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**Extractive Industries and Sustainable Job Creation**

**Environment and Social safeguards in partnering with the  
extractive industry**

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The views expressed are those of the author and do not necessarily reflect  
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**Extractive industry and sustainable job creation**

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## Environment and Social safeguards in partnering with the extractive industry

### I – The Challenges

#### **What is commonly known as the ‘resource curse’ can be an impediment to advancing human development**

Often these manifestations reflect and perpetuate group-based inequalities, e.g., between men and women, between geographical areas, and between ethnic groups.

One of the most notable economic effects is from the so-called ‘**Dutch disease**’ which occurs when a large inflow resource revenue is accompanied by an appreciation of the real exchange rate. That, in turn, tends to render domestic manufacturing and agriculture uncompetitive, leading to job losses and higher unemployment.

The adverse competitiveness is often worsened by a shift of public and private resources away from these sectors and towards those concerned with the booming resource industry.

Lost jobs are not directly compensated for by growth in the natural resource sector, which tends to be capital-intensive and with few backward linkages to the local economy. Again, the adverse impacts on human development tend to be borne disproportionately by some groups, which deepen inequalities.

This can happen if a short-term surge in construction related to mining activities generates employment opportunities for males at the expense of reduced competitiveness in an export-oriented industry, such as textiles, that typically employs relatively more women. The result can be increased unemployment and women, and greater gender segregation and wage gaps in the workforce.<sup>3</sup>

#### **There is ample evidence to show that extraction operations can adversely affect a broad range of social outcomes.**

Mining communities worldwide often experience a high incidence of sex work and gender-based violence. The links between gender based violence and HIV are well-established. Migrant workers frequently make up a significant share of the workforce in extractive industries. According to the Global Commission on HIV and the Law, migrant populations face a higher risk of HIV and other sexually transmitted infections than workers with secure homes because of the temporary nature of their work. This has actually driven the spread of HIV especially in southern Africa.

Moreover, there is evidence to suggest that governments in mineral-dependent countries capture relatively less tax revenue and so spend less on social sectors than other countries. This challenge is particularly evident in the case of spending on HIV/AIDS.<sup>6</sup>

**Women and men living in communities that directly depend upon natural resources and environmental services for their livelihoods are disproportionately affected by the extractive industries.**

Too often, community lands, rivers and ecosystems are despoiled and communities displaced by mining activities. Enormous industrial wastelands are created from vast open pit mines and mountain top removal; voracious use and poisoning of water systems; deforestation; contamination of precious topsoil; air pollution; acid leaching; cancer clusters—the catalogue of devastation is relentless and growing.

The rights of farming, pastoralist and indigenous communities are threatened. Each wave of new extractive technologies requires ever more water to wrench the material from its source. The hunger for these materials is a growing threat to the necessities for life: water, fertile soil and food. The implications are potentially severe

**However, there is also sufficient evidence from developing countries to demonstrate that the 'resource curse' is not inevitable.**

Several resource-dependent developing and emerging nations have, to varying degrees, achieved decent economic growth rates over longer periods of time.

They have managed to diversify their economies and have resolved the potential negative social and economic impacts of resource-dependence. Therefore, a comprehensive approach is needed to support countries as they manage the risks associated with resource-dependence and maximize the benefits from those resources.

Given the unsustainability of extracting non-renewable resources, the joint challenge of protecting the environment and maintaining the industry, and the vital and non-fungible relationship between the health of the environment and the health of communities, a holistic approach is necessary to, over time, move from dependence on this industry to a sustainable use of renewable energy resources.

**As global economic growth feeds demand for natural resources, competition for natural resources will increase, placing enormous stress on the environment with diverse repercussions for society.**

The stresses placed upon the environment from extractive industries could lead to permanent destruction of ecosystems, and be detrimental to the livelihoods of indigenous communities that depend on the environment.

In post-conflict countries and elsewhere, internal tensions continue over the allocation of natural resource wealth.

The challenge of tackling natural resource induced conflicts may well come to define global peace and security in the 21st century.

With a significant number of civil wars associated with high value natural resources, it is important to respond to the challenges if the pursuit of peace and stability is to be realized.

Struggles to control scarce and high-value resources, such as precious metals and hydrocarbons, have the potential to trigger a relapse to conflict in countries emerging from civil war.

However, if managed well, these resources offer opportunities to rebuild societies and to be part of a peace dividend. Holistic and equitable natural resources management is therefore a critical ingredient in minimizing the risk of conflict relapse while laying a foundation for development following crises.

## The SOLUTIONS

For all the above reasons, we, at UNDP, are calling, with partners, for a new initiative called

***Sustainable and Equitable Management of the Extractive Sector for Human Development.***

We identify 4 components of resource management to tackle these risks and bank on opportunities.

***1 - Participatory legislation, policy and planning.***

**2 – People-centered exploration and extraction**

***3 - Prudent revenue collection and management.***

***4 - Investments in human, physical, financial, and social capital.***

The initiative should have global, regional and country-level elements.

Its implementation at the country level should have the following components within the **four broad pillars of support, with indicative activities**

## 1. Supporting participatory legislation, policy and planning framework

- 1.1 Ensure that extractive industries are effectively represented in national development strategies and poverty reduction frameworks, with clear linkages to sectoral policies
- 1.2 Support governments, communities and businesses to enact systematic procedures for establishing free prior and informed consent of indigenous and local communities. Develop capacity and raise awareness of women and men in communities to understand the nature of the extraction operations and accountability from governments and the private sector as well as their rights, and use systems to exercise them, including mechanisms for redress.
- 1.3 Establish legally binding procedures to ensure community consultation, including whether extraction projects should proceed. These must be gender-sensitive.
- 1.4 Develop capacities to formulate or update bills, laws and charters (including those that define property rights), and clarify the role of key institutions, such as mining and environment ministries.
- 1.5 Establish legally binding procedures to ensure environmental assessment, including whether extraction projects should proceed
- 1.6 Develop government, community and private sector capacity on dialogue and conflict management to resolve conflict early and constructively.
- 1.7 Advocate and work with industry actors to mainstream issues relating to environment, transparency, gender equality and human rights, economic linkages into their internal policies and planning tools.
- 1.8 Support integration of environmental protection measures and low emission standards into policies of the ministries of minerals and energy.
- 1.9 Strengthen climate change and biodiversity considerations within national government policy (e.g., land use, landscape level planning around concession areas, rehabilitation standards and procedures).
- 1.10 Facilitate cross-border dialogue to avoid over-exploitation of the resource in a way that harms other nations, given that natural resource wealth is often shared between and among nations.

## **2. Supporting people-centred exploration and extraction**

2.1 Strengthen oversight capacity and responsibilities of parliaments, CSOs (including women's groups) and the media.

2.2 Carry out corruption risk assessments for a better understanding of potential governance bottlenecks and support transparent procurement processes to reduce the risk of corruption when awarding licenses and support transparent environmental permit processes, monitor and enforce permits.

2.3 Strengthen capacities to implement, monitor and enforce legal and regulatory frameworks, including through access to information, access to justice, and legal empowerment.

2.4 Support the offset of the negative impacts on ecosystems, livelihoods and the atmosphere (e.g., oil spills, mineral pollution, and greenhouse gas emissions) and support environmental rehabilitation measures to increase ecosystem resilience and protect biodiversity.

2.5 Carry out gender-sensitive conflict risk analyses to identify local stakeholders, drivers of conflict, peace capacities, existing traditional and non-traditional dispute resolution mechanisms. Support initiatives focused on women's economic empowerment and political participation, prevent and respond to gender-based violence, and build the capacities of women's advocacy organizations in and around mining communities.

2.6 Support the formalization of mining, in both the regulated and unregulated sector to: i) minimize its impact as financier of conflict; ii) prevent gender-based violence and protect community health; iii) ensure the implementation and monitoring of environmental laws and regulations; and iv) develop alternative livelihoods for artisanal miners to reduce over-reliance on a potentially destabilizing sector.

2.7 Support implementation and monitoring of the legal and corporate social responsibilities of private operators and engage and consult with private companies when supporting countries with environmental and social impact assessments of extractive industry projects. That includes support contract awards (procurement) processes that reveal true values through competition (e.g. through auctions).

2.8 Foster forward and backward linkages with the local economy (local content), with a focus on technology transfer, and integration of local enterprises owned and operated by women and men along the value chains, particularly small- and medium-scale suppliers to the extractive sector.

2.9 Ensure community participation at all stages of the extraction project (design, implementation, monitoring and evaluation), especially among women, migrant and mobile populations.

2.10 Ensure closure, remediation and post-closure environmental standards are integrated into company obligations and permit/license conditions (especially for mining).

### **3. Supporting prudent revenue collection and management**

- 3.1 Support the articulation of a national framework that guides decisions on spending, savings and investments of rents from extractive sectors (overlaps with 1).
- 3.2 Develop capacity to collect taxes and support the formulation of progressive, equitable tax regimes.
- 3.3 Work with international financial institutions and other economic institutions on advising governments in their formulation of macroeconomic and pro-poor policies.
- 3.4 Support regional cooperation for the establishment of contractual and taxation standards.
- 3.5 Put in place corruption risk mitigation systems (against capital flights and misappropriation of funds), for both government and companies.
- 3.6 Develop civil society and government capacities to advocate for and ensure transparency in revenue management.
- 3.7 Engage with initiatives such as EITI, Revenue Watch, to advocate for company commitments to transparency (EITI principles).
- 3.8 Develop local capacities in responsive and accountable governance by strengthening state-citizen interactions, gender-sensitive and participatory planning and other social accountability initiatives to ensure sustainable management of extractive industries.
- 3.9 Support the inclusion of measures for remediation and financial guarantees (environmental liability) in relation to waste minimization and disposal, closure plans, and ecosystem regeneration.
- 3.10 Promote policies for revenue reinvestment in mitigation and rehabilitation measures, such as biodiversity offsets and low emission development.

#### **4. Supporting investments in human, physical, and social capital to replenish depletion of non-renewable resources**

4.1 Support policy decisions that increase investments in economic diversification.

4.2 Develop incentives or regulations to ensure that the various actors in the production chain constrain wasteful policies by encouraging re-use, recycling, and proactive designs for recyclability, and to develop the systems that use materials efficiently and economically to close the cycle of waste and reduce environmental impact.

4.3 Support dialogue between the private and public sectors on the preparation of industrial policies to promote the conversion of minerals and crude oil into higher value-added products to supply both the domestic and the international markets.

4.4 Support the formulation of fiscal systems that address vertical and horizontal inequalities, based on the principle of benefit-sharing between women and men, girls and boys, in local communities.

4.5 Working with government, firms, and local actors, women and men, to prepare for closure of mines and oil and gas extraction projects (e.g., to support alternative employment, diversification of economies).

Ladies and gentlemen

The 2030 Agenda is about doing development differently, so that it benefits people and planet. If fully realized, the resource curse would be a thing of the past.

There is tremendous interest among many businesses in aligning with the SDGs, and there is a strong business case for doing so, including for the extractive industries.

Last year, Massachusetts Institute of Technology (MIT) and Boston Consulting Group surveyed executives in the international mining and metals sectors. Eighty per cent of respondents said that sustainability-oriented strategies were essential for the current and future competitive advantage of the extractive industries.

To support mining and metals companies to identify how they could contribute to achieving the SDGs, UNDP, together with the World Economic Forum, the Columbia Center on Sustainable Investment, and the Sustainable Development Solutions Network, is preparing a draft report titled "Mapping Mining to the Sustainable Development Goals: An Atlas". The Atlas aims to support country-by-country and business-by-business reviews of mining activities, and the impact of strategies, resource allocation, and investments on achieving the SDGs.

The Atlas will also suggest ways in which governments, communities, civil society, international organizations, NGOs, and other private sector actors would collaborate around shared objectives.

As we speak, in Oslo, UNDP is hosting a thematic dialogue on how extractive industries can support the objectives of SDG 16 on peaceful and inclusive societies and access to justice.

We also plan dialogues over the coming years in countries where there are major mining and oil and gas sectors over the coming year.

To conclude: for countries with significant extractive industries, how those sectors do business has a major bearing on whether the countries can achieve sustainable development.

We have set out target for 2030. Let us, together, meet it.