



RECOMMENDATIONS

- 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 required to realise an extractive-led socio-economic transformation.
- Extractive sector stakeholders, in particular multilaterals, think tanks and NGOs, should focus on brokering dialogues on extractive sector transformation.
- Pan-African policy processes such as the AMV and Agenda 2063 should be more closely aligned, and linked explicitly to development dialogues, especially those most relevant to the realisation of resource beneficiation in Africa. These include the EU–Africa summits, the Forum on China–Africa Cooperation and the Tokyo International Conference on African Development.
- Domestically and regionally, African governments and extractive sector stakeholders require more coherent policy approaches towards one another and the rest of the globe, to ensure more integrated, sustainable development of local and regional extractive sectors.
- A renewed regional focus on upgrading capacities for the management of the extractive sector is needed to support infrastructure and skills development, technology transfer, and the strengthening of backward, forward and side-stream linkages with employment-generating sectors of national and regional economies.

Towards Agenda 2063: Re-Inventing Partnership on Extractive Governance

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EXECUTIVE SUMMARY

The demand for effective resource governance partnerships has grown in line with pressure on Africa's extractive industries to deliver inclusive and sustainable development. This briefing outlines key principles that should frame stakeholder engagements in Africa's extractive industries, with balanced participation by companies, governments and other role players. Chief among these is a renewed commitment by all the parties to the idea of shared values and reciprocal responsibilities, within clearly defined frameworks for effective co-ordination. More reflective, evidence-driven dialogues on leveraging the extractive sector towards social and economic transformation without compromising the profitability of private investments are also essential. These need to be informed by a broader conception of partnership among African states, prioritising regional standard setting and lesson sharing, as well as more purposeful strategic partnerships with global systemic players in the extractive sector. Unless anchored coherently in continental visions such as the African Union's (AU) Agenda 2063 and the Africa Mining Vision (AMV), the African extractive sector is unlikely to support structural social and economic transformation.

INTRODUCTION

The AU's Agenda 2063² reaffirms both Africa's development ambition and the expected role of partnership in extractive governance in the next phase of the continent'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 arena³ is attainable given Africa's favourable demographics and vast resource endowments, including minerals, hydrocarbons and renewable energy. However, attaining the vision requires stakeholders in the extractive sector to construct more effective and inclusive partnerships. This is essential to harness the continent's vast resources for meaningful socio-economic transformation, and to underpin Africa's dynamic integration into an increasingly competitive global economy. Attaining sustainability and inclusiveness also requires a clear, coherent implementation of continental-level visions to effectively mobilise complementary African actions for institutional transformation, improved policy implementation and better governance outcomes.

BARRIERS TO EXTRACTIVE-LED TRANSFORMATION

Many obstacles stand in the way of an extractive-led economic transformation in Africa. These include deep-rooted governance challenges, compounded by the lack of effective citizen participation. Africa's stalling integration project and poorly developed complementarity among its economies also constrain intra-continental trade and investment. Other barriers include the difficulties in moving people and goods freely across borders, which prevent the actualisation of competitive advantages in critical sectors. This applies equally to the extractive sector, where Africa occupies a strategic position at the base of global raw materials supply chains yet captures only a tiny fraction of the wealth created through value-addition and manufacturing. Africa's institutional weaknesses are further amplified by co-ordination failures and the dearth of linkages between extractive activities and the rest of the economy. The development of minerals and hydrocarbon reserves also often generates negative social and environmental impacts, which undermine prospects for inclusion and equity in Africa's current growth models.⁴

There is a growing recognition of the importance of leveraging Africa's natural resources for development through effective partnerships. Pressure from the grassroots for equity in the allocation of extractive proceeds, the urgency of economic diversification away from non-renewable resources, and the need to upgrade Africa's skills base, infrastructure stock and socio-economic investments in people and communities, all underline this growing imperative. To redress shortfalls

in current extractive governance arrangements, strategic governance reform initiatives, underpinned by intra-African and global partnerships, are urgently needed.

MAPPING RESPONSIBILITIES FOR CHANGE

Formulating effective partnerships requires a clear division of responsibilities and the recognition of rights, anchored in a consensus on shared values among stakeholders. This is crucial for African countries to create thriving extractive industries that deliver development dividends in mining communities and generate broader benefits to society. For such partnerships to serve their purpose, it is necessary to clarify the key contentious questions upfront.⁵ What should partnership look like and what is its ultimate purpose? How should it be implemented and who are the legitimate actors in the process? In addition, an understanding of prevailing social and political dynamics, and the smart co-ordination and sequencing of actions, are all vital ingredients for success. Fundamentally, resolving the extant tension among corporate, government and community stakeholders requires overcoming uncertainty over who has what responsibility and where, and striking a delicate balance on three important levels.

First, there is a need to define the limits of the reciprocal responsibilities of all actors, including companies (particularly on social investment, environmental and legal compliance), governments (related to effective governance, development planning and service delivery) and communities (especially managing social expectations vis-à-vis the viability of extractive projects). Second, there is a need to pursue an inclusive, balanced dialogue involving all concerned actors on how to harness extractive riches to sustained economic growth and measurable social development outcome (for example, on jointly agreeing to and implementing policies on local content and beneficiation of minerals, etc.) without compromising the profitability of private investments. Third, key actors need to work out an arrangement for closer, more proactive co-ordination of their actions on providing service infrastructure. These range from housing and resettlement to shared infrastructure planning (water, transport and energy) and similar actions requiring a collective approach by extractive companies, governments (especially regional administrations) and host communities. These difficult issues all strongly manifest in many of Africa's newly emergent extractive economies, including Mozambique, Tanzania and Uganda, where encouraging signs of

improved resource management exist alongside the acute challenge of mitigating social impact and managing soaring local expectations.

BROADENING PARTNERSHIPS

It is important to distinguish between local and national (in-country) partnerships and a more international (strategic) form of partnership. The former includes national actors such as corporations and communities, whereas the latter is circumscribed by international and regional agreements involving governments, multilaterals and global powers (both traditional and emerging). One of the minimum conditions required for effective partnership is the existence of inclusive and participatory (social and political) institutions to underpin stakeholder relations. There is also a need for appropriate social and legal incentive structures to demonstrate to role players the potential benefits of co-operative and constructive actions. This will require changes in existing laws, to allow equal participation by previously marginalised actors such as labour movements. Enhanced provisions for corporate governance are also essential to boost the confidence of all key stakeholders; for example instituting equity-based interventions such as employee stock ownership plans or smoothed profit-sharing arrangements. In other contexts, curbing excessive executive pay may form part of the discussion on wider transformation.

On a global level, external partnerships should be sought with systemic players (such as China) in the resource sector. This is vital to the prospect of Africa's successfully benefiting minerals like copper. China and Japan's expansion of smelting and refining capacity has squeezed the margin for prospective refiners in Africa.⁶ In this context, it is no longer enough for regulators in Africa to legislate on beneficiation without providing an enabling environment for more mutual support and dynamic learning and interaction between the government and the private sector. Such close engagement is essential for successful mineral value-addition. In a second step, partnership on a global level is required to complement the dialogue among domestic role players, which requires careful analysis by African governments of their specific areas of competitive advantage in global minerals value chains. Insight from value chain analysis should inform resource partnerships between producers in Africa and systemic global players (both governmental and private sector), to feed into strategic dialogues that can

turn beneficiation and value-addition into meaningful economic propositions for Africa.

FROM AFRICAN MINING VISION TO REGIONAL MINING VISIONS?

The AU's Agenda 2063 sets out clear milestones for an extractive-led economic transformation. To promote structural transformation and job creation, the document emphasises the need for regional manufacturing hubs in Africa, 'built around the beneficiation of Africa's minerals and natural resources'.⁷ Also, it emphasises that by 2063 Africa will finance its own development through '[t]aking full charge of its natural resources, engaging its well-trained and skilled citizens of the time; and with developed financial intermediaries, markets and systems'.⁸

One example of African-focused partnerships being implemented to achieve those ends is the AMV, which has been facilitating national consultative processes leading to the agreement of country mining visions (CMVs). Countries that have successfully undergone the CMV validation process include Mozambique, Tanzania and Lesotho, with Ghana and Guinea among those expected soon to undergo the same process. In future, the AMV and its co-ordinating arm – the Africa Mineral Development Centre (AMDC) – should seek a role in mapping and co-ordinating African expertise and convening stakeholder engagement to foster experience-sharing on successful extractive governance approaches in Africa. The AMV represents a good model for partnership at the broader continental level translated into domesticated precepts at the individual country level through CMVs.

However, this needs to go further. There is the potential to develop a third (ie, regional) implementation pillar of the AMV creatively to elaborate and agree regional standards ('Regional Mining Visions' [RMVs]). These RMVs will both complement continental- and country-level visions and provide a focus for shared regional actions to respond to the raft of identical legislation being introduced by the northern home countries of mining corporations (eg, the Dodd-Franks Act [US] and the European Union [EU] Directives on disclosure of payments to governments, which came into force in July 2013). The proposed future AMDC as a specialised agency of the AU should go a step further and incorporate a series of African-led activities to develop regional benchmarks for the extractive industry, to complement the CMVs.⁹

The RMVs should use consultative processes and

structures similar to those employed by the CMVs to bring stakeholders in each region into a partnership discussion involving government officials, regional economic communities (RECs), local communities and corporations. This will help to advance efforts to translate regional treaties on natural resource governance into practical operational guidelines and regionally defined standards in the RECs. 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 attempt to set regional benchmarks could be extended to more contentious issues such as economic linkages, revenue transparency and fiscal provisions, which African governments often guard jealously as areas of national prerogative. Importantly, regional and continental partnership also requires alignment and complementarity among the disparate initiatives being undertaken by pan-African institutions (eg the African Development Bank's African Natural Resources Centre) and other multilateral organisations (the UN Development Programme's new Strategy for Supporting Sustainable and Equitable Management of the Extractive Industries¹⁰).

TOWARDS NEW SOCIAL COMPACTS?

In the majority of Africa's extractive economies, including newly resource-rich ones of Mozambique, Tanzania and Uganda, the institutional challenges and opportunities in resource governance are increasingly manifested in three interrelated problems. These include the lack of clarity on the reciprocal responsibilities of actors; how to strengthen governance arrangements for the effective regulation of extractive activities; and how to respond proactively to the lingering co-ordination weakness among stakeholders. Addressing these challenges and leveraging opportunities for more sustainable, inclusive development requires multi-dimensional partnerships of a type not yet seen in many African contexts.

However, efforts to forge new, development-oriented social compacts, based on recognition of reciprocal responsibilities and shared values and underpinned by collaborative efforts in critical areas, should be prioritised. These should include conversations on achieving balanced

incentives, for example, leading to greater willingness among companies to fully disclose relevant information on their operations. A big issue here will be whether non-Western-listed companies can be incentivised to be more transparent about their revenue flows and to see whether a transparency mechanism can be built into the structure of proposed RMVs, including through the existing African Peer Review Mechanism. Enlightened co-operation of this sort can boost partnership in Africa and globally, for example on corporate tax and disclosure. In parallel, joint action is needed to identify and tackle obstacles in the way of more effective public-private partnerships, such as on managing the social impact of extractives, augmenting local economic contribution and promoting broader sustainability without compromising the viability of extractive investments.

ENDNOTES

- 1 Dr Oladiran Bello is the programme head of GARP at SAIIA.
- 2 AU (African Union), *Report of the Commission on the African Union Agenda 2063: The Africa We Want in 2063*, http://ea.au.int/en/sites/default/files/Agenda%202063%20_E.pdf, accessed 12 December 2014.
- 3 See www.africaminingvision.org.
- 4 See Gyimah-Boadi E *et al.*, 'Oil & Mining Countries: Transparency Low, Impunity High', *Afrobarometer*, 11 December 2013, http://www.afrobarometer.org/files/documents/policy_brief/ab_r5_policybriefno6.pdf.
- 5 See Harvey B, 'Social development will not deliver social licence to operate for the extractive sector', *Extractive Industries and Society*, 1, 1, March 2014, pp. 7–11.
- 6 Grynberg R, 'Case Studies in Base Metal Processing and Beneficiation: Lessons from East Asia and the SADC Region', SAIIA (forthcoming).
- 7 Agenda 2063, *op. cit.*, para 11.
- 8 *Ibid.*, para 23.
- 9 The 1st Extraordinary Session of the AU Conference of Ministers Responsible for Mineral Resources Development, 22–26 November, Livingstone/Victoria Falls, Zambia/Zimbabwe, endorsed the statute of the AMDC as a specialised agency of the AU, with the centre expected to become fully operational within one year.
- 10 The UNDP has launched a global initiative and a regional project in Africa to support country-level efforts, including in Mozambique.

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