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Extractives: Opportunities and Challenges for Development

The strategic character and macroeconomic significance of the extractive industries is not in doubt. They concern a group of what are economically crucial natural resources – oil, gas and minerals – located under ground or beneath water and capable of being extracted and marketed by human endeavour. Their extensive applications in the modern, globalized economy are well known. Looking ahead, minerals from hard rock mining will provide critically important materials for more sustainable economies of the future. The same cannot be said of oil and coal, even if a pragmatic approach suggests we may have no choice but to continue their development.

This Chapter reviews some of the dominant thinking about the opportunities and challenges of resource-led development, and goes on to explain the *Source Book's* approach. It charts the emergence of the 'development model', which sees positive outcomes from EI activity, if certain conditions are fulfilled. It also provides a summary of the main themes in a very extensive and rich body of literature, in ways that might benefit those unfamiliar with it or who are unable to access much of it¹. It has no pretensions to being more than an introduction.

At the outset, it is emphasized that thinking on the interaction between natural resource policy and development policy is still evolving in the light of further research and lessons from practice. Further insights and policy recommendations can be expected. Changing perspectives on mining over the past 15 years have significantly shifted the focus from large-scale, capital-intensive mining operations to the mining sector as a whole, including artisanal and small-scale mining in assessments of sustainable futures. Other examples of changing perspectives include diverse efforts at integration of extractive industry investments into local communities and the regional economy: for example, through the design of local content policies on procurement and 'resources for infrastructure' deals as championed by investors from various countries including notably China (e.g. the Angola model).

¹ The online version of the *Source Book* provides links to many more studies on these matters than can be provided in this version.

For the various governmental and non-governmental bodies now seeking to influence or shape their domestic extractive industries, some familiarity with the themes in this body of research can be useful since they inform – sometimes only implicitly – virtually all of the contemporary discussion on policies for resource-led development. In effect, they set the parameters within which the initial strategic decision is made whether or not to engage in development through extraction; as well as the design and choice of specific operational techniques and instruments, such as decisions on the kind and scope of rights allocated to investors; the way in which they are awarded, and the appropriate schemes for sharing benefits among public and private parties. Their impact on how ‘good practice’ is now understood has influenced the approach taken by the *Source Book*.

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