

**Remarks by Alicia Bárcena, Executive Secretary of the Economic Commission for Latin America and the Caribbean (ECLAC), at the opening session of the high-level round table "Towards a vision on natural resource governance for equality in Latin America and the Caribbean"**

**Santiago, 19 January 2015**

Ministers and vice-ministers,

Representatives of national authorities and international entities,

Distinguished academics of Norway,

Representatives of international cooperation agencies,

Academics and members of non-governmental organizations,

Representatives of the Economic Commission for Africa,

Colleagues from ECLAC and the United Nations system,

My dear friend, Hege Araldsen, Ambassador of Norway in Chile, who has been an indispensable partner in this initiative,

Friends,

I want to begin my short intervention by welcoming each and every one of you to ECLAC and by expressing my sincere gratitude to the Government of Norway for its support. This high-level round table is being held as part of the successful cooperation project between ECLAC and

Norway on the management of resource rents for investing in the promotion of equality, which includes natural resource governance as one of its key components.

This cooperation is no coincidence, rather it reflects a common will to identify and spread the benefits of a model that has led, in Norway, to a political compact involving the whole of society, embodying a commitment to intergenerational solidarity and positioning the governance of non-renewable natural resources as the pillar of the country's long-term sustainable national development project

I would also like to acknowledge how the Commission's work on this topic has been influenced by the exacting challenge laid down by the former Secretary-General of the Union of South American Nations (UNASUR) and current ambassador of the Bolivarian Republic of Venezuela in Havana, Alí Rodríguez, who has urged us in his undeviating yet fraternal style to take a more thorough and systematic approach to defining a Latin American perspective on the governance of our natural resources.

That unrelenting concern sowed the seeds that would later come to bloom in the documents on the situation of our natural resources that we prepared first for UNASUR and then for the Community of Latin American and Caribbean States (CELAC) as a whole.

Friends, the efforts that have guided the work of ECLAC in recent years are underpinned by the conviction that equality is the goal, structural change is the path, and the art of politics and policymaking is the instrument by which it can be achieved. Furthermore, we need to make definitive progress towards extending and improving governance and the use of natural resources. Those resources will then be able to contribute to a more diversified and

environmentally sustainable economy, which will create synergies in terms of employment, well-being and sustainable long-term economic development for the region.

Latin America and the Caribbean is a region rich in natural resources. The examples of that wealth are abundant. In mining, Chile is the world's largest copper producer and Brazil the third largest iron producer; Mexico is the leading producer of silver and the fifth largest producer of molybdenum and lead ore; Peru is among the leading world producers of silver, copper, gold and lead; the Plurinational State of Bolivia is the fourth largest producer of tin and the sixth largest producer of silver; Colombia is the seventh largest producer of refined nickel, the leading producer of emeralds and tenth largest producer of coal; Cuba is the eighth largest producer of nickel ore; and Jamaica the seventh largest producer of bauxite. Where energy is concerned, in 2012 Latin America and the Caribbean had the largest proven oil reserves of any region in the world except the Middle East, with 20% of the total. This was heavily concentrated in the Bolivarian Republic of Venezuela, which accounted for 88% of the region's reserves.

Latin America and the Caribbean is also a major agricultural power, accounting for 52% of the world's production of soybean, 16% of beef and maize and 11% of milk. It also possesses a third of the world's reserves of fresh water and 15% of the world's farmland. Furthermore, the region has a great reserve of biodiversity, mainly in Amazonia. Six of the seventeen countries in the world that have been identified as megadiverse are in the region: the Bolivarian Republic of Venezuela, Brazil, Colombia, Ecuador, Mexico and Peru.

It is our firm conviction that natural resource governance must be at the heart of the public policy agenda in order to achieve sustainable and inclusive development.

ECLAC is putting forward a governance concept with a clear aim: to govern the ownership and modes of appropriation of resources and the redistribution of productivity gains, so that the whole of society benefits from the natural resource endowment. That proposal includes joint action and the exercise of public authority by different State agents —executive, legislative and judicial powers— together with sectoral regulatory bodies, using a framework of applicable policies, institutions and regulations, as well as sovereign policy decisions, to govern the operations of the extractive sectors.

The governance of natural resources is exercised through the formal institutions established in each country, which together determine property rights, concession systems and the specific tax treatment of these sectors. They also oversee State mechanisms for collecting, saving and using public revenues from extractive natural resource sectors.

The boom in international demand for the commodities that our region exports began in 2003 and led to a dramatic improvement in the exporting countries' macroeconomic performance and fiscal space.

Economic growth over the last decade has boosted consumption and reduced poverty in the countries of the region. What is more, on the back of the fiscal space created, several countries were able to apply countercyclical policies that protected the region from the impact of the 2008-2009 global crisis.

Above all, significant improvements were achieved in the socioeconomic indices and with respect to the well-being of the population, the likes of which had not been seen in a long time. Today, a new situation is before us.

The countries are facing an imperative to consolidate their progress beyond volatile international commodity price cycles and convert their natural capital into long-term productive capacity. Looking to the future, countries must also seek to add new, alternative natural resources to the regional portfolio, where, for example, lithium, rare earths and energy sources, such as the sun, wind, water and tides, could play a greater role.

Historically, Latin American and Caribbean countries have struggled to translate the boom periods for their natural-resource exports into long-term economic development processes with steady growth and levels of public investment that contribute to gradually raising per capita income and productivity for the majority of the population. Such processes would drastically reduce poverty and improve income distribution. We need to take a leap forward, go beyond the extractive paradigm and undertake major efforts to transform the wealth derived from our non-renewable resources into a new and lasting source of renewable resources through education and by developing research, science and technology.

This calls for a long-term approach that remains consistent in good times and bad, where revenues from natural resources translate into efficient public investments to expand and improve education, develop human and technological capacities and enhance production infrastructure and access to basic services. It is also important to take advantage of these revenues to redress cumulative social gaps and asymmetries with a view to incorporating the most disadvantaged socioeconomic groups into the development process.

Improving the governance of natural resources in the region requires countries to build the political consensus and compacts needed for States to capture investment from their resource income and channel it efficiently towards achieving their sustainable and inclusive development

goals. From the State's point of view, this means resolving at least three significant public policy challenges.

The first is to ensure that the State collects a more progressive share in the revenues of the extractive sectors without jeopardizing the growth in investment that these sectors have seen in recent times. While progress has been made on the tax frameworks of the hydrocarbons sector in this respect, the same is not true for the mining sector where there is still scope for increasing progressive State participation. This will require closer coordination among our countries to collaborate on updating the fiscal frameworks that are in place in order to avoid the counterproductive effects of perverse fiscal competition.

The second challenge is to institutionalize effective long-term saving and investment mechanisms that prevent natural resource revenues from being squandered on current expenditure instead of being invested in building human and technological capacities, enhancing production infrastructure and redressing cumulative social gaps and asymmetries.

For commodity-producing and -exporting countries, this reopens the international debate on how best to use resources and manage revenues, for example, through the central budget, decentralized distribution through subnational governments or direct earmarking. This issue is directly related to processes of fiscal decentralization and ensuring the quality and efficiency of public investment, which are pending priorities for our countries.

The third challenge is to strengthen the capacity of States and institutions to manage and resolve the growing number of socioenvironmental and labour conflicts associated with projects in the extractive sectors. This is a growing concern for the governments in the region since most of our countries have not managed to institutionalize effective response and

compensation mechanisms for the prompt resolution of conflicts through administrative channels, while avoiding their judicialization, which goes against the interests of all parties.

Friends, successfully meeting these challenges calls for strong political compacts to enable States to manage revenue flows correctly and thus avoid any related negative effects. These can include exchange-rate appreciation, which hits domestic industry outside the extractive sectors ("Dutch disease"), and also rent-seeking (also known as fiscal laziness), whereby current expenditure is covered by the discretionary use of volatile income flows from natural resources rather than by efforts to consolidate a solid tax system capable of ensuring the long-term balance of public finances.

International evidence shows that countries without the proper institutions to handle these negative effects tend to record lower growth rates than countries without natural resources.

ECLAC emphasizes the key role of institutions in countries rich in natural resources in addressing this issue.

Good governance of natural resources is directly related to the quality of a country's institutions. One pending issue in the region is to review and strengthen the institutional and regulatory frameworks and the tools available in order to maximize the contribution of natural resource sectors to regional development. It is essential that such institutions be equipped to take advantage of the new opportunities arising from cutting-edge research in areas such as genetic resources and biodiversity.

Building capable institutions to govern society's relationship with the resources of yesterday, today and tomorrow involves ensuring greater transparency with respect to and social control over the management of the revenues derived from exploiting these resources and their

distribution among different actors and levels of government. That control should extend also to the mechanisms used to ensure the efficient public investment of such income and its channelling to lay the foundations for the sustainable and inclusive development processes to which our countries aspire in the long term.

In this connection, we have proposed a set of compacts to move towards inclusive and sustainable development based on equal rights. One of those must be a compact for a new style of natural resource governance to help change the development paradigm in Latin America and the Caribbean.

This strategy, presented at the thirty-fifth session of ECLAC, held in Lima in April 2014, received broad support from all the member States and goes hand in hand with other outstanding multilateral efforts. One such example is the outcome document of the United Nations Conference on Sustainable Development (Rio+20), “The future we want”, which led to the creation of an inter-governmental working group for the development of a set of sustainable development goals for the post-2015 development agenda. That working group proposed the following goal: “by 2030 achieve sustainable management and efficient use of natural resources”. The sustainable development goals will be submitted to the General Assembly at its next session for consideration, adoption and action.

There is thus a dual United Nations system mandate at the regional and global levels for ECLAC to contribute to a common vision to pave the way towards defining a compact for the good governance of natural resources in Latin America and the Caribbean.



It is with this in mind that we are grateful for the opportunity we have today to exchange ideas with relevant national authorities and regional stakeholders, as part of this high-level round table.

Friends, let us give our full support to the creation of a regional agenda on natural resource governance, let us imagine a road map and let us set targets, means of implementation and actions. The present and future of development in our region cannot, must not, lack the tools needed to convert our objective wealth into the well-being deserved by the generations to come.

ECLAC is ready to take on this challenge, working together with the countries of the region, international organizations and civil society.

Thank you.