

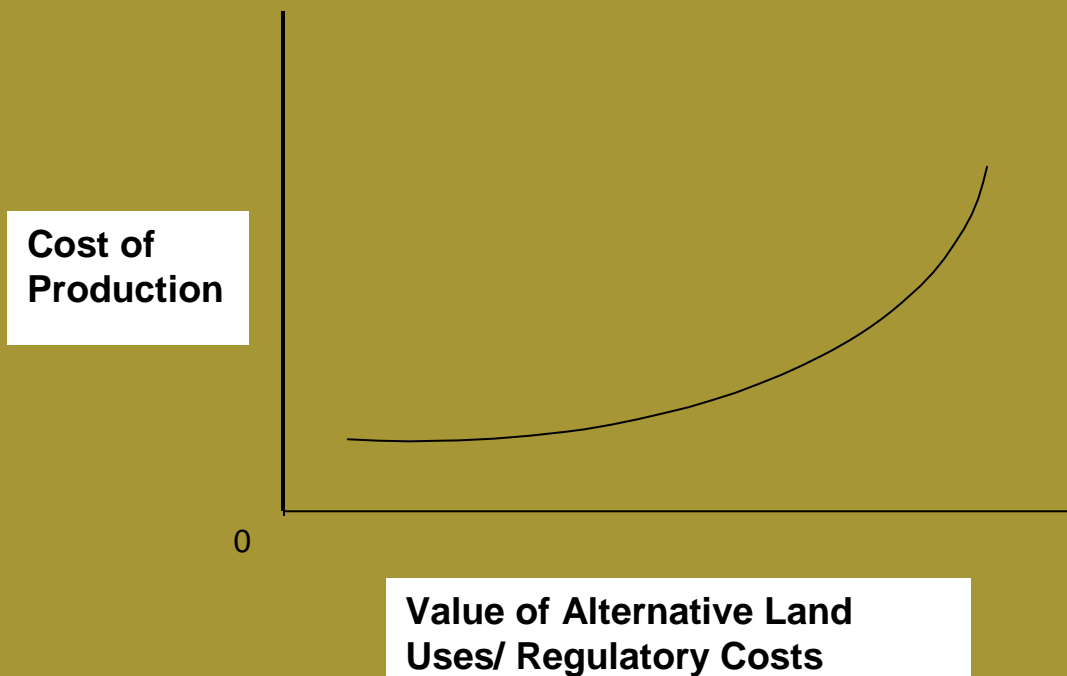


ROCKY MOUNTAIN MINERAL LAW FOUNDATION

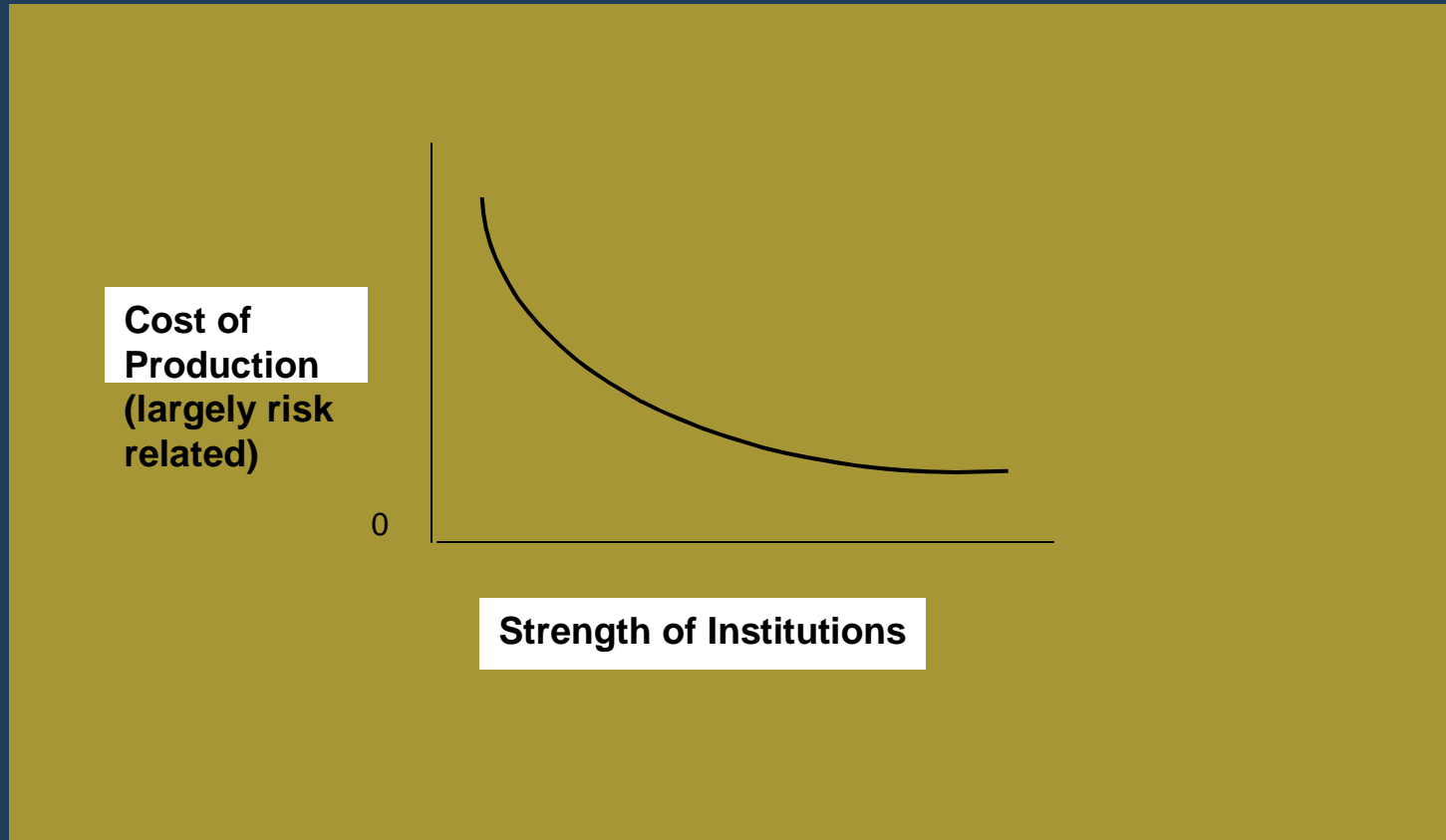
**ALLOCATING PROFITS TO COMMUNITIES  
FROM OIL AND GAS AND MINING  
OPERATIONS**

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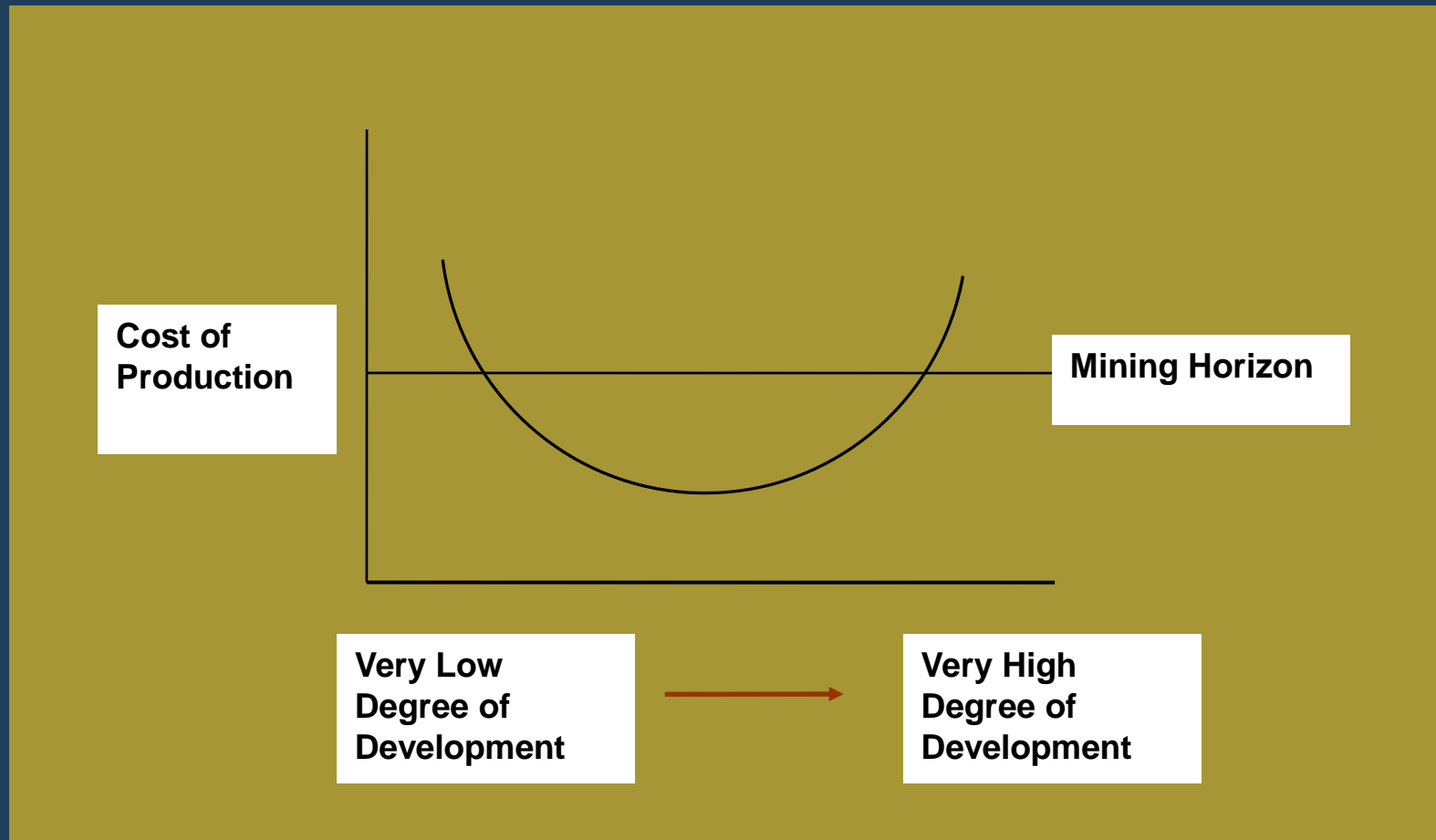
# Fig. 1 HIGHLY DEVELOPED REGIONAL ECONOMIES



# Fig. 2 WEAK REGIONAL INSTITUTIONALITY



# REGIONS OF FEASIBLE MINERAL PRODUCTION





# Thesis

- Natural resource development brings accelerated change to regions with traditional cultures, subsistence livelihoods, and natural ecosystems.
- These are often areas with weak local government and institutions
- There is often a lack of capacity to manage this change to achieve a positive form of development.



# WHY REVENUES ARE NEEDED

- Revenues are needed to compensate for impacts on livelihoods
- Revenues are needed to provide basic services for which there is now an increased need – health, public security
- Revenues are needed for development – education, potable water, electrification
- Above all, revenues are needed to strengthen the institutions that manage this process of change.



# ESSENTIAL ELEMENTS

Success in development requires a minimum of these elements:

- Ability to plan and manage the development process
- Ability to resolve disputes and conflicts
- Ability to respond to community sentiment
- Accountability for success or failure

# THREE CHALLENGES

- Impacts begin long before there are revenues
- The 'off again – on again' flow of revenues
- Impacts continue after the revenues end

These are very difficult challenges and in many places local government is not able to manage them effectively

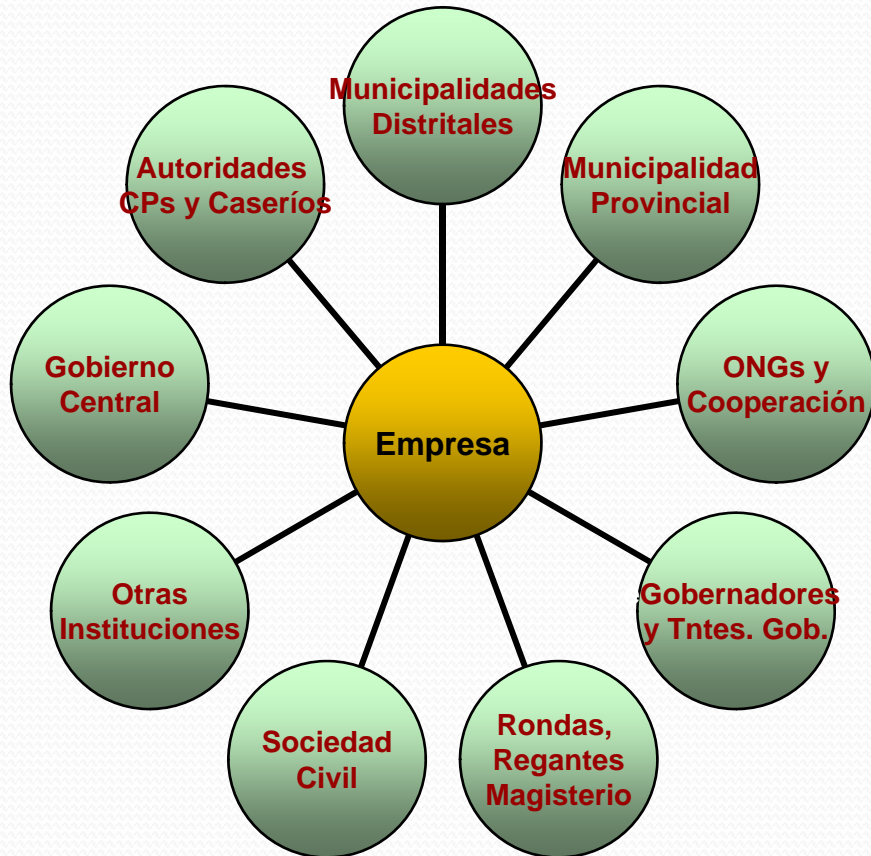
# THERE MAY BE A NEED FOR COMPANIES TO BUILD 'SUBSTITUTES'

- Company foundations or similar institutions may be needed
- But they must avoid the trap of becoming accountable for success or failure, or making decisions for the community
- That is the responsibility of the community, and companies do not want to be accountable for the results

# De dependencia a independencia

Típicas

Nuevo modelo → Socios



Gracias a Ricardo Morel de Minera Yanacocha

## STAGE I

There is no awareness of or agreement about the desirability of sharing revenues. The reasoning is that “We are all citizens, and the resource belongs to us all.” High endemic corruption and very low levels of capacity at lower levels of government may stand in the way of development. Poor civil society monitoring of revenue flows and limited transparency compound the problem.



## **STAGE II**

The desirability of sharing benefits is acknowledged, but nothing is done. In this stage, even if the right of the local communities to control the resources in their immediate vicinity is acknowledged, corruption, loopholes, and defects in legislation mean the national government effectively keeps all revenues and mineral rights for itself



## **STAGE III**

There are legal or policy provisions for sharing revenues, but the revenues actually flow only very little or not at all. There is some transparency, but not enough for full monitoring of revenue flows.



## **STAGE IV**

Revenues are flowing to local areas but the local capacity to spend them well does not exist. In many cases, the sudden cash flow disrupts the social fabric and culture of the communities much faster and more violently than the extraction itself.



## **STAGE V**

Capacity exists to manage, monitor and make officials accountable for how revenues are spent so that the quality of expenditure should increase over time.



**MUCHAS GRACIAS A TODOS**  
**Luke Danielson**