ABSTRACT
Community social investment (CSI) is often part of the sustainable development efforts for mining companies, especially in remote areas or in developing countries. One vehicle for CSI is to establish a foundation, trust or fund (FTF). This thesis explores the FTF structures, with specific focus on exit strategies.

Research focused on questionnaire respondents from twelve mining companies or foundations, twelve interviews conducted with representatives of companies, foundations and industry, and various public documents. A mixed-method qualitative approach was taken in analysis, focusing on trends emerging from the data, especially in the interviews conducted by the researcher.

There are various types of FTFs, with existing typologies defined by programmatic method, focus or key attributes. In this research, the author focused on considering FTF types by closure or exit strategy, and presenting some of the key attributes in relation to these exit strategies. The key attributes that should be aligned with the exit strategy include the financing mechanism, the project selection method, and the governance and management functions. Although it is not yet standard practice within the industry, designing the FTF structure for closure is considered leading practice. Currently FTFs tend to plan for closure on a project-by-project basis.

Transition is a natural feature of FTFs, whether due to the progression of mine life cycle stages, changes in government, local capacity, or other factors. Strategic plans help to smooth these transitions and facilitate the closure process.

Foundations, trusts and funds provide a unique opportunity to build specialized expertise in an independent structure from the supporting mining companies. This independent structure can facilitate the development of partnerships with multiple stakeholders, an area which was identified as significantly contributing to sustainable results as the partners pool resources and expertise. The independent structure of an FTF also tends to facilitate the involvement of the community, without which community social investment struggles to find true ownership and sustainability.

While mining companies should consider the pros and cons of the FTF structure relevant to the local context and business objectives, the FTF structure offers distinct advantages as a vehicle for CSI.
PREFACE

This research was conducted by the author under the supervision of Dr. Dirk van Zyl, professor in the Norman B. Keevil Institute of Mining Engineering, University of British Columbia. It was approved by the UBC Behavioural Research Ethics Board on February 18, 2011. The approval certificate is number H11-00095.
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LIST OF ABBREVIATIONS

ALAC: Associación de Los Andes de Cajamarca
BEE: Black Economic Empowerment
CBO: Community-Based Organization
CI: Community Investment
CommDev: The Oil, Gas and Mining Sustainable Community Development Fund
CSI: Community Social Investment
CSV: Creating Shared Value
EBITDA: Earnings Before Income Taxes, Depreciation and Amortization
ERM: Environmental Resources Management
FTF: Foundation, Trust and/or Fund
IBT: Impala Bakofeng Trust
ICMM: International Council on Mining & Metals
KPI: Key Performance Indicator
M&E: Monitoring and Evaluation
NADeF: Newmont Ahafo Development Foundation
NGO: Non-Governmental Organization
OTFRDP: Ok Tedi Fly River Development Programme
SME: Small- and Medium-Enterprises
ACKNOWLEDGEMENTS

This thesis relied on the support and contributions of many individuals. I have appreciated the opportunity to learn about Foundations, Trusts and Funds as a vehicle for community social investment, an area that has intrigued me for some time. I hope that this thesis will generate further discussion on FTFs as a method of CSI, and add to the sustainability of the substantial social investments the mining industry has undertaken in communities around the world.

I would like to thank my supervisor Dr. Dirk van Zyl for introducing me to this topic, for helping me make contacts within the industry, and for his encouragement and guidance during the learning process. I would also like to thank the members of my thesis committee: Dr. Marek Pawlik, Dr. Michael Hitch, and Dr. Julian Dierkes.

Several people in industry were particularly supportive as I learned about FTFs: Susan Joyce, Paul Warner, Tim Buchanan, Luke Danielson, and Allison Coppel de Guerrero. Their insights helped guide the learning process and their contributions were invaluable to this exercise.

Finally, I owe considerable thanks to the industry participants in this research. I appreciate the time each of the respondents took to help me with this research.
DEDICATION

To my children, Nicholas and Matthew.
You are my inspiration and always my joy. I am now officially done my
“schoolwork”.

To my husband, Joseph, for your support.
1 INTRODUCTION

1.1 Background
As the concept of sustainable development gains ground in the mining industry, the question is posed as to how can a mining company contribute to sustainable development, in the communities, regions and nations impacted by its projects? How can companies ensure that the well-being of the impacted people is maintained or improved? (MMSD North America Task 2 Work Group, 2002) Will institutions and communities have the capacity to address project or operational consequences, and proactively promote positive benefits? Many companies choose to invest in communities to address these concerns. One strategy for corporate social investment (CSI) is to establish a foundation, trust or fund (FTF). Corporate philanthropic foundations have been established by mining companies since the 1930s (Yakovleva, 2005), but have become increasingly popular since the 1990s, with a marked rise in the number of FTFs in the 2000s (Oxman, et al., 2010). Over sixty-five foundations, trusts and funds in the mining industry were identified and contacted for this project.

Foundations, trusts and funds (FTFs)¹ are typically grouped as a single strategy for community social investment (Oxman, et al., 2010). There are no universally accepted definitions of funds, trusts and foundations, partly due to differences in legal and regulatory frameworks between various jurisdictions. Foundations and trusts are typically separate legal entities while funds can refer to a trust, foundation or a company budget item (World Bank, 2010). Foundations and trusts can be established as private or community foundations, as shown in Figure 1. In general, this research focused on private company-funded foundations and trusts in the mining industry. There are a few examples of funds established by the mining industry that are administered by community foundations, such as the Pebble Fund, that were also considered as an alternative to a separate foundation or trust.

¹ Foundations, trusts and funds may be referred to collectively as FTFs or Foundations for the sake of simplicity.
Many FTFs can be found either in geographic clusters or “clustered” by company. Governmental regulations and influence as well as community expectations contribute to the rise of the geographic clusters. It is interesting to note the other trend of “company clusters”, wherein companies have several foundations. For instance, both BHP Billiton and Rio Tinto have several foundations throughout the world, and have specific corporate guidance on establishing foundations, trusts and funds for community social investment. Most of the older, well-established foundations were founded by large, multinational mining companies (Yakovleva, 2005). However, there is a growing trend for smaller companies to establish foundations as a means to build their social license and develop partnerships with other organizations and government institutions.

1.2 Research Approach
The following section outlines the approach used to organize and gather the information used in this research.

1.2.1 Statement of Problem
Communities in the vicinity of mining projects are inevitably impacted by mining activities. Current expectations – from shareholders, governments, local communities, NGOs – are that these impacts have a net benefit, i.e. that companies minimize negative impacts through mitigation, compensate impacted communities, and increasingly, invest in the community to share benefits. Historically, one method of compensating communities was through direct community philanthropy. However, there is a growing realization that social investment in communities that is strategically aligned with business goals provides greater returns to the company (IFC, 2010). As the returns to the company are greater, there is typically greater company commitment to the social investment, and thus returns to the community can be expected to be better and more consistent.
The current question is one of sustainability: How do mining companies sustain positive impacts post-mine closure?

We can begin to evaluate various methods of community social investment, by asking how mining companies can create an environment where positive impacts are sustained post mine closure. Foundations, trusts and funds are one subset of community social investment methods. This research considers foundations, trusts and funds specifically within the mining industry.

1.2.2 Research Questions
The overall objective of this research is to consider how and why foundations, trusts and funds in the mining industry are currently being established, managed and governed, and how these contributes to sustainable, positive benefits for the intended beneficiaries. This thesis posed the following research questions, which guided the focused objectives, methodology and analysis:

- Why are mining companies choosing foundations, trusts and funds for community social investment?
- What types of governance and management structures have been successful? How is this success measured?
- How are mining companies developing exit, or handover, strategies from the foundations, trusts and funds?

Preliminary literature and web-based research indicated that there are a number of foundations, trusts and funds within the industry with various governance and management structures.

1.2.3 Purpose of Research
This thesis research had the following purposes:

- To outline in which situations a foundation, trust or fund may be the most appropriate vehicle for strategic community social investment,
- To identify the drivers and motivations specific to the choice of an FTF versus other community social investment models,
- To identify measures of success of the foundations, trusts and funds,
- To identify any specific requirements upon which success is dependent,
• To outline the ways and means in which to develop an exit or handover strategy,
• To consider the types of FTFs based on the company’s exit strategy, and
• To establish what type of FTF structure is most conducive to a given exit strategy.

1.3 Significance of Research

It is not enough to merely give money to charitable causes, no matter how worthy. In fact, this type of philanthropy can actually create risks for a company. A mining company must consider how to invest in communities impacted by its activities, and weigh the various options to determine the best model for the specific situation.

**This research supports the role of community social investment as a strategic business objective.** CSI should not be considered an expense, but as an opportunity to address business objectives to enhance performance. By considering community priorities and business objectives, there is an opportunity to create shared value.

**This research will help a mining company determine if a foundation, trust or fund is the best model for community social investment in the given local context.** Companies can consider which CSI option will provide the most sustainable positive impacts by reviewing the motivations for FTFs, along with the advantages and disadvantages of the FTF structure.

**This research will provide mining companies with various strategies for successful exit from the foundation, trust or fund.** A review of the various exit strategies currently employed by mining companies, as well as a consideration of the leading practices and recommendations, will help mining companies develop exit strategies for their own FTF programs.
2 LITERATURE REVIEW
The literature review focused on community social investment (CSI) by the mining industry, and the role of foundations, trusts and funds as a subset of CSI strategies. Academic review of foundations, trusts and funds has thus far been limited. There have been four major survey reports, as listed below:

- Warhurst (2001), Private Sector Development Institutions: Review of Drivers and Practices
- Yakovleva (2005) in Corporate Social Responsibility in the Mining Industry
- Oxman, et al. (2010), Experiences with Foundations, Trusts and Funds in the Mining Sector
- World Bank (2010), Mining Foundations, Trusts and Funds

Case studies and discussion on the use of FTFs in other academic or industry reports were also reviewed. This literature review provides an overview of the existing typologies and key attributes of FTFs as discussed in these survey reports and case studies.

Additional areas of review included collaborative networks and the grounded theory approach to qualitative research.

2.1 Community Social Investment
There is a trend in the mining industry for companies to invest in the local communities surrounding their properties (Yakovleva, 2005). There are various motivations for community social investment (CSI) by mining companies. CSI may contribute to two of the social goals discussed by Eggert (2009); i.e. to (1) distribute the surpluses from mining fairly and (2) sustain the benefits of mining even after a mine closes.

Most companies however are more interested in the business drivers for CSI. Those outlined in the existing literature include (IFC Advisory Services, 2010):

- Global Certification Requirements, such as ICMM Principle 9, which stipulates that ICMM members must contribute to the social, economic and institutional

2 The IFC identified ‘Benefits Distribution’ as one of the three pillars of Company-Community Relationships. (‘Management of Project Impacts’ and ‘Company Behavior’ are the other two pillars.) Communities expect fairness and transparency when it comes to the distribution of benefits. Without these basic elements, the company-community relationship will be strained. IFC Advisory Services. (2010). Strategic Community Investment. Washington, D.C.: International Finance Corporation.
development of the communities in which its members operate (ICMM Website, 2011),

- Condition of financing,
- Government requirement,
- Competitive advantage,
- Social license,
- Risk management,
- Shareholder expectations,
- Access to land, and
- Local workforce productivity.

The IFC recommends focusing on those business drivers for CSI that contribute to a specific business objective, such as ‘project approval’ or ‘building stakeholder relations’ (IFC Advisory Services, 2010). In section 2.2.1, the author will focus on those key motivations relevant to the choice of a foundation, trust or fund as the vehicle for CSI.

There are, as suggested in the above paragraph, various community social investment strategies, and the advantages and disadvantages of each are reviewed in the existing literature. Community social investment tends to be more common by large, multi-national corporations (Yakovleva, 2005). As can be expected, companies tend to take a more grant-making, philanthropic approach in developed countries, with a focus on community relations. In developing countries, the focus is more on social impact and development needs. The IFC Strategic Community Investment handbook (IFC Advisory Services, 2010) provides a good overview of the various strategies for CSI, which are summarized in Table 1. The key elements that a company should consider when deciding on the most appropriate CSI strategy are time horizon, budget and local context.
Table 1: Corporate Social Investment Implementation Models (IFC Advisory Services, 2010)

<table>
<thead>
<tr>
<th>CSI Implementation Model</th>
<th>Description</th>
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<tbody>
<tr>
<td>In house Implementation</td>
<td>A company establishes an internal department or unit that works directly with communities to design and implement CI(^3) projects. This arrangement allows implementation of projects in a relatively short timeframe. It is most appropriate where (1) local capacity and partners are lacking and (2) quick results are needed.</td>
</tr>
<tr>
<td>Company Foundation</td>
<td>A company establishes a separate legal entity as its vehicle for community investment. Foundations require a significant investment of time and resources to develop community participation in design, management, governance and implementation. Foundations also require a significant monetary investment to cover administrative costs. The IFC considers foundations most appropriate where required by regulation or where there are significant monies allocated to CI.</td>
</tr>
<tr>
<td>Third-Party Implementation</td>
<td>A company supports an existing initiative being implemented by others, or engages a third party, such as an NGO, to design and implement a CI initiative. This strategy provides greater flexibility in terms of project size, and allows companies to bring in technical expertise as needed, but relies on the local availability of existing institutions and NGOs.</td>
</tr>
<tr>
<td>Multi-Stakeholder Partnership</td>
<td>A company joins a voluntary or collaborative alliance, network, or partnership. The partners share risks, responsibilities, resources and competencies. There is a joint commitment to common tasks and goals. It is necessary that partners with similar values and development objectives exist in the target area.</td>
</tr>
<tr>
<td>Hybrid</td>
<td>A company chooses more than one strategy for community social investment, depending on the focus, needs, etc. For example, some companies may choose to use in-house implementation for critical initiatives, such as sanitation and water supply, in the short term, while building capacity and community participation in a foundation for long-term projects. Another example would be to establish a foundation that engages third-parties for some projects, designs and implements some projects internally, and is part of a partnership that addresses other issues.</td>
</tr>
</tbody>
</table>

\(^3\) The IFC report uses CI (Community Investment) rather than CSI (Community Social Investment). The terms are interchangeable in practice.
The primary themes of the IFC handbook are to ensure that the chosen strategy is aligned with business objectives, builds on strong community engagement, and reflects a sustainable investment in communities. Criteria expected of any strategic community investment program are (a) alignment with business objectives and local priorities, (b) implementation through tripartite partnerships, (c) sustainable design, with a developed exit strategy, and (d) an impact-measurement system (Environmental Resources Management, 2010).

The concept of strategically aligning social investment programs is similar in some respects to the idea of “creating shared value” (CSV) posited by Porter and Kramer (2011). Porter and Kramer argue against social investment and philanthropy in favour of CSV, where companies and communities have joint value creation. CSV programs tend to focus on business development, and strengthening supporting industries and institutions, rather than a redistribution of benefits (Porter & Kramer, 2011).

There are several risks associated with community investment. For example, a company may focus on the infrastructure development rather than continuous engagement with the community. The company may be expected to take on projects typically considered the role of government, creating dependency and undermining the existing government (Zandvliet & Anderson, 2009). There is also a risk that community social investment may aggravate existing intergroup jealousies or be perceived as a reward for bad behaviour (International Alert, 2005). Significant to this research is the risk of unsustainable community projects or community dependence. Approaches that mitigate these risks and lead to more sustainable projects are:

- Ensuring that community social investment projects are aligned with business strategy;
- Taking a tripartite approach (Warhurst, Tri-Sector Partnerships, 2001);
- Leveraging corporate connections and access to address local needs. Boutilier (2009) would call these corporate connections “bridges” and “links”. These connections are critical to building the networks critical to economic development. Gladwell (2007) considers “connectors” as one of the critical pieces in changing a small trend to a sustainable movement;
- Focusing on the process. One of the reasons community investment has underperformed historically is that there is insufficient participation and ownership by local stakeholders (IFC Advisory Services, 2010).
• Creating an environment of trust and collaboration where stakeholders are engaged in the process of designing and implementing the projects. This can help to ensure the continued involvement of the community in the projects (Zandvliet & Anderson, 2009).

2.2 Foundations, Trusts and Funds in the Mining Industry

As previously stated, there are only four major survey reports that have been completed on foundations in the mining industry.

In addition, case studies on specific FTFs have been completed by various authors and organizations, including Hamann (2004), Buchanan and Aubynn (2009), and ERM (2010). These reports, as well as publicly accessible company documents, provide the bulk of literature specific to FTFs reviewed during this research project.

2.2.1 Motivations for a Foundation, Trust or Fund

There are many motivations for a company to establish a CSI program. This section will examine the various motivations for establishing a foundation, trust or fund from a company’s perspective. The disadvantages of an FTF will also be considered.

2.2.1.1 Commitment and Expectations

One of the main reasons for choosing an FTF is that it signals a long-term commitment to the community (Warhurst, MERN Foundations Report, 2001; Oxman, et al., 2010). Given that the establishment of a foundation can be both expensive and time-consuming, in making the decision to establish a foundation, a company has to be willing to commit substantial funds and personnel. This commitment, and the resulting reputational benefits, can be conducive to gaining social license. However, the expense and time-commitment can be major deterrents. In particular, the actual process of establishing a foundation may take a long time, as seen at the Newmont Ahafo Development Foundation; thus an FTF structure might not be the best model to address short-term, high-impact concerns, such as water and sanitation needs. Just as a company signals a long-term commitment to a community when establishing a foundation, it is necessary to consider that the positive impacts may have a long time horizon to realization.

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4 The World Bank report Mining Foundations, Trusts and Funds (2010) also addresses the reasons for establishing an FTF from the perspectives of the community and the government.
Stakeholder expectations are also a key driver for the establishment of an FTF. In particular, it may be required by some governments and other regulatory bodies. Whether a regulatory or implied requirement, it is important to structure the FTF in order to maximize strategic investments and to create shared value (through social entrepreneurship), rather than focusing on short-term goals.

2.2.1.2 Independence

Foundations and trusts are typically established as independent legal entities. There are inherent advantages to the independence gained. With independence, separate legal liability is established. The life of an FTF as an independent entity is not tied to the life of the mine. There may also be tax advantages available to companies that establish independent foundations and trusts (Yakovleva, 2005; World Bank, 2010).

One of the key advantages of an independent structure is that the foundation will be able to solicit external funds, through matching donations, grants, development agency partnerships, etc. (Warhurst, MERN Foundations Report, 2001; Oxman, et al., 2010). On occasion, foundations are also used as a means to manage government payments (World Bank, 2010). This model allows more direct disbursement to the intended beneficiaries. It can improve transparency, as the independent foundation will be more participatory and accountable to its stakeholders than an internal company CSI program. However, the existence of an FTF may detract from government accountability to develop its own capacity to responsibly reinvest mining proceeds (Oxman et al., 2010).

Finally, the independent structure allows for the development of institutional specialization and the attraction of personnel with specialized skills (Warhurst, MERN Foundations Report, 2001; Oxman et al., 2010). It is not expected that mining companies be experts in all aspects of social development (Warner M., 2004). Mining companies are typically unskilled at social investment and should stick to their core business as this is where can be most effective (Boutilier, 2009). The establishment of a separate institution enables the development of the expertise outside of the company, and thus improves sustainability of that knowledge and expertise within the community. However, “when a company develops its own NGO, this sends a signal to all other NGOs and community people that the existing

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5 The terms “foundation, trust and fund” are often used interchangeably; however, funds are not necessarily established as separate legal structures and may be a simple budgetary line item.
structures are not trusted or qualified” (Zandvliet and Anderson, 2009, p. 143). The capacity of the existing institutions and their ability to partner and collaborate with the company should be evaluated.

There are disadvantages related to the independent structure of an FTF. First of all, the company may lose control of the FTF programme selection. As the independent foundation determines its priorities, the social programs may become less aligned with company strategies. This risk can be mitigated by maintaining representation on the governance board and by developing a well-defined charter that includes a detailed description of investment criteria.

More critically, by establishing a separate foundation, the company may inadvertently send the signal that social investment is an add-on, and not a core part of doing business (International Alert, 2005). Additionally, the ability to leverage skills and resources from other units of the business (such as contract management or equipment) is reduced (Sullivan and Kiangi, 2004).

2.2.1.3 Administration

Despite the extra costs associated with the administration of a separate foundation, the administration function is identified as a motivation for establishing an FTF. An FTF can be used to administer compensation agreements or can be useful in establishing a formalized, systematic approach to voluntary development programs (Oxman et al., 2010).

Compensation agreements may stipulate large sums of monies be paid to address long-term issues. In this case, an endowed foundation with staggered payments is well suited to administering compensation payments, although it should be noted that the separation of investment and compensation payments is considered more desirable than an integrated framework in most circumstances6 (Oxman et al., 2010).

The advantage of an FTF for voluntary social investment lies in the formalized and clearly defined investment criteria that are generally outlined in the foundation charter. This formalized structure enables more strategic investments than an ad hoc company-sponsored approach (Buchanan & Aubynn, 2009). As an example, in 2009, “the Namdeb Board of Directors approved the establishment of the Namdeb Foundation which will

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6 Combining compensation programs with voluntary social investment programs (aka integrated benefits) can lead to the misperception that all monies are for compensation alone, as seen in cases in PNG. This is generally discouraged in the literature.
consolidate all Namdeb corporate social initiatives into one social investment vehicle to promote effectiveness and cost efficiency” (Namdeb Diamond Corporation, 2011).

2.2.1.4 Collaboration and Participation

A critical motivation for establishing an FTF is that it establishes a platform for multi-sector collaboration, partnering and stakeholder participation. A foundation’s independence is a key attraction in its ability to collaborate with other stakeholders. While an NGO may be averse to collaborating with a mining company, it is more likely to collaborate with an independent foundation. Community participation is also enhanced by the FTF approach, as community representatives may be participants in the foundation governance and management functions.

As with all approaches to CSI, there is the danger of community dependence on the FTF as the focus is on company-sponsored social investment. The responsibility for projects can easily be left with the foundation, rather than being transferred to the community or government. This risk can be mitigated by adopting a partnership model with government, community and NGOs, and by building on existing institutions and development plans (Warhurst, MERN Foundations Report, 2001).

2.2.2 FTF Typology

Three of the four major survey reports on foundations, trusts and funds in the mining industry provide a working typology. The evolution of the typologies is herein discussed.

In Warhurst’s review (MERN Foundations Report, 2001, pp. 14-19), she defines four major types of foundations, which focus mainly on the programmatic method. The least complicated is a donor foundation. Donor foundations strictly allocate funds donated by the company to charities and causes. The Anglo American Chairman’s Fund and De Beer’s Chairman’s Fund are examples of donor funds. In these examples, the funds are administered by Tshikululu Social Investment Foundation.

In contrast to a donor foundation, a Partnership Foundation provides more management and control over projects, but the underlying strategy is to partner with other NGOs, CBOs and government agencies. These partners implement the projects. Warhurst’s Partnership model blends the IFC CSI strategies of Third-Party Implementation and Company Foundation.

An Implementing or Community Foundation actively works with local communities to implement the projects. These foundations tend to have larger staffs for project
development and implementation. The San Isidro Foundation in Colombia and the Rössing Foundation in Namibia are examples of Implementing Foundations.

Finally, Development Foundations tend to implement development work that goes beyond the scope of the local communities. Global corporate foundations, such as the Alcoa Foundation, often blend aspects of both a development and donor foundation.

In Hamann’s\(^7\) (2004) discussion on partnerships and local corporate foundations, he substantially restates the Warhurst typology, with the distinction of merging donor and development foundations in his discussion. Hamann further elaborates on partnership foundations, which tend to view themselves “as catalysts for development activities and capacity-building”. Partnership foundations are especially popular where there are existing NGOs or local institutions that have expertise in the target areas of the foundation. The partnership model, as described by Hamann, provides the following advantages:

- Increased buy-in from stakeholders,
- Development of trust and formation of relationships,
- Ongoing capacity-building with partners, and
- Mechanism for transparency and accountability.

One of the keys to the partnership model for foundations is to involve key stakeholders in the design of the foundation’s objectives and structure.

Yakovleva (2005) suggests three models for community development programs within companies: (1) company-led approach, (2) philanthropic corporate foundation\(^8\), and (3) partnership model\(^9\). Yakovleva then distinguishes company foundations as Implementing, Development and Partnership, following Hamann’s typology.

\(^7\) Hamann provides an overview of FTF types as an introduction to his discussion on partnerships and local corporate foundations. His work is not considered one of the survey reports as he built upon Warhurst’s work only as a background for his focused discussion and case study.

\(^8\) The first two models discussed by Yakovleva coincide with the IFC strategies for community social investment as (1) in-house implementation and (2) company foundation.

\(^9\) The partnership model for community development, as discussed by Yakovleva, deals with tri-sector, or tri-partite, partnerships between government, civil society and companies.
A summary of these typologies is presented in Table 2. It should be noted that the primary distinguishing factors in these typologies are the programmatic method (how the FTF will invest the funds, i.e. grant-making or implementing), and geographic reach.

Table 2: Previous FTF Typologies

<table>
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<tbody>
<tr>
<td>Donor Foundation: Grant-making; typically focused at the regional or national level.</td>
<td>Development: Grant-making; focused on issues that go beyond the scope of the impacted communities.</td>
</tr>
<tr>
<td>Development: Grant-making; focused on large, often global, issues.</td>
<td></td>
</tr>
<tr>
<td>Partnership: More project-level participation than a donor foundation, but strategically focused on partnering with NGOs, CBOs or government agencies.</td>
<td>Partnership: as per Warhurst. In this model, FTF management does not typically manage the day-to-day activities, but works with its partners (NGOs, CBOs, government agencies) to implement projects. The FTF “guides, monitors and evaluates the development projects” (Hamann, 2004, p. 232)</td>
</tr>
<tr>
<td>Implementing or Community: Actively implements projects at the local level, often working with community representatives.</td>
<td>Implementing: as per Warhurst.</td>
</tr>
</tbody>
</table>

In 2010, Oxman et al. (2010) prepared a report about mining foundations, trusts and funds for the Oil, Gas and Mining Policy Division of the World Bank. In this report, an interactive typology is presented, as shown in Figure 2.

Her analysis of a partnership model for community development deals strictly with company foundations that adopt a tri-sector partnership approach.
The three main types of foundations, trusts and funds are thus defined by their **overall purpose**, with the various attributes being presented for the typical FTF of this type, rather than by **programmatic method**, a substantial break from the previous typologies presented by Warhurst (2001) and Yakovleva (2005).

An Impact & Social License Focused FTF is most likely to focus on projects designed to gain a social license to operate or on projects meant to provide an immediate impact, such as water and sanitation. This type of FTF tends to be established in areas where the company is developing its presence and institutional capacity is limited. Community participation in governance and management tends to be limited, with primarily company control. The FTF tends to be an operating or implementing foundation, to a great part owing to the lack of institutional capacity.

Development Focused FTFs tend to have more community participation in governance and management, and particularly program decision-making. Capacity building and longer-term...
development needs tend to be of primary importance. While company-financing is likely to be the primary source of revenue, other forms of financing may also be available to the FTF, such as grants and other donors.

Sustainability Focused FTFs have long-term and diversified funding and high levels of community participation in governance, management, implementation and programmatic decision-making. Partnerships with community-based organizations (CBOs), non-governmental organizations (NGOs) and government tend to be developed and critical components of program execution.

Oxman et al. (2010) noted that the dotted lines shown in Figure 2 indicate that there is cross-over between FTF types for the various attributes. Furthermore, a foundation, trust or fund may evolve over time, as the researcher depicts in Figure 3. When a company is establishing its presence, it may choose an impact and social-license focus, with the intent to extend its focus and community participation as capacity is built in the area. There are however dangers inherent in this strategy. As Yakovleva (2005) discusses, “Key stakeholders should be involved in developing the objectives of a foundation and establishment of its management rules” (p. 227). This implies that a development or sustainability type of FTF is desirable, given the higher level of community participation inherent in these models. Companies should weigh short-term needs with long-term strategy as the foundation type is established.

In the World Bank (2010) report that followed the Oxman et al. (2010) report, no typology is given, again a significant break from how FTFs had previously been described. The World Bank report instead focuses on the key attributes that define the structure and organization of the FTFs. These attributes are summarized from the World Bank (2010) report in Table 3.
Table 3: FTF Attributes

<table>
<thead>
<tr>
<th>Attribute</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Programmatic</td>
<td>Consistent with the typologies developed by Warhurst and Yakovleva, there are two main programmatic approaches presented by the World Bank – grant-making and operational. Grant-making FTFs provide financial support to other development initiatives. This may help to avoid duplications of effort. It is most applicable where other development actors (NGOs, CBOs) are working with the intended beneficiaries on projects aligned with the company strategy for CSI. It provides the advantage of limiting the administrative and managerial functions of the FTF, thus minimizing costs. A key disadvantage is the lack of participation at the project level. This type of FTF is often referred to as the Donor Foundation approach. Operational (or Implementation) FTFs implement projects directly. This type of FTF requires specialized expertise in development and a larger staff than grant-making FTFs, increasing the administrative costs of the FTF. The advantages include the increased participation at the project level and the resulting control, including the monitoring and evaluation functions. This approach does increase the risk of community dependency on the FTF, which can be perceived as a substitute for government. The World Bank highlights that a partnership model can be used with both grant-making and operational approaches.</td>
</tr>
<tr>
<td>Approach</td>
<td></td>
</tr>
<tr>
<td>Financing</td>
<td>There are three main components in the financing of the FTF: the funding structure, source and management. The company funding mechanism, or funding structure, for the FTF may be based on an endowment fund, an equity interest in the project, an annual negotiated budgeting process, a percentage of sales, EBITDA or profit, or a percentage of production. A combination of these may also be selected. For instance, an FTF may be funded by both a profit-based percentage and a production-based percentage. Typically, the company provides all of the initial funding for the FTF. A key advantage of the FTF structure however is the ability to solicit external funds from other development agencies, private companies, communities, etc. Thus, the funding of the FTF may become less dependent on the company as external fundraising activities commence. The financial management of the funds is threefold: (1) Investing endowed funds; (2) Determining the appropriate split between operating funds and investment funds. Investment funds can be accumulated during the life of the operation to provide an endowment; (3) Determining the appropriate split between administrative and project budgets. A typical range for administrative budgets is 10-20% of operating funds.</td>
</tr>
<tr>
<td>Attribute</td>
<td>Description</td>
</tr>
<tr>
<td>--------------------</td>
<td>-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Geographic Reach</td>
<td>The geographic reach of the FTF should be considered when defining the mandate and structure of the FTF. The World Bank defines five potential levels of geographic reach: area of influence, special focus groups, regional, national, and international. A grant-making approach is most appropriate for FTFs with a national or international focus. Either grant-making or operational approaches might be suitable for geographic reaches at the regional, area of influence, or special focus group levels.</td>
</tr>
<tr>
<td>Participation</td>
<td>Communities and stakeholders can participate within an FTF at various levels: FTF Design, Governance, Project Generation, Co-Financing, Feedback. Collaboration between the FTF and the intended beneficiary may be greatly enhanced with increased levels of participation, especially as trust is built between parties. However, the capacity of the community to participate should be considered.</td>
</tr>
<tr>
<td>Governance and Influence</td>
<td>The key criteria surrounding the management and governance functions of an FTF are the level of independence from the company and participation from the various stakeholders. Governance and management may be controlled primarily by the government, by civil society, by the founding company, or any combination of these stakeholder groups, through involvement on the board of directors of the FTF or through involvement at the management level. As the governance and management functions become more independent of company management, it can be difficult to maintain alignment to company strategy. Establishing the FTF may be a more lengthy process as well when there is less control by the company. However, a key benefit is the shared “ownership” of the decision-making process amongst existing governing bodies and the beneficiaries. (Oxman et al, 2010)</td>
</tr>
<tr>
<td>Programming Focus</td>
<td>In Oxman et al (2010), six programmatic focus themes were identified: employment and income; environment; health and wellness; education and training; local business development; and sector specific development. The focus may depend on the community’s dependence on mining. Where highly dependent, focus may be on capacity-building and economic alternatives. In a more diversified economy, FTFs may be focused on more specific purposes (children’s healthcare for example). Focus may also depend on the stage of the mining project life cycle during which the foundation is established. There are various methods of determining programmatic focus: company staff or partner knowledge of beneficiaries; formal consultation with intended beneficiaries; and baseline/needs assessment (World Bank, 2010)</td>
</tr>
<tr>
<td>Attribute</td>
<td>Description</td>
</tr>
<tr>
<td>-----------</td>
<td>-------------</td>
</tr>
<tr>
<td>Timing</td>
<td>The timing attribute refers to the stage of the project life cycle during which the FTF is established (Licensing, Pre-Operation, Operation, Closure, Other(^{10})). Not surprisingly, most FTFs are established during the operation phase (Oxman et al, 2010), when there are actual project revenues to support the FTF. FTFs established as part of land access agreements or the mining contract are becoming increasingly popular. Additionally, companies are beginning to establish FTFs during exploration or construction. The motivation for this includes the reputational benefits of a demonstrated commitment to share benefits, which may contribute to a social license to operate.</td>
</tr>
</tbody>
</table>

\(^{10}\) The Oxman et al. (2010) report includes Divestitures, Changes in operations (such as expansions or change in ownership), and Disputes in the ‘Other’ category.
2.2.3 Sustainability and Success

It is important to consider any measures of success of a social investment program from the perspective of sustained benefits. Success can be looked at from two angles: how do you measure a successful social investment program? and what contributes to the sustained benefits of the programs?

The IFC has indicated that a failure to measure the effectiveness of CSI programs and to communicate these results is one of the twelve reasons CSI programs have historically ‘failed’ (IFC Advisory Services, 2010). While measuring the success of a social investment program can be difficult, it is critical that the measure be based on impacts, rather than inputs (International Alert, 2005; World Bank, 2010). Additionally, a social investment program should be measured against its intended purpose, recognizing that the purpose may evolve over time (Oxman et al., 2010). This implies that the program impacts should not only be measured and evaluated regularly, but also that the evaluation evolves as the program focus changes.

Various factors that play into the success of an FTF were identified in the literature. Warhurst (2001) discusses the relevance of staff trained in an appropriate discipline as a determining indicator of the success of the agency. This involves not only staff trained in community-development and engagement, but also trained in the administrative functions, such as financial planning and business management. The level of long-term planning and financial management skills are both indicators of success. CSI programs should be held to the same level of business rigor as other strategic units of the business (IFC Advisory Services, 2010).

Continuity is another key criterion (Warhurst, MERN Foundations Report, 2001). Foundations rely on successful stakeholder engagement; engagement is based on trust, which develops over time and is based on consistency in decisions and actions. It is important that there is continuity in programs and management decisions. Commitments should be recorded and companies must ensure that there is follow through on these commitments (IFC Advisory Services, 2010).

It is also important to always consider the long-term view. Short-term considerations may create longer-term risks (Oxman et al., 2010). A key challenge for FTFs that was identified
in the literature is the issue of creating dependence. By maintaining a long-term view that focuses on capacity-building rather than only addressing short-term issues, the FTF has greater likelihood to achieve its strategic objectives.

Striking a balance between the interests of the mining company establishing the FTF and the needs of the target beneficiaries can also contribute to success (Oxman et al., 2010). Of course, a good understanding of the local context helps ensure that the CSI programs are designed to positively contribute to the community without creating tension or conflict (IFC Advisory Services, 2010). Ideally, there is alignment between FTF programs, the company strategy and the community priorities, resulting in greater commitment from the various stakeholders.

Ultimately, success will be measured on the long-term impacts of the FTF programs: will the positive impacts sustain beyond mine closure? The IFC recommends that exit or handover planning occur at the development phase of the community social investment program, and at a minimum of five years prior to exit. Furthermore, it is important to monitor and evaluate the programs during the transition or handover process (IFC Advisory Services, 2010).

Zandvliet and Anderson (2009) provide a few rules of thumb for community social investment. These rules of thumb are given in Table 4 along with some commentary from the IFC Strategic Community Investment handbook.
<table>
<thead>
<tr>
<th>Zandvliet and Anderson: Rules of thumb for sustainability</th>
<th>Supporting Commentary from the IFC Strategic Community Investment Handbook</th>
</tr>
</thead>
</table>
| Company exit strategy is part of the design of any project | One of the twelve reasons for CSI programs to historically underperform is the lack of exit or handover strategy. The IFC provides the following “tips for developing handover and exit strategies”:  
  - Design a handover or exit strategy for *all* projects.  
  - Build the exit mechanism and timeframe into the project design.  
  - Facilitate community participation and ownership from the start.  
  - Identify local partners and build their capacity.  
  - Work through existing local institutions where possible.  
  - Engage local government and invest in their capacity building. |
| Build on existing plans, assets and capacities | The IFC recommends that CSI programs seek to reinforce, rather than replace, local institutions and processes. |
| Recognize the responsibility of communities for their own success | CSI programs have historically underperformed due to insufficient participation and ownership by local stakeholders. When stakeholders participate in the process, they are more likely to take ownership of the project.  
Companies have tended to put an overemphasis on infrastructure rather than on skills building. If communities are to take responsibility for their own success, the focus must be on building the capacity of the communities such that the community can be a partner in the process. |
| Help people recognize the importance of making choices and setting priorities | The IFC identified an *ad hoc* approach to community investment as one of the reasons CSI programs have underperformed historically. The recommended alternative would be a strategic, systematic and planned approach where the intended beneficiaries must make choices based on their priorities. Clear investment criteria and transparency may help intended beneficiaries understand the choices and avoid conflict. |
| Obtain community or government commitment to maintain a completed project | |
| Do not provide free services | The IFC recognizes that the provision of free goods and services makes it difficult to generate shared ownership or financial sustainability, and instead fosters dependence. |
2.2.4 FTF Case Studies in Literature Review

A number of foundations, trusts or funds were reviewed as case studies in the existing literature. Information from the case studies listed in Table 5 was integrated into the collected data results and analyzed during the research for this report.

Table 5: List of Case Studies from Literature Review

<table>
<thead>
<tr>
<th>Foundation, Trust or Fund</th>
<th>Original Case Study Source</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gold Fields Ghana</td>
<td>Buchanan and Aubynn (2009)</td>
</tr>
<tr>
<td>Newmont Ahafo Development Foundation</td>
<td>Environmental Resources Management, Community Development Agreements (2010)</td>
</tr>
<tr>
<td>Escondida</td>
<td>IFC Investing in People: Sustaining Communities through Improved Business Practice (2000)</td>
</tr>
</tbody>
</table>
2.3 Partnerships, Alliances and Collaborative Networks

“Companies cannot solve their business and sustainability challenges alone because, in reality, they are shared problems” (Boutilier, 2009, p. 56).

The value of partnerships, alliances, and collaborative networks in community social investment is a major theme in the existing literature on CSI. For example, the International Council on Mining and Metals (ICMM) released a position paper in January 2010 on the role of multi-sector partnerships in the industry. In this paper, the ICMM encouraged its members to actively support or help develop such partnership as the global, national and community levels (ICMM, 2010). This was followed by a toolkit, released in 2011. The toolkit focuses on six thematic areas where partnerships between companies and other stakeholders can enhance the positive contributions and minimize negative impacts. Three of these partnership themes are particularly relevant to this research:

1. Mining and Economic Development: Revenue Management
2. Mining and Economic Development: Regional Development Planning
3. Mining and Social Investment

“A mining operation’s net positive contribution to the six themes will, for the most part, require multiple partnerships between different mining companies and between mining companies and other organizations” (ICMM, 2011).

There are various aspects of partnerships that contribute to sustainable community development. Partnerships and collaboration reinforce cluster development, a driving factor in the cluster theory of economic development (Porter, 1998). Partnerships and alliances also help to build the networks necessary for economic development. One cause of poverty in today’s global marketplace is social and economic isolation (Boutilier, 2009). Social network theory suggests that international companies can act as bridges and links for isolated community networks. Companies are linked vertically from site operations to global

11 In 2011, the International Council on Mining and Metals (ICMM) released a toolkit for the mining industry entitled Mining: Partnerships for Development Toolkit. This toolkit can be downloaded at http://www.icmm.com/mpdtoolkit
12 The other partnership themes are Mining and Poverty Reduction, Mining and Economic Development: Local Content, and Mining and Disputes Resolution.
headquarters. As the companies build partnerships with community organizations and governments, they can develop the bridges that tie these networks together, and eventually act as the connectors that vertically link local networks to regional, national and international networks. Economic development will be enhanced through the reduced social and economic isolation of the communities.

Partnerships and collaboration are also essential in “mess management”. Russell Ackoff (1997) coined the term “messes” to refer to systems of problems. As problems interact with other problems, it can be viewed as a system of problems, or a mess. Dealing with only one problem rarely solves the overall mess, thus problem solving is typically inadequate. The planning approach attempts to deal with the mess holistically. Four principles of planning discussed by Ackoff (1997) include: Participative planning, in which the process of planning is the most important product; Coordinated planning, in which all aspects of the system should be planned for simultaneously and interdependently; Integrated planning, in which strategic and tactical planning are used interdependently, consciously and explicitly; and Continuous planning. These principles of planning in mess management imply collaborative planning and solutions. Warner (2004) points out that mining companies that are considered leaders in corporate citizenship “acknowledge that they are not (and never can become) wholly independent development agencies” (p. 27), reinforcing the importance of partnerships with experts in social development. However, it is not enough to include only the experts in the partnership and planning process; it is critical to include the participants that will implement the plan, i.e. the communities, to ensure participative planning. Participative planning also encourages community self-governance, mitigating the risk of dependence on the company (ICMM, 2011).

A key part of the company-community partnership involves the development of trust. Social networks can only be bridged when trust exists between the groups (Boutilier, 2009). The most important product of participative planning is the process; the key outcomes of the process of community consultation are the development of respect and trust between groups. Zandvliet and Anderson (2009) state that communities seek a relationship with companies, rather than a simple negotiation.

The trust and formation of relationships that is part of a partnership are amongst the key benefits defined by Hamann (2004) in his discussion of applying the partnership approach to local foundations. Another benefit of the partnership approach is the pooling of resources and competences. Specifically, a key aspect of partnerships is the shared responsibilities and resources. Without a willingness to share in contributions and management, there is
little to distinguish a partnership from a simple consultation (Sullivan & Warner, 2004). To catalyze real social change, individuals cannot simply be recipients, but must be approached as an integral part of the social change process (Crutchfield et al., 2011).

Not only do partnerships and collaborative efforts tend to be more effective, involving the community as a partner offers the potential to reduce long-term liabilities and community dependence, both through defining roles and responsibilities of management and maintenance, and through ensuring that training and capacity-building are part of the partnership activities. Partnerships between communities (including local NGOs and CBOs), companies, and government should be based on shared roles and responsibilities, ensuring before the projects are implemented that there is buy-in to the projects and accountability for the results. Tri-partite partnerships, as discussed by Warhurst (2001), also have the advantage of including the government in the planning process, thereby building on existing plans and institutions, and partially mitigating the risk of community dependence on the company.

2.4 Methodology Literature Review

The research methodology used in this thesis is based primarily on the qualitative study approach Grounded Theory, developed by Glaser and Strauss in 1967. This approach is used to discover a theory “grounded” in data that has been experienced by the research participants (Creswell, 2007). The key distinction of grounded theory research is that the theory is emergent. The research is not meant to test a hypothesis. In grounded theory research, data analysis is completed simultaneously with data collection, through constant comparative analysis of data sets. Categories and themes are developed inductively, rather than based on predetermined classifications. Cases similar on many variables but with different outcomes are compared to see where the key causal differences may lie (Borgatti, 2011).

The process of grounded theory research includes coding the data for key categories and properties. Typically, one category will emerge with high frequency of mention and connections to other categories; this is the core category. Once the core category is established, axial coding is done to map the interrelationships between categories, determining the causes of the core category (phenomenon), strategies or actions taken in response to the phenomenon, the context and intervening conditions surrounding the
phenomenon and strategies, and outcomes. Memos are written throughout the process on emerging hypotheses and identified connections.

It is recommended that the researcher avoid the subject to be studied in the preliminary literature review in order to avoid constraining the coding and memoing process. Literature should be analysed as relevant, which conforms to the concept of grounded theory as an emergent theory (Dick, 2005). In grounded theory, literature can be treated as data and used in data analysis.

Interviews are considered an essential part of the data collection process in grounded theory research (Creswell, 2007). The sample size used in grounded theory research should reflect the concept of saturation. When new data sources no longer provide the researcher new information about a category, its properties and its relationships to the core category, then the category is considered to be saturated and it is no longer necessary to code for that category (Dick, 2005). Evidentiary adequacy implies that the researcher has spent enough time in the field or has sufficient data sets that the categories of interest are saturated. However, it should be noted that a final step in the grounded theory approach is an active search for disconfirming evidence. This active search counters the natural biases of the researcher.

As categories are developed, the interrelationships are considered, often in spatial representations such as network maps. The researcher then builds a theory from these interrelationships. The categories are often assembled using a logic diagram as shown in Figure 4.
2.5 Literature Review Conclusions

The literature review considered community social investment approaches in the mining industry, specifically foundations, trusts and funds; theories on social networks, partnerships and collaboration, and qualitative research approaches.

Foundations, trusts and funds (FTFs) were introduced as one vehicle for community social investment (CSI). Background on other CSI approaches was provided as context for the use of FTFs in the mining industry. There are specific motivations for using an FTF approach for implementing CSI, and these should be considered within the local context. The study of FTFs in the industry, and their success in sustaining positive benefits post mine closure, is still relatively undeveloped, with the focus to date on typologies, FTF attributes and guiding principles, rather than a focus on outcomes. Community investment and partnerships have both received more attention.

Partnerships and collaboration were identified in the literature as key success factors in community investment. The literature review focused on what contributes to a successful partnership and how these partnerships contribute to CSI.
Grounded theory is a popular approach for research in the social sciences and was introduced as the primary approach used for data collection and analysis. It is distinctive in that it provides a framework for developing a theory about a phenomenon, i.e. the theory is emergent as the research progresses. The analysis of the research data used a list of codes that was developed both from literature review and inductively as themes in the data emerged.
3 RESEARCH METHODOLOGY

3.1 Methodology
This research primarily used the grounded theory approach for qualitative research. The Literature Review provides an overview of this approach. However, given that a primary source of data was a questionnaire with limited open-ended questions, questionnaire responses were also analyzed to summarize current structures and trends in specific areas of inquiry. In order to interpret the data collected from interviews, open-ended questionnaire responses and public documents, the research chose to use a computer program, ATLAS.ti, to assist in cataloguing data, coding, memoing and network analysis. The advantages and disadvantages of using ATLAS.ti to assist in this research will be discussed in Section 3.2.

3.1.1 Study Design and Data Sources
For this study, the researcher considered three potential data sources: publicly-available company documentation, a questionnaire, and telephone interviews. The author did not initially consider the underlying assumptions of grounded theory for this research, and thus the design for data collection was not completely consistent with the methodology. For instance, the questionnaire was structured for the ease of the respondent, providing a limited set of response categories with some open-ended questions. This is not consistent with the grounded theory approach of letting the key words, thoughts and themes emerge from the data. The information pack sent to all identified mining companies with FTFs and community foundations that administer mining company funds included an introductory letter, as found in Appendix I, the questionnaire, found in Appendix II, and a phone interview consent form, found in Appendix III.

Interviews were conducted with representatives of mining companies with FTFs, FTF representatives, and independent consultants that had experience in the area of research. Interviews were typically only semi-structured\(^\text{13}\), allowing the topics discussed to naturally progress as new ideas and themes were raised. Interviews with mining company representatives and FTF representatives were conducted as a follow-up to the questionnaire for those wishing to participate. In the results and analysis, specific quotes will be attributed to the interviewees where written permission was given to the researcher. Otherwise, the quote will be referenced by the interview number.

\(^{13}\) A generic set of interview questions was submitted with the application for approval from the UBC Behavioural Research Ethics Board. This is included in Appendix IV.
A total of forty-one (41) companies\(^{14}\) were contacted, representing sixty-four (64) foundations, trusts and funds. An additional four (4) community foundations to which mining companies contribute were contacted. This list of FTGs was compiled based on the desktop review conducted by BSR in 2010 (Oxman et al., 2010), with additions and deletions completed as new information was found through internet searches. Contact information, company-listed electronic or business mailing addresses, was predominantly accessed from the internet. In some cases, specific company representatives were contacted via introduction by personal contacts.

In grounded theory, literature can be analysed as data. Case studies found in literature were used as a data source\(^ {15}\), as were publicly available company documentation accessed from the internet.

3.2 Use of ATLAS.ti Qualitative Research Analysis Tool

The researcher chose to use a Atlas.ti, a PC-based computer program, to assist in the coding and memoing process that is the key analytical component of the grounded theory approach. The advantages of using a computer program include an organized file storage system and that it encourages line-by-line analysis. Computer programs can also facilitate the interrogation of the interrelationships among codes and categories, and can provide visual pictures of these interrelationships (Creswell, 2007). The obvious disadvantage is the learning curve associated with the program.

Interview transcripts were used as primary documents. Questionnaire responses were also considered primary documents, but the coding and analysis of these documents focused on any commentary provided by the respondents. Case studies and company documentation were also considered primary documents for this analysis. The most relevant documents for this analysis were the interview transcripts, as the interview transcripts were the primary source of unstructured, new information from research participants.

3.2.1 Interpretation of ATLAS.ti

In ATLAS.ti, the researcher codes each primary document. The codes are determined by the researcher, and researcher can add to the list of codes as relevant. Each time a code is

\(^{14}\) Companies or company divisions. For instance, Rio Tinto Coal Australia was contacted separately from Rio Tinto Peru.

\(^{15}\) See Table 5: List of Case Studies from Literature Review for a complete list of case studies reviewed in this research.
associated with a quotation in a primary document, its “groundedness” is increased by one. Thus, “groundedness” refers to frequency of mention within documents. As interrelations are determined, codes or memos can be linked using a number of pre-set relations, such as ‘is cause of’, ‘is part of’, etc. Named links and their descriptions are listed in Table 6.

Table 6: List of Named Links in ATLAS.TI

<table>
<thead>
<tr>
<th>Relationship</th>
<th>Symbol</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Is associated with</td>
<td>==</td>
<td>Relates concepts without subsumption</td>
</tr>
<tr>
<td>Is part of</td>
<td>[ ]</td>
<td>Links objects, not concepts of different abstractional level</td>
</tr>
<tr>
<td>Is cause of</td>
<td>=&gt;</td>
<td>Represents causal links, process, etc.</td>
</tr>
<tr>
<td>Contradicts</td>
<td>&lt;&gt;</td>
<td>Concepts are contradictory</td>
</tr>
<tr>
<td>Contributing to</td>
<td>-- &gt;</td>
<td>Represents contributory factors to concept</td>
</tr>
<tr>
<td>Is a</td>
<td>isa</td>
<td>Links specific concepts to general concepts</td>
</tr>
<tr>
<td>Noname</td>
<td>* }</td>
<td>A symmetric relationship when no other applies</td>
</tr>
<tr>
<td>Is property of</td>
<td>* }</td>
<td>A meta relation between a concept and its attributes</td>
</tr>
</tbody>
</table>

As codes are connected, the “density” of the codes increases. Thus, “density” refers to the number of interrelations for the code. When displaying network maps in ATLAS.ti, the groundedness and density of a code are noted in curly braces { }. For instance, the code “Capacity” is noted as ‘Capacity {25-7}, indicating that its groundedness is 25 and its density is 7.

For illustration purposes, a network representation of the code Capacity, from the researcher’s analysis, is given in Figure 5. Each of the codes to which ‘Capacity’ is linked is presented in the network map, along with their groundedness and density.
From the codes that are the most grounded and have the highest density in the overall grounded theory analysis, a “core category” should emerge (Creswell, 2007). This core category represents the major theme which the researcher seeks to understand.

3.2.2 Thoughts on the use of ATLAS.ti

ATLAS.ti proved to be a useful analytical tool, allowing for efficient coding and sorting of information. The learning curve for basic functions was readily manageable. More complex functions, such as querying and co-occurrence tools, were helpful but required additional time and practice to learn to use efficiently.

The memoing function allows the researcher to link memos to primary documents and codes, aiding the researcher to connect the memoing process to data, thus facilitating the process of substantiating the emergent theory with data from the field.

It is helpful to have an organized overview of the groundedness and density of each code, with the convenient ability to drilldown to the data where the related quotations (or source documentation) are provided. This ability facilitated the analysis by providing context for each code.
As with all tools, ATLAS.ti does not remove the analytical process from the researcher and an understanding of grounded theory is essential such that the “story” can emerge as the networks are built. The spatial mapping of codes and categories is useful to the researcher in understanding the interconnectedness of ideas.

The use of a software program would be recommended where the data source is primarily interview transcripts or field observations. It was not necessary to use this tool for analysis of the questionnaire, which was not structured in an open-ended question format. This tool facilitated the addition of company document and case studies from literature as data sources, by combining all data in one system.

3.3 Limitations of Methodology

Although the grounded theory approach is considered the approach best suited to the analysis of this research, there were several limiting factors to its use. Most importantly, the grounded theory approach tends to rely on immersion in the field to be studied. As no field work was conducted, the researcher was not immersed in the field, and therefore one could challenge the evidentiary adequacy.

Given that the interviewees and questionnaire respondents were aware of the research project, and its objectives, the credibility of responses may be limited by the participants’ natural desire to “put the best foot forward”. To minimize this limitation, efforts were made to corroborate emergent themes and categories from various data sources – interviews, company documentation, and case studies found in the literature, as well as interviews with independent consultants and representatives of academia that have experience in this field.

Views from other sectors (government, communities, NGOs) were not canvassed. A broader perspective from multiple sectors would enhance the structural corroboration.

3.4 Research Bias

In qualitative research, it is acknowledged that there will be various sources of bias in the data and interpretation of data (Creswell, 2007). Identified areas of bias in this research include:

- Personal bias: The process of coding the data and developing interrelationships relies on the researcher’s interpretation of the data. The researcher perceives meanings and relationships between themes based on his or her experiences. To frame the potential bias, I provide the following personal background:
I am a Canadian mining engineer and worked for several years for a large gold mining company, at an operation in Nevada, USA, and at their corporate office. I later completed my MBA, after which I worked in business development and financial analysis within the mining industry. I currently live in Nevada, where my husband is also involved in the mining industry. Throughout my career, I have maintained an interest in the social aspects of mining.

- Literature Review:
  - The body of knowledge on FTFs in the mining industry is limited.
  - The literature review was conducted prior to the coding process, thus biasing the researcher’s terminology and exposure to concepts and themes.

- Data Collection:
  - Case studies are naturally biased by the previous researchers’ experiences and interpretations.
  - Interviews, questionnaire responses and company documents are based on the message the participants and companies wish to convey.

3.5 Methodology Conclusions
This thesis used a mixed qualitative approach to gather and analyse data. All identified FTFs in the mining industry were contacted; however, responses were received primarily from representatives of FTFs with whom the researcher was able to make a personal connection. This snowball or chain method of sampling led to information-rich cases, but was not as broad as the researcher would have liked in terms of ensuring credibility. The questionnaire was structured to constrain responses. While this structure was considered the best choice for the convenience of the respondents, open-ended questions would have been more useful in a qualitative research approach.

The grounded theory method was a helpful approach to understanding how FTFs in the mining industry are contributing to positive post-closure impacts. The concept of allowing the theory to emerge as the analysis was completed, rather than testing a hypothesis, was a new approach for the researcher, but critical in developing an understanding of FTFs. FTFs are an emerging institutional form in the industry, and can be considered a form of social institution, thus a qualitative approach is appropriate.

ATLAS.ti proved to be a helpful tool in analyzing and portraying the networks between themes within the data.
4 RESULTS AND ANALYSIS

In this chapter, results and analysis will be provided in two sections. The first will focus on an analysis of responses from the questionnaire results. The second section will focus on the theoretical framework developed in the coding process.

4.1 Questionnaire Results

The [FTF] has contributed to enhance the relationship and trust between the local government and the company. It has helped to build capacity, reinforce local institutions, and also has been contributing to get the social license to operate.

Questionnaire Respondent #6

The initial contact emails and letters were distributed in February and March 2011\(^{16}\). For those companies and foundations from whom no response had been received, a follow-up email or letter was sent in late August or early September. Only twelve of the companies and one community foundation, representing thirteen FTFs, responded positively, either by returning the questionnaire and/or consenting to a phone interview.\(^{17}\) A summary of the responses is provided in Table 7.

Table 7: Respondent Summary

<table>
<thead>
<tr>
<th></th>
<th>Contacted</th>
<th>Questionnaire Response</th>
<th>% of Contacted</th>
<th>Interviewed</th>
<th>% of Contacted</th>
</tr>
</thead>
<tbody>
<tr>
<td>Company FTFs</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Global FTFs</td>
<td>3</td>
<td>2</td>
<td>67%</td>
<td>0</td>
<td>0%</td>
</tr>
<tr>
<td>OECD-Country FTFs</td>
<td>19</td>
<td>3</td>
<td>16%</td>
<td>1</td>
<td>5%</td>
</tr>
<tr>
<td>Non-OECD Country FTFs</td>
<td>42</td>
<td>6</td>
<td>14%</td>
<td>4</td>
<td>10%</td>
</tr>
<tr>
<td>Community Foundations</td>
<td>4</td>
<td>1</td>
<td>25%</td>
<td>1</td>
<td>25%</td>
</tr>
<tr>
<td>Total</td>
<td>68</td>
<td>12</td>
<td>18%</td>
<td>6</td>
<td>10%</td>
</tr>
</tbody>
</table>

\(^{16}\) Initial contact with some companies and FTFs occurred during the summer of 2011 as the researcher learned of these FTFs and sponsoring companies.

\(^{17}\) An additional six responses were received, declining to participate.
A total of thirteen (13) interviews were conducted: five interviews with persons representing mining companies with foundations (as indicated in Table 7), one interview with a representative of a community foundation to which a mining company contributes, and seven with mining industry representatives\textsuperscript{18} that have been or are currently involved with FTFs in the industry. Interviews were conducted either following a questionnaire response\textsuperscript{19} or with interested parties that have experience in the area and were introduced via personal contacts.

Questionnaire results were summarized and graphed as appropriate. The results of select questions are presented in this section. Open-ended answers were included in the grounded theory analysis. The first two questions of the questionnaire (1.1 and 1.2) were to identify the name and location of the FTF.

**Question 1.3 During which phase of the project life-cycle was the FTF established?**

The questionnaire responses on the phase of the project life-cycle during which the FTF was established are consistent with the results reported in the Oxman et al. (2010) report, where the majority of FTFs were established during the operations phase of the project.

Those identified as corporate trusts are not tied to the life cycle of a given mine or project.

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\textsuperscript{18} Mining industry representatives in this case include those from academia, independent consultants, and mining company representatives that were not speaking on behalf of a particular FTF.

\textsuperscript{19} In one instance, a mining company FTF representative chose to participate in an interview but did not respond to the questionnaire.
Interestingly, there appears to be no correlation between the reported motivations for the FTF (See Question 1.6) and the project life-cycle phase during which it was established.

**Questions 1.4: Did the company contact or work with CommDev (an IFC/World Bank organization) in establishing the FTF?**

“The Oil, Gas and Mining Sustainable Community Development Fund (CommDev) is a funding mechanism for practical capacity building, training, technical assistance, implementation support, awareness-raising, and tool development” (CommDev, 2011). It was established in 2006. The researcher was curious as to whether FTFs were approaching this organization for their expertise in community development.

Only one of the respondents had worked with CommDev, although not during the establishment of the FTF. Additionally, two of the respondents indicated that they had worked with the IFC.

**Question 1.5: What are the primary goals of the FTF?**

This question was deliberately left open-ended. Answers were widely varied and often quite specific to the local context of the FTF. The responses were included in the qualitative analysis.

**Question 1.6: What were the main motivators to establish the FTF?**

- **a)** Gain/maintain a social license to operate?
- **b)** Institution- or capacity-building?
- **c)** Improved labour force (i.e. focus on health and skills-training)?
d) Consolidate grant-making and development activities?
e) Tax incentives?
f) Government pressure or regulatory requirement?
g) Community pressure (to share benefits)?
h) Other? (Please specify)

For the convenience of the participants, this question was constrained by response, with an “other” category. The motivations most frequently identified by the participants, as shown in Figure 7, were Social License and Institution- or Capacity-Building. The focus on capacity-building may be associated with mining companies’ growing confidence in capacity-building as an essential component of sustainable impacts.

Figure 7: Motivations Identified by Questionnaire Respondents
### Questions 2.1 – 2.6: Governance and Management

<table>
<thead>
<tr>
<th>Question</th>
<th>Response Summary</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.1 Is the FTF a separate legal entity from the company?</td>
<td>Eleven of the respondents indicated that the FTF was a separate legal entity.</td>
</tr>
<tr>
<td>2.2 Are there independent (non-company) members on the board of trustees (board of directors, etc.)?</td>
<td>Five of twelve respondents indicated that there were independent members on the governance board. Two of the twelve respondents indicated that there had been independent members in the past.</td>
</tr>
<tr>
<td>2.2.1 How are the members of the board selected? Are they appointed, elected, etc.?</td>
<td>Three of the respondents indicated that board members were nominated or elected, by communities or by a mix of communities and company. All other respondents indicated that board members were appointed.</td>
</tr>
<tr>
<td>2.3 Is there community representation on the board of trustees or board of directors?</td>
<td>Five of twelve respondents indicated that there was community representation on the governance board.</td>
</tr>
<tr>
<td>2.4 Does the FTF have a (non-company) staff responsible for management of projects?</td>
<td>The intent of this question was to determine whether the FTF had dedicated administrators and managers to oversee FTF projects and to understand the degree of independence from the sponsor company. Ten of the respondents indicated that there were non-company staff working for the FTF.</td>
</tr>
<tr>
<td>2.5 Is the community consulted on projects sponsored by the FTF? Please explain.</td>
<td>Every respondent stated that the community was consulted on FTF-projects, albeit in a variety of forms. An overview of some alternatives for community consultation follows:</td>
</tr>
<tr>
<td></td>
<td>• Community advisory boards select projects and submit these to the board for approval.</td>
</tr>
<tr>
<td></td>
<td>• Annual meetings with community representatives and local government to discuss projects based on established budget.</td>
</tr>
<tr>
<td></td>
<td>• Regular planning and evaluation meetings with community members.</td>
</tr>
<tr>
<td></td>
<td>• Community partner required for all projects.</td>
</tr>
<tr>
<td></td>
<td>• All projects in partnership with NGOs, which undertake community consultation as part of the development program.</td>
</tr>
</tbody>
</table>

---

20 Community Advisory Boards were often provided assistance or guidance by company or FTF personnel in developing plans and proposals, related to the capacities of the advisory boards.
2.6 Would you characterize the way that the FTF executes its activities as:
   a) Internal implementation?
   b) Partnered with other organizations (such as government agencies, NGOs, community-based organizations, etc.)? Please describe.
   c) Donor / grant-making?
   d) Outsourced?

Response Summary:
   a) Four indicated that the FTF implemented projects internally.
   b) Every respondent stated that the FTF was to some extent “partnered” in the execution of its activities. For instance, participants often indicated that implementation was shared with government, CBOs, or NGOs.
   c) Four indicated that they were grant-making FTFs that partnered with other organizations, such as NGOs, for implementation of projects.
   d) Two indicated that it outsourced some projects.

Two-thirds of the respondents indicated that they used more than one implementation method.

Question 3.1: How is the FTF company funded? (Examples: Linked to annual mining activity (ex. $/unit produced; % of profit), endowment, mixed)

The various forms of FTF funding indicated in the questionnaire responses are provided in Figure 8. The most common form of company funding from the research participants was an annual budget. One respondent indicated that the FTF was currently operating from the proceeds of an endowment. A third of the participants indicated that the FTFs were already receiving external funding.
**Question 4.1 Does the company have a policy statement expressing commitment to regional and local development?**

Ten of the respondents indicated that the company has a policy statement expressing commitment to regional and local development. As one of the respondents was a community foundation, this was not relevant to the organization.

**Question 4.2: Has the company developed performance indicators to measure success?**

There was a variety of performance measurement systems in place at the FTFs from which the researcher received responses. As shown in Figure 9, performance measurement systems have been established at seven FTFs. The performance measurement systems are not standardized, but include a wide variety of measures, including:

- KPIs developed by company monitoring and evaluation (M&E) departments or by NGO consultants,
- Program-specific KPIs,
- Balanced Score Card,
• Benchmarking to the Millennium Development Goals (MDGs), and
• Community evaluation meetings i.e. formalized community feedback.

Annual reports were also used to present the program results, although formal evaluation procedures were not always completed at the program-level for these reports.²¹

Performance measurement systems were currently in development at two of the FTFs. Two FTFs indicated that there were currently no performance measurement systems in place or being developed, although one discussed the informal measure of community embracement of the FTF programs.

Figure 9: Questionnaire Response on Monitoring and Evaluation

Question 5.1: Is the FTF intended to continue operating post-closure?

Fifty percent of the FTF respondents (six in total) indicated that there were plans to continue operation of the FTF post mine closure. Interestingly, four of these had independent

²¹ While only two FTFs indicated that annual reports were completed as part of their M&E procedures, it is possible that other FTFs participating in this research provide annual reports and simply did not specify this information in their responses.
members on the governance board already, while those FTFs that do not intend to continue operating post mine closure do not have independent representation unless mandated by the government.

**Question 5.2.2: If the FTF is intended to continue operating post-closure, is a long-term operating and funding strategy in place? I.e. Does the company have an exit-strategy from the FTF?**

There are two aspects to this question – both the operating and the funding strategy. Some FTFs with the intention to continue operating post mine closure identified this as an area under review. One specifically identified the current development and current review of a business strategy plan to achieve self-sustainability. Three identified funding strategies, such as external fundraising and endowment funds, in place or in development. Only one respondent unequivocally responded that there was an exit strategy in place.

**Question 5.3.1: If the FTF is NOT intended to continue operating post-closure, does the company have an exit strategy from the programs and initiatives sponsored by the FTF?**

There were three strategies identified for the company to exit from the programs and initiatives sponsored by the FTF:

1) All projects should be independent and sustainable [without further input from the FTF].
2) All projects should have an external sponsor, to whom control is passed, and
3) Project support is provided for fixed terms only. This strategy is obviously related to the idea that the project will be sustainable after the fixed term, or will have achieved its objective by that point.

**4.2 Grounded Theory Analysis**

While the questionnaire results were summarized using more traditional approaches, the crux of this research analysis is the theoretical framework developed from the coding exercise completed in ATLAS.ti. A total of thirty-four codes were used in ATLAS.ti, a list of which is provided in Table 8. This list of codes was developed by the researcher throughout the coding process as concepts and themes emerged from the data.
Table 8: Research Codes and Descriptions

<table>
<thead>
<tr>
<th>Code Name</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accountability</td>
<td>Discussion on transparency and accountability, typically in management of funds</td>
</tr>
<tr>
<td>Advocacy</td>
<td>Discussion about an FTF’s involvement in advocacy</td>
</tr>
<tr>
<td>Alignment</td>
<td>Discussion about alignment with strategic objectives</td>
</tr>
<tr>
<td>Capacity</td>
<td>Involves goal or programs focused on education, training, capacity-building or institutional capacity.</td>
</tr>
<tr>
<td>Closure</td>
<td>Relating to FTF exit strategies and activities after mine closure</td>
</tr>
<tr>
<td>Commitment</td>
<td>Statement involving company commitment to FTF</td>
</tr>
<tr>
<td>Community-driven</td>
<td>Describes community involvement in decision-making, prioritising and/or management</td>
</tr>
<tr>
<td>Community Development</td>
<td>Focus on community development</td>
</tr>
<tr>
<td>Community Independence</td>
<td>Discussion on minimizing community dependence on mining</td>
</tr>
<tr>
<td>Conflict</td>
<td>Involves conflict between FTF, company, community or government</td>
</tr>
<tr>
<td>Control</td>
<td>Discussion of control of the FTF</td>
</tr>
<tr>
<td>Design</td>
<td>Discussion on FTF design or structure.</td>
</tr>
<tr>
<td>Endowment</td>
<td>Type of funding strategy</td>
</tr>
<tr>
<td>Engagement</td>
<td>Involves engagement strategies and contribution of engagement process to FTF outcomes</td>
</tr>
<tr>
<td>Entrepreneurship</td>
<td>Discussion on the development of entrepreneurs as a program focus</td>
</tr>
<tr>
<td>Funding Strategy</td>
<td>Discussion on funding strategies, from endowment, company equity, annual budgeting, or income-generating activities</td>
</tr>
<tr>
<td>Government Failure</td>
<td>Identification of a government failure or weak government. Weak government or government failure is often a motivation for a foundation, but a foundation may also contribute to the situation.</td>
</tr>
<tr>
<td>Income-generating</td>
<td>Type of Funding Strategy</td>
</tr>
<tr>
<td>Independent</td>
<td>Indication of FTF independence from mining company</td>
</tr>
<tr>
<td>Investment</td>
<td>Discussion of social programs as an investment rather than an expense</td>
</tr>
<tr>
<td>M&amp;E</td>
<td>Discussion on the Monitoring &amp; Evaluation functions, including impact measurement systems and KPIs</td>
</tr>
<tr>
<td>Motivation</td>
<td>Identification of motivating factors</td>
</tr>
<tr>
<td>Code Name</td>
<td>Description</td>
</tr>
<tr>
<td>---------------</td>
<td>-------------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Participatory</td>
<td>Discussion on community participation in design, decision-making, prioritizing projects and/or governance.</td>
</tr>
<tr>
<td>Partnership</td>
<td>Discussion on partnerships, alliances, or collaboration</td>
</tr>
<tr>
<td>Prioritize</td>
<td>Discussion about prioritizing</td>
</tr>
<tr>
<td>Professional</td>
<td>Involves discussion on the role of development professionals, technical skills, and expertise</td>
</tr>
<tr>
<td>Relationship</td>
<td>Discussion on the process of building a relationship with community, NGOs, government and individuals</td>
</tr>
<tr>
<td>Risks</td>
<td>Discussion on risks and risk management</td>
</tr>
<tr>
<td>Social License</td>
<td>Identified as a motivation</td>
</tr>
<tr>
<td>Strategic Plan</td>
<td>Discussion on the use and/or development of a strategic plan, community development plan, planned program objectives, etc.</td>
</tr>
<tr>
<td>Success Factors</td>
<td>Identified success factors.</td>
</tr>
<tr>
<td>Sustainable</td>
<td>Discussion on the sustainability of the FTF, the community, or the programme impacts, or reference to sustainable development</td>
</tr>
<tr>
<td>Transition</td>
<td>Discussion on the future of an FTF or the evolutionary nature of an FTF</td>
</tr>
<tr>
<td>Trust</td>
<td>Involves the process of building trust or the outcome achieved</td>
</tr>
</tbody>
</table>

Thirty-six primary documents were used in ATLAS.ti. These primary documents were a combination of the questionnaires received from participants, interview transcripts, case studies, and company documents retrieved from the internet. The groundedness (frequency of discussion) and density (number of relationships to other codes) of the codes was tabulated in ATLAS.ti. The codes with the highest groundedness and density are provided in Tables 9 and 10.
Table 9: Top Codes for Groundedness

<table>
<thead>
<tr>
<th>Code</th>
<th>Groundedness</th>
</tr>
</thead>
<tbody>
<tr>
<td>Partnership</td>
<td>30</td>
</tr>
<tr>
<td>Transition</td>
<td>27</td>
</tr>
<tr>
<td>Capacity</td>
<td>25</td>
</tr>
<tr>
<td>Sustainable</td>
<td>23</td>
</tr>
<tr>
<td>Funding Strategy</td>
<td>21</td>
</tr>
<tr>
<td>Independent</td>
<td>20</td>
</tr>
<tr>
<td>Strategic Plan</td>
<td>19</td>
</tr>
<tr>
<td>Participatory</td>
<td>17</td>
</tr>
<tr>
<td>Professional</td>
<td>17</td>
</tr>
<tr>
<td>Closure</td>
<td>15</td>
</tr>
</tbody>
</table>

Table 10: Top Codes for Density

<table>
<thead>
<tr>
<th>Code</th>
<th>Density</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sustainable</td>
<td>8</td>
</tr>
<tr>
<td>Design</td>
<td>8</td>
</tr>
<tr>
<td>Community-Driven</td>
<td>7</td>
</tr>
<tr>
<td>Capacity</td>
<td>7</td>
</tr>
<tr>
<td>Strategic Plan</td>
<td>6</td>
</tr>
<tr>
<td>Community Independence</td>
<td>6</td>
</tr>
<tr>
<td>Transition</td>
<td>6</td>
</tr>
<tr>
<td>Partnership</td>
<td>6</td>
</tr>
<tr>
<td>Funding Strategy</td>
<td>6</td>
</tr>
<tr>
<td>Control</td>
<td>6</td>
</tr>
</tbody>
</table>

4.2.1 Logic Diagram

Grounded theory relies on building a theory about the research topic. Often, this theory, or story, is presented in a logic diagram, as discussed in Section 3.1. In this research, the
The author sought to understand how FTFs contribute to sustainable positive impacts and to understand the exit strategies for FTF programs that companies have already developed. Based on the relationships determined in the qualitative review, Figure 10 is presented as the overall logic diagram for building sustainable FTF program results. In this section, the analysis will focus on the codes presented in this figure, and the relationships between them, by presenting supporting quotes from the primary documents reviewed in this research.

Figure 10: Developing a Sustainable FTF Program

4.2.2 Strategic Plan

One of the primary reasons identified to establish a foundation, trust or fund was that the structure facilitates the development of a long-term strategy rather than short-term and reactive approaches. It is therefore surprising that strategic plans are not more commonly discussed with regard to FTFs. The lack of a strategic plan was in fact identified as a cause of program failure, as indicated in the following case discussed in the World Bank (2010) report.
At the Lihir Gold Project in Papua New Guinea, an Integrated Benefit Package (IBP) was agreed between the company and landowners in 1995. Despite establishing four objectives of the IBP, it was determined upon review that the goals of the Lihirian landowners were not being met. It was recognized “that this failure was in part due to the absence of a plan outlining how the objectives were to be met.” (World Bank, 2010, p. 165) The Lihir Sustainable Development Plan (LSDP) was thus developed in response to this failure.

There are several FTFs that are currently establishing or have recently established strategic plans. For instance, Rio Tinto Coal Australia has eight community development funds. These grant-making funds are considered to be integral to the company’s community relations, and contribute positively to building relationships with the company’s communities of interest. The funds were established over a ten-year period, the first in 1999 and the last in 2008. The decisions on grants are made by committees made up of company and community representatives. However, it was only during 2010 that “some of the fund boards began the development of a strategic map for their fund to ensure alignment between identified community needs and the programmes funded” (Rio Tinto Coal Australia, 2011).

Another example of the recent development of a strategic plan is at the Puerto San Julian Development Agency Foundation in Argentina. The foundation was established in 2004. The final plan was presented in 2008.

One of the most important undertakings has been to establish a sustainable development plan for San Julian. This plan was developed through a participatory process and has provided the municipality with a framework through which it considers strategies for development beyond CVSA’s current mining activities (AngloGold Ashanti, 2010).

While strategic plans were discussed in the interviews and case study research, it is unknown how many of the questionnaire participants have established strategic plans as this was not asked specifically in the questionnaire. While the researcher suggests that some FTFs may have strategic plans that were not discussed or are not mentioned in publicly available company literature, it is clear from the research that long-term strategic planning is not consistently completed by FTFs.

A network map for Strategic Plan is shown in Figure 11. This network map illustrates the interrelationships noted by the researcher. A brief interpretation of this network map follows. In this analysis, alignment is part of the strategic plan. Two categories associated with the
strategic plan are the ideas of (1) Closure – consider the vision of the FTF at mine closure when developing the strategic plan, and (2) Community-driven – the community should be involved in the planning process. From this network map, the ties to Design, Transition and Sustainable are also noted.
Figure 11: Strategic Plan Network Analysis

- Closure (15-3~)
- Community-driven (14-7~)
- Strategic Plan (19-6~)
- Alignment (6-2)
- Sustainable (23-8~)
- Transition (27-6~)
- Design (7-8~)

is part of
is associated with
is associated with
is associated with
is part of
is part of
is associated with
is part of
contributing to

4.2.2.1 Alignment

A key condition of the strategic plan is that it is aligned with business objectives, community priorities, and government or community development plans. Several industry representatives commented on the issue of alignment. For instance, one industry representative stated that the vehicle for CSI made little difference so long as the social investment strategy related to the community engagement strategy and the business strategy (Interview #4). Other respondents indicated that their community investments were guided by business objectives, as evidenced by the following statement:

[The Foundation’s] community investments continue to be guided by five strategies that align with [the company’s] aspirations as a company (Questionnaire Respondent #8).

Where there is a community or government development plan, it is important to align the FTF objectives with this plan, as stated by Dr. Chris Anderson of Newmont Ghana:

“The foundation programs must be congruent with the local government development plan.” (Anderson, NADeF Interview, 2011)

There are examples of FTF project selection being aligned with local government plans, as indicated in the World Bank (2010) case studies on the Mozal Community Development Trust (MCDT) in Mozambique and the Rössing Foundation in Namibia.

“The [MCDT] receives between 15 and 20 applications for support on a daily basis, and relies upon engagement with the local government to identify those projects which are in line with government priorities” (p. 136).

“The Rössing Foundation set up an office in Arandis in 2005 and began working closely with the town authority to develop a vision for the future, encapsulated in the Arandis Sustainable Development Plan” (p. 144).

Where government development plans are absent, FTFs rely more heavily on community priorities and partnerships with CBOs and NGOs.

As shown in Figure 11, Alignment is considered in this analysis to be part of Strategic Plans, which are a contributing factor to Sustainable results. Strategic Plans are also part of the Design of the FTF, as will be discussed below.
4.2.3 Design

FTFs currently in operation do not consistently have long-term strategic plans. It stands to follow that most did not design the structure (governance, program selection method and finance strategy) of the FTF according to a strategic plan. However, the concept of designing for closure was discussed in several interviews with industry representatives as leading practice.

There are various elements that were identified as key contributing factors to the design of the FTF, as shown in Figure 12. Amongst these are Funding Strategy, Local and Government Capacity, and Level of Community Participation.
Figure 12: Design Network Analysis

- Transition (27-6)~
- Funding Strategy (21-6)~
- Alignment (6-2)~
- Strategic Plan (19-6)~
- Design (7-8)~
- Community-driven (14-7)~
- Participatory (17-2)~
- Capacity (25-7)~
- Community Independence (7-6)~

is associated with
is part of
is associated with
is part of
is associated with
is part of
is associated with
contributes to
4.2.3.1 Funding Strategy

The funding strategy of FTFs received considerable attention in the case studies and during the interviews. The key element in the funding strategy was whether the FTF was intended to continue in the long-term (i.e. beyond mine closure). Several FTFs have been established for fixed terms (e.g. IBT is intended to last eight years; La Granja’s Fondo Social is intended to last five years) or only through the life-of-mine. Where the FTF has a finite life, funding strategies were typically fixed commitments or based on a variable annual budget. All funds are spent on current development activities rather than investing in an endowment fund for future projects. External funding is not sought for the FTF itself, although specific projects may be based on shared funding with external partners, so as to increase project ownership. This can be referred to as co-financing (Questionnaire Response #5).

Where the FTF is intended to continue post mine closure, the funding strategy often allocates a portion of annual income to an endowment. This proportion ranged from 5% (Oxman et al., 2010, p. 57) to two-thirds (after operating costs) (World Bank, 2010, p. 158).

Other elements of a sustainable funding strategy identified by research participants include income-generating projects (Questionnaire Response #11) and external funding, including from government development agencies, private businesses, and NGOs.

One interviewee identified “financial independence gained through company-sponsored guaranteed financing” as a strength of the FTF model (Interview #9). Several interviewees indicated that the ability to financially commit to long-term partnerships was also a strength of the FTF model. These statements imply that the funding strategy of an FTF should be more consistent from year to year than other social investment vehicles, indicative of a firm commitment by the company to the FTF.

4.2.3.2 Capacity

The capacity of the communities, institutions and government in the region in which the FTF intends to operate is a contributing factor to the design of the FTF, especially in the degree of community participation in governance and management, and the types of programs supported by the FTF.
Capacity relates to the design of the FTF in that the governance and management of the FTF must be designed to accommodate current capacity and the programs must be designed to build capacity consistent with the desired governance and management structure at the time the company exits. For instance, community ownership of the FTF may be enhanced by participation in establishing the FTF, a worthy objective if the intent is to continue the FTF post mine closure. In that case, capacity-building prior to and during FTF establishment will facilitate community participation, as indicated in the ERM (2010) case study on NADeF:

“Interviewees indicated that the program of stakeholder capacity building prior to the creation of the [Community Development Agreement] was vital to the process of free prior and informed consent.”

It will also be important to continue capacity-building efforts during FTF operation in order to transfer the necessary skills and knowledge necessary for FTF sustainability post mine closure, as discussed in the following:

By first helping to put an effective governance framework in place and transferring appropriate skills, we can help ensure the foundation will be ready to assume its fiduciary and management responsibilities before allowing its directors to begin controlling community development planning and execution on their own (Interview #4).

Even where there is no intent to continue the FTF post mine closure, community participation in project selection merits capacity-building with regard to prioritization (Interview #10). Prioritization is discussed further in the next section with regard to participatory and community-driven FTFs.

Capacity-building was widely recognized as critical to the success of the FTF by decreasing the community dependence on mining. In fact, institution- and capacity-building were identified as a motivation for establishing the FTF by two-thirds of the questionnaire respondents.

Institution-building was considered by several research participants as critical in improving accountability, as discussed in the following:

“At Cerrejon, there is a system of Foundations. One deals with Institutional Capacity, which includes educating people on their rights and demanding things like audits, transparency, etc.” (Interview #11)
Overall, research respondents were focused on capacity in terms of designing the FTF structure, building partnerships and project selection. In most cases, a higher level of existing capacity led to greater degrees of participation in the FTF.

4.2.3.3 Participatory and/or Community-Driven

Community-driven FTFs and Community Participation were identified as Success Factors in building a sustainable FTF (Anderson, 2011; Interview #10, Interview #12). It is important to note the difference between an FTF that is participatory and an FTF that is community-driven. An FTF that is participatory seeks input from other sectors – community, NGOs, and government. These sectors may advise on community priorities, partner in projects, share responsibilities and be involved in the design of the FTF. An FTF that is community-driven however shifts substantial power to the community, allowing the community to develop the priorities. Final decision-making may still rest with the company representatives on the FTF board, but the overall development plan is aligned with the community’s priorities. The design of the FTF will differ depending on the level of community participation desired by the sponsoring company.

While both community participation in projects and community-driven projects enhance ownership and sustainability, companies tend to have less control over project selection in community-driven FTFs. This concept of community-driven FTFs can also be discussed in terms of freedom to choose.

“Why a foundation versus other community social investment options? It goes back to the idea of ‘what is development?’ True development stems from freedom – increasing the options to people and increasing their autonomy to decide on which option they want” (Interview #2).

“Focus on people-centered development – it must derive from their will to build a future, their willingness to leverage their resources.” - (Warner P. , 2011)

The Puerto San Julian Development Agency Foundation in Argentina is an example of a community-driven FTF in which Cerro Vanguardia (CVSA) is involved. The company proposed the creation of an agency to promote the development of a sustainable economy. The agency developed a sustainable development plan, through a participatory process, to which the company has committed its support (AngloGold Ashanti, 2010). The company does not control the agency or determine its priorities.
It is not necessary that every foundation be community-driven. There are advantages to allowing the foundation to be managed by social development professionals with community participation, rather than passing substantial control to the community.

Regardless of degree of participation, a participatory approach requires an investment in time, to build relationships and develop an understanding of the priorities of the whole community. The ability of a community to prioritize was often discussed, with several instances where a company or FTF representative actively worked with community advisory boards to develop capacity specifically related to prioritization. The design of the FTF should consider the community priorities in establishing a clear mandate and set of guidelines regarding the type of programs that will be supported by the FTF (Interview #2, Interview #10).

Increasing participation in the governance and management of the FTF may contribute to the company’s ability to manage expectations and avoid being seen as a development agency. One industry representative suggested that the design of the FTF programs be structured that the FTF is viewed primarily as a facilitator (Interview #13).

4.2.4 Partnerships

As indicated in Section 4.1, every questionnaire respondent indicated that partnerships were part of program implementation. The code Partnership was used for all discussions on building partnerships, alliances or collaborative relationships. It was found that Partnerships are quite often associated with trust and relationships, as shown in Figure 13 and indicated by the following quotes:

“Considerable time and effort invested to establish open dialogue, a collaborative approach and trust. [Lake Cowal Foundation] now enjoys a positive working partnership with a wide cross section of the community” (Shallvey, 2007).

“We work in partnership with community bodies, government officials and other stakeholders to increase understanding of cultures, customs and values, and to encourage open, constructive dialogue and trust” (Goldcorp, 2011).

This is consistent with social network theory on the importance of trust in building collaborative efforts (Boutilier, 2009; Zandvliet & Anderson, 2009; Hamann, 2004).
Partnerships were also considered a contributory factor to community independence from mining activities. As more partners are brought into the program, the dependence on any one partner should decrease. This is discussed in the following two statements.

"Wherever possible, we seek community investment opportunities where we are not the only funding source but are one of a number of community and/or government bodies that contribute to a programme that benefits the community. In this way, the long-term sustainability of a programme is increased and community dependence on mining activities decreases over time." (Rio Tinto Coal Australia, 2011)

It is important to lower the dependence on mining as much as possible. The more partners involved in the initiative, the more sustainable it will be. (Guerrero, 2011)

Another key link to partnerships is the involvement of professionals or expertise. The literature review strongly suggested that mining companies should not consider themselves development agencies, but should work with social development specialists. Several examples confirm the relationship of partnerships to professional expertise. At the GoldFields Ghana Foundation:

“Development is a science, and accessing up-to-date development technical expertise and field experience through partnerships with proven development organizations allowed Gold Fields to improve greatly the quality of its social investment” (Buchanan and Aubynn, p.121)
Newmont Ahafo Development Foundation also stated that partnerships were critical both to pull in community ownership and expertise (Anderson, NADeF Interview, 2011). In the World Bank case study on the Asociación Los Andes de Cajamarca (ALAC), the collaborative approach taken to implement projects is discussed:

“ALAC manages these programmes and uses NGO’s with skills in the appropriate areas to implement them. This approach supports the network needed to strengthen collaborative approaches to sustainable development” (World Bank, 2010, p. 82).

The ability to involve Professionals in the FTF is considered a Success Factor. Partnerships are widely used as a means to involve professionals in project implementation.

### 4.2.5 Transitions

Transition was a key concept that emerged from the research. In this analysis, transition encompasses all transitions – programmatic method, focus, governance structure, control, and funding mechanisms. It became evident that transition is a key part of creating sustainable positive impacts.

This research identified several FTFs that had significantly changed in structure and objectives. The various reasons for these evolutions included lack of community participation in the initial design of the FTF, change in business objectives, changes in government expectations, increasing local capacity, and change in community priorities. A change in company priorities may also require a transition in focus:


Some of these changes are natural features of the business environment, and may actually be desirable (as in the case of increasing capacity). It is however how a company plans for and copes with transition that will define the results.

Foundations can act to manage the transitions by developing strategic plans and partnerships. Once the strategic plan is established, then the design of the FTF should be consistent with the strategic plan, and consistent with the closure strategy identified in the plan. Consistent with the logic diagram presented in Figure 10, the transition is influenced by the design of the FTF – the funding mechanism, the governance and management functions. Flexibility to adapt to changing conditions while maintaining focus on the objectives of the FTF was identified as a contributory factor to successful transitions.
Quotes from three sources consider the idea of transition in relation to the control and management function.

“Foundations have to transition to community management if the company wants to exit.” (Interview #2)

“A key goal for the [FSM] foundation is moving towards the vision of becoming a fully community-run organization.” (Oxman et al., 2010)

“It is intended that the Banro Foundation will become increasingly independent of the Company.” (Banro Foundation, 2011)

Susan Joyce, a consultant with On Common Ground, discussed building a transition plan into the strategic plan and design of the FTF:

“Even in situations with conflict or low levels of capacity, the transition plan should still be built into the process from day one, with an established view of the status of the foundation at mine closure, no matter how far away that is.” (Joyce, 2011)

This statement summarizes the concept of strategically designing for closure, with an acknowledgement that transition is part of the process. These relationships – to Design, Strategic Plan, and Control – are shown in Figure 14.

Figure 14: Transition Network Analysis
The importance of a strategic plan in managing transitions is evident in the case of the Ok Tedi Fly River Development Programme (OTFRDP). A detailed business plan is being developed to manage the transition of the OTFRDP to a more independent structure, as discussed in the World Bank (2010).

The development of the OTFRDP has in effect been ongoing for 10 years, with many studies having been conducted during this time advising on its structure and role. The independent structure will be formally launches in mid 2010, and a five year detailed business plan is being developed to manage this transition. (p.152)

Industry representatives suggested that the time required to transition should be considered during the design of a project or the FTF structure. Transitioning to community-management may require significant capacity-building, which may require a significant time commitment before the transition (Joyce, 2011). Even when specific projects are designed to be self-sustaining, such as entrepreneurial and small- and medium-enterprise (SME) development, there is a transition period to community-management, which should be factored into project design (Interview #4).

The researcher identified only one FTF that is currently operating in a region in which the sponsoring company no longer has active mining operations. This FTF intends to transition to be fully independent and externally funded. However, it is still in the transitory stage with substantial company involvement.

4.2.6 Sustainable

The code ‘Sustainable’ emerged as the core category from this research, as shown in Figures 13 and 14, with a groundedness of 25 and density of 8, indicating both a high frequency of mention (groundedness) and number of relationships (density). This is to be expected to some extent as the focus of the research was on the sustainable positive impacts of FTFs. Additionally, ‘sustainable’ can be considered from several aspects: the sustainability of the positive impacts of the CSI programs, the sustainability of the FTF (in terms of operational and finance sustainability), and Sustainable Development. All three concepts were coded together in this analysis.

As the core category, the researcher sought to understand the causes and contributory factors to sustainable program results. The logic diagram that emerged is presented as
Figure 10 at the beginning of this section. The diagram indicates that research participants and case studies suggested that a strategic plan, that guided the design process and the development of partnerships, helped to manage the transitions necessary to creating sustainable program results. The local context, including existing institutions and local capacity, and company commitment should be considered in establishing the strategic plan.
DISCUSSION & RECOMMENDATIONS

5.1 Foundation Organization

The author of this thesis specifically did not undertake to confirm the discussion presented by the World Bank (2010) and Oxman et al. (2010) reports on the general attributes about FTF organization. In this research, a brief review of FTF organization was completed, using the questionnaire responses and desktop review, in order for the author to gain a better understanding of the FTF organizations specifically identified by the participants. The general overview completed by the author is in accord with the FTF attributes described by the World Bank and presented in Table 3 of this thesis.

An interesting topic did emerge related to FTF governance and management functions. Depending on the level of community participation in governance and the overall FTF structure, the researcher identified various methods used by FTFs for selecting projects to support. The identified methods are outlined in Table 11.

Table 11: Methods for Project Selection

<table>
<thead>
<tr>
<th>Method for Project Selection</th>
<th>Description</th>
<th>Examples</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strategic Plan or Community Development Plan</td>
<td>Long-term plan developed in consultation with community and other institutions. Ideally, there is alignment between the strategic plan and any government development plan or programs.</td>
<td>Pebble Fund, Impala Bafokeng Trust, NADeF</td>
</tr>
<tr>
<td>Competitive Proposal Process</td>
<td>Appropriate for grant-making FTFs, there is a tender process for new development projects. Either company or FTF representatives select the projects based on the competitive process. This process tends to include strict guidelines on types of investments that will be considered for funding.</td>
<td>Fundación Sierra Madre (FSM), Escondida</td>
</tr>
<tr>
<td>Participatory Planning Events</td>
<td>Appropriate for operating FTFs, program planning is a participatory process between the FTF and stakeholders. Formal planning events are typically regularly scheduled (annual or semi-annual). Additional participation may include informal consultation and formal feedback sessions with Community Advisory Councils.</td>
<td></td>
</tr>
<tr>
<td>Method for Project Selection</td>
<td>Description</td>
<td>Examples</td>
</tr>
<tr>
<td>-----------------------------</td>
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</tr>
<tr>
<td>Community Advisory Committees advise Board Decisions</td>
<td>Appropriate for operating FTFs, projects are selected by FTF governance board following recommendations by community advisory boards. Typically, meetings between governance board and committees are regularly scheduled events. Often, a company or FTF representative works with the Community Advisory Committees to facilitate the prioritization and planning processes.</td>
<td>Banro Foundation</td>
</tr>
<tr>
<td>FTF Management</td>
<td>The FTF management selects appropriate projects based on a needs assessment or socioeconomic evaluation, such as the SEAT tool used by Anglo American.(^{22}) Community consultation is typically part of the needs assessment or socioeconomic evaluation.</td>
<td>Anglo American Foundation Chile</td>
</tr>
</tbody>
</table>

The project selection methods may all be part of a strategic plan, such that the individual project selections are unified by an overarching vision or plan for development. An example of a competitive project proposal and selection process that is unified by a strategic plan can be found at the Impala Bafokeng Trust (IBT). The IBT fund was created after a black economic empowerment (BEE) transaction in 2007 between the Royal Bafokeng Nation (RBN) and Impala Platinum Holdings Limited (Implats). Each committed R170 million (US$20.5 million) to the trust over an 8-year period (2007-2016). The Royal Bafokeng Nation has a development plan, Vision 2020.

Vision 2020 has been developed with the aim of enabling the RBN to become a self-sufficient community by the end of the second decade of the 21st century. This ambitious goal will be achieved only if the development of the RBN’s communal assets and human capital is maximised so that the economic empowerment of individuals within the community is advanced.

RBN’s Vision 2020 is a long-term plan to address the challenges faced by the

\(^{22}\) More information on the SEAT tool can be found at: [http://www.anglochile.cl/en/desarrollo/seat.htm](http://www.anglochile.cl/en/desarrollo/seat.htm)
Bafokeng people by creating opportunities for the people of the region over the next two decades to become economically self-sufficient participants in the regional and national economy (RBN, 2011).

While the IBT has a competitive process for project selection, the strategic plan guides the selection process of individual programs and partnerships.

The Newmont Ahafo Development Foundation (NADeF) has striven to be very community-driven, having built capacity prior to establishing the foundation such that the community could be active participants in the design of the foundation. This focus on community also is reflected in the project selection model. While the foundation is responsible for approval of funding, the community drives the process, as described in the following quote from the questionnaire response:

The projects ALL come from the communities. Each of the ten Ahafo communities has established Sustainable Development Committees whose elected membership is made up of traditional authorities, youth and women’s representatives and Assemblymen. The committees are responsible for development, submission, approval and execution of projects in consultation with the District Assembly. Foundation approves funding based on community Sustainable Development Committee submissions (Anderson, Questionnaire Response, 2011).

The project selection method must be aligned with the intended level of control by community in governance and management. Each method is based on community consultation, which is critical to understanding the needs of the community and building community ownership of the project.

A strategic plan provides a guide for choosing projects. Ad hoc grants and random project selection will result in inconsistent or ineffective results. Strategic programs will have greater success in achieving the goals of the company and the community.

5.2 Sustainability Strategy

“It is not a question of funding; it is a question of design. Design for closure.”

Allison de Coppel de Guerrero

A focus of this research was considering the sustainability of the FTF program results. Formalization and consolidation of CSI programs was identified by research participants as a motivation for adopting the FTF structure. This is consistent with the literature review and
case studies. Formalization may help increase sustainability of program results by focusing on programs that are strategically aligned to key objectives. Formalization includes clearly defining the objectives of the FTF, providing guidelines on what sort of programs will be supported, and developing a strategic plan for achieving the objectives. These elements of formalization were all clearly defined by research participants or in case studies as success factors.

In some situations, an FTF may be successful at achieving its short-term goals without clearly establishing a long-term closure plan, as at Lake Cowal Foundation in Australia. Where the presence and support of the mining company is expected to be lengthy, this may be sufficient in the short term. The IFC however recommends developing a strategic plan at least five years before closure (IFC Advisory Services, 2010). This amount of time is required to adequately manage the transitions involved with closure. In addition, a significant amount of time may be necessary where extensive capacity-building is required to achieve the desired transitions. The research suggested however that the design of the FTF should be consistent with the strategic plan, and therefore it is recommended that, as a minimum, a vision of “what the FTF will look like at closure” be conceptualized from the beginning and a strategic closure plan be developed as soon as possible.

A strategic plan that includes closure planning helps ensure alignment of the closure strategy with FTF design, including operating and financing structure, and program selection. In Figure 15, a simplified diagram is provided by the author as to the basic questions that should be considered in establishing an FTF, ending with the recommendation that any FTF should be designed for closure. The concepts of (1) alignment with community and business objectives and (2) designing for closure are consistent with guidance from the IFC (2010); however this diagram adds the steps of considering project selection methods and focusing on planned transitions as part of the strategic planning process. These steps are integral to the concept of designing for closure.

What is the current focus? → Align with community and business objectives.
How will we meet the focus goals? → Project Selection aligned with Goals.
Will the focus change with time? → Manage transitions.
Where do we want to end up? → Design for Closure

Figure 15: Closure Planning
From this simple diagram and the network maps presented in Figures 12 - 14, a more elaborate checklist for designing an FTF with sustainable program results can be developed, as shown in the Table 12. This checklist clarifies the key steps that emerged from the network maps.
Table 12: Steps to Establish an FTF

<table>
<thead>
<tr>
<th>Steps</th>
<th>Key Elements</th>
<th>Issues to Address</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strategic Plan</td>
<td>Community</td>
<td>How is the community involved in the planning process?</td>
</tr>
<tr>
<td>Alignment</td>
<td></td>
<td>What are the business objectives?</td>
</tr>
<tr>
<td></td>
<td></td>
<td>What are the community priorities?</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Is there a community development plan, established by government or an NGO or CBO?</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Are the FTF objectives aligned with the business and congruent with existing community priorities and development plans?</td>
</tr>
<tr>
<td>Closure</td>
<td></td>
<td>What will be the FTF structure at mine closure?</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Is there a community foundation already established in the area that can administer a fund?</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Is this part of a regional focus for the company, thus the foundation will not be tied to a specific mine site?</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Is there intent to close the FTF at or prior to mine closure?</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Will this foundation continue to operate post mine closure, transiting to a community foundation over time?</td>
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<tr>
<td></td>
<td></td>
<td>Consider the motivations for the FTF and which structure will best meet the objectives identified during the alignment process.</td>
</tr>
<tr>
<td>Transitions</td>
<td></td>
<td>Given the objectives and the closure structure, what transitions are expected, in community priorities, levels of community participation, control functions, etc.?</td>
</tr>
<tr>
<td>Design</td>
<td>Control Functions:</td>
<td>Are these elements designed in accordance with the Closure Structure established in the Strategic Plan?</td>
</tr>
<tr>
<td></td>
<td>Governance</td>
<td>What levels of community participation are desired in the control functions?</td>
</tr>
<tr>
<td></td>
<td>Management</td>
<td>Is there the current capacity to meet these levels of community participation?</td>
</tr>
<tr>
<td></td>
<td>Program Selection Method</td>
<td>If not, what programs need to be put into place to build capacity?</td>
</tr>
<tr>
<td></td>
<td></td>
<td>What transitions are expected, including during handovers and changes in community participation?</td>
</tr>
<tr>
<td>Program Types</td>
<td></td>
<td>What type of programs will this FTF design best support? Do these meet the FTF objectives?</td>
</tr>
<tr>
<td>Performance Management</td>
<td></td>
<td>Are impacts being measured and evaluated for both projects implemented by the FTF and projects financially sponsored by the FTF?</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Are projects monitored following exit of the FTF to ensure continued positive impacts?</td>
</tr>
<tr>
<td>Funding Strategy</td>
<td></td>
<td>What is the current funding strategy? What is the future funding strategy? What steps do we need to take and when?</td>
</tr>
<tr>
<td>Partnerships</td>
<td></td>
<td>What partnerships should be developed in order to meet the objectives?</td>
</tr>
<tr>
<td></td>
<td></td>
<td>What resources will each partner contribute (financing, professional/technical expertise, labour, etc.)?</td>
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<tr>
<td></td>
<td></td>
<td>How will each partner be held accountable?</td>
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</tbody>
</table>
As indicated in section 1.2.3, one of the purposes of this research was to consider the types of FTF from the perspective of the company’s exit strategy. In Table 13, four types of FTF structures are described. The defining differences between these four types of FTFs are the operational model after mine closure, the level of community participation in government functions, and the funding mechanism most appropriate for each structure. By considering the structure of the FTF in terms of the intended company exit strategy, it is easier to consider what structural components should be in place to ensure successful operation and closure of the FTF and/or its programs.
<table>
<thead>
<tr>
<th>FTF Models by Closure Strategy</th>
<th>Example</th>
<th>Programmatic Method and Focus</th>
<th>Funding Mechanism</th>
<th>Governance and Management</th>
<th>Pros and Cons</th>
<th>Closure Strategy</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corporate Foundation</td>
<td>Alcoa Foundation</td>
<td>Tend to be grant making. May be involved in advocacy. The main motivation is typically building the company reputation. Involvement in policy decisions may also be a factor (as related to advocacy).</td>
<td>The funding is typically a percentage of company profits or a fixed income, potentially from an endowment.</td>
<td>Governance primarily by company representatives. There may be independent board members, especially representing expertise in social and community development issues.</td>
<td>Allows a broad focus on global issues, such as climate change, HIV/AIDS, etc. There is little involvement at the project level. A weakness may be to assume funding is enough, rather than diligently monitoring and evaluating implementation partners to ensure effective investments.</td>
<td>The foundation itself is intended to continue operating. Local programs must have an exit strategy on a case-by-case basis.</td>
</tr>
<tr>
<td>FTF Models by Closure Strategy</td>
<td>Example</td>
<td>Programmatic Method and Focus</td>
<td>Funding Mechanism</td>
<td>Governance and Management</td>
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<td>Closure Strategy</td>
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</tr>
<tr>
<td>Community Foundation</td>
<td>Pebble Fund: Administered by the Alaska Community Foundation. Anglo American Chairman’s Fund, Epoch and Optima Trusts and De Beers Fund: Administered by Tshikululu Social Investments</td>
<td>Community foundations tend to be grant-making. Their program focus is varied, but individual funds tend to have specific guidelines about the type of investments that will be supports. The motivation is typically based on gaining or maintaining a social license.</td>
<td>Company commits to funding a community foundation. This may involve a fixed amount for a set period of time, a lump sum payment to be administered over time, or ongoing support from a company (in which case the community foundation is acting as the administrator of a corporate fund, similar to the Corporate Foundation type).</td>
<td>Funds (rather than an independent foundation or trust) are established by companies. An independent community foundation manages administrative functions. Company representatives may be involved in selection of projects.</td>
<td>The company can take advantage of existing expertise and infrastructure, allowing more immediate disbursement of funds (compared to establishing a company foundation, which requires an investment in time and effort to build the expertise and specialized community development knowledge). The company is however reliant on external implementation. As with corporate foundations, it is critical that companies have an effective performance measurement system if they truly wish to ensure effective ‘investments’ rather than just ‘spending’. When the funding is for a fixed term or guaranteed annually, it can facilitate the planning process and allow for long-term commitments.</td>
<td>The funding from the company is typically fixed, thus programs supported by the community foundation must be self-sustaining, finite, or there must be a plan to introduce other community sponsors for ongoing financial support. Where community foundations are used to administer corporate funds (as in Tshikululu Social Investments), individual programs must have exit strategies.</td>
</tr>
</tbody>
</table>

23 A community foundation may be established to administer payments from land use agreements. This is especially relevant in more developed regions where company involvement in governance and management is not as critical. However, a community foundation is typically not dependent on any one sponsor for funding, and this must be considered when establishing a community foundation to administer funds.

24 Similar to a corporate foundation, corporate funds are not tied to a specific project life cycle.
<table>
<thead>
<tr>
<th>FTF Models by Closure Strategy</th>
<th>Example</th>
<th>Programmatic Method and Focus</th>
<th>Funding Mechanism</th>
<th>Governance and Management</th>
<th>Pros and Cons</th>
<th>Closure Strategy</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transitional Foundation (Company Foundation transitions to a Community Foundation)</td>
<td>Newmont Ahafo Development Foundation (NADeF) FSM</td>
<td>Applicable for both grant-making and implementation. The motivation is to develop specialized institutional capacity.</td>
<td>The company commits to fund the FTF during the course of the mine life. Continued operation is dependent on endowment funds and/or alternative funding (such as external grants, sponsors). Often, the FTF sets aside a certain percentage of funds each year for an endowment.</td>
<td>The company is initially heavily involved in governance of the foundation, with the intent to transfer control to community as capacity is built. The foundation may partner with other organizations to implement projects.</td>
<td>This model may be the most difficult in terms of success, as it is ambitious in scope – developing institutional capacity and specialization, and ensuring financial sustainability. The advantage is that the community development efforts will continue post mine closure while the company itself retains more control initially as capacity is built. This model may be most effective where the company presence is extended. i.e. a long mine life (or regional presence) in which to build an endowment and develop capacity.</td>
<td>A strategic plan is essential to ensure the transition to an independent community foundation. The strategic plan must consider operational and financial sustainability. Endowments or external funding are necessary for the continued operation of the foundation. Additionally, while long-term projects may be supported, given the ongoing operation of the foundation, each program supported by the foundation should have an exit strategy.</td>
</tr>
<tr>
<td>FTF Models by Closure Strategy</td>
<td>Example</td>
<td>Programmatic Method and Focus</td>
<td>Funding Mechanism</td>
<td>Governance and Management</td>
<td>Pros and Cons</td>
<td>Closure Strategy</td>
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<td>-------------------------------</td>
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<tr>
<td>Planned Closure</td>
<td>Antamina Social Fund</td>
<td>Both grant making and Implementation. Projects have finite lives and must not require continued support from an FTF. The focus is typically on education and training; capacity- and institution-building; and Infrastructure improvements, such as schools, water and sanitation systems, and medical clinics.</td>
<td>Company funded, potentially with external partners on a program-by-program basis. No endowment is set aside for future operations. Projects may be co-financed by partners.</td>
<td>Company may be involved in implementation of projects, or may partner with an NGO, CBO, or private contractor (in the case of infrastructure developments) to implement. As there is no intent to continue FTF operation post-closure, community representation in governance and management may be limited, although participatory processes for prioritizing programs may be in place.</td>
<td>There may be a lack of ongoing support for community development once the mining company leaves. The company typically retains greater control over the FTF. This lower level of independence can make it more difficult to attract partners, but also allows the company to ensure more alignment between FTF-sponsored programs and company objectives.</td>
<td>Each program must have a defined timeline. Exit strategies are developed on a case-by-case basis. Impact-focused programs, such as infrastructure development, require an external sponsor to avoid the failure of the infrastructure due to a lack of capacity and ongoing support.</td>
</tr>
</tbody>
</table>
Types of programs supported by the FTF should be consistent with the FTF closure strategy. From a closure perspective, the researcher identified three types of programs, as outlined below:

1. **Self-sustaining:**
   - This type of project includes micro-finance and support for business development. These projects are initially company funded, but the success of the businesses depends on eventual financial self-sufficiency. The company should have an exit strategy from each business development opportunity.
   - Programs are ongoing without continued financial or operating support. This style of program is most applicable to “economic sustainability” and developing a diversified economy.
   - Business development programs are complimented by market network building and entrepreneurial training programs.

2. **Finite Projects:**
   - Finite Projects include Infrastructure Development or short-term program support in education, training, etc.
   - Infrastructure development should only be undertaken with a strategy for operation and maintenance once the capital project is completed, lest ongoing support from the FTF become necessary. External sponsors (community organizations, NGOs, government agencies) for each project are an option used by some research participants. The operating and maintenance strategy should be developed and committed to by all parties prior to infrastructure development commencing. One FTF representative discussed that a critical element was to hand over a turn-key project – fully equipped and supplied. This helps to ensure immediate use by the intended beneficiaries.

3. **Ongoing Support:**
   - Research or long-term program commitments, such as in environmental conservation, cultural programs, education and capacity-building, may require ongoing support for several years. These types of commitments should only be made by FTFs with a closure strategy consistent with the duration of the programs.
5.3 Criteria for Success

Many of the discussions with industry professional and representatives of FTFs surrounded “lessons learned” or “success factors”. These success factors were generally consistent between participants, with some specific to local context and situations. The following are typical success factors:

Company Commitment

Many participants spoke about company commitment, a subject that is found in the literature on community social investment. Commitment was discussed in its relation to building trust between the company and other stakeholders. As discussed in the literature review, trust is a significant part of partnerships.

Partnerships

A partnership approach was identified as a critical factor for successful program implementation in many cases. Partnerships add to the sustainability of programs by involving additional sectors and were used for project implementation by all research participants.

Partnerships can be formed on a project-by-project basis, or long-term partnerships and alliances may be sought. Participants indicated that the process of building a partnership can require a significant investment of time and personal commitment as cultural differences are overcome. Early identification of goals and resources that will be contributed by each partner, potentially mapped out in a formal MOU, may help mitigate some of the tension and confusion associated with different cultures and modes of operation.

Community Participation

All FTFs that participated in this review had community participation at some level. This was identified as one of the most important success factors. Local involvement is critical in identifying priorities and developing community ownership of the investment projects. Local involvement with the foundation in implementation also provides the opportunity to build trust.

In Peru and Chile, the foundation must be involved in the implementation. The process is just as important as the end project as each project is an opportunity to build relations and trust with people and institutions (Guerrero, 2011).
Several participants discussed the importance of community participation particularly in the process of establishing the FTF.

“Considerable time and effort invested to establish open dialogue, a collaborative approach and trust” (Shallvey, 2007).

The process may take years, depending on the capacity of existing institutions and the community, but it is the most important part of the foundation from the company’s perspective. Building the capacity of the community and the institutions such that they can and are willing to be equal partners in the foundation (whether through governance, management, community advisory boards, or program partners) will leave lasting benefits while significantly contributing to community relations during operation.

The independent platform of the FTF may contribute to community involvement, especially in areas with mining legacy issues or community hostility, such as in the case of FSM in Guatemala (Oxman et al, 2010).

**Clear Charter or Mandate**

Formalizing the social investment decision-making process was identified as a motivation for establishing an FTF. Associated with this is a clear charter or mandate for social investments. The program selection process must be open and transparent, based on a clear set of guidelines about what type of investments will be considered.

**Performance Management and Evaluation**

The process of monitoring and evaluation was identified as a success factor in the literature review (Warhurst, 2001, p. 32; World Bank, 2010, p. 11). Interesting enough, this was not regularly discussed by the participants except when specifically identified in the questionnaire. In general, established FTFs had formalized performance measurement systems, such as program-specific KPIs or Balanced Score Card. FTFs that had more recently been established tended to use more informal approaches to measuring success. It is recommended that all FTFs develop monitoring and evaluation systems that include performance measurement on program impacts, feedback loops, and post-project evaluation.

**Involve the Professionals**

The administration of the FTF needs dedicated professionals. Established FTFs typically have a dedicated team of professionals, or outsource this function to community foundations, as in the case of the Pebble Fund. It is important for companies operating
in under developed regions, where the FTF structure is still being developed, to understand that community social investment is a specialized field and should not be considered an add-on. If one of the goals of the FTF is to avoid ad hoc investment decision-making, then it only makes sense to involve a dedicated team to administer the program. Partnerships and collaborations with NGOs and development agencies may help the FTF build its knowledge on social investment.

Separate the Issues

Many of the participants spoke on the subject of separate the issues of investment from mitigation and compensation.

The focus of the Palabora Foundation has evolved over time. It now includes implementation of BEE and closure plan requirements, rather than focusing strictly on development or impact issues. This dual-focus has required the Palabora company to increase control and involvement in the Foundation, as well as led to some confusion as to the role of the Foundation versus the company in stakeholder engagement (World Bank, 2010).

While some FTFs are used to administer integrated benefits, separation of the issues is considered best practice and is a recommendation found in the Oxman et al (2010) report. The advantage of an independent FTF that solely focuses on investment is that it may help alleviate some confusion. However, clear communication must exist between company and FTF to ensure that the engagement strategies and projects are not in conflict.
6 SUMMARY OF FINDINGS, CONCLUSIONS, AND FUTURE RESEARCH

Mining companies are increasingly choosing Foundations, Trusts and Funds as a vehicle for social investment. An understanding of these structures is important for anyone working in or considering methods of CSI, including the governments, communities and other institutions that may be impacted by them. FTFs represent a significant commitment to community social investment, and so companies are advised to consider the pros and cons of an FTF with a high level of diligence and commitment.

6.1 Summary of Findings

The following summarizes the key points from the main chapters of this thesis.

6.1.1 Literature Review and Methodology

This thesis considered the motivations for and methods of community social investment in the mining industry, with Foundations, Trusts and Funds being one subset of the identified approaches. The study of FTFs in the mining industry is relatively new, and thus much of the work done to this point consists of case studies and the development of typologies based on defining attributes. The evolution of typologies and the main attributes are briefly discussed in the literature review.

An overview of theories related to partnerships and collaborative approaches, such as social networks and mess management, were briefly reviewed as partnerships were identified as a major success factor and mode of implementation for FTFs.

Data collection consisted of questionnaires and interviews. The questionnaires were distributed to mining companies and FTFs by email. There was a relatively low response rate to the questionnaires. It was noted that most responses were received from participants whom the researcher was able to contact via a personal introduction. The “cold-call” approach to questionnaire distribution was not effective. Some responses were received by representatives of FTFs that have previously been involved in case studies. These responses guided the researcher to the appropriate case study. It is suggested that the recent interest in the FTF structure has led to a certain participant fatigue.

The questionnaire was intentionally designed to constrain the responses, for ease of the participant. This however was not in keeping with the grounded theory approach later chosen for analysis. The author notes that future research using grounded theory should reflect a more open-ended data collection methodology, such as focusing on interviews or open-ended questions in the questionnaire.
The author acknowledges that there are various sources of bias inherent to the research approach taken, including personal bias in interpretation of data, bias in the literature review, and bias in the data set used for analysis. Further commentary on this topic can be found in section 3.4.

6.1.2 Results
There were two parts to the analysis done in this thesis. The first part consisted of a more traditional analysis of the questionnaire results, focusing on specific questions of interest.

The two most commonly chosen “motivations” for establishing an FTF were to gain or maintain social license and to build capacity. Those respondents that did not indicate either of these as motivations typically indicated some sort of regulatory motivation.

Performance measurement systems are not standardized within the FTF sector, and are quite often informal or non-existent. Business rigour, including proper monitoring and evaluation of projects, was identified as a success factor in the literature review.

Funding mechanisms were quite varied between respondents, but were consistent with those methods identified in the World Bank (2010) and Oxman et al. (2010) reports. Community consultation was part of the project selection method for every respondent; however, the level of community participation in management and governance was highly varied. Those FTFs with the lowest levels of community participation in the governance function typically did not intend to continue the FTF operation post mine closure.

The second part of the analysis used ATLAS.ti, a PC-based research analytic tool, for the grounded theory coding process. The significant concept that emerged from the data was Sustainable, which might be expected given the focus of the research. Contributing factors to Sustainability were identified: Strategic Plans, Design, Transitions and Partnerships.

25 Funding strategies identified in the World Bank (2010) and Oxman et al. (2010) reports include: external funding (including co-financing), endowments, percentage of revenue or EBITDA, annual budgets, and lump sums (administered over time). A foundation being funded through income-generating activities was not addressed.
During the coding process, the method of project selection was noted as an operational attribute of FTFs that had not been previously explored. Project selection is typically defined by the level of community participation in control functions, such as governance and management. As community participation increases, the program selection methodology tends to change from a community consultation to community-driven approaches.

6.1.3 Recommendations

6.1.3.1 General

One purpose of this research was to outline in which situations a foundation, trust or fund may be the most appropriate vehicle for strategic community social investment. Any mining company that is considering an FTF structure must consider local context in relation to company goals. Key strengths of the FTF structure defined in this research were:

- The independent platform, facilitating the incorporation of professionals, partnerships and community participation;
- The guaranteed, long-term financing, facilitating the development of long-term commitments; and
- The formalization of the community social investment program.

These observations point to strategic investments, guided by professionals, as a key factor in choosing an FTF structure for CSI. It is therefore recommended that every FTF structure start with a strategic plan.

If the intent of a company is to continue the activities of the foundation post mine closure, then the strategic plan must include a transition plan for moving to operational and finance sustainability. This includes transitioning control to the community, or to a community foundation managed by professionals, such that the foundation becomes community-driven.

However, an ongoing community foundation may not be the best choice. If other institutions already exist and share goals with the mining company, collaborating with them on initiatives may be a more sustainable option, leveraging their expertise and infrastructure. An independent structure may be helpful for developing these collaborations, but the ongoing operation of the foundation is not critical.
6.1.3.2  Design and Exit Strategy

The design of the FTF should ensure that all elements of the FTF are consistent with the closure strategy, which should be defined in the strategic plan. This includes funding mechanisms, control functions, and project selection method.

There is substantial value in involving professionals in social development. It is also important to include administrative and management professionals that can ensure the FTF is managed with due business rigour, including the development of monitoring and evaluation systems that include performance measurement on program impacts and feedback loops. Managing the FTF as an investment rather than as an expense will enhance company commitment. This distinction will also help to separate the issues of investment from mitigation and compensation.

A critical element in ensuring sustainability of positive impacts is the development of partnerships. All respondents indicated that implementation methods included partnerships. It is recommended that all FTFs develop a partnership strategy as part of their strategic plan. The ICMM *Mining: Partnership for Development Toolkit* may be a valuable resource for companies developing a partnership strategy.

6.1.3.3  Advocacy

Very few FTFs include policy and advocacy as a focus area for investment. The Oxman et al. (2010) report identified five foundations or funds that are involved in advocacy (Alcoa Foundation, Anglo American Chairman’s Fund, DeBeers Fund, Las Bambas Social Fund, and Namdeb Social Fund). The author also noted that the Impala Bafokeng Trust participates in advocacy.

“Through grant-making, advocacy, research and facilitating common-purpose partnerships we contribute towards sustainable social and economic development in the Bojanala District” (Impala Bafokeng Trust, 2010).

Most of the FTFs that participate in advocacy are regional or corporate foundations, focusing on broader issues than the area of influence of a single mine. The Alcoa Foundation discusses advocacy in relation to climate change.

Alcoa has taken an active public stand on climate change. To support and enhance this focus Alcoa Foundation actively partners internationally recognized NGOs working in the research and policy arena to engage multi-sector
stakeholders, inform policy development, build broad “green” constituency, and mainstream sustainable mitigation practices (Alcoa, 2011).

Advocacy is one of the “Six Practices” of catalytic donors identified in *Do More Than Give* (Crutchfield, Kania, & Kramer, 2011). It is noted that many foundations avoid advocacy, associating it with lobbying (which is restricted for not-for-profits in the United States). However, Crutchfield, Kania and Kramer argue that advocacy includes public education on issues and funding and participating in collaborations. These approaches complement grant making activities.

Many FTFs at a local and operating level may be involved in this sort of advocacy, perhaps without defining it as such. It is recommended that FTFs identify advocacy as a strategic area in which to invest to complement their own efforts – by building collaborative networks and raising public awareness around issues in which the FTF is investing.

### 6.2 Conclusions

Community social investment is an accepted part of sustainable development programs, especially in developing countries. The 1990s and 2000s saw the establishment of several Foundations, Trusts and Funds in the mining industry. Many of these were associated with land use agreements or were due to external motivations, such as government pressure or regulation, as seen in Peru. FTFs however have also gained a place as a recognized vehicle for CSI with distinct advantages, and disadvantages, compared to the alternatives of in-house or third-party implementation.

This research posed three research questions. The author’s conclusions regarding these three areas are outlined below:

a) Why are mining companies choosing foundations, trusts and funds for community social investment?

FTFs provide a formalized, independent structure for strategic community investment. The independent structure may facilitate the development of partnerships, help to build trust, provide tax advantages, and attract professionals in community development.

b) What types of governance and management structures have been successful and how is this success measured?
A variety of governance and management structures exist based on the level of community participation and control. The FTF structure should be considered in relation with the closure strategy. Funding mechanisms, programmatic method and project selection should all be consistent with the governance and management structure, defined by the closure strategy.

Success is measured using both formal and informal process – KPIs, Balanced Score Cards, Annual Review, Community Feedback. However, not all FTFs are yet subjected to the same business rigour as their sponsoring companies, thus performance measurement systems have not been universally adopted.

The FTFs that are perceived to be the most successful have a clear mandate, clear guidelines regarding investment criteria, community participation and involvement in project development, and a funding strategy consistent with the closure strategy.

c) How are mining companies developing exit, or handover, strategies from the foundations, trusts and funds?

FTFs commonly develop exit strategies from the supported projects on a case-by-case basis. There are three basic types of projects supports by FTFs – self-sustaining, finite, and on-going support. The exit strategy for each type of project must be considered as part of the project proposal.

At the level of the FTF itself, i.e. the mining company’s exit from the FTF, exit strategies are not as developed. There is typically a broad intent for either the continuity of the FTF or the closure of the FTF at a defined time (e.g. at the end of a fixed term fund or the end of the mine life). However, detailed strategic plans that ensure the successful exit of the company while maintaining the positive benefits post closure are not well developed at most FTFs. While there may be intent to transition to an independent community foundation, this is more difficult to execute without a strategic plan.

The various research objectives stated in the introduction in Section 1.2.3 are addressed throughout the Discussion and Conclusions. A summary of where these objectives are discussed is provided in Table 14.
Table 14: Summary of Research Objectives

<table>
<thead>
<tr>
<th>Objective</th>
<th>Section or Table, Page Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>To outline in which situations a foundation, trust or fund may be the most appropriate vehicle for strategic community social investment</td>
<td>6.1.3.1 General Recommendations, Page 81</td>
</tr>
<tr>
<td>To identify the drivers and motivations specific to the choice of an FTF versus other community social investment models</td>
<td>6.2 Conclusions, Response (a)</td>
</tr>
<tr>
<td>To outline measures of success of the foundations, trusts and funds</td>
<td>4.1 Questionnaire Results, Page 39</td>
</tr>
<tr>
<td>To identify any specific requirements upon which success is dependent</td>
<td>5.3 Criteria for Success, Page 76</td>
</tr>
<tr>
<td>To outline the various ways and means in which to develop an exit or handover strategy</td>
<td>Table 12, Page 69</td>
</tr>
<tr>
<td>To develop a typology of FTFs based on exit strategy</td>
<td>Table 13: FTF Structures Related to Company Exit, Page 71</td>
</tr>
<tr>
<td>To establish what type of FTF structure is most conducive to a given exit strategy</td>
<td>Table 13: FTF Structures Related to Company Exit, Page 71</td>
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</table>

This research sought to understand Foundations, Trusts and Funds in the mining industry, with a focus on sustainable impacts. This research is of significance to any company that is planning to establish a FTF as its vehicle for community social investment in that it relates the concepts of sustainable results to FTF structure.

6.3 Recommendations for Future Research

6.3.1 Expanding the Focus

This research focused on input from mining companies and FTFs only. The perceptions of governments, communities and NGOs were not sought. In terms of future research, it is recommended that perceptions of FTFs be sought from multiple sectors. Several
case studies, with the researcher immersed in the field, would be recommended if grounded theory methodology were to be applied to this research.

This thesis sought to consider FTFs from a different approach – understanding exit strategies and success factors, rather than focusing on structures and attributes, on which recent studies have adequately concentrated. During the research process, three interesting topics for future research emerged.

6.3.2 Clusters
Geographic clusters26 of FTFs are relatively common in the mining industry. For instance, there are clusters in Peru, Ghana, and South Africa. Several community development funds have been established in Australia. There is a growing cluster in the DRC.

There are reasons for this clustering effect that were discussed in the literature review, such as the government pressure and regulatory requirements in Peru and South Africa. It would be useful to have a greater understanding of other motivations and causes of this cluster effect, as well as to understand the distinct features by geographic cluster. For instance, are there common features by region in governance, management, funding strategy and exit strategy? Are there external drivers for these design attributes by geographic region?

Future research could consider the design attributes of FTFs by geographic region, seeking to understand what drives these design decisions – regional factors, local context, or company policies and preferences. A geographic information system may be a useful tool in understanding clusters.

6.3.3 Change of Ownership
Research on the sustainability of an FTF through a change of ownership of the supporting mine, or mining company, would also be an interesting future topic.

Lake Cowal provides an interesting example where the concept of a Foundation, in the form of an MOU between company and stakeholders, survived a change in ownership of the property. There are other examples of mines that support Foundations that have gone through a change of ownership e.g. Inti Raymi and Tintaya.

26 Geographic clustering refers to a number of FTFs found in the same geographic region.
It would be interesting to research this concept at greater depth to understand the structures necessary for an FTF to withstand a change of ownership – What legal framework and structure should be in place to ensure the continuation of a Foundation? Governments and communities would both benefit from this information as they become active participants in FTF design.

6.3.4 Funding Mechanisms
The funding mechanism for FTFs was given consideration during this research, but a more in depth review of funding options may provide useful information to industry and other sectors involved in the establishment of new FTFs. There are several issues related to funding mechanisms:

- FTFs that are created during the exploration and construction (i.e. pre-operating) stages obviously cannot rely on mechanisms associated with mining activity or profit.
- Assuming that there is a company intent to continue the FTF post mine closure:
  - How much of an annual budget should be applied to operating costs versus invested in an endowment?
  - What other forms of financing are available to ensure the sustainability of the FTF?

During the literature review and interviews with industry experts, the mechanism of transferring shares in the mining company to the FTF was considered\(^{27}\). This mechanism during the exploration or operation phases of the life cycle would be a very strong commitment to the community, and seems most applicable in situations where the FTF is part of a land use agreement. However, future research may consider this along with other innovation funding mechanisms for FTF sustainability.

\(^{27}\) This was done when BHP Billiton divested its shareholding in Ok Tedi Mining Limited, creating the PNG Sustainable Development Program Ltd., as well as by Osisko Exploration Ltd. in 2008 when it created the Fonds Essor Malartic Osisko (Osisko, 2008).
REFERENCES


http://www.commdev.org/section/aboutus


http://www.riotintocoalaustralia.com/sustainabledevelopment/1412_our_funds.asp


APPENDIX I: INTRODUCTORY CONTACT LETTER
February 1, 2011

Subject: Industry Survey on "Foundations, Trusts and Funds in the Mining Industry"

I am a graduate student at the Norman B. Keevil Institute of Mining Engineering at the University of British Columbia in Vancouver, Canada. The focus of my studies is sustainable development in the mining industry. I am conducting research on corporate foundations, trusts and funds (FTFs) in the mining industry – their structures, outcomes and impact on sustainable development. Specifically, I am considering:

a) The sustainability of the foundations and the exit strategy of the founding companies,

b) The regional similarities among foundations, such as motivating factors, operating structure, and challenges.

As part of this research, I am distributing a questionnaire to mining companies and FTFs. I would greatly appreciate your participation in this survey. Your responses will be consolidated with all the data gathered to draw conclusions on the above-stated considerations. Please note that people in related fields of study may recognize the organization based on the information provided. If the questionnaire is completed, it will be assumed that consent for use of this information by the researcher has been given.

If you have any questions or desire further information with respect to this study, you may contact me at phone number or email. If you have any concerns about this research, you may contact the Research Subject Information Line in the UBC Office of Research Services at 604-822-8598 or e-mail RSIL@ors.ubc.ca.

I look forward to receiving your responses. I would ask that you please return the questionnaire by April 15th, 2011. Completed questionnaires can be emailed to: email.

Sincerely,

Tara Lounsbery, M.A.Sc. Student
Norman B. Keevil Institute of Mining Engineering, University of British Columbia

Enclosure (2)
APPENDIX II: QUESTIONNAIRE
**Foundations, Trusts and Funds in the Mining Industry – Questionnaire**

This questionnaire is designed to provide the researcher an overview of the foundation, trust or fund (FTF) that the company has established for community social investment purposes. This questionnaire will refer to all foundations, trusts and funds using the abbreviation ‘FTF.’

**Section 1: Establishing the FTF**

<table>
<thead>
<tr>
<th>1.1 What is the official name of the FTF?</th>
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<tbody>
<tr>
<td>1.2 What is the location or region served by the FTF?</td>
</tr>
<tr>
<td>1.3 During which phase of the project life-cycle was the FTF established?</td>
</tr>
<tr>
<td>a) Exploration?</td>
</tr>
<tr>
<td>b) Construction?</td>
</tr>
<tr>
<td>c) Operating?</td>
</tr>
<tr>
<td>d) Closure?</td>
</tr>
<tr>
<td>e) Post-Closure?</td>
</tr>
<tr>
<td>1.4 Did the company contact or work with CommDev (an IFC/World Bank organization) in establishing the FTF? If yes, please describe the involvement of CommDev.</td>
</tr>
<tr>
<td>1.5 What are the primary goals of the FTF?</td>
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<tr>
<td>1.6 What were the main motivators to establish the FTF?</td>
</tr>
<tr>
<td>a) Gain/maintain a social license to operate?</td>
</tr>
<tr>
<td>b) Institution- or capacity-building?</td>
</tr>
<tr>
<td>c) Improved labour force (i.e. focus on health and skills-training)?</td>
</tr>
<tr>
<td>d) Consolidate grant-making and development activities?</td>
</tr>
<tr>
<td>e) Tax incentives?</td>
</tr>
<tr>
<td>f) Government pressure or regulatory requirement?</td>
</tr>
<tr>
<td>g) Community pressure (to share benefits)?</td>
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<td>h) Other? (Please specify)</td>
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</table>
### Section 2: Governance & Management

<table>
<thead>
<tr>
<th>Question</th>
<th>Answer</th>
</tr>
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<tbody>
<tr>
<td>2.1 Is the FTF a separate legal entity from the company?</td>
<td></td>
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<tr>
<td>2.2 Are there independent (non-company) members on the board of trustees (board of directors, etc.)?</td>
<td></td>
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<tr>
<td>2.2.1 How are the members of the board selected? Are they appointed, elected, etc.?</td>
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<tr>
<td>2.3 Is there community representation on the board of trustees or board of directors?</td>
<td></td>
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<tr>
<td>2.4 Does the FTF have a (non-company) staff responsible for management of projects?</td>
<td></td>
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<tr>
<td>2.5 Is the community consulted on projects sponsored by the FTF? Please explain.</td>
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<tr>
<td>2.6 Would you characterize the way that the FTF executes its activities as:</td>
<td></td>
</tr>
<tr>
<td>a) Internal implementation?</td>
<td></td>
</tr>
<tr>
<td>b) Partnered with other organizations (such as government agencies, NGOs, community-based organizations, etc.? Please describe.</td>
<td></td>
</tr>
<tr>
<td>c) Donor / grant-making?</td>
<td></td>
</tr>
<tr>
<td>d) Outsourced?</td>
<td></td>
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</table>

### Section 3: Funding

<table>
<thead>
<tr>
<th>Question</th>
<th>Answer</th>
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<tbody>
<tr>
<td>3.1 How is the FTF company funded?</td>
<td></td>
</tr>
<tr>
<td>Examples: Linked to annual mining activity (ex. $/unit produced; % of profit), endowment, mixed?</td>
<td></td>
</tr>
<tr>
<td>3.2 Are there alternative sources of funding?</td>
<td></td>
</tr>
<tr>
<td>Examples: Government, other private parties, matching contributions from community, NGOs, Grants, etc.?</td>
<td></td>
</tr>
</tbody>
</table>
### Section 4: Measuring Success

<table>
<thead>
<tr>
<th>4.1 Does the company have a policy statement expressing commitment to regional and local development?</th>
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</thead>
<tbody>
<tr>
<td>4.2 Has the company developed performance indicators to measure success?</td>
<td></td>
</tr>
<tr>
<td>4.2.1 If yes, please describe how these are applied. Examples of performance indicators would be greatly appreciated.</td>
<td></td>
</tr>
<tr>
<td>4.2.2 If no, is there an alternative method that the company uses to measure success?</td>
<td></td>
</tr>
</tbody>
</table>

### Section 5: Closure Planning

<table>
<thead>
<tr>
<th>5.1 Is the FTF intended to continue operating post-closure?</th>
<th>Yes / No</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>If Yes:</strong></td>
<td></td>
</tr>
<tr>
<td>5.2.1 For how long?</td>
<td></td>
</tr>
<tr>
<td>5.2.2 Is a long-term operating and funding strategy in place? I.e. Does the company have an exit-strategy from the FTF?</td>
<td></td>
</tr>
<tr>
<td><strong>If No:</strong></td>
<td></td>
</tr>
<tr>
<td>5.3.1 Does the company have an exit strategy from the programs and initiatives sponsored by the FTF?</td>
<td></td>
</tr>
<tr>
<td>5.3.2 Do you feel that the positive impacts created by the FTF will sustain beyond mine closure?</td>
<td></td>
</tr>
<tr>
<td>5.4 Does the company have an exit strategy in case of an unexpected shut-down or closure? Please describe.</td>
<td></td>
</tr>
<tr>
<td>5.5 Will the FTF be involved in any transfers of infrastructure post-closure?</td>
<td></td>
</tr>
</tbody>
</table>
Section 6: Contact Details

<table>
<thead>
<tr>
<th>Name of Person Completing the Questionnaire</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Role in Company or FTF</td>
<td></td>
</tr>
<tr>
<td>Contact Information</td>
<td></td>
</tr>
<tr>
<td>Phone</td>
<td></td>
</tr>
<tr>
<td>Email</td>
<td></td>
</tr>
<tr>
<td><em>(Optional)</em> I authorize the use of my name and/or position or title in any reports coming out of this study.</td>
<td><em>Please initial to right.</em></td>
</tr>
</tbody>
</table>

*(Optional Phone Interview)*
If you are willing to participate in a follow-up phone interview about the FTF, please read and return (with this questionnaire) the attached consent letter.

Please feel free to provide any additional information or commentary about the foundation, trust or fund that you feel would be relevant to this research.

Thank you for your time and efforts in completing this survey. Please return your completed questionnaire by April 15th to:

Tara Lounsbury
M.A.Sc. Student, Normal B. Keevil Institute of Mining Engineering
February 1, 2011

Subject: Follow-Up Phone Interview Consent Form

I would like to conduct a phone interview with a representative of the Foundation, Trust or Fund. The focus areas of the phone interview would be any unique features of the FTF identified in the questionnaire, the exit strategy of the founding company, any regional collaborations and/or partnerships, and successes and challenges of the FTF.

If you or another representative of the FTF is willing to participate in a phone interview, please provide contact information below or contact me at phone number or email to schedule the phone interview at your convenience.

Name: ________________________________
Role in Company or FTF: ________________________________
Phone Number: ________________________________
Email: ________________________________

Confidentiality

If a phone interview is completed, it will be assumed that consent for use of the information discussed during the interview has been given. Persons in related fields of study may recognize the FTF and/or representative based on the information provided during the interview.

Optional Waiver of Confidentiality

By initialing below, I authorize the use of my name and/or position or title in any reports coming out of this study.

Name ________________________________ Date ________________________________ Initials ________________________________

If you have any concerns about this research, you may contact the Research Subject Information Line in the UBC Office of Research Services at 604-822-8598 or e-mail RSIL@ors.ubc.ca.

Sincerely,

Tara Lounsbery, M.A.Sc. Student
Norman B. Keevil Institute of Mining Engineering, University of British Columbia
APPENDIX IV: SAMPLE INTERVIEW QUESTIONS

Foundations, Trusts and Funds in the Mining Industry – Phone Interview

If the respondents to the questionnaire indicate willingness to take part in a phone interview, the exact questions asked during the phone interview will be based on the responses to the questionnaire. The foci of the phone interview will be to gain a better understanding of:

a) The governance and management structure of the foundation (See Section 2 of the Questionnaire). The company or foundation representative may be asked to elaborate on the roles of the founding company and the community in the governance and management of the existing foundation. The interviewer may ask the interviewee:
   a. Why were the governance and management structure established in the manner indicated?
   b. What are the challenges of the current management / governance structure?
   c. Are there government restrictions on the structure of the foundation, trust or fund?

b) The successes of the Foundation (See Section 4 of the Questionnaire). Sample questions may include:
   a. Please describe some of the successes the Foundation has had. How has success been measured in this case?
   b. Do the company and the foundation have different measures of success? How do these measures differ?
   c. What have some of the challenges been?

c) The exit strategy of the Foundation (See Section 5 of the Questionnaire). Sample questions may include:
   a. Why has the company opted for the current exit strategy?
   b. Are there plans to develop an exit strategy?

If the Foundation, Trust or Fund is serving a location or region (See question 1.2) in close geographic proximity to other Foundations, Trusts or Funds, the interviewee may be asked about cooperation with other Foundations or differences between Foundations in close geographic proximity. For example, it is known by the researcher through prior web research that two Foundations are collaborating on some projects in Ghana. If similar situations exist in other regions, the interviewer may ask about the collaborative activities: motivation, success, etc.