

Mining and People: Increasing Benefits to Local Communities

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Overview of Presentation

- Environmental Issues
 - Emphasis on eliminating/mitigating negative impacts
- Social Issues
 - Mitigate negative impacts & enhance positive
 - Sharing of benefits
- Economic Issues
 - Emphasis on increasing local benefits
 - Community development agreements, foundations
- Country examples
 - PNG, South Africa, Peru (IFC program)
- Conclusions and Lessons Learned



Mining Environmental Protection

The Mining Environmental Footprint

- Commercial scale mining generally has large environmental footprint extending to infrastructure such as roads, railways and ports
- The most significant aspects are
 - Destruction of land, loss of natural habitats and damage to eco systems
 - Negative impacts on water and air quality
 - Transport and storage of hazardous materials
- Key features include
 - Mine waste disposal and storage
 - Mine tailings disposal and storage
 - Water usage and water rights
- Generally speaking these issues are well known and technical in nature but does government have the capacity to ensure that environmental impacts are properly monitored and enforced?



Contemporary Environmental Challenges

Some of the most challenging issues today include:

- Water use and availability
 - Especially in regions with water shortages
- Protecting water quality
 - Both sediments and chemicals
- Protecting and enhancing bio diversity
 - Over what area
- Safeguarding cyanide and hazardous materials
 - Both at the site and along transport route



Environmental Instruments and Enforcement Capacity

Generally speaking countries have good environmental regulatory frameworks

- Compliance with specific standards for exploration and prospecting
- Environmental and Social Impact Assessments (ESIAs) including baseline data collection
- Environmental and Social Management Plans (ESMPs) etc for construction and operation
- Mine Closure Plans and Financial Assurances for mine closure, decommissioning, reclamation and post closure

Monitoring and enforcement are the fundamental weakness

- Attracting and retaining well experienced and knowledgeable staff
- Adequate budgets and resources
- Clear procedures for evaluating and approving EIAs and EMPs and issuing permits

Greater and more organized civil society participation

Preparing frameworks and procedures for and developing civil society capacity to:

- Participate in environmental monitoring
- Have access to ESIAs, ESMPs, and monitoring data



Environmental Protection after Mine Closure

It's not over when it's over

Mine Closure, Decommissioning, Reclamation and Post Closure

- Starting early – preferably at the feasibility stage
- Starting with the end in mind
- Building reclamation into the production process
- Regular Mine Closure Plan Updates
- Ensuring adequate funds are available – financial surety
- Closure acceptance criteria and license release
- Post closure monitoring – need for warranties?



Environmental Safeguards Requirements For WB Projects

- All WB projects require a Safeguards Assessment as outlined in the next column
- Safeguards Assessment
- Environmental Assessment
 - Natural Habitats
 - Pest Management
 - Physical Cultural Resources
 - Involuntary Resettlement
 - Indigenous Peoples
 - Forests
 - Safety of Dams
 - Projects in Disputed Areas
 - Projects on International Waterways



Mining Social Protection

The Mining Social Footprint

Commercial scale mining generally has a large social footprint –starting as early as exploration and extending to infrastructure

The most significant aspects are

- Loss of land, assets and livelihoods
- Influx of outsiders
- Rising costs of food, transport and land
- Creation of haves and have nots

These issues are highly complex, involving group behaviors and power dynamics, particularly if developments are on lands of indigenous societies
They involve not only social risk mitigation but also benefit sharing and community economic development.

Social responsibilities and authorities are often spread across a range of agencies – including National (Social; Labor; Rural Development), Regional and Local Governments and sometimes the Mining Ministry itself, some or all of which may lack capacity to implement their mandates



Contemporary Social Challenges

Some of the most challenging issues today include:

- Addressing perceived hazards - “Is the tailings dam going to collapse and overrun our homes”
 - Building trust and confidence and recognizing the right of communities to have access to information, to be consulted and to have a voice in decisions that affect them
- Absorbing a large influx of outsiders
 - Preserving the rights and interests of long standing residents
- Improving Local Economic Planning capabilities
 - Improving the community’s economic future
- Giving a voice to minority and marginalized groups
 - Making their lives better off, not worse off



Social Instruments

Many countries have good social tools available

- Identification of community residents
- Community consultation requirements and procedures
- Environmental and Social Impact Assessments (ESIAs) and Environmental and Social Management Plans (ESMPs)
- Influx Management Plans
- Resettlement Action Plans, Compensation Rates and Procedures
- Alternative Livelihoods Plans
- Grievance and Dispute Resolution Mechanisms
- Community Development Plans and Agreements
- Mine Closure Plans

Reducing the vulnerability of the poor

- Ensuring that customary land owners/users share in involuntary resettlement compensation schemes
- Giving a voice to women, youth, and the poor in decision making
- Reducing crime and gender based violence



Other Important Social Challenges

Risk Mitigation

- Ensuring that compensation packages include replacement livelihoods and not just cash which may not last
- Identification of risk sometimes not recognized
 - Community Health Risks e.g. mosquitoes breeding in shall water reservoirs
 - Domestic Violence often increases with introduction of cash incomes into remote communities
 - Loss of agricultural self sufficiency because of mines incomes can come back to haunt a community at mine closure

Benefit Sharing

- Allocation of government revenues to sub national mining communities
- Local economic opportunities: jobs, procurement, financing, value added
- Design of company community programs that respond to broad based community priorities, including priorities of women and the poor, not company preferences or community leadership and elite preferences
- Use of company foundations for company community programs



Benefits for Local Communities

Instruments to ensure that local communities benefit from the extractive industries include:

- *Community consultation framework*: assess and assign the roles and responsibilities of governments, the company, NGOs and donors, and local communities on measures to address environmental, social and economic impacts; and
- *Community development plan* facilitated and coordinated by government at central and local levels, in consultation with stakeholders, as part of broader regional economic development plans, including infrastructure
- Should community development agreement be mandatory between mining company and local community?

Community Development Agreements (ongoing WB study)

- Demand for arises from dissatisfaction with:
 - the share of benefits accruing to communities
 - the ways central governments negotiate mining agreements on communities' behalf
- Under pressure from communities & NGOs, governments are adopting measures to address communities' concerns about benefits sharing
 - Increasing fiscal decentralization & share of revenues going to regions & communities
 - Seeking to mandate & regulate CDAs
- Some companies like clarity of CDAs; others see it as another potentially onerous piece of legislation that they have to fulfill

Potential Benefits Of CDAs In Mining Communities

- Clarify roles and responsibilities of communities, companies, and Governments respectively;
- Better manage expectations of communities and companies;
- Enhance participation and consultation mechanisms around local economic development;
- Facilitate results measurement and reporting;
- Better identify capacity building needs;
- Facilitate reporting and enhance transparency around local economic development efforts and social investments;
- Maximize benefits to communities. Help companies and governments to obtain “social license to operate.”



Elements of a CDA

Community development agreements should include :

- ◆ Management of the agreement: person, board, foundation...;
- ◆ Representation of the qualified community;
- ◆ Participation of a qualified community in the agreement's decision-making processes and implementation;
- ◆ Representation of women and sub-communities;
- ◆ Social and economic contributions;
- ◆ Assistance in creating self-sustaining, income generating activities;
- ◆ Consultation with the community in the planning of mine closure;
- ◆ Monitoring frameworks and participatory approaches the planning, implementation, management, measurement and monitoring of activities carried out under the agreement;
- ◆ Funding requirements and qualifying expenses, disbursement requirements, management, accountability, and transparency of funds;
- ◆ Goals and objectives of the community development agreement.



Community Benefits Package

A comprehensive community benefits package, in principle, should include:

- ***Employment and income-related benefits*** – opportunities during construction and operating phases, including indirect employment (local sourcing, SME development)
- ***Benefits to build local human capital and institutional capacity*** – training for community members and community leaders, capacity building for community institutions, and training & micro credits to support existing and new businesses
- ***Benefits for the community resulting from the development of infrastructure*** – facilitate access to: (i) education, (ii) access to markets, (iii) health, (iv) clean water, etc. - ideally supported by the investor and managed by the government with community participation
- ***Foundations and Trusts***, to sustain human and social capital accumulation, either (a) set up for financing local development initiatives, or (b) set up for providing funds for future generations (post-closure)

Foundations, Trusts, and Funds (ongoing WB study)

- Dramatic increase in number of foundations, trusts and funds since 1990
- Corporations (reluctantly) use them as substitute for weak local government to give something back to community→substitute for taxes
- Majority of foundations, trusts, funds initiated by companies
- About half directly tied to individual mine sites
- Most established as part of licensing/ land access agreements or after operations; few established during closure
- From \$<100k spent per year to \$64 million, with endowments as large as \$504 million

Why Foundations, Trusts, Funds?

- Allow for long term development projects
- Foster partnership/ collaboration
- Delivery of development programs in absence of other institutional capacity
- Participatory, transparent, and accountable mechanism for investment of resources for development

Foundation Good Practice Lessons to Date

- Map stakeholders who can impact & are impacted by foundation's decisions
- Decide how to engage different stakeholders on the foundation & its programs
 - Participation in decision making
 - Selecting community members to foundation boards
 - Creating independent advisory groups & formal community consultation groups
 - Effective representation of vulnerable groups
- Determine a shared vision of what community should look like in 10 to 20 years
 - Programs should fit into that vision
 - M&E effectiveness/impact of programs with that vision
- Harmonization with local/regional economic development programs (if exist)

Mine Closure

It starts when it's over

- The general experience is for communities to severely contract when production ceases – can this be avoided?
- Basic principles include
- Minimizing community dependency over the life of the mine
 - Starting to build non-mining employment as early as possible
 - Developing “mining clusters” and “mining corridors”
- Building community capacity for the post mine period
 - Building community capacity to operate social assets
 - Building community capacity to prepare community development plans



Example 1: Papua New Guinea

- 98% customary landownership – formalized “social license to operate”
- Policy Instruments
 - The Mining Act 1992, followed by Sustainable Development Policy for Mining Sector (the White Paper – under approval in the Parliament)
 - Mining Development Contracts – for each project between the Government and Developer
 - Memorandums of Agreement – for each project between Government, Developer and Landowners through an intensive consultation process (the Development Forum)
 - Women in Mining action plans for each mine

Benefit Streams to Sub-National Levels of Government and Communities in PNG

- Royalties
- Special Support Grant (SSG)
- Compensation and Relocation Payments
- Infrastructure Tax Credit Scheme
- Equity Participation
- Prescribed Infrastructure
- Preferred Area Status, Education, Employment and Business Development Assistance
- Miscellaneous Grants / support

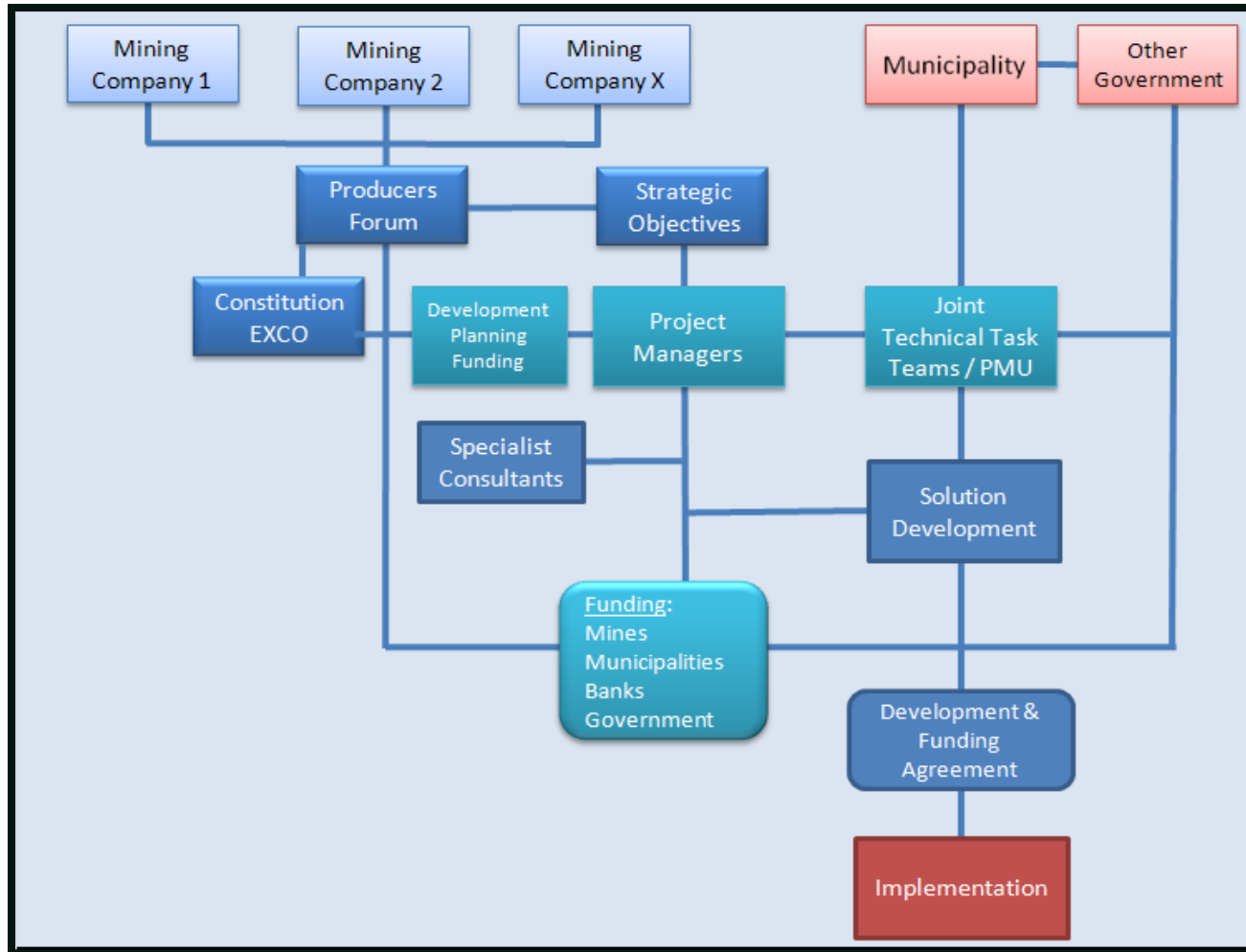
Example 2: SA Mining Charter

- **Ownership**
 - **26% equity participation**
- **Human Resource Development**
 - **40% black managers within 5 years**
 - **10% women participation within 5 years**
 - **Employment equity**
 - **100% literacy within 5 years**
- **BEE Procurement**
- **Beneficiation**
- **Social and Labor Plans**
 - **Migrant labor**
 - **Mining community and rural development**

Corporate Social Responsibility in SA Mining

- **Social and Labor plan is an advanced form of CSR**
 - **Must be consistent with local and regional development plans**
- **PPP Projects Promotes Sustainability in the rural areas**
- **SA Government engages in Social Contract with Mining Investors:**
 - **Spatial management, Land Use Management Schemes**
 - **Land acquisition and housing**
 - **Public infrastructure and services**
 - **Institutional, technical, administrative & political capacity**
- **Need for social license to operate:**
 - **Granting of mining licenses – Broad-Based Socio-Economic Charter**
 - **Mining Charter and Broad-Based Black Economic Empowerment**
 - **Scorecard (BBBEE)**

The Integrated Solution Model:



Project Management Units

Example 3: IFC's Enhancing Local Benefits Program in Peru

- Started operations in LAC on March 2005

Objective

Enhancing the development performance of large investments from oil, gas and mining sectors.

- Focused on extractive industries: Royalties at the sub-national level

We provide advisory services on:

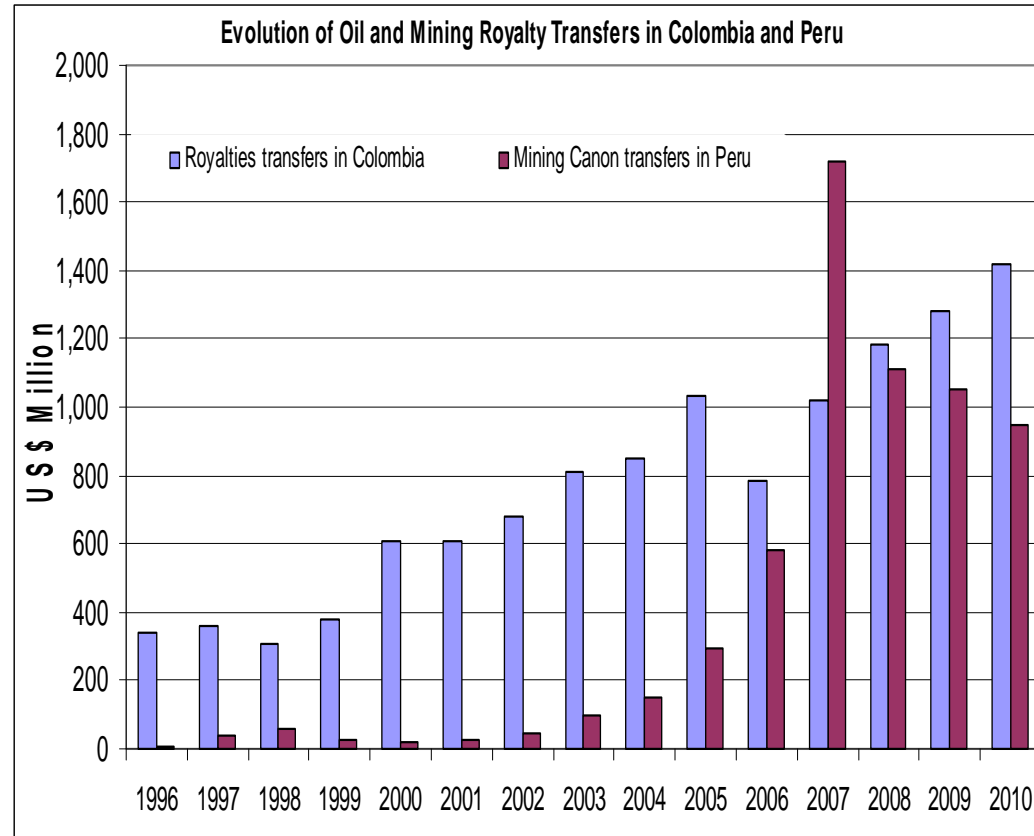
- Revenue Management: Improve local public investment performance financed by royalty transfers.
- Social Accountability: Empower civil society to help local governments become socially accountable.

REGIONAL CONTEXT

Situation of EI in Peru and Colombia

High royalties flows BUT local communities are not benefiting – high potential for development impact.

- missing opportunity for local development
- negative effect on EI investment in the region.



How we are doing it:

Pilot: Cajamarca (Yanacocha) capacity building/monitoring

Publicize Results: Industry fora/Business Development

Replicate: Peru/Colombia – Several OGM companies

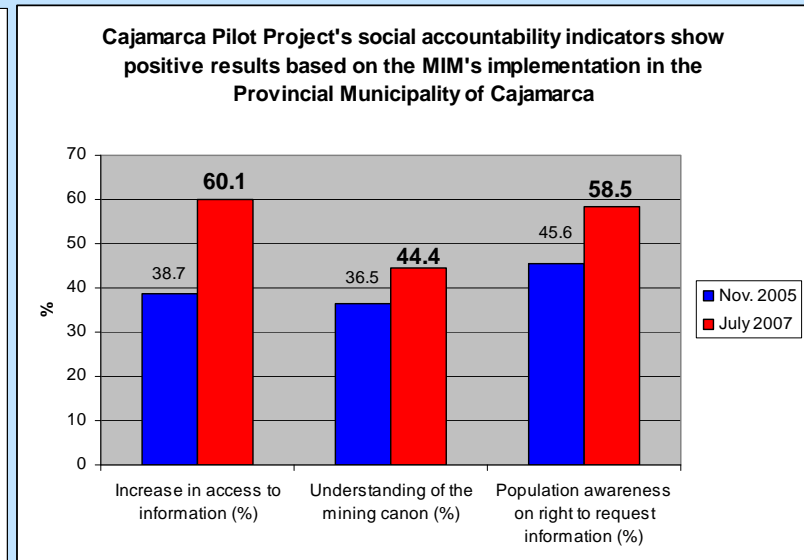
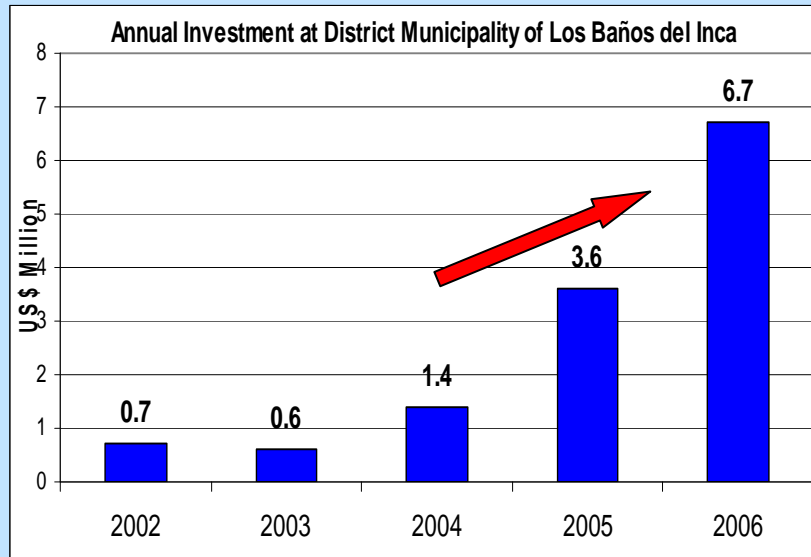
Scale up: Industry Programs in Peru and Colombia/Toolkits

Pilot Project

Example: Baños del Inca, Cajamarca

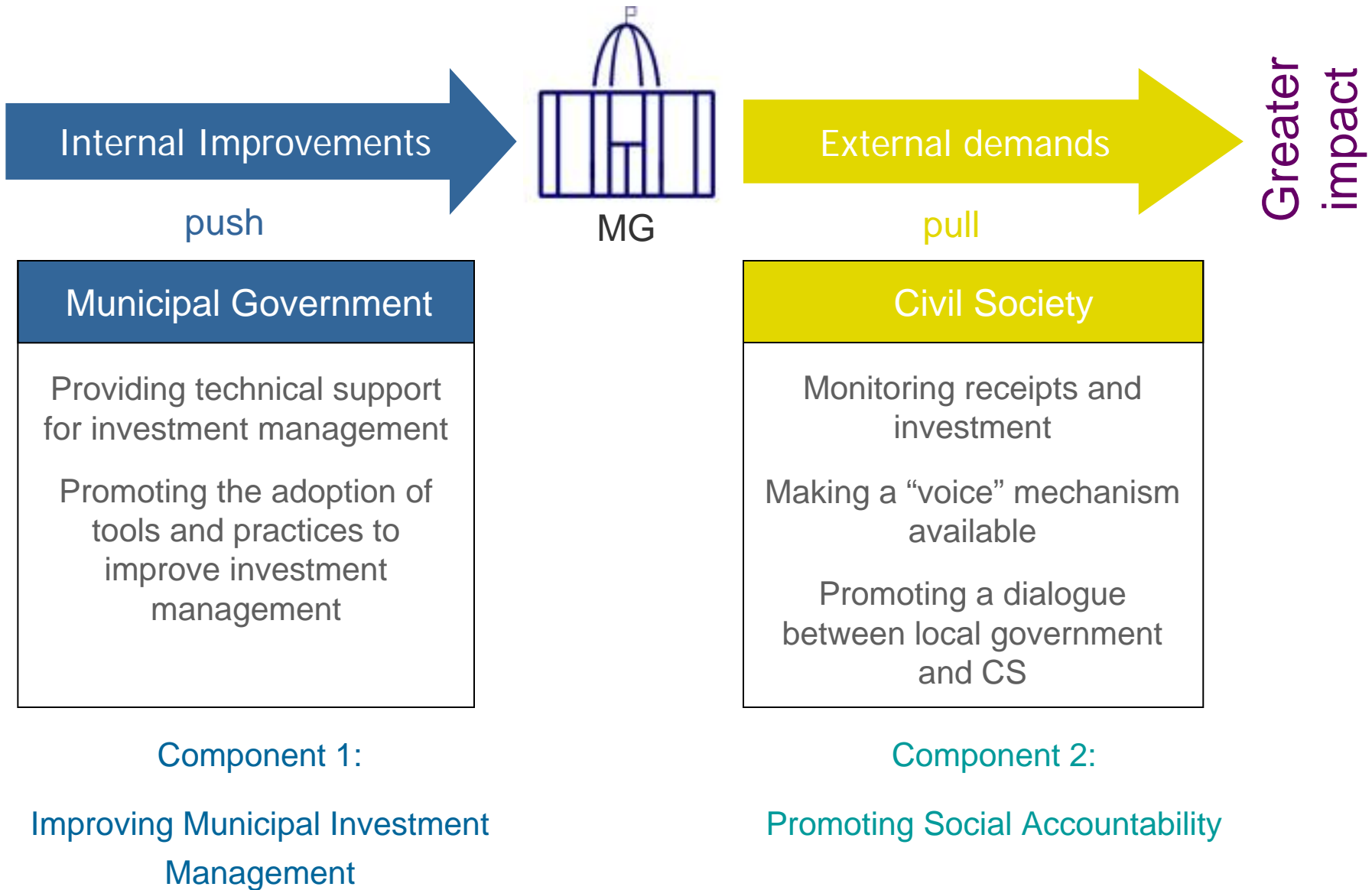
- **Objective:** increase local government use of mining royalties for public investment and empower civil society to help local governments become socially accountable

Results



- Municipal investment increased from \$1.4 mm (2004) to \$6.7 mm (2006).
- # of projects increased from 33 (2004) to 188 (2006).
- Key sectors targeted: health & education (41%), electricity and infrastructure (21%), local economic development (28%).
- MIM increased: i) population's access to information from 39% to 60%; ii) understanding of mining royalties and their use from 37% to 44%; awareness of their right to request information on the use of mining royalties flows from 45.6% to 58.5%

ELB's Approach



Conclusions and Lessons Learned 1

- Environmental issues→essential next step is to build capacity to monitor & enforce existing laws & regs
 - Catch 22 of keeping good staff during mining boom, given civil service salaries
 - Transparency critical so that NGOs & other civil society members can act as watchdogs in meantime
- Social issues→tripartite negotiations should be essential
 - Continuous dialogue with voice for minority/marginalized groups
 - Action plans to deal with in-migration
 - Avoid compensation that leaves recipients w/o livelihoods
 - Govts/firms provide safety nets for those left behind

Conclusions and Lessons Learned 2

- Economic issues → Community consultations involving all stakeholders & voices essential again; manage expectations
 - Best solutions depend on capacity and will vary over time as capacity is built up
- Solutions also depend on mine 'density', longevity, and proximity to larger markets ('geography matters')
 - Is long-term target to build a mine cluster or a sustainable post-closure community?
- Large amounts of fiscal revenues not sufficient answer
 - Emphasis on skills that allows community members to take advantage of opportunities
 - Types of opportunities will depend on complementary inputs (infrastructure, targeted programs)