

Briefing Package for Conference Participants

Working Group on "Mineral Commodities, Governance and Development"

"The first challenge facing any resource-rich country is to ensure that the public gets as much of the value of the resources that lie beneath its land as possible. This is far more difficult than it might seem."

Joseph Stiglitz, "Making Globalisation Works".

Sector Context

Developing countries hold a significant proportion of known resources. Africa, for instance, holds 30% of the world's bauxite resources, 60% of manganese, 75% of phosphate, 88% of platinum, 60% of cobalt, 73% of diamond and 40% of gold. Raw materials are important export products and represent an important part of state revenues. Reliance on mineral exports as part of total exports represents 40% to 90% in countries like Democratic Republic of Congo, Papua New Guinea, Mozambique, Jamaica, Zambia or Suriname. Raw materials are thus potentially a valuable asset for sustaining growth, reducing poverty and improving on Millennium Development Goals in many of the poorest countries of the world.

Since 2000 oil and energy mineral commodity prices have been undergoing a strong and steady rise, mainly due to the increasing demand from emerging economies. At the same time, while profits of big international mining corporations have increased sharply, the additional revenues generated have not been passed on to producing countries in the same proportion and have not resulted in significant progress toward development yet.

Analytical Framework

Sustainable Mineral Sector Development & Economic Development

In the short term and in light of price volatility, there is a pressing need to increase governments' ownership and revenues while at the same time keeping the momentum for longer term policy changes. In the long term, policy recommendations should relate to maintaining and stabilising the flow of revenues and using these revenues to promote economic diversification as well as broad based development. Links with the local economy, conditions of work in the mining sector, local and regional infrastructure as well as investment in education and training of manpower in line with economic needs are critical issues to be addressed.

Enhancing Good Governance in Mineral Sector Dependant Countries

Ownership by the country of the policy options, transparency of deals, political will, top leadership involvement, rule-based business environment and participation of civil society groups are key governance aspects to ensure that new emerging trends in the commodity sector are turned into development.

Addressing Capacity Constraints & Mineral Sector Dissymmetry of Information

Accurate strategic information about mineral resources as well as human and material capacities/skills to analyse the data, to collect/manage revenues, to elaborate sound policies and monitor their enforcement, and to negotiate fair deals are lacking in most developing countries. The capacity of government officials, civil society representatives and to some extent local and international private firms are keys to development-friendly sustainable management of mining resources.

Policy Recommendations

1. An African Mining Institute

Set up an African Mining Institute, with active involvement by the private sector in order to train and upgrade students and government officials to deal with mineral commodity sector development. The Institute – a Centre of Excellence – will develop specific research programmes and design tailor-made training courses for parliamentarians and civil society actors in order to reinforce their capacities to exercise their oversight responsibilities. A department will be set up to provide Technical Assistance to conduct geological surveys, negotiate mining contracts, and access strategic information on mining resources, mining potentials, market perspectives, technological monitoring, etc.

2. Reinforcement of Public Administration Capacities

Develop an "elite corps" within selected public administrations to ensure quality management of the commodity sector development and related revenues. Innovative ways forward should be sought, including through a revised system of merits and incentives, revised terms and conditions of employment, increase of operational support, etc. This should allow the recruitment and retention of competent and trained staff at key positions in the public service.

3. Regional Infrastructure Development

Based on existing initiatives, identify regional infrastructures requirements to foster mineral resources exploitation, transformation and trade in a sustainable way, notably by exploring the opportunities offered by the increasing presence of emerging economic actors in the mineral commodities business. Particular attention should be paid to the specific needs of landlocked countries.

4. A Code of Conduct on Taxation Standards

Set up an African Forum on international taxation in the area of commodities to formulate a Code of Conduct on Taxation Standard. The aim is to facilitate and promote the exchange of information and best practices on taxation issues between OECD and African commodity dependant countries. In a context of international competition and increasing freedom of capital movements, over "incentivisation" to attract foreign direct investments (FDI), as well as corrupt practices from governments and private stakeholders regarding taxation can seriously deteriorate revenues arising from mining resources. The aim is to promote good tax governance in commodity-dependant countries by fostering transparency of the tax systems, the effective exchange of information on tax matters and fair tax competition.

5. Private Sector's Corporate Social Responsibility (CSR) Initiatives

Develop a comprehensive CSR Model for Mining Companies through the consolidation of existing voluntary CSR initiatives with a proven track record of concrete a contribution to local development in producing countries (environmental protection, decent working conditions, relations with local communities, local companies and manpower, training programmes, reinvestment of profits...). The aim is to ensure more transparency, with CSR activities defined in advance and opened to public scrutiny. A comprehensive mineral commodity sector CSR model could be a benchmark for spreading CSR among local firms in relevant developing countries.