

## Extractive Futures Dialogue Series

# Extractive Futures: Challenges and Opportunities

16 March 2015, Pretoria

### Executive Summary

The “Extractive Futures Dialogue Series” is aimed at enhancing the sustainability and development contribution of resource extraction in South Africa and the region through multi-stakeholder dialogue, knowledge and experience sharing on international best practices in extractives transparency and the implementation of the African Mining Vision. This dialogue themed *Extractive Futures: Challenges and Opportunities* was hosted in collaboration with the British High Commission and sought to situate the Extractives futures dialogue at the intersection between conflict and development. Participants and speakers for this workshop were drawn from government, industry, civil society and the diplomatic community. This dialogue contributed towards a greater consensus on the fact that Africa’s prospects for long-term peace and prosperity rest mostly on the governance of resource extraction. This is due to the immense reliance of the continent on this sector as part of the legacy of uneven development. Major points that were mapped in the dialogue series included the concept of transparency and how it supports accountability, good governance and stability with the aim for longer and stable investment. The speakers pointed out that there is still need for continuous engagement on the mining governance between developed and developing countries. In relation to South Africa, this dialogue meeting pointed out the country’s strong record on transparency and good governance was highlighted as one of the lessons that can be taken by other countries in the continent. South Africa’s commitment to socio-economic rights was reiterated, through reference to the Africa Mining Vision and its Action Plan. Furthermore it was pointed out that moving forward SA sees stakeholder relationships, including labour and the local communities around the mines as important in unleashing the transformative force in mining, which in turn would support the socio-economic rights of all stakeholders. As an emerging and important aspect for future engagements for all stakeholders in the sector, the meeting recognized that the health of South Africa’s social capital in the negotiations on mining houses and South Africa’s youth bulge requires urgent attention to address the sense of frustration held by young professionals. Speaker reiterated the need for both developed and developing countries to share lessons and experiences, they pointed out that there is a gain from further conversations with the UK on issues surrounding labour relations and health and safety.

## Summary of Presentations

### Welcome Remarks: Ms Molly Dlamini, SALO Stakeholder Relations Manager

Ms Dlamini welcomed distinguished guests and participants to the dialogue series. She reflecting SALO's mandate, Ms Dlamini believes the African continent's long-term peace and prosperity hinges off the governance of resource extraction. As such, SALO's multi-stakeholder dialogues seek to facilitate national and regional conversations between stakeholders, and to talk about best practices in the governance of the extractive industry. The workshop arose out the need to provide a platform for dialogue between key players in the extractive industry in South Africa to discuss challenges and opportunities in the sector towards a more sustainable industry of improved relations and better outputs.



### Her Excellency Ms Judith Mcgregor, British High Commissioner, South Africa



H.E Ms Mcgregor set the tone of conversation by emphasising the immensity of the extractive industry to the African continent. The emergence of Extractive Futures Project co-hosted with SALO has sought to facilitate the debate about greater transparency to promote intersection with accountability, good governance and stability. It further aims to support longer and stable investment. In terms of UK's interest in the industry, the High Commissioner said this has come about as a reflection of its own turbulent history in mining. She described the UK's experience as a painful process of modernization, having eventually succeeded to convert mining into a more sustainable industry for all stakeholders. The United

Kingdom is therefore acutely aware of the difficulty to bring parties together in the extractives sector and thus, follow the moral imperative to provide broad transparency and greater openness between all parties in this sector for improved relations in light of the legacy of uneven access to resources.

High Commissioner Mcgregor spoke of the UK's efforts to ensure greater transparency through the incorporation of a series of European Directives into British legislation, their commitment to the global processes on transparency through its role as Chair of the Voluntary Principles in the Extractive Industries that ends in 2015 and the UK's application for membership to the Extractive Industries Transparency Initiative (EITI). The EITI it is a global coalition of governments, companies and civil society, working together to improve transparency and create a level playing field for business. She articulated that EITI is a system based on the conviction that lasting change will only be achieved if it comes from within. She

referred to several African examples, pointing to the 48 countries that part of the initiatives and highlighted concrete outcomes that have resulted from their membership to the global reporting system. Nevertheless, the High Commissioner also took note of countries such as South Africa that already held high stands of transparency without membership with the EITI.

*'And we believe that if all extractive companies were to report by 2020 to one globally recognized standard (EITI), we would all benefit, and so that is why we want to commit to partnering with others But we also recognize that there are many paths to Rome, and that many companies and many countries are already doing a tremendous amount..'* (British High Commissioner Ms Judith Mcgregor, 2015)

High Commissioner Mcgregor looked forward to the UK's membership in the EITI to strengthen their promotion of the EITI. She reflected on the UK's experience of the Voluntary Principles on Security and Human Rights and how it has shown that there are more open approaches to these areas emerging. Furthermore, with mining accounting for more than a half of the trade and the investment between the UK and South Africa, the High Commissioner looked forward to using initiatives like the EITI to double these relations and benefit all.

#### **Hon. Godfrey Oliphant, Deputy Minister, Department of Mineral Resources (South Africa)**



Deputy Minister Oliphant's discuss focused on the African Mining Vision and Investment Promotion in South Africa. He began his delivery with a reflection of the effects of Apartheid upon natural resources in South Africa and how it systematically formalized the division of natural resources according to race. The South African Constitution and subsequent legislation arose as a response to the negative effects of the past. One such initiative included in the process has been the Action Plan for the implementation of the African Mining Vision adopted by the African Union in 2009. In commemoration of the

Human Rights in the month of March, the Deputy Minister felt it was important to emphasize the protection and promotion of human rights globally, especially the South African government's endeavours towards its citizens as well as noncitizens in this regard. In light of the relationship between mining and human rights, Deputy Minister Oliphant reiterated South Africa's support for the African Mining Vision [AMV] and its Action Plan.

*'(The African Mining Vision)... it is Africa's own response to tackling the paradox of great mineral wealth existing side by side with pervasive poverty. This vision is crucial in the development of this continent because, of the fifty-four countries in the AU, forty-six have mineral resources of commercial importance. Mining in Africa should accelerate socio-economic development, which in turn eradicates poverty, inequality and ultimately improves the living standards of communities. The African Mining Vision is holistic. It requires us to think outside the mining box in order to ensure the integration of mining into*

*development policies at local, national and regional levels. This is where organisations like SALO should foster partnership with government in order to make this vision a reality.'* (Deputy Minister Oliphant of the Department of Mineral Resources, 2015)

The Deputy Minister explained that South Africa continues to support the growth of the continent through regional integration and direct investments. He referred to Ernst and Young's Africa's Attractiveness Survey of 2014 in which South Africa is seen as being at the forefront of growth in intra-African and broader emerging markets investment and notably the single largest investor in foreign direct investment projects in Africa in 2012. As such, the Deputy Minister pointed out that South Africa has establishing building blocks for regional and international partnerships to ensure an orderly development of the mining sector, which benefits investors and African communities alike. In terms of mining, South Africa has gained through a century of experience, expertise on the industry that inform better practices. Moreover, with annual forums such as the Mining Indaba and other institutions, the mining sector benefits from quality information, addressing fundamental issues of environmental degradation as well as the health and safety aspects of mining. Deputy Minister Oliphant also took the opportunity reflect on the outcomes of the Mining Indaba taking note firstly of the end of the compliance period of the Mining Charter and the pending report to be released in 2015. Furthermore, he also mentioned the One Environmental System and the continued doubt surrounding the Mineral and Petroleum Resources Development Bill, another prominent feature in the Indaba concerning the President-led Framework Agreement for a Sustainable Mining Industry and related progress. In his concluding remarks, Deputy Ministry Oliphant expressed South Africa's interest to continue the conversation with the United Kingdom on the EITI. He also explained that South Africa waits for a value proposition since it is confident in the standard of transparency it holds for the industry. He put forward a query as to why the majority of countries with full membership were developing nations rather than developed one? And added that looked forward to continue discussing these issues towards a bottom-up approach of global governance.

### **Mr Roger Baxter, Chief Operations Officer, Chamber of Mines of South Africa**

Mr Baxter began his address highlighting mining in the African continent with the premise that '*without mining, modern society is not possible*'. He spoke of his belief that this century will be one of immense industrialization for the African continent, promoted by a young and better educated population that is urbanized and linked to the global economy. Focusing on the Africa Mining Vision, Mr Baxter pointed out that there is a strong link between the extractive industries and the industrialization process over the next period until 2058. In terms of transparency, he acknowledged that South Africa has been engaged in conversations over the membership. He maintained that enhanced revenue transparency is essential towards



enabling societies to encourage effective use of resources where citizens are able to question their government about the resources that are generated through the activities of mining. According to Mr Baxter, most of the targets in the EITI have been towards less developed countries. These countries have had generally weak governance, poor development and little benefit from the extractive industries. He observed that this situation can be improved by better transparency and the intersection with accountability and governance. Mr Baxter explained that he took the opportunity to examine Sub-Saharan countries in the EITI. He compared the 19 countries to their performance in the Open Budget Survey on transparency. What he found was that in this list of active EITI members, none of them had extensive information and so none of the countries featured in the top three of the Open Budget Survey. In addition to this, none of them were able to provide significant budget information and they also performed poorly in other indicators in the survey. In comparison, countries such as Uganda and Botswana not in the EITI featured prominently on the Open Budget list due to its transparency. Mr Baxter found that South Africa has the second most transparent budget process in the world, after New Zealand; furthermore UK is also in the same range of transparency as South Africa. He therefore concluded South Africa has a very extensive level of disclosure that can be coupled with other key issues including the regulation of securities exchange, the efficacy of the corporate boards and the strength of investor protection. Mr Baxter articulated that beyond the EITI, South Africa's key role is being a good example for colleagues on the African continent.

#### **Mr. Vic Van Vuuren, Director, ILO, Pretoria Office**



Mr Van Vuuren outlined the macro challenges currently facing mining within South Africa, which affect the mining industry and all stakeholders involved. He stated that the perceived instability of the trade unions within the mining sector in South Africa has been a major factor affecting the industry. Mr Van Vuuren believes that a greater emphasis on social dialogue is key to addressing these challenges. He went on to state that the post-1994 era was one of many social dialogues- so as to bring progress after Apartheid- and shared some of his experiences in this regard in dealing with the trade

unions. Mr Van Vuuren believes that since 1995/6, social dialogue has been reduced to topics of working conditions and service conditions. As a result, South Africa is not dealing with the broader social deficit adequately enough, and negotiations over working conditions and salary increases tend to become highly emotional, creating additional tension within business negotiations with trade unions. In light of the complexity of the challenges that the mining sector in South Africa faces, Mr Van Vuuren asked the delegates to consider how the Scandinavian countries were able to progress in their financial crisis. He found in his analysis that these countries focused on line management and in so doing, these negotiators came out with a social pact that allowed them buoyance and a sense of unification. The economies of Scandinavian countries have thus, flourished under better relations. In South Africa, Mr Van Vuuren advised that line managers in the mining houses need to take ownership of the people component in the South

African context in order to reintroduce a sense of empathy in the workplace. The idea of fostering Scandinavian styled social pacts within mining houses should be included in the 2015 National Economic Development and Labour Council NEDLAC, if there is to be long lasting success after these negotiations. The lack of social dialogue has negatively affected the workers' interest, as Trade Unions continue to criticise business and themselves, and have become subject to infighting, seemingly forgetting the fact that trade unions are supposed to represent the workers' interests.

*'And so I sound like a preacher and I can go on and on, but I think the point that I'm trying to make is that we need to get a social pact within the mining sector, that takes us out of our comfort zone, from both workers' and employers' sides; that's going to take us to be market leaders in how this goes in the world, rather than following some of them'.* (Director of the ILO, Vic Van Vuuren, 2015)

### **Mr Fumani Hoveni, Deputy President, Global Business Roundtable: Youth Chapter**

Mr Hoveni began that Africa needs to look at economic development alternatives, in order to move away from the short-term benefits of aid by harnessing trade and creating a healthy trade platform for business. Despite the progress of democratic governance on the African continent, a reduction in violent conflict and the emergence of a black middle class; poverty still affects the majority of the continent. Mr Hoveni believes that there should be greater emphasis on the mining industry to assist government with developmental aspirations. The continent is abundant with natural resources, which have been behind much of the economic growth experienced. However, these resources are not always used fairly.

*'These same resources are also a source of the vast majority of our problems, with those laying their hands on them continuing to exploit our people while pocketing hundreds of millions in profits annually.'* (Fumani Hoveni, 2015)

In addition, Mr Hoveni put forward the controversial issue of land ownership and called for legislation and related regulations to be relooked at in the favour of young South Africans in business. Beyond land, transparency and skills transfer are important issues to be addressed and Mr Hoveni warns of the consequences of a disgruntled youth. According to Mr Hoveni, it is essential to address the redistribution of wealth and in order to do so, political and technical leadership is required. Mr Hoveni feels that there is a lack of political to redress the *status quo* and the transformation of key economic sectors.

### **Concluding Remarks: Dr Showers Mawowa, Manager: Research and Development, Southern African Liaison Office**

Dr Mawowa in his concluding remarks sought to reiterate that mineral resources are finite, and that leaders must use these natural resources with a sense of urgency as capital for the countries' long-term benefits. Drawing from the workshop's discussion, Dr Mawowa questioned what would be required beyond the political will of governance



to reach a point of transparency and how the burden of transformation can be shared across all stakeholders of the mining sector. Dr Mawowa believes the consensus at the workshop was that much has been achieved in South Africa, however he asks, how the industry is to move forward in light of the challenges discussed. Dr. Mawowa suggested that many more discussions need to be held in order to understand the dynamics at play and to find a way forward that is not ‘business as usual’, to bring about real change. In terms of transparency, Dr Mawowa called for delegates to be critical and to clarify what should be transparent and to whom. This makes an interesting conversation about South Africa’s positions in the Open Budget Survey. Another key theme in the discussion is leadership in the workshop. Repeatedly, strong leadership was called for to make radical and painful decisions. Furthermore, myths and realities needs to be unpacked further surrounding the mining industry, so as to follow up with conclusive decisions and policy arising in all the different forums nationally and internationally. Dr Mawowa asserted that Marikana has been a symbol for what has gone wrong in the mining sector in South Africa, which questions the ability of stakeholders to forecast and their actual insight to prevent another Marikana from occurring. Lastly, Dr Mawowa brings attention to the mining sector as being part of a jigsaw puzzle that fits into other sectors of the economy. In this holistic sense, one must question the sustainability of the sector. This is in light of the fact that mining in developed countries has tended to decrease significantly in term of its contribution to the Gross Domestic Product, along the respective development trajectory. Development history dictates the importance of reducing the role of the mining sector and promoting the role of other sectors, in this instance the African Mining Vision is critical in prescribing the way forward for the industry.

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#### **About the Southern African Liaison Office:**



The Southern African Liaison Office (SALO) is a South African-based not-for-profit civil society organisation which, through advocacy, dialogue, policy consensus and in-depth research and analysis, influences the current thinking and debates on foreign policy especially regarding African crises and conflicts.

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