

# Transparency and Governance in the Management of Mineral Wealth

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## **Introduction**

- In my view, as an industry person based in a developing country, the proper management of mineral wealth is absolutely central to the contribution that the mining and minerals industry can make to the global transition to sustainable development
- Given this, and the focus of this workshop session, the purpose of my brief presentation is as follows:
  - To comment briefly on why the management of mineral wealth is so important to us all, and in particular, to developing countries
  - To identify a few of the major challenges which must be addressed in managing mineral wealth, and
  - To highlight the role of transparency and governance in addressing these challenges
- The three challenges I plan to talk about are:
  - The so-called “race for the bottom” in attracting mineral investment
  - The need to achieve an equitable sharing of the wealth created by successful minerals projects
  - The need to reverse dynamics which erode mineral wealth
- But first, let me spend a few moments on why the management of mineral wealth is so important to us all

## **The importance of managing mineral wealth**

- Poverty causes both hardship and conflict, the effects of which are felt everywhere, in one way or another
- Eradication of poverty is thus one of the world’s most important and urgent challenges
- In many of the least developed countries of the world, mineral development can be a springboard for sustainable development, and thus a powerful means for poverty eradication

- Increasingly, experience warns that management of mineral wealth is the key to realisation of this potential

### **Attracting mineral investment - a race for the bottom?**

Key elements of this issue are:

- Countries compete for mineral investment
- Social and environmental costs may be, and often are, externalised and then simply passed on to others, and in particular, future generations
- Additionally, the national share of the wealth created may be further reduced through special deals or policies to attract investment
- The net result of this is that a disproportionate share of wealth may often accrue in other countries

Key governance and transparency requirements to address the issue are:

- A multi-stakeholder partnership based on a framework of key principles
- An industry sustainable development code and guidelines
- Company sustainable development policies
- Equitable arrangements to ensure that social and environment costs are covered
- Publication by governments of mineral wealth generated, revenue received, and of how it is used
- An international public register of all payments by mining companies to governments at all levels

### **Achieving an equitable distribution and use of mineral wealth**

Key elements of this issue are:

- Inequitable distribution of mineral wealth can drive discord and conflict locally, regionally and even globally
- Local communities may experience little benefit from mineral development
- Lack of capacity, coupled with a lack of disclosure fosters corruption which can seriously exacerbate matters
- National and local benefits may be short-term and stunt other development

Key governance and transparency requirements to address the issue are:

- Early stakeholder consultation as a norm

- Clarity on costs, responsibilities and the sharing of benefits
- Integrated impact assessments
- Community sustainable development plans
- Credible project evaluation and monitoring
- Company contributions to building local governance capacity and economic activity
- Disclosure of mineral revenues received and of how used
- National policy to use mineral revenue to create assets for long-term benefit

### **Reversing dynamics which erode mineral wealth**

Key elements of this issue are:

- Companies compete to find new lower cost mines, and this leads to over-production
- Over-production lowers prices and this results in a reduction of the mineral wealth of producing countries
- Tariff protection on manufactured products in consuming countries inhibits value addition in producing countries, and this further reduces the benefits that would otherwise accrue in producing countries

Key governance and transparency requirements to address this issue are:

- An international multi-stakeholder partnership based on a framework of key principles
- An industry sustainable development code and guidelines
- Integrated impact assessments
- Equitable arrangements to cover social and environmental costs
- Removal of tariff protection barriers
- Company certification schemes
- Institutional lending and investment policies which promote good practice

### **Conclusion**

- The combination of cost externalisation, low commodity prices, corruption, and inhibited value addition can substantially destroy the mineral wealth of producing countries
- Good governance is crucially important to prevent this
- Transparency has a vital role to play in the evolution of those governance arrangements which are able to best manage mineral wealth, in a spiral of continuous improvement in standards, development and benefit to all stakeholders – a race for the top?