

New Approaches for Extractive Resource Governance in Africa

The African Union's Agenda 2063 outlines a clear vision for structural socio-economic transformation on the continent. The idea is that through better mobilization of Africa's minerals and energy resources, the continent will be able to promote accelerated industrialisation, efficient and environmentally sustainable energy use, as well as the integration of Africa's regional markets and infrastructure, among other objectives.¹ To this end, the Agenda 2063 broadly re-endorsed in 2009 the goals of the African Mining Vision (AMV), which aims to promote the "transparent, equitable and optimal exploitation of mineral resources to underpin broad-based sustainable growth and socio-economic development".²

For the objectives of the Agenda 2063 and the African Mining Vision to be achieved, obstacles to effective dialogue on extractive sector transformation in Africa must be addressed. In particular, this includes:

- **The lack of effective linkages between extractive activities and broader social and economic visions.** In most African countries, there continues to exist weak linkages between the extractive sector and the wider economic and social sectors. As a result, the development of minerals and hydrocarbon reserves has often created meager social benefits while generating extensive negative externalities for people and communities. This jeopardizes efforts for the sustainable structural transformation of African economies, which are still mostly geared towards raw material exports.
- **Weakness in intra-African and broader global dialogues in leveraging the extractive sector for transformative win-win outcomes.** This militates against broad-based participation, the creation of shared value and achievement of sustainable development outcomes in the sector. To effectively leverage the African extractive sector and its competitive advantages along global extractive value chains and specific complementarities among regional economies, more targeted dialogues among regional governments and global partners like China are needed. An evidence-led approach to such dialogues will strengthen Africa's incipient efforts to escape the continent's disadvantaged position at the base of global raw materials supply chains.
- **The lack of balanced and inclusive dialogue.** Conversations about transformation of the extractives sector take place in silos. For example, the Indaba gatherings in Cape Town every February have two, separate dialogue tracks running in near complete isolation: The industry and government-led main Indaba and the CSO-led alternative Indaba.
- **The absence of joint and reciprocal responsibilities among communities and mining companies.** On one hand, communities have unrealistic expectations and demands for extractive investors. On the other hand, weak social and environmental performance by mining

companies diminishes the sector's corporate-social licence to operate. There is a need to define the proper limit of reciprocal responsibilities of all actors. For companies, this includes issues of fair taxation of profits and sustainable corporate-social investments. For governments, this includes effective administration, development planning and social service provisions. For local communities, this includes setting realistic expectations for host areas most directly impacted by extractive projects.

With increasing pressure from citizens and civil society organisations for greater equity in the use of extractive proceeds as well as the need for economic diversification, these issues need to be tackled head on. The potential dividends of getting extractive governance right are significant. They include moving a whole sector towards a more sustainable development path as well as mobilising the effective contribution of all the stakeholders to development finance in Africa. Unless these issues are addressed, African countries will be unable to create extractive industries that deliver development dividends in mining communities and generate broader benefits to society.

However, progress cannot be achieved by governments alone. Shared undertakings that involve governments, the private sector and communities as equal stakeholders are required to design more strategic governance initiatives that can ensure more effective resource governance in Africa. Forging these multi-level partnerships based on the principles of respect and reciprocity, open communication and upfront clarification of expectations are needed to promote greater mutual trust, support and empathy among the different stakeholders.

Key Steps Towards More Effective African Extractive Resource Governance

To address these deficits and work towards more effective African resource governance, the different mining stakeholders must take three key steps: strengthen and broaden the partnership among corporate, governmental and social stakeholders at all levels; foster balanced dialogue through regional mining visions; and forge new social compacts at national levels.

Broadening Partnerships on all Levels of the Extractive Industries

To achieve more effective partnerships between corporations and communities at the local and national level, inclusive and participatory social and political institutions are essential. Moreover, there is a need for appropriate social and legal incentives structures to demonstrate the potential benefits of cooperative and constructive actions. This, however, will require changes in existing laws to allow equal participation by previously marginalised actors, such as community representatives.

At the global level, international and regional agreements and partnerships among multilateral organizations and national governments such as China are vital to Africa's prospect of successful beneficiation of minerals like copper. China and Japan's successful expansion of smelting and refining capacity over many decades has squeezed the margin for prospective refiners in Africa.³ In this context, it is no longer sufficient for regulators in Africa to legislate on beneficiation without entering into a relationship of mutual support with systemic global players in the resource sector, particularly China. This should include efforts towards proactive and joint learning between African government and private sectors and the systemic actors, underpinned by better value chain analyses and improvement of corporate and government communications and interactions in African markets. Such close engagement is essential for successful mineral value addition.

Enhanced dialogues framed in terms of strategic economic partnerships between Africa and global players are also needed for complementing domestic efforts towards leveraging the extractive sector for sustainable growth. This will require careful analysis by African governments of specific national competitive advantages in global minerals value chains. This insight should inform the strategic dialogues between resource producers in Africa and global players from both the government and private sector. Only in this way will effective dialogues underpin beneficiation and value-addition efforts to make them meaningful economic proposition for investors in Africa. Taken together, these steps would also serve to strengthen Africa's push for structural economic transformation as articulated in the AU's Agenda 2063 and the goals of the AMV, whilst blunting criticisms of African governments' failure to construct win-win economic relations with external partners such as China in the area of mineral value addition and manufacturing.

Establish a Balanced Dialogue Through Regional Mining Visions

One example of an African-led partnership for facilitating national consultative processes is the African Mining Vision (AMV). The AMV has been thus far successful in leading to the agreement of Country Mining Visions (CMVs) in Mozambique, Tanzania and Lesotho, while Ghana and Guinea are expected to undertake similar consultations soon. In the future, the African Mining Vision and its coordinating arm – the Africa Mineral Development Centre (AMDC) – should seek a role in mapping and coordinating African expertise and convening stakeholder engagement to foster experience sharing on successful extractive governance approaches in Africa. The AMV and CMV represent good models for partnership for translating broader, continental-level goals into something meaningful at the individual country level.

Yet, this needs to go further. The proposed future form of the Africa Mineral Development Centre as a specialised agency of the African Union should also incorporate a series of African-led activities to develop regional benchmarks for the extractive industry to serve as complements to the Country Mining Visions.⁴ Regional Mining Visions (RMVs) would both complement the continental and country level visions as well as provide a shared regional strategy to respond to the raft of identical legislations being introduced by the United States and Europe, namely the Dodd-Frank Act and the EU Directives regarding disclosure of payments to governments, which came into force at the end of July 2013.⁵

Such Regional Mining Visions should be guided by the same consultative processes and structures used at a national level. Key stakeholders would be regional economic communities, national regulators, local communities and corporations, and these RMVs should first define standards for less contentious issues, such as social impact assessments, environmental licensing, corporate social investment, community development agreements and local content. In a second phase, this should be extended to more contentious issues like economic linkages, revenue transparency and fiscal provisions, which African governments often guard as areas of national prerogative. This would further help to advance efforts to translate regional treaties relating to natural resources into practical operational guidelines and regionally defined standards in each of Africa's regional economic communities.

Finally, such new initiatives at the regional and continental level should be complementary to other initiatives, such as the African Development Bank's African Natural Resources Centre or UNDP's new Strategy for Supporting Sustainable and Equitable Management of the Extractive Industries.

Establish New Social Compacts on the National Level

Both business and communities must engage openly on how to succeed together and to discuss the mutual sacrifices required. Such social compacts between the private sector and local communities should include conversations about achieving balanced incentives, including measures to encourage companies to embrace more transparency and disclosure of relevant information on their operations. Moreover, companies should explore innovative approaches to corporate governance including, for example, equity-based interventions such as Employee Share Ownership Programmes (ESOP) or profit-sharing. In other contexts, curbing excessive executive pay may form part of the discussion on wider transformation. These changes are essential to boost the confidence of all key stakeholders in the transformative power of the extractive industries sector towards achieving socio-economic development.

Communities, for their part, should be willing to acknowledge the importance of the extractive industry as a bedrock of many African economies regardless of the increasingly diversified production base in some African countries. A relationship built on these principles is vital for boosting prospects for win-win partnerships in the African extractive industry as well as for all sectors to emerge stronger, more competitive and more sustainable from the current low commodity price environment.

Second, there is a need to pursue a dialogue among all concerned actors on how to harness extractive resources to support diversified economic growth in tandem with inclusive, socially beneficial outcomes. For example, stakeholders should work cooperatively to support policies promoting local content and mineral beneficiation whilst also managing social impacts from mining within representative, accountable institutions. All of these need to be based on broad sustainability principles so that the profitability of private investments is also not compromised.

Finally, all actors need to jointly define a formula for proactive and practical coordination of their actions for providing services and shared infrastructure. These range from housing and resettlement, to shared infrastructure planning – particularly in the water, transport and energy sectors – and other similar actions requiring a collective approach. These difficult issues are all strongly manifested in many of Africa’s newly emergent extractive economies, including in Mozambique, Tanzania and Uganda, where mitigation of impacts from extractives projects is urgently required alongside the management of often unrealistic local community expectations from resource endowments.

Conclusion

The African Union’s Agenda 2063 reaffirms both Africa’s development ambition and the expected role of partnership for extractive governance in the next phase of Africa’s development. Its vision of “[a]n integrated, prosperous and peaceful Africa, driven by its own citizens and representing a dynamic force in the global arena” is attainable given Africa’s vast resource endowments, including minerals, hydrocarbons and renewable energy.⁶

To achieve such positive outcomes, the following action steps must take center stage:

- Individual African governments need to prioritise evidence-led policy formulation, identifying both their national competitive advantages along global minerals value chains and the resource-focused global partnerships.

- Within African sub-regions, governments and other extractive sector stakeholders should engage more systematically in lesson sharing, standard setting and other similar exchanges as a way of promoting more coherent policy approaches across national borders, and of ensuring better integrated, sustainable development of local and regional extractive industries that are more globally competitive. The Africa Mineral Development Centre, as the key implementer of the African Mining Vision, should play a stronger mapping and coordination role in this respect.
- Extractive sector stakeholders such as multilaterals, think tanks and NGOs should focus increasingly on convening and brokering targeted dialogues on extractive sector transformation. To send a clear signal of a cultural shift in the sector, these dialogues must be based on equal participation of all important stakeholder, and must address priority issues such as transparency and sustainability approaches, environmental governance, workers' welfare and broader benefits to communities.
- Pan-African institutions such as the African Union should link their policy processes like the African Mining Vision and the Agenda 2063 vision more explicitly to global development dialogues, especially those most relevant to the realisation of resource beneficiation in Africa. These include the Forum on China-Africa Cooperation (FOCAC) and the Tokyo International Conference on African Development (TICAD).
- A renewed regional focus on building African capacities for resource management is needed with the aim of stimulating infrastructure and skills development. These will in turn strengthen the backward, forward and side-stream linkages between the extractive industry and other employment generating sectors of national and regional economies.

Endnotes

1. African Union, “Progress Report of the Commission on the Africa 2063 Agenda. AU Agenda 2063.”
2. Details about the African Mining Vision are available at www.africaminingvision.org
3. Roman Grynberg (forthcoming), “Case Studies in Base Metal Processing and Beneficiation: Lessons from East Asia and the SADC Region.” South African Institute of International Affairs.
4. The 1st Extraordinary Session of the AU Conference of Ministers Responsible for Mineral Resources Development, which took place in Livingstone/Victoria Falls, Zambia/Zimbabwe from 22-26 November 2014, endorsed the statute of the AMDC as a specialised agency of the AU, with the centre expected to become fully operational within one year.
5. Other countries such as Canada and Australia have enacted or are in the process of introducing similar legislations on disclosure and due diligence for mining and oil & gas companies operating in developing regions.
6. African Union, op. cit.

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This publication is a joint output of the African Civil Society Circle, a group of civil society organizations and think tanks from Africa whose goal is to strengthen Sub-Saharan voices in global, continental, regional and national development debates and promote good governance through critical reflection and innovative ideas:

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