Transparency and Governance in the Management of Mineral Wealth

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Challenges to be addressed

- Attracting mineral investment - a race for the bottom?
- Achieving an equitable sharing of mineral wealth
- Reversing dynamics which erode mineral wealth

The importance of managing mineral wealth

- Poverty causes both hardship and conflict
- The effects of both are felt everywhere
- Eradication of poverty is one of the world's most important and urgent challenges
- In many poverty stricken parts of the world, mineral development can be a springboard for sustainable development led poverty eradication
- Increasingly, it is being realised that management of mineral wealth is the key to realisation of this potential

Attracting mineral investment - a race for the bottom?

Key points:

- Countries compete for mineral investment
- Social and environmental costs may be, and often are, externalised
- The national share of wealth created may be reduced through efforts to attract investment
- A disproportionate share of wealth may accrue in other countries

Key governance and transparency requirements

- An international multi-stakeholder agreement on a framework of principles
- An industry sustainable development code and guidelines
- Company sustainable development policies
- Equitable arrangements to cover social and environment costs
- Publication by governments of mineral wealth generated, revenue received, and of how used
- An international public register of all payments by mining companies to governments at all levels

Achieving an equitable sharing of mineral wealth

Key elements of the issue:

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

Key governance and transparency requirements

- Early stakeholder consultation as a norm
- Clarity on costs, responsibilities and 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 the issue:

- Companies compete to find new lower cost mines, and hence over-produce
- Over-production lowers prices and reduces mineral wealth of producing countries
- Tariff protection on manufactured products in consuming countries inhibits value addition in producing countries

Key governance and transparency requirements

- An international multi-stakeholder agreement on a framework of 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 sustainable development practice

Conclusion

- The combination of cost externalisation, low commodity prices, corruption, and inhibited value addition can totally eliminate the mineral wealth generated in producing countries
- Good governance is crucially important to prevent this
- Transparency has a vital role to play in the evolution and maintenance of those governance arrangements which are able to best manage mineral wealth in a spiral of continual improvement - a race for the top?