

InBrief

Mining: Partnerships for Development Toolkit

Mining: Partnerships for Development – Spotlight series 16
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ICMM’s Mining: Partnerships for Development Toolkit provides a powerful and credible way for companies, development agencies and other stakeholders in mining countries objectively to assess the sector’s economic and social contribution and to build consensus on ways to enhance it.

The Mining: Partnerships for Development Toolkit provides a methodology for evaluating the positive and negative economic and social effects of mining at the local, regional and national levels in mining countries. These methods will be of relevance in particular to the increasing numbers of lower and middle income economies that have high levels of mineral dependence.



It can be used by mining companies, mine managers and any other organizations and agencies that have an interest in the relationship between mining and economic and social development outcomes. These will include host-country governments, development agencies and development oriented non-governmental organizations (NGOs). Experience has shown that applications of the toolkit are more effective if organized with both mining companies and other stakeholders.

The application of the toolkit allows users to develop an improved understanding of what issues, policies and practices may be helping or preventing host communities, regions or the country from benefiting more fully from mining. However, its use does represent a significant commitment of time and resources, and users are advised to tailor their expectations of the likely benefits to the level of resources that they are able to commit.

The toolkit provides a common analytical framework that allows comparisons to be made of mining’s contributions and impacts across different countries. It has been tested and applied by ICMM in five countries since 2005 – Chile, Ghana, Peru, Tanzania and the Lao PDR. ICMM encourages further application of the toolkit so that the evidence base can be further extended.

Mining: Partnerships for Development Toolkit

Why use the toolkit?

The Mining: Partnerships for Development Toolkit responds to a clear need in different parts of the world for a more systematic and objective way to quantify and agree ways to enhance, mining's economic and social contribution. In many countries this is an issue on which there is often much debate, but little clarity.

Whether applied by companies, development agencies or other organizations, the toolkit can help users to:

- establish the economic and social contribution of mining in a thorough and objective way
- apply practical partnership tools
- host workshops to constructively shape the debate about mining's impacts and build consensus for action plans to enhance mining's contribution through multi-stakeholder partnerships.

In many countries, debates about the economic impacts of mining often take place in the absence of information on mining's economic and social contribution. There tends to be a focus on particular issues – for example tax revenues or the impact on traditional livelihoods – which do not reflect the full range of impacts and potential contributions from the sector. Mining companies have often not been effective in analyzing and articulating the big picture in this way. As a result, there are often misunderstandings and more seriously, missed opportunities to integrate mining into the broader economy, sub-optimal government policies based on incomplete information which then deters further company investment and a failure to capture the full economic and social benefits from mining for broader society.

The Mining: Partnerships for Development Toolkit can be used to help break this deadlock, informing the debate, building consensus on the way forward and creating the basis for partnerships that lead to real, on-the-ground progress. It defines a methodology that goes beyond traditional reporting on mining's economic contribution which is often limited to basic indicators such as production volumes and gross export earnings. By providing a systematic approach, using standard headings and definitions, the toolkit also makes it easier to draw credible comparisons of mining's economic and social contribution between different mining countries.

The toolkit enables the user to combine internal company data with information from external sources such as the Extractive Industries Transparency Initiative, government departments and other organizations. It guides the user through a wide range of issues including the economic and social performance of the mines being analyzed (including, for example, the number of jobs they directly and indirectly generate and contributions at the national level), local issues (such as the impact on poverty levels) and broader governance questions. It should be noted that the toolkit is distinct from environmental and social impact assessments – which generally focus only on economic impacts to a limited degree and only at the local level.

This is the third version of the toolkit developed by Oxford Policy Management under the direction of ICMM with input from a steering group comprising representatives from Egerton University in Kenya, Harvard Kennedy School in the US, United Nations Conference on Trade and Development, the International Finance Corporation, the Equator Banks Association as well as ICMM member companies. A further round of comments was received from Revenue Watch Institute, among others. The painstaking consultation process that was followed as the toolkit was developed has helped to ensure the rigor and credibility of the end product.

Importantly, the toolkit places emphasis on building multi-stakeholder partnerships. Research by ICMM and others has shown that good governance is the most important factor in enhancing mining's economic and social benefits and, particularly where governance is weak, such partnerships can be a powerful driver of development and poverty reduction. Six priority themes for partnerships are set out in this respect: mining and poverty reduction; mining and economic development – revenue management; mining and economic development – regional development planning; mining and social investment; and mining and dispute resolution. Figure 1 illustrates how different actors might come together on just one of these six themes.

Figure 1: Illustration of partner roles and responsibilities for mining and regional development planning



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About Mining: Partnerships for Development

ICMM’s Mining: Partnerships for Development initiative focuses on enhancing mining’s economic and social contribution. It supports the formal commitment made by ICMM member companies to actively support or help foster multi-stakeholder development-focussed partnerships in countries where they are active.

Mining is economically critical for millions of the world’s poorest people with some 50 countries being significantly dependent on mining. Yet mineral wealth does not always mean positive economic growth – the so-called “resource curse” theory.

In 2004, ICMM began the Resource Endowment initiative in collaboration with UNCTAD and the World Bank Group. It developed a substantial body of research on why some countries have avoided the “resource curse” and developed practical actions for companies, governments and civil society. It was overseen by an independent international advisory group including the Head of the UN Global Compact and a former Prime Minister of Senegal.

The Resource Endowment initiative showed that the “resource curse” is not inevitable. Mining investments can drive economic growth and reduce poverty nationally and locally. However, companies alone cannot unlock the development benefits from mining – governance is key and multi-stakeholder partnerships can help fill capacity gaps. The findings were based on the application of ICMM’s *Resource Endowment Toolkit* (April 2006) in four countries – Chile, Ghana, Peru and Tanzania.

The toolkit has now been revised, extended and re-published as the *Mining: Partnerships for Development Toolkit*. It responds to a clear need in different parts of the world for a more systematic and objective way to quantify and agree ways to enhance mining’s economic and social contribution. It is currently being applied in a number of countries and can be used by mine managers and those interested in promoting economic and social development (host governments, development agencies and development-focused NGOs). For more information, visit www.icmm.com/mpd or email us at info@icmm.com.

What does application of the toolkit practically involve?

Users of the toolkit – whether companies, governments, development agencies, or civil society organizations – should apply two or more of a set of eight modules (see Figure 2). The actual work will likely need to be carried out at arm’s length by consultants or academics from relevant disciplines. In general, it is important that the toolkit is – and is seen to be – applied in an independent and objective manner. This will ensure the resulting findings can be used as the basis for robust and constructive dialogue. Experience has also shown that the toolkit has worked most effectively where there has been strong government support from the outset.

Applying the toolkit need not be a resource-intensive process. Following all its eight modules will provide a comprehensive set of outputs which can be published as a country case study. But a tailored approach using a particular subset of the tools may be followed. Also, while some international input may be necessary, locally-available consulting and academic resources can be used.

The toolkit comprises a 180-page manual and accompanying CD which contains a number of worksheet and database templates to help the user complete each of the modules in the toolkit. The first seven modules enable the user to document the country and company context; local, regional and national (including macroeconomic) contributions; and mining’s impact on governance.

In addition to generating objective information on mining’s past and current contribution, the toolkit features a life cycle scenario tool which allows the future economic contributions of mining to be estimated. This is important because there is, in general, a poor understanding of the considerable time horizons involved in exploring, developing and operating a typical mine and of the future benefits that may accrue from current investment programs.

The eighth module of the toolkit provides guidance on presentation of findings. It is an essential stage in applying the toolkit since the value of the outputs increases in line with their accessibility to a non-expert audience. Importantly, publication of a country case study is not an end in itself, but the first stage of an ongoing process towards greater collaboration around a country’s mining sector. For example, the toolkit sets out how a multi-stakeholder workshop can be developed following the country case study in order to discuss findings and also potentially begin to forge new partnerships.

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Figure 2: The eight modules of the toolkit

MODULE ONE:

Mining and the host country

Preparing an overview of the country’s geography, population, settlement, land use, economy and recent history with an emphasis on characteristics that influence or are influenced by the economic and social impact of mining: economic performance, political stability, quality of governance, dependence on mining, and poverty and human development.

MODULE TWO:

The participating mining operation and its economic and social initiatives and partners

Developing a profile of the participating mining operation(s) and the local communities in which they operate. This should include a profiling of any partnerships already set up by the mining operation(s) for economic and social development across the six partnership themes.

MODULE THREE:

Measuring the mining industry’s contribution to the host country

Understanding how the host country’s broad-based economic growth (of incomes, GDP, exports etc) and social development have changed in the period during which mining has assumed a significant relative importance.

MODULE FOUR:

The proximate aspects of governance that help or hinder mining’s economic and social performance

Identifying elements of the host country’s quality of governance and macroeconomic management that could affect the economic and social benefits of mining. The term “proximate” is used to distinguish this from the more detailed probing on political economy processes in module seven.

MODULE FIVE:

Measuring the participating mine’s positive and negative contributions to local communities

Measuring in detail the participating mine’s economic and social impacts (employment, procurement of locally supplied goods and services, training, social and infrastructure provision, net impact) at the local level.

MODULE SIX:

Analyzing the life cycle impact of the participating mine on the host country’s macroeconomic aggregates

Analyzing the participating mine’s contributions to GDP, government revenues, and balance of payments over the life cycle of the mine, looking forward to include the likely impacts of future expected operations and well as those of the present and recent past.

MODULE SEVEN:

Impact of mining on governance

Examining the direct and indirect influence of mining on governance structures, institutions and policy choices at different levels of government (national, regional and local).

MODULE EIGHT:

Communicating your findings

Preparing the country case study (or mining sector issues paper) and encouraging dissemination of and debate about its findings via a workshop.

TOOLKIT ADDENDUM:

Guiding principles regarding minerals taxation

Understanding the appropriate fiscal framework for mining including the importance of an equitable allocation of rents and transparent reporting according to EITI standards and engaging with governments to promote stable tax systems with minimal complexity.

The International Council on Mining and Metals (ICMM) was established in 2001 to improve sustainable development performance in the mining and metals industry. Today, it brings together 20 mining and metals companies as well as 31 national and regional mining associations and global commodity associations. Our vision is of member companies working together and with others to strengthen the contribution of mining, minerals and metals to sustainable development.

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Toolkit country case studies

Case studies from five countries where ICMM has applied the toolkit has been applied are available on the ICMM website at www.icmm.com/mpd. Some highlights from each of the case studies are provided below.

Chile

The Resource Endowment Toolkit's application in Chile provided striking evidence of the contribution that mining can make to both economic growth and poverty reduction. The country saw US\$15.5 billion of foreign investment in mining between 1990 and 2003, and mining accounted for 8% of GDP and 42% of the country's exports in 2003. Chile saw the proportion of its population in poverty fall from 39% to 21% between 1990 and 2000 – Chile is now among Latin America's wealthiest countries. Economic growth and poverty reduction in Chile's key mining region, Antofagasta, was found to be stronger still. The broad explanation for this success was found to be the commitment of successive Chilean governments to economic, policy and institutional reform, investment in education at the regional level and innovative partnerships between the regional authorities and the mining industry to develop the supply chain, thereby creating the jobs that resulted in the decline in poverty. *An executive summary of the country case study is available in Spotlight series 06.*

Ghana

The Resource Endowment Toolkit highlighted that between 1986 and 2001 over US\$5 billion was invested in new mining projects in Ghana, with mining accounting for 5% of GDP by 2004. Mining was found to have also contributed to poverty reduction, with income poverty in the country declining from 52% to 40% between 1991 and 1999. Encouragingly, mining areas had experienced faster declines in poverty than Ghana's other regions, excluding the capital Accra. Local benefits were analysed at one particular project, Obuasi, where direct employment was around 6,750, and estimates of indirect local employment ranged between 28,000 and 72,000. Various challenges are associated with mining in Ghana, however, and the case study identified weak institutional capacity at the root of many of these. A multi-stakeholder forum convened by Government, the Ghana Chamber of Mines and ICMM in 2008 focussed on key issues identified by the workshop and led to a further workshop on artisanal and small scale mining a year later. *An executive summary and findings of the multi-stakeholder workshop held in Accra, Ghana, are available in Spotlight series 07 and 11.*

Peru

The Resource Endowment Toolkit identified how a surge of mining investment in Peru since the early 1990s had brought considerable benefits, yet poverty and inequality in the country remained high. In 2004 mining contributed around 6.9% of GDP, and by 2005, mining and metals exports comprised around half of the country's merchandise exports. Mining had clearly played a key role in kick-starting a previously ailing economy. However, governance weaknesses, particularly at the local level, were identified as a primary cause of a lack of similar advances in social indicators; these showed more than half of the population were living below the poverty line. Governance weaknesses also appeared to underlie many of the social

tensions surrounding mining in Peru – in the absence of credible local authorities to provide basic services, companies became the target of high expectations from communities for benefits. The findings of the case study prompted the Sociedad Nacional de Minería, Petróleo y Energía (SNMPE) and ICMM to facilitate a multi-stakeholder forum in Peru in 2008, including senior government representatives, which showcased 22 examples of where collaborative action could be replicated to enhance the contribution of mining to broad-based development. *An executive summary and findings of the multi-stakeholder workshops held in Lima, Peru, are available (in English and Spanish) in Spotlight series 08 and 12.*

Tanzania

In 2005 when the Resource Endowment Toolkit was applied to Tanzania (the same year it was also used in Chile, Peru and Ghana) while its findings pointed to a broadly positive economic impact from the mining sector, accounting for around 40% of the country's exports, 75% of its foreign direct investment and providing work for about 8,000 people (directly or through contractors), in general it was too early to draw any conclusions on the contribution to social development. So an innovative forward-looking tool was developed, the results of which are published in *Mining in Tanzania: What future can we expect?* This is based on actual scenarios by companies within Tanzania and provides the government and others with an indication of the likely shape of future revenues from the mining industry, and the need to plan accordingly. The forward-looking element has been incorporated into the new version of the toolkit. Findings also included considerable tensions, such as competing land claims between artisanal and large-scale miners and a national political debate calling for companies to make greater financial contributions. Significant local interest in the toolkit process led to two workshops being held in Tanzania in 2007 and 2009, bringing together senior representatives from 14 government agencies, the main mining companies and the Tanzania Chamber of Minerals and Energy. *An executive summary, the results of a new tool analyzing the current and future economic impacts of major mines, and findings of the multi-stakeholder workshops held in Dar-es-Salaam, Tanzania, are available in Spotlight series 09 and 14.*

The Lao PDR

This was the first application of the Mining: Partnerships for Development Toolkit. It focussed on the two large-scale mines in the country, it highlighted evidence of major leaps in average incomes of communities around these mines. It also generated estimates that some 30,000 people are economically dependent upon these mines; that the mines will contribute around 10% to GDP on average over the next 14 years; and that their fiscal contribution is set to steadily increase (mining currently accounts for some 12% of government revenues in the country). At the same time the analysis highlighted potential challenges going forward, including the critical importance of building government capacity to effectively spend mining revenues as they ramp up, as well as to ensure that the wider Lao economy can benefit from the growth in the mining sector. *An executive summary and findings of the multi-stakeholder workshop held in Vientiane, the Lao PDR, are available in Spotlight series 15.*