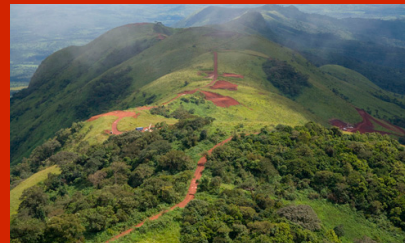


Mining Partnerships for Development - Harnessing mining's wider contributions

IMF Conference, 21-22 March 2012, Kinshasa/DRC
“Managing Resource Wealth in Africa”



Outline

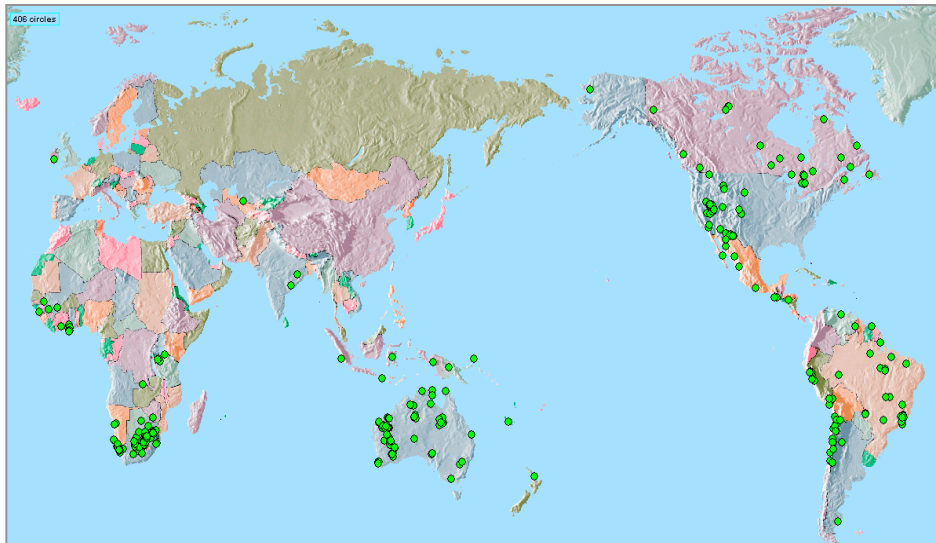
- What is ICMM?
- African regional objectives
- ICMM findings on mineral sector governance
- Importance of Partnerships
- Conclusions

ICMM at a glance



CEO led
21
Company
members

32
Association
members



Over 800 sites
in 62 countries,
excluding
exploration
Programs in
several
thematic areas

ICMM member companies

Australia | **BHP Billiton**

Brazil | **Vale**

Canada | **Barrick**
Goldcorp
Teck

Chile | **Codelco**

China | **MMG**

France | **Areva**

Japan | **JX Nippon Mining & Metals**
Mitsubishi Materials
Sumitomo Metal Mining

Norway | **Hydro**

African Rainbow Minerals

South Africa | **AngloGold Ashanti**

Gold Fields

Switzerland | **Xstrata**

Anglo American

United Kingdom | **Lonmin**

Rio Tinto

**Freeport-McMoRan
Copper & Gold**

United States | **Newmont**

Increasing returns from extractives - for whom?

Is revenue sharing seen as a zero sum concept: one winner (government?) and some losers (companies?)

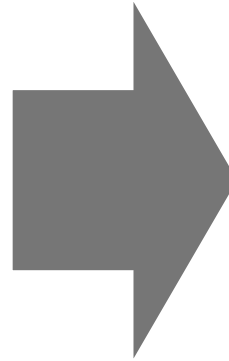
BUT... WHY FOCUS ON THIS?

- In poorer regions, the exploitation of depletable mineral resources is an OPPORTUNITY to build an expanding economic base where little or none previously existed. The right approaches can and do yield positive externalities
- In this approach MANY can potentially share income and other gains (through the value chain) and beyond their immediate slice of tax revenues
- The exact amount of revenue accruing to government is of only SECONDARY importance

African regional objectives...

African Mining Initiative

- **Integrate** the mining sector with the national economy and society - away from mining enclaves
- **Harness extractive resources** for growth, poverty reduction and social development
- Take advantage of the **policy space** created by high commodity prices
- Adopt a **developmental approach** to mineral sector development



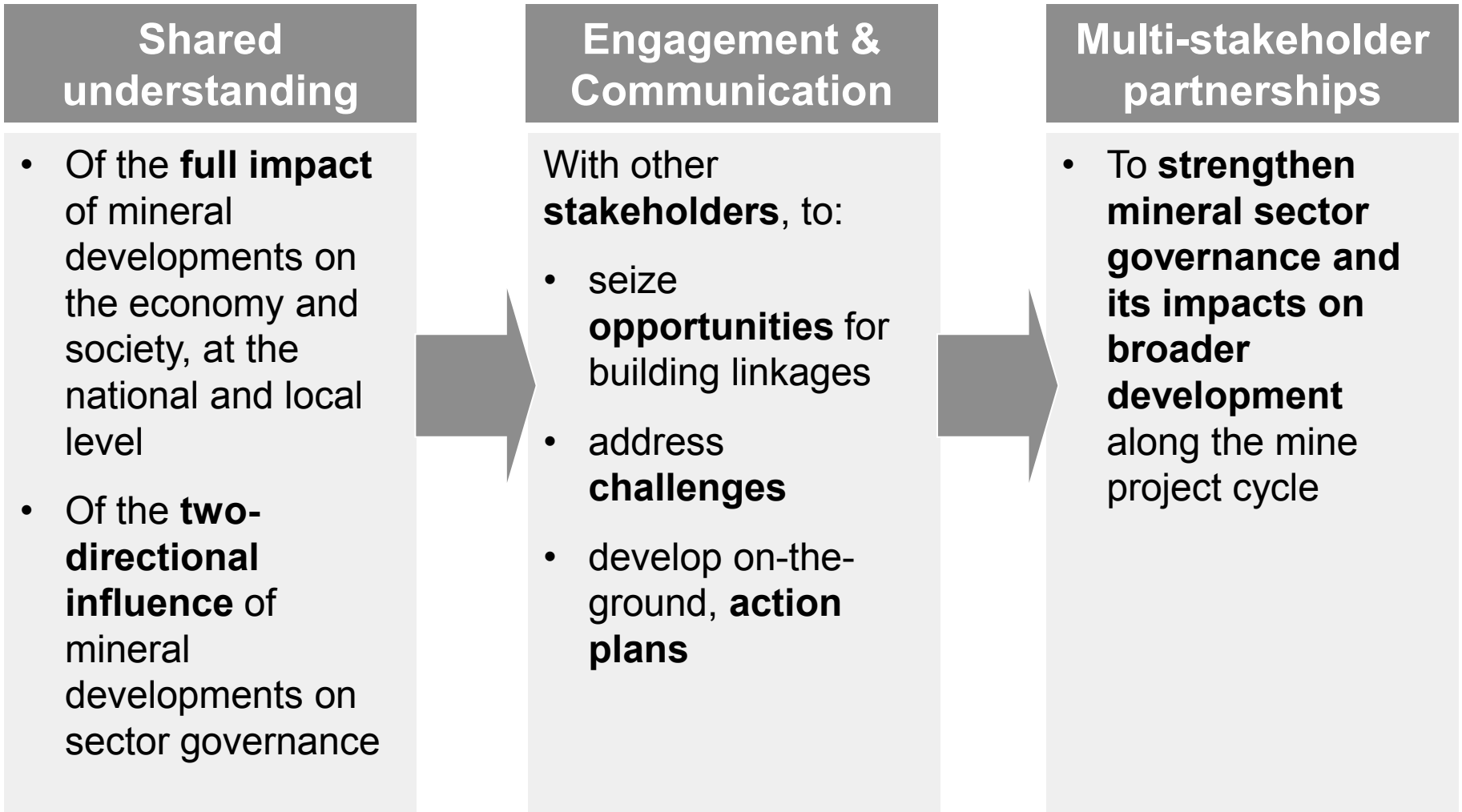
- **African policymakers in charge** of transforming mineral resource management
- Good governance is critical - **build on improvements in governance already made** (e.g. APRM)
- **Create linkages along the value chain**



African Union
a United and Strong Africa



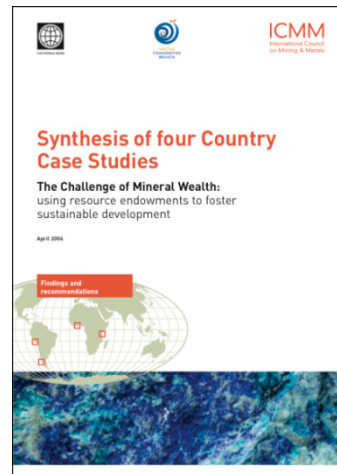
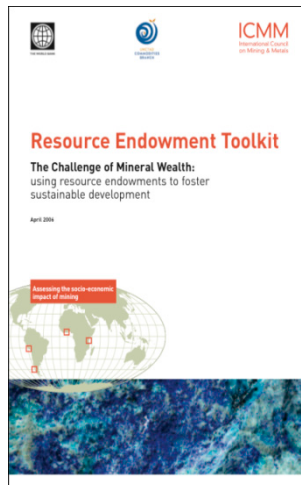
....these are shared objectives with ICMM



ICMM Resource Endowment initiative (REi)

Since 2004, the REi has addressed three main questions:

- What are the direct economic and social **impacts** of mining?
- What are the **critical success factors** that have enabled some countries to benefit from substantial resource endowments and avoid the so-called resource curse?
- What **practical steps** might be taken by the industry, governments, local communities and development agencies to build/enhance these success factors?



REi has resulted in the ICMM Mining Partnerships for Development (MPD) Toolkit

A systematic approach to:

1. Measuring **economic & social** impacts and their interaction with the existing governance framework:
 - positive and negative impacts
 - quantitative and qualitative impacts
 - national and local impacts
2. Assessing the main causes (**success factors and failings**) underlying those impacts
3. Developing **practical partnership ideas** to address capacity gaps and further 'grow the pie'...



MPD ToolkitV3/ July 2011,
[http://www.icmm.com/mpd
toolkit](http://www.icmm.com/mpd_toolkit)

To date the toolkit has been **applied in 10 countries**, including **3 African case studies** (Ghana, Tanzania, Guinea)

Message 1 - Success factors are multi-faceted

Case studies have shown:

Positive impacts depend on **all** of these factors...

- Sound national macro-economic management
- Revenue transparency
- Avoidance of mineral revenues funding conflicts over their distribution
- Reasonable standards of national governance
- Responsible behaviour by companies – sound MDAs
- Implementation of key international initiatives: EITI, Voluntary Principles

...but can be **further enhanced** by these....

- **Quality of governance** at regional and local levels
- **Quality of collaboration** between government, companies, development partners and civil society organizations to enhance impacts in particular challenging areas, including: **Mining AND**
 - (1) poverty reduction,
 - (2) revenue management,
 - (3) regional planning,
 - (4) local content,
 - (5) social investment, and
 - (6) dispute resolution.

These emphasize the inherently **local** nature of mining and the collaborative support needed to overcome challenges in these areas.

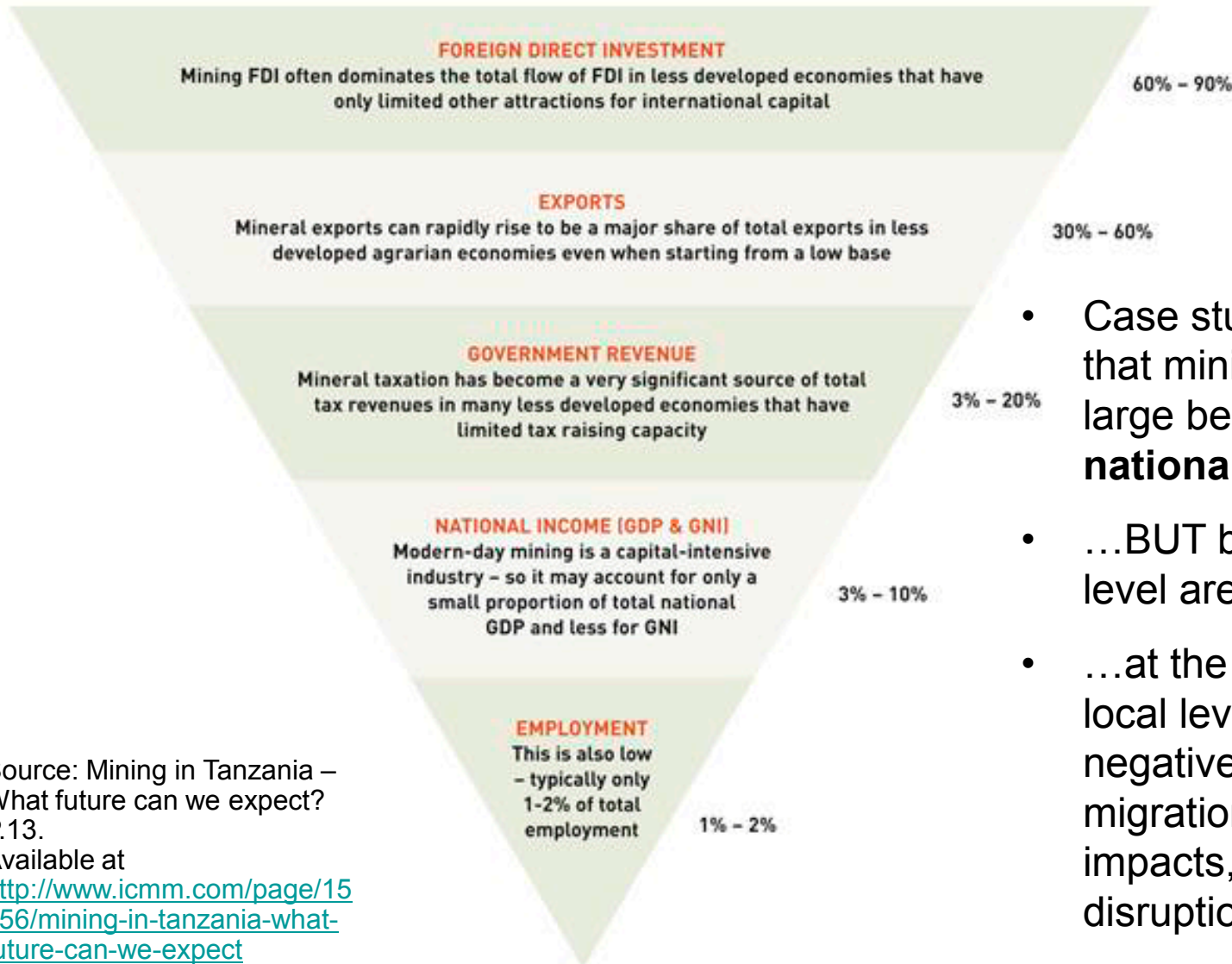
Message 2 – **THREE dimensions in Value Chain**

Each dimension is subject to distinct governance challenges

- (1) Governance over the project **life cycle** – including diversification opportunities at different stages and intergenerational equity
- (2) Governance and economic integration – capturing all possible **upstream, downstream, side-stream and lateral linkages**
- (3) Governance and impacts at **national versus local levels** – central government policy-making and local government implementation of policy – including transparency

Revenue sharing is only a small part of the agenda IF the potentially positive externalities can be captured. Equally important to that is the effective USE of revenues at the appropriate point in the governmental system

Message 3: NATIONAL versus LOCAL level Impacts



- Case studies have shown that mining often generates large benefits at the **national** level...
- ...BUT benefits at the local level are more limited
- ...at the same time, the local level suffer the largest negative impacts (e.g. in-migration, environmental impacts, resettlement, disruption)

Source: Mining in Tanzania –
What future can we expect?
P.13.

Available at
<http://www.icmm.com/page/15956/mining-in-tanzania-what-future-can-we-expect>

Message 4 - Bring everybody together...

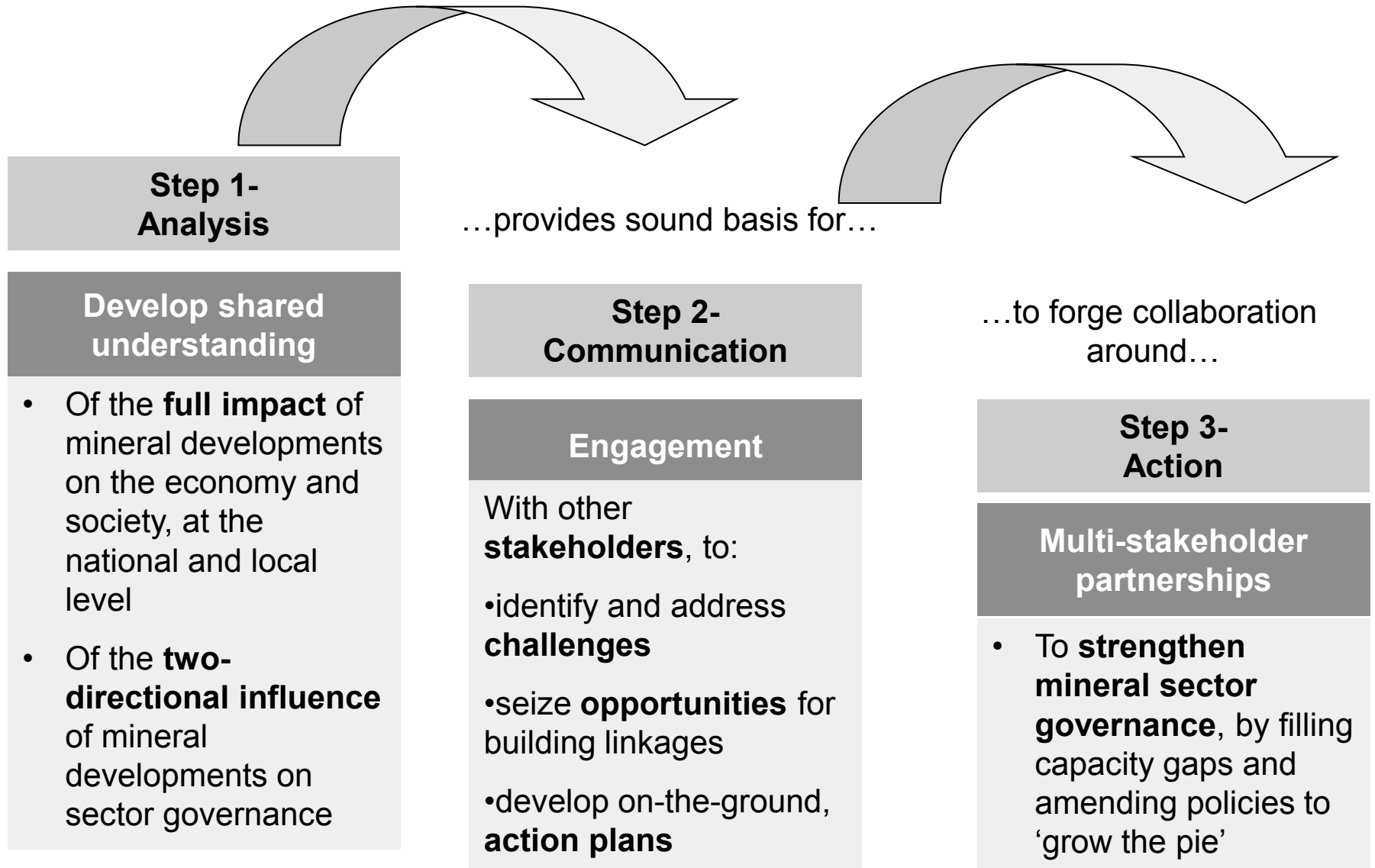
ICMM has co-hosted several multi-stakeholder workshops in Chile, Colombia, Ghana, Lao PDR, Peru, Brazil, Tanzania. These have proven to be key to giving stakeholders vital space for **communication**:

- To voice different perspectives on the impacts of mining
- To identify challenges (e.g. conflict mgt; mgt of revenues; local development)
- To improve information exchange between stakeholders involved in mining
- To agree practical roles and responsibilities among partners for filling capacity gaps and 'growing the pie' from mining investments



Available at
<http://www.icmm.com/mpdtoolkit>

How the communication process has worked



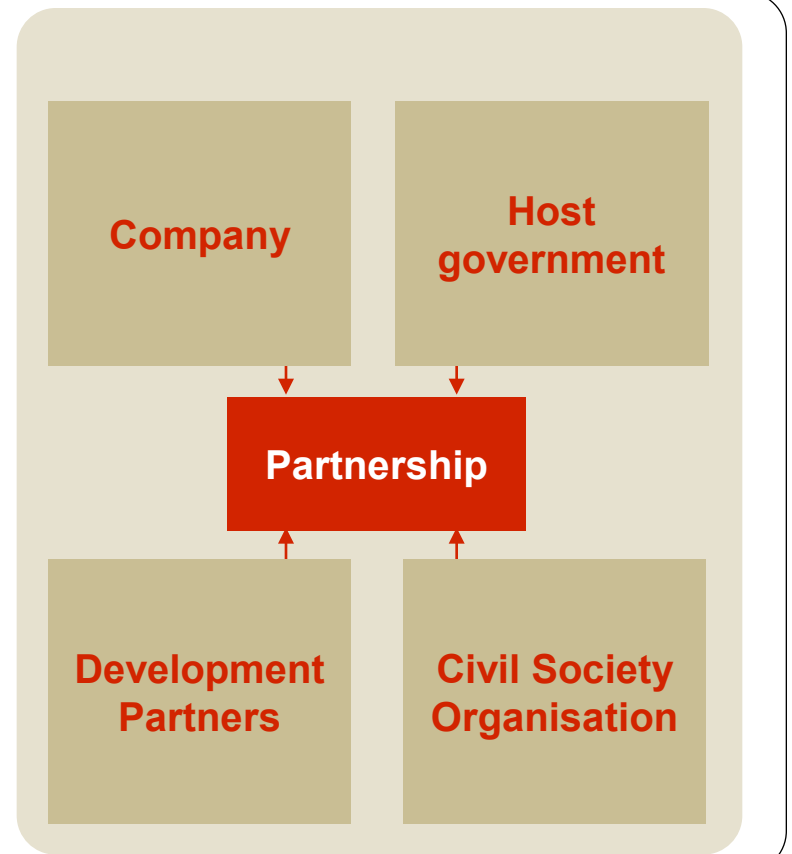
Develop Partnerships

- Through partnerships, mining can help to **strengthen governance and enhance linkages**;
- Enhancing linkages must – by definition – involve an **active role of companies but also of other stakeholders**

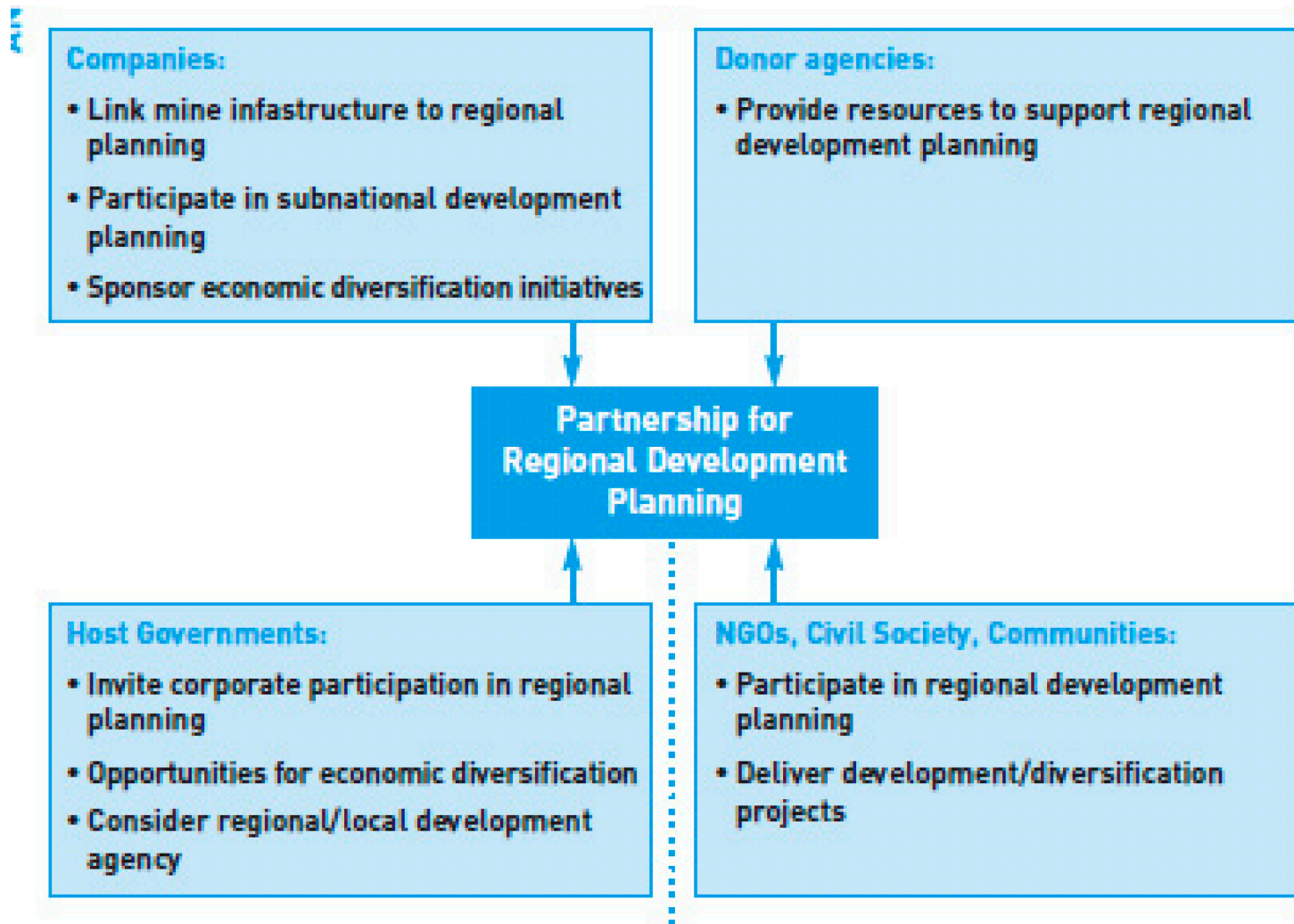
Six priority areas for multi-stakeholder partnerships identified by ICMM

Mining AND

- Poverty reduction
- Revenue management
- Regional planning
- Local content
- Social investment
- Dispute resolution



Partnership Example – Regional Development



Conclusions

Multi-stakeholder partnerships can and do harness mining's wider contributions to development

Via enhanced utilization of available mineral revenues but also via:

- **Joined-up and consistent public policies** for resource-based development over the life-cycle of the sector and large projects
- **Better management** of national-level impacts, but also – and importantly – local impacts
- **Building administrative and other capacities** in areas where this is most needed to enhance the wider contributions that mining can make (e.g. education and skills development, tax administration, local level governance, sector level analysis, local content capabilities)
- Support a positive **political economy** where public and private interests around the management of mineral rents reinforce each other.

Conclusions

Developing collaborative partnerships is premised on:

- **Comprehensive understanding** of mining's **full** economic and social impacts (not the fluffy partial view often seen) - positive and negative; quantitative and qualitative; national and local - and the existing mineral sector governance framework;
- A **vehicle for sharing** this understanding among all stakeholders, in mutual recognition of (i) the complexity of mineral sector governance, and (ii) the need for collaborative action;
- A **platform for developing collaborative partnerships** between government entities, companies, development partners, and civil society organizations, to improve the mineral sector governance framework.

For further information
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