Sustainable Development Challenges and Economic Transformation Through the Extractives Sector

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What Does Sustainable Development Mean?

Generic definition

“Development that meets the needs of the present without compromising the ability of future generations to meet their own needs.”

Source: World Commission on Environment Development (the Brundtland Commission 1987)

Sector specific considerations

- Responsible extraction, equitable distribution, transparent disclosure, accountability, wealth preservation, and carbon footprint reduction
What Does Sustainable Development Encompass?

[Diagram showing overlapping circles for Social, Environmental, and Economic aspects with sub-attributes like Bearable, Equitable, and Viable]
What Principles Underpin Sustainable Development in the Sector?

- **Economic**—*Shared wealth resources, fair distribution, current versus future generations*

- **Environmental**—*Biodiversity, responsible stewardship, carbon footprint reduction*

- **Social**—*Community versus national priorities, human rights, indigenous rights, land rights*

- **Governance**—*Accountability, transparency, illicit trade, money laundering, consultation*

- **Human/Worker Rights**—*Health safety, freedom of speech, gender equality, child labor*
Sustainable Development and Economic Transformation

- FDI inflows
- Infrastructure
- Education and skills development
- Exports
- Innovation
- Governance
- Functioning state
- Social welfare benefits

Transformation Drivers

- FDI
- Infrastructure
- Skilled labor force
- Exports
- R and D
- Good governance
- Transparency
- Accountability
- Wealth distribution

Sustainability Drivers
Why is the Sector Important for Sustainable Development?

- Extensive industry carbon footprint
- Basis for moral license
- Source of consumer confidence
- Containment of synthetic alternatives
- Value proposition for investors
- Opportunity for thought leadership
- Ethical rightness
- Industry legacy
Why Is Sustainable Development Important for the Sector?

- Finite nature of resources (*wealth preservation*)
- Wealth sharing (*scramble*)
- Resource scarcity (*equitable distribution*)
- Governance (*transparent disclosure*)
- Greenhouse effect (*consumption and emission*)
- Conflicting land use needs (*tradeoffs*)
What are the Specific Challenges?

- High expectations
- Visibility
- Resource Nationalization
- Evil Triplets

Public Expectations

- Conflict Minerals
- Labor and Health Conditions
- Indigenous Land Rights
- Advocacy

Industry Reputation

- Environmental Impact
- Irreversible Effect
- Consumption
- Emission
- Resource Scarcity
- Urbanization

Unique Factors

- Mistrust of Governments
- Big Business
- Resources Curse
- Poor Governance

Negative Perceptions

Challenge
How Are Governments & Industry Responding?

International/Regional Bodies
- (UN) Global compact
- Carbon tax
- (OECD) Principles
- Equator Principles
- UNECA/NEPAD

Governments
- Resource Nationalization
  - Kimberly Process
  - Dodd-Frank Act
  - Sustainable Development Act (Australia)
  - Sustainable Development in mining (South Africa)
  - China’s track record
  - Community Mineral Rights

Advocacy Groups
- Enlighten Consumption
  - Big Business/Big Brands
  - North vs. South
  - Global Witness
    - EITI
    - Fair Trade
    - PETA
    - Green Peace

Industry
- Voluntary Standards
  - ICMM
  - Self-regulation (WG Council, WBCSD)
  - Abandon old markets
  - Synthetic Alternatives
  - Brand Protection
  - Responsible Investment
  - Corporate Responsibility Index

Sustainable Development Agenda

African Center for Economic Transformation
Where are the Gaps?

- Constructive Dialogue *(us vs. them)*
- Common Government/Industry Ground *(common goal)*
- Capacity of Regional NGOs *(balance regional & global)*
- Externally-led Advocacy *(take the lead)*
- Role of Communities *(grassroots approach)*
- Rewards for Responsible Stewardship *(a few good men)*
- Role of Consumers *(demand drives industry)*
What is the Impact on Industry and Producer Countries?

- Costs – (rising)
- Revenue – (declining)
- Demand – (mix response between luxury and non-luxury)
- Image – (awareness on the increase)
- Resource Nationalization (resurgence)
- Alternatives – (future products)
- Self regulation – (proactive initiatives)
- Sustainable Development (on the rise)
- Industry (mushrooming)
- Loss of Moral High Ground

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Has the Battle Been Won?

Questions/Comments