



**Asia-Pacific
Economic Cooperation**

2016/SOM2/MTF/008

Agenda Item: 4

Concept Note – Mining Industry Competitiveness: Improving Productivity and Data to Attract Investment

Purpose: Information

Submitted by: Chile



APEC PERU
2016

**10th Mining Task Force Meeting
Arequipa, Peru
9-10 May 2016**

APEC Concept Note

Project Title:	Mining Industry Competitiveness: Improving Productivity and Data to Attract Investment
Fund Source (Select one): <input type="checkbox"/> General Project Account (formerly Operational Account) <input type="checkbox"/> TILF Special Account <input checked="" type="checkbox"/> APEC Support Fund For ASF: As per Guidebook Ch. 3, list ASF Sub-fund if appropriate for this project: Mining Sub Fund	
APEC forum:	Mining Task Force
Proposing APEC economy:	Chile
Co-sponsoring APEC economies:	Chinese Taipei; Australia; Viet Nam; Mexico; Indonesia; Peru
Expected start date:	2016
Expected completion date:	2017
Project summary: Describe the project in under 150 words. Your summary should include the project topic, planned activities, timing and location: <i>(Summary must be no longer than the box provided. Cover sheet must fit on one page)</i>	From 2008 to 2012, the mining industry experienced strong growth in production due to increased commodity prices. Greater production was not accompanied by improvements to productivity, which reduced the economic sustainability and competitiveness of the industry once prices stabilized. In this context, decision makers in APEC economies need better information to create policies that boost mining productivity and attract investment. This project will assess these information gaps, and the demand for data on productivity factors for the mining industry. Such information would help reduce the knowledge gaps and achieve better performance in productivity and sustainability in mining, helping to attract quality investment. The project will conduct three main activities: (1) Definition of productivity indicators to be considered, (2) information collection and analysis, (3) dissemination of results activity.
Total cost of proposal: <i>(APEC funding + self-funding):</i> USD130,000 plus possible private funding	Total amount being sought from APEC (USD): 130,000 By category: Travel: 20,000 Labor costs: 100,000 Hosting: 10,000 Publication & distribution: 0 Other: 0

Project Overseer Information and Declaration:

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As Project Overseer and on behalf of the above said Organization, I declare that this submission was prepared in accordance with the **Guidebook on APEC Projects** and any ensuing project will comply with said Guidebook. Failure to do so may result in the BMC denying or revoking funding and/or project approval. I understand that any funds approved are granted on the basis of the information in the document's budget table, in the case of any inconsistencies within the document.

Name of Project Overseer

Date:

Project Synopsis

1. **Relevance – Benefits to region:**

One of the fundamental pillars of competitiveness is productivity. Since 2012, mineral commodity prices, which had risen after the economic downturn of 2008, have fallen again, thereby reducing companies operating margins and their contribution to tax revenues. This new economic environment requires companies to achieve greater production efficiencies, focusing their efforts on improving the use of resources, rather than just increasing the supply to market; a common strategy for the high commodity cycles. Given that mining companies must consider a number of factors before starting or furthering an investment. Governments, companies and communities need reliable databases, populated with actual global mining industry experience, to provide transparent information about factors that influence productivity. With such tools, the investment and approval decision process, and the elaboration of guidelines, laws and public policies that promote and manage the mining industry, could be made easier. The main goal of this Project is to develop a set of productivity indicators and to assess demand for data on productivity for the mining industry, building upon existing commercial and public information. With better data systems, APEC economies will obtain reliable and transparent information about mineral production levels, and the economic factors that contribute to sustainable development of the mining industry.

The potential benefits of this project arise from improvements to the quality and speed of mining investment in APEC economies through provision of information for public policy development and investment analysis. Moreover, the project will promote transparency within the sector and strengthen public-private cooperation and regional integration in APEC economies.

Relevance – Rank:

The project falls in Rank 1 “Projects that demonstrate a direct link to promoting regional economic integration”, especially in category 2 “trade and investment facilitation and liberation”. The Project will enable economies to have better information to cooperate in relation to production, resources use, technology and employment. This could facilitate the development of new investment projects and increase productivity.

The project would also fall in Rank 2, “projects that directly support the APEC Leader’s growth strategy” in terms of growth potential and innovation. The Project could enhance cooperation for innovation and dissemination of best practices in production.

In regard to the Mining Sub Fund Criteria, the proposed project supports all three requested criteria, as follows: a) Involvement of Private Sector: ABAC has expressed interest in being part of the project’s development process, Chilean industry is already engaged, and we expect to involve most of the Economy Member’s as well. Industries’ experience is a key factor during the process of information gathering, and company trade and investment will benefit directly from improved measurement and dissemination of information on mining productivity; b) Capacity Building within APEC: part of the project’s planned activities include sharing the results (leading to a database) with the members, through activities coordinated with the MTF annual meetings in 2016 and 2017. The main goal of these activities is to bring information to the attendees in order to support better policies to contribute to productivity improvements, enhance competitiveness, attract mining investments, deal with potential issues, and increase the sector’s sustainability; and c) Gender: women’s participation in the work force is an aspect that will be considered and analyzed as part of the indicators. It is crucial to know the level of involvement that women have in mining industry among APEC economies and to assess the contribution of women to productivity.

2. **Objectives:**

The main objective of this project is to increase the competitiveness of APEC economies, increasing their productive efficiency, through the dissemination of key industry information in a economy level. The longer term impact is to strengthen economic growth, investment, trade and business capacity, delivering development benefits for communities and resources for expanding industries. To achieve this objective, it is important to (1) ensure participation of as many APEC economies as possible, for the sample to be representative, and (2) create a database with all the information collected.

For the study, we will consider the production of base metals (copper, zinc, lead, tin, nickel, aluminum, molybdenum, and cobalt), iron ore, and precious metals (gold, silver, platinum, and palladium). For the indicators we will consider, in the first instance, mine production, use of energy (electricity and fuel), work force (including percentage of women), and non-current assets (properties, plants and equipment). All this information will be considered as an average of every economy. The data reflects the main variables that explain productivity in mining and the database is also able to incorporate various definitions of metal mining industry among economies. While valuable as a single analytical product, the database will aim to attract public and private financing to become a long term product to serve the needs of APEC economies. This project is a onetime experience, however, it

would be considered to develop a second phase depending on the success of this one, and update the database deepening the quantity and quality of information. By doing this, in few year the economy members would have more and better information to use to develop policies and for industry to take proper decisions on investment.

3. **Alignment – APEC:**

The project supports Bogor Declaration, para 8, (1994) to develop more effectively the human and natural resources of the Asia-Pacific region while reducing economic disparities and facilitating trade and investment.

A key development challenge for APEC is to increase knowledge about leading policies and practices, including how input resources are utilized, such as energy, personnel, assets or commodities. Information from mining projects around the globe can be incorporated to close gaps between different economies and increase the contribution of governments to the industry's performance all over the region.

The project supports the **Mining Policy Principles** agreed by the **Ministers Responsible for Mining** (specially number *i*, *iii*, and *iv*) as the basis for the MTF, by pursuing policies that enhance sustainable production, promoting market transparency, and fostering investment certainty in the APEC mineral sector. The success of this project will depends on the quantity and quality of information collected, and how this translates into ongoing commitment to dialogue and data sharing. The more economies that participate, the more representative and reliable the data.

Alignment – Forum:

Cooperation between MTF members to compare information among various economies will deliver APEC mining sub-fund objectives and APEC major targets, providing transparent information for decision and policy makers, delivering better data to the mining market, involving both private and public sector in the search of economic growth.

Methodology:

Workplan:

Base on project objectives, there would be three main activities. The dates and outputs would be:

- i. Joint Expert Activity, with public and private sector, with the expected collaboration of ABAC. (MTF10)
- ii. Data collection and consultant reporting from economies (September to November 2016), including analysis of how data and dialogue can improve productivity and investment climate.
- iii. Dissemination activity (MTF11).

Beneficiaries:

The expected participants for the expert's activity would consist of selected members from mining public institutions, private and state-owned enterprises, mining union representatives, and researchers. Therefore, for the dissemination seminar, beneficiaries would be the decision makers of the mining industry (public and private), college researchers and other consultants or analysts. Economy Members will get engaged by their commitment on the relevance of this project to their own interests. ABAC are engaged as collaborators as shown in the letters to be delivered in proper time. The Mining Chilean Association also is formally committed with this project. All of these participants will be asked to contribute in the process to gather information and comments on the draft reports.

Evaluation:

Project success will be determined by the level of demand identified for ongoing exchange of information between APEC economies relating to mining productivity and investment conditions. We will consider progress and results indicators. While the first ones are related to the activities described above on the work plan, the seconds are related to the objectives of this project, which are to have a representative sample of the APEC economies' mining sector. Impacts and success of this project will be note on APEC economies' interest in developing a second phase, deepening the data base's quantity and/or quality.

Linkages:

Mining data is collected by private firms, such as SNL.com and Wood Mackenzie, and multilateral agencies such as the World Bank Group and the International Monetary Fund. The project will assess the relevance and availability of data to APEC economies to enable them to benchmark and improve domestic productivity and investment climate.

Some of the issues to be approach may be of interest to other APEC groups, therefore it is expected to meet with the Chair of some of them in order to let them know the progress of this project and develop a platform of collaboration, if possible.




COCHILCO
Ministerio de Minería
Gobierno de Chile

APEC Project Proposal, Chile 2016

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May, 2016



Relevance

- One of the fundamental pillars of competitiveness is productivity
- **Background:**
 - 2008-2012 high commodity prices
 - 2012 – prices have fallen
- **Efforts to be made:**
 - Improving the use of resources
 - Achieve greater production efficiency
 - Create reliable information and data bases

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Objectives

- **General objectives:**
 - Increase the competitiveness and productive efficiency of APEC economies through the dissemination of a **data base** with key industry information in a country level
- **Key objectives:**
 - Ensure participation of as many APEC economies as possible, in order to obtain more and better data
 - Create a report with the data base

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Project Impact

- **Outputs:**
 - We will consider the production of **base metals, iron ore, and precious metals.**
 - For the indicators: mine **production**, use of **energy, work force**, and **non-current assets.**
- **Beneficiaries:**
 - Governments, private sector, policy makers, mining industries
- **Dissemination:**
 - Electronically. The report will include three parts: Methodology, Description of the indicators, and Results presented in a data base

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Work plan

Work plan:

- I. Joint Expert Activity, with public and private sector, with the expected collaboration of ABAC. (MTF10)
- II. Data collection and consultant reporting from economies (September to November 2016), including analysis of how data and dialogue can improve productivity and investment climate.
- III. Dissemination activity (MTF11).

What have we done?

- Private associations involved: ABAC, biggest Chilean Mining Association.
- We expect to increase the associations' involvement during the project development.

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