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GOVERNANCE REGIONAL INTEGRATION ECONOMICS AGRICULTURE TRADE **GREAT** *insights*

Extractive sector: African perspectives

Exclusives from:

H.E. Fatima Haram Acyl,
AU Commissioner for Trade and Industry

Hon. Sam Russ,
Deputy Minister, Ministry of Lands, Mines
and Energy, Liberia

Dr. Carlos Lopes,
Executive Secretary, Economic
Commission for Africa

Extractive sector: African perspectives

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Colophon

Governance, Regional integration, Economics, Agriculture and Trade (GREAT) insights is ECDPM's monthly magazine covering a wide range of topics related to economic development in Africa and the developing world. *GREAT insights* gathers expert analysis and commentary from a wide variety of stakeholders with different perspectives.

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Editorial

The nexus between the extractive sector and development is a complex one which has commonly been addressed through two prisms: the governance (or management) of extractive resources, and the linkages between the extractive sector with the rest of the economy.

The international community has paid increasing attention to the governance dimension of natural resources. These include regulatory acts (e.g. US Dodd Frank, EU Directives), code of conducts and other initiatives (e.g. EITI, OECD Due Diligence Guidance, recent EU Communication on conflict minerals), as well as interventions by donors and international institutions such as the IMF and World Bank.

This attention is necessary, as there is no inclusive and sustainable development possible without good enough governance and management of natural resources and the revenues they generate. But this is certainly not enough to achieve transformative and inclusive development outcomes. Too often still, the extractive sector remains an enclave in the domestic economy, with insufficient concerns for its interaction with other sectors and policies.

It is this challenge that African governments and regions aim to address: how to better harness the potential benefits from the extractive sector, not only by improving its governance, in the broad sense, but more importantly, by stimulating synergies and linkages to leverage the extractive sector for inclusive economic transformation.

This issue of *GREAT Insights* addresses some of the key questions and challenges at stake, looking at the continental and some sub-regional perspectives and concrete actions towards the realisation of this objective. In an exclusive interview, Commissioner Acyl from the African Union Commission highlights the critical role of the extractive sector in Africa's industrial transformation and the leading role played by the AUC in this endeavour. Dr. Carlos Lopes, Executive Secretary of UNECA unpacks the game-changing role that the extractive sector can play in transforming the economic landscape in African countries, if key structural factors are addressed.

To further stimulate our reflection, the issue also zooms into national initiatives, notably in the case of Liberia, Madagascar and DR Congo focusing in particular on reforms and other initiatives to support the transformation process, on the foundations of sustainable dialogue, on environmental concerns and on the challenges facing artisanal miners. On the regional front, the complementary role of regional integration to further enhance economic transformation using the extractive sector is highlighted. Finally, from the private sector perspective, the key question of how the industry can contribute to development through the concept of shared value to the benefit of the community is addressed. As always, we hope you will find the articles insightful and welcome your comments and suggestions.

Dr San Bilal (Editor), *Head of Economic Transformation Programme, ECDPM.*

Isabelle Ramdoo (Guest editor), *Deputy Head of Economic Transformation Programme.*





INTERVIEW

Guest editor Isabelle Ramdoo talks to the Commissioner for Trade and Industry of the African Union, H.E. Fatima Haram Acyl, about the role of the extractive sector in Africa's industrial transformation.

The 50th Anniversary of the African Union (AU) last year set the tone for Africa's renaissance and the Agenda 2063 will place the extractive sector at the heart of Africa's industrial transformation. Could you share with us what are the key policy priorities for countries to harness their mineral potential?

Commissioner Fatima Haram Acyl:

Africa faces an imperative for structural transformation. This structural transformation is needed to ensure economic growth and development, which will create sustainable jobs to improve the well being of Africans. That transformation is dependent on the effective management and utilisation of African natural resources, particularly mineral resources and the extractive sector.

In order to fully harness their mineral resources potential, African governments need to align their policy priorities on the extractive sector towards:

- first, financing their economic development and growth as it is important to ensure that adequate revenue and receipts are received from these resources so that the government can invest in critical infrastructure, as well as the health

and education of its citizens which are important for development; and second, for the resources to serve as the basis and foundation for their industrialisation and economic transformation through value addition of these natural resources, with more linkages created to the local economies.

The AU Heads of States endorsed the Africa Mining Vision (AMV) in 2009, the flagship continental framework for transparent, equitable and optimal resource exploitation. Where are we today with the implementation of the Vision into Action? How far have countries and regions embraced this framework into their own national and regional processes?

First of all, let me thank here countries for their full commitment to the Africa Mining Vision policy. The goal of the African Mining Vision is the effective management of Africa's natural resources for Africa's development and structural transformation – not just increased revenues. This shared vision will comprise: a knowledge-driven African mining sector that catalyses and contributes to the broad-based growth and development of, and is fully integrated into, a single African market through six key points, which are:

- (i) downstream linkages into mineral beneficiation and manufacturing;
- (ii) upstream linkages into mining capital goods, consumables and services industries;
- (iii) linkages into infrastructure, power, logistics; communications, water, and skills and technology development, the so-called human resource development and research and development;
- (iv) mutually beneficial partnerships between the state, the private sector, civil society, local communities and other stakeholders; and
- (v) a comprehensive knowledge of its mineral endowment; and last but not least,
- (vi) a sustainable and well-governed mining sector that effectively garners and deploys resource rents and that is safe, healthy, gender and ethnically inclusive, environmentally friendly as well as socially responsible.

So, the reality is that the African Mining Vision, since its adoption, has become the framework for developing mineral resources in Africa. At the moment, the African Union Commission (AUC) is working with key stakeholders through the African Mining Development Centre (AMDC), with key stakeholders including United Nations Development

“...structural transformation is needed to ensure economic growth and development, which will create sustainable jobs.”

Programme (UNDP), the African Development Bank and UN Economic Commission for Africa on the implementation of the AMV. The AMV is currently being used by several African countries including Mozambique, Ethiopia, Lesotho and Tanzania to reform their own mineral policies, legal and regulatory frameworks and by Regional Economic Communities (RECs) to harmonise their mineral policy strategies.

Many African countries have not benefited enough from their resource wealth. What challenges should countries address to stimulate their extractive sector for sustainable development outcomes? What role do you see for the African Union Commission in supporting ongoing reforms?

African countries have lacked the capacity to effectively implement the policies that would enable them to maximise their mineral resources towards sustainable development. These include technical capacity for managing the industry itself, as well as broader economic management to ensure that it enhances the economy. In addition, there have been governance failures that have hindered the capacity of African countries to effectively manage these resources. It is therefore critical that these capacity and governance challenges are addressed. Furthermore, African governments

do not have the resources and abilities to fully exploit and maximise Africa's natural resources. They need private investment, private capital, technology, know-how as well as the entrepreneurial abilities of the private sector.


The AUC provides a platform for channeling political will into finding common solutions to these challenges. The African Mining Vision provides a framework for giving technical assistance through the AMDC and other partners in a manner that ensures ownership by African governments of these interventions. The AUC continues to provide a role in sustaining the political momentum towards these reforms, as well as in monitoring and sharing the progress and best practices as they evolve in addressing these challenges.

The transformation of extractive resources into broader economic prospects will also depend on the implementation of other key reforms such as those underpinned by the Programme for Infrastructure Development in Africa (PIDA), the Accelerated Industrial Development in Africa (AIDA), the Boosting Intra-Africa Trade (BIAT) and the Comprehensive Africa Agriculture Development Programme (CAADP). What initiatives have been taken to build synergies and complementarities between the extractive sector and these existing frameworks in order to

create linkages and unlock broader economic potential?

As you may be aware, AIDA, BIAT and the AMV are initiatives under Trade and Industry in the AU Commission; consequently there is already a lot of collaborating and synergising towards implementing these programs across the different divisions.

Across the AUC, there continue to be synergies between related frameworks such as CAADP and PIDA. For example, the AUC is currently developing a Strategy for African Commodities which will address the issues in a holistic manner drawing upon all the infrastructure, agriculture, industry and trade initiatives, because of the clear complementarities between the frameworks and the shared goal towards the eventual structural transformation of Africa. In addition, all the frameworks fit under the AUC's Strategic Plan for 2014 – 2017 and are all critical pieces of the Agenda 2063. They are all therefore being implemented towards the common goal of Africa's structural transformation and the continent's economic development.



Leveraging Africa's extractive sector for inclusive economic transformation

Africa is endowed with some of the world's largest mineral reserves, including three-quarters of the world's platinum supply, half of its diamonds and chromium, and up to one-fifth of gold and uranium supplies. The continent also boasts vast reserves of coal, copper, cobalt and iron ore and is home to huge reserves of oil and gas. These resources account for a significant share of exports in half of its countries.

Despite having a history of more than 500 years of commercial resource exploitation, the continent remains one of the least known geological regions in the world; the full extent and value of its unearthed mineral reserves remains guess work. If recent discoveries of iron, oil, gas, gold and coal in Guinea, Ghana, Liberia, Tanzania and Mozambique are anything to go by, the continent's abundant extractive resources can be a key source of revenue for the continent's transformation agenda. Minerals can be a game changer, if they are transformed to embrace real human development breakthroughs. At the moment, Africa's mining sector accounts for just 10% of the world's production. It is also said that over 80% of the world's total future pipeline of mining projects is based on four key minerals: iron ore, copper, gold and nickel, which are all present in Africa. The continent still looks like the next future frontier for extractives.

The paradox, however, is that many of Africa's richest resource countries rank amongst the lowest on the Human Development Index. For instance, Angola has one of the world's highest maternal mortality rates, Equatorial Guinea is one of the countries with the highest child mortality rates, and the Democratic Republic of the Congo lurks at the bottom of the index on almost all fronts. The largest exporter of uranium, Niger, trails the index.

The poor performance in mineral rich economies has been linked to differing factors: weak integration of Africa's extractive sector into national socio-economic activities; commodity exports with little or no value added; and weak forward and backward linkages to the rest of the economy. In addition, the effects of Dutch disease, as well as poor legal and regulatory frameworks have only exacerbated the situation, compromising

Minerals can be a game changer, if they are transformed to embrace real human development breakthroughs.

transparency and accountability. Annual estimates of illicit financial flows ranged up to US\$50 billion in the last decade, which equates to more than the region received in bilateral aid from the Organisation for Economic and Co-operation Development (OECD) countries. This includes price fixing and tax avoidance. For instance, between 2005 and 2009, half a million workers in Zambia's copper mines were paying a higher rate of taxation than the operating multinational mining companies. Needless to say, the continent has been deprived of huge financial resources that could have been used to boost human development, invest in infrastructure or services delivery.

Despite numerous challenges though, prospects for change are taking root. Developments in the geopolitical landscape as well as at the regional and national levels can help leverage the continent's extractive sector, for inclusive economic transformation. Some of the key drivers can be loosely placed under two categories namely: structural factors and an evolving policy posture.

Leveraging the key structural factors

Over the last decade, commodity prices have hit a super-cycle, spurred by a huge global demand for mineral resources, particularly from emerging economies, such as China and India. With this demand, new partnerships have been developed and new ways of doing business have also evolved, depicting unprecedented economic opportunities. To fully use this favourable bargaining position, Africa can maximise the demand for mineral commodities. Where it has a dominant position, it should impose local beneficiation, as well as negotiate more favourable licensing agreements. Botswana is a leading example that can be emulated; it enjoyed nearly half a century of uninterrupted economic growth on the back of a diamond revenues, generated through increased value addition from its joint venture with De Beers. Diamonds remain the primary driver of Botswana's economy, and generate consistently around 70% of Botswana's export earnings, 50% of government revenue, and 40% of GDP.

Global value chains have also evolved to be more interconnected. Different stages and activities of the production processes are now often spread across several countries. African economies can leverage these opportunities by inserting themselves into a part of the chain, building capabilities in specific tasks, on a globally competitive basis, or as part of a broader diversification strategy out of resource exports. Opportunities to create

modern and sustainable jobs, stimulate inclusive growth by moving to higher value products, upgrade skills and capabilities, as well as provide access to knowledge, infrastructure and technologies should be harnessed. This would facilitate Africa's entry into new markets that offer productive employment opportunities as well as leverage global value chains out of countries like China, Taiwan and India, due to their rising labour costs.

Traditionally, the continent's mining sector has been better assimilated with overseas enterprises, mainly due to the practice of extracting and shipping bulk minerals. Regional integration can extend continental linkages beyond the mining chain itself, by adding upstream, side stream and lateral linkages to help open up the enclave nature of African mining. Investing in regional development corridors (as part of mining contract negotiations) would also help narrow the infrastructure development gap. For example, the Conakry/Buchanan Development Corridor covering Guinea, Liberia and Côte d'Ivoire would facilitate the development of large mineral deposits in southern Guinea, link to the Conakry/Kankan railway line as well as link mineral deposits in the west of Côte d'Ivoire into the Liberian port of Buchanan.

An evolving policy posture

Using Africa's extractive resources to propel modernisation has been articulated in several African plans and development strategies at national and regional levels, dating back to the Lagos Plan of Action and more recently in the landmark 2009 Africa Mining Vision, endorsed by African Union leaders.

The Vision is a credible blueprint for mineral reforms, owned and led by Africans. It is not just about mining. It calls for a transparent, equitable and optimal exploitation of mineral resources to underpin development. But also promotes local processing and value addition of raw materials to build human, financial, and institutional capital that can outlast the exhaustible currency of mining. It also calls for greater fiscal space and responsive taxation to allow African countries to optimise accompanying rents for development and by adding value through beneficiation, as well as a multi-sectoral approach to mineral development policy.

Countries such as Mozambique, Ethiopia, Lesotho, are already using the Vision to reform their own mineral policies, as well as legal and regulatory frameworks. It has also received international buy-in.

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To operationalise the Vision and its Action Plan, an African Minerals Development Centre (AMDC) has been established to promote the transformative role of mineral resources through increased economic and social linkages. A key objective of the AMDC is to ensure that Africa's interests and concerns in this lucrative sector are properly articulated and internalised. For example, it coordinates efforts to boost capacity to negotiate contracts and extract better deals for the benefit and prosperity of all as well as ensures the sector is socially and environmentally accountable. It also provides a central and strategic coordinating capacity extending from optimising policy space, up-scaling geological exploration activities, improving the viability of small-scale mining, to addressing serious weaknesses in natural resources governance, developing linkages to other economic and social sectors and developing expertise for policy research and analysis.

A resurgence of African agency is noticeable. In Namibia, foreign investors who want to exploit minerals must now partner with a State mining arm; in the Democratic Republic of Congo, the mining code is being revised to enable the State to hold a minimum of 35% equity in mining projects. In the wake of increased international copper prices, Zambia successfully raised taxes for mining companies to 35% and introduced a windfall tax of 10% for exceptional profits in addition to existing royalties on output of 6%. This move earned Zambia an extra US\$415 million in supplementary revenues.

These recent trends are no different in spirit from moves by Mongolia, Peru, Indonesia, Poland and even the United States, for increased taxes and royalties. Others have introduced, or are in the process of introducing, export levies on raw minerals. In Indonesia, foreign ownership is capped at 49% after ten years of operations, while in Canada, the Federal Government reviews all big foreign acquisitions to ensure net benefits for the country's economy.

“Africa will need to move from a growth model partly fuelled by commodities prices and higher demand, but occupying only 1% of the continent's workforce, towards a use of these resources as just one ingredient of a transformative model gravitating around an industrialisation drive.”

With the advent of negotiating better contracts, governments are beginning to review and question previous deals to ensure that those signed are fair. Seven countries have re-negotiated existing contracts recently. For example, up until just a month ago, uranium mined from Niger was powering one out of every three light bulbs in France. Areva's total turnover of about US\$9 billion was mostly possible thanks to Niger, its biggest supplier that had an annual public budget of only US\$2 billion. The recent negotiation has now resulted in a better and fairer deal for Niger. It includes more control on the part of the Government as well as compensation from Areva towards improving infrastructure. Then there is the landmark investigation by Guinea on Simandou iron-ore, the richest untapped reserves in the world. The investigation recommended that companies BSG and Vale be stripped of their mining concessions with the accusation that they were obtained through corruptive practices. Some of the world's biggest iron-ore and steel-mining companies have expressed interest in the concession, putting Guinea back in the driver's seat. The jury is still out on whether Guinea will be able to use Simandou as a propeller of dramatic change in one of the poorest countries in the world.

Finally, joint responsibility is gaining traction. International players are stepping up on their responsibility. Arrangements such as the Kimberly Process for diamonds and the Extractive Industries Transparency Initiatives (EITI) for minerals are laudable. Despite their own weaknesses, they have contributed to improving transparency and accountability in contract negotiation. However, much more needs to be done.

Africa will need to move from a growth model partly fuelled by commodities prices and higher demand, but occupying only 1% of the continent's workforce, towards a use of these resources as just one ingredient of a transformative model gravitating around an industrialisation drive.



Dr. Carlos Lopes is Executive Secretary of the Economic Commission for Africa at the level of UN Under Secretary-General.



Regulatory reform in the Liberian mining sector: Striking the right balance



In this interview, editor San Bilal talks to Hon. Sam Russ, Deputy Minister for Operations, Ministry of Lands, Mines and Energy, Liberia.

Liberia, like many African countries, is updating its minerals and mining law. Why update the law now?

Hon. Sam Russ: Liberia is a resource-rich country that is endowed with considerable natural resources, including iron ore, gold, diamond, etc. We currently boast four iron ore concessions and two gold concessions. However, Liberia remains virtually unexplored and thus has great potential for economic growth and socio-economic development from these resources. To realise this potential, Liberia needs a strong governance and regulatory framework and regional cooperation in the mining sector.

Since 2006, Liberia has made significant progress towards improving the governance framework around natural resource management. We have a national mineral policy that is based on the African Mining Vision (AMV), which seeks to promote equitable exploitation of mineral resources. We also established a Mineral Cadastral and enacted a Public Procurement and Concession (PPC) Act, which requires open, transparent and competitive bidding for known resources. In addition, we have a Revised Revenue Code that provides special fiscal packages for the resource sectors. Liberia has been a member of the Extractive Industry Transparency Initiative (EITI) since 2007 and remains Kimberley Process Certification Scheme (KPCS) compliant for diamonds.

Our current Mineral and Mining Law of 2000 is outdated and in conflict with other related laws such as: a new Environmental Protection Law of 2007, Public Procurement and

Concession Act of 2010. In addition, a number of new allied institutions have been established. The regime lacks regulations in a number of areas including explosives, and mine health and safety.

The new mining law and related set of regulations seek to address these concerns and gaps. They will also seek to balance the interest of the investor to achieve security of tenure and fair returns on investment, as well as the interest of the state to achieve broad-based sustainable growth and development for our country. In other words, we seek a win-win partnership.

The new law will strengthen security of tenure by limiting administrative discretion in the award, suspension, and cancellation of mineral rights, improve local content provisions and provide a clear processes for dispute resolution. In all of this, we will be looking at best practice in the region.

Our process has been transparent and inclusive. We have completed our pre-drafting consultations, during which we sought the views and perspectives of various stakeholders: mining communities, civil society, private sector, government entities and donors and development partners. We are currently reviewing the initial draft which will be distributed to stakeholders for additional comments.

A new law is important but not the only component for reform; what other initiatives will support the reform?

Yes, you are correct. We need strong institutions to support the reform. Two key institutions are the Mining Cadastral and the Liberian Geological Survey (LGS). The Mining Cadastral is important for security of tenure as a key pillar of mineral governance.

Resources - Iron Ore			
Deposits	Type	Resource (Mt)	Grade (%)
MT. Nimba	Iron Ore	500	50-65
Western Cluster	Iron Ore	600	35-55
Bong Mines	Iron Ore	1000	35-45
Putu Range	Iron Ore	4500	40-60
Wologizi	Iron Ore	1000+	35-40

Resources -Gold			
Deposits	Type	Resource (Moz)	Grade (g/T%)
New Liberty	Gold	1.5	3.8
Hummingbird	Gold	4	1.4

The Australian Government is providing support to improve cadastral administration and ensure that processing of license is predictable and automatic. The LGS is key to managing technical information and promoting Liberia's mineral resource potential. The British Geological Survey is providing training to build the human and administrative capacity of the LGS to more efficiently manage technical information.

In addition, we are working with allied institutions of government (the Environmental Protection Agency, Internal Affairs) to improve administrative and regulatory interface by clarifying roles and mandates in support of a more efficient regime.

You have listed local content as one of the key elements of the reform initiatives; how is local content being addressed in the new law?

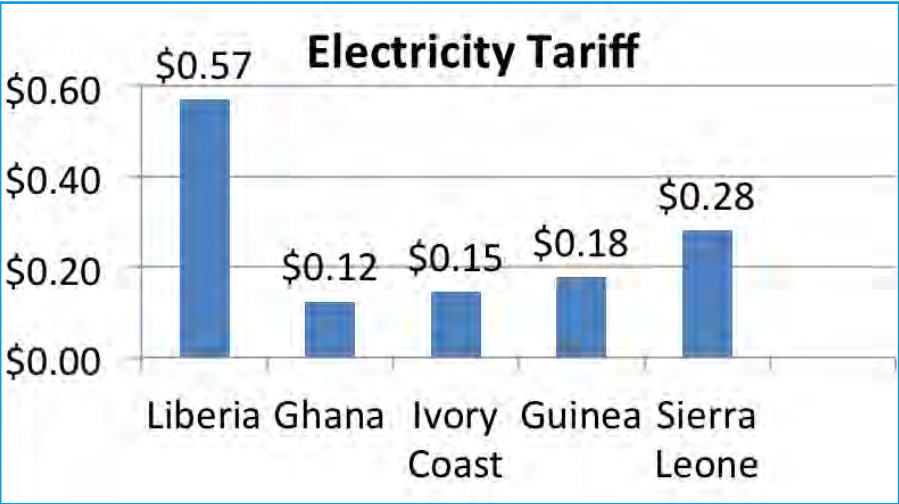
Local content is the best alignment of the interests of the Government and the concessionaire. It provides the most direct opportunity for the people to benefit from mining, and the interest of the concessionaire as it provides social license. The latter is important because communities are increasingly demanding more benefits from the concessionaire. We are working with concessionaires to develop a rational local content program with due consideration to the stage of mine development and our capacity to absorb.

Infrastructure is a challenge for many mining projects; how is Liberia dealing with the infrastructure challenge?

The lack of infrastructure (power, rail, port, etc.) remains a major constraint on the development of our resources both nationally and regionally. Each concessionaire must essentially build dedicated infrastructures. In the energy sector, we have the twin challenge of a high tariff (\$0.60 per Kwhr) and low access (2-3%).

The capital-intensive nature of these infrastructure projects renders smaller but otherwise viable resource projects unattractive. In addition, they limit the socio-economic development of associated communities by denying collateral access to these facilities.

The resource potential in terms of volume and grade of the Guinea-Liberia-Sierra Leone corridor (Simandou, Nimba, and Tonkillili projects) is also significant. Developing these resources is also constrained by lack of infrastructure. Yet, the proximity and alignment of these projects makes a compelling economic case for regional cooperation on infrastructure. We are in discussion with Guinea to use the Nimba-Buchanan railroad to evacuate Guinean ore.



Developing value chains: What role for regional integration?



Since the turn of the century, many African resource rich countries have embraced a fundamental shift in their policies regarding the management of their extractive resources in an attempt to finally reap the benefits from the current resource boom. In particular, many countries adopted a set of new-generation fiscal and industrial policies, supported by regulatory and institutional reforms, all aimed at triggering economic and social transformation and rebalancing economic gains in favour of their local population.

Although widely supported and acknowledged by leaders of the continent, notably through the endorsement by Heads of States of the African Union of the Africa

Mining Vision (AMV), most reforms were first and foremost initiated at the domestic level. Nothing strange there, since extractive resources are owned, managed and governed by the countries where they are found. Additionally, if resources are to benefit local populations, then the catalytic drive should emanate from the domestic level.

But that said, if national strategies for economic transformation are to be pursued successfully, then it is vital that they be substantiated and complemented by strong *regional* policies. While globalisation and technological progress have squeezed space, more than ever, countries need to combine forces through regional mechanisms to sustain

competitiveness and boost their productivity, as micro-entities cannot be sustained on their own.

Regional integration can be a powerful multi-dimensional process if pursued effectively. It is expected to lead to coordination, cooperation and convergence efforts around projects of common interest but its level of ambition can be more or less deep, depending on the political and socio-economic realities of the member countries. In that sense, real region-wide progress, through improved connectivity (infrastructure, power, information and communication technology etc.), competitive logistics, production value chain integration, convergence in regulatory policies and effective support to trade and trade-

...if national strategies for economic transformation are to be pursued successfully, then it is vital that they be substantiated and complemented by strong regional policies.

related policies are all fundamental to accompany the transformation process in resource-rich countries, in line with the goals set in the AMV.

Bringing national and regional efforts together would therefore undoubtedly enhance the attractiveness of the continent and sustain its economic prospects as the latter ambitions to shift to a new development model and integrate successfully into the global economy.

Success to transform resources into sustainable and inclusive development outcomes is conditional upon the extent to which *home-grown initiatives* taken by policy-makers are implemented domestically and the ability to *coordinate efforts* among the wide range of stakeholders, notably at the regional level.

Efforts to harmonise mining codes have increased across the continent within regional groupings, in particular emphasising the need for transparent regulatory frameworks and efficient administrative systems, including one-stop shops in mineral licensing. Most regional economic communities (RECs), notably the Southern African Development Community (SADC), the Economic Community of West African States (ECOWAS), the Economic and Monetary Union of West Africa (WAEMU/UEMOA) and the East African Community (EAC) have taken concrete initial steps towards harmonising their national policies, laws and regulations and developing common standards to create a uniform business environment for investors.

These on-going regional mineral policies and initiatives are quite key to support regional value chains. However, the main challenge is the difficulty to systematically define a common agenda among member countries, given often competing, and at times diverging interests in the sectors. For instance, it is still

quite challenging to put in place large common infrastructure projects, despite the fact that those are an absolute necessity to bring down the cost of doing business across borders, help connect markets and enhance cross-border trade and investment. Similarly, there are surprisingly few big regional projects around the extractive sector, despite its predominance as an economic activity. The Central African region has been the first to launch an extractive industries knowledge hub in Cameroon to build capacity in the region to influence resource governance in the region.

As a result, although a first step in the right direction, most of these regional policies so far still remain largely non-binding instruments. This is not sufficient to frame a truly coordinated effort to advance the transformation agenda, using extractive resources as a springboard.

West Africa: Oil as a strategic commodity

Western and central Africa are home to the biggest African oil producers (Nigeria, Gabon, Congo, Cameroon, Chad, Equatorial Guinea and more recently Ghana), although there is also significant mining production, notably with the exploitation of huge reserves of bauxite and iron ore. Like everywhere else on the continent, the growing necessity to get more benefits from resources has spurred a series of reforms, although the scope and scale differ largely among countries.

Countries in-region are very heterogeneous and economies have traditionally largely been inward looking and strongly driven by rents and politics. Countries have so far elaborated limited common regional projects in the extractive sector. *Oil producers* in the region have, for a long time, been considered as *sleeping* regional partners although this is gradually changing, with

the stated ambitions of Nigeria for instance, set to become the new unavoidable regional hegemon. But this passive participation in regional integration processes is reflected in the low level of coordination around the extractive sector at the regional level, despite widely recognised efforts by regional organisations to harmonise policies and put in place regional strategies.

Interestingly, most attempts to coordinate efforts are around the *mining sector*, rather than in the predominant hydrocarbon sector. Since 2008, ECOWAS has started to implement a unified mining legislation, as enshrined in the ECOWAS Treaty, by adopting a *three-pronged approach*, with the setting up of three regional legal frameworks, with the aim of leading to the harmonisation of the mining regimes and legislations across its member states to create a more stable and transparent mining legal environment in the region. These are (i) the adoption of a *Directive on the Harmonization of Guiding Principles and Policies in the Mining Sector* in 2009; (ii) the setting up of a *Mineral Development Policy* in 2011, to address issues such as optimising the value chain through the processing and value addition to minerals for maximum benefit; and (iii) the forthcoming *Common Mining Code*, meant to ensure a consistency in the approach by member states in harmonising their national mining legislations, is currently being developed.

The other regional body, *UEMOA/WAEMU* (whose members are all ECOWAS member), has also undertaken substantial efforts to harmonise *mining policies* since 2000, when it adopted a *Common Mining Policy* and a *Common Mining Code* in 2003. The Code regulates the ownership and granting of mineral titles, adopts a program for the protection of the environment, defines a tax system applicable to

minerals, governs the recruitment and procurement rules, etc. (see article by B.E Kabore in this issue). Although these two regional initiatives appear to mostly share the same guiding principles for the mining industry, it is unclear how the two legal frameworks will work together, since the eight members of WAEMU are all ECOWAS members.

While these regional initiatives are commendable in an attempt to coordinate efforts on the legislative aspects and necessary to ensure coherence, the *production and infrastructure dimensions* of integration are still largely missing. This is an absolute necessity to unlock the full potential of firms to participate in regional value chains. The hydrocarbon sector remains

growth, employment creation and equity. A *mineral beneficiation strategy* has been defined to guide resource-based industrialisation.

The SADC region adopted a Protocol on Mining in February 2000, followed by a Mining Strategic Plan in 2001, to harmonise mining policies across the region's members and to provide a framework for cooperation and coordination to increase investment and productivity of the regional mining sector. In 2006, SADC approved a framework for the "*Harmonisation of Mining Policies, Standards, Legislative and Regulatory Framework in Southern Africa*". An implementation plan was adopted in 2007.

prospects for small and large local companies to move across borders are all closely linked to the prospects that an expanding regional market can offer. If these prospects were supported by explicit regional policies, with regional value chain options being explored, possibilities could become promising realities.

East Africa: The new oil and gas frontier

After decades operating in the shadow of the rest of Africa, East Africa is finally emerging as one of the most significant players in the continent's minerals and metals industry. Large oil discoveries around Uganda's Lake Albert in 2006 and subsequent gas discoveries of offshore Mozambique have dramatically altered perceptions and perspectives for East Africa. Its vast untapped reserves turned the region into one of the most attractive African destinations for prospectors and investors. Strategically, given its location, it became a serious alternative source of supply and has attracted substantial investments from Asian countries.

These new discoveries triggered substantial reforms in East African countries, and consequently by the East African Community (EAC), in order to set the benchmark for new investments in a way that they will deliver on more equitable fiscal and developmental outcomes. But so far, national initiatives seem to follow only national priority logic, and while it may not be contradictory, it is unclear how it fits within regional goals. In Mozambique for instance, reforms of legislations in the petroleum sector, include plans to build LNG plants largely meant for exports. Policies in Tanzania regarding the gas sector contrast sharply with those of Mozambique in that the former's priority is to supply its domestic market first. In Uganda, the government has set as a condition for oil exploitation, the request to construct a refinery as a priority, for the use of Ugandan oil domestically.

The Treaty establishing the *East African Community* supports the promotion of sustainable utilisation of the natural resource base in the region. Generally, EAC puts great

“...countries need to combine forces through regional mechanisms to sustain competitiveness and boost their productivity.”

remarkably largely uncovered by regional efforts. Being the largest economic sector in the region, the convergence of domestic economic reforms and common regional economic policies and industrial linkages can only favour positive development outcomes.

Southern Africa: A strategic mineral location

Southern Africa is probably the most richly endowed sub-region when it comes to minerals considered as strategic for industrial purposes. Although dominated by South Africa, the driving mining hub of the region, other countries have equally long mining histories. Like elsewhere, in recent years, most countries have reviewed their mineral legislations with the objective of getting more benefits and stimulating broader economic diversification. In South Africa for instance, reforms have been guided by the New Growth Path strategy, aimed at building an integrated economy and at enhancing

Although all very valid tools, like in West Africa, the regional frameworks in the SADC region lack the necessary “teeth”, not only in terms of binding legal instruments, to ensure national initiatives are coherent and in line with regional plans but more importantly, in terms of creating the necessary conditions to create regional incubators for product value chains. The Mining Protocol and its other instruments do not make any specific reference to value addition or beneficiation, a clear missing link, as this is crucial to support the creation of backward and forward linkages across countries. The recent debates in many Southern African countries about the need to enhance value addition are yet to be translated into collective efforts at the regional level. Yet, regional integration offers enormous opportunities to capitalise on ongoing national efforts to create production transformation, based on clusters of industrial activities. Experience has shown that the potential for trade in manufacturing products, intra-industry trade and

Success to transform resources into sustainable and inclusive development outcomes is conditional upon the extent to which home-grown initiatives taken by policy-makers are implemented domestically.

emphasis on the development and promotion of extractive industries, mineral processing and value added. Concretely, the development of a *regulatory and institutional framework to facilitate investments into mineral processing and extractive industries for maximisation of utilisation of abundant resources in the region* is identified as a key priority. Additionally, the *EAC Industrialization Policy* seeks to take measures to promote the development of strategic regional industries/value chains including among others, extractive and mineral processing, petrochemicals and gas processing and iron and steel.

Although prioritised by the region's strategic documents, there is again however insufficient coordination in the promotion and development of the value chains at national level but with clear regional dimensions. Similarly, there is currently no regional framework to establish and support investments into strategic regional industries where the region has comparative advantage. A number of barriers and challenges affecting regional's efforts to secure maximum benefits from its minerals resources still need to be addressed, including a proper regional framework that included steps to increase productive capacity in the region, to upgrade infrastructure, human and technical capabilities and provide an enabling investment framework for extractive industries and mineral value chains.

As a new kid on the block, East Africa has the advantage of learning from its peers and the disadvantage of experimenting and starting now. Yet, expectations among local population are already putting pressure on governments to deliver quickly on results, in particular to create employment opportunities, raise incomes and create as much value as possible at the local level.

What now? How to grow regionally?

The challenge therefore facing countries and regions is not just a matter of joining value chains. It is about increasing the share of value added created locally and to moving up the chain hierarchy from simple to more complex activities. This process is neither straightforward nor spontaneous. It first depends on public national and regional policies that commit to this objective. These include trained human capital, high-quality and competitive logistics and telecommunications, cost-effective transport infrastructure, a conducive business environment, and proper protection of intellectual property.

It concurrently depends on the role of businesses and how they manage to *connect markets* and *build factors of differentiation* that go beyond natural resource endowments and low labour costs. This is crucial for small companies operating in small and fragmented economies, far from the epicentre of lead firms or lead suppliers.

For African RECs to maximise the benefits and minimise the risks associated with value chains, it is therefore important, in addition to the current frameworks being developed, to enhance the synergy between trade and investment policies in particular by focusing on measures to stimulate product value chains in industrial development policies. Second, RECs should take a lead role in dealing with infrastructure and energy bottlenecks that limit the potential of these chains. Third, the production capabilities of local firms and the capacity of their workforce need to be enhanced. Although much of it has to be done at national level, regions need to ensure the business climate favours their movement including that of their professional staff, across borders. The setting

up of regional public procurement requirements is another way of ensuring regional local content for regional businesses. Finally, it is crucial to create linkages both within and outside the extractive sector to ensure economic diversification and spill-over effects in other sectors of the economy. The nexus agriculture and extractive sector or services and the extractive sector need to be further explored as there are substantial opportunities to develop economic activities between the extractive sector and other sectors of the economy. Here again, there is a role for the region in building synergies with their own sector specific policies.



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The role of regional cooperation in the context of West African oil

West Africa is one of the most dynamic subregions of the continent. With a gross domestic product (GDP) in purchasing power parity of US\$564.86 billion in 2012, it was ranked the world's 25th largest economy by the International Monetary Fund (IMF). While the free movement of people and goods is one of the successes of the cooperation between the countries in the region, the lack of convergence of their macroeconomic policies represents a significant obstacle to integration. The growing number of oil producers in West Africa has exacerbated this lack of cohesion and political will, a barrier to stronger economic relations between states.

The continent's new oil 'el dorado'

Today West Africa is considered one of the continent's leading oil-producing zones. Indeed, its coastal fringe corresponds to the most extensive part of the Gulf of Guinea, whose importance in the geopolitics of oil at the global level is well known. While Nigeria acts as a quasi-

monopolistic producer, with over 2.5 million barrels a day, several new producers have diversified oil supply from the region. Benin, Côte d'Ivoire, Ghana, Mauritania and Niger, for example, are now part of the narrow circle of hydrocarbon-producing countries. All the other countries in the region, with the exception of Burkina Faso and Cape Verde, are home to numerous exploration activities

carried out for the most part by foreign oil companies. West Africa's proven reserves, excluding Nigerian potential estimated at over 37 billion barrels, amounts to 40 billion barrels, or 30% of the African continent's total reserves.

Cooperating to develop

Oil cooperation plays an important role in creating and strengthening dynamic ties between West African countries. Long informal, mainly because of the smuggling of oil stolen from Nigeria in which most of the countries in the region are involved, that cooperation is now focused on supplying non- or low-producing countries and on sharing experiences in oil industry management. As a result, countries like Cape Verde, Burkina Faso, Senegal and Gambia can benefit from the oil their neighbours produce. A workshop on energy policies in West Africa was held in the Nigerian capital a few years ago, and was attended by experts from the West, and journalists, engineers and MPs from the region, who discussed ways of using energy as a tool for the subregion to wield economic and political influence.

Several oil cooperation projects are currently being developed in West Africa. To that end, Nigeria would appear to be the mainstay of oil cooperation in the region because of the size of its production and the financial power into which such production translates. Consequently, the West African Gas Pipeline (WAGP), one of the flagship energy cooperation projects in the region, is expected to transport gas from oil produced in southern Nigeria to Benin, Togo and Ghana. Similarly, a pipeline which is currently under construction will transport Nigerian crude oil to Burkina Faso, via Ghana and Côte d'Ivoire, by 2020.

Oil and state extraversion

The inclusion of African oil, particularly that produced in the Gulf of Guinea, in the power and security strategies of the world's leading economies is a major impediment to the development of oil cooperation between West African countries. Most of the oil produced in the region is exported to the region's major economic partners, which are Europe (22%), China (18%) and the US (12%). The outward orientation of the West African oil industry has primarily resulted in the development of a rentier economy incapable of supporting development and energy independence missions for oil production. Nor does it strengthen oil cooperation between countries in the region, as most of these countries value their status in the geopolitical strategies of the major oil consumers above any real South–South cooperation.

Oil represents the main component of commercial relationships between certain traditional West African producers and their foreign partners. Nigeria, for instance, the continent's leading producer and the world's 12th largest, has a special oil relationship with the US, to which it sells nearly half its daily production. Its status in the US energy security strategy reduces its ability to fully assume a key role in subregional oil cooperation which is nonetheless its responsibility. Furthermore, the

significance that the multinational Shell has in its upstream oil production, as well as China's recent appearance on the scene, are additional causes of Nigeria's insufficient involvement in oil cooperation with its neighbours. Africa's number-one oil producer thus shifts the centre of gravity of the development in its subregion to the West and to Asia's emerging market countries.

Paradoxically, more producers mean less cooperation

While the increase in the number of West African oil producers may be considered an advantage (more oil should bring prices down and increase customer options), it has had a negative impact on the willingness of stakeholders to cooperate with one another. Indeed, the strategic nature of oil encourages oil-producing countries to sell their oil to countries which, in addition to ensuring them relatively large profits, can serve as a rear ally in the event of a crisis. It thus comes as no surprise that the largest customers of West African oil are also amongst the most powerful nations in the world. The rivalry between leadership candidates in the region – Ghana, Côte d'Ivoire and Nigeria – constitutes a further barrier to cooperation

“ The inclusion of African oil, particularly that produced in the Gulf of Guinea, in the power and security strategies of the world's leading economies is a major impediment to the development of oil cooperation between West African countries. ”

projects. These first two countries' entry into the circle of oil-producing countries is seen by Nigeria as a challenge to its position as a leader in the oil industry which it has traditionally held in the region. Consequently, it is difficult for Nigeria to support initiatives which challenge its status.

The increase in oil-producing countries in West Africa has given rise to a number of contradictions. First, it has not yet led to the development of either traditional or new producers in the region. While it is still too early to assess the economic impact of oil operations in countries like Ghana or Côte d'Ivoire, the development of a rentier economy and the use of oil revenues to achieve political ends greatly reduce the chances of development. In addition, insufficient consideration of local content in the management of the oil industry, like other extractive industries, for that matter, is one of the reasons West African countries lack strategic, political and economic

‘...the lack of oil cooperation in the subregion only serves to exacerbate the energy deficit that characterises it’

autonomy. Finally, the lack of oil cooperation in the subregion only serves to exacerbate the energy deficit that characterises it, as well as the development of contraband oil and the loss of large quantities of crude as a result of flaring.

A call for renewed oil cooperation

Development in West Africa depends on the willingness of countries in the region to pool their respective capacities. It is not about acting against their own interests, but rather about using subregional cooperation as a springboard to a more secure strategic, political, economic and energy independence. The indisputable dynamic opportunity that oil represents to West Africa today is one of power and development. The World Bank estimates, for instance, that Benin, Togo and Ghana could save nearly US\$500 million in energy costs over a 20-year period as a result of the gas from Nigerian oilfields supplied via the WAGP. Gains in financial and economic terms could increase tenfold.

In addition, it is impossible to consider that, by definition, cooperation would be in direct opposition to any attempt to consolidate power. If the quest for power is based solely on a state actor's capacities, it is important that they be supported even by economic alliances. Nigeria must agree to play a pivotal role in oil cooperation in West Africa in order to create for itself an area of influence conducive to its ambitions for power. It would be well advised to encourage such cooperation to fight effectively against the illegal trade in crude siphoned from its pipelines. Ghana, Côte d'Ivoire and the other oil-producing states will also benefit from the development of oil cooperation because of their dependence on oil and on Nigeria's refinery infrastructure.

Cooperate or 'die'

Energy cooperation and integration can play an important role in the destiny of West African states. The World Energy Council has identified at least four benefits that improved energy cooperation in West Africa would result in: a more secure supply, greater economic efficiency, better environmental quality and a greater deployment of renewable energy sources. Oil should play a bigger part in energy cooperation because of its high strategic value and its capacity to serve as initial capital for economic diversification. Cases of countries such as Qatar and the United Arab Emirates are instructive in this respect. On the other hand, a greater commitment to good governance, democracy and the implementation of local content strategies would certainly be a plus for African states.

Oil is certainly a valuable asset where the development of West African countries is concerned. It offers many opportunities for growth and represents a tool for strategic emancipation. While the importance of oil in the global geopolitical context is undeniable, its role as a driving force behind cooperation in West Africa has yet to be developed. Political will in favour of capacity building focusing on subregional cooperation will, without a doubt, allow West African countries to hold their own in the oil game currently being played out in the Gulf of Guinea.

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Extractive sector in the WAEMU: Regional dynamics as a driver of growth



Iron ore train in Liberia

Despite the uncontested presence of a wealth of mineral substances in the West African region, as in the rest of the continent, the land remains geologically under-explored. With such potential in the substratum, the High Authorities of the West African States have quickly realised the extent to which the extractive mining industry could contribute to these states' socio-economic development and to that of their populations.

After various states gained their independence in the 1960s, the general attitude towards the exploitation of resources was characterised by *state-led, monopolist policies*, whereby the exploitation of such resources was supposed to provide substantial financial revenue to help develop these new states' economies. Unfortunately, as we have seen, the results have failed to meet expectations.

Lessons were learned from this experience. With the support of multilateral institutions, and following political reform and economic choices, the mineral sector in most West African states was opened to private, mainly international, investors starting in the 1990s. This period was characterised by national and individualist approaches, introducing into shared geographic areas an element of competition, rather than a cooperative approach between states. Consequently, the mining sector has failed to make the best possible contribution towards an improvement in the living conditions of populations.

The WAEMU: a key instrument in mineral cooperation

With an increasingly competitive global economy, states throughout the African continent (and elsewhere) were regrouped into regional blocks. In January 1994, at the instigation of heads of state and governments, the West

African Economic and Monetary Union (WAEMU) was born. In West Africa, the Union groups together eight states: Benin, Burkina Faso, Côte d'Ivoire, Guinea-Bissau, Mali, Niger, Senegal and Togo.

The WAEMU Treaty has the following objectives:

- (i) to strengthen the competitiveness of economic and financial activities;
- (ii) to ensure a convergence of performance and economic policies;
- (iii) to create between Member States a common market based on the free movement of persons, goods, services and capital, etc.;
- (iv) to institute the coordination of national sectoral policies by means of joint action and, eventually, *common policies*, especially in areas including *mining*; and
- (vi) to harmonise, to the extent necessary for the smooth operation of the common market, legislation and particularly the taxation systems.

In this dynamic context, convinced that the extractive mining sector can be a key contributor to the socio-economic development of Member States, as it has been in industrialised countries like Canada and Australia, the heads of state and governments thus adopted the WAEMU Common Mining Code by passing the Additional Act No. 01/2000.

The primary aims of the code are:

- (i) the creation of an environment favourable to mining investments;
- (ii) the diversification of mining outputs;
- (iii) the transformation of minerals where they are produced;
- (iv) the co-existence of industrial mines and small-scale and artisanal mining;
- (v) the improvement of infrastructures;
- (vi) the growth of financial resources for the states and job creation; and
- (vii) preservation of the environment.

To implement this shared vision for mining, the WAEMU adopted the Community Mining Code by passing Regulation No. 18/2003/CM/UEMOA on 23 December 2003. The main reason behind the code's adoption was to overcome disparities between states' regulatory frameworks while improving them. Their inadequacies have failed to create a favourable environment for optimising the exploitation of mineral resources to the benefit of Union countries and their populations.

Accordingly, the eight WAEMU Member States have now established a clear policy and regulatory framework in which to align their respective initiatives designed to promote and develop a competitive mining industry serving their own sustainable socio-economic development.

These mechanisms are implemented under the leadership of the WAEMU Commission, the agency that implements the policies and guidelines set by the heads of state and governments.

Concrete results

To this end, specific initiatives have been carried out for the benefit of Member States:

1. The promotion of mine development in these states. The Commission facilitates participation by the states in various international (e.g. PDAC) and national (e.g. Mining Promotion Days in Burkina Faso, called 'Promin Burkina') events, real frameworks for exchange and for promoting their respective mining sectors. It provides technical and financial support to mining promotion days regularly organised by several Member States (e.g. Burkina Faso, Mali and Senegal).
2. Capacity building, a concern in the WAEMU area. The training of national experts in geographical information systems and both hardware and software at state documentation centres helps improve data management, making them more accessible to investors and researchers. Likewise, the Higher Institute of Mining, Industry and Geology in Niger receives financial support for the purpose of building its capacity to train engineers in mining.
3. The promotion of good governance is well established in a number of Member States. Since its implementation, five Union countries have been certified as compliant with the Extractive Industries Transparency Initiative (EITI). Technical and financial support is provided to states for implementing the EITI process.
4. Frameworks for consultation are introduced by means of a policy of cooperation. To that end, meetings on a range of topics are held annually, giving participants the chance to exchange ideas and share experiences. Hosted by the various states in succession, these meetings involve key stakeholders, such as the public authorities in charge of the mines, representatives of chambers of mines and mining associations, organisations responsible for EITI, and women in mining.

In addition, and more globally, the WAEMU's Common Mining Code and the Community Mining Code have greatly contributed to the development of Africa's mining vision, a continental strategy which aims to use the mining sector as an effective tool for sustainable socio-economic development and the industrialisation of African states rich in mineral resources.

The outlook is such that various projects will emerge to further bolster the implementation of the *Common Mining Code* with a view to significantly optimising the extractive mining sector's contribution to improving the living conditions of populations in WAEMU countries. As such,

‘...the WAEMU’s Common Mining Code and the Community Mining Code have greatly contributed to the development of Africa’s mining vision, a continental strategy which aims to use the mining sector as an effective tool for sustainable socio-economic development.’

the Community Mining Code is currently being updated to reflect the changing international mining environment and to take into account the interests of the relevant parties, particularly those of local communities in areas where mining activities are carried out.

Simultaneously, capacity building for states will be stepped up by:

- (i) improving the management of data on geo-mining and mining cadastres;
- (ii) generating and managing modern mining contracts and agreements;
- (iii) improving the understanding of taxation and the mining economy;
- (iv) optimising the supervision of small-scale and artisanal mining;
- (v) improving basic geological and mining infrastructures; and
- (vi) strengthening ‘local content’ in the states, etc.

The WAEMU’s basic mission in the sector is to contribute to the equitable and optimal exploitation of mineral resources for accelerated growth and the sustainable socio-economic development of Member States, all in the context of the Africa Mining Vision.

Markets are now assured with the fast growing middle class in the region and the global demand for African products. Through linkages with SMEs and job creation growth will become more inclusive and therefore more sustainable. It is an interesting time to be doing business in Africa as it is increasingly possible to succeed, even beyond all expectations.

This article was originally written in French, the version of which is available on the ECDPM website.



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Gold mining and Shared Value: contributing to development and communities

There can be no doubt that mining, executed responsibly, is a significant force for sustainable growth. Beyond the multiplier effects on employment, livelihoods and the national economy, it should not be underestimated that whole communities are directly and often exclusively dependent on the sustainability and growth of the mining sector. But to succeed in achieving this growth, long-term relationships of trust and mutual respect must be established between its key stakeholders.

A mining operation should provide socio-economic benefits to all stakeholders. Employees and local communities stand to gain jobs, local procurement and community

projects. National and regional governments receive royalties, taxes and investment. Investors of capital expect interest and risk adjusted returns on their investment. Yet if one

group withdraws their support for the operation, this will negatively impact all stakeholders.

Host governments offer mineral resources that they hold in trust for their people; mining companies bring capital and know-how, creating value from such resources. As a potential mine is identified and developed, the number of stakeholders grows. The shareholders and banks, who must choose where to invest their money; the communities, who own or occupy the surface rights, employees and their trade unions; and contractors and suppliers. Each contributes to the realisation of the project and each looks to achieve a 'fair' return.

Key contributions made by gold mining

Gold mining typically accounts for a high proportion of foreign direct investment for developing countries and for a substantial chunk of foreign exchange earnings. A recent report by the World Gold Council¹ found that gold mining contributed some US\$78 billion in gross economic value added and 530,000 direct jobs in the 15 leading gold producing countries. Moreover, mining tends to generate large numbers of indirect jobs and to have significant multiplier effects - in part because many mining jobs pay well and are highly skilled. This is particularly the case in developing countries.

In Ghana, one mining position supports an estimated 28 other jobs and livelihoods in the country and in Peru about 19 jobs. In South Africa, mining supports about 1.4 million direct, indirect and induced jobs, and each of these supports on average around nine dependents.

But there can be no doubt that we are currently facing a major gap in trust between mining companies and their capital providers on the one hand, and trade unions, governments and communities on the other. What can mining companies do better in explaining, and helping other stakeholders to validate, their overall social and economic contribution?

Underlying requirements

Most critically, the mining sector needs to attract capital required to realise this growth and so to liberate the developmental and wealth creating potential of the mining economy. Unfortunately, providers of capital to

“In Ghana, one mining position supports an estimated 28 other jobs and livelihoods in the country.”

the mining industry are frustrated, having, at present, little to show for the capital they have invested over the years. Many of these investors have recently deserted the industry, depriving it of new capital and leaving potentially viable ore bodies undeveloped. Growth in the mining industry is stagnant. If we want the capital providers to resume investment, we need to offer them a solid return on their risk capital.

Secondly, I take it as given that mining companies must manage their environmental impacts with the greatest care. We have a duty of stewardship to manage resources, such as water, and to ensure that we do not adversely impact upon the livelihoods of others and to remediate land once mining has finished.

Thirdly, the biggest single element in benefit distribution for communities and government comes from procurement by mines. The mining supply chain is well established in traditional mining countries like Australia, the US and South Africa. But, as mining companies have become more pro-active in their approach to supporting suppliers, local sourcing is becoming increasingly central to miners' economic contribution.

In addition, mining companies can make a significant contribution to physical infrastructure surrounding the mine. Gold mines often need access roads, water pipelines and electricity grids. Increasingly these are built with an eye to creating regional or community benefits rather than being solely focused on the mine.

Finally, gold miners can make a big contribution, working with civil society, to improving governance and supporting capacity building, especially in areas like environmental management and public service delivery. All too often a mine finds it tough to improve the quality of life of surrounding communities because of the lack of local government partners

capable of using revenues well. It is essential therefore that we work with local governments in jointly developing and implementing projects that utilise the revenues generated by mining.

Communities and mining companies – an uneasy relationship

One of the biggest challenges facing mining companies is addressing what is known as 'the social licence to operate' – winning the buy-in from neighbouring communities. While the consequences of not obtaining this social licence will not always be dramatic, there is potential for serious operational disruption or even ultimate project failure. Examples abound around the world and over the past few years there has been a significant increase in conflict between the miners and communities (see ICMM graph). The US\$5 billion Conga project in Peru has been held up for years through community activism.

As mentioned above, mining operators often make substantial contributions to national government in the form of taxes and royalties. The reality is, however, that this does not always 'trickle down' to host communities that expect to benefit from their proximity to revenue-generating mines in the form of better public services and infrastructure. This is the case where mining revenues are paid into a central fiscal pot to fund general government expenditure, or where weak governance results in opaque and/or ineffective fiscal management.

As a result, while mining companies are contributing millions of dollars to the national economy, host communities may experience little or no benefit. Although responsibility for this can be ascribed to national government, it is ultimately mining companies that have to deal with the consequences. Indeed, no matter how pro-mining central government is, there can still be strong opposition to mining at both regional and local level.

The reality is that mining is an inherently high-impact economic activity. The nature of the business means that the establishment of a mining operation is going to affect local communities – for better or for worse. This includes, for example, major land disturbance, changes to water quality and availability, the establishment of supporting infrastructure, the influx of workers and migrants, the promotion of local economic activity, among others. Although responsible mining operators are able to avoid and/or mitigate many of these impacts, the latent sensitivity of their operating environments means

The purpose of mining will always be to extract a finite mineral ore-body that is often perceived to belong to the communities around it, irrespective of what national legal frameworks say. This means local people not only expect companies to manage their negative environmental and social impacts, but also to actively deliver benefits to local communities as part of the (generally) unwritten social contract. Indeed, in many countries the consent of local communities is now a requirement before the regulators grant the mining licence.

mining companies have historically failed to do this, generating cynicism and distrust.

Building community trust by creating Shared Value

Although Gold Fields' current mining operations do not face material opposition from their host communities, there is no room for complacency. It takes substantial time, effort and resources to establish and maintain a strong licence to operate and, once it is lost, it is very hard to regain. Furthermore, our ability to grow Gold Fields through the expansion of existing mines and the development of new projects will – to some degree – be determined by our ability to win the trust of communities in our areas of interest.

This means it is essential that we treat our host communities with respect, minimise our negative impacts and deliver tangible and ongoing benefits. The resources we have available to help us generate host community benefits are, however, becoming more limited.

This is due to our transformation into a smaller, mid-tier miner, and the lower price of gold.

We are acutely aware that this could, if not managed correctly, undermine our relations with our host communities, whether at Cerro Corona in Peru, South Deep in South Africa, the Tarkwa and Damang mines in Ghana or in relation to our growth projects.

As a result, we are increasingly applying the shared value approach to

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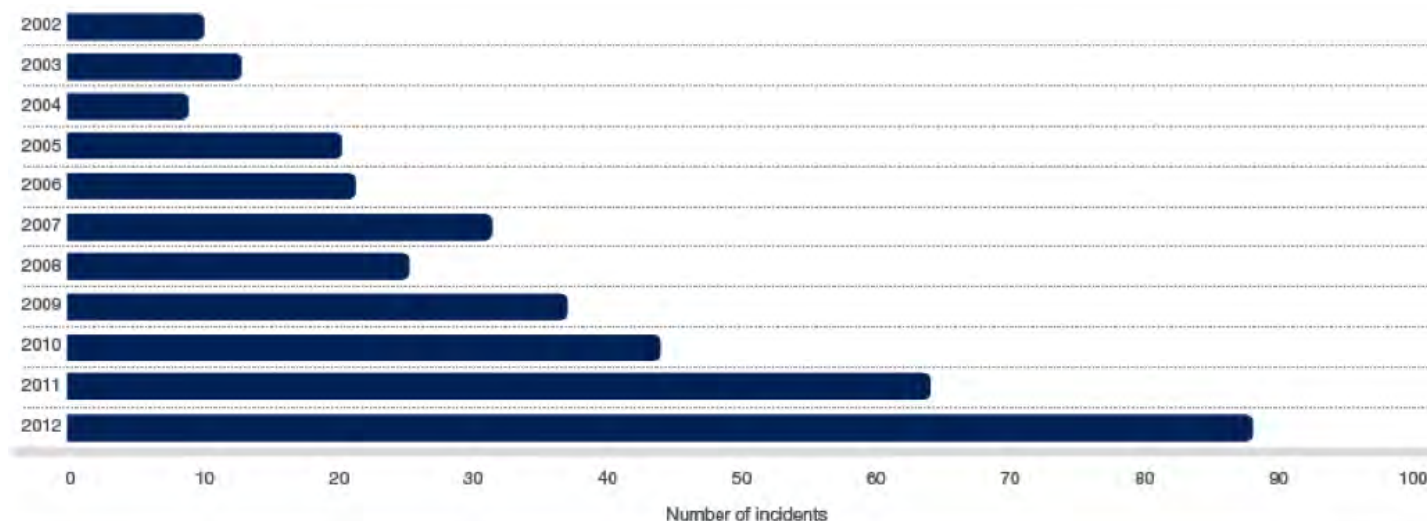
they are still likely to generate a degree of community opposition due to their actual and perceived negative impacts.

Community sensitivity to actual and perceived mining impacts is being further fuelled by increasing access to, and sharing of, information at a local level, activism and awareness-raising by national and international NGOs, as well as the politicisation of many mining-related issues.

Communities know they only have one shot at benefiting from ore bodies that will eventually be exhausted with mining companies then moving on to pursue fresh opportunities elsewhere.

As result, there is even greater pressure for mining operators to not only generate community benefits in the short term, but to convert finite mineral resources into a positive and sustainable legacy for host communities that will continue after the life of mine. Unfortunately, many

Number of global incidents of mining-related community conflict (Source: ICMM)



promoting community development. This is based on the application of business strategies that not only deliver commercial and operational benefits to the company, but also deliver benefits to our host communities at the same time. Our approach is focused on three key areas:

- **Preferential community**

employment: While we have an established track record of employing nationals (or, in South Africa, historically disadvantaged South Africans) in our countries of operation, this does not necessarily enhance each of our mines' social licence to operate. We now intend to build on such efforts by specifically targeting the employment of host community members. This is likely to be the single most important issue we can address to significantly enhance each of our mines' social licence to operate – and it involves little or no additional expenditure.

- **Preferential community**

procurement: Again, we already have a track record of procuring from companies in our countries of operation. The truth is, however, that very few of these companies are located in – or draw workers from – our specific areas of operation. Again our mines will build on our existing approach by significantly

increasing the products and services we source from our host communities. Given local capacities, this will realistically require us to (1) support local skills training and enterprise development; and (2) encourage our existing in-country suppliers to establish operations in – and draw employees from – our host communities.

- **Water security:** Water is consistently one of the most important issues for communities located near mine sites. While we already apply stringent management systems to ensure the quality of our water discharges and to minimise our water consumption, we can do far more. In particular, we intend to focus on initiatives that not only support the supply of water to our mines, but which, where affordable, also increase the supply of clean water to our host communities.

Through this approach, we not only intend to maintain our social licence to operate, but to improve it by tying the fortunes of our host communities to those of our operations; and demonstrating that it is not how much you spend on community social investment that counts, but the impact you have in terms of creating value for host communities.

We also intend to demonstrate to those communities located near our current and future growth projects that we are the right mining company for them to partner with, which will help ongoing and lasting shared value from local mineral resources.

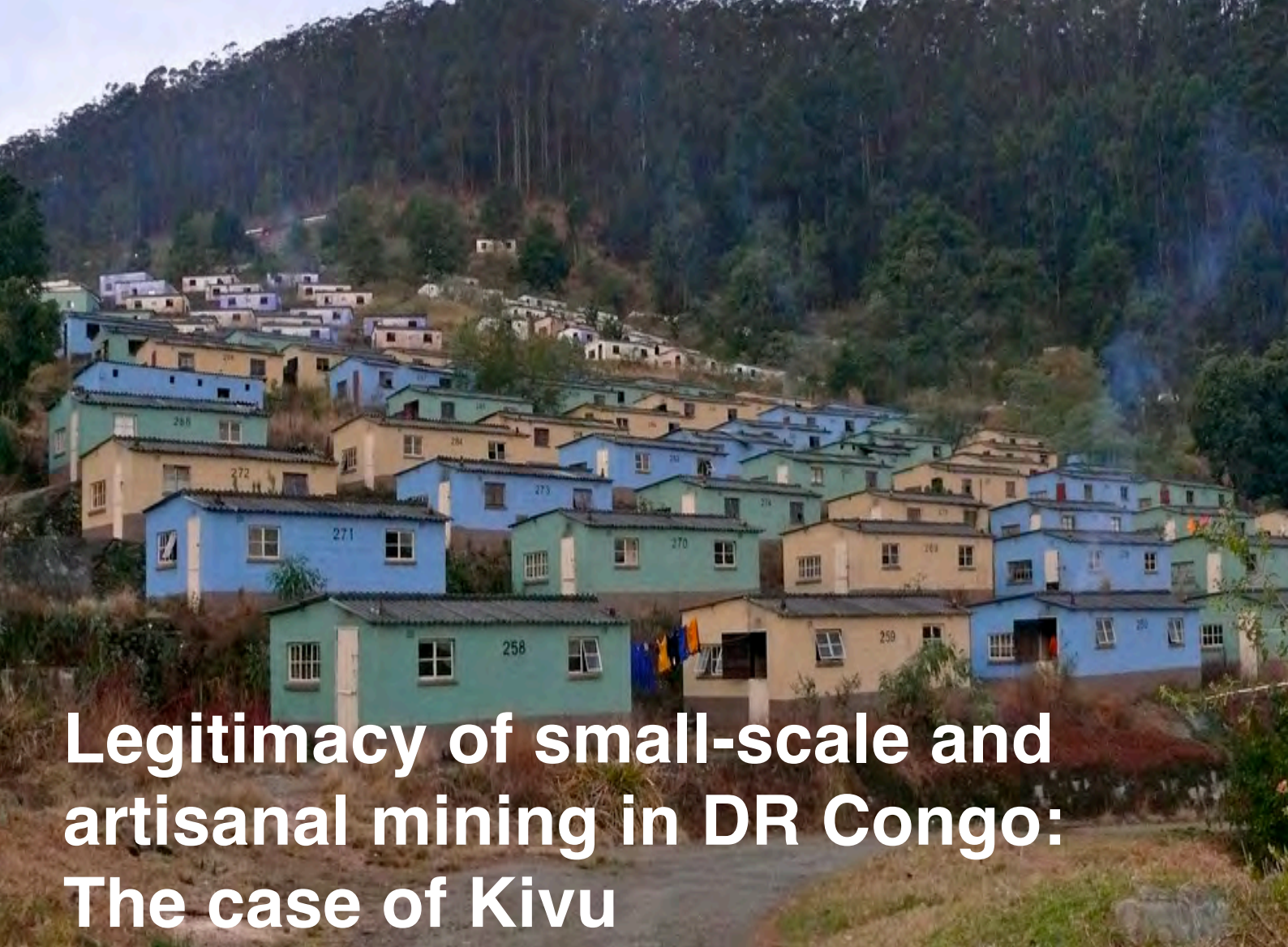
Note

1. See www.gold.org for report



Nick Holland is CEO of Gold Fields, South Africa.

“...there is even greater pressure for mining operators to not only generate community benefits in the short term, but to convert finite mineral resources into a positive and sustainable legacy for host communities...”



Legitimacy of small-scale and artisanal mining in DR Congo: The case of Kivu

The substratum of the Democratic Republic of Congo (DRC) is very rich in natural resources and contains the main groups of minerals: the copper group (copper cobalt, uranium, zinc, lead, cadmium and germanium); the chromium, nickel, and diamond group; the tin group (tin, wolfram, colombo-tantalite, beryl, monazite); precious metals (gold, silver and platinum); iron and manganese; as well as mineral fuels (coal, oil shale, oil and gas). The province of South Kivu abounds in many of these potential riches, most of which are exploited artisanally. 'Kivu' is generally taken to mean South Kivu, North Kivu and Maniema – three provinces resulting from the territorial division of Kivu, the only province in the DRC serving as a pilot province.

Section IV of the 2002 Mining Code (Articles 109–128)¹ establishes the legality of artisanal mining, which had previously been recognised by Decree-Law No. 82/09 of 5 November 1982 issued by President Mobutu, but only in areas outside the mining concessions granted to industrial mining companies. A conflict soon arose, however, between these companies and artisanal miners who were intruding on their mining concessions. Meanwhile, the mining companies have gradually weakened, with favour shifting antagonistically towards the artisanal sector.

The development of small-scale and artisanal mining

This article focuses on the last mining company in Kivu – Sominki, which was wound up on 29 March 1997, granting a portion of its assets to Sakima,² which itself lacked the resources to resume mining operations. Another portion, consisting primarily of gold mines, was granted to a company called Banro.

It is for this reason that many artisanal miners in the region rushed to the sites abandoned by Sominki, to the benefit of local society with little capital. From the moment Sominki closed its doors, and as a result of the disruption caused in the country by the wars of invasion in late 1996 which put an end to Wazabanga's dictatorial regime, and from mid-1998 when the Congo was nearly divided up into 'states', the population of the mining regions were plunged into an undeniable, and ever-growing, misery. Indeed, artisanal mining has for tens of thousands of people become the only way to earn an income, however meagre. The influx of different populations (including many youths) into mining sites has prompted the International Monetary Fund (IMF) to address the issue; indeed, it has stated that approximately one-fifth of the Congolese population depends directly or indirectly on manual mining.³ I imagine that today no one would contradict me when I say that the mining markets and centres in Kivu are functioning properly thanks to artisanal mining operations.

The aforementioned wars also resulted in the various armed groups taking up positions in the forests. These were made up of former Rwandan Hutu refugees, either civilian or military (e.g. Democratic Forces for the Liberation of Rwanda (FDLR) and Rastas), rebel Congolese villagers (forming various independent militia groups known as Mai-Mai), and highwaymen and 'road cutters'. In an effort to rehabilitate these groups, the Congolese government tried its best to integrate them into its national army, which has since become utterly disparate and, given that it is made up for the most part of former rebels from the forest, undisciplined.

Does this mean such abuses are carried out at all mining operations in Kivu?

But, not all resources mined here are 'conflict' or 'blood minerals'. Indeed, the general estimate is that fewer than half the mining sites can be qualified as such. The FDLR, who have been surrendering in recent months, and a Congolese rebel group had occupied certain sites in the forest and mountains of the former Kivu. However, it is worth noting that today, thanks to various mechanisms (OECD, ICGLR and others), the situation on the ground is improving. Mine remediation operations are currently under way.

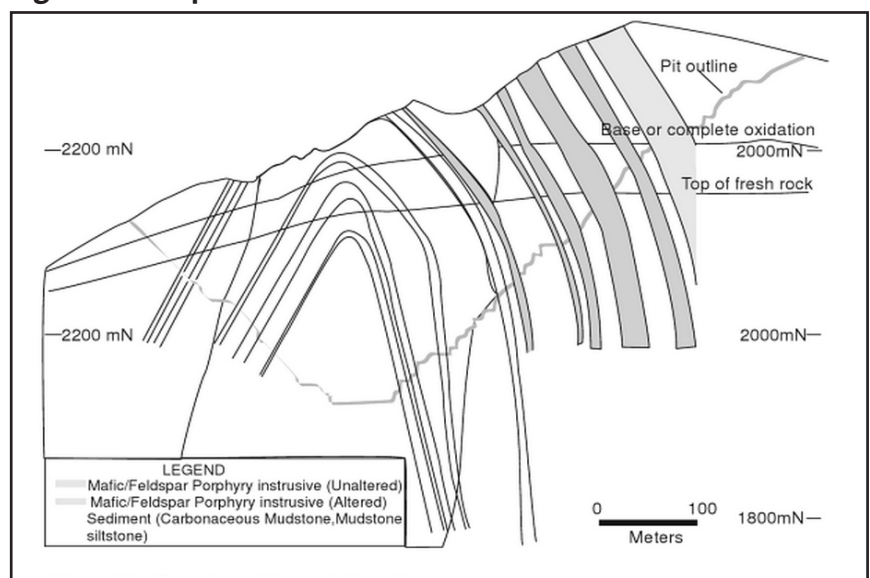
The whole question, therefore, lies in the distinction between so-called 'clean' and 'dirty' areas, keeping in mind that a given site's status as 'clean' or 'dirty' is not determined solely by the absence or presence of armed groups, but also of young children and pregnant women, as well as the non-payment of taxes and fees as set out in the Mining Code, damage to the environment, and other factors.

Unlike neighbouring Rwanda and Burundi,⁴ eastern DRC is home to over a thousand extraction sites for gold, cassiterite, coltan and wolframite ore deposits. Situated in the Kivu mountains or in the vast tropical rainforest, some of these sites are extremely difficult to access and can be reached only by long treks on foot. Other sites, many of which were industrial or semi-industrial⁵ and have since been abandoned, can be accessed more easily – by car or motorbike, or on foot.⁶

Industrial mines and small-scale and artisanal mining: a coexistence which is sometimes necessary

But this reasoning fails to take into account certain technical and even political data relating to the coexistence, in space and time, of two development

Figure 1: A deposit and an eroded section⁸



Source: adapted from Banro Congo, Exploration Project Overview, 2 December 2008 (slide no. 25)

models: industrial and artisanal, which are far from interchangeable.⁷

The illustration above schematically represents such a gold mine in South Kivu, where industrial exploitation was recently implemented after artisanal mining had been carried out there for some 30 years.

This graphic clearly depicts the areas of artisanal and industrial exploitation respectively: one portion of rock no longer exists (where the arcs are interrupted) because over the millennia this part of the hill was slowly eroded away by rain and wind. This eroded rock would fall into the valley where it formed deposits in streams where gold washers pan for gold, while other particles were sometimes carried along for kilometres together with pebbles and earth, having formed alluvial deposits that gold miners dig (not to mention earthquakes which reburied, more or less deeply, alluvial sites).

On-site teams dig wells or galleries in the rock itself. However, they can hardly descend more than 30 or 35 metres below the surface (the DRC Mining Code prohibits artisanal miners from descending more than 30 metres)⁹ because beyond this depth, air must be blown into the cavity using compressors, thus requiring an electric current (produced by a generator, which requires fuel), etc. In any event, it is partly because artisanal miners use such wells and galleries that industrial operators see them as 'skimming off' such rocky sites. On the other hand, such operators are deeply concerned about the constraints linked to the extraction methods that must be used below a crust riddled with so many holes. Indeed, this type of working environment involves stripping a layer of rock some 30 metres thick, which can be prohibitively expensive if the site is a rocky quartz mass, as is often the case in such a mineralogical context. As regards the site shown in the figure, the industrial operator in question is preparing to dig an open shaft up to 300 metres deep, as the line labelled 'pit outline' indicates.

Given the extreme management difficulties posed by artisanal mining operations carried out by tens of thousands of defiant actors scattered across numerous locations, government authorities are increasingly showing a willingness to replace such artisanal mining operations with small-scale mining companies, which are easier to formally oversee. Indeed, if we manage to attract investors to set up small mining companies, we can assume that they will do everything they can to open an access road, or at least an airstrip, however basic, allowing provincial officials to carry out on-site inspections. Better pay for these officials is also vital, as is ensuring they can carry out their work in good conditions so that they are not tempted by fraud, a scourge that plagues today's mining sector.

This article was originally written in French, the version of which is available on the ECDPM website.

Notes

1. The provisions of other articles throughout the Mining Code reinforce those of Section IV, including taxation and how it relates to artisanal mining, as well as the Mining Regulations (Decree No. 038/2003 of 26 March 2003 which defines the measures for enforcing the Mining Code).
2. Certain witnesses claim that three tons of geological documents (mainly maps and surveys) were dispatched by aeroplane from Kinshasa to South Africa just before Sominki was wound up.
3. Broederlijk Delen (dir.), *L'avenir du Congo est-il miné?*, Brussels, Broederlijk Delen, Commission Justice et Paix francophone de Belgique and the Nationaal Instituut voor Zuidelijk Afrika (NiZA), Brussels, 2008, p. 10.
4. Rwanda currently has seven operational mines (Gatumba, Rutsiro and Nemba for cassiterite and colombo-tantalite/coltan; Gifurwe and Kayonza for wolframite; as well as the Rutongo, Nyakabingo and Cyubi sites), while Burundi has four recognised mining regions, with gold in the Kibira forest, in the north-west of the country, and in the Musinga region in the north-east near Tanzania; cassiterite in Karagwe Tin Field (Kavuruga or Muramba); wolframite in the Murehe-Busoni-Giteranyi region in and around the Bugesera basin; and columbite-tantalite in the Kabarore-Kabatwa region on the eastern side of the Kibira forest.

5. One example is Twangiza, a former MGL site reopened by the Canadian company Banro.
6. One site, the Mobale mine near Kamituga, located in Kivu's 'gold belt', had been operational as an underground gold mine until it was severely looted at the end of November 1996, just days before the arrival of AFDL troops on 30 November 1996 and a few weeks before Sominki was wound up.
7. Even the World Bank, in its Poverty Reduction Strategy Papers (PRSPs), recognises the importance of differentiating between these two sub-sectors: 'The [PRSP] development guide clearly states that the mining sector covers large-scale mining activities on the one hand and small-scale mining activities on the other. It is advisable to carry out an assessment of social, economic, environmental, cultural and other impacts, taking into account the differences in scale of these activities' (Mazalto, Marie, *Gouvernance du secteur minier et enjeux de développement en République démocratique du Congo*, doctoral thesis, Sociology Department, Université du Québec à Montréal, 2010, p. 59).
8. This illustration was adapted from a public presentation given by an international mining company (at the invitation of civil society) in Bukavu on 2 December 2008.
9. In practice, the Mining Regulations purely and simply forbid the digging of tunnels and the carrying out of excavations below a depth of thirty metres. They also stipulate that artisanal operators must maintain an incline of 15% and leave horizontal banks at least one metre wide, at a depth of every two metres (*Code de conduite de l'exploitant artisanal*, Art. 9, in *Règlement minier*, p. 240). Nevertheless, tunnels, shafts and galleries can be found in plenty of mineral deposits. It should also be noted that the depth of thirty metres is usually the level at which oxidised minerals (by the oxygen at the surface of the Earth's crust) are replaced by sulphide minerals, which are not processed the same way.



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Madagascar - laying foundations for extractive industries



Madagascar has become symptomatic of the conditions in which the extractive sector develops in vulnerable countries following the arrival of foreign investors. Lessons learned deserve special attention and must be shared with other countries in order to find the right approach. On the whole, current operations are subject to the demands of globalisation, national policies and local issues, not to mention the wishes of countless natural and legal persons with private interests. 'Societal' initiatives generally seem to take the form of marketing operations aimed at turning authorities and/or the population against critics. The unresponsiveness of Madagascans in the face of injustice can be interpreted quite simply as submission or resignation due to a lack of reference points. Undermined and made fickle by the massive influx of new money, public authorities, meanwhile, can no longer play the role expected of them. Members of

civil society have become providers who can be requisitioned at any given time. Certain company executives display an arrogance of having a monopoly on the truth. Particularly alarming, however, is that such behaviour seems to be becoming the norm for other operators in the extractive sector in Madagascar. Until proven otherwise, a mining operator is a 'guest' in residence for a limited time.

But what of Madagascar today?

Once again, the massive influx of capital does not automatically guarantee social peace or an improvement in the well-being of the population. Rather, it creates illusions, as in all countries suffering from a democratic deficit. Taking advantage of this situation, benefiting from the support of international financial institutions with significant financial leverage to influence public

decision-making, mining companies receive special tax treatment and eased conditions for setting up their operations (involving administrative authorisations, land use, the destruction of tropical rainforests, etc.). 'Social and environmental responsibility' initiatives are now part of the arsenal required to obtain 'operating permits' and international funding. Presenting a 'shopping list' of projects, inhabitants are actually reduced to behaving like beggars. Significant sums are – without any kind of democratic control - dedicated to sponsorship operations and to piecemeal projects seeking to meet the varying, and sometimes contradictory, demands of the public, whose opinion is, by its very nature, in a state of flux.

Examining Dr Wilfred Lombe's figures,¹ which clearly speak for themselves, we see that 'in 2010, mining companies' revenues increased by 32%, and their net

‘...in Africa, governments are the servants of public and private multinationals, and financial institutions.’

earnings by 156%. At the same time, tax paid to states increased by only 6%.’ In addition to tax benefits, companies take advantage of low wages. Some companies’ CSR initiatives can thus be characterised as ‘robbing Peter to pay Paul’. Companies should publish what they earn and what they pay out to the various stakeholders. Local communities in areas of exploration and exploitation live in a kind of double bind, unable to move forward in the right direction owing to a lack of support free of ulterior motives and to a lack of independent funding. Consequently, the population finds itself abandoned to its fate at the end of the exploration or exploitation phase following demobilisation, with absolutely no recourse.

Laying the foundations for sustainable dialogue: three golden rules

A Central African trade union official² summed up the situation as follows: ‘In countries in the North, public authorities are like VIPs to multinationals. But in Africa, governments are the servants of public and private multinationals, and financial institutions.’ After offering particularly favourable conditions to multinationals, the authorities lash out at protesters often under false pretenses. These protesters are subject to severe penalties when they persist in challenging the course of industrial operations. Under such conditions, the possibility of social dialogue, which is, of course, necessary for ensuring the proper functioning of the corporate community and the emergence of a peaceful society, soon evaporates. Companies should not see independent stakeholders as opponents, but as their main partners. Economically speaking, competition creates innovation. From a social point of view, critics are a source of enrichment when it comes to initiatives. An operator needs to be able to establish a dialogue with credible partners in a solid framework. The absence of such

conditions, however, does not justify ‘playing the game’ with corrupt authorities. *The first step is therefore to precisely define the meaning and context of social dialogue through proper channels before focusing on the various topics of public interest³ or ‘issues’.*

Logically, involvement in these various issues brings with it a financial cost to the operator, representing an increase in the taxes it pays and/or a decrease in its profit margins. Before launching operations, an operator must have an idea of the financial benefits that each *beneficiary* will be able to enjoy and of their distribution over time. For operations currently under way, it is important that assessments be carried out before sites are closed. Five main stakeholders fall into the category of *beneficiary*: financial institutions, shareholders, public authorities, workers and local communities. Local communities are the most difficult to define. It is therefore crucial to define the territorial limits of the influence the extractive project has (e.g. administrative, land and/or cultural) and to identify ‘locals’ on the basis of criteria such as natives, inhabitants or people hailing from the area (including the diaspora). *The second step is to map out, and consult with, the stakeholders, especially independent civil society and local communities near the sites, on the content on which key issues should be based.*

A summary of public consultations results in the emergence of five key issues: agreements and regulations, environmental and land footprints, recruitment, local content and local development. Multinationals claim to enforce the same procedures on all their subsidiaries. Yet these issues are not treated in the same way in all countries. Unlike HSEQ⁴ and new technologies, social benefits and environmental standards in Western countries are not exportable. *The third point is to propose a course*

of action to address the various issues in the interests of all the stakeholders.

What responses are there to the issues?

Speeches and documents (e.g. press releases, memos, codes of conduct and recommendations from workshops) are classified as ‘soft law’ and are in no way binding. Only signed agreements and regulations, or ‘hard law’, are binding and carry with them the threat of sanctions. Soft and hard law function similarly to curative and preventive remedies in medicine. Hard law continues to be the best investment when it comes to laying the groundwork for the future and for quality conditions. Global geopolitics shows that the stronger a country’s binding legal framework to which social dialogue has contributed, the more secure investments are and the higher the population’s standard of living. It is by imposing binding rules and by acquiring a means to actually monitor their application that future social conflicts – which can, on occasion, escalate into extremely violent conflicts – can be avoided. Companies should understand that securing a very ‘lucrative’ agreement in no way guarantees the security of their operations or their investments. How many more deaths and what level of misery will it take before we call into question such unjust agreements?

Ecological footprints are very complex and vary from one place to another. As regards the environment, scientists must be free to carry out their impact assessments and restoration measures unimpeded in the interest of the planet and of local communities. With respect to the land, one must take into account its multidimensional values (e.g. cultural, religious and economic). It would be a mistake to reduce the land to a mere monetary value and ignore the role it plays in production and its social values. Appropriating land from the vulnerable cannot be settled simply by compensation which

the beneficiaries quickly squander only to find themselves destitute and forced to beg to survive, fully aware that they have been robbed. Seeing the wealth generated by the property which was once their own, the population eventually turns from frustration to confrontation. Monetary compensation for expropriation can in no way replace the value of the work carried out on this lost land. In the expropriation of land, an operator's technical modelling team must take into consideration the recommendations made by local communities reiterated by the 'permit men'.

Wages still represent the 'only' direct, regular income accessible to locals where the exploitation of their property is concerned. Yet today's capital-intensive mining and oil industries require a highly skilled, healthy workforce and do little to create jobs. It is imperative that the indecently low wages paid to nationals lacking a frame of reference should therefore be revised. Indeed, we are witnessing the breakdown of the natural link between productivity, product prices and wages. The current trend of subcontracting only encourages casual labour. An operator is a 'de facto employer', one which employs independent contractors, and is increasingly reluctant to assume the role of a 'de jure employer' so as to disassociate itself from social benefits.

To those regions left behind by the modern economy, the presence of a major operator opens a door to the market economy. This is why operators must increase the percentage of local content, providing a decent wage to locals who cannot be recruited. Local purchases must benefit companies in which the majority of shares should be held by nationals. It is time we did away with the prejudices, inherited from the

colonial period, that locals are unable to become major entrepreneurs in their own right.

80% of revenues generated by the exploitation of natural resources will have to be used to meet the multiple needs of current development. But the rest should be earmarked for future generations by setting up a trust fund, as is already the case in certain developed countries. Money is a prerequisite for development, but it must be used in an effective, efficient manner. Industrial projects should be integrated into the socio-economic fabric in tandem with a real increase in the locals' standard of living. Norway proved that oil and development can go hand in hand. Other countries in the southern hemisphere have successfully demystified the natural resource curse. The success of all these countries is linked to a single point, one which is difficult to perceive: it is the existence of a minimum threshold of highly empowered individuals with an empathy towards local communities where sites are located.

A company must focus on its business in order to ensure improved productivity to meet the reasonable interests of shareholders and to pay a decent wage to the other beneficiaries. Also necessary is a minimum threshold of independent men and women working constantly to ensure an operation that wisely allows this 'blessing' to be transformed into 'well-being'. Feedback on positive experiences in human history and throughout the world will serve as examples. The natural resource curse is not inevitable; it is, after all, not the result of a natural disaster, but of human choices. Those local communities near sites in vulnerable countries are waiting for new alternatives leading in the right direction.

Notes

1. Interview in Les Afriques, 14 December 2011: 'Nos Etats africains doivent prendre des participations dans les projets miniers développés en Afrique' (Our African states must actively participate in mining projects developed in Africa)
2. 2010 International Conference of the French trade union CGT-FNME held in Montpellier, France.
3. Also known as 'frequently asked questions'.
4. Health, Safety and Environment Quality in the workplace.

This article was originally written in French, the version of which is available on the ECDPM website.



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“ Global geopolitics shows that the stronger a country's binding legal framework to which social dialogue has contributed, the more secure investments are and the higher the population's standard of living. ”



Extractive sector and environmental civil society in Madagascar

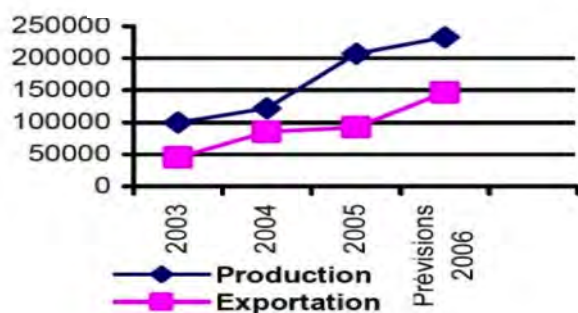
What is the Alliance Voahary Gasy all about?¹

Given the continued plundering of natural resources on an unprecedented scale (e.g. trafficking in protected species and the illegal logging of precious woods, particularly rosewood) and after 20 years of implementing an environment programme, in 2009 the associations and NGOs working on the environment decided to create a platform called the Alliance Voahary Gasy (AVG). This aimed at *establishing a strong environmental civil society, one which is respected, heeded and responsible for contributing to the well-being of the Malagasy through proper natural resource management.* Currently, 32 associations and NGOs are members and focus on environmental governance involving several specific

Mica Exports (in tons)



The Kraoma (in tons)



themes: protected forests and areas; mining and extractive industries; water and ecological services; trafficking in natural resources; and marine and coastal ecosystems – all through capacity-building projects, networking, advocacy/lobbying, environmental justice and, above all, communication.

Fully embracing its role as a true civil society actor, the AVG has, through these thematic committees, developed a policy framework document to develop its vision, where mining and extractive industries are tied to securing the legal, institutional and economic environment of the sector, followed by a securing of investments and giving priority to the effective management of databases and technical, legal and institutional data. In this way, the AVG promotes a set of founding ideals by promoting good governance in the mining industry, through a specific vision, namely that 'the extractive industries sector constitutes an area characterised by exemplary governance and is a driving force behind sustainable socio-economic development at various levels in Madagascar'.

What about the extractive sector in Madagascar?

Initially, Madagascar was not a mining-oriented country, but given the changing international context, combined with constant population growth² and the thirst for development, the 'Big Island' has become a new *el dorado* for large mining companies always searching for new resources to meet the growing needs of today's world. The Malagasy substratum, particularly in the western part of the island, is rich in deposits and minerals (e.g. precious³ and decorative stones, gems and industrial ores: chromite, graphite, mica, zircon, ilmenite, nickel, iron, titanium, uranium, copper, coal, fusing (lascas) and piezoelectric quartz, etc.)

Currently, a number of large mining projects are active and/or operational, such as Ambatovy for nickel and cobalt, QMM (QIT Minerals Madagascar)/Rio Tinto and Toliara Sands for ilmenite and chromium carried out by Kraoma (Kraomita Malagasy), while others are in the embryonic stage, such as Wisco in Soalala for iron, and vanadium/nickel-copper/silver-gold at sites in Fotadrevo, Vohibory and Ampanihy carried out by Malagasy Minerals, Green Giant Project and Energizer.

In addition to deposits, Madagascar is a petroleum treasure trove, both on- and offshore. Some 17 major oil companies are carrying out exploration operations on the ground. Following the example of Madagascar Oil in Tsimiroro (heavy oil), such exploration has borne fruit. Indeed, the latter plans to 'sell 55,000 barrels in the local market over a period of six months starting from the second half of this year'. 'Heavy oil is intended more for industries using generators which mix it with diesel oil. It will be sold at a price that will cover the costs of production and transport,' Stewart Ahmed, the company's managing director, announced at a press conference in May.⁴ Inspired by this turn of events, the country's president Hery Rajaonarimampianina spoke favourably of Madagascar becoming an oil-producing country, proudly proclaiming at the ceremony commemorating the first oil produced in the country, in Tsimiroro, on 18 June: 'For the first time in its history, Madagascar has become an oil-producing country. This dream come true is a gift from God, and it is a source of pride for which we largely have the solidarity of public and private stakeholders to thank – namely Madagascar Oil Limited, OMNIS (Office

...the extractive industries sector constitutes an area characterised by exemplary governance and is a driving force behind sustainable socio-economic development at various levels in Madagascar'.

des mines nationales et des industries stratégiques, a Malagasy government organisation run by the Ministry of Energy responsible for hydrocarbons and mining) and ONE (Office Nationale de l'Environnement, the National Commission for the Environment).⁵

In its current position, Madagascar has set a course for economic recovery. The development of the mining sector, a strategic resource for social and economic growth in Madagascar, is a hot topic. In addition to the central government and private companies, various technical and financial partners have an interest in this development, having expressed their views in a number of studies and publications. In its 2013 Country Environmental Analysis, the World Bank, for example, launched a clear secondary message, namely that 'natural resources will be a determining factor in the country's future. Human development will result from the effective transformation of natural capital into productive human capital. The effectiveness of such a transformation depends on the good governance of natural resources.'

Issuing of mining permits has been halted owing to the recent political situation in Madagascar, and a resumption is eagerly awaited, particularly by the private sector and other partners. This follows the last *Salon international des mines* (International Mining Trade Fair) held from 19 to 21 June to help give new impetus to the mining sector. In the plan it submitted to the president's office and to the Ministry of Strategic Resources, the new ministry is planning to implement national policies in respect of mining and the issue of permits.

Judging from all these good intentions and big promises, the machinery is indeed in place and operational, but are we well and truly ready to enter into a mining and oil era which is supposed to further the development of Madagascar and, more importantly, human development?

Civil society: outlooks and initiatives

The Alliance Voahary Gasy, an environmental civil society actor, has laid the foundation for promoting good governance in the sector through its policy document. Its vision for the good governance of mineral resources advocates consistency across sector activities using environmental and land use planning mechanisms, while emphasising information, education, and communication – the basis for all employment. As a civil society actor, the AVG can represent the citizens of Madagascar, particularly the most vulnerable,⁶ and, in that capacity, must espouse the profound meaning of the following two challenges: (1) its right to be consulted, taken into account and considered as a key player; and (2) its *responsibility* to challenge, mobilise, advocate, put forward ideas, anticipate and raise objections.

Over the last three years, the AVG has challenged the potential exploitation of unconventional oil, which could be very detrimental to human development; clearly outlined the social responsibility that Chinese extractive industries must assume; developed as part of a participatory process an initial regional order on mining governance; and, working together with the private sector, introduced a freephone number people can call to report any potential abuses involving the exploitation of natural resources in Madagascar.

During his presentation on mining impacts on 23 June 2014, the AVG's president, Mr. Ndranto Razakamanarina, said: 'Madagascar risks being hit head-on by the resource curse because the current state of governance (characterised by widespread corruption, inadequate public consultation, the lack of a shared vision for the sustainable management of natural resources, etc.) cannot protect or promote the interests of the Malagasy. Public involvement and a true civil society are the keys to establishing good governance of mining activities at the regional level. Investing in public involvement programmes, access to information and access to a grievance mechanism will significantly reduce social and environmental conflicts at all levels.'

Notes

1. Source: Embassy of France in Madagascar/MINER – DGTIPE 2007.
2. www.worldpopclock.com.
3. Beryl: emerald; corundum: ruby, sapphire; celestite; tourmaline; quartz varieties; garnet.
4. <http://www.midi-madagasikara.mg/economie/2014/05/13/huile-lourde-tsimiro-vente-test-73-000-barils-marche-local/>.
5. Published in the Politics section of the daily Malaza, no. 2880, on 19 June 2014.
6. By 'the vulnerable', we mean any individual who is affected by the exploitation of resources, who is unable to act, and who must thus bear the serious consequences of decisions taken.



Ndranto Razakamanarina (left) is President of the Alliance Voahary Gasy, Platform for Malagasy Civil Society for the Environment and Holly Rakotondralambo is Head of the AVG's Mining and Extractive Industries Commission, Madagascar. (see www.alliancevoaharygasy.mg)

ECDPM VACANCY ANNOUNCEMENT

Due to the retirement of its current director, ECDPM is looking for a new director.

ECDPM is a leading independent “think-and-do tank” specialising in international development and in EU relations with the developing world. Our mission is to link policy and practice in international cooperation with a particular focus on EU-Africa and EU-ACP relations. The ECDPM Director will lead a team of some 60 highly qualified policy researchers of some 20 different nationalities. ECDPM is looking for an individual with an established reputation to lead the organisation into a new phase in its development in the rapidly changing sector of international cooperation, building on its achievements and successes. S/he will take office in a multi-cultural foundation functioning under Dutch law and operating in a rapidly changing context with increased competition for reduced budgets.

We are looking for a Director with a solid track record and understanding of the international cooperation and international relations context at large. S/he should be a good communicator and strategic thinker with strong social skills, able to stimulate the full participation of the management and the staff of the Centre. In close cooperation with the relevant management bodies of the Centre the Director will take final responsibility for the preparation of the next Centre strategy (2016-2020), for the broadening and deepening of ECDPM's networks and partnerships, for the further development of its human resources and for the continued financial sustainability of the Centre.

Major responsibilities

The Director is responsible for overall Centre management (internal management, programme of work and staff). This includes:

- Corporate governance, chairing the management meetings and the general staff meeting;
- Responsible for all assigned permanent and associated staff and review of performance;
- Developing the Centre's overall strategy in collaboration with Programme Managers and identifying partners and stakeholders;
- Managing the preparation and execution of the annual work plans including financial budget, monitoring and evaluating plan realisation and providing intellectual guidance;
- Supervising the Centre's financial and personnel planning, accounting procedures and periodical reports.
- The Director reports to the ECDPM Board of Governors. S/he is Secretary to the Board and its Committees (the Board Executive Committee and the Board Programme Committee).

For the full text of the Vacancy Announcement go to www.ecdpm.org/vacancy

See also the job profile: <http://ecdpm.org/wp-content/uploads/ECDPM-140625-Job-Profile-Director-ECDPM.pdf>

APPLICATION PROCEDURE

The Board of ECDPM will be assisted in the recruitment process by Human Governance, a succession management consultancy organisation. The application process started in June 2014. Applications should be submitted electronically to the email address nico.schrijen@humangovernance.nl, to the attn. of Mr. Nico Schrijen as soon as possible but **no later than August 14th, 2014**.

Applicants will be screened by Human Governance and shortlisted candidates will be invited for a first round of interviews with representatives of ECDPM and the Board Recruitment Committee. These interviews will take place on October 2nd and 3rd, 2014. The second round of interviews will take place between October 14th – 17th, 2014 with the full Board. The Board expects to complete the process no later than October 31st, 2014. The new Director will ideally commence in May 2015.

All applications and request for further information can be sent tonico.schrijen@humangovernance.nl and will be treated as highly confidential.

EPA UPDATE

European Commission proposes to introduce time-bound flexibility for ratification of regional EPAs

According to our sources, the European Commission (EC) has transmitted a document to the European Parliament detailing steps that would allow regions having initialled an EPA to remain within the reach of Market Access Regulation 1528 (MAR 1528) during ACP countries' domestic ratification processes.

MAR 1528 is the legal instrument granting ACP countries having concluded Interim EPAs (IEPAs) temporary Duty Free Quota Free (DFQF) market access to the European Union. It was introduced in order to avoid export disruption during implementations of the IEPAs and while broader EPA negotiations were ongoing. MAR 1528 was modified in 2011 so that countries having signed Interim EPAs but deemed to have taken insufficient steps towards ratification and implementation would be taken off the list of beneficiary countries. This is supposed to happen in October 2014.

The modification was widely seen at the time as a way to speed up EPA negotiations: countries would either have to stick to their IEPAs or complete new regional agreements by the "deadline" in order to maintain their DFQF export lines to the European Union.

Since then regional negotiations have sped up and several groupings are either close to concluding negotiations or have just concluded them.

Technically, however, these regional groupings will in all likelihood not have signed and ratified the agreement domestically by October 2014. Procedures to ratify international

trade agreements differ from country to country, but can include passing it through domestic legislatures. This can sometimes take months, if not years.

The Commission's proposal would add regional groupings having initialled a regional EPA to the list of MAR 1528 beneficiaries by way of a delegated act, on the basis of Article 2.2 of the regulation.

ECOWAS leaders endorse the West Africa EPA

On July 10th 2014, the West Africa Economic Partnership Agreement (EPA) negotiating group became the first African region to officially conclude and endorse a regional EPA with the EU after ECOWAS Heads of States and Government officially endorsed the negotiated agreement at the 45th Ordinary Session of the Authority of ECOWAS Heads of States and Government.¹

As we had reported throughout the past months, a technical compromise on several contentious points in the agreement had been found back in January, but Nigeria had refused to endorse the deal at a previous Heads of States and Government citing several "concerns" with the deal as it stood.

Since then, officials from Ghana, Ivory Coast, Nigeria and Senegal have met several times to review Nigeria's concerns. It was agreed that some of the agreement's clauses would be reviewed. It was also stressed that the agreement contained numerous flexibilities. It is unclear whether the agreement's draft, finalised in January, has been amended to reflect these concerns.

The conclusion of the agreement follows nearly a decade of sometimes tense negotiations between the

EU and ECOWAS – and between ECOWAS member states themselves. At stake was the unity of the African grouping, torn between members like Ghana and Ivory Coast and Nigeria. The former two had made securing their tariff reductions inherited from the previous Lomé conventions a priority, while Nigeria was wary of signing an agreement it saw as constraining its policy space and endangering its industrial base.

The approval is a good sign for regional integration in West Africa in so far as fragmentation has been averted. The Nigerian government seems to have made the decision that sticking to its regional neighbours, which had by now all agreed on the compromise text, was more important than rejecting an agreement it had deep reservations about.

With the initialling of the agreement, West African exports will be able to remain under MAR 1528, while the agreement should be ratified domestically (see above).

SADC concludes EPA negotiations

On 15th July 2014, EU and SADC Group Chief negotiators 'initialled' their Economic Partnership Agreement, becoming the second region, after West Africa, to conclude a regional deal.² The deal assures continuation of duty-free quota free market access for Botswana, Lesotho, Namibia and Swaziland and signs a significant improvement for South Africa, maintaining at the same time, the functional coherence of the Southern Africa Customs Union (SACU).

The deal also made significant strides in improving rules of origin, expected to facilitate intra-regional trade and industrialisation across countries in

EPA Calendar

July 23: Senior Officials level meeting, Kigali, Rwanda

the southern and eastern African region. All pending issues have been resolved according to the press release.

The agreement marks a major improvement for South Africa in terms of market access, compared to its current trade regime with the EU, the Trade and Development Cooperation Agreement (TDCA) in terms of better access for some 32 agricultural products, increased quota for wine, sugar and ethanol and more favourable access for flowers, dairy products, and fruits, amongst others. In addition, South Africa and EU sealed a landmark deal on Geographical Indications, enabling South Africa to protect the names of wines and other special agricultural products

Additionally, the Swazi³ and Namibian⁴ press have respectively reported that their Governments were taking immediate steps for initialling and ratifying the regional EPA. In South Africa, the text is expected to be submitted to Cabinet within the next two months, after its legal screening from South African authorities.⁵

Similar to West Africa, with the initialling of the text, the SADC EPA group will maintain its market access to the EU market, pending the ratification process.

Cameroon moves to ratify its Interim EPA

Cameroon's Senate and National Assembly have given the go ahead to President Paul Biya to ratify the interim EPA it concluded in 2009, according to an article by *Jeune Afrique*.⁶

As reported in these columns, Cameroonian newspapers had already relayed debates in Cameroon when it was rumoured that President Biya was in favour of cementing the agreement concluded in 2009. Soon after trade ministers from the region had mandated to the regional secretariat to speed up regional negotiations.

Given the little progress that had been achieved in central African EPA negotiations however it was doubtful that the region could come to a full regional EPA by October 2014 or before.

It is unclear at this point whether European and Central Africa negotiators have met in the past months, or whether they will do so in the future.

Notes

1. <http://news.ecowas.int/presseshow.php?nb=134&lang=en&annee=2014>
2. <http://www.dti.gov.za/editmedia.jsp?id=3079>
3. <http://www.times.co.sz/business/97926-sd-successfully-completes-epa-requirements.html>
4. <http://www.bernama.com.my/bernama/v7/wn/newsworld.php?id=1054160>
5. <http://www.dti.gov.za/editmedia.jsp?id=3079>
6. http://economie.jeuneafrique.com/index.php?option=com_



Quentin de Roquefeuil is Policy Officer at ECDPM.

(this is Quentin's last EPA Update for *GREAT insights* as he has accepted a new position at SAANA. The ECDPM team would like to thank him and wishes him all the best).

Talking Points

Current discussions on ECDPM's blog on the challenges of the EU's international cooperation
<http://ecdpm.org/talking-points>

5 Take-aways from the OECD Global Forum on Development



Talking Points, Sebastian Grosse-Puppendahl, 18 July 2014

The Global Forum on Development hosted last week by the Organization for Economic Cooperation and Development discussed how sustained and inclusive growth could be achieved in development, despite structural development challenges and lagging productivity...

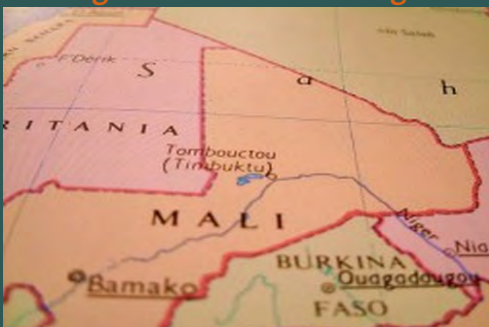
Three Take-away Messages from the African Union Summit in Malabo on Agriculture and Food Security



Talking Points, Jeske van Seters, 16 July 2014

Simply because we are currently in the African Union Year of Agriculture and Food Security, or did something substantial come out of it? Here are three key take-aways, from the summit of Heads of State and Government that took place at the end of June 2014 in Malabo, that deserve attention...

Making Sense of the Funding and Implementation of Sahel Strategies (Part Two)



Talking Points, Damien Helly and Greta Galeazzi, 17 July 2014

Our series of blogs on international strategies in the Sahel aims to better equip practitioners working in the region. We started by comparing Sahel strategies (AU, EU, World Bank, AfDB, ECOWAS, UN), looking into the geopolitical stakes behind coordination and identifying ways of working regionally. Our previous blog on the financing of international efforts in the Sahel argued it is still difficult, on the basis of open sources, to give a clear-cut and comprehensive picture of the amount of funds available for the Sahel region. Here we bring further examples and insights and raise some questions on the implementation of the various Sahel strategies...

Financing Infrastructure Development: Quality over Quantity



Talking Points, Sebastian Grosse-Puppendahl, 27 June 2014

Finance is not the main constraint, despite the current focus on financing infrastructure development in recent summits and discussions around the new sustainable development goals (SDGs), I discuss in this blog...

Monthly highlights from ECDPM's Weekly Compass Update

www.ecdpm.org/weeklycompass

Europe's Problems Need Global Solutions | Coordinating External Action | Africa and the New European Parliament

Weekly Compass, 4 July 2014

The European Parliament will vote on Jean-Claude Juncker's appointment as European Commission President on 15 July following last week's European Council's endorsement of Juncker. On 16 July, the European Council will meet again to appoint the next European Council President and EU High Representative for External Relations.

Martin Schulz was re-elected as European Parliament President. The Members of European Parliament Committees were also selected this week. The constituent meetings of the parliamentary committees will be held next week where Chairpersons and Vice-Chairs will be elected.

Alternative Financing for Africa's Agenda 2063 | Moving Agricultural Development and Food Security Forward

Weekly Compass, 27 June 2014

European leaders are meeting as we go to press and are expected to confirm Jean-Claude Juncker as the next President of the European Commission, the decision could be taken by 5pm. You can follow live updates from the EU meeting. The position will be taken by an unprecedented vote (decisions are usually made by consensus) at the request of UK Prime Minister who opposes Juncker. The EU Council President tabled a "Strategic Agenda for the European Union in times of Change" to the meeting. EU leaders are expected to adopt this as a policy agenda for the new EU executive. It states that the EU should have a stronger engagement in world affairs and calls for more coordination between member states and EU foreign policy goals, as well as more consistency between the EU's trade, energy, justice, development and economic policies.

Making Africa-EU Relations Future Proof | Oil Revenues and Political Dynamics | Regional Integration in Southern Africa

Weekly Compass, 20 June 2014

If ever there were a time when the EU needs to be more comprehensive and coherent in its international action, it is now – and not just in response to the crisis in Ukraine. In ECDPM's past analysis of the EU's Comprehensive Approach to external conflict and crisis we acknowledged that important progress had been made, but that real comprehensiveness was still ahead of us. We now have the recent Conclusions of the EU's Foreign Affairs Council to add to the mix. Now, ECDPM's Andrew Sherriff and Volker Hauck ask more practically, will this be a great leap forward in actual practice? The new action plan for the comprehensive approach will help to gather momentum for more comprehensiveness and partnering across the Union, providing the basis for concrete joint action starting with early warning, joint analysis, political activities and programming. Yet ultimately the success of this endeavour will be judged on results, not communications and conclusions.

A Reality Check in ACP-EU Relations | Promoting Development Through Business | Human Security in Africa

Weekly Compass, 13 June 2014

The appointment of the new European Commission President looks likely to be delayed due to a power struggle between the European Parliament and the European Council.

Leaders of the main political groups in the European Parliament told the EU Council President to nominate Jean-Claude Juncker as the next EU Commission President, based on his party having won the most vote in the recent European elections, or face an "institutional crisis". All groups, except for the British Conservative group said EU leaders should nominate Juncker or the Parliament will veto any other candidate.

Latest ECDPM Publications

Aggad-Clerx, F., El Fassi, S. 2014. Implementing African development initiatives: Opportunities and challenges to securing alternative financing for the Agenda 2063. ECDPM Briefing Note 65. Maastricht, June 2014.

There is recognition within Africa that the continent needs to tap into its own wealth to finance its development agendas, most notably the African Union's Agenda 2063.

Significant efforts have been made to map the untapped alternative sources of financing from within Africa. These show that significant resources could be raised from within Africa, enough to cover about 70% of the development financing needs.



ECDPM, SAANA Consulting. 2014. Advancing Regional Integration in Southern Africa: An evidence-based, forward looking study on regional trade and integration in the Tripartite region, focusing primarily on Southern Africa.

This study by ECDPM and SAANA Consulting for the UK Department for International Development (DFID) examines regional trade and integration in the Tripartite region, focusing primarily on Southern Africa. Based on an overview of past experience in supporting regional integration, a mapping of current policies and plans and a horizon scan, the study provides evidence-based recommendations for future interventions in regional trade and economic integration by DFID and other development partners in the region.



African Union Commission. 2014 The Bulletin of Fridays of the Commission - Making EU-Africa relations future-proof • Le Bulletin des Vendredis de la Commission - Pérenniser les relations Afrique-UE • Volume 6 No. 1 June/Juin 2014. Addis Ababa: African Union Commission.

From April 2000 Europe and Africa realised that there was need to review their cooperation in order to integrate emerging challenges arising from globalisation. The new dialogue which started in Cairo led to the subsequent adoption of a new cooperation framework in 2007, namely, the Joint Africa- EU Strategy (JAES), which is intended to be an overarching framework of cooperation between the two continents.



Next issue of *GREAT insights* on
“Development financing”
September 2014, Volume 3, Issue 8

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