

Management and Distribution of
Mineral Revenue:
Capacity Building

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Structure of presentation

- Managing mineral wealth at the national level: less a question of capacity than of political will and feasibility
- Mineral wealth at the local level: building the capacity of all stakeholders

The national level

- Both problems and solutions are by and large well-known
 - Ease of appropriating mineral rents: Governance reforms
 - Structural distortion, exchange rate and inflation: Active exchange rate policy, stabilization funds
 - Unequal distribution of benefits and costs: devolution
- Implementing the solutions is more problematic, but capacity is not lacking
 - Political expediency
 - Popular support

The local/regional level: Focus of presentation

- Need for horizontal cooperation
- Involving all stakeholders – not only government authorities
 - NGOs, companies
- Learning by doing

Objective: Maximize the contribution of the mineral sector to economic and social development

This means creating a local economy that:

- is diversified,
- has growth potential,
- will live after mining,
- meets standard of living expectations,
- provides a broad range of employment opportunities

Capacities necessary to achieve the objective

- Local authorities need to be capable of formulating and executing plans for the development of social and physical infrastructure
- People in local communities need to be able to identify and use new economic opportunities
- Companies need to be prepared and able to provide their support

Do these capacities exist where and when needed?

- Skill and experience of local authorities
 - Need for capacity may be questioned by central government
 - Skills are often scarce and cannot be built in advance
- Local communities have no experience of new economic activities
 - Opportunities may be exploited by «outsiders»
- Companies want to define their own responsibilities and have narrow capabilities
 - Paternalism or hands-off
 - Unfamiliarity with issues

(It is of course assumed that...

- The company aspires to be a good corporate citizen
- Political repression is absent
- Central government is prepared to share some of the mining revenue with lower level authorities, through devolution or funding via the budget)

How can the capacities be built?

- No blueprints exist
- Everybody (except the company) is a beginner
- But, tried and tested methods can be used and the experiences of others can sometimes be useful
 - Associations of mining communities
 - UNCTAD project with local officials in Latin America
 - NGOs
- Capacity in this area is not taught but lived

In order to arrive at a strategy,
and to implement it, stakeholders
need to share

- A description of the situation (the map)
- An understanding of the alternatives (routes)
- At least some objectives (destinations)

Description of the situation

- A common language free from jargon and shared concepts are necessary
- Each element of the situation that is relevant to one of the parties must be included
- Transparency
- Don't fear innovations or technology, be it low or hi tech

Understanding and defining alternatives

- Again, use concepts that are relevant to all involved
- Well defined thematic scope
- Reasonable time frame and geographical scope
- Reality checks, mutual education
- Political acceptability and acceptance

Defining and agreeing on objectives

- Step by step process
- Provisional or interim solutions
- The art of compromise
- Need for external facilitators
- Reviews and monitoring
- Revision of map and of objectives