

BRIEF

GOOD PRACTICE NOTE

**PUBLIC INFRASTRUCTURE
AND MINING**

2011

Source Book Brief

Public Infrastructure and Mining - Good Practice Note

1. Policy Problem/Statement of the Issue

Although mining depletes non-renewable natural capital, the process of mining can provide with careful stewardship of mining revenues and the prioritization of infrastructure development, the basis for developing other types of capital, for example, in the form of public infrastructure. Public infrastructure supports society broadly, and enables economic activity, but may encompass facilities that are required for the development of mines.

The objective of this note is to identify good practice in mining, which enables the development of public infrastructure alongside of mining activities. Its main focus is the relationship between the infrastructure that is built to support mining and that which serves society. The 'good practice' identified is mainly in form of policy advice although there are a few examples in which such practice has been implemented successfully.

2. Critical 'technical' considerations

The key considerations for ensuring that mining revenues are applied to public infrastructure development include the following:

- Clear policy about mining's role in economic and social development, as well as policies for environmental management and sustainable development
- Capacity for national and regional economic planning, and involvement of local stakeholders
- Mining law affording security of tenure of mining licences, commensurate with the long timelines and significant commitments required for infrastructure development.
- Policy commitments to align the development of infrastructure associated with mining with the development of public infrastructure

3. Typical Sub-Optimal Practices

The optimization of the development of public infrastructure linked to mining can be considered from the perspective of policy as well as planning and execution priorities. Some of the sub-optimal practices observed in this regard include:

- Lack of policies that attract investment in mining while optimising infrastructure development opportunities
- Lack of proper planning processes and procedures with regards to identification of infrastructure, contracting, financing, construction, operation and usage and maintenance
- Absence strong legal systems and supporting institutions to ensure appropriate levels of supervision and oversight as well as good governance standards
- Insufficient skills and financial resources for operation, usage and maintenance of infrastructure that is developed

4. Key Principles for Good Practice

In the development of public infrastructure linked to mining the key principles for good practice include the following:

- Policies that provide for transparent and competitive processes for awarding mining rights, security of tenure to licensees, allocation funding of infrastructure, management options for infrastructure development
- Provision of clear legal frameworks for the identification and planning of infrastructure, and development of processes that ensure that the needs of communities and other stakeholders including mining companies are met, and socioeconomic impacts are identified and planned for
- Development of capacity to run and maintain infrastructure, including government capacity to regulate, provision of frameworks for public consultation and early training for outsourcing certain services to the local community
- Clear and transparent processes for procurement and to limit the discretionary powers so of government officials
- Frameworks for financing of infrastructure development guided by fiscal regimes that provide incentives to investors and processes for management of financing arrangements.
- Provision of resources for running and maintenance, guidelines for monitoring conditions of infrastructure as well as ensuring that local capacity for maintenance is developed
- Effective consultation, coordination and participation of all stakeholders, to ensure good governance and enhance accountability

5. Examples/"Nuggets" of Good Practice

As the source material for this good practice note is limited to information available from the World Bank, the note is not exhaustive of the literature on the subject of mining and infrastructure development. However, some examples of successful implementation of good infrastructure related policies in low-income countries particularly, are cited in the note.

Papua New Guinea has an example of ‘Good Practice’ concerning policies and practices for stakeholder consultation, for management of the mining sector. Decision-making forums which include different stakeholders participate in the licensing and approval process. This results in a high degree of disclosure and consultation.

In the Democratic Republic of the Congo there is a demonstration ‘good practice’ regarding the design of policies for good governance and infrastructure development. The parliament adopted “the Good Governance Contract’ which makes specific reference to the Extractive Industries Transparency Initiative (EITI). The government has indicated plans for restructure infrastructure provision.

Another example of “good practice” concerns infrastructure planning at Puquio Norte in Bolivia. Infrastructural development for the mine also took into account the needs of the community, allowing the community to have access to electricity.

6. Conclusions/Guidance for Users of the Source Book

The planning and development of public infrastructure is at the heart of this good practice note. The ‘good practice’ identified is mainly in form of policy advice and is described in principle and broad terms. This good practice note should not be used prescriptively, as mining takes place in different settings, in which infrastructure needs, social priorities and provisions for governance vary.

The note flags issues which may be encountered by state policymakers and ministry officials in their dealings with mining companies as it is relevant to the state’s strategic planning functions and budgeting processes. It can also be used by mining companies in their interaction with governments and communities, and by communities affected by mining.

7. Key References

1. Extractive Industries Value Chain. A Comprehensive Integrated Approach to Developing Countries Extractive Industries (World Bank, Alba, 2009)
2. An Asset for Competitiveness: Sound Environmental Management in Mining Countries (2002). Global Mining. IFC, World Bank
3. Large Mines and Local Communities: Forging Partnerships, Building Sustainability. World Bank and IFC. 2002. Felix Remy and Gary MacMahon
4. Implications of Royalties for Investors, Civil Society, the Market and Government. Mining Royalties – A Global Study of Their Impact on Investors, Government and Civil Society (World Bank 2006)
5. Democratic Republic of Congo. World Bank Study: Growth with Governance in the Mining (2008, Report no 43402-ZR). Infrastructure Aspects of the Study