



Transparency in the Extractive Sector

International Conference | Berlin | 13 –14 December 2007

International Conference: Transparency in the Extractive Sector

Report | Berlin | 13 – 14 December 2007



Federal Ministry
for Economic Cooperation
and Development



Federal Ministry
of Economics
and Technology



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1. About the Conference: Why Transparency Matters

At the G8 summit in Heiligendamm the Heads of State and Government reiterated their support for increased transparency in the extractive sector and committed themselves to working closely with resource-rich countries and emerging economies to realise this aim. As part of the agenda “Growth and Responsibility in Africa”, G8 states and their African partners discussed the topic “Responsibility for Raw Materials”. As G8 president, Germany proposed the convening of an international conference on “Transparency in the Extractive Sector”.

Increased transparency in the extractive sector is widely recognised as crucial for achieving accountability, good governance and sustainable economic development. It offers benefits for all stakeholders in the sector – for resource-rich countries and their residents as well as for industrialised or emerging countries, and for both private and state-owned enterprises. Increased transparency and good governance are also in the interest of importers of raw materials as they increase confidence in the effectiveness of public institutions and political stability. They improve the investment climate and the security of the supply chain.

On 13 and 14 December 2007, Germany held the international conference “Transparency in the Extractive Sector” in Berlin. It was convened by the German Federal Ministries for Economic Cooperation and Development (BMZ) and of Economics and Technology (BMWi).

The conference was a high-level, international forum that underlined the importance of transparency in a sector that provides vital goods such as oil, gas and mining products. It offered a platform for dialogue on transparency and strengthened the cooperation between resource-rich, developing and resource-poor emerging and industrialised countries. The key topics were the certification schemes and the Extractive

Industries Transparency Initiative as instruments that contribute to greater transparency. After an opening panel discussion the conference split into various working groups that discussed issues in depth. At the end, all participants met to discuss the results of the workshops.

More than 250 participants gathered in Berlin to reflect on the state of discussions and to confer on further steps. They included high-ranking delegates from developing, emerging and industrialised countries as well as participants from the public and private sectors, academics, members of international organisations, and representatives of bilateral and multilateral donors. This documentation summarises the most important results of the conference as well as the future challenges that need to be met.



2. The Context: To Walk the Talk

13 December – Get-together on the Eve of the Conference

Ingrid Hoven, Director General, German Federal Ministry for Economic Cooperation and Development (BMZ), opened the floor by welcoming the conference guests. She said transparency was frequently perceived as a rather dry notion that was difficult to explain. Whereas in the past relatively little attention had been given to transparency and the extractive sector, the issue was now gaining momentum. She expressed the hope that those aiming for change are rewarded, in order to send the right signal. “Let’s stop simply talking,” she said. “Now we have to walk the talk.”

Business without Bribes

Mo Ibrahim, founder of various successful telecommunication corporations throughout Africa and an active promoter of transparency, claimed it was possible to do business without paying bribes. He criticised European governments for not taking enough action, as corruption is after all a crime. Yet, as he said, the prosecution of corruption in Africa is still lacking in success. He demanded enforcement of laws by governments, and said the public needs to know what companies are spending. Ibrahim appealed for greater transparency about the flow of profits gained from natural resources. “We need to be consistent, and now is the time to act,” he stated. Summing up, Ibrahim emphasised that good governance is essential both for governments and for corporations, and that it can affect the lives of millions of people.

14 December – Conference

The morning of 14 December began with a keynote address by Bernd Pfaffenbach, personal representative of the German Chancellor to the G8 World Economic Summits and Administrative Secretary of State in the Federal Ministry of Economics and Technology. He reminded the audience of the overall motto of Germany’s G8 Presidency: “Growth and Responsibility”. Long-term economic growth is impossible if governments do not act in a responsible manner. Good financial governance and transparency in the extractive sector are important factors for enhanced economic growth. For many developing countries raw materials are the primary source of revenue, and the current high prices for raw materials could be economically beneficial, he said. However, he warned that wealth gained from raw materials often goes hand in hand with major economic, political and humanitarian problems. Therefore, transparency and responsible government are essential for sustainable development.

To this end, the Heads of State and Government at the G8 summit emphasised two approaches to strengthening transparency and good governance.



Transparent Financial Flows

First, the need for transparency of financial flows from the extractive sector was stressed. Pfaffenbach emphasised the significance and the accomplishments of the Extractive Industries Transparency Initiative (EITI), developed within the context of the G8. “EITI is of outstanding importance,” he said. Under the German presidency, the G8 declared it would:

- provide financial, technical and political assistance as part of continued efforts to strengthen EITI
- appeal to countries and companies implementing EITI, asking them to put the initiative into practice
- support the introduction of the new independent validation process.

The G8 also expressed its appreciation of the large number of banks that have made a voluntary commitment to the Equator Principles and the UNEP Finance Initiative.

Certification Schemes for Trading Chains

The second approach of the G8 concerns the certification of raw materials. Pfaffenbach cited the Kimberley Process (KP) as a good example of a working certification scheme, which aims to prevent the illegal trade in diamonds. During the G8 summit in Heiligendamm governments reiterated their support for the Kimberley Process, stressing its contribution to poverty reduction. Furthermore, Germany introduced a new initiative on the Certification of Trading Chains (CTC) into the G8 process. It is designed to enable certification for the processes of extracting and trading in raw materials. The scheme “is not an attempt to establish new rules,” Pfaffenbach declared. “Rather, this certification system seeks to integrate existing rules and initiatives into the certification process.” It is supposed to help ensure compliance with basic social and environmental standards and further restrict the illegal trade in raw materials.

International Dialogue as a Key to Success

“All these measures require international dialogue,” Pfaffenbach said. “Measures designed to enhance transparency can only succeed if all parties are on board – governments, companies and civil society. Only then will there be stable and sustainable conditions.” Pfaffenbach appealed to the Conference to provide the spark for future initiatives.



3. Main Results of the Conference

3.1. Opening Session: Towards a Dialogue on Transparency in the Extractive Sector

The panel for the opening session discussed the benefits of transparency in the extractive sector from the perspective of different stakeholders. Gabriel Negatu, Director of the Governance, Economic and Financial Management Department of the African Development Bank, listed four key aspects:

- the need for better information
- building the legal and institutional framework
- enhancing public sector capacity to manage resource revenues
- the need for corporate social responsibility.

He explained that the focus on capacity building was a belated issue but nevertheless highly important. He said he did not intend to criticise industry, but talked about “a second opportunity for both sides, the industry and the public side, to get it right.”

Peter Eigen, Chairman of EITI, reported on the successes of the initiative. He stressed that EITI was neither an imposition by the industrialised countries of the North nor a “private sector or Blair initiative” (former UK Prime Minister Tony Blair had announced EITI at the World Summit for Sustainable Development in Johannesburg in 2002), but rather a civil society venture. “EITI has mainly been driven by the desperate needs of people in countries being punished by resource-richness,” Eigen explained. The real actors of EITI are the stakeholders in the 24 countries that have so far started to implement the initiative. Eigen stressed that EITI is very eager to win over countries like China, India and Brazil. At the same time, he also admitted failures such as the fact that Angola



has not yet joined. In some countries civil society lacks the capacity for the necessary technical aspects. EITI Liberia f.i. also focuses on new areas such as forestry.

Karin Lissakers, Director of the Revenue Watch Institute, raised four immediate concerns about transparency and EITI:

- It would have been more appropriate to hold the meeting in Cape Town than in Berlin. South Africa has a well-managed extractive industry sector and should be actively sharing its experience and assuming a leadership role.
- Northern countries can play a leading role. If major players, such as the EU, really got behind the campaign this would help.
- Third, competition for resources is intensifying. This is causing what Lissakers called a “collective amnesia” regarding some resource-rich countries. For example, in the scramble to be the first through the door in Turkmenistan, this country’s appalling human rights record was very quickly forgotten.
- Fourth, in terms of development and in terms of security of supply, sustainability can only be attained if countries are able to speak out openly and hold governments to account.

Pinzler then inquired about industry’s official position, giving the floor to Claudia Wörmann, Head of Department, Foreign Economic Policy, Federation of German Industries (BDI). Wörmann explained that the BDI was a strong supporter of EITI. German industry depended heavily on raw materials. However, only very few of its companies were involved in mining abroad or held stakes there. Their influence was therefore very limited.

The Equator Principles

Foster Deibert, Executive Director, Sustainability Management at WestLB, spoke about the influence of the financial sector. WestLB was one of the four international banks that initially developed the Equator Principles (EP). The EP aim to ensure that projects financed by these institutions conform to a recognised minimum level of environmental and social standards. These were announced in June 2003. The initiators attached particular significance to the application of these standards in developing countries. 59 institutions have so far signed up to the EP, predominantly in North America and Europe, though to date none have done so in China or India. Approaching developing countries would be the next step, according to Deibert.

Lissakers stressed that the EP are useful as far as they go, but suggested there is room and need for more regulation. In particular, she said that the „acceptance of looted assets is a disgrace“.

The Kimberley Process

Mark von Bockstael, Chair of the Working Group Diamond Experts of the Kimberley Process, explained that the process itself had emerged from a meeting of mining companies in 1989. It was prompted by accusations, based on facts brought to light by NGOs, that the mining industry was doing nothing about wars over natural resources in Africa. The key problem, however, was the fuelling of conflicts by artisanal mining. The Kimberley Process was unable to convey its message to those involved in small-scale mining. This was the reason for the development of the Kimberley Process Certification Scheme.

Victor Kasongo, Vice Minister of Mines in the Democratic Republic of Congo (DRC), stated that governance was a key issue and a motivation for his country to join EITI. The DRC is a major player in the gold, cobalt, oil and timber fields. It therefore seemed important to direct the development of resource exports so that it benefits the people. He

also stressed the importance of getting EITI and the Kimberley Process working. The government had been called upon to assist in the process, although tracking the full trading chain was very difficult. Yet transparency and accountability to the people are vital. Kasongo said that plans are being developed for the certification of the high-tech mineral commodity coltan as well as for gold.



3.2. Workshop 1: EITI – Putting Transparency into Practice

Tove Strauss, Principal Financial Governance Expert from the Governance, Economic and Financial Management Department of the African Development Bank (AfDB), opened the workshop, stating that the misuse of revenues from raw materials has become so blatant that now everybody is keen to solve the problem. Increasingly, multilateral donors are supporting initiatives like EITI. Their objective is to promote advocacy and create the political will amongst those African countries that do not yet support EITI. She pointed out that the successful implementation of EITI seems to depend significantly on cooperation with donors.

A company representative underlined that good business could well go hand in hand with responsible business. Despite the fact that some governments or companies are not convinced of the advantages of transparency, sustainable corporations have shown that it increases the long-term stability that is vital to business. Furthermore, transparency seems to mitigate corruption; it would demystify rumours about apparently supernormal profits being earned by a few individuals. It can also improve a company's reputation. According to Strauss, one problem with EITI is that it can only work if all players accept it. If there is competition from other companies willing to undercut standards, it would fail.

How EITI works

The session continued with a short presentation summarising the development of EITI. EITI has established itself globally as the standard on transparency in the resource sector. An international EITI architecture is now in place with an EITI Secretariat in Oslo. EITI has enjoyed strong support from stakeholders, donors and agencies, such as the World Bank Group, the AfDB and the International Monetary Fund. The Multi-Donor Trust Fund to support EITI has eight donors and disposes of about 13 million US dollars. Many countries have now publicly

committed themselves to adopt EITI - half of them from Africa. Norway is the latest to join; importantly it is the first OECD country to adopt the Initiative. It was widely agreed that having more developed / OECD countries among the implementers would be highly desirable.

The EITI Board has pre-validated 15 countries so far and is awaiting data for a further ten. As of November 2007, eight countries have published one or more EITI Reports.

Examples of EITI implementation in Ghana, Congo-Brazzaville and Peru were then presented. The discussion illustrated the advantages and challenges involved in EITI to date.



Challenges for EITI:

- The efficiency of the donors' assistance has to be improved.
- Transparency of revenues is a first step – an important question is what governments are doing with it. Transparency is not only about encouraging openness, but also about developing the competencies for this. Therefore it is strongly linked to capacity building.
- EITI does not cover areas such as licensing or issues of fairness (questions such as: does everyone receive a fair share?).
- Free and full participation of civil society is essential. The civil society representatives have to be credible. They should not be intimidated or harassed, as occurs in some countries.
- The implementation process depends on support at high political levels.
- The EITI Secretariat should develop mechanisms for addressing human rights violations.
- Technical competencies relevant for EITI are limited within civil society organisations. In order to perform their role adequately, these need to be developed.

Successes:

- Transparency is now much more a matter of public debate than it was before the implementation of EITI.
- Governance has improved in the countries involved.
- EITI generates public space for discussion and can increase levels of trust between stakeholders, e. g. between government and society. It promotes social inclusion.

During the discussion, the creation of different layers of complexity within EITI was proposed, to enable governments to decide how far they want to get involved. Thus they could start to implement EITI at a basic level and adopt more challenging measures in the future.

An inquiry was made as to how EITI is mainstreamed into the activities of the World Bank and IFIs, and whether adherence to EITI should not be a prerequisite for cooperating with the World Bank.

On the issue of how far EITI should go, concern was expressed in particular by the civil society representatives. The Ghanaians want to push the boundaries, giving EITI a broader focus, thus ensuring the decentralised utilisation of sub-national revenues in Ghana. However, the budget process is seen as very constrained and difficult to disclose to society or to public expenditure reviews.



3.3. Workshop 2: A Subset of Certification Initiatives – Best Practices and Lessons Learned

The participants of this working group explained what can be achieved by establishing certification schemes for raw materials. Existing or emerging certification schemes were presented.

Precious stones are easy to smuggle. The stones are small and the mines – often small in scale – are generally in areas difficult to access. Systematic controls are hard to implement. Even so, in the last two years the international community has tried to establish sanctions. “International control mechanisms can help stop illegal trading” was a common argument. “Yet the evidence about the true ownership of precious minerals is still not good enough.” The Democratic Republic of Congo was cited as a positive example of progress, where the Minister of Mines has signed a statement saying that certification systems for stones should be introduced.

The Kimberley Process

A short overview of the progress of the Kimberley Process was given. The process has established a certification scheme to stop the illicit trade in diamonds, which is closely connected to wars (as, for example, in Sierra Leone). The process aims to establish a certification of origin, with the Kimberley certification being a guarantee of the conflict-free source of a rough diamond. But it is no proof of social or ethical standards and it does not include an analytical proof of origin. Once a diamond has been cut and polished, there is no way of identifying its origin.

The aim of civil society and governments to address social and ecological issues was another aspect of the discussion. However, the main intention of the Kimberley Process is to stop the wars related to diamonds. It is seen as successful because it focuses on one point rather than on a complex set of issues.



Still, there is a challenge: national governments and financing institutions need to be included in this process. Furthermore, other valuable minerals that have caused conflicts should be covered by similar standards. Certification schemes are not regarded as useful for fighting corruption, as certifying human behaviour would not be possible. There was agreement that this would need to be addressed separately.

Proof of Origin

The practical challenges involved in proving the origin of mineral commodities such as coltan were described. Coltan (tantalum-niobium ore) is essential in the production of mobile phones. Nearly 30% of world production is in Africa. Like other minerals (cobalt, tin, gold) it is often provided by artisanal and small-scale mining (ASM), which is difficult to control.

Based on a specially developed analytical protocol, scientists at the Federal Institute for Geosciences and Natural Resources (BGR) identified four criteria to ascertain the origin of coltan. Further work needs to be done, such as the development of statistical tools, reducing the costs of the proof procedure and implementation into a certification scheme, similar perhaps to the Kimberley Process. Application of the methods to other mineral commodities would require further research.

Markus Wagner, head of the Mineral Economics and Mining section at the BGR, said, “Germany has realised that certification is an important part of transparency.” The certification of complete trading chains provides mutual benefits for the producing and importing countries. They increase productivity, secure supply, support good governance and involve various groups. A pilot project for certified trading chains (CTC) started in Rwanda in 2007. The implementation phase is planned to start in 2008. Combining CTC with the analytical fingerprint would be an important step towards transparency in the raw materials market.

Around 10–15 million miners work in the artisanal and small-scale mining sector worldwide. The Association for Responsible Mining (ARM), an independent, international and multi-institutional organisation, proposes the “Standard Zero process” to certify that gold from artisanal and small-scale miners meets social, environmental and human rights standards, and that it provides added economic benefit to local communities. The Berlin discussion agreed that in a fair trade process, traceability along the chain should be perfect. Developing “Standard Zero” for gold is based on a normal supply chain. The aim is for consumers to ask for transparency, who would thus become the main driving force for the process. Trial implementations of Standard Zero will take place in Bolivia, Colombia, Ecuador and Peru. „Certified Fair-Trade Artisanal Gold“, produced according to Standard Zero, is expected in 2009.

3.4. Workshop 3: Transparent Public Use of Resource Revenues – Building on EITI Principles

Revenues from the extractive sector pose specific challenges to governments and administrations. The sheer magnitude of revenues, the complexities of fiscal arrangements governing the sector as well as the high volatility of revenue flows are a substantial burden for public financial management. Transparency of public revenues and company payments, as advocated by EITI, are seen as the first steps in promoting transparency in the extractive sector.

The IMF Guide

The International Monetary Fund (IMF) published the Guide on Resource Revenue Transparency which builds on four pillars:

- clarity of roles and responsibilities
- open budget processes
- public availability of information (fiscal risks)
- assurances of integrity.

Norway is seen as an example of best practices for its transparent management of oil revenues. It established the Norwegian Oil Fund, which has now been renamed the Government Pension Fund because most expenditure is related to pensions. It represents Europe’s largest single-owned asset pool, and boasts a high growth rate.

Revenues from extractive industries cannot always be transferred to the state budget. In Norway this was possible because its oil industry is state-owned. The fund is fully integrated in the state budget. The Norwegian Parliament has issued a Fiscal Policy Guideline stipulating that 4% of the

fiscal return on the fund may be used to subsidise the state budget. Oil revenues are not regarded as revenue but as an asset. The objective is to convert a one-time inflow into a steady cash flow, thus maintaining a steady income when the oil revenues are gone.

The Norwegian experience served as an example for Mauritania, which joined EITI in September 2005. Since then, a legal framework has been established for EITI and a National Fund for Hydrocarbon Revenues (FNRH) has been set up. Civil society is strongly represented in the relevant Mauritanian bodies and the parliament is involved in the monitoring mechanism.

The World Bank, which has been advising governments on the design of fiscal regimes to govern mining for over 15 years, states that five criteria must be met: stability, clarity, equity, neutrality and efficiency.

Once the funds are filled, fair allocation of revenues could prove a problem, as the experience of Cameroon shows. A further aspect is that all underground resources belong to the central government. As there are no regional or local taxes or revenues from the natural oil sector, the question arises of what can be done for these areas.

The World Bank's Policy

As one participant pointed out, in the 1990s mining taxation regimes were imposed in at least 70 countries as part of a World Bank policy to attract foreign direct investment (FDI), including reductions in the tax burden for mining operations. The participant asked whether any efforts had been made to reverse such policies. It was further questioned why the World Bank was forcing developing countries to deal with irresponsible companies and arrange agreements that did not benefit the public. The response was that during the 1990s the World Bank received many requests from countries that were unable to attract FDI in the extractive sector during periods of low metal prices. In these rather

difficult cases with sub-marginal deposits, government income was necessarily low. The World Bank favours clear, standardised rules that are not negotiable on a case-by-case basis, because these disadvantage inexperienced administrations and those where capacities are lacking. World Bank assistance for mining countries results in a government take of 45–55%. Negotiations have never been conducted, which result in an agreement with a government take of less than 45%.

The urgent need for a dialogue on countries' responses to oil booms was raised. Such booms usually lead to fiscal surpluses. Non-oil deficit is highly volatile, which makes countries vulnerable to lower prices.



3.5. Workshop 4: Steps Forward – Multi-stakeholder Dialogue for Responsible Mining

This workshop gave the floor to stakeholders involved in certification schemes from industry, government and civil society.

Especially for developing countries, many of the certification schemes are seen as very complex and some standards as even too high for industrialised countries. Nevertheless, the OECD regulation standards are generally seen as the best ones. Also it was argued that the high number of existing standards is problematic. For putting certification and standards into practice it is important that standards have to be simple to use: simplicity is essential.

Artisanal and Small-Scale Miners want their Share

Artisanal and small-scale mining has played an important role in the economic development of some countries. Premises in this sector differ from those in others. For example, in fair trade arrangements for agricultural products such as coffee, the focus is on pricing between industrialised and developing countries, unlike the practice for metals and stones. Different certification schemes should be identified to avoid competition. Here, the need for multi-stakeholder dialogue was expressed.

The success of the Kimberley Process is reflected in the fact that, although it is voluntary, it is now essential to join in order to take part in the international diamond trade. It has been successful because it focuses strictly on conflict diamonds. However, the Kimberley Process will not stop diamond conflicts completely. Instead, different approaches need to be combined. Altogether, the involvement of business and civil society is a success.

Nonetheless, the Kimberley Process was also criticised. It was said that, although stakeholder dialogue is possible, it is still difficult and an on-going process. The Kimberley Process also showed that certification has to be adapted to reality. Too many certification schemes might be confusing. The Kimberley Process should not be confused with private certification schemes. It was also argued that certification schemes do not go far enough as they can neither unite societies nor build peace.

The Democratic Republic of Congo (DRC) is well aware of the high demand for the world's mineral resources and is responding to this. Agreements have been signed with Rwanda, and a partnership between the two countries is further benefiting developments. The DRC's administration is still young, thus it is also looking beyond the frontiers to learn from other countries and to promote peace and trade cooperation.

An important point of discussion was the role of artisanal and small-scale miners, who in some countries constitute the majority of miners. They should be involved more intensively in the dialogue. By contributing to transparency, certification would benefit them as well as communities and local governments. It could be a useful instrument to make the local level more transparent in general. Certification was seen as a good contribution to establishing a legal framework for artisanal and small-scale miners.



4. Closing Remarks

The results of the workshops were presented in the presence of the media. It was stressed that certification cannot be a panacea solving the problems of the extractive industries sector. The key issues remained good governance, accountability and equity. Yet there are best practices that can be copied, as for example the lessons learned from the Kimberley Process could be rolled out to the certification process of coltan. Alex Vines, Head of Africa Programme Chatham House, Royal Institute of International Affairs, pointed out that the importance of artisanal and small scale mining has to be taken into account and a realistic and pragmatic approach is important.

Gabriel Negatu, Director of AfDB, pointed out that technical, “supply side” approaches to transparency and accountability had been dealt with in great detail. In contrast, the AfDB sees three crucial challenges to the transparency and accountability within resource-rich developing countries:

- leadership
- institutions
- capacity.

Mechanical compliance with EITI is not enough. “The people of the Niger Delta are experiencing nothing but a curse, in spite of the annual reports their country compiles for EITI,” Negatu said. While EITI has been successful in fostering a culture of transparency, it has also opened a floodgate of demands - more needs to be done. Beyond natural resource management, distribution issues need to be looked at. “Who is participating in the decision-making?” was one of the questions raised.



“Africa is about to experience a boom in terms of raw materials. There could be no better time to do something,” Negatu commented. “But achievements cannot be attained with external forces. Now is the time to focus on empowering people.”

Referring to the alternatives of an “EITI core” and an “EITI plus”, encompassing new aspects of revenue flow, Tove Strauss from AfDB reiterated the general agreement that countries should start with the core principles and only address further issues once key transparency measures have been implemented. Civil society is sometimes too weak to address an extensive package of issues. In this respect, there were demands that EITI should become more involved in legislation, creating better conditions for civil society.

In the following debate Jean-Pierre Vidon of the French Ministry of Foreign Affairs, responsible for measures countering crime and corruption,

stressed the role of civil society in developing transparency. He said that it was an encouraging sign that representatives of the Treasury of South Africa were attending the meeting, and he reiterated the importance of an EITI resolution being adopted by the United Nations.

Barrie Hofmann of the USA's National Democratic Institute for International Affairs (NDI) drew attention to the relative absence of legislators at the meeting and in the EITI initiative. She said they ought to be brought into the EITI process since they played a key role in the accountability chain.

“The best is the enemy of the good,” said Peter Eigen, and emphasised that EITI was not aiming for perfection. Of course, the overall goal is good governance. Nevertheless, EITI is trying to focus on its extremely narrow albeit important agenda. Now what counts is to see to it that the product EITI was actually used by NGOs, governments, international corporations, parliaments and voters.

Summing up, Ingrid Hoven (BMZ) stated that EITI and the Kimberley Process have become a reality in many resource-rich countries, and she welcomed the progress made. Participants from the developing countries made it clear that transparency is essential to ensure that revenue can in turn be used for development, Hoven stated. However, EITI represents just one building block in this context. Other initiatives are on the way.

Civil society is keen to promote good governance, she said, but urged that existing processes needed to be expanded. Further areas that should be addressed are bidding, licensing and granting of concessions. These belong to what Hoven referred to as the “future generation of multi-stakeholder processes”.

Certification as such cannot prevent a conflict; it must be part of broader efforts to improve living conditions in conflict-torn regions. It has to be combined with other instruments aiming at crisis prevention. One field demanding particular attention is the small-scale mining sector.

Certification and transparency can support sustainable development and pro-poor growth.

EITI and certification present two different avenues to transparency. Transparency of public revenues and company payments, as advocated by the EITI, is but a first and necessary step in promoting transparency in the extractive sector.

Germany provides further Support to EITI

The closing speech of the conference was given by Erich Stather, State Secretary, German Federal Ministry for Economic Cooperation and Development (BMZ). He emphasised that the German government will continue to provide financial support for EITI.

“When resources are handled in a responsible way, then a country's wealth also benefits its citizens,” Stather said. In the extractive sector in particular, the importance of transparency has long been underestimated. Natural resources form the basis of all economic and social development. However, their occurrence is limited so that prices are rising. “Consequently, this is a policy area whose importance is growing rapidly and which is becoming increasingly sensitive.”



Resources and Growth

Stather referred to the huge opportunities arising for developing African countries, rich in mineral resources. This continent has the fastest growing oil industry in the world – a major contributing factor to the average 5 % growth it has reached since the turn of the millennium. However, in some countries the impact of the oil revenues has been paradoxical, creating more conflicts and leading to the impoverishment of the people. “With the right political and social environment, better use could be made of the gigantic potential from exploiting natural resources in many countries,” Stather pointed out. Industrialised and emerging countries depend on resource supply. Consequently, they also have a vital interest in reliable international conditions.

Stather pointed to three key elements of a widening international consensus:

- good governance
- binding international rules to ensure a level playing field
- transparency.

“Corruption and legal uncertainty are unjust and help only a few; transparency helps many,” Stather said. Transparency, on the other hand will create a win-win situation for all those involved: for countries rich in resources as well as for civil society, and in the long run also for businesses.

Germany supports Dialogue on Transparency

This is why the BMZ is supporting dialogue on transparency in the extractive sector between developing countries and EITI. The German government advocates the extension of transparency to all areas of the extractive industries: extracting, marketing and the use of revenues.

Here, certification systems are seen as important. Stather mentioned the Kimberley Process, the pilot project for certified trading chains (CTC) for raw materials extracted in small-scale mines, and the development of analytical proofs of origin, e. g. for coltan from central Africa.

Germany also supports the development of sustainability standards in the mining sector on the basis of the OECD Guidelines for Multinational Enterprises, the Global Reporting Initiative (GRI), and adherence to ecological and social minimum standards, especially the ILO Core Labour Standards.

Germany is involved in efforts for further development of multilateral rules. “We are convinced that transparency is good for business and good for development,” Stather said. Rather than being merely a fashionable issue, transparency is something that has to shape the G8-Africa process for a long time to come.



A Conference Summary

General Remarks

At the 2007 G8 Summit in Heiligendamm the G8 Heads of State and Government reiterated their support for increased transparency in the extractive sector. They committed themselves to working together closely with developing countries, in particular resource-rich countries, and with emerging economies in realising this aim.

The conference highlighted the fact that increased transparency in the extractive sector is of central importance for achieving accountability, good governance and sustainable economic development worldwide. This applies to both the mining and processing of raw materials and to the subsequent trade and financial flows.

The EITI and the Kimberley Process have become a reality in many resource-rich countries and these initiatives are developing into de-facto standards. More certification schemes are being developed and have been intensely discussed. Participants recognised that huge challenges lie ahead in promoting transparency in the extractive sector for it to yield the desired development benefits.

More than 250 representatives from industrialised countries, the developing world and emerging economies participated in the event. They came from the private sector, government and civil society; they therefore reflected the multi-stakeholder character of existing transparency initiatives.

The following summary tries to mirror the results of the conference from each stakeholder's perspective.

Developing countries

Participants from developing countries made it clear that transparency in natural resource management holds significant benefits for their countries and their citizens. It is an essential step to ensure that resource revenues are dedicated to development-oriented uses. Transparency is an indispensable tool to curb corruption and allows the citizens to hold the state accountable for the use of natural resource revenues. Transparency and good governance will increase confidence in the effectiveness of public institutions and thus contribute to an improved investment climate. Furthermore implementation of certification systems can help to meet the needs of both the producer and the buyer of mineral resources.

There is concern that calls for transparency from developed countries are an attempt by them to impose their will on resource-rich developing countries. But it was also noted that Norway recently decided to implement EITI. This makes it the first industrialised country to do so, and an excellent case to follow anywhere in the world.

Industrialised countries and the private sector

Representatives of the private sector emphasised that market access and secure supplies of mineral resources have in some cases been hampered by armed conflicts. A proper institutional and legal environment in resource-rich partner countries was seen as equally important.

There is a need to continue the development of good practices by all relevant stakeholders. This would ensure that all sides benefit from the extraction and trade of mineral resources. The main benefit that the private sector derives from certification is that mineral supplies become traceable to a certified producer.

Transparency can have a positive impact on the financing of projects as it improves lending-conditions for companies. There is also a need to create a level playing-field for everyone.

Civil society

It was suggested that existing processes for creating transparency have to be expanded to include bidding, licensing and granting of concessions. In particular, civil society representatives called for increased efforts to engage emerging economies in a dialogue about transparency. Furthermore, in terms of conflict prevention it is important to examine the question of looted assets, the return and management of such assets, and the respective role of banks.

Intergovernmental systems are of key importance for certification. Yet it is important to bear in mind that they alone will not prevent natural resources from fuelling violence and conflict. Certification cannot prevent conflict as such, but it can help to strengthen regional stability. Therefore certification schemes need to be part of broader efforts to improve living conditions in conflict-prone regions.

Better coordination and combination among certification schemes and the involvement of civil society as well as business still pose challenges. There is also the need for capacity building regarding health issues, safety and mining techniques.

Small-scale mining

In some contexts the small-scale mining sector is also a relevant stakeholder. Approximately 100 million people depend on artisanal and small-scale mining worldwide. Therefore certification can also support sustainable development and pro-poor growth. It is important to consider capacity development and socio-economic factors such as health issues, safety and community services. Lack of capacity should be counteracted through skills training which enables broader community participation in economic activities. This training should include an additional focus on alternative mining and value adding technologies.

Outlook

The discussion made clear that the issue of transparency is common to both pillars of the conference, EITI and certification. Each represents a different avenue to approach the issue.

Transparency of public revenues and company payments as advocated by the EITI is only a first, albeit indispensable step in promoting transparency in the extractive sector. Transparency goes well beyond established initiatives. Other efforts to improve public financial management should be pursued just as vigorously.

The discussion made it clear that certification schemes successfully contribute to transparency. However, there is a need to include other high value minerals in certification schemes, while conducting more auditing and avoiding competition between the certification schemes.

Participants are looking forward to the 2008 conference of the EITI as an opportunity to take stock of progress.

Germany continues its commitment to addressing transparency and good governance in its international relations, including those with the G8. Furthermore, the German government will maintain the dialogue with the emerging economies in all relevant forums. In the development context, Germany continues to support the Multi Donor Trust Fund on EITI as well as the implementation of EITI in partner countries through bilateral cooperation. Some of this will be done through a public private partnership in Africa. Together with the African Development Bank and other African institutions, Germany will furthermore follow up on Good Financial Governance in Africa. As an important instrument, Germany will also continue to support certification schemes.

B Conference Programme

■ 13 December 2007 | Get Together – Hotel Melia, Friedrichstrasse 103, 10117 Berlin

- from 18:00 ■ **Reception**
Welcome – Ingrid Hoven, Director General,
 Federal Ministry for Economic Cooperation and
 Development (BMZ)
Dinner Speech: Mo Ibrahim, Mo Ibrahim
 Foundation
Welcome Buffet
- 21:00 ■ **End**

■ 14 December 2007 | Conference – Conference Center Federal Ministry of Economics and Technology, Invalidenstrasse 48, 10115 Berlin

- 8:00–9:00 ■ **Registration and Coffee** – entrance hall,
 ground floor
- 9:00–11:00 ■ **Opening Session** – room “Aula”, 2nd floor |
 English | Interpreting service into French and
 Spanish
 “Towards a dialogue on Transparency in the
 Extractive Sector”
 Facilitator: Petra Pinzler, Correspondent
 DIE ZEIT
Welcome and Opening Remarks
 Dr. Bernd Pfaffenbach, Personal Representative
 of the German Chancellor for the G8
 World Economic Summits and Vice Minister,
 Federal Ministry of Economics and Technology
 (BMWi)

- 9.30–11.00 ■ **Panel Discussion** – room “Aula”, 2nd floor |
 English | Interpreting service into French and Spanish
 The plenary panel discussion will cover the main
 topics and challenges ahead in more detail,
 allowing representatives from all stakeholder
 constituencies to express their views on how to
 advance transparency in the extractive sector.
- Gabriel Negatu, Director, Governance,
 Economic & Financial Management, AfDB
 - Karen Lissakers, Director, Revenue Watch
 Institute
 - Claudia Wörmann, Head of Department, For-
 eign Economic Policy,
 Trade and Development Policy, Federation of
 German Industries (BDI)
 - Peter Eigen, Chairman of the Extractive Indus-
 tries Transparency Initiative (EITI)
 - Foster Deibert, Executive Director, Sustainabil-
 ity Management, WestLB
 - Mark van Bockstael, Chair of the Working
 Group Diamond Experts of the
 Kimberley Process
 - Victor Kasongo, Vice Minister, Ministry of
 Mines, DR Congo
- 11:00–11:30 ■ **Coffee Break** – Vestibule, 1st floor
- 11:30–13:00 ■ **Parallel Thematic Working Groups:**
 Each Working Group is facilitated by leading
 experts and involves contributions from speak-
 ers from different countries and institutions.

■ **Workshop 1: EITI: Putting Transparency into Practice** – room “Aula”, 2nd floor

Facilitator: **Tove Strauss**, Principal Financial Governance Expert, OSGE Department, AfDB

Inputs:

- **Sheldon Daniel**, BP Group
“Introduction: Benefits of Transparent Management of Natural Resource Revenues from a Business Perspective”
- **Anwar Ravat**, Multi-Donor Trust Fund (MDTF), World Bank, “Implementing EITI – applying early lessons from the field”
- **Brice Mackosso**, Justice and Peace Commission Pointe Noire, Publish What you Pay, Congo-Brazzaville, “Implementing EITI: Congo-Brazzaville and Gulf of Guinea”
- **Franklin Ashiadey**, Senior Economics Officer, Ministry of Finance & Economic Planning
“Implementing EITI in Ghana”
- **José Carbajal**, Director General of Social Management, Ministry of Energy and Mining, Technical Secretary of the EITI Working Commission, “Implementing the EITI in Peru”

Working Group 1 will present the benefits of transparent management of natural resources and the resulting revenue flows both for resource-rich countries and importers of raw material. Furthermore it will present the experience with the Extractive Industries Transparency Initiative (EITI) to date and provide an opportunity to exchange on good practices and emerging implementation issues with a view to further the implementation process.

■ **Workshop 2: A Subset of Certification Initiatives: Best Practices and Lessons Learned** – room “Eichensaal”, 2nd floor

Facilitator: **Alex Vines**, Head of Africa Programme Chatham House, Royal Institute of International Affairs

Inputs:

- **Enrico Carisch**, UN Expert Panel Somalia (monitoring group)
“Introduction”
- **Dorothee Gizenga**, Partnership Africa Canada
“The Kimberley Process Certification Scheme (KPCS)”
- **Frank Melcher**, Federal Institute for Geosciences and Natural Resources (BGR)
“Certification as Proof of Origin”
- **Markus Wagner**, Federal Institute for Geosciences and Natural Resources (BGR)
“Certified Trading Chains in Mineral Production”
- **Patrick Schein**, Association for Responsible Mining (ARM) “Standard Zero for Gold”

Working Group 2 provides a platform for discussion on selected certification schemes presented by experts in the relevant field. The initiatives vary in regard to the minerals in focus, methodology, field and level of implementation, as well as reach of impact. One common aim of the different initiatives lies in implementing minimum standards and enhancing transparency in the extractive sector, in particular in artisanal and small scale mining.

13:00– 14:30 ■ **Lunch** – Vestibule, 1st floor

14:30– 16:00 ■ **Parallel Thematic Working Groups:**
Each Working Group is facilitated by leading experts and involves contributions from speakers from different countries and institutions.

■ **Workshop 3: Transparent Public Use of Resource Revenues – Building on EITI Principles** – room “Aula”, 2nd floor

Facilitator: **Gabriel Negatu**, Director, Governance, Economic & Financial Management, AfDB

Inputs:

- **Charles McPherson**, IMF
“Characteristics of Transparent Management of Natural Resource Revenues”
- **Björn From**, Investment Director, Asset Management Department, Ministry of Finance, Norway
- **Mohamed Lemine ould Dhehby**, Representative of the Government of Mauritania
- **Sidi Ould Zeïne**, Representative of the Government of Mauritania
“Natural Resource Funds”
- **Paulo De Sa**, Manager of the Mining Policy Unit, World Bank, “Mining Taxation”
- **Alfred Bagueka Assobo**, Ministry of Finance, Head of EITI Technical Secretariat, Cameroon

Working Group 3 will address wider sector governance issues with regard to transparency and accountability in the resource-induced subsequent trade flows and revenues. In doing so, the workshop will deal with the implementation challenges of appropriate systems as well as management of public resources in both revenue raising and expenditures.

■ **Workshop 4: Steps Forward: Multi-stakeholder Dialogue for Responsible Mining** –

room “Eichensaal”, 2nd floor

Facilitator: **Alex Vines**, Head of Africa Programme Chatham House, Royal Institute of International Affairs

Inputs:

- **Jim Freedman**, Consultant “Pilot Project on Certified Trading Chains in Mineral Production: Results of the Audit”
- Round Table:** Stakeholder Perspectives on Certification
- **Aidan Davy**, Program Director, Community & Social Development / Sustainable Development Framework, International Council on Mining and Metals (ICMM)
 - **Andrew Bone**, De Beers
 - **Victor Kasongo**, Vice Minister, Ministry of Mines, DR Congo
 - **Noel Sellick**, South Africa’s National Mineral Research Organisation (MINTEK), South Africa
“Artisanal and Small-Scale Mining”

- Chuluunbaatar Enkhzaya, Adviser, The Mineral Resources and Petroleum Authority of Mongolia (MRPAM), Mongolia “Artisanal and Small-Scale Mining”
- Anneke Galama, Netherlands Institute for Southern Africa (NIZA), Fatal Transactions
- Jan Gorus, Brussels Centre of African Studies

Working Group 4 gives the floor to stakeholders involved in certification schemes from industry, government and civil society. It is structured as an expert round table. Drawing on concrete examples, their different viewpoints and expectations concerning the potential of certification for implementing standards and enhancing transparency particularly in artisanal and small-scale production of selected mineral resources will be discussed. The main objective of this Working Group is to identify the complementary factors required to ensure successful implementation and long-term, widespread impact of the initiatives.

16:00 – 16:30

- **Coffee Break** – Vestibule, 1st floor

16:30 – 17:30

- **Closing Session** – room “Aula”, 2nd floor | English | Interpreting service into French and Spanish

Presentation and Discussion of Working Groups Results

Facilitator: Petra Pinzler

17:30 – 18:00

■ **Conference Summary and Closing**

Statement – room “Aula”, 2nd floor | English | Interpreting service into French and Spanish

Ingrid Hoven

Director General, Federal Ministry for Economic Cooperation and Development (BMZ)

Erich Stather

Vice Minister, Federal Ministry for Economic Cooperation and Development (BMZ)



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for Economic Cooperation
and Development



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