



Mining for Development Conference 2013

Sydney, Australia

SESSION SUMMARY - KEYNOTE ONE Mining for Development: a priority for Australian Aid Mr Peter Baxter

The private sector is the single greatest mechanism available to lifting people out of poverty, and the mining industry's potential contribution was immense, said Peter Baxter, Director General of the Australian Agency for International Development (AusAID).

Mr Baxter cited data from 1999 that showed over one third of people in low and middle-income countries were living in extreme poverty; the latest figures show that figure has fallen to 20 percent, equating to 750 million fewer people who are living on less than \$1.25 a day.

“By far the biggest contributor to this reduction in poverty has been economic reform that allows the private sector to flourish and growth to occur,” Mr Baxter said. “People escape poverty when they find work, and we know that the private sector is responsible for creating around 90 percent of all jobs in developing countries.”

He said people with stable incomes also tended to consume more, invest more and pay more tax, which could be used to provide for education and health services, and to create infrastructure for a more resilient economy.

Fuelling the uplift of populations out of poverty has been a boom in the need for natural resources, with countries such as China experiencing a massive growth in demand for manufactured goods such as motor vehicles, which last year hit 19 million in sales.

“This growth in demand has seen prices of commodities such as iron ore, coal and copper increase substantially,” Mr Baxter said. “The IMF's metal price index has increased more than three-fold since 2000. And in turn this has driven a huge expansion of the mining sector into Africa, Latin America and South East Asia, which have grown their share of world trade in minerals from less than a third in 2000 to nearly half in 2010.

“During this period the developing economies of Asia have increased their share of global mining exports from 16 percent to 23 percent, and the value of mining exports from all developing countries has almost tripled. So developing nations have become key to providing raw materials for global prosperity.”

Just as importantly, he said the revenue from these exports offered huge prospects for poverty reduction.

“If managed well, this revenue and the investment in infrastructure, jobs, skills and support services created by extractive projects has the potential to move communities, regions and even entire countries out of poverty,” Mr Baxter said.

International Mining for Development Centre

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WA Trustees Building
Level 2, 133 St Georges Terrace
Perth, Western Australia 6000

Tel: +61 8 9263 9811
Fax: +61 8 9263 9877
Email: conference@im4dc.org
Web: www.im4dc.org



He also pointed to how the revenue from royalties and taxes dwarfed those from aid, as in 2009 natural resource exports from Africa were worth \$246 billion, which was six times greater than what it received from all donors combined. In Mongolia the OyuTolgoi mine alone would directly increase GDP by 25.6 percent by 2020.

But Mr Baxter also referenced the finite duration of resource wealth, and the need to maximise returns while carefully investing revenues.

“This is not easy, and requires governments to carefully manage each link of the extraction chain,” he said.

That meant establishing transparency, social and environmental frameworks and safeguards, and establishing royalty and taxation regimes that encouraged investment, along with equitable means for distributing wealth generated.

He said that as a country with 150 years’ experience in mining, it was therefore incumbent upon Australia to share some of its knowledge, to help other nations continue to improve their standards of living through the effective use of their natural resources.

“We’re a world leader in mining, and we want to use our use our aid program to share our experiences, our knowledge and our skills with others,” Mr Baxter said. “This is why Australia’s aid program supports mining for development, because mining is happening anyway, and the demand for natural resources is driving unprecedented investment in operation in developing countries that will only increase in the long term.

“When well managed, the transformative potential of this investment to boost private sector activity and reduce poverty is immense.”

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