Resource Royalties Distribution and Community Development: case studies from Nunavik, northern Ontario and Alaska

ReSDA workshop, Ottawa
October 26-28 2016

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Introduction

Issue of mining revenues:
Benefits: contribute to income, to economic and social development

Negative social impacts: social conflict, support destructive behaviour, encourage waste and corruption

Ongoing debate about the so-called «resource-curse»:
Can institutions mediate the impacts of resource development?
Objectives:

Analyze the different methods used by indigenous communities and organisations to distribute royalties and profit shares paid by resource companies.

Document the benefits and negative impacts of distribution strategies in order to identify the most sustainable practices and those that allow communities to benefit economically and socially from the royalties.
Methods

- Literature review on the modes of distribution of royalties and profit shares in aboriginal communities, in Canada and abroad
- Phone survey that targeted aboriginal communities in Canada who signed an IBA
- 3 case studies in northern communities
# Modes of distribution (Literature Review)

<table>
<thead>
<tr>
<th>Advantages</th>
<th>Direct Payments</th>
<th>Programs and Services</th>
<th>Infrastructure</th>
<th>Trust funds</th>
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<tr>
<td>Individual Choices</td>
<td>Intragenerational Equity</td>
<td>Contribute to income security</td>
<td>local control on program and services</td>
<td>collective needs</td>
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<tr>
<td>Disadvantages</td>
<td>Lost of spurious effects (disincentive to work, substance abuse)</td>
<td>Lack of interregional equity</td>
<td>Governments tend to lower their transfer</td>
<td>High cost</td>
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<tr>
<td>Sustainability</td>
<td>Low</td>
<td>Low</td>
<td>Low to High</td>
<td>High</td>
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Phone Survey

Of the 18 communities that were surveyed:

• Only one community declared making direct payments to individuals; revenues were generally invested in community development projects or in Trust funds.

• Only 2 said they used a third-party for the money distribution (the others did it through local government).

• About half consulted their population regarding the mode of distribution, through a special committee, an assembly or a referendum.

• All respondents said that mining revenues had been beneficial for the communities.

• Lack of transparency in the distribution process was stressed as an important issue, sometimes causing distrust and a sense of inequality.

• Difficulty to retain and invest the funds in the community related to a lack of capacity and infrastructures.
Case studies
Case study: Raglan

In Nunavik, the Makivik Corporation along with 4 Inuit parties, signed the first modern IBA in 1995, the Raglan Agreement.

The Raglan mine (Glencore) is located on Category III lands as defined in the JBNQA and started operations in 1998.
A profit sharing arrangement with Inuit signatories provides on a yearly basis 4.5% of the annual operating cash flow from the mine. Guaranteed annual payments are also allocated to a Raglan Trust and then re-distributed among eligible Inuit beneficiaries. To date, profit-sharing allocations are totaling for more than $130 million.
In Alaska, as a result from the signature of the ANCSA, the NANA Corporation was entitled to approximately 2.2 million acres of surface and subsurface land, including the rich Red Dog zinc deposit.

**Case Study: Red Dog mine, Alaska**

Red Dog

Red Dog Operations is one of the world’s largest zinc mines, located in northwest Alaska, USA.
NANA, who represents 14,000 Iñupiat shareholders, signed a joint-venture agreement with Teck in 1982 for the development of the Red Dog mine.

Since mining began: NANA has retained approximately $480 million from the net proceeds from the mine.
Case Study: Musselwhite mine and Kingfisher Lake First Nation

The Musselwhite gold mine (Goldcorp) is located in northwestern Ontario, and has been operating since 1997.

In 2001, the Musselwhite mine, the First Nation communities of North Caribou Lake, Cat Lake, Kingfisher Lake and Wunnumin Lake, the Shibogama First Nations Council, and the Windigo First Nations Council renewed the Musselwhite Agreement originally signed in 1996. All these First Nations are signatories of Treaty #9.
Revenue distribution strategies and their impacts

**Kingfisher Lake**: the revenues are mostly invested in community services and projects
No direct payment

Economic development: **businesses**, supporting local employment through programs
Revenue distribution strategies and their impacts

In the *Raglan case*, **large direct payments** were said **to improve living conditions** by allowing the buying of material (household appliances, vehicles) that people could not afford otherwise. However, **direct allocations can also cause negative behaviours**, such as absenteeism, substance abuse and domestic violence and foster a culture of dependency.

Salluit has generally opted for individual revenue distribution and Kangiqsujuaq has mostly invested these revenues in **community infrastructures and projects**, and has shown **higher community well-being indicators**.
NANA has opted for a **mixed strategy** between individual payments, collective investment and Trusts. Also, NANA has developed a business arm, the NANA development corporation.
“If we invest in businesses that are in the gulf of Mexico, oil services companies, and Louisiana, we’re not going to have many of our people here go down there and work, We have a few that go down there for a few months and they come back, but it’s not enough, it’s not sustainable for our communities” - Wayne Westlake, NANA President and CEO

“There’s a number of elders [...] they come to me and say: one day that mine is going to be gone, and we’re not seeing enough being done within our communities to sustain them from an economic standpoint or even from an infrastructure standpoint once that mine is gone. What’s going to happen? [...] We haven’t come up with a really good answer …”- Wayne Westlake, NANA President and CEO
Conclusions

Collective investments (when they are medium to long term) can maximize benefits from resource revenues, but are a challenge to achieve when poverty issues are prevalent.

In addition, institutional capacity and political contexts are key factors of success.

Another key aspect of mining impacts and benefits is the level of appropriation of the project by local communities (future research).