

Social Policy and Mineral Dependence in developing countries (with special reference to Peru and Bolivia)

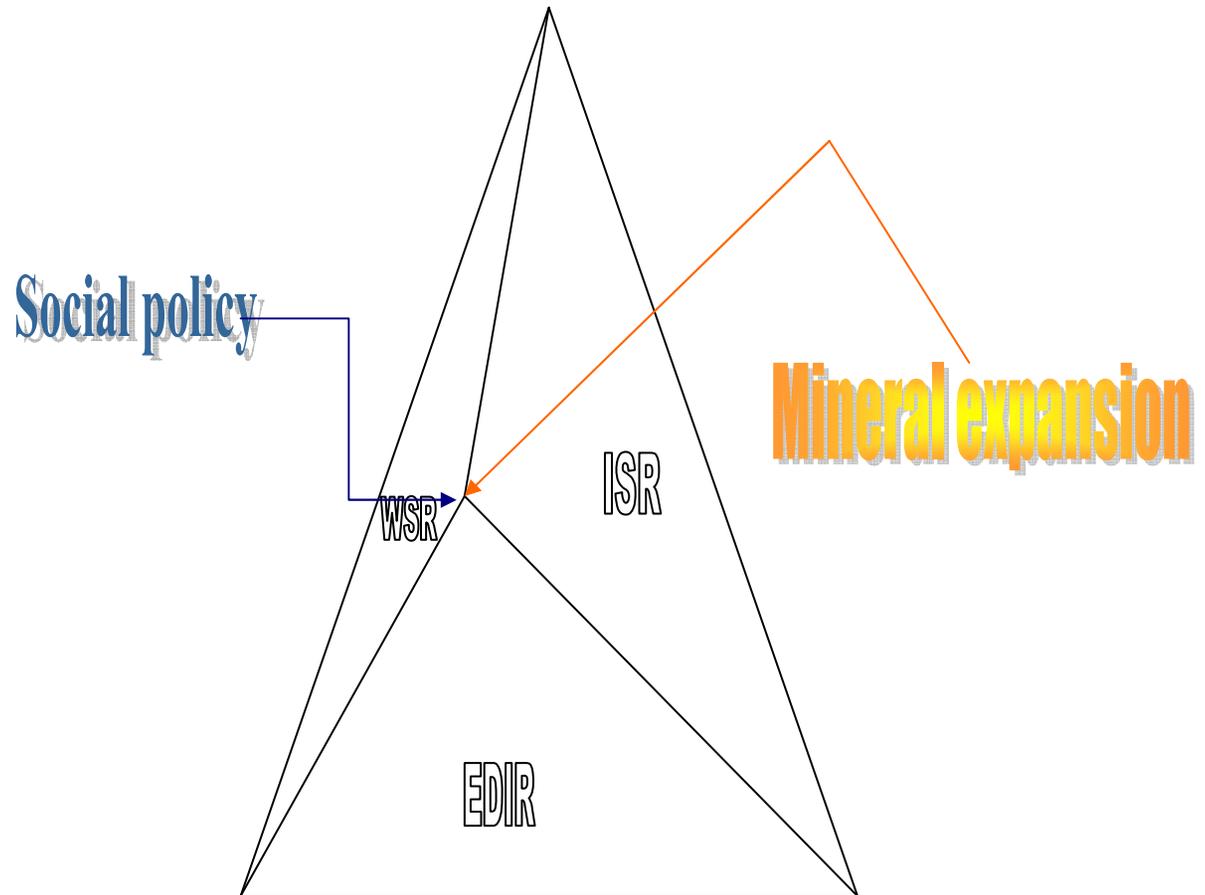
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Presentation outline

1. Simple framework for thinking about social policy and the likely impacts of mineral expansion on social welfare and poverty
2. Review of social policy in mineral-rich developing countries (UNRISD paper)
3. Analysis of the impacts of mineral expansion in Andean countries
4. Conclusions

The impact of mineral expansion on Social Welfare

1. People's welfare (wellbeing) relies on:
 - The state (WSR) → Social policy
 - Community / family / market networks (ISR)
 - Aid (EDIR)
2. Social Policy affects the composition of the welfare mix
3. Mineral expansion affects both, social policy and the welfare mix.



WSR: Welfare state regime
ISR: Informal security regime
EDIR: Externally-dependent insecurity regime

Mechanisms by which mineral expansion affects social welfare

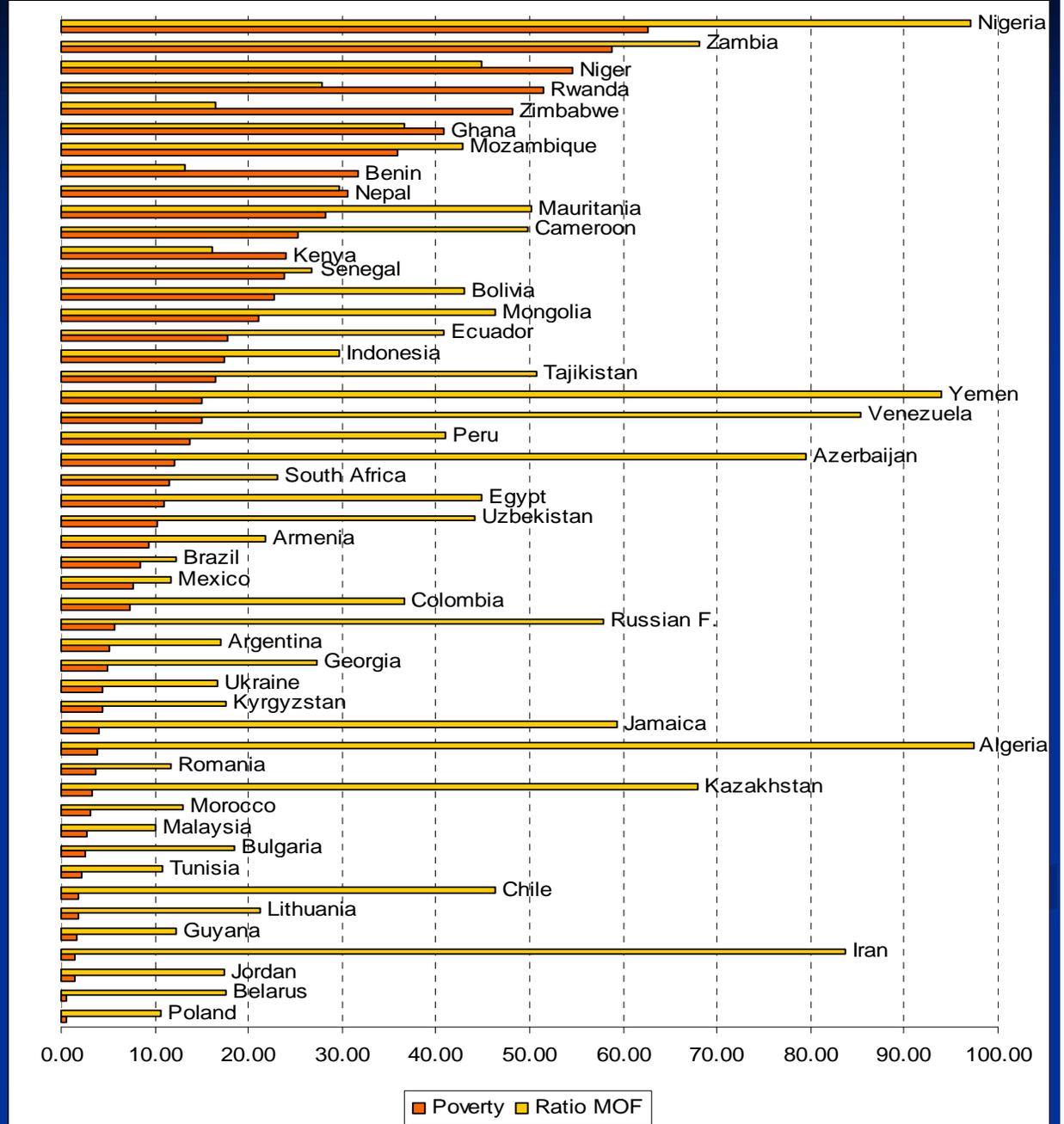
- WSR: (+) ↑ revenue
(-) ↓ sector diversification
(-) ↑ external dependence & fiscal vulnerability
(-) ↓ tax base
- ISR: (+) ↑ income, employment
(-) ↓ access to resources (land & water)
(-) ↓ community networks
- EDIR (-) ↑ Vulnerability
(+) ↑ social welfare provision (private)

Poverty and Mineral Dependence

Bolivia →

Peru →

Chile →



Contention and ambiguity: Mining and the possibilities of development

- Mineral expansion and the economic and political dimensions of “the resource curse”
- Mineral wealth as a resource endowment

Linkages between mineral wealth, revenue and social policy

1. Does mineral-exports dependence affect the level of state revenue derived from mineral sectors?
2. What are (if there are) the linkages between revenue & social policy in mineral-rich countries?
3. What are the main factors that explain why mineral revenue does or does not translate into social policy?
4. How mineral expansion affects social welfare?

Mineral exports dependence affects the level of state revenue derived from mineral sectors

- Negative association between state revenue and mineral export dependence
- Possible explanatory factors:
 - Taxation systems
 - Potential versus the effective contribution of mining and oil companies

Linkages between state revenue & social policies in mineral wealth contexts

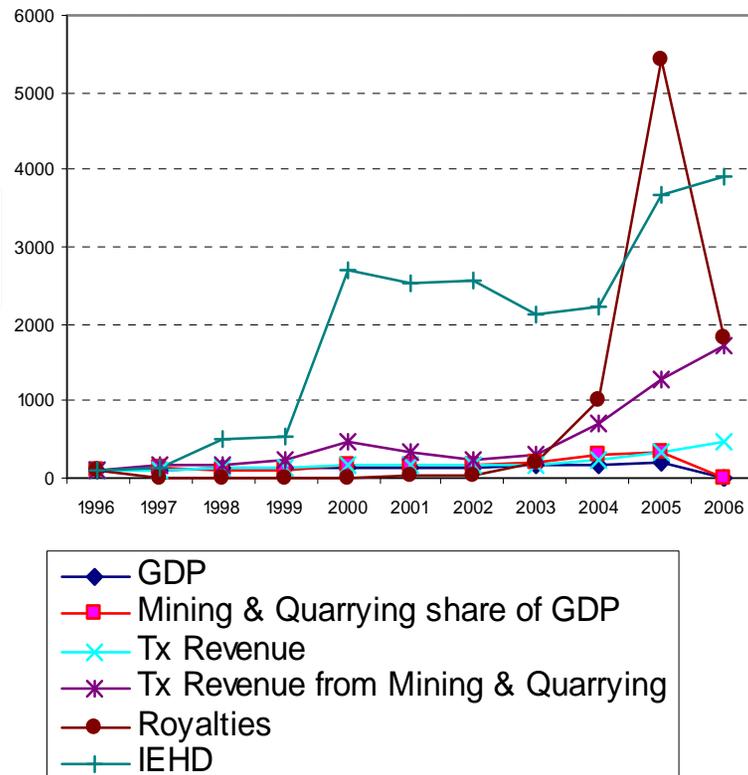
- The association between revenue and expenditure in social sectors is positive and significant
- No much to say about composition or quality of expenditure in any social sector
- Wherever mineral dependence reduces state revenue, its effect on social policy is negative

Linkages between revenue & social policy in mineral rich countries

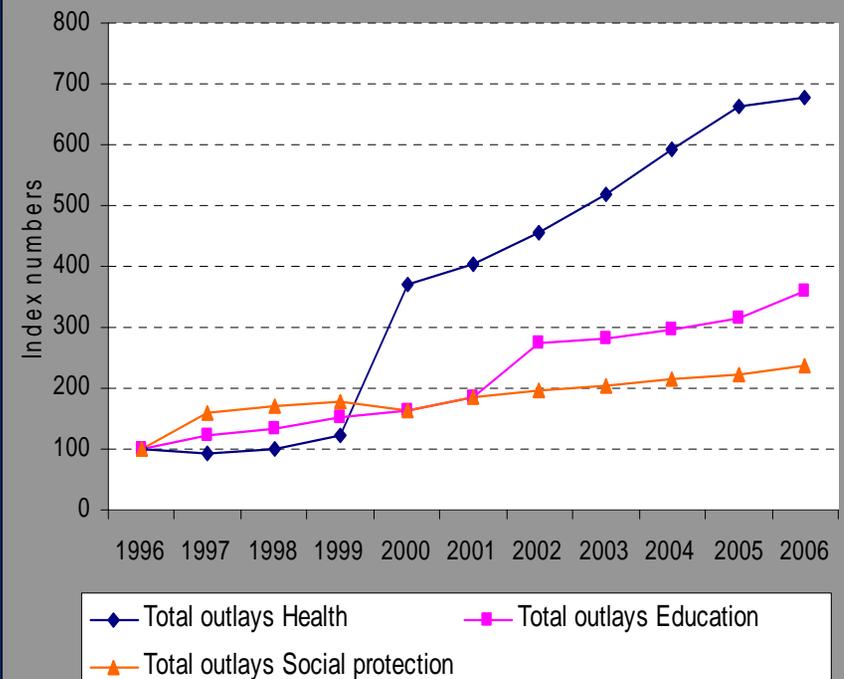
- There is no conclusive association between the levels of mineral dependence and the relative propensity of governments to invest in social policy.
- However, mineral dependence reinforces patterns of social policy systems
- Changes in social policy systems follow structural reforms, but mineral dependence can add vulnerability to states' capacity to sustain social expenditure
- Mineral revenue capture and social policy impact depend on the quality of governments

Revenue and expenditure in Bolivia 1996-2006 (1996=100)

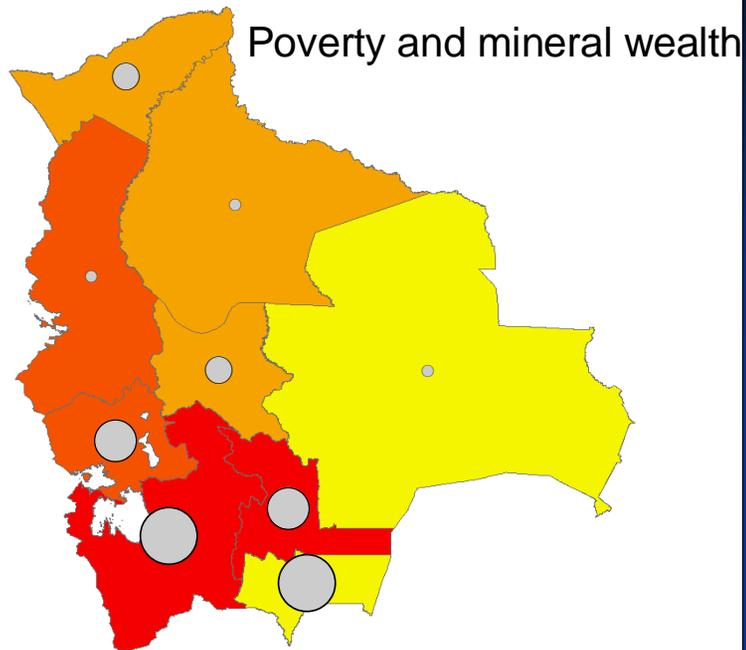
Revenue in
Bolivia 1996-2006



Expenditure in Bolivia 1996-2006



The troubles of contribution and distribution



Poverty and mineral wealth

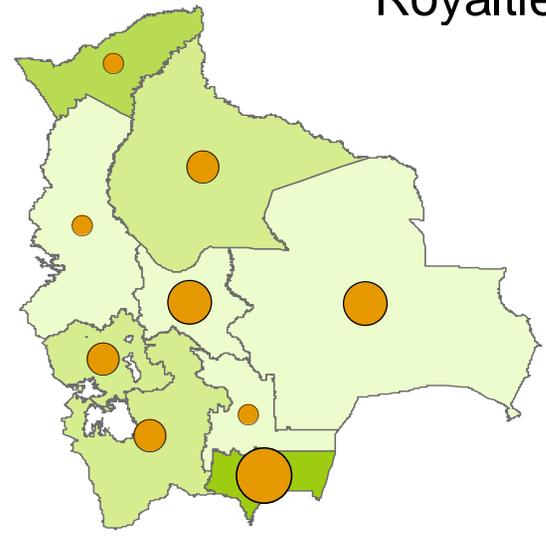
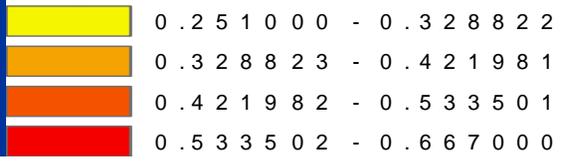
Legend

Contribution of Mining to GDP
Departamentos\$.Var34



Poverty

Departamentos\$.Var13

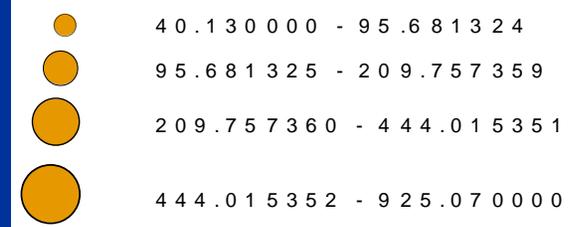


Royalties

Legend

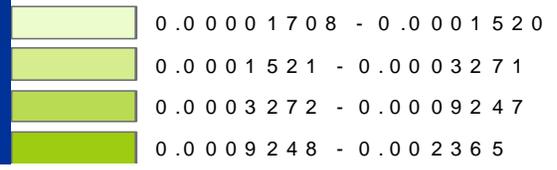
regalias absolut

Departamentos\$.Var36



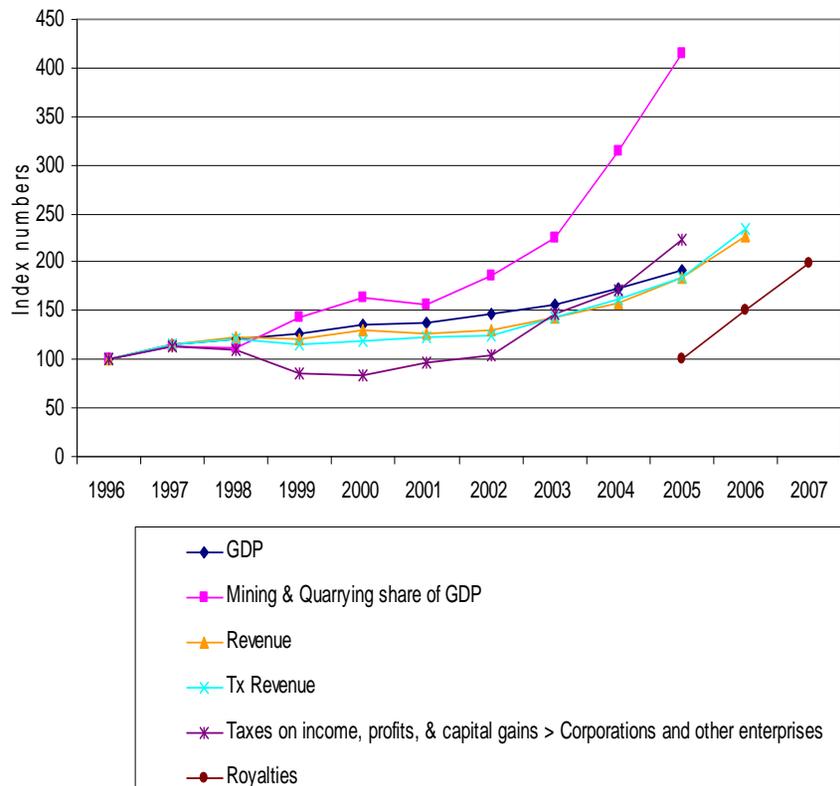
regalias per inhabitant

Departamentos\$.Var36 / Departamentos\$.Var1

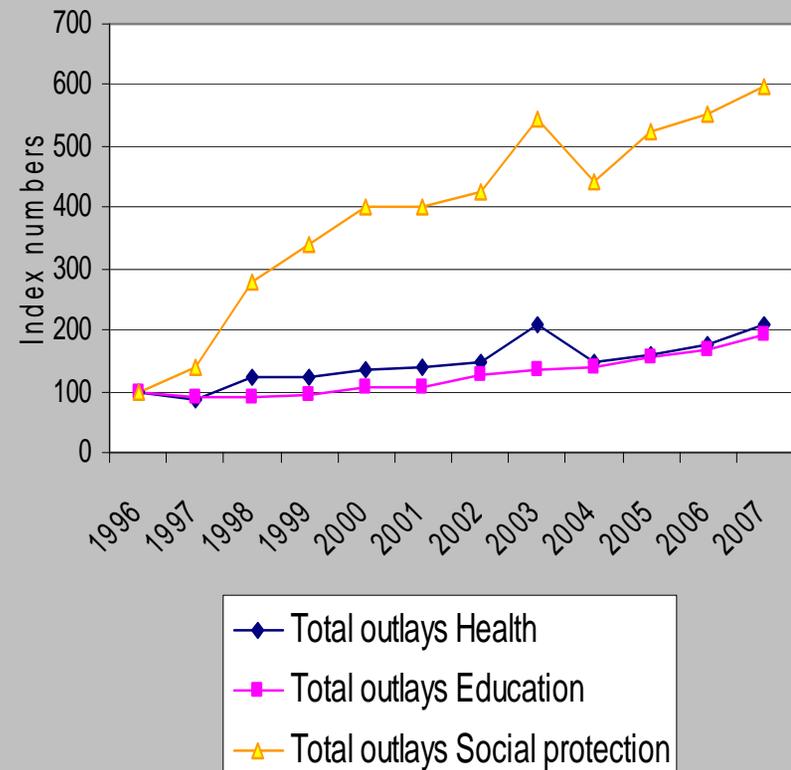


Revenue and expenditure in Peru 1996-2007 (1996=100)

Revenue in Peru 1996-2007

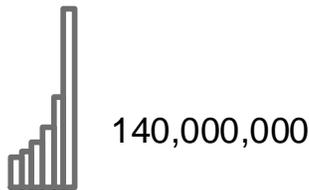


Expenditure in Peru 1996-2007



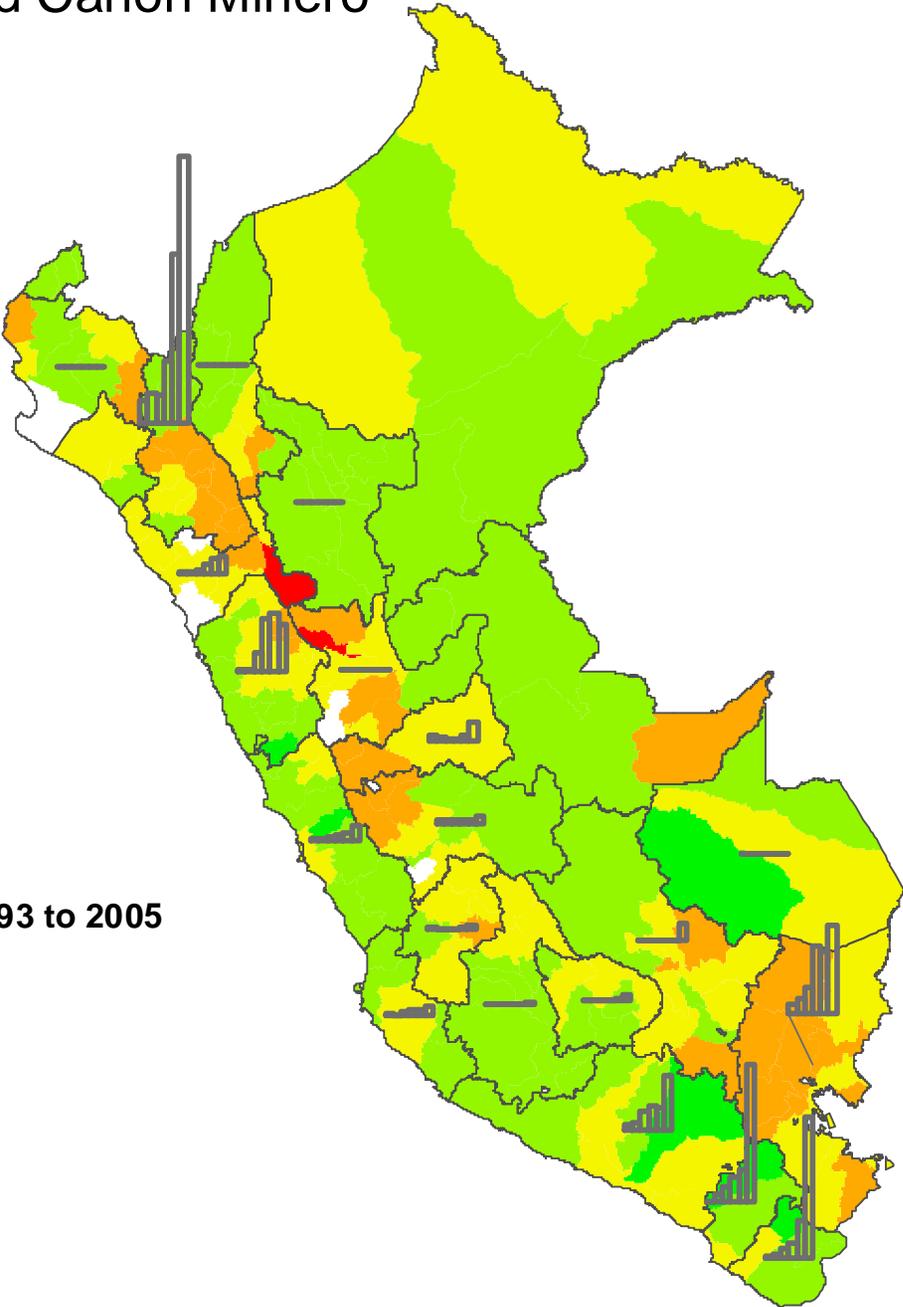
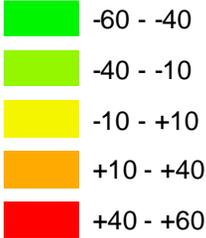
Change in Poverty and Canon Minero

Canon Minero 2000-2005

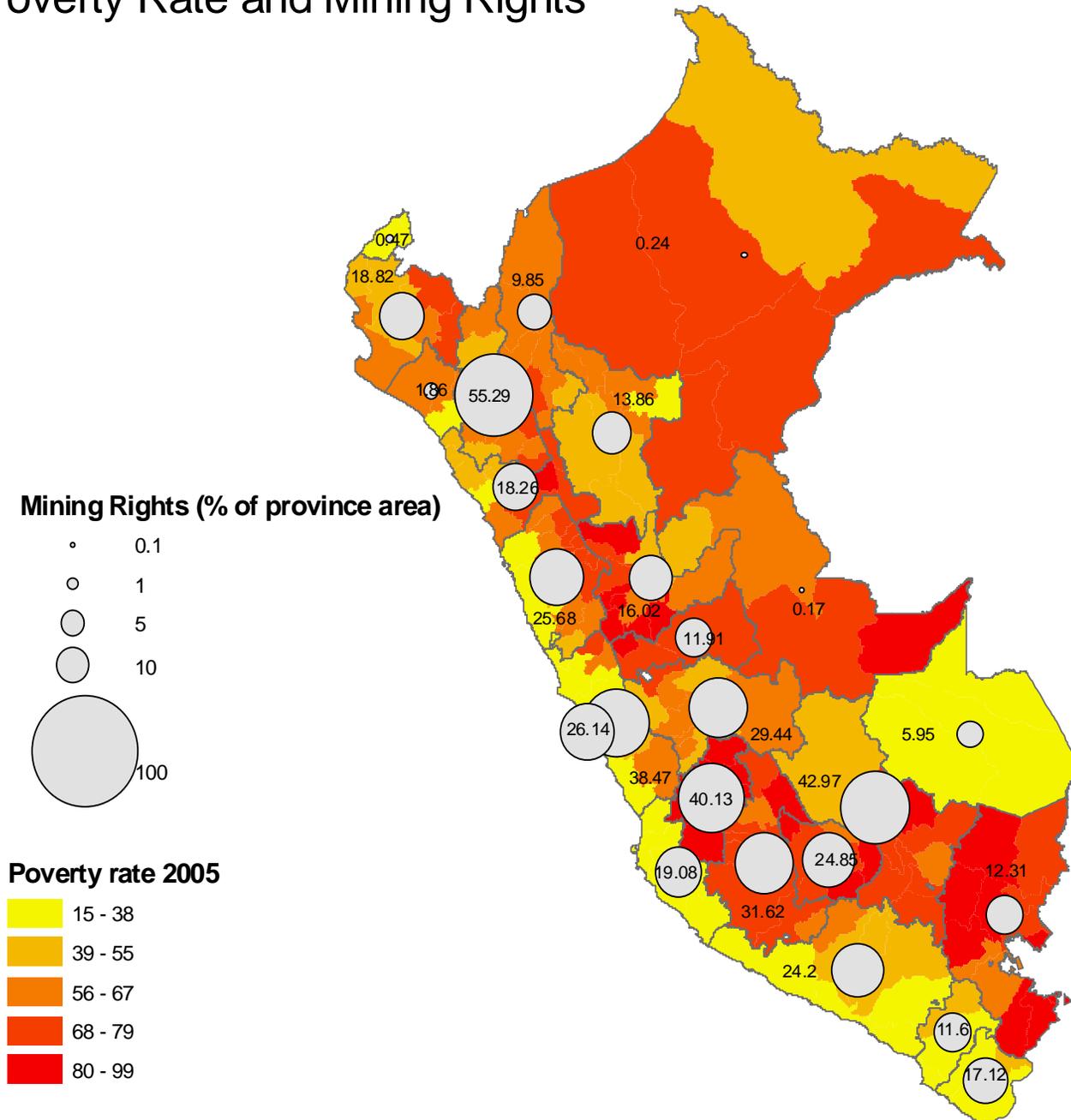


Departamentos

% Points Change in Poverty 1993 to 2005



Poverty Rate and Mining Rights



Conclusions

1. Welfare state regime: The evidence is not fully conclusive about the impact of mineral dependence on the formation and evolution of a welfare state regime
2. Informal security regime: Mineral expansion threatens the resource and social basis on which the ISR rely. It has also positive effects – at least for those directly involved.

Acknowledgements

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