvement in extractive development or business training, but in all cases were either described as too complex to apply for or were cancelled and not replaced. Most of the programs have strict eligibility requirements, require annual applications or provide funding for limited periods or programs.

Interestingly, the federal Aboriginal Skills and Employment Training Strategy (ASETS) funded by Employment and Social Development Canada (ESDC) to meet Aboriginal training needs was not mentioned by any of our respondents. This program offers funds for individual training, resumes, career counselling, paid internships, subsidies to employers and assistance with business start-up costs. However, it is accessed through an approved program provider, normally located in an urban centre unless housed in a First Nations community. In this case, communities must be approved by the government and have the capacity to deliver and qualify for the programs.

The existing patchwork system has in many cases, put the onus of training on companies who have generally responded with informal, site-specific training or job-shadowing. This on-the-job training equips new employees to work on-site but may not lead to transferable skills or additional training if not complemented by programs designed to increase access to formal accreditation, standardized certificates or credentials that could be built upon as their careers mature. Additionally, several Aboriginal business people said that accessing information and support about contractor requirements, bidding on requests for proposals and following through with high-level agreements, was frustrating. To streamline their processes, many mining companies pre-qualify sub-contractors before an RFP is even issued. According to one Aboriginal businesswoman in Saskatoon, ***“if I need to be prequalified, don’t just tell me, show me [how]. The upper level commitments need to go all the way down to the practical decision-making.”***

Despite the overall weaknesses in governmental planning and partnerships this research identified some progressive strategies to address training gaps including apprenticeship programs with local colleges in British Columbia, Ontario and Quebec. The desire and interest for more opportunities is strong across the country, and as one

⁹ For more information, see the Mine of Knowledge/Mine de Savoir website: <http://www.mine.umontreal.ca/indexEN.html>

Aboriginal business owner stated *“if you see it, you can be it”* highlighting the fact that the potential and aspirations held by Aboriginal youth and entrepreneurs is waiting to be leveraged by increasing education and economic opportunities. One training initiative attempting to fill this gap is the NSERC: CREATE Mine of Knowledge/ Mine de Savoir program.²¹ In 2013, Marc Amyot, Canada Research Chair in Global Change Ecotoxicology at the *Université de Montréal*, and professors in the sciences at seven universities in Ontario and Quebec were awarded an NSERC (the Natural Sciences and Engineering Research Council) CREATE grant to develop a program to increase employment options and give concrete professional skills to graduate students in the natural and engineering sciences.

Thirty students are currently enrolled and midway through the life of their grant, Dr. Dana Simon, Program Coordinator for Mine de Savoir/Mine of Knowledge program, sees great potential in this collaborative program that combines research, mentorship and internship components. Projects may be inspired by students, academic researchers, or industry partners so long as they combine the interdisciplinary skills and experience that graduate students need, with the workforce readiness and training that the Canadian mining industry demands. Along with Vale and Barrick Gold, the program has a number of collaborators in the consulting and mining sciences, but Simon hopes to expand corporate participation and attract more Aboriginal students.

Simon is currently reaching out to Aboriginal communities, research institutes and organizations as well as mining industry proponents to champion the program and hopes that more Aboriginal graduate students will be attracted to scholarships offered by the seven affiliated universities participating in the program. The goal is to increase both the number of Indigenous natural scientists and engineers, and employment opportunities in engagement, exploration, sustainable development, operations, and rehabilitation throughout Canada’s highly technical resources sector. *“Mining companies and Aboriginal communities are very related because the mining companies are situated in the North, and there is a very strong connection”* says Dr. Simon.

Another innovative example is the Pathways to Employment: Mining program piloted by Canadore College in North Bay, Ontario. In this needs-based program that uses a culturally-based programming approach, Aboriginal students receive training in health and safety, surface miner common core, and other pre-employment modules to prepare them for smooth entry into mining site operations. The 26- week program includes Mining Essentials: A Work Readiness and Training Program for Aboriginal peoples, which is the only national work-readiness program of its kind and is an innovative transferable model for those seeking to increase Aboriginal engagement in the workforce.

²¹ For more information, see the Mine of Knowledge/Mine de Savoir website: <http://www.mine.umontreal.ca/indexEN.html>

²² Native Women’s Association of Canada. (2015). *Bridging The Gap: Aboriginal Women and Resource Development, Discussion Forum Report*. Available at: <https://nwac.ca/wp-content/uploads/2015/05/FINAL-Bridging-the-Gap-Aboriginal-Women-and-Resource-Development-Engagement-Session-Report.pdf>

Current procurement landscape

This research revealed a number of key findings on the manner in which mining companies and Aboriginal suppliers are increasing partnerships and learning how to work more effectively together.

One of the key findings shows that where communities are located in proximity to a mining operation determines how they are impacted and involved and shapes many of the business opportunities that become available. Mining companies will often engage and sign agreements with several communities in the area of impact and while some may be located a great distance from the exploration site, they could be impacted more than those in close proximity because of water use and land use patterns. In regards to awarding procurement contracts, it appears that community or private businesses that are most easily visible to the procurement department will be more likely to learn of and be awarded contracts for the simple reason of ease of interaction. The internal organization required to facilitate regular communication between all agreement signatories is a constant challenge. Where it remains unclear, mining companies face conflict from suppliers and local First Nations communities.

Whether communities negotiate legal contracts or engage informally, hard targets for procurement contracts were not common across the country despite the fact that IBAs often contain preferential contracting opportunities or 'set-asides' for Aboriginal businesses in the impacted area of a mine. These preferential contracts are often in areas of 'low-hanging fruit' such as janitorial and security, rather than more lucrative, technical fields like electrical services or drilling.

Even when specified by contractual agreements, many procurement officers spoke about how limited Aboriginal supplier capacity in the area of their operations challenged their ability to meet agreed upon targets in several areas including janitorial and construction. At the same time, some AEDC officers and Aboriginal business owners spoke about feeling overwhelmed by the volume of large contracts sent to them last-minute, for projects that were outside of their core business capacity. This suggests that often there is a mismatch between mining company demands and Aboriginal suppliers' services and it is generating frustration on both sides of the negotiation.

Our study shows that 64% of the mining operations interviewed said they had an Aboriginal supplier directory to help them guide contracting and Aboriginal procurement targets. For the companies that did not have an active list, many representatives stressed their importance, speaking of past attempts to create such directories, and the value in maintaining a public list so that Aboriginal communities and mining companies work from the same and most current knowledge. Despite the need for such a system, maintaining these lists was cited as a challenge across the country. Both IBA coordinators and AEDC staff reported that contractor migration and irregular communications were the main obstacles they faced. However while many IBAs contain funds to build business and community skills databases, they are expensive to maintain and not all communities can afford to keep them updated.²²

A number of Indigenous and non-profit organizations recognize the need to better connect companies and Aboriginal suppliers. The Métis Economic Development Sector Directory run by the Clarence Campeau Development Fund in Saskatchewan and the Supply Chain Connector created by the Northern Development Initiative Trust in British Columbia are two examples of databases created for industry partners. While there are innovative examples of supplier databases, responses from managers in supply chain, procurement and Aboriginal relations suggest there are substantial regional gaps and that the reach of current databases are limited to specific or local markets. Our research also shows that mining companies that experience difficulty contracting work to Aboriginal businesses can opt to focus on employment or encourage their other suppliers to partner, hire and give contracts to Aboriginal people whenever possible. Just over half (54%) of the mining operations interviewed had preferential hiring policies, and all of the companies interviewed employed metrics to incentivize contractors to hire Aboriginal employees or sub-contract to Aboriginal businesses, through either a ranking system or scorecard approach. Overall, procurement officials and Aboriginal suppliers were committed to moving away from the set-aside model and generally seem to be embracing greater inclusion across all stages of their procurement relationships from the RFP to completion using the best practices presented together in this report.

A Framework for partnerships in procurement

This research has identified several lessons for companies aiming to kick-start their Aboriginal engagement or further enhance existing policies and strategies. Our study sought to identify the range of current approaches used by mining companies and Aboriginal suppliers to build partnerships, as a means of sharing strategies and supporting industry-wide movement. As such, all the practices and policies listed below are reflections of the spectrum that exists across many companies at different stages of operation. Therefore, this information is preliminary and meant to showcase best practices that interviewees have said helped them achieve positive outcomes and handle challenges. This is not a prescriptive list of findings, but rather a review and compendium of what has worked for organizations working on this issue and is meant to encourage further collaboration and involvement by both mining companies and Aboriginal business leaders on this issue.

A central finding of this research is that Aboriginal procurement is not the same as traditional supply chain management. Procurement from Aboriginal contractors and communities involves relationship building and sustained partnership development in a manner unique from the typical request for proposal-style of supply chain contracting and service procurement that mining operations typically followed in the past. **As such, procurement agreements with Aboriginal suppliers need to be approached and understood differently.**

Our Framework



Figure 6: A framework for partnerships in procurement

The order in which each tool or process is shown here is not specific and will differ according to the goals and policies of an individual mining company or Aboriginal business. Each are relevant and represent the tools and processes common to the individuals and companies we interviewed who were most satisfied with procurement and who reported having the most success with increasing Aboriginal participation both in their operations and supply chain.

Shared or joint governance, monitoring and mediation are the hallmarks of the advice we received. Participants spoke of the importance of having a real and enduring presence in each other's communities. Examples of this included having an Indigenous employment officer from the local community housed in the HR office at the mine or having mine representatives conduct workshops in the community centre or host career days in the school. Having quarterly implementation meetings with a committee staffed by the mine and community to discuss realistic employment and training goals, business development opportunities as well as community investment priorities were deemed crucial. Similarly, early forecasting and spend discussions are important so that implementation plans can become a reality. Many AEDC and community representatives told us that they did not have enough information about the needs of the mine and did not receive this information early enough to adequately plan, train and develop businesses products or services to meet RFPs and optimize the opportunities presented to them.

Community members also said they lacked information about local markets and were unable to find gaps and niche services without assistance from mine staff. Several procurement managers addressed these problems by sharing information about their supply chains and by identifying saturated areas and opportunities where Aboriginal businesses could get a start. Some deliberately sought out good partners to help build Aboriginal business capacity and were willing to encourage existing contractors in their supply chain to hire youth from the community and help Aboriginal business owners satisfy RFP requirements. Some also made a point of meeting with unsuccessful Aboriginal bidders to point out areas of improvement and increase their chances of success.

Both sides spoke highly of their success using key performance indicators to rate suppliers and evaluate partnerships for their contributions to the local Aboriginal community either through employment targets or joint-ventures that build capacity in a measurable way. Not only did this system discourage and help weed out non-Aboriginal companies that create “paper JV’s” or partner with Aboriginal people to curry advantage only to themselves, adding points for results-based Aboriginal inclusion and engagement, and making this a known requirement provided incentives that yielded results. Having a reliable and updated business registry to consult when opportunities arose, facilitating supplier relationships and sharing information about opportunities at the mine through regular town halls, meet and greets and trade shows and conferences were also deemed to be crucial in improving procurement opportunities for Aboriginal businesses. AEDC officers and owners said this often led to greater contact in informal settings like the grocery store or lunches where becoming friendly and familiar led to being remembered and recommended when an opportunity arose.

Lastly, understanding that change is inevitable, individuals we interviewed said that having a formal grievance procedure with processes that lead to meaningful and timely resolution before misunderstandings or misalignment occurs solved problems before they affected the relationship. Successful committees included representatives from the mine and community at successive stages of appeal leading right up to the CEO and the Chief and council. Knowing that individuals at every level were committed and engaged, in many cases long before an IBA was created, provided an additional level of certainty and assured everyone that minor problems would be resolved. In one example, after the 2008 recession and a frank discussion, members of one community acknowledged that the mine was forced to lay off staff and could not meet IBA employment targets. This was traded for other concessions including a promise to increase targets at a later date and they were honoured and achieved. We observed that whether discussions occurred at the mine and community level or between a procurement manager and a supplier, being open and honest about capacity, capabilities and finances simply eliminated the most common sources of disagreement.

Visualizing Partnerships



Best practices for mining companies and Aboriginal businesses to work effectively together



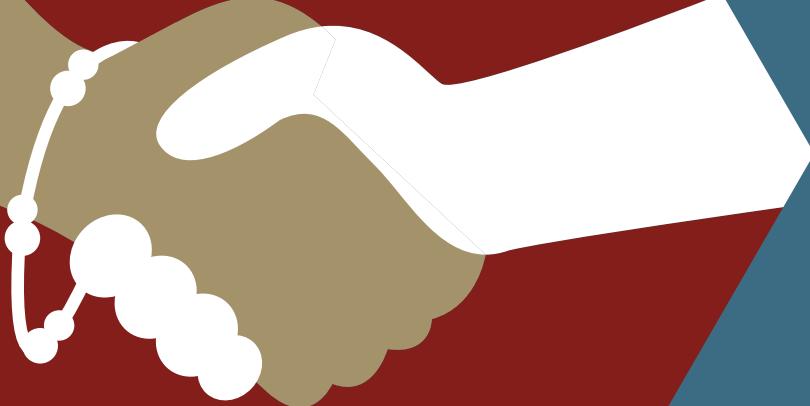
Best practices and strategies for mining companies to improve relationships with Aboriginal communities



Best practices and strategies for Aboriginal suppliers to enhance performance with mining contracts.

Best practices for mining company and Aboriginal suppliers to improve partnerships and performance

- 1.** Focus on the relationship between your organizations. By facilitating communication and building trust, having a good rapport results in better working relationships, trust and communication. Discussing mutual challenges encourages transparency and honesty and enhances the ability of both parties to find solutions and improve collaboration and workflow. One example of this type of partnership is the Ktunaxa-Teck Procurement and Employment Operational Working Group (PEOWG) at Teck's Elk Valley operations in British Columbia. 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, and staff from both Teck and KNC said it has helped to maintain transparency and good working relationships between the company and community members whose land is affected by the operations at Elk Valley.
- 2.** Build partnerships with local industry and post-secondary institutions to increase training opportunities and develop community capacity. Long-term investments improve the range and depth of services that Aboriginal suppliers can grow into during the life of the contract and in the future.
- 3.** To facilitate Impact Benefit Agreement rollout, create a joint-implementation committee that includes members from procurement and supply chain management at the mine and Aboriginal suppliers. Within this committee, set up working groups focused on key areas such as Employment and Training. All groups should include representatives from the company and Aboriginal suppliers.
- 4.** Schedule regular meetings with the procurement team and Aboriginal business leaders to discuss supply forecasting and other work-related issues or challenges. Quarterly meetings are a good goal to aim for.
- 5.** Develop Key Performance Indicators (KPIs) to collectively monitor and check progress on supply contracts. This enables the supplier and client to develop a mutually-workable plan and metrics that accommodates supplier capacity and meets company requirements.



Best practices and strategies for Aboriginal suppliers to enhance performance with mining contracts.

- 1.** Be proactive with mining companies and initiate formal communication streams. Good relationships can begin before formal agreements are signed and engaging early through informal communication creates a positive working dynamic from the beginning.
- 2.** Focus on streamlining internal governance and separate political decision-making from the flow of business interactions and negotiations.
- 3.** Be candid about what your business and community wants and needs to get out of the relationship with the mining company.
- 4.** Ensure that revenue-sharing and partnership agreements are strategically designed to achieve these goals.
- 5.** See your joint ventures or partnerships as opportunities to do more than generate revenue. Focus on lateral training and capacity-development beyond the life of the contracts.
- 6.** Seek out supply chain and materials staff at the mine for mentoring opportunities on topics such as quality control and human resources. Mining company staff are the most knowledgeable about their own internal processes and learning directly from them is a direct way to align your product with standard requirements.





Mining company specific

1. Have senior management involved to communicate their approach and encourage a cultural shift throughout the organization. Understanding local Aboriginal communities changes perceptions so that relationships are viewed as a partnership and not just a social obligation.
2. Lay out metrics for success and measure them regularly to ensure they are implemented. Ensure senior management is given responsibility to implement these policies.
3. Incentivize the procurement of services from Aboriginal companies in the formal bidding process both for prime and sub-contractors further down the supply chain.
4. Devise a system to assess the benefits that contracts or joint venture opportunities may bring to Aboriginal communities.
 - a. Evaluate proposals based on their potential to improve community capacity and business development in Aboriginal communities and not simply their cost structure.
 - b. Mandate that proposals from major supplier contractors include Aboriginal employment opportunities to ensure that joint ventures meaningfully increase Aboriginal capacity.
5. Mentor and offer to provide training to new Aboriginal suppliers on business and management fundamentals.
6. Ask Aboriginal companies about their visions for community investment and development, such as: What is your 3-year employment generation plan? What are you doing from Day 1 to build local content and employment in the contracts you win with our mine? What management skills are you developing locally in your community through this AEDC partnership or joint venture?
7. Unbundle contracts whenever possible to increase opportunities for small businesses. Assist them to gain a foothold in the supply chain, even with a single-service offering.
8. Hold regular Town Hall or 'Business Match' community meetings to gather suppliers together and increase awareness of all the regional actors. This helps mining companies meet new and existing Aboriginal businesses and helps Indigenous business people find market opportunities, network, and meet potential clients.
9. For suppliers with contracts extending beyond 5 years, plan for the long-term including mine closure and reclamation. Aim to implement 10-, 20-, or 30-year strategic sourcing plans, and evergreen contracts.
10. Partner with nearby institutions such as colleges and universities to support training and apprenticeship opportunities for local residents.
11. See your IBA as a market asset and a means to strengthen your social license.

Common Challenges

Coordination

- Lack of clarity on strategy
- Difficulty meeting regularly

Forecasting

- Lack of information for suppliers
- Unpredictable timelines
- Frequent changes which upsets planning

Economic conditions

- Less funding overall to support community engagement
- Less contracting overall as disincentive to start a businesses

Geography

- Remote conditions
- Lack of infrastructure

Developing working partnerships that provide equal benefit to both mining companies and Aboriginal suppliers is challenging work for both parties. The size of our country, the diversity in governance structures and language, and the complexity of jurisdictions combine to create an environment that requires leadership and collective commitment to overcome the obvious challenges that arise. For both mining operations and Aboriginal contractors, there were several common challenges faced, including; **geography, coordination, forecasting and overall poor economic conditions.**

Coordination

Our research suggests that a lack of clarity about strategy and internal alignment remains a challenge for companies transitioning into new models and frameworks for supplier engagement. While almost all companies interviewed did have corporate policies on Aboriginal inclusion and some level of agreement outlining targets for contracting opportunities, translating these words into site-based protocol is a difficulty. For some companies struggling to increase their Aboriginal engagement, the ability to hold regular meetings with their Aboriginal suppliers or AEDC contacts were the main challenge they faced, which further weakened coordination between the two bodies. Poor or inconsistent communication was highlighted as one of the major reasons relationships broke down and business development opportunities were lost.

Forecasting and economic conditions

The second major challenge both groups face is a lack of available forecasting information to enable successful bidding and capacity development. Many Aboriginal suppliers involved in this research said that two-week timeframes were insufficient to allow them to put together reasonable proposals, or contact employees to do the job. Procurement officials faced the same challenge internally due to the volatile nature of mining which complicates and often works against longer-term forecasting. The overall downturn in commodity prices was cited by several major companies, Aboriginal and non-Aboriginal, as the third major challenge to increasing Aboriginal engagement. With budgets being trimmed in all departments, procurement officials reported they were always under pressure to cut costs, and had fewer funds to go into communities and

support businesses through mentoring. At the same time Aboriginal businesses had difficulty finding market gaps, anticipating the needs of mining operations, and faced decreased demand for their services which discouraged them from expanding or scaling up services.

Geography

The final common challenge discussed by respondents was geography. Remote mining operations experience considerable difficulty when they try to attract qualified suppliers, Aboriginal or not. Many mine sites involved in this study that were 2-3 hours outside of larger centres did not have work camps for rotational shifts. This means that an employee or contractor would have to either relocate or drive 2-3 hours each way every day to work on site. Several AEDC staff said such distances made work conditions undesirable and in some cases, socially and financially untenable for Aboriginal employees living on reserve. In certain cases, geography worked in the supplier's favor, such as in Nain, Labrador, where the remoteness and lack of infrastructure meant that only those living in the area could logistically fulfill contracts. AEDC representatives like Tony Marinaro said that ultimately businesses must be ready when the opportunity comes, regardless of distance; ***"we're four hours from an airport, so the travel is an inconvenience but shouldn't limit us."***

The living legacy of the *Indian Act*

Indian Act tax regulations stipulate that income earned on reserve by "Status" or "Registered Indians" is non-taxable but these exemptions are lost if that person moves off reserve and earns income off reserve. In fact, to maintain tax exemptions, Indigenous people must satisfy two of three requirements: possess "Indian Status," live on a reserve, or work on one. In many cases, the further the mine is from an Aboriginal community the more likely that family needs and obligations rather than taxes, become the issue. Managers of mine sites within reasonable commuting distance or with camp facilities stressed that employees who valued community and family connections were more productive and reliable and lowered retention costs. Conversely, AEDC staff said that many of their community members could not afford to commute for several hours every day and were not willing to be away from their families and communities for long periods. This is especially true for Aboriginal women, who often have children and limited access to daycare or obligations to care for elderly parents and relatives. According to a recent study by the Native Women's Association of Canada (NWAC), Aboriginal women also lack information, education and relevant work experience to a greater degree than Aboriginal men and may feel unsafe or intimidated by a remote "male-dominated workplace." Additionally, though they may be registered members, a significant number of First Nations women currently live off reserve and may not be aware of opportunities in their communities or lack access to housing should they wish to move back home.²³

²³ NWAC, *Bridging the Gap: Aboriginal Women and Resource Development*, Discussion Forum Report, March 2015, p. 2-3, 13. <https://nwac.ca/wp-content/uploads/2015/05/FINAL-Bridging-the-Gap-Aboriginal-Women-and-Resource-Development-Engagement-Session-Report.pdf>.

Unique challenges faced by Aboriginal suppliers

Despite geographical variations, Aboriginal business respondents also faced challenges. The most commonly raised were; lack of community awareness, capacity; lingering stereotypes and racism; and operating a business on reserve.

Community mining awareness

Several respondents said the lack of general awareness about mining processes and supply requirements in Aboriginal communities made it difficult for them to recruit Aboriginal employees with the necessary training and motivation to meet industry demands. Economic development officers (EDOs) we spoke to said they are often overwhelmed with the needs of their communities and rarely have free time to attend targeted training sessions or reach out to any industry. Acquiring specific training information, searching for courses, meeting with companies looking to procure services and acting as a liaison, while trying to manage the nation's AEDC was often beyond staff capacity. In other communities, employment training was under the jurisdiction of an education department or committee and not always aligned with economic development goals and priorities. To this point, several AEDC staff reported that their internal organization's ability to connect with company procurement officers and understand the various mine supply requirements (safety and otherwise) was central to their success or failure. Several AEDC staff felt that mine staff placed unrealistic expectations upon them to execute large contracts when their businesses were not yet established and when their community members were not trained or integrated into the workforce. *"Everyone says 'yeah I'll work', but when it comes down to actually showing up and doing it, well that is another story and that is a challenge I face in my work"* said one Chief from Saskatchewan. Another AEDC representative summed this up well - *"the mining companies – they know very well about the mining cycle and tools, but Aboriginal communities don't always know a lot about mining, so it's harder."*

Capacity

The lack of planning capacity within AEDCs to anticipate the needs of the mine and to plan, respond to opportunities and communicate effectively with mining clients stems from an initial lack of awareness about where the opportunities for business development are, and how to access training programs or create businesses that support Aboriginal engagement and meet the demand. Operating in a heavily regulated industry, some suppliers said that safety and certification standards as well as mining conditions including shift work, long rotations and remote living can deter Aboriginal people from pursuing employment opportunities. Finding Aboriginal employees with management experience who want to work at AEDCs was also a real obstacle recounted by several AEDC staff. This finding aligns with national CCAB data, as shown in Figure 7 below, showing that more than 45% of Aboriginal business owners surveyed reported having difficulty finding qualified employees within their own communities.

In your experience, how easy is it to find qualified Aboriginal employees?

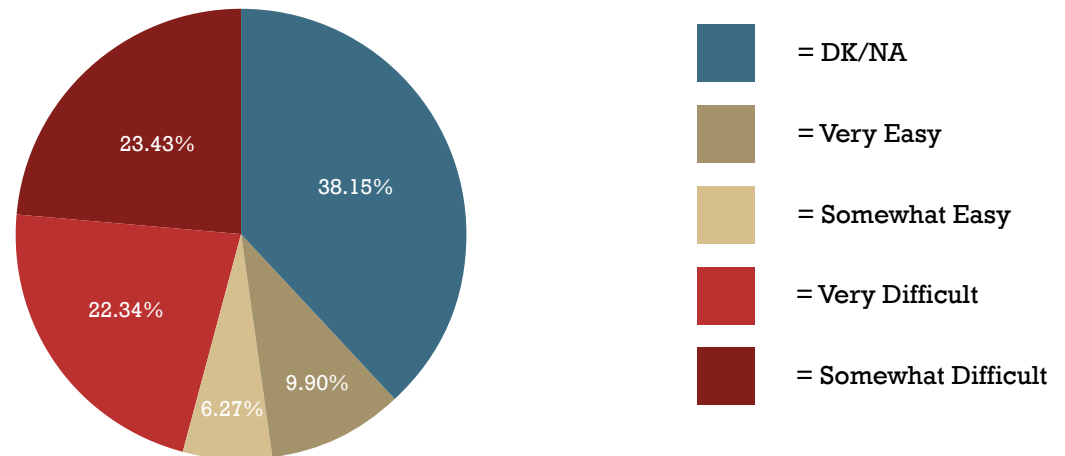


Figure 7. Aboriginal business respondents' experience obtaining qualified Aboriginal employees.

The issue of capacity also dovetails with community concerns about relying exclusively or primarily on mining contracts as catalysts for economic development. Directors of AEDCs often highlighted the need for early diversification and capacity building so that mining contracts can be used as jumpstarts for further business growth. This growth ultimately depends on internal capacity and the availability of skilled staff members to guide and grow the company. One director in B.C. emphasized that lateral training and capacity building opportunities, rather than resource revenue sharing, was a more sustainable and successful way to increase managerial, entrepreneurial and trades skills. While many procurement and Aboriginal relations staff spoke about mentoring Aboriginal suppliers, formal systems to ensure consistency and accountability were lacking, and improvements could be made to solidify the gains made by these businesses as they move through the supply chain.

Discrimination and racism

Many Aboriginal business owners also said they had faced discrimination or a double-standard and because of this, felt they had to work twice as hard to be taken seriously. Using land as collateral on reserves presents an additional problem in many cases as the *Indian Act* still contains restrictions, adding an extra burden to Aboriginal business owners and forcing them in some cases to lease equipment at substantially higher rates than owning it outright. Access to financing and capital is a well-documented²⁴ challenge facing Aboriginal business people and our research confirmed this. Many business-owners spoke about having encounters with banks and bonding companies that were unwilling to lend or insure them, because of negative connotations and uncertainty.

²⁴ CCAB. (2016). *Promise and Prosperity. The 2016 Aboriginal Business Survey.*

While this sentiment was prevalent, many business leaders also said that because of the quality of their work, they see the tide changing. ***“It is a generational thing to gain capacity and get to that level. Aboriginal businesses were not set up to take advantage of those opportunities, but that is changing”***. Every Aboriginal business person we interviewed spoke about moving beyond entitlement and the regime of ‘set-asides’ and into a direct business partner orientation. ***“We don’t want it to be an obligation. We want it to be an aspiration”*** said one AEDC director, noting that Aboriginal businesses aim to be competitive players in every industry, not token partners.

Operating a business on reserve

This study was the most comprehensive to date examining the interaction between Aboriginal businesses and mining companies, and in so doing examined AEDCs and their role in spurring Aboriginal economic development in detail. AEDCs occupy a unique position within the Canadian business landscape in that they represent the business interests of Aboriginal communities, but also operate within First Nations, Inuit and Métis culture and society. Several larger AEDCs said they straddled both business and social spheres, having to sometimes compromise on community expectations and risk the political controversies of running a business on a reserve. ***“We’re not the band – we are a business and we have to operate as a business,”*** was a common expression of the tension faced by the AEDC’s interviewed as they navigate the complex interactions of community, business and politics. No one wants to be “disrespectful” but band offices regularly close for cultural events and funerals to allow everyone to attend, something that is often not possible or acceptable in business. Cultural approaches to the land and past experiences with mining can also weigh heavily on economic decision-making. While most AEDC managers found people very receptive to reclamation and environmental monitoring initiatives, all were aware that they worked on behalf of and are accountable to their communities, some of whom did not agree in principle with mining operations.

Challenges unique to mining companies

Across the country, though mining company staff from an array of departments are working to involve and increase contracts with Aboriginal suppliers, many also face their own capacity challenges. The most frequent challenges voiced by procurement staff and mining companies were; **measuring and tracking Aboriginal engagement, identifying meaningful joint venture opportunities, a lack of operational business registries, and legacy issues.**

Measuring and tracking Aboriginal engagement

For companies looking to enhance their Aboriginal procurement spend, several noted that they lacked internal systems allowing them to define and track Aboriginal suppliers and monitor how contracts were awarded. In addition to the seasonal nature of mining-related employment (road maintenance, brush cutting, water monitoring), the growing trend towards contract-based work, itinerant workforces, contracting-out and voluntary reporting at all levels of operations challenges data gathering and causes problems understanding and implementing corporate policy. One interviewee remarked that “no one person owns it at site” and found it difficult to translate corporate policies into practical site-based protocol with little training or guidance. ***“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”*** reported one supply chain official in Saskatchewan. Aboriginal procurement and employment targets were sometimes included in general corporate diversity initiatives but this meant that people on the ground were unable to prioritize or set special targets unless but this meant that people on the ground were.

‘Paper Joint-ventures’

Several industry representatives said one of most common challenges they face concern issues of identification and defining Aboriginal businesses. Many said they routinely encountered ‘paper companies or JV’s’ where a business structured a joint venture solely to access preferential procurement opportunities which capitalizes on Aboriginal partner involvement but fails to provide real skills training or capacity building. The range of partnership opportunities can make it difficult to determine whether a business is majority Aboriginal-owned and controlled, and the way a company presents itself on paper may not be reflected in the opportunities it presents to Aboriginal people. Many companies we interviewed are looking to engage Aboriginal suppliers as a conduit to improve conditions and capacity in Aboriginal communities, so unequal ownership-business structures where Aboriginal partners are not truly participating in the work, are of concern.

“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” said one Aboriginal Affairs director of a mining company in Toronto. The issue of ‘paper companies’ was consistently raised by procurement staff, highlighting the need for both Aboriginal businesses and mining companies to understand the management and benefit structure of partnerships prior to signing onto them.

Lack of operational business registries

Several procurement staff said they had difficulty finding qualified Aboriginal professionals to take on contracting opportunities, which ultimately meant companies could not meet their agreement targets. The vast majority of operations interviewed did not have active Aboriginal business registries and highlighted them as a tool that would greatly improve their ability to connect with Aboriginal suppliers. Similarly, without prior needs or skills assessments, getting Aboriginal companies in the door is sometimes as challenging as what are perceived as unrealistic expectations that can result from IBAs or other agreements with Aboriginal communities. Some procurement officials went as far as to say there was a sense of entitlement to contracts and an inability to successfully execute them which led to frustration. For procurement officials, AEDCs and private Aboriginal businesses, business registries provide a transparent list showing available services and businesses, and act as a diagnostic assessment for EDOs enabling them to plan training to fill service gaps. In one case, demand for laundry services increased so quickly that the owners became overwhelmed and could not meet the demand a situation that could have been mitigated by realistic plans and early and regular communications.

Legacy issues

Legacy issues were also cited as a common challenge that impacted cooperation and affected partnerships between mining procurement staff and Aboriginal suppliers. In many of the older mine sites, particularly in BC and Ontario, several decades of strained or non-existent relationships created a climate of suspicion and mistrust between local Aboriginal communities and mining operations. In this vacuum, non-Aboriginal contractors have often built up long-standing relationships with the mine, and are not eager to give sway to other contractors. At the same time, collective bargaining agreements prioritize union businesses over non-union businesses and strive to keep work in-house, which disproportionately limits opportunities for Aboriginal suppliers trying to enter a mine's supply chain. One procurement manager in Western Canada mentioned that carving out space for Aboriginal suppliers in an already narrow, saturated market can be difficult.

Gaps and areas for future research

This research project has just scratched the surface on this issue and there is much more to be done. Cost limitations prevented site visits to the north, and to eastern Canada. Further study in these regions is important. We found that there were very few Aboriginal men and women (Aboriginal and non-Aboriginal) in upper management, supply chain management, procurement and mining in general which suggests a need for more research on why this deficit persists. Respondents told us that the mining industry historically has not accommodated women with children and issues identified in NWAC's study of the mining industry cited earlier, suggests that there is a need for further research into why women seem to be lacking equal opportunities in the extractive sector. Additionally this research focused largely on operating mine sites

and did not inquire about engagement or consultation processes at the exploration construction and reclamation phases. Many respondents spoke about the importance of including Aboriginal participation in exploration construction and reclamation, but felt there was little guidance or research available to them. Lastly, joint ventures are another topical issue warranting further research, specifically the mechanisms through which management and capacity building can be maximized for Aboriginal partners and community growth.

In terms of next steps for future research, five areas need to be addressed:

1. Aboriginal procurement in the exploration and pre-IBA phases
2. Quantification of the business case and cost savings to mining companies as well as the dollar value that Aboriginal companies are poised to deliver
3. Understanding why Aboriginal people are not in management positions and why so few Aboriginal women are looking to be employed in mining operations
4. Uncovering the science behind joint venture structure and management in the mining industry and their use by Aboriginal people as a tool for capacity development and community growth.
5. Examination of the effectiveness of supplier capacity building programs to determine which approaches work best in different contexts

Conclusions and Recommendations

Aboriginal people possess opportunities, values, customs and knowledge of the land and are ideally positioned to be partners in resource development. Aboriginal contractors and employees want to stay where their families are; they are committed to quality, work on time, and more likely to stay in a position, resulting to less employee turnover. Aboriginal businesses can mobilize faster and react to changing conditions on site, saving companies costly delays and enhancing supply chain reliability. Across the country, we were consistently told that the savings are there and what is spent it saved. To improve the overall landscape and opportunities for partnership between Aboriginal businesses and mining operations, this research has identified several recommendations:

- The creation of a national strategy that aligns federal, provincial and industry priorities to guide training and inclusion. The focus should on connecting education opportunities and local business needs with the goal of ending the confusing patchwork of programs.
- As the Native Women's Association of Canada recently recommended, government(s) should launch a national or regional database of Indigenous businesses and workers and focus more coordination, training and planning to match opportunity with skilled people. This strategy should support, strengthen, and resource current regional databases so as not to duplicate the efforts of existing service providers.
- Mining companies should set realistic targets for Aboriginal supplier inclusion, commit to them publicly, and measure outcomes.
- Mining companies should be encouraged to measure and report their actual spend on Aboriginal supplier services rather than overall or total contract value as it can mask the real benefit received by Aboriginal business people
- Industry association guidelines, such as MAC's TSM should incorporate Aboriginal procurement into their sustainability systems
- Major contractors including Engineering, Procurement and Construction Management (ECPM) contractors should be encouraged to leverage opportunities to increase Aboriginal involvement through contract evaluation and score card metrics
- Governments should commit to increased sources of funding for Aboriginal business development
- In line with TRC recommendations, the financial services industry should develop training and awareness programs to educate staff about the challenges faced by Aboriginal businesses and the value of their contributions to the Canadian economy
- Mining companies should strive for early, transparent and engaged communications with Aboriginal suppliers. This includes following up with unsuccessful bidders to identify areas for improvement and provide insight into how to navigate opportunities within their supply chain

Methodology

This research aims to support the findings of the Truth and Reconciliation Commission and recognizes that implementing the findings requires long-term partnerships and solutions that address social, environmental and economic issues. Only when the value of resource development is truly shared will Aboriginal people become full participants in the Canadian economy. Our research methodology sought to highlight the importance of representing Aboriginal perspectives and include opinions from people historically underrepresented in resource development policy, planning and decision-making.

The results of this report are based on 80 key informant interviews conducted with individuals working for one of three groups; Canadian mining companies operating in Canada, Aboriginal-owned businesses or AEDCs, or regional or traditional government agencies. Interviews were conducted over a five-month period, from February to June, 2016. Research tools were created collaboratively between the CCAB and MSV, and interviews were jointly-conducted by a member from each organization.

Participants responded to the research invitation and met with the researchers for a 30-minute interview in their workplace. In terms of demographic representation, 27% of the individuals working in procurement for mining operations self-identified as Aboriginal, and 18% identified as women. The majority of respondents (45%) were in management roles, and the remaining thirds were in administrative or executive positions. The majority of respondents had been in their position for 3-5 years, and 91% had previous experience working in procurement. That number dropped significantly to 64% for respondents who had prior experience working in Aboriginal procurement, which demonstrates that a large number of people are working in this field with little background and potentially inadequate training.

This research attempted to capture a portrait of the national picture and practice related to Aboriginal procurement, and involved research visits to five provinces (Ontario, Quebec, Labrador, Saskatchewan and British Columbia). The majority of interviews were conducted in Saskatchewan (30) and British Columbia (21), with Labrador (10), Ontario (10) and Quebec (9) accounting for the remainder.

Case Studies

Tahltan Nation Development Corporation, Garry Merkel, Chief Executive Officer



The Tahltan Nation Development Corporation, (TNDC) was founded in 1985 as the business arm of the Tahltan Nation in Dease Lake, BC. TNDC got its start as a construction company operating in northern BC, with a focus on commercial buildings in the area covering territory from Terrace to Whitehorse.

Early on, TNDC management recognized the importance of service diversification in a region heavily dependent on natural resources. This began a series of successful partnerships which have continued to bring diverse skills and opportunities to TNDC to date. These strategic partnerships include joint business ventures with almost 30 private companies including Sodexo, Arrow Transportation, Horizon North, Procon and Lakelse Air to provide services ranging from IT communications and camp services to environmental monitoring and drilling/blasting to road and power line construction. One of the most innovative agreements TNDC currently has is with the Red Chris Development Company Ltd. (RCDC), a subsidiary of Imperial Metals in northwestern BC, where the Tahltan Nation and the mine have signed a co-management agreement which stipulates that TNDC employees will be active partners in the co-management of the tailings facility and operations: an often contentious operation for Aboriginal communities.

Being strategic about partnerships has been a central strategy to TNDC's 30-year success. Garry Merkel, CEO, takes a long-term approach to building capacity within the AEDC. ***"Ask – what are your goals? What do you want to get out of it for your people? Do you want to run it on your own? You can only get out of it as much as you put into it. You need to be actively involved in your partnership."***

TNDC's successes flow far beyond the office boundaries. "The more we make out of it, the more we both benefit," remarks Eddie Van Mierlo, VP of Operations, speaking about how TNDC is strongly rooted in the community. For their local supply needs, TNDC sources from the local store in Dease Lake and anyone doing orientation for the Red Chris or other projects relies upon the two motels in town for lodging. These economic benefits have stayed in the Dease Lake community, and fostered a sense of community involvement that TNDC enjoys. Staff spoke about occasional challenges such as the political controversies of running a business on a reserve, and TNDC is not the band, and instead has to operate like a business.



Air Creebec-Tanya Pash, Chief Operating Officer

Air Creebec began with compensation funds paid under the 1979 James Bay and Northern Quebec Agreement (JBNQA) to the Cree Nation of Quebec (Eeyou Istchee). Under the stewardship of Grand Chief Billy Diamond, the Cree Board of Compensation entered into a partnership to become a 51 percent owner in Timmins-based Austin Airways. In 1988, CreeCo, the Nation-owned holding company purchased the remaining 49 percent in the largest Indigenous business transaction ever made in Canada.

Since 1975, the population of the Cree Nation has tripled and businesses, government, and communities in the north lacking transportation alternatives depend on Air Creebec. The company has grown from 30 employees in 1986 to 340 in 2014 and 30 percent, from the President to the pilots, are Aboriginal. While they always hire the best person for the job, COO Tanya Pash says "we have been very lucky that most of the best people are Aboriginal." Soon to have 21 aircraft, Air Creebec operates charter, freight and regular passenger service to Eeyou Istchee communities and 30 locations in the Timmins-Val d'or- Montreal Havre St. Pierre region. Approximately 20 to 30 percent of their business is providing emergency transport, contract charters, dedicated cargo aircraft and employee shuttles to mining and hydro-electric companies including Goldcorp, Hydro Quebec, and De Beers.

For more than 30 years, unity, flexibility, adaptation, and a willingness to learn from others has helped Air Creebec address some of the north's unique challenges. In addition to the high US dollar and rigorous safety and security standards faced by the industry as a whole, operating costs in the north are significantly higher and extreme weather conditions can be sudden and unpredictable. While other carriers have imposed extra fees and cut services, the COO of Air Creebec is proud of the fact that they continue to offer personalized service, free checked baggage, snacks, and meals, and will not cancel a flight unless weather or safety demands it, even if there are only a few passengers on board. As a Nation-owned company, Air Creebec must balance profitability with their commitment to the Cree people. From the Air Creebec Centre arena and the Young Flyers program to steer youth towards careers in aviation, the profits are returned to the communities in many ways, including ticket donations for fundraising and education grants. As the COO notes, the airline doesn't take these responsibilities lightly; ***"we are transporting our own people."***

Sikumiut Environmental Management Ltd. (SEM), Ron Webb and Gus Dicker, Partners



Sikumiut Environmental Management Ltd (SEM) is a strong example of how Aboriginal suppliers are carving out business niches for themselves in the mining industry. Twelve years ago, the company was founded by three local men in Nain, Labrador, as mining operations in Voisey's Bay were beginning. Ron Webb, Gus Dicker and Leroy Metcalfe were working on the environmental panel for the local Nunatsiavut government at the time and saw the opportunity to take advantage of provisions for Inuit owned business contracts within the IBA to start their own firm. Native to the area, the men brought their first-hand knowledge of the land and ability to minimize negative impacts to the client operating the Voisey's Bay mine. Today, Sikumiut employs close to 20 people to run the winter shipping season for the mine and operate all of its ice measurements and evaluation. The owners of Sikumiut said that the IBA gave them a foot in the door but they are the mining company's preferred supplier for reasons other than their Aboriginal status. *"With us being there, we make sure it is done as cleanly as possible. We have knowledge of the ice people who didn't grow up here would not have."*

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The Canadian Council for Aboriginal Business

The Canadian Council for Aboriginal Business (CCAB) was founded in 1984 by a small group of visionary business and community leaders committed to the full participation of Aboriginal people in Canada's economy. A national non-profit organization, CCAB offers knowledge, resources, and programs to both mainstream and Aboriginal-owned member companies that foster economic opportunities for Aboriginal people and businesses across Canada.

In the spirit of peace, friendship, and respect, the CCAB strives to build sustainable business relationships between corporate Canada and the Aboriginal community. The focus of our research is to develop a mutual understanding of the Aboriginal business vision as told by First Nations, Inuit and Métis business people.

www.ccab.com



Engineers Without Borders Canada

Engineers Without Border Canada (EWB) invests in people and ideas to end global poverty and inequality. EWB creates change by supporting social innovations in Canada and Africa that can break the systems that sustain poverty. EWB promotes policies to foster more equitable development and invests in leaders who will enable others to reach their full potential. Its community includes over 39 university and professional chapters across the country.

The Mining Shared Value venture of EWB was started in 2012 and works to improve the development impacts of mining activity by increasing local procurement. It acts as a resource, hub, and champion for the issue of local procurement, encouraging and helping the global mining industry and its stakeholders to buy more goods and services closer to where mining activity takes place. Mining Shared Value engages with a wide variety of stakeholders to do this, including the World Bank, the OECD, the Canadian government, and other private and public sector institutions.

www.miningsharedvalue.org



