Mining and social development: opportunities and challenges

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Roadmap

- The current context
- Mineral rents and the financing of social policy
- The social impact of extractive industries: Case studies on EI and children in Asia
 - Lessons and recommendations



The current context

- A new global SDG agenda
 - Goals 12.2, 12.4, 12.6, Goal 13, Goal 15
 - Addis Action Agenda (Point 17, Action Area II. A. 26: Domestic public resources/revenue from natural resources
- Primary/El sector as «engine of growth» & source of fiscal revenues (global demand û, prices ॆ, de-industrialization or «reprimarization» in LA and SSA, FDI in EI û);
 - But: slowdown in commodity prices, lower growth and demand





Key questions

- Are mineral rents a sustainable financing source for social development?
- How can social policies contribute to mineral-led development strategies?





The challenges of mineral-led development

- Economic ⇒ diversification & stability
- Political ⇒inclusive & democratic governance
- Social ⇒avoiding negative impacts on different social groups
- Environmental ⇒avoiding ecological harm and degradation, CC!





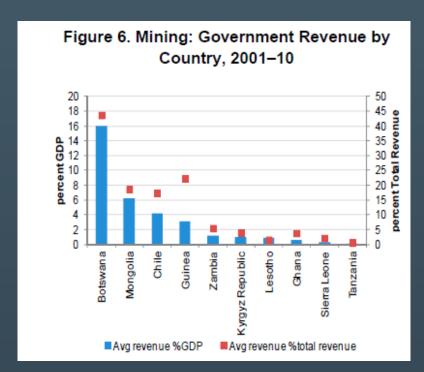
What role can social policy play?

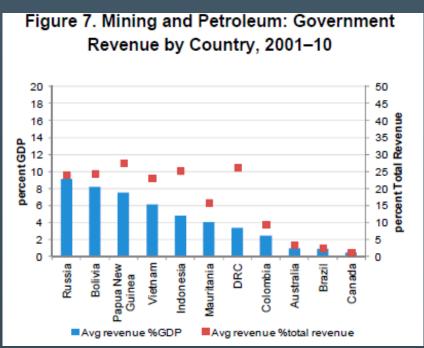
- Investment in social policy (education/training, health, infrastructure, social protection, social policies for the rural sector etc.) produces multiple benefits for the entire economy and society while specifically addressing the challenges mineralrich countries face
- Precondition is rent capture share of profits/rents from extractive sector that flows into state budget (through various mechanisms)





Government Revenue (IMF 2012)









Social Policy and the challenges of mineral-led development

- Social Policy contributes to
 - Growth and sustainability
 - Stability and Social Protection
 - Employment
 - Gender bias
 - Equality and social inclusion
 - Political legitimacy
- Examples: Norway, Chile, Bolivia, Mongolia...



El and child rights & well-being: UNRISD-UNICEF project

- What are the linkages between EI and children's rights and well-being?
- What are the political processes and institutions that impact on revenue mobilization and allocation to social development?
- 3 case studies: Mongolia, Papua New Guinea, Philippines





Impact of Eis on children's rights and well-being

Direct impact:

- Employment (HH income)/welfare services
- Migration/displacement
- Access to land/water
- Environmental/health effects
- Potential conflicts

Indirect impact

- Macroeconomicimpact (Dutch disease,....)
- Economic and social policies related to El





Mongolia

- Most advanced country in economic and social terms; highly mineral-dependent
- Post 2003 mining boom: high growth and pro-cyclical macro policies
- Mineral rents fund social transfers and services with improved social outcomes





Papua New Guinea

- Huge development challenges despite natural resource wealth
- History of conflict around mining rent distribution
- Low social expenditure, high expectations regarding Liquified Natural Gas project



Philippines

- Large and diversified economy, but various structural problems, and low social spending
- Government efforts to promote the mining sector in context of strong civil society opposition
- New aid-funded cash transfers (4P) for poverty reduction could be increasingly funded by mineral rents.





Socio-economic impact of Els on children

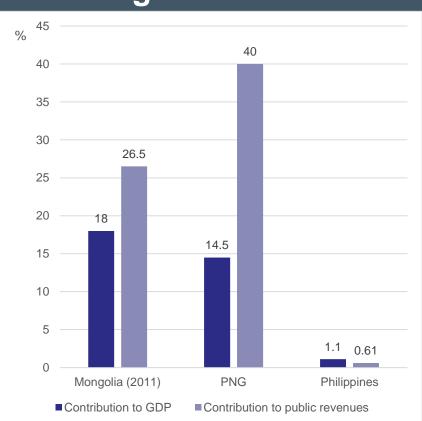
- Progress on child indicators in all 3 countries, but persisting inequalities
- Household income and employment: large-scale vs. smallscale artisanal mining
 - Large-scale projects employ relatively few nationals
 - Small-scale mining is an important livelihood sector (and contributes revenues), but with significant child labour under hazardous conditions
- Environmental pollution/health risks/migration





Fiscal Revenues from Mining

Contribution of EI to GDP and budget



Natural resource rents & government revenue % GDP





Mineral Revenues and Child Development

- Mongolia: huge increase in social spending; challenge of sustainability and macroeconomic stability; quality of social services, inequalities
- PNG: low social spending; high disparities; more national programmes needed
- Philippines: low social spending; high disparities (mining provinces with highest poverty rates); higher domestic funding of key cash transfers and public services required;





Harnessing mineral rents for social development and child rights - lessons

- Child rights lens and inter-generational justice
- Stable and predictable funding of social policies crucial
 - Diversification of funding sources (as EI revenue tends to be volatile)
- Decentralization and EI revenue sharing: Implications for poverty reduction and reducing inequalities
- Child labour (in particular SSAM)





In addition, successful mineral-led development requires

- Macroeconomic policies and productive strategies that foster diversification while safeguarding stability
- Development of state capacity and institutions that are adapted to national contexts
- Consensus building and bargaining on redistribution of rents and compensation of producing regions, with participation of all relevant actors
- Sector strategies that minimize environmental and social costs
- Regulation and monitoring of international investors and markets
- Mobilization of domestic resources such as taxation and so is ocial insurance contributions



Sustainable Mining Practices and post-mining development

- Mining projects should not crowd-out sustainable livelihood activities in agriculture, forestry (see UNRISD paper on Nicaragua)
- Plans need to be developed how to maintain (fund) any social or community infrastructure after mine closure
- post-mining development should be part of initial negotiations, but will need adjustments over time, especially for long-term projects





UNRISD research published as:



POLICY BRIEF 16

Mineral Rents and the Financing of Social Policy: Options and Constraints

Mineral wealth is not a curse but an economic opportunity. UNRISD research suggests that when countries carefully balance productive and redistributive goals, mineral wealth can be harnessed for equitable and sustainable development. To manage the challenges of a mineral led growth path successfully, countries need to design and implement comprehensive, inclusive and rights-based social policies; build strong democratic institutions; and be given the policy space to foster productive diversification while safeguarding macroeconomic stability

V serul ceas and reveaues from commodity secons lines the led growth and enabled the secons lines the led growth and enabled the secons lines to expenditures an ambier of countries. Yet cheer is disagreement about whether an invested of development with the help of imboral rents.

Fiscal Space

Resource-rich developing countries do not suffer the same constraints as resource-poor countries in providing

Policy decisions about the prospects for implementing and excanding social policies in develthat poor countries cannot afford universal ductic services such as health and education, or cash transfer schemes, due to a lack of fiscal resources and contributory depacity of the poor.

This constraint has become even more binding. This constraint has become even more in dring in the context of global value and the meaning often economic orise. A. The same is the , there is governed to the context of protection is urganity needed to be a context of protection is urganity needed to be a context of protection is urganity needed to be a context of the context of

Transformative social policy

Transformative social policy has multiple functions and affects social welfare, social lestinations and action sections. It is conserved with production, reproduction, protection, and redistribution and politifiation in normalize goals such as democracy, eguats, social inclusion and rights.

Renta from mineral extraction can play a role in festering social development and funding social policies in poor countries characterized by limited fiscal resources, widescread coverty, inequality, and lack of decent employment on portunities. Mineral rerus have been utilized by many countries to initiate, develop and sustail meer connecting and second developments. First countries such as Australia, Carolada, the Vordic countries and the United States scanded as producers of primary goods from ognicative, fishing, forests or minerais. Revenues from commodity production his post full growth processes and all word for expost as of public exponditures in these countries.

A Blessing or a Curse?

Despite resource abundance, and favourable commodities prices, mineral wealth is regarded by many as a curse

Many of today's developing countries are pro-ducers and exporters of crimary commodities, and some have recently uncovered visit in hera-deposits. This opens a window of loadertunity for these countries to take advantage of naing international demand, sustained in part by the resource hungry Asian giants China and India.

If the international context is favourable for commonthy exporters, now han resource for the depending nations great the opportunity and characteristic matural resources towards improving their people's well bring and living standards? Deep is widespread recognition of the rovenue potential of natural resources, there is disagreement about wincher a mineral led





CHAPTERS

- Hujo, Katja. Introduction and Overview: Blessing or Curse? Financing Social Policy in Mineral-Rich Countries.
- Gylfason, Thorvaldur. Development and Growth in Resource-Dependent Countries: Why Social Policy Matters.
- Asfaha, Samuel G. Economic Policy in Mineral-Rich Countries.
- Hinojosa, Leonith, Anthony Bebbington and Armando Barrientos. Social Policy and State Revenues in Mineral-Rich Contexts.
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- Hujo, Katja. Conclusions: Harnessing the Potential of Mineral Rents for Social Development – Options and Constraints.





Papers forthcoming:

- Hujo, Katja, Braumann, Harald and Lena Nguyen. Using Revenues from Extractive Industries for Children's Rights and Well-being in Mongolia, Papua New Guinea and the Philippines.
- Banzragch, Otgontugs and Uyanga Gankhuyag: Extractive Industry and the Financing of Child-Inclusive Social Development in Mongolia. UNRISD/UNICEF
- Hatcher, Pascale, Etienne Roy Grégoire and Bonnie Campbell: The Political Economy of Financing Social Policies and Enhancing Children's Rights Through Mineral Rents: The Case of Mongolia. UNRISD/UNICEF
- Sepoe, Orovu and Elizabeth Cox: Extractive Industries and the Financing of Child-Inclusive Social Development: The Case of Papua New Guinea. UNRISD/UNICEF
- MacDonald, Catherine (2014): The Political Economy of Mineral JReousrce Governance and Children's Rights in Papua New Guinea. UNRISD/UNICEF
- Magno, Cielo: Extractive Industries and the Financing of Child-Inclusive Social Development: The Case of the Philippines. UNRISD/UNICEF
- Nem Singh, Jewellord T., Grugel, Jean B. and Pascale Hatcher: The Philippines: The Political Economy of Financing Children's Rights through Extractive Industries. UNRISD/UNICEF





Politics of Domestic Resource Mobilization Project

- www.unrisd.org/pdrm
- www.unrisd.org/road-to-addis
- http://www.unrisd.org/road-to-addis-magno
- Hilda María Gutiérrez Elizondo Mining and Resource
 Mobilization for Social Development: The Case of Nicaragua
 has been made available in Spanish language





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