



MINERAL RESOURCE GOVERNANCE

IN THE 21st CENTURY

Gearing extractive industries towards sustainable development

KEY INSIGHTS FOR POLICYMAKERS AND BUSINESS LEADERS

- Minerals and metals underpin national economies, provide crucial raw materials for industrial activities, and are inputs to almost every sector of the global economy. The extraction of minerals and metals encompasses a very diverse and globally widespread range of activities—ranging from informal and sometimes illegal artisanal mines to very large, highly mechanized industrial mining operations.
- Extractive resources will continue to play a central role in driving the global economy despite efforts to decouple economies from resource use and towards greater recycling. Demand is likely to be driven by emerging economies with expanding populations, global middle-class growth, urbanization, and technology change including a global transition towards low-carbon energy production technologies.
- The frequently severe and enduring environmental impacts of mining highlight the need to carefully balance such activities with stewardship of other valuable natural resources (including ecosystems and biodiversity) and the rights of local people and communities.
- In the context of long-term rising demand for minerals and metals—coupled with global financialization of commodity markets, environmental risks and declining social acceptance of large-scale open-pit mining—there is a significant risk of price volatility in the extractive sector. This could hamper the efforts of mineral-rich countries to manage their endowments in a manner that delivers enduring benefits for societies, economies and wider governance of development.
- Demand for primary minerals and metals could be significantly reduced by a range of ‘circular economy’ approaches, including: eco-design; recycling, refurbishment and re-use; and development of secondary sources of mineral and metal resources (for example, tailings and industrial waste).
- Decision-making in the extractive sector is shaped by a complex array of governance frameworks and initiatives operating at multiple scales. This complexity is compounded by highly globalized mineral value chains, characterized by the involvement of diverse governmental, private sector and civil society stakeholders. There is an urgent need to coordinate and reform this governance landscape to address enduring challenges, including but not limited to: the volatility of commodity prices and financialized commodity markets, the enclave nature of mining with weak linkages to other economic sectors, disruptive impacts of technology change on employment and local procurement, discrepancies between formally recognized rights to mineral resources and the needs and livelihoods of local communities, inadequate accounting and management of sector impacts on the natural environment and other assets, and socio-political and geopolitical risks of mining at local, national and global scales.
- The need for governance reform in the extractive sector is underscored and driven by the adoption in 2015 of the 2030 Agenda for Sustainable Development, including the 17 Sustainable Development Goals (SDGs) and 169 associated targets. A growing number of analyses highlight how a well-managed extractive sector can promote delivery of the SDGs and targets, both in relevant countries and globally. The SDGs and targets have become the organising framework for global development cooperation and are key to framing discussions about the extractive sector’s future.
- A growing number (more than 80) of governance frameworks and initiatives focus on delivering overlapping subsets of this global development vision, but do not currently operate in a sufficiently coordinated or integrated manner. In this context there is a need for a framework that enables, at each level of globalised value chains, all stakeholders in the extractive sector to assess the compatibility of their decision-making with the SDGs and targets.

KEY INSIGHTS FOR POLICYMAKERS AND BUSINESS LEADERS

Policy-makers and business leaders should incorporate the following priorities into their decision-making:

- **Formulate and define a Sustainable Development Licence to Operate (SDLO)** framework for the extractive sector, including consensus-based **Principles, Policy Options** and **Best Practices** that are compatible with the SDGs and targets, and with relevant priorities, obligations and standards at local, national and international scales. The SDLO is not designed to function as a licence in the compulsory sense. It instead extends the widely used Social Licence to Operate concept so that it can function as a normative reference point oriented towards the achievement of sustainable development.
- **Undertake SDLO gap analysis and governance reform** with a view to formulating nationally and/or organisation-specific pathways to implementation of the SDLO, including through updating and adapting existing visions, policies, strategies, laws, regulations and practices. Key governance gaps include:
 - ◇ **Coherent policy for development minerals** — further effort is needed to identify policy options for certain minerals (such as sand and gravel, salt, gypsum, and dimension stone) which represent circa 84 per cent of all mined commodities in terms of volume. Despite their importance for economic development, the legal and regulatory frameworks in many countries concerning development minerals remain unclear, resulting in unmanaged extraction and a wide range of negative development outcomes.
 - ◇ **Transparency and accountability** — transparency and accountability efforts in the sector have overwhelmingly focused on financial transparency, with relatively less attention devoted to increasing transparency concerning social and environmental impacts. Promising innovations to address this policy gap include harmonized reporting protocols and multi-stakeholder processes that focus on bottom-up knowledge creation to build trust, including with artisanal and small-scale mining communities.
 - ◇ **Integrated development planning for mining** — Mineral resources governance around the world is often characterized by the lack of a ‘nexus’ approach that optimizes flows of benefits from both minerals and other stocks of natural capital (including ecosystems and biodiversity). There is a pressing need in many countries to establish and strengthen legal and policy frameworks, to enable integrated and holistic planning for natural resources development.
- ◇ **Leveraging mineral resources to support diversified development** — There is a pressing need in many resource-rich countries to interconnect governance of mining with that of other economic sectors, in order to pursue strategically planned development pathways that break down export-centric enclaves, and promote value addition, resource-driven industrialisation, and economic transformation that is both inclusive and equitable.
- ◇ **Enhanced cooperation between exporting and importing countries** — Policy opportunities exist to support both long-term mineral supply stability and wider sustainability through international cooperation between resource exporting and importing countries. International agreements concerning the extractive sector could support sustainable development through a range of policy responses including: recognition of non-discriminatory standards for production, tariff and other trade incentives to support compliance with standards, and mechanisms to channel greater investment in sustainable mining and value addition activities.
- **Discuss and consider** practical actions to enhance the international governance architecture for mining and sustainable development. Key components of this architecture could include:
 - ◇ Formal negotiation, within existing fora, of an international consensus regarding the normative content and structure of the Sustainable Development Licence to Operate. Such efforts could be informed by expert inputs from a “High-level Panel on Mining for Sustainable Development”, and should involve dialogue between existing governance initiatives (such as the Extractive Industry Transparency Initiative, Equator Principles, Global Reporting Initiative, Responsible Materials Development Initiative, and many others) to coordinate their respective activities as appropriate.
 - ◇ New international coordination mechanisms (for example an International Mineral Agency) enabling transparent sharing of relevant geological, social, environmental and economic data.
 - ◇ Bilateral and plurilateral agreements between governments about security of supply of raw materials and resource-driven development.
 - ◇ Periodic reporting of progress towards sustainable development, through a Global “State of the Extractive Sector” review or equivalent process.