

Ensuring Responsible Mineral Sector Development in West Africa - West Africa Regional Mining Forum, 11-13 February 2008, Conakry, Guinea

Part I General Conclusions

Minister of Mineral Resources Alhaji Abubakarr Jalloh and Director of Mines A.R. Wurie led a delegation from Sierra Leone at this important regional conference. The discussions at the West Africa Regional Mining Forum between governments of 11 West African nations (Burkina Faso, Cote d'Ivoire, Guinea, Ghana, Liberia, Mali, Niger, Nigeria, Senegal, Sierra Leone and Togo) and Central African Republic, multilateral and bilateral donor partners, mining industry representatives, and civil society stakeholders marked a significant step in recognizing the importance of mining to economic growth and development in Africa in general and West Africa in particular. A number of resolutions emerged from the event, which were reinforced by a joint action plan developed among the Mano River Union countries, including Sierra Leone, to work more closely together to maximize benefits from the sector.

The combination of a conducive market for commodities, the availability of investment capital for mineral exploration, and the significant geological endowment of West Africa have created momentum for several new mining ventures in the sub-region. West Africa is now the preferred destination for mineral sector investment in Africa. This scenario presents not only great opportunities for all countries involved, but major challenges that are best addressed through a regional approach to mineral sector management and development.

From the wide exchange of views, participants agreed that it was time for a paradigm shift from "mining for revenue" to "mining for development". To achieve this, countries in the region are grappling with many of the same issues which include:

- Challenges of negotiating mining agreements with mining companies
- Lack of capacity in government and the local community to address technical and governance issues
- Current efforts in the region to update mining codes
- Challenges improving the relationship between companies and the local community to ensure lasting benefits from mining
- Developing standards to ensure more effective management of mining revenues
- Widening the economic benefits from mining infrastructure, and seeking shared infrastructure opportunities
- Addressing the social and environmental aspects of mining
- Identifying opportunities for local processing of minerals, and greater emphasis on the development of value added mineral products.

Participants also concluded that the term "capacity building" means many things in addition to building the capacity of government to negotiate mining agreements.

Capacity building must also address: (i) the ability to develop mining codes which fairly reflect the needs of both the company and the community; (ii) technical capacity to understand a country's resource potential; (iii) the ability to analyse a company's financial flows, including its expenditure outlays and transfer pricing; (iv) helping the local community assess the implications of an environmental impact assessment; and (v) evaluating the impact of mining activity on the community.

In terms of company-community relations, case studies presented at the conference showed that effective cooperation between mining companies and the local community is indeed possible (examples given included Ghana and Tanzania). As an example of progress in this area, Guinea's Mining Policy 2005 and its review of mining agreements 2007 now factor in the social perspective. Other case studies highlighted:

- The need for local development funds to be well-managed, transparent, and participatory;
- The value of building local partnerships with companies to find solutions;
- The need for cooperation between companies and the local community to be integrated into national development planning;
- The need to build greater capacity within local governments to ensure that monies received are spent wisely;
- The need to deepen governance reforms at the local level;
- The need for civil society to play a role in ensuring that company commitments to the local community are enforced.

Formal Conference Declaration

Formal agreements reached at the conference were as follows:

1. To support West African governments to promote sustainable mineral sector development. This includes:
 - A country-specific and regional approach to key reforms, including efforts to harmonise key standards such as guiding principles for mining codes and fiscal regimes to ensure a level playing field in the attraction of investment, and an equitable sharing of mineral resource rents.
 - Support to enhance governments' cooperation and coordination in regard to sub-regional infrastructure development.
 - Fostering mineral-sector driven sub-regional industrial and service sector clusters for growth and development.
2. To build countries' capacity through the establishment of an Extractive Industries Policy and Transaction Advisory Facility (EI-PTAF).
 - All too often the extractives sector has suffered from weak institutions and legal frameworks, and insufficient local capacity. To address this, the proposed EI-PTAF would be a fast disbursing multi-donor trust fund located in the region to provide technical assistance for policy support and building capacity for transactions in the EI sector in Africa.

- In addition, the African Development Bank plans to establish an Africa Legal Support Facility (ALSF) in 2008 to assist African countries in negotiating complex mining agreements and create a level playing field between governments and companies.
3. To inform decisions on mainstreaming key environmental and social considerations of sector development, a policy dialogue, the *West Africa Minerals Sector Strategic Assessment (WAMSSA)*, is being undertaken. This policy dialogue will engage all key stakeholders including regional institutions, governments, donor agencies, civil society, local communities and the mining industry.

Part II From Commitment to Action in the Mano River Union

Following the conference, a one-day roundtable discussion took place between government representatives of Guinea, Liberia and Sierra Leone. The objectives of these discussions were to: (i) identify key reform elements that need to be undertaken at the regional level; (ii) exchange views on workable and cost-effective implementation mechanisms.

The following prioritized actions were agreed:

A. The need for harmonization in the following areas:

- i. Fiscal/regulatory frameworks
 - a. Fiscal regimes - as an urgent priority, a comparative analysis of fiscal regimes in the three countries will be carried out, as the basis for reaching agreement on a harmonized fiscal regime.
 - b. Mining Codes
 - c. Model Mineral Development Agreements
 - d. Negotiation/renegotiation of mineral development agreements in a way that ensures companies are accountable for their actions and governments negotiate as equal partners.
- ii. Transparency
 - a. A proposal to extend the EITI initiative to apply to the entire natural resources chain, including the awarding of contracts, paying taxes, and measuring benefits.
 - b. The need to better understand transfer pricing in assessing a mining company's operations and cash flows.
- iii. Licensing/mining cadastre
 - a. To compare licensing and cadastre procedures among the three countries
 - b. To develop a system for tracking the income and expenditures of mining companies during exploration and mining phases

- iv. Auditing/accounting procedures
 - a. To review and adopt African standards for accounting
 - b. To adopt a chart of accounts in mining companies
 - c. Where appropriate, to launch a tendering process for mineral projects
 - d. To develop and utilize financial models for tax purposes (for both exploration and exploitation)

B. Infrastructure and Economic Linkages

- i. To carry out a comprehensive Minerals Assessment in MRU together with geodata collection
- ii. To undertake an Economic Drivers Analysis which identifies linkages between mining activity and other economic sectors
- iii. To better integrate infrastructure planning
- iv. To integrate with the West Africa Power Pool IV project
- v. To create utility regulations to allow for the sale of excess power

C. Mining and the Community

- i. To ensure the coordination of environmental, social, and fiscal impacts of mining
- ii. To review and apply good practice for Community Development from mining activity
- iii. To address the needs of artisanal and small scale mining
- iv. To incorporate gender issues wherever possible

D. Next Steps

The MRU Secretariat is to be a vehicle for the implementation of these initiatives. Next steps are to:

- i. create a Coordination Committee on the review of fiscal regimes, and undertake a workshop on harmonizing the fiscal regime within 1 month.
- ii. create a Strategic Committee on Mining to look more closely at regional infrastructure opportunities.
- iii. establish a Regional WAMSSA Committee.