

## UNCSD 18 LEARNING CENTRES

### Mining and sustainable development: are they compatible realities?

Under this theme, the learning events will examine some of the key issues surrounding the contribution of mining to sustainable development.

#### Learning event 1: Mining and sustainable development (May 4, 15.00-18.00hrs)

This learning event has two segments.

##### **Segment 1: Mining and its contribution to sustainable development**

a- The resource curse: fact or fiction? Is an exhaustible resource consistent with sustainable development?

This presentation by Andre Bourassa, Secretary of the Intergovernmental on Mining, Minerals, Metals and Sustainable Development, reviewed the data behind what is called the resource curse, and examines the developmental record of mining in a number of countries, developed and developing. The presentation also examined whether an exhaustible resource can contribute to sustainable development and whether metal price volatility limits this contribution.

##### **Segment 2: Linking mining to the national economy: capacity building and good governance**

Can mining create linkages with the national economy to support sustainable development?

Mining may exist as an enclave in the economy. Linkages are important as they would form the basis for sustainable development, development that goes beyond the limited existence of the mine. How can mining be made to create linkages within and with other segments of the local, regional and national economy?

Gary McMahon from the World Bank made a detailed examination of the dynamics of development related to mining and provided data on the impact of mining on a number of countries.

ICMM's Fernanda Diez presented ICMM's Resource Endowment Initiative. This initiative involved a detailed analysis of the contribution of mining in key mining countries including Chile, Tanzania, Peru and Ghana.

Patrick Chevalier from Natural Resources Canada highlighted the difference but complementarities that exists between good governance (which focuses on the capacity to manage the mining activity) and sustainability in mining (which focuses on managing the transformation to the natural asset into other forms of transferable assets that go beyond mining).

Finally, Ben Aryee, Head of the Minerals Commission of Ghana presented on the evolution and impact of mining in Ghana.

Following those presentations, the floor was open for discussions.

### **Key conclusions of the learning event are:**

#### Mining and sustainability

Mining has been a part of human evolution since the Stone Age. Ninety percent of all mining is in developed and emerging countries, those considered the most successful and consistent economic performers. Clearly mining is associated with economic success. The issue with mining is not that it is based on resources but the fact that resources can generate significant wealth in countries with poor capacity for governance. Under such circumstances, this wealth is often captured by elites who prevent its reinvestment in productive investments in the country. Resources do not create but highlight the existing failures of governance. Mining brings wealth and can contribute and has contributed to sustainable development and poverty reduction.

#### Exhaustible mineral resources and SD

Mining is a business. All businesses close at some point. That is not unique to mining. Generally, the closure of mining is generally predictable and can be planned. Mining tends to be a leading engine of growth for the local economy. In addition, mining frequently provides fiscal revenues and employment over a longer time than most other business do. The operating period of mining must be the time to put in place the future pillars for the post-mine economy. Those pillars will be the knowledge and skills created by the mine, the businesses that emerged or were re-enforced to supply the mine and that can also service other industrial sectors, or the new economic opportunities rendered possible due to the presence of the mine physical infrastructure.

#### Mining and stability of revenue

While the payment of taxes fluctuates with the price of minerals and metals, the largest financial contribution of the mine to the local economy is generally the local expenditures to operate the mine. As long as the mine operates, those expenditures are relatively constant.

#### Mining and linkages to the national economy

The economic impact of mining on a country can vary greatly. It is a function of the size of the mines, the number of mines, the extent of local demand for mine related products, etc. There is not a single recipe for the sustainable outcomes.

- Mining can lead to downstream processing activities. That is however unlikely to happen if there is only one mine or if there is no market for those products. Downstream linkages are activities that are market driven, not mine driven. The amount of downstream processing is therefore not a reliable indicator of economic contribution from mining.
- The largest most consistent significant economic contribution of mining is related to the purchase of local goods and services and employment. Mining has high

operating costs. This extent of such contribution is much greater than payments of royalties and taxes, except perhaps in periods of very high metal prices. Mines stimulate economic activity.

- The largest most consistent significant economic contribution of mining is related to the purchase of goods, services and employment. Mining has high operating costs; this provides opportunities for the local supply of services. This extent of such contribution, which is local, should be much greater than payments of royalties and taxes, except perhaps in periods of very high metal prices. This stimulates economic activity.
- These are often called sidestream activities. They will include trade services (electricians, mechanics, informatics, etc). Over time, this capacity of the local economy to capture mining costs increases as new businesses are created or existing ones are strengthened. An interesting feature of those services is that, while established to service the mine, they can also service other industrial sectors, i.e. the link to sustainability as they will still exist after mine closure.
- Even in countries like Peru that have limited industrial capacity, data shows that Peru is already capturing about seventy-five percent of the purchases of goods and services by the mining industry. This injects over \$4 billion yearly in the economy. The same phenomenon is observed in a number of African countries. Because attention is too often focused on searching for downstream activities, those huge benefits go unnoticed.
- Such services are critical in a sustainability perspective as they will not cease at the time of an individual mine closure.
- The development of clusters is more likely if there is a larger mining sector. This will provide economies of scale.
- Increasingly, the major mining companies have programs to support the creation of new mine related businesses or the strengthening of existing ones. This needs to be done in conjunction with supportive government policies.
- Another common contribution of mining is the generation of other uses of the infrastructure that is put in place for the mine. The construction of roads, power, water supply, communications, etc., are assets that can become the foundation of new non mine related (e.g. agriculture related sale and processing, forestry, etc.)
- In countries like Chile, data shows that the income per capita in the mining regions is greater than in the rest of the country and the income gap between the rich and poor is also narrower. It therefore points to the generation of economic benefits and a more equitable income distribution, i.e. real poverty reduction.
- The capacity to coordinate the benefits of mining into an integrated sustainable framework is the role of governments. Experience clearly shows the need for enhancing the capacity of the local governments to exercise good governance of the mining sector. Although Ghana probably has more capacity in mining than a majority of other countries in Africa, this point was emphasized as a need by a Ghana representative.
- There was consensus that to achieve sustainability, it is essential for all stakeholders to work in partnerships to ensure cooperation and integration of efforts. This partnership framework alone will allow successful delivery of real

- poverty reduction, revenue management, regional development planning, local content, social investment, and disputes resolution.
- Good governance is the proper management of the mining activity. It is a necessary condition for sustainability. Sustainability is the proper management of the transformation of the nature assets into other forms of transferable assets that are beyond the mining activity and the closure of a mine.
  - Sustainability requires a long term vision by all actors or stakeholders

A fitting conclusion for the centre was probably the last slide of the presentation by the representative from Ghana

In Ghana as elsewhere.

- Mining has the potential to make a ...
- Mining Currently makes some ...
- But mining can still make a greater ...  
... contribution to Sustainable Development..

**The sponsors of this learning event**

This learning event was jointly sponsored by the forty three member countries of the Intergovernmental Forum on Mining, Minerals, Metals and Sustainable Development, the World Bank, the International Council on Mining and Metals.