



# Donor activity in the extractives sector

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## Question

What has been done in the extractives sector since 2013 by donors? What worked well and what didn't? Focus on artisanal and small-scale mining, and local content.

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# 1. Overview

This rapid literature review collates information on donor activities in the extractive industries (EI) sector, and provides an illustrative summary of some of the key lessons from this work since 2013.

This query is limited by the paucity of publically available information on donor activities in the extractives sector. The 2013 topic guide by Dietsche et al is the only comprehensive online source that analyses and compares donor-country activities across the extractives sector. In the time-frame of this query, it has not been possible to “update” the 2013 topic guide. To do this, an in-depth research process would be required as the data is not readily available. E.g., while the Extractive Industries Transparency Initiative (EITI) website provides an important source of information on donor country profiles on EI activities (specifically EITI), it only does so for governance-related activities, and not for the other aspects of EI activities (e.g. artisanal and small-scale mining (ASM) or local content).<sup>1</sup>

This query supplements the Dietsche et al. (2013, p.28) topic guide by collating self-reported information by donors on their individual approaches, activities and focus areas (see a summary in Figure 1). Some donors provide information on their websites and in annual reports on their approaches and activities on extractives (e.g. Norwegian Agency for Development Cooperation (NORAD), World Bank). However, for many donors, there is disparate information online relating to specific initiatives at the project or programme level, but no overall information at the donor level (e.g. the United States (US)). Many other donors do not have easily accessible information online (e.g. France). Due to the very limited literature, this query draws heavily on websites, institutional blogs, with some policy papers, some academic articles and some evaluation documents. Based on these information sources, and the wide and fragmented scope of the EI sector, it is not possible to present conclusive findings about what donors are doing in the EI. The findings in this query are illustrative.

**Figure 1: Donor approaches, activities and focus areas in EI activities<sup>2</sup>**

<b>Donor/ initiative<sup>3</sup></b>	<b>Main approach</b>	<b>Activities</b>	<b>Focus areas</b>
NORAD	Institutional collaboration - involving Norwegian public institutions entering into long-term cooperation agreements with public institutions in partner countries	Capacity development; funding civil society organisations (CSOs); finance/support multilateral initiatives	Resources, revenues, environment, safety.  CSO funding focuses on: environmental protection; transparency in revenue generation and distribution; local participation in decision-making processes; and labour rights
World Bank	Partners with different stakeholders to address key issues in the sector across the	Policy advice and capacity building (International Bank for Reconstruction and Development (IBRD) and	Financial sustainability; social sustainability; and environmental sustainability

<sup>1</sup> See donor country profiles here - <https://eiti.org/supporters/countries>

<sup>2</sup> While this data is presented in a table, there is blurred line between what can be considered approaches, activities and focus areas.

<sup>3</sup> More donors and initiatives are active in the EI however not all are included in this query due to the short timeframe

	value chain.	International Development Association (IDA)); financing and guarantees for private sector EI investments, engaging with the private sector, investment support, and engendering best practices (International Finance Corporation (IFC) and MIGA (Multilateral Investment Guarantee Agency)).	
Australian Department of Foreign Affairs and Trade (DFAT)	Strengthen relationships with the private sector, improve governance and revenue management and build technical skills.	Capacity development; education and skills training; developing a network of leaders; research; developing alumni networks; supporting civil society organisations (CSOs) finance/support multilateral initiatives	
Africa Mining Vision	The 'developmental mining approach': integrate the mining sector into broader social and economic development processes.	Tracking and coordinating implementation; advisory services; research and developing policy strategies; advocacy and information campaigns	Mineral rents and management; geological and mining formation systems; human and institutional capacities; ASM; mineral sector governance; research and development, environmental and social issue; linkages and diversification; mobilizing mining and infrastructure investment
US	Coordinate with governments and companies to pursue energy diversification and increased access to affordable and reliable energy and to develop efficient and sustainable energy policies abroad	Technical assistance; public-private partnerships; finance/support multilateral initiatives	Transparency; governance; corruption
Germany	Support government institutions in developing countries to establish their extractive sector to benefit sustainable	Advisory services; training; capacity development; research; finance/support multilateral initiatives	Economic frameworks; extractive sector governance institutions; transparency; ecological and social minimum standards

	development		
Canada		Technical assistance; partnership development; training; finance/support multilateral initiatives	- Build resource governance capacity; - Grow businesses and local economic development; enable communities to maximize benefits from the extractive sector; - Advance international standards and guidelines
Inter-American Development Bank (IDB)	Ensuring the Latin American region's competitive advantage in mining is materialized	Training; financing; research; advocacy; monitoring	The enabling investment environment; operational effectiveness and productivity; land-use and socio-economic and environmental impacts

Source: Author's own, based on information from donor websites and policy documents

#### **Illustrative lessons from donor activities in ASM are:**

- The ASM sector is typically neglected from donor activities;
- A key obstacle to donors engaging in ASM is the lack of knowledge about the sector and poor coordination between development actors;
- Many call for increased participatory methods and consultation with key actors to ensure adequate knowledge of the local context and inclusive approaches; and
- Increasingly, governments and donors are promoting the formalization of ASM.

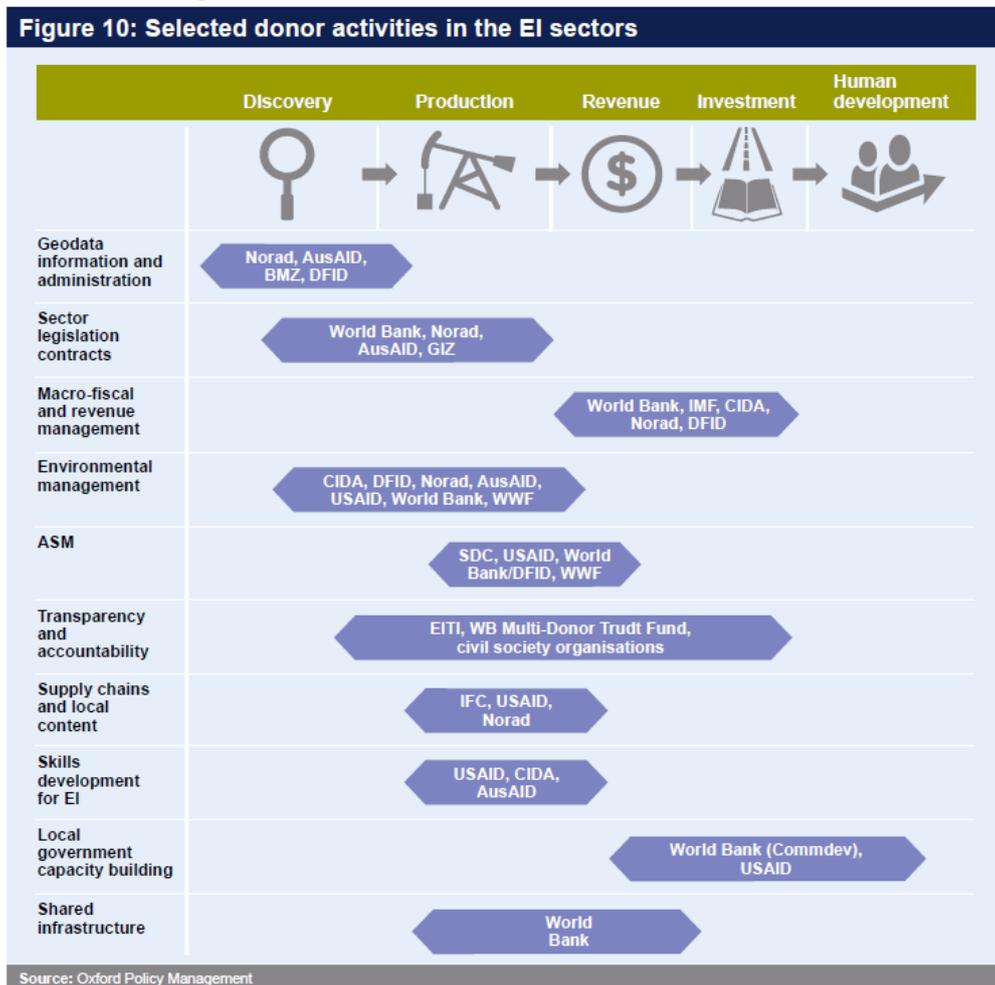
#### **Illustrative lessons from donor activities in local content are:**

- Local content promotion has integrated itself into the international oil industry in ways that a decade ago would have seemed quite unlikely;
- Policymakers should consider short and long term benefits when designing local content policies;
- Local content strategies have the potential to be more successful if they are: backed by sector-specific legal frameworks guaranteeing their measurement, implementation and monitoring;
- Understanding the specific political economy in the extractives sector in its content is key, as in many cases the presence of extractive resources is associated with poor economic performance; and
- Country-ownership must be balanced against the appropriate role of support from developing partners.

## **2. Donors in the EI sector**

As Dietsche et al., (2013, p.28-40) provide the only high-level overview and analysis of donor activities in the EI, this is still the most useful source of information and is reproduced in Figure 2.

Figure 2: Selected donor activities in the EI sectors



Source: Dietsche et al. (2013, p.28)

The most typical donor activities in the EI are: technical assistance; support to transparency and accountability initiatives; and partnerships with the private sector (Dietsche et al., 2013, p.29)

### 3. Activities by donor/fund

This section collates statements from donor/fund websites and annual reports. Therefore, it reflects the broad policy direction of these donors/funds, but is likely to depart significantly from actual practices at the local level. Decisions on areas for engagement and activities are usually made at the country level, and often change throughout the life of a project. It is likely that the text included on donor websites is not entirely accurate, and many donors do not have up to date public policy statements or documents. This section is summarized in Figure 1.

#### Norwegian Agency for Development Cooperation (NORAD)

The NORAD Oil for Development (OfD) Programme's **broad aim** is to: offer assistance to developing countries in their effort to manage petroleum resources in a sustainable manner.

The **main approach** is: support for capacity development through institutional collaboration. This involves Norwegian public institutions entering into long-term cooperation agreements with public institutions in partner countries.<sup>4</sup>

The **focus areas** are:

1. **Resources:** Profitable and sustainable petroleum resource management. Resource mapping, management, regulation and supervision. Examples of topics are the legal frameworks for the petroleum industry, mapping of resources, data management and resource extraction, and Environmental Impact Assessments.
2. **Revenues:** Designing and implementing policy and legal frameworks ensuring a fair share of the petroleum resources is allocated to the government, while preserving sufficiently attractive returns to investment and production. Advice on how revenues may be managed without causing macro-economic instability and “crowding out” other industries. Examples of topics are petroleum fiscal regimes, petroleum fund issues, macroeconomic and fiscal framework, revenue administration and initiatives to promote transparency.
3. **Environment:** Informed decision-making also with regard to environmental considerations when opening fields for petroleum extraction. Setting conditions for the petroleum industry to limit environmental burdens. Examples of topics are Environmental Impact Assessments, handling of licences, environmental mapping and compliance monitoring, and establishing sufficient preparedness to handle accidents and oil spills.
4. **Safety:** Governmental management of health, safety, environment and preparedness. Examples of topics are disaster prevention, health and safety legislation, institutional health and safety and three-party co-operation.<sup>5</sup>

NORAD supports **capacity building of CSOs** in partner countries, including media institutions, through Norwegian and international organisations. Thematically, the Norwegian NGOs work to build capacity within four thematic areas:

1. Environmental protection
2. Transparency in revenue generation and distribution
3. Local participation in decision-making processes
4. Labour rights<sup>6</sup>

## World Bank

The World Bank’s **broad aim** in its extractives work is: to ensure that natural resources contribute positively to inclusive economic growth and sustainable development.

Its **approach** engages ‘along the extractive industries value chain to help ensure these objectives. The IBRD and IDA offer support directly to governments, and IFC and MIGA engage with the private sector, supporting investment in new or expanded physical capacity and seeking

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<sup>4</sup> <https://www.norad.no/en/front/thematic-areas/oil-for-development/oil-for-development-programme/>

<sup>5</sup> <https://www.norad.no/en/front/thematic-areas/oil-for-development/what-we-do/>

<sup>6</sup> <https://www.norad.no/en/front/thematic-areas/oil-for-development/who-we-are/>

to engender best practices. Through its advisory work, IFC also aims to enhance the shared benefits from EI investments with local communities and stakeholders' (World Bank, 2016, p.4).

Its **activities** include: 'IBRD and IDA supported a number of countries through policy advice and capacity building with the aim of assisting in the sustainable development and effective management of their EI sectors. Both IFC and MIGA provided financing and guarantees for private sector EI investments' (World Bank, 2016, p.8).

Its **focus areas** are:

1. **Financial Sustainability:** The Bank works with governments to strengthen fiscal regimes, remove subsidies, and improve tax administration and revenue transparency to build resilience to economic shocks and reduce the opportunities for the resource curse. It also helps implement structured financial solutions to de-risk private sector investments, strengthen enterprises, and reinforce public-private partnerships.
  - The Bank also works with governments to develop policies for oil, gas, and mining regimes and capacity building for effective management. It starts with supporting capacity building for contract negotiation, and includes developing effective legal and regulatory frameworks, tax and royalty administration and revenue management.
  - To ensure effective and transparent revenue management in the extractives sector, the Bank supports the implementation of the Extractive Industries Transparency Initiative (EITI) through technical assistance to countries working to publish and verify company payments and government revenues from oil, gas, and minerals.
  - By helping governments create an enabling environment, improve sector governance and lower risk, extractive industries can leverage large scale private sector investment through the IFC, a World Bank Group organization focused exclusively on the private sector in developing countries.
2. **Social Sustainability:** For effective development outcomes, local communities must actively participate in extractive industries operations from the very beginning, leveraging the industry's infrastructure, job creation, and small business opportunities to provide long term sustainable development. To that end, the Bank promotes inclusive growth, bringing together diverse stakeholders to ensure accountability and lessen adverse impacts on communities and the most vulnerable people, particularly in fragile areas.
3. **Environmental Sustainability:** The World Bank works closely with governments to develop strategic environmental and social assessments to anticipate sector-wide impacts and to incorporate environmental and social priorities into extractive industries' policies and regulatory arrangements.

Along with its core lending, analytical work, and knowledge products, the World Bank administers Multi-Donor Trust Funds (MDTF), including support to: The Extractives Global Programmatic Support (EGPS); and The Global Gas Flaring Reduction Partnership (GGFR).<sup>7</sup>

The World Bank's **country/region** focus includes: 70 countries. It is the 'largest provider of extractives-related development assistance by a significant margin.'<sup>8</sup>

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<sup>7</sup> <http://www.worldbank.org/en/topic/extractiveindustries/overview#2>

<sup>8</sup> <http://www.worldbank.org/en/topic/extractiveindustries/overview#3>

## Australian Department of Foreign Affairs and Trade (DFAT)<sup>9</sup>

DFAT's **broad aim** of its work on extractives is 'to support developing countries to maximise sustainable benefits from their natural resources, while helping them overcome the challenges'.

Its **main approach** is to: strengthen relationships with the private sector, improve governance and revenue management and build technical skills.<sup>10</sup>

Its **activities** include: capacity development; supporting multilateral approaches; education and skills training; developing a network of leaders; research; developing alumni networks; supporting civil society organisations (CSOs) to improve governance; and strengthening good governance.

DFAT's **country/region focus** is: Indo-Pacific region and Africa.

'DFAT's **future extractives support** in the region will build on work undertaken to date, and will explore new directions in the energy sector. There will be a continued emphasis on improving extractives governance, revenue management and benefit sharing. An APEC Mining Sub Fund inaugurated by DFAT will enable countries in the region to build cooperation between governments and the private sector. DFAT seeks to collaborate more closely with the private sector, including through sharing infrastructure and services. We will also work with other bilateral donors to ensure our support helps developing countries maximise returns from their largest economic assets to drive their own economic growth and development.'

### Africa Mining Vision

The Africa Mining Vision's (AMV) **main aims** are to create a 'transparent, equitable and optimal exploitation of mineral resources to underpin broad-based sustainable growth and socio-economic development' (World Bank, 2014). Specifically it aims to: improve mining regimes by making sure that tax revenues from mining are optimized and that the income is well spent; integrate mining much better into development policies at local, national and regional levels; make sure workers and communities see real benefits from large-scale industrial mining and that their environment is protected; make sure that nations are able to negotiate contracts with mining multinationals that generate fair resource rents and stipulate local inputs for operations; integrating mining into industrial and trade policy (CCIC, 2013, p.1-2).

Its **approach** is a 'developmental mining approach' which aims to: integrate the 'mining sector into broader social and economic development processes: African conceived, owned, and operationalized' (World Bank, 2014).

Its wide-ranging **activities** include: targeted policy reforms; the creation of linkages at the local, national, regional and continental levels; the establishment of mutually beneficial multipartite partnerships (between the state, the private sector, civil society, local communities and other stakeholders); the development of a comprehensive understanding of Africa's mineral endowment; and the strengthening of human resources and institutions to improve the governance capacities of the mining sector for a more effective deployment of resource rents (CCIC, 2013, p.1-2).

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<sup>9</sup> <http://dfat.gov.au/AID/TOPICS/INVESTMENT-PRIORITIES/INFRASTRUCTURE-TRADE-FACILITATION-INTERNATIONAL-COMPETITIVENESS/EXTRACTIVES-SECTOR-DEVELOPMENT-ASSISTANCE/Pages/extractives-sector-development-assistance.aspx>

<sup>10</sup> For information on DFAT funded/managed initiatives see - <http://dfat.gov.au/aid/topics/investment-priorities/infrastructure-trade-facilitation-international-competitiveness/extractives-sector-development-assistance/Pages/extractives-sector-development-assistance-initiatives.aspx>

Its **focus areas**, are (World Bank, 2014):

- Mineral rents and management;
- Geological and mining formation systems;
- Human and institutional capacities;
- Artisan and small scale mining;
- Mineral sector governance;
- Research and development,
- Environmental and social issue;
- Linkages and diversification; and
- Mobilizing mining and infrastructure investment

To implement the Africa Mining Vision and its Action Plan, in 2011 the African Mineral Development Center (AMDC) was created as a central and strategic coordinating body (CCIC, 2013, p.4). Its implementing partners are: United Nations Economic Commission for Africa (UNECA), African Development Bank (AfDB) and the African Union Commission (AUC), and United Nations Development Programme (UNDP).

The AMDC's **activities** include (World Bank, 2014):

- Tracking and coordinating implementation of AMV;
- Identifying gaps and areas of need in member states and providing expertise to address such needs;
- Undertaking policy research to develop policy strategies and options for realizing AMV;
- Providing think-tank capacity for embedding the AMV into Africa's long term development;
- Implementing continuous advocacy and information campaigns to engage stakeholders on AMV implementation and Country Mining Vision processes

## United States (US)

The US Agency for International Development (USAID) does not provide an overall narrative, or collated information, for its work on extractives. However, a one paragraph reference to work on extractives is made in the US Department of State and USAID's (2018, p.42-43) joint strategic plan.

The **overall aim** comes under Strategic Objective 2.3 to: advance US economic security by ensuring energy security (USAID, 2018, p.42-43).

The **approach** is: the US State Department and USAID 'coordinate with governments and companies to pursue energy diversification and increased access to affordable and reliable energy (particularly to electric power) and to develop efficient and sustainable energy policies abroad through technical assistance and public-private partnerships. We work through the global Extractive Industries Transparency Initiative (EITI) to promote transparency abroad, improve energy resource governance, and reduce corruption' (USAID, 2018, p.42-43).

The **activities** are: technical assistance and public-private partnerships (USAID, 2018, p.42-43).

In addition to the above, extractives-related work is referred to in various projects and programmes, e.g.:

- A USAID Artisanal Gold Mining project in Colombia<sup>11</sup>
- USAID work to promote economic activities related to extractives (and other areas) in Afghanistan.<sup>12</sup>
- USAID's Property Rights and Artisanal Diamond Development (PRADD) project in the Central African Republic.<sup>13</sup>
- Under its Global Health stream, USAID's Emerging Pandemic Threats 2 program engages the extractive industry and associated stakeholders.<sup>14</sup>

## Germany

The Extractives and Development sector programme **broad aim** is to: support 'government institutions in developing countries to establish their extractive sector to benefit sustainable development'. The programme is implemented jointly by the Federal Institute for Geosciences and Natural Resources (BGR) and the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH on behalf of the German Federal Ministry for Economic Cooperation and Development (BMZ).

The most recent BMZ (2010, p.7-18) policy document outlines the following **focus areas and activities**:

- **Utilize the extractive sector to develop and strengthen economic frameworks.** Activities in this area include: advisory services; training of experts and managers; promoting producers associations; support models for cooperation with the private sector; support international tax justice and price stability; and stem shady transfer pricing methods
- **Development efficient and effective structures in the extractive sector.** Activities in this area include: advisory services to develop frameworks and structures; provide training and support;
- **Establish transparency.** Activities in this area include: Strengthen local and national good governance initiatives; promote and development transparency initiatives; promote projects to return revenues to producer regions;
- **Establish ecological and social minimum standards.** Activities in this area include: Help create and implement international and national frameworks; implement UN recommendations; transfer low-cost, ecological technologies and provide micro-financing; capacity development in public institutions; raise awareness in the private sector; strengthen the role of civil society; promote environmentally friendly and innovative approaches;
- **Make more efficient use of extractives resources.** Activities in this area include: advisory services and capacity development; support demonstration and pilot measures;

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<sup>11</sup> <https://www.usaid.gov/documents/1862/artisanal-gold-mining-fact-sheet>

<sup>12</sup> <https://blog.usaid.gov/2013/02/a-new-investment-model-for-afghanistan/comment-page-1/>

<sup>13</sup> <https://www.land-links.org/2013/02/usaid-will-continue-and-expand-innovative-artisanal-mining-project/>

<sup>14</sup> <https://www.usaid.gov/what-we-do/global-health/pandemic-influenza-and-other-emerging-threats/programs/extractive-industry-engagement>

promote the development of waste management; cooperate with research institutions; train local experts.

- **Resources and conflict:** Promote transparency initiatives and good governance; support specific projects to test model solutions; apply conflict-sensitive analysis in policy development, programming and cost-benefit analysis.

On the BMZ website, the **focus** of GIZ's extractives work is listed as:

1. Support for complex contract negotiations in the extractive sector
2. Transparency in revenue from natural resources
3. Promotion and diversification of the private sector
4. Supply chains and certification of natural resources
5. Human rights and participatory processes in the extractive sector
6. Extractive sector regimes and strategies.<sup>15</sup>

Germany's **ASM specific activities** include:<sup>16</sup>

- Supporting the Intergovernmental Forum on Mining, Minerals, Metals and Sustainable Development (IGF) by providing financial support and assisting with content for a guide for governments on how best to deal with ASM from a development perspective.
- Developing policies and strategies for the designation and management of ASM zones
- Policies and strategies for the identification, designation and management of ASM zones are being developed. The aim is to equip government institutions in partner countries with practical tools to support planning, regulation and ongoing formalisation of the ASM segment.

Germany's **local content specific activities** include:<sup>17</sup>

- Mining Investment and Governance Review (MInGov) – It has contributed to MinGov's development and is involved in its implementation. In addition, the Programme supports public participation and the discussion of results in the countries concerned.<sup>18</sup>
- Enterprise around Mining (EAM)<sup>19</sup>
- Mining Local Procurement Reporting Initiative (LPRI) on mining companies' activities on local content or procurement together with the Mining Shared Value (MSV) Initiative.<sup>20</sup>

## Canada

The Government of Canada's website includes the following information:<sup>21</sup>

The **aims** of its work on governance of the natural resource sector is to:

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<sup>15</sup> [https://www.bmz.de/rue/en/about\\_us/index.html](https://www.bmz.de/rue/en/about_us/index.html)

<sup>16</sup> [https://www.bmz.de/rue/en/concepts\\_topics/aspects/small\\_scale\\_mining/index.html](https://www.bmz.de/rue/en/concepts_topics/aspects/small_scale_mining/index.html)

<sup>17</sup> [https://www.bmz.de/rue/en/concepts\\_topics/global/index.html](https://www.bmz.de/rue/en/concepts_topics/global/index.html)

<sup>18</sup> [https://www.bmz.de/rue/en/concepts\\_topics/global/mingov/index.html](https://www.bmz.de/rue/en/concepts_topics/global/mingov/index.html)

<sup>19</sup> [https://www.bmz.de/rue/en/concepts\\_topics/global/enterprise/index.html](https://www.bmz.de/rue/en/concepts_topics/global/enterprise/index.html)

<sup>20</sup> [https://www.bmz.de/rue/en/concepts\\_topics/global/reporting/index.html](https://www.bmz.de/rue/en/concepts_topics/global/reporting/index.html)

<sup>21</sup> [http://international.gc.ca/world-monde/issues\\_development-enjeux\\_developpement/human\\_rights-droits\\_homme/natural\\_resource-ressources\\_naturelles.aspx?lang=eng](http://international.gc.ca/world-monde/issues_development-enjeux_developpement/human_rights-droits_homme/natural_resource-ressources_naturelles.aspx?lang=eng)

- Address human rights abuses
- Improve transparency and fight corruption
- Improve environmental sustainability and management of natural resources

Its **approach** is to:<sup>22</sup>

- **Build resource governance capacity** - It works to assist governments to establish and implement policies and regulations to responsibly and sustainably manage mining and the extraction of natural resources.
- **Grow businesses and local economic development** - We help local businesses provide services in support of the extractive sector, specifically in the areas of: technology; skill development; and financial services. This is done in part by facilitating partnerships. It also promotes initiatives that reduce economic barriers for women to access employment in and around the extractive sector.
- **Enable communities to maximize benefits from the extractive sector** - It provides support to address socio-economic challenges through training and teach communities how: to organize; to manage; and to plan development projects. This increases the employment opportunities for men, women, and youth.
- **Advance international standards and guidelines** - It works to advance international standards and guidelines to improve performance by all actors involved in the extractive sector. This is being partly achieved through such platforms as EITI, IGF, etc.

Canada also works on the EI through its Corporate Social Responsibility (CSR) Strategy<sup>23</sup>

## Inter-American Development Bank (IDB)<sup>24</sup>

The IDB does not provide a central source of online information on its extractives work, however an online staff presentation provides the following information (Jesurun-Clements, 2013):

The **aims** for IDB's involvement includes (Jesurun-Clements, 2013, p.36):

- Ensuring the Latin American region's competitive advantage in mining is materialized
- Improving the enabling environment for private sector investment
- Expanding shared economic value
- Minimizing adverse social and environmental impacts
- An integrated sectorial approach for investments: regional, national, subnational, resource-corridor, or community level.

The IDB's **approach** to Sustainable Mineral Endowment-Based Development has three **focus** areas:

<sup>22</sup> [http://international.gc.ca/world-monde/issues\\_development-enjeux\\_developpement/human\\_rights-droits\\_homme/natural\\_resource-ressources\\_naturelles.aspx?lang=eng](http://international.gc.ca/world-monde/issues_development-enjeux_developpement/human_rights-droits_homme/natural_resource-ressources_naturelles.aspx?lang=eng)

<sup>23</sup> For lessons on Canada's CSR approach to extractives see - <http://www.international.gc.ca/trade-agreements-accords-commerciaux/topics-domaines/other-autre/csr-strat-rse.aspx?lang=eng>

<sup>24</sup> The IDB group has three parts: the Inter-American Development Bank (which works with governments and large companies); the Inter-American Investment Corporation (works with small and medium enterprises and small banks); and the Multilateral Investment Fund (works with micro and small enterprises/private sector development).

- The enabling investment environment – focussing on legal/review and regulations
- Promoting operational effectiveness and productivity – focussing on modern mining management tools; and infrastructure, skills and technology
- Supervising land-use and socio-economic and environmental impacts – focussing on land-use, management and environmental services; and community engagement and communication.

Its **activities** include: training, financing and research.

France

The EITI website lists France's activities related to governance, but not broader extractives activities or related lessons.<sup>25</sup>

## DFID

As this query is commissioned by DFID, it does not provide information on DFID's overall aim, approach and activities in the extractives sector

## Other multilateral initiatives and international processes

Donors fund and engage in numerous multilateral initiatives and international processes on different aspects of EI, including:

- Extractive Industries Transparency Initiative (EITI)
- Intergovernmental Forum on Mining, Minerals, Metals and Sustainable Development (IGF)
- CONNEX Initiative
- Organization for Economic Co-operation and Development's (OECD) Policy Dialogue on Natural Resource-based Development
- OECD International Conference on the Great Lakes Region and the United Nations Group of Experts Forum
- OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas
- Kimberley Process Certification Scheme
- United Nations Guiding Principles on Business and Human Rights

## 4. Lessons

This section summarises lessons related to ASM, local content and governance initiatives. It is illustrative of recent debates, and is not comprehensive of the very broad area of issues covered in this query.

### ASM initiatives

**The ASM sector is typically neglected from donor activities.** This is despite employing 20–30 million people worldwide, with a further three to five times of people indirectly supported by ASM activities. Despite it providing a resilient livelihood choice for many – including those who are

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<sup>25</sup> <https://eiti.org/supporter/france>

vulnerable or who need economic diversity in their livelihoods (Buxton, 2013, p.1). And despite and overall contribution of ASM to 15–20 per cent of minerals and metals worldwide (Buxton, 2013, p.3). ‘ASM has become integral to the economies of many mining countries in the developing world. Particularly in rural and remote areas, where alternative livelihoods are few’.<sup>26</sup>

**The main strategies for managing ASM** in Sub-Saharan Africa have included (Collins & Lawson, 2014): Knowledge-based strategies; regularisation and formalisation of ASM; cooperatives and associations; training/capacity building programmes; strategies focused on mercury; financial assistance; fair trade, standards and certification initiatives; beneficiation of resources; strategies to manage the intersection of ASM with large-scale mining; land rights/securing tenure for miners reclamation of lands mined by small-scale miners; gender-focused initiatives; and alternative livelihoods approaches.

**A key obstacle to donors engaging in ASM is the lack of knowledge about the sector and poor coordination between development actors**, notes Buxton (2013, p.3). ‘There is a large amount of high quality practice-informed knowledge in the ASM sector that has not necessarily been written down or publicly shared’ (ibid, p.13). ‘This is symptomatic of poor coordination and sharing’ between development actors, companies and ASM communities (p.1). The marginalisation and informality of the sector means ‘very little knowledge from ASM communities reaches and influences policymakers’ (p.1). In response to this gap, some development actors are investing in information generating activities (e.g. the World Bank and NGO PACT’s new DELVE database.<sup>27</sup>

**Many call for increased participatory methods and consultation with key actors to ensure adequate knowledge of the local context and inclusive approaches** (Collins & Lawson, 2014, p.15). It is noted that development actors often hold unfounded negative ideas and generalizations about the sector’s activities, with a perception that it is not a good source of employment due to health and environmental concerns (Hilson & McQuilken, 2013, p.104). UN Women has responded to the gender barriers in the EI in Africa with a multi-stakeholder approach, including a recent Sharefair which served as a platform for sharing knowledge and experience, and establishing partnerships (UN Women, 2016).

**Increasingly, governments and donors are promoting the formalization of ASM**, assuming it will lead to a better governed sector with better management of the social and environmental impacts (Salo, et al., 2016; Collins & Lawson, 2014). However, the obstacles to formalization should be considered (e.g. miners feeling there is little difference between being legal and illegal (p.18). More generally, formalization schemes for ASM have been criticized for insufficiently integrating the perspective of the local mining actors (Salo, et al., 2016).

## Local content initiatives

**‘Local content promotion has integrated itself into the international oil industry in ways that a decade ago would have seemed quite unlikely** due to the hegemony of neoliberal economics (Ovadia, 2015, p.37). Local content is ‘a development strategy aimed at increasing the benefits from the oil and gas sector, and translating these to other sectors of the economy (Mushemeza & Okiira, 2017, p.1). Its activities focus on: leveraging the extractive value chain to generate sustained and inclusive growth through economic diversification and employment opportunities; and generating opportunities for regional integration and international trade and gradually reducing countries’ dependence on external aid.<sup>28</sup>

<sup>26</sup> <http://africaminingvision.org/Boosting.html>

<sup>27</sup> <http://www.worldbank.org/en/news/feature/2017/01/30/using-data-to-tell-the-artisanal-and-small-scale-mining-story>

<sup>28</sup> <http://www.worldbank.org/en/topic/extractiveindustries/brief/local-content-in-oil-gas-and-mining>

**‘Policy makers should consider short and long term benefits when designing local content policies.** The achievement of short-term positive outcomes might be easier to attain through certain mechanisms such as the establishment of workforce and procurement quotas and scholarships requirements. However, building linkages through local content policies is a measure that can bring about longer-term benefits to the country’s economy’ (Mushemeza & Okiira, 2017, p.6).

**‘Local content strategies have the potential to be more successful if they are: backed by sector-specific legal frameworks** guaranteeing their measurement, implementation and monitoring. More specific policy and legal frameworks of local content tend to result in better development outcomes’ (Mushemeza & Okiira, 2017, p.6). Yet success ‘depends on ‘early engagement and collaboration among government, extractive industry companies, and communities’ (World Bank, 2013).

**Understanding the specific political economy in the extractives sector in its content is key,** as in many cases the presence of extractive resources is associated with poor economic performance. Lessons from two UK-funded programmes – the Facility for Oil Sector Transparency and Reform in Nigeria, and the Ghana Oil and Gas for Inclusive Growth programme in Ghana – are that: ‘First, continual analysis is essential to understand the underlying incentives of key actors. Second, interventions need to be locally led in order to provide legitimacy for reform. Third, interventions need to be flexible and adaptive. Fourth, acceptance of an element of risk is necessary. Fifth, donors need to develop a new way of measuring impact. (Buckley, et al., 2017, p.ii).

**Country-ownership must be balanced against the appropriate role of support from developing partners.** In case study analysis of establishing a Local Content Unit for Rwanda, a policy note by Steenbergen and Sutton (2017) recommends: paying careful attention to ensure that local staff lead all the work; and not relying on the labour or expertise of external consultants, especially in the initial phase of the work.

## **Governance initiatives**

There is a large amount of literature reviewing many aspects of the Extractives Industry Transparency Initiative (EITI).

An independent review based on interviews with stakeholders by Disch et al. (2015) found that EITI Secretariat staff are knowledgeable and approachable, yet that their capacity was stretched and not always able to meet demand. It found the training course materials to be good, clear, and broad, strengthening a wide range of civil society actors, and it recommended to make the courses longer with more concise materials, increased contextualisation and space to share experiences. The technical support was reported to be effective, focused, and relevant but not delivered efficiently. Recommendations were to consider a longer-term focus for building lasting capacity on the ground. Bilateral programmes were found to complement EITI efforts, particularly in capacity development and communication and dissemination. More administrative resources are recommended to mobilise and coordinate maximum benefit from external resources.

A more recent review comments on the lack of strategic approach and the need for a log frame based on a theory of change so that EITI effectiveness can be properly evaluated (Nuemann, 2016). Evidence is often anecdotal and from insiders. Nuemann also notes the absence of the BRICS<sup>29</sup> and the largest oil producers in the Initiative but commends the evolution from zero to

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<sup>29</sup> Five major emerging national economies: Brazil, Russia, India, China and South Africa.

fifty countries. Debates are happening now due to EITI that were not happening ten years ago. The demand-driven and flexible approach allows the Initiative to operate and adjust for the needs of implementing countries. The benefits of EITI are found to be lower where governments are highly autocratic or highly democratic: the most impact is seen in countries in between these two extremes.

**Figure 3: EITI goals and lessons**

<b>Goal</b>	<b>Results</b>	<b>Lessons</b>
Branding globally and nationally	Several indicators suggest that EITI has achieved a relatively high level of recognition	Assisted by endorsement from the UN General Assembly, the G20, and the G7/G8.
EITI participation and support from governments	Mixed. 52 member countries. Lack of adoption by some resource rich countries in the Middle East and North Africa. Governments are able to delay implementation.	Institutional adoption is mostly driven by external pressures such as need for foreign aid or diplomatic/security support.
Refining multi-stakeholder governance as part of 'promoting and legitimating transparency as an international norm of governance'	EITI often held up as a novel example of effective 'tripartite' governance between governments, companies, and CSOs. Successful in institutionalizing multi-stakeholder governance mechanisms.	Good example.
Operational goals	Evaluations find less success in this area compared to institutional goals.	Reflects country-level constraints with policy buy-in, local capacity and funding for implementation.
Setting up standards for auditing and reporting	Successful.	Increasing the detail in data required. And broadening focus from company/government flow to more aspects of natural resource value chains.
Timely reporting.	Increased.	Support of EITI's International Secretariat and national-level organisations useful here.
Increasing public understanding and debate to influence natural resource management.	Little evidence of this.	Absence of evidence does not reflect general perception that EITI has contributed to debates. Possible reasons: the 'public' are a diverse entity with different views so difficult to influence decisions; EITI has been largely national-level so not creating local-level debate; the public may be repressed by coercive forms of influence.
Participation of civil society	Civil society included but	Civil society often under- or

groups in the multi-stakeholder groups	inclusion is not necessarily addressing governance gaps.	mis-represented and have limited power to influence.
Increasing natural resource revenues through reduced corruption.	Some evidence of reduced corruption but context dependent.	Success tends to be limited to countries with strong civil society. Also, difficult to distinguish between corruption from the extractives sector and overall corruption.
Increasing foreign direct investments into the resource sectors of member states.	Relatively strong evidence that FDI is increased after countries become members.	International financial institutions using EITI implementation as a condition for their support.

Source: Adapted from Lujala et al (2017).

On the NORAD website, the head of the OfD secretariat sums up ten-years of successes, challenges and trends in the NORAD programme (2005-2015).<sup>30</sup> OfD notes that in terms of successes, a series of evaluations and reviews confirm positive results achieved by OfD in diverse areas of legislation and institutional framework, capacity development and the strengthening of accountability mechanisms. NORAD's model of institutional collaboration was successfully scaled up and expanded from 2005 to include: a framework for 'coherent organisation and a framework for the petroleum sector, and include resource, financial, safety and environmental management, as well as involve accountability actors such civil society organisations, parliamentarians and the media'. OfD identifies its move to concentrate its work in just eleven countries as successful. Areas for improvement include: sustainable capacity development (to mitigate against the vulnerability of staff changes in partner institutions); improved results-based management; and holistic programmes.

An annual IMF (2017) review of the Managing Natural Resource Wealth Trust Fund (MNRW-TF) report achievements in relation to work on new legislation and capacity building (IMF, 2017). Lessons from the review include: the need for stronger country ownership and sensitivity to domestic implementation capacity constraints.

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