ENHANCING SUSTAINABLE DEVELOPMENT FROM OIL, GAS AND MINING FROM AN 'ALL OF GOVERNMENT' APPROACH TO PARTNERSHIPS FOR DEVELOPMENT

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Overview

The United Nations University (UNU WIDER) is hosting an Extractives for Development (E4D) project to examine the implications of natural resources and their management for economic development. It is directed by Professor Tony Addison, Chief Economist and Deputy Director, and Professor Alan Roe, Non-Resident Senior Research Fellow. The aim is to find ways in which resource wealth can be managed successfully in low and middle income countries. It brings together a network of researchers, practitioners and policy makers to share accumulated knowledge. It is supported by a website https://www.wider.unu.edu/project/extractives-development-e4d with 37 articles and publications as of March 2017.

This paper first outlines some preliminary findings from the E4D project. First, over the past 20 years the oil & gas, minerals and metals sectors have become increasingly important in the economies of many low- and middle-income countries. This notwithstanding the commodities' price collapse[1]. Second, this importance is unlikely to change. For example, if COP21 goals are to met by mid century, there will be significant rise in demand for nine critical base metals and rare earth metals for wind, solar, carbon capture and storage (CCS) and electricity transmission[2]. Third, and the key point for the body of the paper is that management is key to turning what can be a natural resource 'curse' into a blessing. It includes focussing on how sustainable development in resource rich countries requires an 'all of government' approach, multi-stakeholder dialogue to build trust and partnerships between government, companies and civil society organizations to fill capacity gaps and enhance development outcomes.

Methods

In 2000, the sustainable development objectives of low and middle income countries were set out in the Millennium Development Goals and, since 2015, in the Sustainable Development Goals. Action to deliver these goals is led by national governments. The private sector has a key role to play. Over a similar period (1996-2014), more low and middle income countries have become dependent on the natural resources sector, as measured by export earnings. By 2012, 72 such countries relied on oil, gas and mining for 30% or more of their exports – in some cases up to 90%. And, over the same period, 63 of these 72 countries became more dependent on the resources sector - an average increase of around 18 percentage points[3]. Many such investments have been built and operated by the private sector.

Work undertaken since 2000 has also shown that dependency on oil, gas and/or mining does not however automatically translate into broader-based economic and social benefits. It requires companies operating in lower-income countries to design, operate and decommission their operations to contribute to the sustainable development of their host societies. And such investments need to be supported by appropriate host-country policies and implementation capabilities to catalyse broader economic development.

Governance is key to capturing these longer term benefits. The paper drills down into what we mean by 'governance'? This can include: International norms and standards; national legislative framework; macroeconomic and fiscal regime; leadership and public administrative capacity; human capital development; social cohesion. Implementation of a comprehensive extractives policy necessarily must link to other sectors of the economy thereby placing significant and varied demands on the country's institutions and governance structures beyond the resources sector. The key to success is a comprehensive and "all of government" nature of the policy package that is called for.

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[1] Source: WIDER Working Paper 2017/x Dependence on extractive industries in lower-income countries, The Statistical Tendencies. Alan Roe and Samantha Dodd, forthcoming

[2] University of Leiden and Yale University cited in Dynamic Analysis of the global metals flows and stocks in electricity generation technologies, Elshkaki and Graedel, Journal of Cleaner Production, 2013 p.12 & 13

[3] See footnote 1

Detailed country case studies have identified actions companies and governments can take, and have taken so that resource-driven countries can realise their full potential. It begins by focusing on the need for an agreed set of data and analysis showing the current and potential future contributions of the sector at the national and local levels using a methodology and toolkit developed through multi-stakeholder processes, partly conducted with the World Bank and UNCTAD: https://www.icmm.com/mpd. Many line agencies of government have roles and responsibilities in addition to the more traditional actors: Ministries of Finance, Economy and Planning, Energy and Mining. All need to engage, and work together to facilitate an 'all of government' approach, which is critical to success.

The fact that the evidence base to guide effective policy-making (and advocacy) is not always widely known, shared, or indeed even agreed upon, across different line ministries and other players, is the first challenge to overcome. This is especially true of the forward-looking projected data which guide many policies. This sobering fact has been demonstrated in a number of analytical country case studies and assessments.

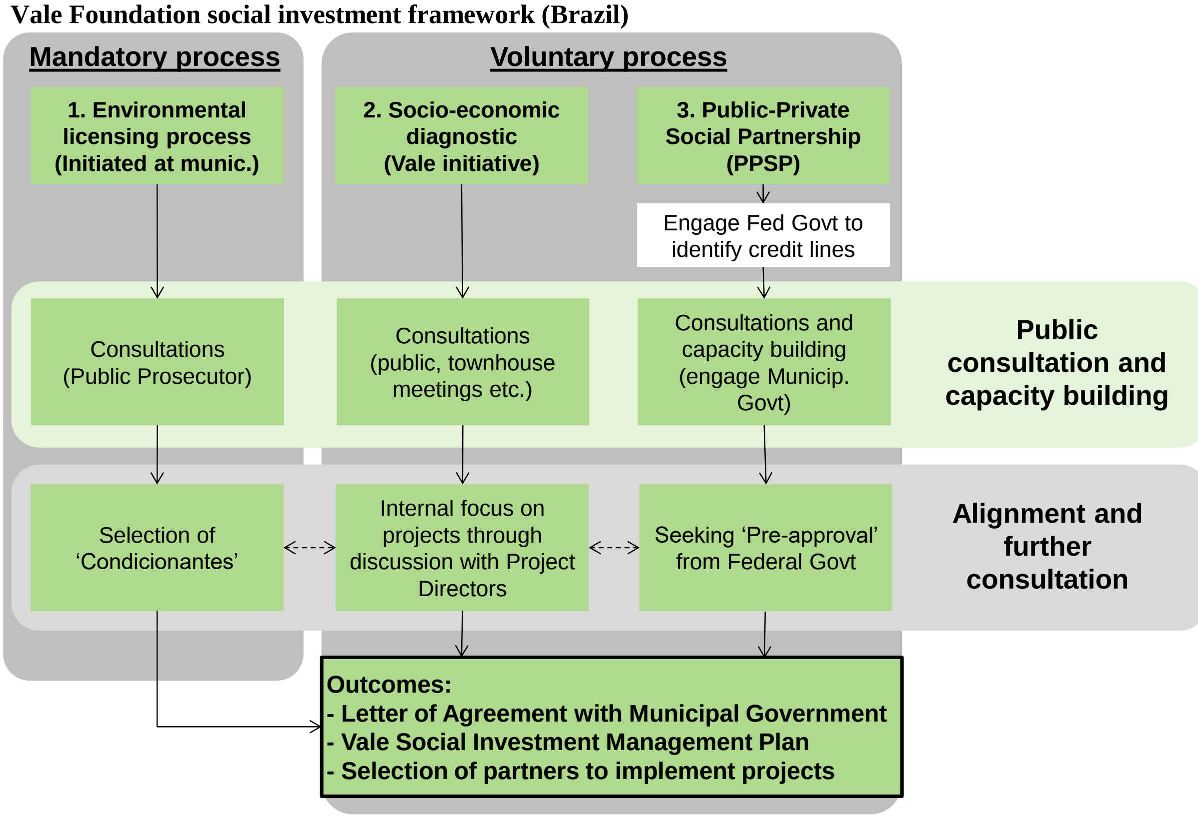
There is a further regrettable truth that in some countries, there is lack of trust between different stakeholder interests. Finding ways to bring all these interests together in various ways is an important dimension of the overall governance challenge associated with the natural resources industries. In a number of countries, multi-stakeholder workshops (based on prior in-depth evidence around the industry) have shown show how a robust evidence base can form the basis for prioritizing common objectives and agreeing actions by each of the stakeholder groups. Results can enhance the sector's contributions, and at the same time help to build trust.

There are a number of ways to mitigate the negative impacts of resource development and to enhance its potential positive contributions, particularly at the local level and where the governance context is often weak. Although 'good governance' is clearly critical in enhancing the benefits of extractive industries, as mentioned above, 'governance' is a wide ranging and complex topic to pin down. Partnerships for development can help fill the so-called 'governance gaps' as set out in the example below.

One Example

In Brazil, Vale and other large mining companies in the region are working strategically and in partnership to drive positive developmental outcomes in Southeast Pará – one of the least developed regions of Brazil to help address the challenges of infrastructure, human capacity limitations and public administration constraints. Vale's approach to economic development is the most highly formalized and involves all levels of government as set out below. It combines mandatory and voluntary approaches in a most innovative manner.

Vale Foundation social investment framework (Brazil)



Source: Vale