Mining and Local Economic Development

Mining can be a driver of local economies, but mine operations and closures also impose burdens on communities when not properly planned and managed. A Local Economic Development and Mining Toolkit was developed to promote the proactive involvement of mining companies, governments, and communities in mining projects to enhance their development benefits and ensure that negative legacies are not left behind. The World Bank is using the practical tools provided by the toolkit in projects in Romania, Mauritania, Madagascar, Nigeria, and Tanzania. By linking mines to local economic development, communities have been able to benefit from infrastructure improvements and mitigate the impacts of mine closure by developing other sources of livelihood.

1. Challenge

The mining sector, dedicated to the extraction of nonrenewable resources, has long had a problematic relationship with local communities. Mines tend to operate in isolation from local economies and local development plans. If managed properly, the opening of a mine can bring increased employment, commerce, and infrastructure. This in turn can lead to an economic and social revival, especially in a depressed area. But the opening of a mine can also have negative social and economic repercussions. The influx of workers strains local housing and infrastructure and can overwhelm social, educational, and medical services.

Once a mine is exhausted, its closure can cause severe distress to a community, possibly even economic and social collapse throughout an entire region. Without adequate planning, abandoned mines can bring large environmental liabilities and cleanup costs for governments. A wave of mine closures is looming, and over the last few years this has become one of the most difficult issues in the mining sector. Local communities are concerned that they shoulder the negative impacts of mining, including environmental degradation, but receive few benefits.

Planning of mines must take into account not only immediate needs but also long-term sustainability, given the finite nature of extractive resources. While there is an emerging consensus that mining industry development must be integrated with the development needs of local communities as well as with national economies, there are very few tools or guidance on how to make this happen in a systematic way.

Toward this end, the World Bank's Oil, Gas, Mining and Chemical Department (COCPO) and its Urban Department collaborated in developing an interactive CD on how to promote local economic development (LED) around a mine. Drawing on the experience of the Urban Department in LED planning, the team prepared informational tools and practical guidelines with applicability to the mining sector. To appeal to a wide range of end users, the Local Economic Development and Mining Toolkit includes three main components to meet the needs of different audiences. These include (a) a self-playing presentation to promote the concept of LED, targeted at top officials of mining companies and governments; (b) tools for LED implementation, intended for use by frontline practitioners; and (c) in-depth material for practitioners and researchers, including best-practice case studies. The toolkit was designed to be relevant to planning both for new mine development and for mine closures.
2. Findings and Dissemination

The toolkit provides guidance on how the public sector, mining businesses, and local communities can work together to create better conditions for local economic growth and employment generation in mining areas. It is intended to help each group better understand the needs and concerns of the others. The toolkit highlights the fact that mining can attract responsible private investment that in turn can create a foundation for economic and social well-being. Local governments can use income generated at the local level to provide resources for other local economic activities, and community members can gain jobs and skills. But for these benefits to be realized there must be a process that links mining to local development and that addresses concerns about the impact of mines and mine closures on communities. The extent and severity of negative impacts can be minimized both by the policy and regulatory framework and by careful management of relationships between stakeholders.

The toolkit suggests a broad range of interventions, spelling out the roles and responsibilities of the different parties. Local governments in mining areas should be involved in planning strategically for development by providing an enabling legal and regulatory framework and support to communities. Mining companies should participate in rather than lead that process. Companies should take constructive actions such as investing in infrastructure development, giving priority to local hires, training potential workers, and sourcing goods and services from local providers. By hiring and buying locally, a company saves on the cost of imported labor and services and gains acceptance as a business that is providing tangible benefits to the community. Local communities need to be involved proactively to ensure that they are able to take advantage of the mining operations for employment and business opportunities, and they should participate in consultations on social impacts and infrastructure needs.

The toolkit suggests activities that can help mitigate social hardships that may arise from mine closure. These include supporting local business growth and new enterprises by providing access to capital and finance along with technical advice on business management. Also important are efforts to develop workforce skills, including retraining of redundant workers.

The toolkit was distributed to internal and external clients and marketed through the Oil, Gas, Mining and Chemical Department Web site. As of late 2008, more than 1,200 of the CDs have been distributed to staff, governments, mining companies, consultants, and academicians. The toolkit won the 2004 ADDY award from the Advertising Club of Metropolitan Washington for best business-to-business CD-ROM.

3. Subsequent Role for the Bank

The Bank's mining department has used the recommendations of the toolkit in its mining sector TA, mine closure, and socioeconomic regeneration projects. In particular, LED approaches have been included in projects that COCP is conducting in Romania, Mauritania, Madagascar, Nigeria, and Tanzania. In each country, the Bank is working with national and local governments to enhance the development benefits and minimize the negative effects of mining. The intent is to harness potential synergies between mining companies and community infrastructure needs, leading to parallel support of development plan activities and more effective use of social responsibility programs.

4. Key Results

The ESW has contributed to early results in several areas:

Development of plans to address community concerns. In Madagascar, Tanzania, and Nigeria, where the impact of extractive industries on the environment and local communities has been a hotly debated issue, the Bank has encouraged both companies and governments to pay attention to these concerns. For instance, an upcoming lending project ($50 million) in Tanzania will include support to local governments on LED planning, and mining companies have agreed to participate in the process. This will improve the development effectiveness of corporate social responsibility programs and the use of local government revenues from mining for development. In Madagascar, public/private partnerships are being developed to use revenues from mining for the social and economic development needs of communities.

Supporting diversification to reduce dependence on mining. In northern Mauritania, which depends
heavily on the state-owned iron mining operation, the LED approach has helped reduce dependence on the mine for livelihoods and infrastructure services (water and electricity were supplied by the mine). A small grants program, created in line with the ESW recommendation to diversify sources of economic livelihoods, has financed a number of ventures selected on a competitive basis. These include a jewelry production cooperative, a brick plant, several stores, and an agriculture cooperative that employs retirees from the state-owned mining company. More than $800,000 has been disbursed to date. The project also analyzed various options for alternate provision of water and electricity services in the mining areas.

**Improved planning to address negative effects of mine closure.** Romania is experiencing a long-term decline in coal mining and is under European Union pressure to reduce mining subsidies. The World Bank is supporting local communities in dealing with mine closure by shaping plans to return land to useful purposes such as fishing, farming, and new businesses. Forty-nine communities (79 percent of those affected) have already developed strategic plans, utilizing both Bank project funds and projected access to EU funds.

**Development of supporting infrastructure.** Communities have been able to benefit from infrastructure improvements when mine infrastructure needs are linked to government and community needs. In Romania, for example, roads and drainage systems built or used by mines have been adapted to meet long-term community needs. This has also led to increased acceptance of mining company activities by local governments and communities.

5. Lessons Learned

First, providing a CD-ROM or online access can be a useful means of disseminating ESWs, especially those of an interactive and practical nature. The use of a CD-ROM for disseminating the toolkit made it possible to reach a variety of stakeholders quickly and engage them interactively. For wider access, the toolkit could also have also been placed online.

Second, cooperation among various departments within the Bank can bring a range of useful perspectives to the table and result in innovative products. In this case, the Urban Department brought its LED knowledge and the mining department contributed a sector perspective, both of which were essential to development of the toolkit.

Third, there is a need for wider use of ESW findings in operational projects. Even though some projects did incorporate the LED approach based on the findings of this ESW, it was done in an ad hoc and inconsistent manner.

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