Enhancing Collaborative Governance and Management of Extractive Industries for Equitable Wealth Distribution through sound Environmental Management in Africa

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Introduction

- Extractive resources play important role in Africa's development
- Focus of this paper is mining, as sector has been crucial in recent decades
- The environment and mineral resources are public goods
- Public ownership and investment in minerals brings many actors together whose interest may stand in opposition
    - Company for profit
    - State for revenue and protection of public interest
    - Community for livelihoods and social values
- Also, the process of extracting minerals affect environment raising public concerns

Introduction continues

- The public and multiple interest nature of extractive resources as well as their effect on the environment make them subject for contestation
- These make collaborative governance central in any discussion about their sustainable extraction, equitable distribution and utilisation
- Actors collaborate to protect their particular interest and that of the public
- This is achieved through redistribution power, knowledge and skills, as well as the benefits and burdens of mining
- Collaborative governance has emerged as a mode of governance for addressing inequality and environmental challenges in mining

Conceptualizing collaborative governance

- As a mode of governance we began by defining governance as:
- a "framework" for interaction by which the actors involved exercise their rights, meet their obligations and articulate their interest" (Hamdok, 2003)
- a system of values, policies, and institutions by which a society manages its economic, political, and social affairs through interaction within and among the state, civil society and private sector" (Dwivedi, 2002)

- Based on the different definitions governance may be characterised as:
- Technical focusing on effectiveness and efficiency of systems and institutions
- political dimension focusing on relationship between and among actors
- Good i.e. *doing things right* such as adhering to the principles of participation, accountability, fairness, transparency, equity and justice

Conceptualizing collaborative governance

- *Bad* for certain groups in terms of the process and the results/outcomes

- Summary: governance involves rules of conduct, leadership, activity and process which take place in various context and modes.

- Collaborative governance is one of the modes of governance which brings multiple actors together to engage on issues and processes that advance their individual and collective interest

- a mode of governance in which state and non-state actors work collectively and in distinctive ways, using particular rules and processes to protect their individual and collective interest as well as manage and distribute the risks and benefits of economic activity

Problem statement

- Collaborative governance is increasingly becoming popular in the field of development generally and the mining sector in particular
  - Type II as outcome of WSSD in 2002
  - EIR sponsored by the World Bank
  - EITI
  - Community Development Funds
  - Global Reporting Initiatives (GPI)
  - CSOs collaborative governance-NCOM, AIMES, PWYP, TJN

- Growth is meant to redistribute power, mineral wealth, enhance environmental protection and curb the incidence of conflicts and human rights violations generated by mining

Problem statement

- Despite growth in collaborative governance, there is wide spread poverty and income inequality in mineral producing and exporting African countries
- Poverty and income inequality are much worse in communities proximate to mining projects in Africa
- there are concerns about the negative livelihoods, environmental and social disruptions caused by mining

Research Questions and Purpose

The key questions posed by this article are:

- Do all actors benefit from collaborative governance in mining?
- Does collaborative governance enhance equitable distribution of the mineral wealth in Africa?
- Is collaborative governance good for environmental management in the mining sector?
- What actions are required to enhance collaborative governance in Africa's mining sector?

- paper explores and assesses these questions with a focus on the role of public policy strategies in Africa's extractive sector.

Research design and methodology

- Paper has been designed as a qualitative study

- Relied principally on review of literature on environment, mining and collaborative governance in the mining sector of Africa
  - Brief overviews, based on secondary data, were made of the general pattern of state policy on mining

  - Draws on results from a previous study of the effectiveness of environmental governance in mining in Obuasi and Birim North Districts of Ghana to analyse the research questions and study objectives

- Benefitted from participant observation at relevant meetings and conferences as well as inquiries, consultation and responses to issues and debates about extractive industries and governance in and for Africa

Mineral Resources in Africa

- Africa hosts variety of mineral resources
- A key player in the global production and distribution of various minerals and metals (***see table 1 on next slide***)
- Historically, the mineral resources of Africa have been the target for global economic powers
- Interest and competition for Africa's mineral resources on the increase following:
  - Liberalisation of the sector
  - Growth in demand form emerging economic powers
  - Price boom for certain minerals

Africa's ranking global distribution of nine minerals in 2008

Export Minerals	African % of World	African Rank in World	African % of World Reserves	Rank in the Global Share
Platinum Group	54%	1	60+%	1
Phosphate	27%	1	66%	1
Gold	20%	1	42%	1
Chromium	40%	1	44%	1
Manganese	28%	2	82%	1
Vanadium	51%	1	95%	1
Cobalt	18%	1	55+%	1
Diamonds			88%	1

Mineral Resources in Africa con't

- Mining is the top strategic area in making the continent attractive for doing business (Ernst and Young, 2011)
- Ghana is an important mineral producing and exporting country
- Second largest producer of gold in Africa, after South Africa
- Mining has the potential to contribute towards:
  - Employment creation
  - Transfer of skills and technology
  - Government revenue
  - Community development

Results and analysis

- Paper found evidence of collaborative governance in the mining sector in different forms and categories.
  - Public-public (state actors only)
  - Public-private (state and non-state actors)
  - Private for profit and non-profit (non-state actors of profit & non-profit)
  - Private non-profit (CSOs coalitions, networks, & alliances)
  - Private for profit (mergers, joint-ventures, alliances)

- Collaborative governance appear in response to a number of conditions.
  - Pervasive environmental problems
  - The need to enhance countervailing power of politically weak actors
  - The ascent of doctrine of participatory approach
  - The benefit of pooling limited resources together for optimum results
  - Weaknesses of the regulatory framework or its failure
  - Public pressure
  - The desire to appear good

Results and analysis

- Collaborative arrangements in mining generated some important outputs such as transfer of experiences, skills and inputs; consensus; voice of communities

- Outputs do not narrow inequality in the distribution of mineral wealth and environmental challenges of mining
  - Graphic income poverty in mineral producing and exporting African countries and communities in mining areas (World Bank 2006)
  - Widespread inequality in the distribution of mineral wealth (Big Roundtable, 2007)
  - Local communities bear direct and long-term environmental risks of mining

- Ghana earned disproportionately low revenue compared to foreign mining companies (***See ground rent, royalty and dividend payment***)

Ground Rent Payable in 2004-2008

Mine/Company	Concession size (km^2)	Amount in Ghana Cedis per year				
		2004	2005	2006	2007	2008
AnglogoldAshanti-Obuasi	334.27	167.54	167.14	167.14	167.14	167.14
AnglogoldAshanti-Bibiani	49.82	24.91	24.91	24.91	24.91	24.91
AngloGoldAshanti-Iduaprim	31.00	15.50	15.50	15.50	15.50	15.50
Golden Star Resources-Prestea/Bogoso	224.05	112.03	112.03	112.03	112.03	112.03
Goldfields Ghana Limited Tarkwa	204.22	102.11	102.11	102.11	102.11	102.11
Abosso Goldfields Ltd	49.00	24.50	24.50	24.50	24.50	24.50
Ghana Manganese Ltd	175.93	87.97	87.97	87.97	87.97	87.97
Ghana Bauxite Co.Ltd	29.39	14.70	14.70	14.70	14.70	14.70
Golden Star Resources (Wassa) Wexford	50.00	-	25.00	25.00	25.00	25.00
Chirano Gold Mines Ltd	36.00	-	-	-	18.00	18.00

Royalty payment/Distribution

Beneficiary	Percentage share of total royalty collected per period		
Central Gov.	80		
Mineral Dev. Fund	10		
Local Gov. & Communities	10		
Total	**100**		
	Distribution of the 10% at the level of local government and communities		
	Share of the 10%	**Share of the 10% converted to 100%**	**Remarks**
Office of the Administrator of Stool Lands	1	10	For administrative cost
District Assembly	4.95	49.5	Mine must be in District
Stool	2.25	22.5	Mine is in traditional stool/council area
Traditional Council	1.80	18	
Total	**10**	**100**	

Dividend payment to Government

- Dividend payments to government for its automatic equity participation have been marginal, erratic and fading.

- Here are some examples
  - In 2005, dividend payments was 17% of total mining receipts
  - It fell to 12% in 2006
  - Then 6% in 2007, and
  - Further down to 1% in 2008

- Inequality in the distribution of benefits and risks also appear among actors in communities in mining areas (***see next table***)

Inequality in distribution of benefits

Social Interest Groups	Social structures	Voice in decision-making	Support for livelihood enhancement projects	Compliance with agreed decisions and local values	Reduced incidence of conflicts and tension	Acquisition of new skills for resource management	Uninterrupted access to environmental resources
Chiefs	7	7	7	5	4	2	5
Adult men	3	6	4	7	5	5	4
Adult Women	4	2	5	4	7	6	7
Tenant farmers	1	1	2	3	2	4	3
Assembly members	6	5	1	2	3	1	2
Committee members	2	4	6	1	2	3	1
Youth	5	3	3	6	6	7	6

Results and analysis

- Inequality in the distribution of mineral wealth and environmental risks is a product of state policy

- Since the 1980s, the primary emphasis of state policy for mining sector has been to attract more and more transnational capital. This means in practice:

- **High incentives for mining companies**
  - Exemptions of custom duties and VAT on mining equipment
  - 80% capital allowance for first year
  - Carry forward of losses for five years
  - enjoy deed of warranty i.e. no income tax on certain expenses made in foreign account

Results and analysis

- **Protection for mining companies**
  - Stabilization provision guaranteed stability for mining companies

- **Some discretionary powers**
  - Dividend payment is corporate management policy
  - No compulsory to publicly disclose environmental monitoring results
  - Depth of closure of mine pits is left with the discretion of EPA, not affected persons
  - Standards in some areas such as distance between settlement and blasting points as well as benchmarks for participation and feedback do not exist
  - Standards that exists are generally relatively low

Conclusion and Recommendations

- Growth in collaborative governance has not balanced the scale of power nor enhanced equitable distribution and management of mineral wealth through sound environmental protection
- A fundamental prerequisite for balancing the scale of power and enhancing the equitable distribution and management of mineral resources in Africa through sound environmental management is public policy
- The paper recommends a review of current mining regimes in Africa
- Review of the incentive scheme granted to mining companies

Results and analysis

- Abolition of stability clause as a legal provision
- A floor of revenue at which companies must declare dividends should be established
- Environmental standards should be provided in areas that they do not exist to minimize the use of discretion
- Effective coordination is required of regulatory institutions
- Collaborative governance should constantly seek to protect public (collective) interest

Thank you