



# OECD Meeting on Mining Regions

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Antofagasta, Chile

## OPENING SESSION



**Enrique Garcilazo, Head Regional and Rural team** welcomed participants to the event and described the three key themes informing the event:

- Policies that enable the development of the mining industry, that support productivity and also strengthen the supply chain linkages and diversification efforts around mining activities, and lead regions and cities towards a more diversified economy.
- Policies that enhance quality of life and address inclusive growth and well-being challenges that affect cities and regions with a high degree of dependency on mining and extractive industries.
- Sub-national governance and fiscal arrangements that address the complex relationships between national and sub-national governments, the mining industry and community stakeholders in relation to issues of economic development and well-being.

**Sergio Cubillos Verasay, President of Peine's Atacama Community** spoke about the role of indigenous communities in economic development. This included the importance of language, traditional livelihoods and protecting indigenous rights. The importance of engaging in dialogue with communities to promote sustainable development was noted.

**Mauro Neves, CEO Escondida Mining Company** affirmed that growth and investment by industry has to go together with the growth and development of the territory, and there is a commitment to work together on this topic.

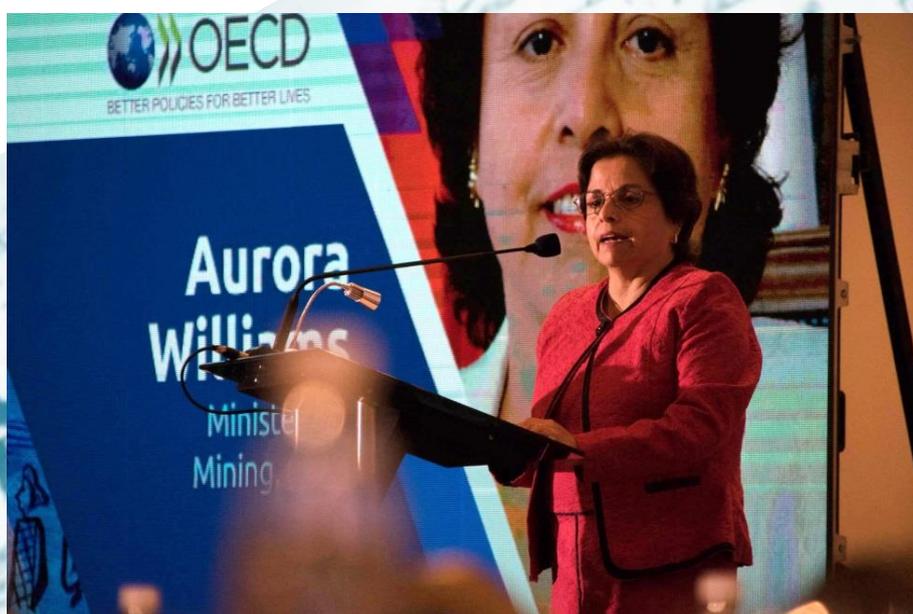
**Jorge Tabilo Alvarez, Chancellor, Catholic University of the North** identified the importance of international cooperation to mining regions and cities, and welcomed the focus on clusters, quality of life and subnational governance. The university has a strong focus on supporting the development of the local mining cluster.



**Juan Biset, Under Secretary for Mining Policy, Argentina** welcomed the initiative of the OECD as it is important to learn from each other, and the themes of the event resonate with how Argentina is approaching mining and regional development. **Claudia Serrano, Chilean Ambassador to the OECD** also affirmed the importance of learning from each other and how the OECD can provide a platform for sharing best practices. **Karen Rojo Venegas, Mayor of Antofagasta** and **Autoro Molina Henríquez, Governor of Antofagasta** both spoke about the importance of mining to Antofagasta and Chile, and the benefits that come from international cooperation.



**Mining Minister, Aurora Williams** emphasised that key priorities of President Michelle Bachelet's government has been to promote inclusive growth and sustainable development. Dialogue with the private and public sector, mining industry, academia, trade associations, communities and research centers have supported the delivery of these priorities. Collaboration enables the generation of knowledge and good practices, innovation and value creation at the local and regional level to be increased. To achieve greater regional development, the Chilean Decentralization Agenda is being carried out, which seeks to reduce territorial inequalities, transfer power, generate more democratic local systems, and promote the development of all regions. Multilateral cooperation within the framework of the OECD on mining regions strengthens States and benefits Chile.



**Michelle Bachelet, President of Chile**, spoke about the importance of mining to Antofagasta and the Chilean economy, and the governments focus on improving productivity and competitiveness which is supporting Chilean businesses to engage in higher value activities.

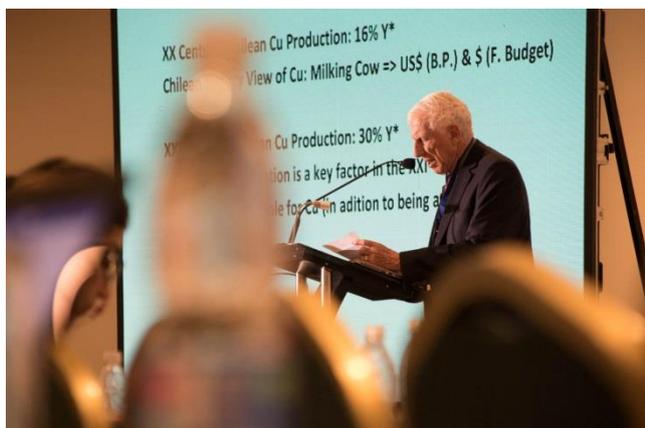
# COMPETITIVENESS AND PRODUCTIVE DIVERSIFICATION

## Theme 1: Productive Linkages and Diversification

Specialisation in the mining and extractive sector can stifle the competitiveness of non-extractive tradeable activities at a regional level. Although this is desirable from an economic standpoint it leaves the region **vulnerable to changes** in external demand and to price fluctuations. Rapid changes in these factors and the exhaustion of resources that can be extracted with current technologies can result in **significant adjustment costs**. Fostering the growth of other traded activities is a strategy for mining regions and their cities to **manage these risks**. **The key policy challenge for mining regions is: how to identify and support one or more new and profitable niches in the international division of labour.**

### Main themes from the presentations and discussion:

- Fluctuations in prices, different phases in the commodity cycle and the depletion of resources can leave mining regions exposed to risks associated with structural adjustment. Building resilience to these changes requires an effective regional development strategy that invests in local assets and identifies niche activities where there is competitive advantage, and the resources to make it happen.  
*"Regional strategies work best when they are community-led and coordinated, align with a region's strengths, involve targeted investment, and follow good processes"*  
**Paul Lindwall, Commissioner - Australian Government Productivity Commission**
- The private sector is an important partner in supporting the implementation of regional development strategies. Over the past 20 years, the private sector has had an increasing interest in cluster development to drive productivity improvements and increase access for local suppliers. This is an important strategy to support local value-creation and diversification.
- Mining can be a platform to generate innovation, move up the value-chain, and enable the diffusion of technologies into other sectors; however, the right policy settings need to be in place. This includes linkages between universities and the private sector, and addressing bottlenecks related to skills and competencies.



*"How do local communities and regions benefit from mining? By generating backward productive linkages that produce world-class supplier firms."*

**Patricio Meller, Director Fundación Chile**

*"The Mining Cluster of Antofagasta has developed a platform for mining services firms to develop new technologies and specialised human capital through collaboration with other private sector actors, academia and the public sector. We wish to contribute to collaborative work between mining regions at a global scale with the OECD."*

**Marlene Sánchez, Director Antofagasta's Cluster Council (Chile)**



# COMPETITIVENESS AND PRODUCTIVE DIVERSIFICATION

## Theme 2: Productivity and Innovation

Firms engaged in extraction seek to drive down costs whilst national governments capture revenues which can leave the **regional economy not getting much from mining activities**. Minerals, metals, oil and gas are traded in global markets and are coordinated through **global value chains (GVCs) with complex backward and forward linkages** that include other sectors such as manufacturing, transport, construction and other services. Regions need to understand their **role and niche** within these value chains. **The key policy challenge for mining regions defined by the OECD is: how to increase the productivity of the mining sector in the region, and the scope for local value-adding related to it.**

### Main themes from the presentations and discussion:

- The main game for regions is how to insert local entrepreneurs and firms into GVCs which are coordinated by large multi-national firms. This cannot be achieved sustainably through mandated local content requirements. Countries and regions should take a strategic approach to incrementally moving up the value chain into higher value-added activities (e.g. mining services).



- These niche activities in GVCs should build upon and leverage local competitive advantages. This can include, for example, technological solutions required to operate mines in extreme climatic conditions (hot and arid conditions, or in the arctic), or developing linkages between different industries at a regional level to support technological diffusion and development (e.g. engineering competencies related to mining and forestry).

*"Through innovation, Chilean mining must generate competitive advantages"*

**Mauro Valdés Raczynski, Director Alta Ley Programme (Chile)**

- Regions need to take ownership of their development and work with industry in a collaborative way to develop this integrated approach. It is important that this work engages local communities, builds human capital, and increases access to technology. Policies that seem to be effective are prioritising investment in research and development aligned to local industry needs, specialised training, and cluster development.

*"Lapland wants to take lead on its own development – taking a strategic step by step approach with a strong focus on circular economy"*

**Kristiina Jokelainen, Manager International Cooperation and Smart Specialisation, Regional Council of Lapland (Finland)**



# QUALITY OF LIFE AND WELL-BEING

## Theme 1: Urban quality of life and addressing inequalities

**Quality of life** encompasses a range of **material and non-material factors** that are important to the competitiveness of places (e.g. health, safety, jobs, education and housing). Urban quality of life is important in terms of **attracting and retaining skilled workers**, and therefore supporting efforts to **increase productivity and foster economic diversification**. Relatively rapid and volatile growth trends experienced by mining cities and their regions can generate challenges in relation to **social dislocation and inequalities**, particularly in relation to labour and housing markets. **The key policy challenge for mining regions defined by the OECD is: how to improve local quality of life and promote inclusive growth.**

### Main themes from the presentations and discussion:

- Urban quality of life is important for mining regions because it can demonstrate a dividend to local communities from mining and extractive industries, and can aid efforts to increase productivity and promote diversification by increasing the likelihood of attracting and retaining skilled labour. Quality of life in cities can be enhanced through investments that improve urban design and streetscapes, internal connectivity within cities, and deliver high quality open space and recreational opportunities.
- Mining and extractive industries, at least in the short term and without appropriate policy responses, can increase inequalities and result in social dislocation at a regional level. Population increases can overcrowd existing public infrastructure and services, wage premiums paid to the mining workforce increase the local cost of living, and squeeze out other trade-exposed sectors. This can have negative impacts on quality of life in mining cities and towns.
- Regions and cities have a key role to play in mitigating these costs and investing in measures to take advantage of the opportunities associated with mining and extractive industries. It is important to develop a vision for the development of the region in collaboration with public and private sector actors, and include citizens and community organisations (particularly hard to reach and vulnerable groups) in this dialogue.

## QUALITY OF LIFE AND WELL-BEING

### Theme 2: Natural Resource Management and working with communities



*“CREO Antofagasta is a public, private and civil society collaboration to support the development of a sustainable city. It has developed an innovative governance model that enables participation in shaping a vision for Antofagasta’s development and implementing the projects to make it happen.”*

**Andrés Letelier, Director, Creó Antofagasta (Chile)**

Mining and extractive activities generate **environmental impacts and externalities** - on local air and water quality and generating increased competition between different sectors for the use of water (residents and agricultural producers). For some mining regions past mining and extractive activities have left **legacy costs** and can contribute to long term public health issues. Traditional settlement or reservation areas, within which **indigenous communities** have defined rights, result in different forms of engagement, regulatory approval, and social license for mining operations. **The key policy challenge for mining regions defined by the OECD is: how to effectively engage with communities to mitigate the local environmental impacts of mining and extractive activities, and achieve ‘social license to operate’.**

### Main themes from the presentations and discussion:

- It is well-known that although mining and extractive industries generate benefits for regional economies (investment, jobs, access to markets); however, it can also have significant impacts on land and water resources. Respecting existing patterns of resource use (particularly indigenous communities), different ways of understanding development, and mitigating negative environmental impacts is a key to sustaining ‘social license to operate’.
- A sustained dialogue between industry, government and communities is needed to generate win-win situations. This dialogue builds the trust that is required to negotiate and manage complex trade-offs within the framework of an agreed vision and priorities for regional development.

- The smart use of royalty revenues is also important at the regional and local level. This includes providing seed funding for social innovation and entrepreneurs, and investing the proceeds of resources rents into initiatives to build the long term resilience of the region.



*"Sudbury is establishing cluster model to better bring all voices, public and private, to a single table"*

**Ian Wood, Director of Economic Development, Sudbury (Canada)**

*"The Australian Government's agenda for regional Australia Regions 2030: Unlocking Opportunity recognises that regions are diverse and that a one-size-fits-all approach to regional policy does not work"*

**Saskia Vervoorn, Director – Regional Strategic Policy, Australian Department of Infrastructure and Regional Development (Australia)**



## PLENARY SESSION: LEADERSHIP IN MINING REGIONS

The objective of this session was to identify key lessons about the **leadership qualities** required to successfully **implement a development vision** for mining regions and their cities.

- Common themes emerging from the discussion were: linking a development vision to regional assets, building support and resilience amongst a broad range of actors within a region, putting a special focus on engaging non-government actors (education and health providers, chambers of commerce, mining clusters and indigenous communities), and having a clear way of promoting and communicating change and monitoring progress.
- Although mining regions have different conditions (geography and natural endowments, population size and density, stages of development, institutions, and types of minerals, metals, oil and gas) they face similar issues. Leaders participating in the discussion observed that they are applying the same principles in different contexts. Stronger international collaboration will support leaders by promoting knowledge-sharing and the capacity to work together on solutions to address common challenges.



*"Three factors are important in regional leadership: understand your local economy, prepare for change, and build support and resilience"*

**Craig Perkins, Chair Regional Development Australia, Tasmania and Mayor, Meander Valley Council (Australia)**

## DIALOGUE BETWEEN STAKEHOLDERS: ENHANCING INTERNATIONAL COOPERATION ON THE PROSPERITY AND WELL-BEING OF MINING REGIONS

The objective of this session was to identify **key themes and benefits of enhancing international cooperation** between mining regions and their cities.

- Regional and local governments and industry have to address a complex set of issues, and international dialogue can help identify better ways to address them. This includes promoting greater gender equality in the labour market, facilitating technological transfers and building international partnerships for universities, diversifying economic activity, the provision of infrastructure, and sustaining social license to operate. The OECD can provide a framework for this cooperation and the identification and analysis of good practices to address common challenges.



*"Lessons have been learned from mistakes of the past and there is a myriad of good practices being implemented across the globe; it is important to communicate these best practices and exchanging them among companies, countries, regions."*

**Ramón Espinasa, Inter-American Development Bank**

# GOVERNANCE CHALLENGES IN MINING BASED REGIONS

## Theme 1: Developing regional clusters that are innovative, inclusive and sustainable

**Regions have different drivers of growth** depending on their initial conditions, development level, institutional arrangements, resource endowment, and population size and density. **New growth opportunities** can be activated by identifying and developing new economic activities that **build upon and combine existing strengths** (regional innovation strategies or smart specialisation). Open innovation models depend partly upon trust between and within the different actors (governments, business and universities) to stimulate knowledge spillovers and the transmission of information about development bottlenecks and opportunities. **The key policy challenge for mining regions defined by the OECD is: how to develop collaborative institutions that support local innovation, which is integrated with GVCs and research networks.**

- In this space there can be a convergence of interests between regional and local authorities and mining companies. Mining companies generally have a preference to move beyond antagonistic and/or transactional relationships with local and regional actors toward one based on a shared long term view and local value creation. This can be achieved by companies supporting an ecosystem for regional innovation, and creating platforms for local entrepreneurs, firms and research institutions to solve challenges in operations and supply chains.
- Governments can help put in place the conditions for this to succeed including investment in higher education and research, support for firms to innovate and access skills, and brokering relationships between different actors in the innovation system. This has important implications for how governments work including accepting a greater openness to risk, and shifting from a controlling role to one that is more about enabling and facilitating outcomes.



*"We use our business challenges to spark innovation and create shared value for BHP, our communities and the countries where we operate."*

**Susan Lasecki, Cluster Manager Bhp Billiton**

*"Regional governance requires the participation and commitment of local universities, considering their contribution to regional development through the training of advanced human capital and the strengthening of innovation systems."*

**María Cecilia Hernández, Vice Dean of Research, UCN (Chile)**

# GOVERNANCE CHALLENGES IN MINING BASED REGIONS

## Theme 2: Facing quality of life and well-being challenges

**Quality of life and well-being** encompasses a range of material and non-material factors that people value and shape the competitiveness of regions. A well-being framework enables decision-makers to move beyond sectoral policies and focus on **policy complementarities** (mutually reinforcing effects and synergies between sectoral policies related to achieve agreed outcomes). Outcomes should be defined in collaboration with local stakeholders to ensure **community understanding and ownership** of development strategies (this is particularly important for mining operations). **The key policy challenge for mining regions defined by the OECD is: how to design regional governance arrangements that support a shared vision and priorities for development, and foster policy complementarities.**

- Conflicts at a local and regional level related to mining and extractive industries can erode trust in institutions and mining companies, and therefore social license to operate. These conflicts can emerge for a number of different reasons related to the efficacy of regulatory frameworks and enforcement of them, the level of human capital in the region, the degree of regional specialisation in mining, and the quality of regional institutions and decision-making.
- A number of good practices in relation to governance arrangements to enhance well-being were identified: using the Sustainable Development Goals (SDGs) as an organising framework, improving mechanisms for the collection of socio-economic data and monitoring change, sharing good practices between different communities and regions, and encouraging citizen participation in public budgeting at the regional level.



*"Public-private collaborative initiatives are increasingly necessary to guarantee the contribution of large-scale mining to sustainable development and the quality of life of communities."*

**Joaquín Villarino, President of the Minerals Council of Chile**

*"Transparent governance responses are needed to ensure more equitable share of the benefits from mining at the regional level, which in Australia can include Indigenous Land Use Agreements (ILUAs) and conditions placed in mine licences and state agreements."*

**Professor Fiona Haslam-Mckenzie, University Of Western Australia**

*"The World Bank is supporting Mexico to implement participatory budgeting to prioritise investment from mining royalties ensuring a community perspective. This improves budget allocation by contributing to a more equitable distribution of resources, taking into account citizen's needs, and increasing transparency and accountability for outcomes."*

**María Guadalupe Toscano Nicolás, Public Management and Governance Specialist, World Bank (Mexico)**



*"In Argentina, Federal Mining Agreements set out quality of life and well-being enhancing initiatives at the regional level including education and human capital development programs, and how mining royalties should be applied locally and for sustainable development initiatives"*

**Juan M. Biset, Undersecretary of Mining Policy, Ministry of Energy and Mining (Argentina)**

## CONCLUSION

The objective of this session was to provide a summary of the key messages emerging from the event, and to identify next steps to build an international collaboration for mining regions and their cities. The panel was moderated by Claudia Serrano, Chilean Ambassador to the OECD and included:

- José Enrique Garcilazo, Head of Rural Unit OECD
- Cristian Rodríguez, Director Public Policy Institute, UCN, Chile
- Marko Razmilic, President Antofagasta's Industrial Association, Chile
- María Olivia Recart, Vice President Corporate Affairs Americas BHP
- Ricardo Labo, Deputy Minister of Mines of Peru
- Arturo Molina Henríquez, Governor of Antofagasta's Region, Chile
- Maria Eliana Arntz, Casa de la Paz



**Claudia Serrano, Chilean Ambassador to the OECD** began by noting the high quality discussions at the event, and the potential to work together on identifying good practices to solve common challenges. She asked **Enrique Garcilazo, Head Regional and Rural Team at the OECD** to elaborate on the main conclusions of the event and how the OECD will work with these key partners to develop this collaboration. Enrique identified the importance of a collaborative effort focusing on the subnational dimension and the needs of mining regions and their cities. This includes creating opportunities for knowledge-sharing and peer review, and identifying lessons and good practices.



**Cristian Rodriguez, Director Public Policy Institute, UCN**, was then asked to provide a regional perspective on the event with a focus on the governance challenges. Cristian identified that a common challenge for all stakeholders in regions specialised in mining is how to generate better opportunities for local businesses, entrepreneurs and citizens. This is a shared responsibility that requires new and systemic forms of collaboration that enable opportunities to be unlocked. Antofagasta has benefited from previous engagement with the OECD on addressing these governance challenges, and looks forward to learning from further exchange and dialogue between mining cities and regions to address shared challenges.

**María Olivia Recart, Vice President Corporate Affairs Americas BHP** noted that the seminar has opened a range of opportunities for the Region of Antofagasta. We are now connected to the world and other mining cities and the benefits of this collaboration will no doubt have positive impacts on the quality of life. As BHP we are proud to be part of this effort.



**Other panel members identified a number of points to inform future collaboration.** In terms of substantive topics this includes ensuring a focus on sub-national governance, global value chains, technological development and diffusion, and social license and working with communities. There will be wider interest in this initiative from other regions not at this event, and we should aim to broaden this collaboration. There should be a strong focus on the identification of good practices and promoting knowledge-sharing amongst a wide range of regional stakeholders (businesses, universities, public authorities, and community organisations).

**Enrique Garcilazo, Head Regional and Rural Team at the OECD** concluded that the OECD will convene an event in 2018 in a mining region, and publish proceedings of this event in Antofagasta. Future events will be supported by analytical work by the OECD to better understand the growth dynamics of mining regions and good practices to increase productivity and enhance well-being. The OECD proposes a series case studies to identify good practices and recommendations that can maximise the growth potential of mining regions and cities, and provide opportunity for knowledge-sharing and peer review between participating regions. A proposal will be circulated by the OECD for consideration by interested regions and an expression of interest held to host future events and undertake these case studies.

