



# Africa's Extractive Governance Architecture: Lessons to Inform a Shifting Agenda

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## EXECUTIVE SUMMARY

Careful reflection is needed in examining options for streamlining and capacitating the myriad Africa-led initiatives that have emerged recently in the area of resource governance. The best known among them – the Africa Mining Vision (AMV) and its implementing arm, the African Minerals Development Centre (AMDC) – have faced implementation challenges since the AMV's endorsement by African heads of state in 2009. This briefing argues that important insights emerging from ground-level research by African institutions should play a greater role in shaping the new African-inspired resource governance frameworks. These initiatives should also try to engage more systematically with the experiences of forerunner frameworks, many of which have accumulated years of potentially useful experience on addressing resource management issues in the African context. Finally, the twin challenges of duplication in African efforts and the lack of appropriate technical capacity to guide them must be addressed if the recent shift to African leadership in this policy area is to gain meaningful traction.

## INTRODUCTION

Sustainable and inclusive resource governance is rapidly emerging as a focal policy concern for African states. If booming extractive activities are to be translated into concrete development outcomes, recent research lessons from diverse African contexts must be worked into the design of emerging African-led initiatives on extractive governance, such as the AMV. This is vital if these home-grown initiatives are to gain domestic credibility and deliver inclusive, sustainable development. The AMDC, as the AMV's implementing agency, should step up its mapping of existing expertise in Africa and set out plans to access expertise that may exist outside the continent. Lesson sharing and policy coherence are also needed to develop independent African capacities for resource governance that are fully fit for purpose.

## RECOMMENDATIONS

- The AMV requires targeted strategic partnerships with relevant global/multilateral extractive governance mechanisms to leverage their accumulated experiences.
- The AMDC requires a close reading of specific research lessons learnt on the ground to frame its in-country activities and the elaboration of CMVs.
- The AMDC should develop practical platforms for experience-sharing in reflection of the importance of mutual outreach between CSOs and (inter) governmental actors.
- The AMDC should clarify urgently the specific extractive governance issues in which it possesses comparative advantage while envisioning broader partnerships to gain access to complementary expertise.

## RESEARCH LESSONS: A SYNTHESIS

Since its inception in July 2007, SAIIA's Governance of Africa's Resources Programme (GARP) has developed expertise in the governance of natural resources in a range of sectors in several African countries. These include case studies of gold, diamond and copper mining in Tanzania, Angola and the Democratic Republic of Congo (DRC); the mitigation of climate change through forestry governance in the DRC; the politics of climate change and the role of South Africa as an advocate of change (COP17); fisheries research for sustainable livelihoods in Tanzania and Angola; and lessons for cleaner governance of the oil industry in Angola, Ghana and Sudan. GARP's second phase (2010–2013) focused on resource governance in Mozambique (gas, coal, fisheries and mangrove forests), Namibia (fisheries and marine phosphate mining), South Africa (mining and labour unrest, and mangrove forests) and Zimbabwe (artisanal gold mining and indigenisation policy). These research efforts have revealed important lessons that are of direct relevance to the transforming extractive governance agenda in Africa today as GARP commences its third phase (2014–17).

In terms of overarching lessons, there is a need for broader, integrated (and, where appropriate, regionally-focused) approaches to take account of policy trade-offs and options in resource governance. Second, beyond the traditional resource curse discourse, the role of institutional quality in mediating extractive governance and development outcomes in Africa has progressively come to the fore. Third, framing resource governance approaches with development objectives in mind – including in crafting extractive regulatory frameworks and institutions – is a desirable paradigmatic shift that can immensely benefit Africa.<sup>2</sup> This is borne out by the evidence gathered in many of the country studies conducted by GARP.<sup>3</sup>

In the mining and hydrocarbons sector specifically, a key insight is the widening gap between the headline economic contributions of the mining and oil sector and grimmer local realities. Closing this gap remains a key obstacle to more inclusive and responsive resource governance. The immediate challenge posed by the mining boom and expanding foreign extractive interests on the continent is that it has become more difficult to reconcile the low-value addition to Africa's export-oriented extractive industries and the desire to catalyse employment creation and social and economic progress through extractive-based development. At the same time, citizens, civil society organisations (CSOs), donors and international stakeholders are exerting pressure for more inclusive extractive development.

Regarding demands for greater transparency in the

management of extractive revenues, one of the key problems is the growing gap between Africa's expanding resource base and the inadequacy of existing oversight mechanisms. This highlights the need for more context-specific understanding of extractive governance challenges, ultimately to strengthen governance of the sector and enable context-adaptive application of international transparency measures to better reflect African realities.

GARP's research on both Mozambique and South Africa, for example, highlights the need to move beyond conventional thinking on transparency. Rather, mutual learning and outreach should be promoted between civil society and governmental actors that could jointly identify the broader utility of initiatives such as the Extractive Industries Transparency Initiative (EITI).<sup>4</sup> In particular, there is a need for a vehicle for African peer learning and the regionalisation of national regulatory best practices. The prospects for these have been considerably enhanced by the formulation of the AMV, even though critical implementation challenges remain.

## A TRANSFORMING EXTRACTIVE GOVERNANCE AGENDA

Several factors contribute to the shift in the resource governance agenda and policy outlook in Africa. They include the Africa Rising<sup>5</sup> narrative and the need to leverage resurgent growth to drive regional integration, infrastructure development and greater economic and social inclusion. The ongoing 'resource boom' in Africa has underpinned impressive growth figures without delivering corresponding social, economic and human development gains, especially in mining communities.<sup>6</sup> Further, there is a growing realisation in high-level policy circles of Africa's resource potential and its enhanced global prospects in a competitive geo-economic context marked by the rise of China and other emerging markets hungry for resources. Other subtle but interesting shifts are also occurring in terms of interconnecting policy agendas. One dimension of this is the increasing linkage between new resource governance ideas and long-standing concerns such as addressing conflict and fragility, constructing social safety nets and fostering greater social and economic inclusion.

Several processes have emerged as evidence of this ascendant resource governance focus in the pan-continental context. They include major African-led initiatives such as Kofi Annan's Africa Progress Panel and the Thabo Mbeki-led High Level Panel on Illicit Financial Flows. The inclusion of a resource governance questionnaire in the African Peer Review Mechanism (APRM) and the resource focus in the last two *Africa Economic Outlook*

reports underline this trend.<sup>7</sup> Crucially, the AU Commission (AUC) under its current chair, Nkozasana Dlamini-Zuma, places considerable emphasis on funding Africa's development agenda through the mobilisation of domestic resources.

While all of these portend increasing African ownership of resource governance and related policy discourses, the incipient shift from global to African-led regulatory frameworks is also fraught with problems of alignment, co-ordination and avoiding duplication. Africa must redouble its efforts to domesticate multilateral initiatives such as the EITI and the Kimberley Process (KP) so these can become reinforcing layers to solidify the emerging Africa resource governance architecture. On the one hand, there is a rising tendency among foreign donor governments and agencies – driven primarily by resource security considerations – to invest in rival natural resources management frameworks in Africa. This encourages policy fragmentation without seeking true African ownership. On the other hand, the continent will be well served to seek out closer synergies between the forerunner initiatives, including externally inspired ones such as the EITI and newer African-led initiatives such as the AMV. This is essential to build systematically on the nearly three decades of useful experience accumulated by coalitions of local and global campaigners on promoting improved resource governance in Africa. How can the potential of the Africa-led frameworks be maximised alongside efforts to harness the strengths of global mechanisms? The extent to which the AMV succeeds in meshing multiple layers of expertise and instruments in the African extractive governance space will determine the developmental contributions of Africa's mineral resources for the next decade.

## AFRICAN MINING VISION

There are growing expectations for the recently launched AMV.<sup>8</sup> Its core mandate is to promote the transformative role of minerals in Africa's development. The AMV remains the most prominent among the many continental-level extractive governance initiatives that have emerged in recent years. Adopted by African mining ministers in January 2009, its seven key results areas are policy and licensing; geological and mining information systems; governance and participation; artisanal and small-scale mining; linkages, investment and diversification; building human and institutional capacity; and communication and advocacy.

The AMDC is located within the UN Economic Commission for Africa (UNECA) in Addis Ababa. Tasked with providing strategic operational support to the AMV and its Action Plan, the AMDC benefits from its collaboration with institutional

partners, including the AU, the African Development Bank (AfDB) – both key pan-African institutions – and the UN Development Fund (UNDP). In recognition of the need to adapt the AMV's key precepts to the specific challenges in each country, the AMDC and its partners are also elaborating individual Country Mining Visions (CMVs) to respond better to local specificities. The AMDC has attracted strong financial support from major mining countries, most notably Canada and Australia, which have contributed \$4.6 million and \$13.9 million respectively to its start-up budget.

Despite the AMV and AMDC's strong co-ordinating mandate, they do have potential rivals and challengers. Among these is the AfDB's African Natural Resources Centre, which, like the AMDC, aims to provide technical assistance and capacity building to African states, but with a focus beyond minerals. The Natural Resource Charter and the Revenue Watch Institute are undertaking activities in Mozambique and Tanzania that may duplicate the AMDC's work on developing CMVs for both countries. Other high-level African engagements on extractive governance have also been taking place without a clear link-up to the AMDC's work. These include the experience-sharing workshop organised by the Africa Governance Institute in partnership with the UNDP under the leadership of the AUC in October 2013. The high-level workshop discussed resource governance and the implementation of the Africa Agenda 2063, with the AMDC conspicuously absent from its proceedings.<sup>9</sup>

If unchecked, unco-ordinated actions risk fragmenting African efforts on promoting mutual learning, experience sharing and pooling of expertise and capabilities on resource governance. In terms of capacity, the AMDC is facing delays in putting in place much-needed expertise. This is due in part to the bureaucratic hurdles that it encounters as it deals with several institutional partners (the AU, UNDP and AfDB). Tellingly, some African governments have reportedly expressed disquiet over the AMDC's reliance on Australian and Canadian funding.

## MINDING THE GAPS

There are at least six interlocking sets of challenges that the AMV – or indeed any extractive governance regime – must address in order to frame a comprehensive African regime that can mobilise extractives to sustain balanced and inclusive development across the continent. These include issues such as mining and exploration rights allocation; contract negotiation, royalties and technical structuration of extractive deals; revenue transparency; developing capacity for effective oversight (including geospatial information and monitoring

and evaluation systems); managing resources and conflict dynamics; and wider global regulatory dimensions (such as tax harmonisation, transfer pricing and beneficial ownership). These are all essential dimensions of the puzzle that no framework can adequately address on its own if existing deficiencies and loopholes are to be plugged. The desirability of leveraging other frameworks and their comparative advantages is therefore evident in the diverse policy issues outlined above. The AMV would do well to set itself up from the outset to use all of the instruments that are potentially complementary in each of those areas. It must weigh each one carefully with a view to tapping their particular strengths and experiences.

The EITI and the KP are perhaps the best known among the myriad global/multilateral initiatives that have accumulated such experience. Both have made significant progress on specific issues while continuing to grapple with others. The EITI, for example, offers important lessons in terms of its adaptive orientation. It has introduced major procedural changes at each of its global conferences, including the last one in May 2013. Here it broadened its coverage beyond the active production stage to include the contract phase and unveiled the new EITI standard, with a more central role for CSOs. The framework acknowledges the role of some African states in pioneering specific good practices beyond the basic requirements for EITI compliance.<sup>10</sup> The KP diamond certification scheme has convened stakeholders from the North and South, and transcends the traditional public-private sector divide. All of these are arguably important experiences that can inform the AMV/AMDC, just as there are opportunities to learn from the KP's failing in deferring excessively to governments. Others, such as the Voluntary Principles on Security and Human Rights,<sup>11</sup> which since 2000 has convened governments, companies and NGOs on the link between human rights and extractive development, also merit the AMDC's consideration for closer institutional collaboration.

### THE ROAD AHEAD

The overarching focus of Africa's emerging resource governance discourse is the imperative of leveraging extractive discoveries to drive socio-economic and human capital development. There is thus a need for the AMV/AMDC to shoulder the all-important co-ordinating mandate, first by building on existing knowledge, and second by building closer partnerships with African and global actors and frameworks so that these can become mutually self-reinforcing fulcrums in the effort to harness extractive

activities for development in Africa. Specific lessons learned through GARP's research in Angola, DRC, Ghana, Mozambique, South Sudan, Tanzania, Uganda, Zimbabwe and South Africa provide some of the much-needed country-level insights to guide the AMDC's action on developing CMVs. Most crucially, while the AMV has opened up opportunities to upscale Africa's independent capacity for extractive governance, challenges facing the AMDC, including the risk of damaging duplications and a dearth of appropriate technical capacity, must be urgently addressed.

### ENDNOTES

- 1 Oladiran Bello is the programme head of GARP at SAIIA.
- 2 Echoing this paradigmatic shift, the AUC's Chair, Dlamini-Zuma, cautioned at the April 2014 EU–Africa summit on the need for Africa to avoid the mistake of exporting its agricultural raw produce to be processed elsewhere.
- 3 A comprehensive list of the programme's research output is available at <http://www.saiia.org.za/programmes/resource-governance>.
- 4 See for example Ossemame R, 'Is the Extractive Industries Transparency Initiative Relevant for Reducing Diversion of Public Revenue? The Mozambican Experience,' SAIIA, Policy Briefing, 61, January 2013; and Bello O, 'SA should leverage the EITI', SAIIA, Diplomatic Pouch, 21 May 2013.
- 5 Preceding the *Economist's* edition of 3 December 2011 on this subject, other commentators highlighted Africa's rapidly transforming outlook. See Bello O & M Manrique, 'Africa rising?' in Youngs R (ed.), *Challenges for European Foreign Policy in 2012 What kind of Geo-economic Europe*. Madrid: FRIDE, 2011.
- 6 Ordinary people feel they have not benefitted from Africa's commodities boom. See Afrobarometer, 'Let the people have a say', survey, [http://www.afrobarometer.org/files/documents/policy\\_brief/ab\\_r5\\_policybriefno6.pdf](http://www.afrobarometer.org/files/documents/policy_brief/ab_r5_policybriefno6.pdf).
- 7 The AEO 2013 looked at structural transformation and natural resources while the 2014 edition focuses on value chains, including in the extractive sector.
- 8 See African Mining Vision, <http://www.africaminingvision.org/index.htm>.
- 9 See AGI (African Governance Institute), workshop report, [http://www.iag-agi.org/IMG/pdf/final\\_report\\_managing\\_natural\\_resource\\_endowment\\_and\\_the\\_implementation\\_of\\_the\\_african\\_agenda\\_2063.pdf](http://www.iag-agi.org/IMG/pdf/final_report_managing_natural_resource_endowment_and_the_implementation_of_the_african_agenda_2063.pdf).
- 10 See EITI (Extractive Industries Transparency Initiative), Good Practice Note 1, <http://eiti.org/files/Good%20practices%20-%20EITI%20Reporting.pdf>.
- 11 See Voluntary Principles, <http://www.voluntaryprinciples.org/>.

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