

Managing Mineral Wealth: Setting the Scene

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How can mining contribute to sustainable economic development?

Outline of Presentation

- A Profile of the Mineral Economies
- Fundamentals of Economic Sustainability
- Different Roles for Different Participants

Proposition # 1

The important issue is not *whether* but *how* mineral wealth can contribute to sustainable economic development

Profile of the Mineral Economies

- Who are the mineral economies?
- No common definition
 - ◆ Mineral output $> 8-10\%$ of GDP
 - ◆ Mineral exports $> 40\%$ of total exports
- This talk: minerals output $> 8\%$ of GDP
- 1970-late 1990s: 39 developing countries were “mineral” economies either at beginning or end of period

Which Nations?

- 17 Africa; 14 Asia; 8 Central America, South America, and Caribbean
- 16 nonfuel, 23 fuel
- 23 continuing, 12 new, 4 ex mineral economies
- 13 low income, 11 lower-middle income, 11 upper-middle income, 4 upper income

Growth in Real Per Capita GDP, 1975-1998

- High: Botswana, + 5.2% p.a.
- Low: Dem. Rep. Congo, - 4.8% p.a.
- Mean, Continuing: - 0.2% NF, - 0.4% F
- Mean, New: - 0.3% NF, + 1.6% F
- Mean, Ex: + 0.7% NF, na F

UN Human Development Index, 1998

- High: Brunei, 0.848
- Low: Sierra Leone, 0.252
- Mean, Continuing: 0.586 NF, 0.715 F
- Mean, New: 0.510 NF, 0.633 F
- Mean, Ex: 0.725 NF, na F
- Mean, all developing: 0.642
- Mean, world: 0.712

UN Human Development Index, 1975-1998 (% change)

- High: Indonesia, + 44.2%
- Low: Zambia, - 5.3% (note: all others “+”)
- Mean, Continuing: +7% NF, + 21% F
- Mean, New: +20% NF, + 20% F
- Mean, Ex: +15% NF, na F

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Proposition #2

Managing mineral wealth for sustainable economic development requires meeting three challenges:

- ◆ Creation challenge
- ◆ Investment challenge
- ◆ Macroeconomic challenge

The Creation Challenge

- To create and then sustain mineral wealth
- In a manner consistent with social preferences for environmental quality and other social and cultural values

The Investment Challenge

- To sustain *economic* wealth even if *mineral* wealth cannot be sustained
- Through investment in human and other forms of sustainable capital
- Create renewable wealth out of nonrenewable wealth

The Macroeconomic Challenge

- To manage the broader economic and political effects of mineral development
- Potential problems and dangers
 - ◆ External economic issues
 - ◆ Internal economic issues
 - ◆ Political issues

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Proposition #3

Take advantage of the differences among participants

Governments

- Setting the stage
- A *facilitating* role in the creation and sustaining of mineral wealth
- A *direct* and *active* role in sustaining the economic benefits of mining
- The *primary responsibility* for managing the broader economic and political effects

Companies

- Profit maximizing, but within a social framework defined by government and broader social preferences
- A *central* role in creating and sustaining mineral wealth
- An *evolving* and *ill-defined* role in sustaining economic benefits
- A *minor* role in managing broader effects

Civil Society

- General: the *process* of decision making
- An *indirect but important* role in creating and sustaining mineral wealth
- A *more direct* role in sustaining economic benefits
- An *oversight or watchdog* role in managing broader economic and political effects

Summary: 3 Propositions

- The important issue is not *whether* but *how* minerals can contribute to sustainable economic development
- Managing mineral wealth requires meeting
 - ◆ The creation challenge
 - ◆ The investment challenge
 - ◆ The macroeconomic challenge
- Take advantage of the differences among participants (governments, companies, civil society)