

The ABCs of Mining Mongolia



Sustainability – The Social License to Operate A New Approach

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founded 1911 MINERALS INDUSTRY ADVISORS

Long Term Social License

- ***What do IFC-solicited mining executives say is the MOST important priority for the mining industry today?***

A: SOCIAL LICENSE to OPERATE

Social License to Operate

- **What is the Social License to Operate and what is the best way to get it and then to KEEP it?**
 - ✓ Similar to regulatory licensing but not tangible and you get it from the people.
 - ✓ Without it we have:
 - Work stoppages
 - Prohibitive legal costs
 - Lower profit and returns to investment
 - Start up delays
 - Capital itself at risk, could be 100% lost

Improved Welfare & Increased Opportunity for Local Stakeholders Increases Firm IRR

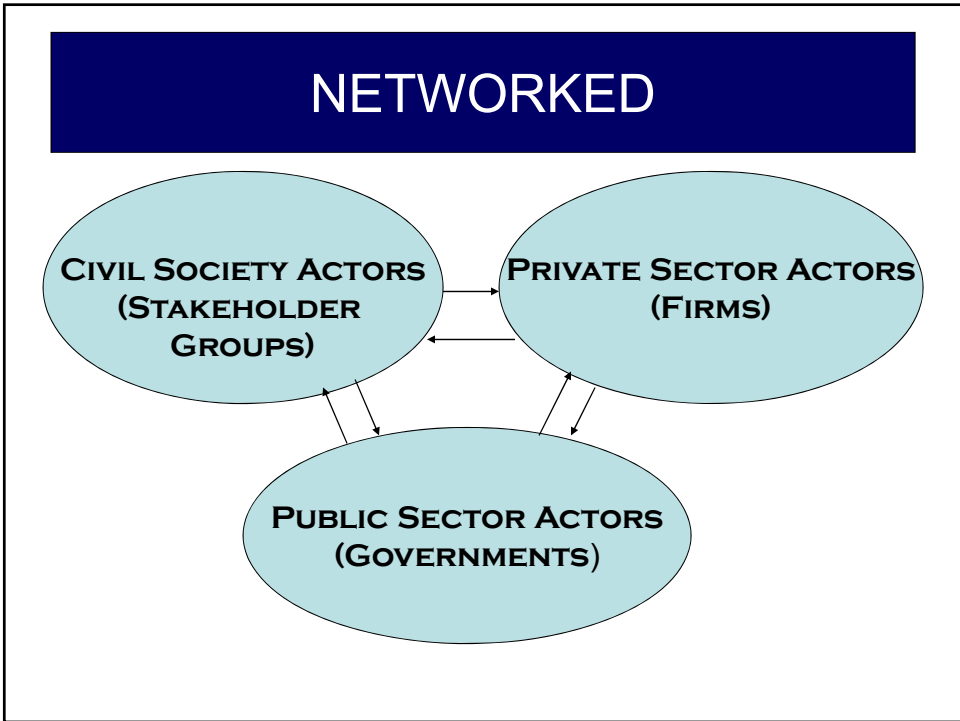
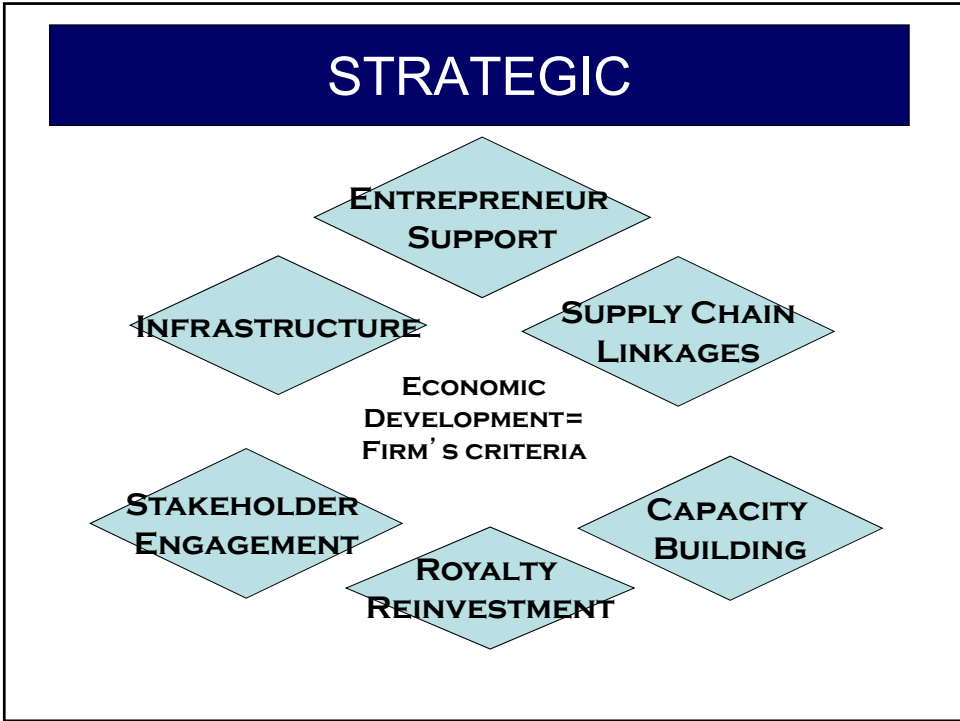
- **We need, therefore, increased sophistication on the part of both governments and firm CSR programs**
 - ✓ Only this will protect the people and protect investment
 - Which, in reality, are the same thing.
- **ECONOMIC DEVELOPMENT**
 - ✓ Instead of traditional CSR
 - ✓ Creates the necessary LONG-TERM SLO
 - ✓ To get that increased sophistication while not ignoring the challenges to the mining industry today
 - Citizens benefit when the mining industry meets the challenges that face it.

Improved Welfare & Increased Opportunity for Local Stakeholders Increases Firm IRR

- **Why?**
- **Because 5 out of the 6 factors in conflict turning violent are economic.**
- **Because you remove the “Human Fodder”**
- **Because people who are working and creating new jobs with their own ideas, are too invested in those paths to allow violence to destroy it.**

Sustainability

- **“Stand Alone” Initiatives don’ t work.**
- **They aren’ t sustainable.**
 - ✓ **50% of the time, schools built by firms are used, within 5 years, to house sheep or goats. The school by itself wasn’ t what was needed and it wasn’ t sustainable.**
 - ✓ **Sustainability requires a strategic plan with a multi-toolbox approach and networked implementation.**



Most Important

- **ECONOMIC DEVELOPMENT** must be used as the primary criteria in decision-making and CSR program development.
 - ✓ Does the tactic involve an economic event?
 - ✓ Does it involve an economic experience for the local stakeholders?

Some Specifics for Mongolia

- Contracting
- Grievance Mechanisms
- Payments to people in form of co-payments to savings / insurance – offers economic experiences
- Transparency – EITI and Information Freedom Act
- Enforcement for business – legal system capacity
- Traditional / Modern lifestyle issues - nuances
- Consistency in legal and tax/royalty legislation
- Tourism – H&S Code for restaurants, hotel consistency

Sovereign Wealth Fund

- **Entrepreneur Support & Sovereign Wealth Funds**
 - Most important is to understand that there is a big difference between the government making payments to citizens and instead, the government investing in infrastructures and services that will support entrepreneurs in creating jobs for people.
 - ✓ Micro credit
 - ✓ Micro insurance
 - ✓ Traffic congestion – better lighting timing
 - ✓ Days to Business

ABCs of Mining

Thank You

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