

Mining and social development: opportunities and challenges

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IGF on Mining, Minerals, Metals and Sustainable Development, 29 October 2015



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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/EI sector as «engine of growth» & source of fiscal revenues** (global demand↑, prices↗, de-industrialization or «reprimarization» in LA and SSA, FDI in EI↑);
 - 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 mineral-rich 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)

Figure 6. Mining: Government Revenue by Country, 2001–10

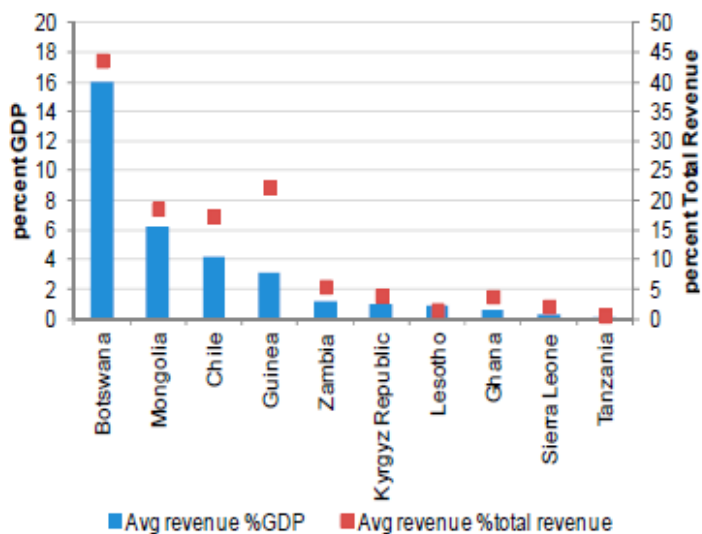
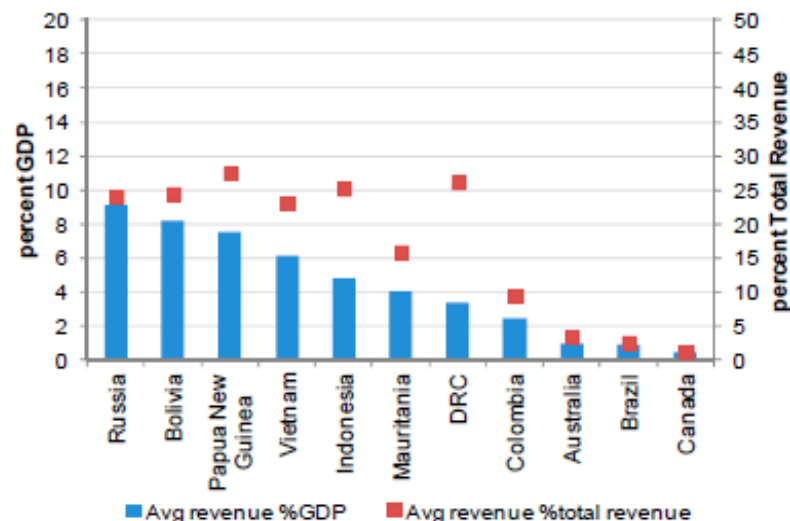


Figure 7. Mining and Petroleum: Government Revenue by Country, 2001–10



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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...



EI 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

- Macroeconomic impact (Dutch disease,)
- Economic and social policies related to EI



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.



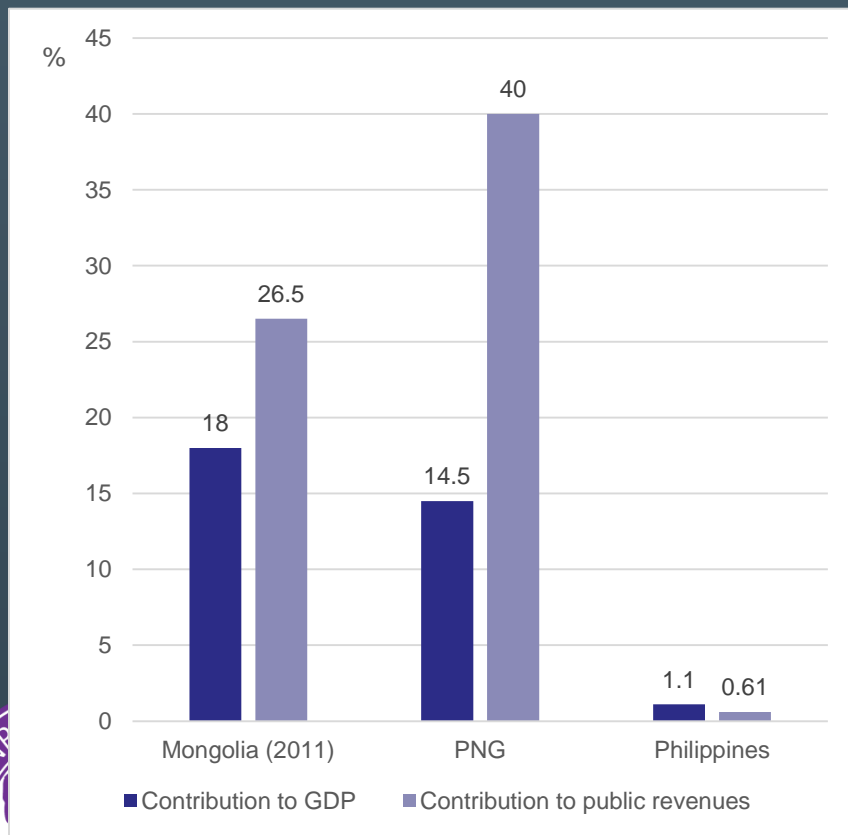
Socio-economic impact of EIs on children

- Progress on child indicators in all 3 countries, but persisting inequalities
- Household income and employment: large-scale vs. small-scale 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

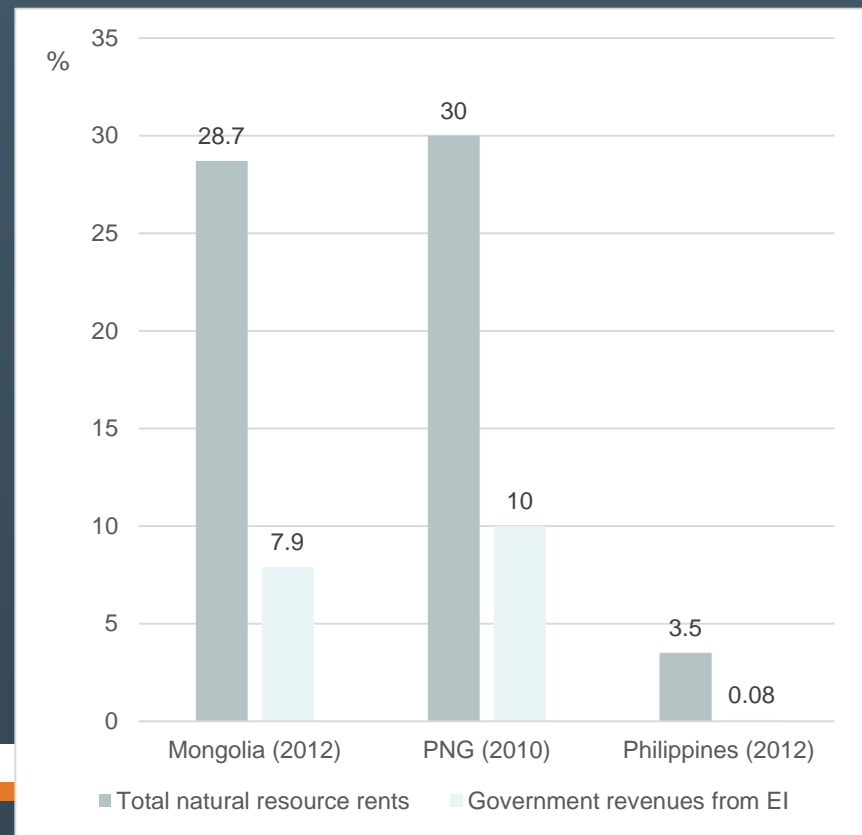


Fiscal Revenues from Mining

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 social insurance contributions

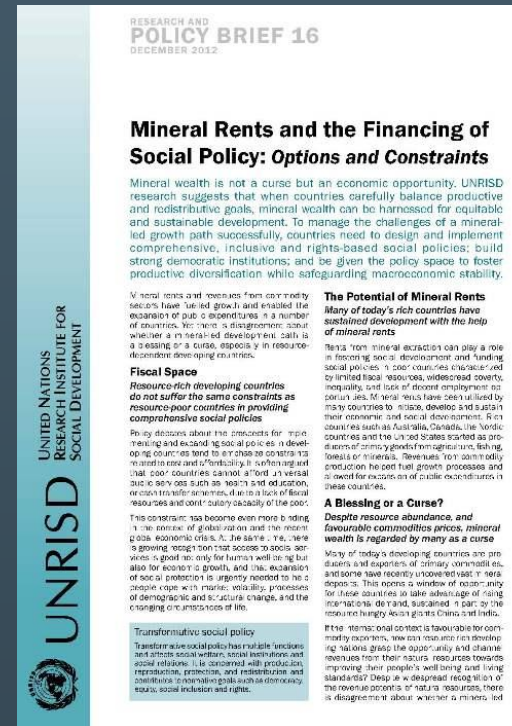


Sustainable Mining Practices and post-mining development

- 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:



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.
- Dietsche, Evelyn. Institutional Change and State Capacity in Mineral-Rich Countries
- Mehlum, Halvor, Karl Moene and Ragnar Torvik. Mineral Rents and Social Development in Norway.
- Guajardo B., Juan Carlos. Mineral Rents and Social Development in Chile.
- Ascher, William. Mineral Wealth, Development and Social Policy in Indonesia.
- Pegg, Scott. Has Botswana Beaten the Resource Curse?
- Adésínà, Jimí O. Social Policy in a Mineral-Rich Economy: The Case of Nigeria.
- 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 Resource 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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