



THE UNIVERSITY OF BRITISH COLUMBIA
Report to the Board of Governors

SUBJECT Canadian International Institute for Extractive Industries Development (CIIED)

MEETING DATE April 3, 2013

Forwarded to the Board of Governors on the
 Recommendation of the President

**APPROVED FOR
 SUBMISSION**

Stephen J. Toope, President and Vice-Chancellor

DECISION REQUESTED **IT IS HEREBY REQUESTED** that *the UBC Board of Governors approve* the execution of a contribution agreement with CIDA to establish the CIIED at UBC in partnership with Simon Fraser University.

Presented By John Hepburn

Report Date May 17, 2013

EXECUTIVE SUMMARY

UBC and Simon Fraser University (SFU) and École Polytechnique de Montréal (EPM) have formed a coalition that has been selected by the Canadian International Development Agency (CIDA) to establish the Canadian International Institute for Extractive Industries and Development (the name may be changed, but herein referred to as the “Institute”). We are negotiating a \$24.6M contribution agreement with CIDA to establish the Institute effective April 2013. The Institute will be housed at UBC with ‘branch offices’ at SFU and Montreal. CIDA funding will be for the initial 5 years of Institute operations, and UBC and SFU have made a commitment to support the Institute for a 10-year term (renewable). These commitments are outlined in detail in the next section (under “costs”), and are normal for a research centre of this type. The Institute will act as a centre for Canadian and world-class expertise in improving and strengthening resource governance in developing countries, so that resource extraction (minerals, oil and gas) contributes to sustainable and equitable socio-economic development, and in particular to poverty reduction. Through collaboration with in-country partners or participants, the Institute will engage in capacity building in policy, legislation, regulatory development and implementation, training, technical assistance and applied research related to the developing country’s extractive sectors. The Institute will focus on three priority areas for programming: Governance Processes, Integrated Resource Management, and Economic Development and Diversification. Four integrated activity centres will be established: Advisory Centre (UBC), Applied Research Centre (UBC/EPM), Engagement and Dialogue Centre (SFU), Learning and Education

Centre (SFU/UBC).

The coalition has developed strategic partnerships with Canadian and international academic institutions, governments, inter-governmental organizations, NGOs, advisory services, and extractive sector companies. These partners complement and expand the expertise of the coalition, and ensure a sustainable operational infrastructure, whilst extending the value and reputation of its global presence in developing countries.

Place and Promise - International Engagement
COMMITMENT - Research Excellence
 - Community Engagement
 - Aboriginal Engagement
 - Intercultural Understanding

Place and Promise - Increase the capacity of UBC students, faculty, staff and alumni to engage internationally.
ACTION - Strengthen UBC's presence as a globally influential university.
 - Increase the quality and impact of UBC's research and scholarship.
 - Be a world leader in knowledge exchange and mobilization.
 - Be a leader in fostering students, faculty, staff and alumni engagement within the wider community.
 - Increase engagement with Aboriginal communities in mutually supportive and productive relationships.
 - Remove barriers to greater cultural and intellectual diversity within the University, including those faced by historically disadvantaged groups.

Description & Rationale Institute activities will include:

- Provide training to government personnel on extractives resource management and provide targeted technical assistance in the area of regulatory assessment, development and implementation.
- Deliver courses in developing countries leading to certificate programs for government personnel and extractive sector leaders.
- Provide scholarships for graduate students from developing countries in the area of resource governance.
- Provide fellowships to host government officials, academics and community leaders to interact with Canadians working in this field via study tours, courses in Canada, fellowships, and dialogue.
- Conduct applied research on extractive sector public policy and governance with developing country government and academic research partners.
- Assist groups (women, Aboriginal) that are vulnerable to optimally benefit from their country's extractive sectors through courses and training.
- Coordinate in-country dialogues with multi-stakeholder representation to identify local needs and context, and contribute to inclusion and gender equity.
- Collaborate with developing country and Canadian colleagues in learning and education, applied research and technical assistance to ensure responsiveness to country-led needs.

COSTS UBC: \$3.39M 'cash' over 5 years
 Capital & Lifecycle Operating Includes: Space (\$450K), Reno's (\$50K) and salaries for 1.75 faculty and 1 CRC Tier 2 committed by Faculty of Applied Sciences. The 1.75 faculty are existing faculty members, and the CRC Tier 2 will be from the existing CRC allocation to UBC.

UBC: \$3.3M 'in-kind' over 5 years (Faculty/Staff 'Associates' & Overhead).

Annual Operating Costs of Institute: approximately \$1.7M, not including programming costs. Ongoing financial support will be drawn from three main avenues: Fundraising/Development (primarily from mining, oil & gas industries), Research and Charitable Grants, Tuition and Fees for Services. Annual operating costs can be modified, once CIDA objectives/requirements have been met.

FINANCIAL CIDA: \$24.6M cash over 5 years (CIDA is holding \$400K for evaluation). It is anticipated
Funding Sources, that approximately half of these funds will remain at UBC to run the Administrative Hub
Impact on Debt Ratios and programming associated with the Advisory, Applied Research and Learning and
Education Centres.

SFU: \$4.15M in-kind over 5 years (Chair/Director, staff, Faculty Associates, meeting
space, overhead).

EPM: \$1.3M in-kind for Chair and other in-kind support (space, staff, Faculty Associates)

Strategic Partners (confirmed): \$850K Cash, \$4.1M in-kind (staff and students, materials,
use of facilities, etc.)

SCHEDULE May 15, 2013 – signing of contribution agreement. Institute is formally established.
Implementation May 31, 2013 – SFU BOG signs Governance Agreement with UBC.
Timeline

RISKS A risk register for the Institute has been developed, as required by CIDA. A summary of
Financial, risks most relevant to the BOG are listed below.
Operational &
Reputational

COALITION/GOVERNANCE: A) Due to timing of the SFU BOG meeting, there is a risk
in the delayed signing of the Governance Agreement. [A motion has been passed by SFU's
BOG meeting (March 21, 2013) approving in principle the negotiation and the process.
Prior to signing contribution agreement, UBC will receive confirmation of this in writing
from SFU President]. If the Governance Agreement is not signed, the Institute will cease to
exist and UBC would be responsible for all funds expended to that date, including space
lease commitments (Properties Trust). B) Ineffective Governance Structure: SFU and
UBC are equal partners in the Coalition and share responsibility for accountability of
results to CIDA as well as shared risks. The Governance Agreement outlines the terms and
conditions of the governance structure e.g. Executive Board, 5-9 representatives from
UBC/SFU/EPM and other organizations including government, professional associations
and other academic institutions; Advisory Council non-governing body comprised of
government, industry, academia, NGO and international representatives.

OPERATIONAL: A) Institute will not achieve financial sustainability within 5 year
funding term. B) Strategic partners do not deliver on commitments or funding [CIDA is
providing text reducing UBC's liability for any loss of financial commitments in
exceptional circumstances], C) Inability to stay within CIDA budget; D) Development
risks (gender, economic/political changes, environmental standards, safety, human rights)
are identified in the risk register.

REPUTATIONAL: A) If the agreement is not signed, there are significant reputational
losses to UBC both with CIDA as a funder, but also politically, given CIDA's Minister has
announced that the Institute will be hosted by the UBC-SFU coalition. B) Incidents in
developing countries unjustly linked to the Institute, C) Accusations of improper conduct
in developing countries, D) Work of Institute perceived to primarily respond to Canadian
industry needs vs. developing countries.

BENEFITS Benefits to UBC:

Learning, Research,
Financial,
Sustainability &
Reputational

- Raise the national and international profile of UBC as a global leader in best practices in development and management of mineral, oil and gas resources.
- Substantive influx of financial resources to establish and operate the Institute and hire senior Academic, Management & Professional and Administrative staff to support the Institute's success: UBC will host the Administrative Hub, the Applied Research Centre and the Advisory Centre.
- Provision of financial support to UBC faculty and graduate students, including scholarships for developing country graduate students and short-term fellowships for government and academic scholars.
- Reputational benefits will lead to new development and fundraising opportunities from Industry (mining, oil & gas) for the Institute but also more broadly for UBC.
- Support the development and training of HQPs with that will be future leaders who will play leading roles in government, industry and education.
- Support innovative interdisciplinary research that will address important challenges facing developing countries.
- Enable UBC to attract national and international academic experts who will engage with the activities of the institute, leading to institutional collaborations and partnerships that are mutually beneficial to UBC.

CONSULTATION

Relevant Units,
Internal & External
Constituencies

While UBC's Norman B. Keevil Institute of Mining Engineering, SFU's Beedie School of Business and EPM have been the principal drivers of the Institute, the Steering Committee for proposal development included faculty from across the UBC campus, including the Liu Institute for Global Studies (which will play a lead role in the Advisory Centre), Political Science, Geography. Relevant UBC faculty members and departments were consulted, including Law, Sauder and Earth and Ocean Sciences. SFU also had broad-ranging consultations/discussions. Finally, several leading consultants/experts in extractive industries and international development were included as part of the Steering Committee. CIDA provided the opportunity for consultation prior to the RFP release and these documents were consulted in the development of the UBC-SFU proposal. Media coverage of the RFP and CIDA's mandate in this area was followed.

UBCPT

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