



## **Policy dialogue on extractive industry reform implementation gaps in Africa**

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### **I. Introduction**

Extractive Industries (EI) encompass oil, gas and metals/minerals. Due to their geopolitical and economic significance, extractive industries are highly strategic for most African countries. EI's historic impact on Africa's geopolitical trajectory is indisputable. In addition, oil, gas and minerals are critical components of the primary sector in many African economies. Africa's dependence on mineral exports invariably rose over the past decades, with mining accounting for 5-30 per cent of GDP<sup>1</sup> (UNECA, 2016). Similarly, oil, gas and minerals are important to Africa's growth performance. Based on data covering 47 African countries, the African Development Bank determined that a 1% increase in commodity prices (for hard commodities - mined/extracted commodities such as oil and metals) would boost real GDP, in the short run, by 0.26 percentage points<sup>2</sup> (AfDB, 2018).

Furthermore, EI is central to the defining issues driving Africa's development aspirations. The evolution of 'technology metals' is a major factor in global transition to a low-carbon economy and hence climate change adaptation; EI cuts across all three dimensions of the Sustainable Development Goals (SDGs), i.e., economic growth, social inclusion, and environmental protection; promoting regional mineral value chains and integrated infrastructure in mining, would help catalyze the African Continental Free Trade Agreement (AfCFTA). Overall, EI governance reforms (legal, policy, institutional, etc.) are fundamental, in Africa's broader development planning processes. The Africa Mining Vision (AMV), for example, is predicated on the central importance of fully integrating mining into other sectors of the economy and coordinating mining policy with broader multisectoral policies.

However, increasing evidence and experience indicates that EI governance reforms run the risk of not progressing from being good on paper to being implemented in practice. Consequently, countries, their citizens and the industry too, may not achieve intended benefits of EI reforms. Narrowing the implementation gap is essential. Along with research and specialized engagement, this requires structured dialogue, focused on aligning technical and political perspectives relating to EI reforms.

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<sup>1</sup> [https://www.uneca.org/sites/default/files/PublicationFiles/optimization\\_of\\_domestic\\_revenue\\_eng.pdf](https://www.uneca.org/sites/default/files/PublicationFiles/optimization_of_domestic_revenue_eng.pdf).

<sup>2</sup> [https://www.afdb.org/fileadmin/uploads/afdb/Documents/Publications/African\\_Economic\\_Outlook\\_2018\\_-\\_EN.pdf](https://www.afdb.org/fileadmin/uploads/afdb/Documents/Publications/African_Economic_Outlook_2018_-_EN.pdf).

## II. Event Background & Context

Building on the imperative for structured dialogue to help narrow the implementation gap, this Policy Dialogue will explore factors impeding implementation and options for strengthening it. The event is organized by the Natural Resource Management (NRM) Section of ECA's Technology, Climate Change & NRM Division, in collaboration with the Natural Resource Governance Institute (NRGI).

Although the oil, gas and metals/minerals production contexts are distinct, there are important similarities in the governance environments for each of these segments. Thus, the Policy Dialogue will feature findings related to the integrated context covering oil, gas and metals/minerals, as well as a targeted focus on the minerals context. In featuring the metals/minerals context, emphasis will be on implementation gaps in EI governance reforms associated with the AMV's ideational foundation.

In terms of the integrated perspective, NRGI's leading work measuring extractive industry governance reforms and practice—the Resource Governance Index (RGI)—is a key reference. In particular, NRGI's study, *Resource Governance Index: From Legal Reform to Implementation in Sub-Saharan Africa*, highlights the implementation gap between oil, gas and mining governance reforms and practice, with particular focus on transparency and accountability aspects.<sup>3</sup> The study examines gaps and time lags in countries' implementation of transparency and accountability provisions, critical for governance reform. Between 2000 and 2016, 22 of the 28 sub-Saharan countries included in RGI, renewed or amended laws governing their oil, gas or mining sector. NRGI's assessment indicates that all but four of these countries recorded better scores for legal provisions than for practices to implement them. Such gaps are particularly wide for issues relevant to communities near extraction sites (environmental, and social impacts and sharing of mineral revenues with subnational entities). The gaps also manifest in other critical issues, such as, disclosing mining and petroleum contracts and adhering to fiscal rules for macroeconomic stability. Where legal reform is more recent, implementation of transparency and accountability provisions is most lagging.

With regards to the targeted focus on mining and metals/minerals, the Africa Mining Vision (AMV) is especially instructive. 10 years ago, the AMV was adopted by African heads of state and government, as the continent's strategic paradigm for achieving inclusive, sustainable mineral-based structural transformation. Since then, AMV tenets have influenced mining governance across African countries, including those assessed in NRGI's research. While recognizing the importance of improving mining regimes, the AMV goes beyond fiscal issues. It seeks to better integrate mining into development policies at country-level and to promote a regional dimension. This goal reflects an overarching AMV focus on optimizing fiscal, backward, forward and knowledge linkages. ECA's analysis suggests that on average, government revenues from taxation usually only account for about 17% of total revenues over the life time of a mining project. Conversely, over 60% of capital expenditure in these projects, relate to procurement of inputs. This indicates considerable potential for optimizing linkages.

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<sup>3</sup> NRGI (2019). Resource Governance Index: From Legal Reform to Implementation in Sub-Saharan Africa. London. <https://resourcegovernance.org/sites/default/files/documents/rgi-from-legal-reform-to-implementation-sub-saharan-africa.pdf>

AMV domestication/implementation processes have ranged from analytical support to technical advisory engagement at country and regional levels, covering at least 34 countries across Africa's 5 geographic regions. At country level, this involved supporting 15 countries to integrate AMV tenets into national EI policies, regulations or strategies. Regionally, it included technical support to 4 Regional Economic Communities (RECs) - strengthening regional collaboration in various aspects of mineral development; and broadening participation in mining governance through partnerships with stakeholder groups. In addition, AMV domestication involved promoting AMV tenets in global initiatives, e.g., membership in the International Seabed Authority, to help safeguard Africa's Blue Economy interests. Similarly, ECA estimated that during 2000-2010, extractives accounted for 56.2% of Illicit Financial Flows (IFFs) from Africa. So, AMV domestication also included supporting the acclaimed work of AUC and ECA High Level Panel on IFFs, led by former South African President Thabo Mbeki.

Generally, AMV domestication experiences reflect the political economy and geopolitical realities, as well as transparency and accountability issues, which characterize implementation gaps. This is illustrated in the range of challenges faced in AMV domestication activities, due to internal and external factors. These include the depth of mining enclaves; commodities downturn; tough policy environments with intractable political sensitivities; and ambitious timelines. For instance, a long-term implementation timeframe of 50 years is envisaged in the AMV, but assessments of AMV domestication progress tend to focus on much shorter periods. Moreover, market disruptions, intentional or unintentional, also affect the viability of reforms and this potentially undercuts the benefits expected from EI governance reforms.

### **III. Event Goal & Objectives**

The underlying idea for this Policy Dialogue is to go beyond 'stock knowledge', in initiating a well-informed consultation on implementation gaps, which is rooted in political economy realities. Its goal is to foster collaboration towards narrowing implementation gaps in EI governance reforms, bridging asymmetries and key stakeholders' interests. The Policy Dialogue objectives are to:

1. Enhance key stakeholders' understanding/knowledge of EI governance reform implementation gaps, by discussing research and analytical findings from complementary work in two areas, i.e., (i) NRGIs study on transparency and accountability reforms; and (ii) ECA's studies, as well as its technical and advisory work relating to AMV domestication/implementation;
2. Deliberate on implementation challenges, from the perspectives of academia, CSOs, governments and the private sector, identifying avenues for further inquiry into options for narrowing the implementation gaps;
3. Establish a cross-sector platform for building on insights from the Policy Dialogue, to inform selected policy processes related to extractive industry reforms, factoring in policymaking realities, policy instruments and entry points at country, regional and continental levels.

## **IV. Event Participants & Structure**

This Policy Dialogue would convene public, private and civil society actors involved in EI governance reforms. Participants are expected to include government representatives (mining ministry officials or other policymakers) from all five geographic regions of Africa. The countries represented will reflect ECA's Countries of Focus (CoF); countries where Country Mining Vision (CMV) initiatives were implemented; and NREGI's priority countries. Participants are also likely to include private sector actors (miners, investors, commodity traders and key service providers such as lawyers); EI governance experts/practitioners including academics; AMV implementing partners/leading Pan-African institutions and as well as international organizations involved in EI governance.

Focusing on the issue of implementation gaps in extractive industry governance reforms, deliberations and discussions will be structured around three sessions, as follows:

1. *Session 1* will frame the dialogue, by presenting empirical and substantive findings on implementation gaps in EI governance reforms. It will feature two presentations, i.e., one with an integrated perspective on implementation gaps based on NREGI's study relating to transparency and accountability reforms; and another with a targeted focus on implementation gaps in the context of mining and metals, based on AMV domestication experiences.
2. *Session 2* will explore other realities on the ground, which underpin implementation gaps. It will feature 'Davos-style' panel discussion(s), with each speaker making a brief introduction, followed by discussions in the panel and with the audience. To promote open discussion and lively interaction, no PowerPoints or formal speeches will be used during Session 2.
3. *Session 3* will consolidate the discussions and deliberations. It will feature break-out sessions centered around specific themes from the perspectives of key stakeholder groups. Thereafter, a plenary meeting will synthesize the discussions and recommendations.

## **V. Outputs**

1. Meeting Summary
2. ECA Policy Brief
3. NREGI blog for sharing of key themes and insights

## **VI. Expected Outcomes**

1. Enhanced understanding/knowledge among key stakeholders, of how EI governance reform implementation gaps undermine Africa's prospects for maximizing its EI benefits.
2. Programs and projects developed, to follow up on concrete options for narrowing the implementation gaps. The options could include research/analytical support, technical assistance and deepening technical synergies with other related

initiatives or policy processes, such as, the Africa Mining Forum, AfCFTA, SDGs, etc.

3. Policymakers and cross-sector partners mobilized, to collaborate towards aligning interests in narrowing EI governance reform, implementation gaps.

## **VII. Focal Person**

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