

Towards a new form of natural resources governance in Latin America and the Caribbean



# **Background**

For many decades, the natural resource sector has been one of the main drivers of economic growth in Latin America and the Caribbean. In the first half of this century —and in a repeat of earlier historical experiences— these resources generated exceptional rents, which the region's countries used to reduce poverty and inequality. Nonetheless, today the results of that policy, which began at the turn of the new millennium, seem to have stalled. Experience in Latin America and the Caribbean thus demonstrated the difficulty faced by countries that rely heavily on extractive activities to turn periods of burgeoning natural resources exports into sustainable economic development processes.

Today Latin America and the Caribbean faces a more complex international situation —not only in terms of lower commodity prices. For most of the region's countries the pace of international trade is slackening, and tax revenues are shrinking. Moreover, in recent years consumption has faltered, investment has slowed, and the flow of funds from international financial markets to the region's countries has dried up. These factors are compounded by greater vulnerability to weather events and their consequences for the economic structure.

# Towards a common vision of natural resources governance for structural change

Today the Latin American and Caribbean region needs to work steadfastly on three fronts to achieve the development it requires: structural change to move towards more knowledge-intensive sectors; convergence to reduce domestic and external income and productivity disparities; and equal rights.

This poses three major challenges: achieving sustained, high rates of growth that are sufficient to close structural gaps and generate quality jobs; changing consumption and production patterns in the context of a genuine technological revolution with environmental sustainability; and guaranteeing equality based on a more convergent productive structure, with universal social protection and capacity-building.

Working towards a new form of natural resources governance, and linking it with the structural change for equality proposed by the Economic Commission for Latin America and the Caribbean (ECLAC) is without doubt one of the greatest challenges facing the region; and new thinking on the subject has started to emerge with the arrival of the new millennium.

Among other issues, there is a debate on whether the resources available today should be consumed in the short term, or whether it is better to save them for the future. A third alternative proposes striking a balance between consumption, saving and investment, which would make it possible to attain genuine inclusive development that is sustainable over time.

Consequently, natural resources governance is a key element in the Latin American and Caribbean development agenda, and one of the main axes of the "compacts for equality" advocated by ECLAC.

Governance should thus be reflected in the strategic vision and in the capacity of the State to implement long-term policies to ensure that natural resources are exploited in a way that effectively promotes inclusive economic development, diversification of economic activities and the creation of production linkages. This also requires improving infrastructure and developing technology, innovation and human capacities, to make them compatible with progress and the safeguarding of community rights, particularly those of indigenous peoples, and environmental conservation.

### Elements for constructing natural resources governance in Latin America and the Caribbean

In the document *Compacts for Equality: Towards a Sustainable Future*, ECLAC called for progress to be made in constructing a compact for better natural resources governance and use, which would contribute to a more diversified and environmentally sustainable economy, creating synergies in terms of employment, well-being and sustainable long-term economic development for the region.

ECLAC also launched an exchange of ideas with national authorities as part of the high-level round table "Towards a vision on natural resource governance for equality in Latin America and the Caribbean". This meeting, held in Santiago in January 2015, helped with the preliminary identification of some of the elements needed to construct a regional compact, and recognized that the objective of improving natural resources governance will require countries to forge agreements and consensuses based on the following lines of public policy action:

- Creation of a long-term State policy and strategy to ensure that extraction industries contribute to development goals through production diversification, structural change and social inclusion.
- Updating of tax frameworks to give the State a more progressive share in the rents obtained from natural resources, and achieve this without undermining the buoyancy of investment in these sectors.
- Institutionalization of mechanisms for the stabilization, saving and long-term investment of the rents obtained from the
  extractive sectors.
- Bolstering of the capacity of public institutions to effectively resolve and manage the growing number of social, economic, environmental, labour and other disputes associated with the development of the extractive sectors.

# Road map towards a new form of governance for renewable and non-renewable natural resources in Latin America and the Caribbean

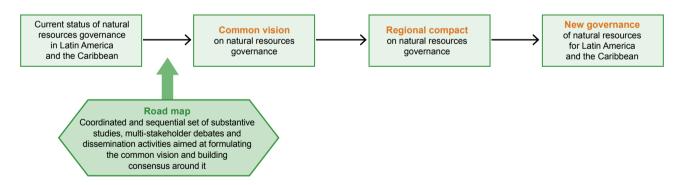
One of the objectives included in the 2030 Agenda for Sustainable Development relates precisely to the good governance of natural resources, for which the following target has been set: "By 2030, achieve the sustainable management and efficient use of natural resources" (target 12.2 of the Sustainable Development Goals).

There is thus a dual mandate from the United Nations system, at the regional and global levels, for ECLAC to contribute to the definition of a common vision making it possible to move towards a regional compact for a new form of natural resources governance in Latin America and the Caribbean.

A key step in formulating the common vision is the definition of road map to guide that process, with a view to moving towards a regional compact and at the same time helping to achieve the Sustainable Development Goals. The road map should set objectives at the local, national and regional levels, considering short-, medium- and long-term time horizons.

The road map's key actors are the governments, firms and communities involved in extractive activities. For these actors to enjoy the shared benefits —based on maximum transparency in the extraction, management and distribution of the resources in question— the road map should propose innovative and effective ways to enhance institutional frameworks and strengthen capacities.

### Process towards a new form of natural resources governance in Latin America and the Caribbean



# Proposal to create a Latin American and Caribbean centre for natural resources governance

Both the magnitude of the change towards a new form of natural resources governance and the challenge this represents are immense. Proposing sustainable changes entails addressing a wide variety of related political, legal, economic, tax, environmental, social, territorial and intergenerational issues, which will need to reflect the population's perception and expectations, and their support for the public policies that will be implemented to their benefit.

To handle this complex range of instruments, objectives and knowledge, it is proposed to create a Latin American and Caribbean natural resources governance centre. This would serve as a regional platform —the only one of its kind—which, under United Nations auspices, would coordinate, analyse and conduct discussion and dissemination activities to provide technical assistance to meet the demands of member States.

The centre would thus become the key regional player in terms of thinking and the development of new proposals for the responsible use and good governance of natural resources in the region.

On the basis of the road map, the main objective of the Latin American and Caribbean centre for natural resources governance would be to steer the process of defining the common vision and help formulate a compact —a major regionwide agreement on the governance of natural resources, broadly defined and covering the whole territory of Latin America and the Caribbean.

The natural resources targeted by the centre's work programme include those obtained from soil and subsoil, arable land, water, forest resources, oceans and marine wealth.

#### Current status of natural New governance **Common vision** Regional compact resources governance of natural resources on natural resources on natural resources in Latin America for Latin America governance governance and the Caribbean and the Caribbean Road map **Latin American and Caribbean Centre for** Coordinated and sequential set of substantive **Natural Resources Governance** studies, multi-stakeholder dehates and Regional support mechanism for: dissemination activities aimed at formulating 1. Discussing and formulating the road map and the common vision and building consensus around it the proposal of a common vision 2. Formulating a complete governance proposal 3. Following up on national and regional actions for a new form of governance 4. Undertaking complementary actions

#### Role of the Latin American and Caribbean centre for natural resources governance

The centre's mission would be to work with member States and their regional, national and subnational organizations, both public and private, and with civil society, including firms, indigenous peoples and workers, to promote the transformational role of natural resources in the region's full development.

The centre would operate within the ECLAC Natural Resources and Infrastructure Division. Its staff would include a leading natural resources economist, responsible for supervising the centre's activities from a technical standpoint. He or she will be supported by sector specialists with recognized track records in different areas of natural resources governance, related to:

- Hydrocarbons (conventional and unconventional)
- Responsible mining
- Infrastructure and logistics (related to natural resource use)
- Technology and efficiency in water and energy use (link between water resources and energy)
- Economic and financial management of the rents obtained from natural resources
- Water and sanitation policies
- Renewable energies

Natural Resources and Infrastructure Division
Economic Commission for Latin America and the Caribbean (ECLAC)