



# TRAINING WORKSHOP FOR UEMOA MEMBER STATES OFFICIALS REGARDING THE OPTIMIZATION OF NATIONAL ECONOMIES PARTICIPATING IN THE MINING SECTOR'S VALUE CHAIN

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## INTRODUCTION

From September 18 to 22, 2017, a training workshop for government agency officials from the Member States of the West African Economic and Monetary Union (UEMOA) regarding the optimization of the national economies' participation in the mining sector's value chain was held at the Ramada Hotel in Ouagadougou (Burkina Faso).

This training workshop was organized by the Intergovernmental Forum on Mining, Minerals, Metals and Sustainable Development (IGF), in partnership with the UEMOA Commission, in connection with the implementation of the Memorandum of Understanding between the UEMOA Commission and the International Institute for Sustainable Development (IISD).

The workshop brought together 32 executive officers in charge of mines, national economies and finance from UEMOA member countries.

The training seminar was moderated by Jane Korinek, an economist and trade policy analyst in the OECD Trade and Agriculture Department, Mamadou Goïta, Socio-Economist and Director of the Institute for Research and Promotion of Development Alternatives (IRPAD), and Suzy Nikièma, International Legal Advisor and Regional African Coordinator for the IISD ELP Program.

## OPENING CEREMONY

The opening ceremony was presided over by Mr. Oumarou Idani, Burkina Faso's Minister of Mines and Quarries. It included two speeches: one by Mr. Idani himself and one by Mr. Jonas Gbian, Commissioner in Charge of the Department of Food Security, Agriculture, Mines and the Environment (DSAME) of the UEMOA Commission.

## PRESENTATION OF THE TRAINING OBJECTIVES

Following the opening ceremony, Dr. Suzy Nikièma presented the seminar's aims as well as the main issues to be discussed.

She stated that this workshop was the result of a recommendation made by participants at a regional workshop on maximizing the economic benefits of taxation and non-taxation aspects held in 2015.

Nikièma went on to discuss, with supporting statistics, how increasing local participation in the extractive sector can have a multiplier effect and a far greater impact on sustainable development and poverty reduction than the taxes and fees collected by the state. Hence, this training had been designed to better



equip participants in optimizing the maximum economic and social benefits of the mining sector within the UEMOA , based on the policies, regulations and procedures that will enable these economic benefits to represent a larger share of the value chain. Having specified that there are no turnkey solutions, she proposed the identification of procedures, mechanisms and new ideas in order to develop or strengthen relevant UEMOA's policies and laws through an exchange of ideas.

Nikièma stated that the key themes to be addressed during the training would revolve around the following points: (1) The general framework: the mining sector value chain; (2) local content as regards employment, supply of goods and services, and processing; and (3) an introduction on opportunities within the infrastructure.

She concluded by inviting participants to bear in mind that this issue is important both for the state and the mining companies that need to obtain and maintain a "social licence to operate": in other words, to obtain a minimum and broad-based level of legitimacy, trust, acceptance and support of local stakeholders.



## IGF PRESENTATION

Nikièma then made a brief presentation on the Intergovernmental Forum on Mining, Minerals, Metals and Sustainable Development (IGF) and the International Institute for Sustainable Development (IISD).

## TRAINING MODULES

### 1. THE MINING SECTOR IN GLOBAL VALUE CHAINS

This module was presented by Jane Korinek. In her presentation, she reviewed the results of studies and analyses on trade flows, supply and production strategies, and trends in goods and services by country and by activity sector. Review of these studies made it possible to address the following points: (1) the definition of global value chains (GVCs); (2) Africa's participation in GVCs; (3) the role of the mining sector in GVCs; (4) the importance of mining sector services compared to other inputs; and (5) the potential available supply of goods and services in Africa. On the basis of OECD studies, Korinek described the lessons learned and recommendations for UEMOA member countries. These include: lowering tariff barriers for better GVC integration; facilitating intra-regional trade and improving regional infrastructure to take advantage of different-sized economies; and taking advantage of opportunities to supply mining sector services.

### 2. LOCAL JOBS AND LOCAL SUPPLIERS OF GOODS AND SERVICES: BASIC PRINCIPLES FOR AN EFFECTIVE LEGAL FRAMEWORK

This module was presented by Suzy Nikièma. Focusing on the legal aspects of the issue, she first discussed the prerequisites for an effective consideration of local content within the national legal framework. She stated that the legal framework must be based on a predefined national policy or vision based on economic and social analyses made within the context of an inclusive consultation with all key stakeholders. The legal framework must make it possible to translate policies and objectives into clear, transparent and objective rules.



Nikièma offered some basic principles for the development of an effective legal framework for local content, including: (1) establishing the principle of local content as a general obligation; (2) using other instruments more adapted to implementing terms and conditions as mining agreements, (3) ensuring that the specific requirements are the result of a negotiation which reflects the constraints and the opportunities within the country; (4) establishing requirements that would be specific, programmable, flexible, adjustable and reportable; (5) creating frameworks and formal procedures for consultation and negotiation which will clarify the role of each stakeholder; and (6) establishing monitoring and evaluation mechanisms.

Finally, Nikièma emphasized the importance of early, holistic and inclusive planning for local content. To do so, she recommended using tools already available in the permitting process, such as feasibility studies (including project financial models), environmental and social impact studies and management plans for the closure of sites.

### **3. EMPLOYMENT AND TRAINING**

During this session, moderated by Mamadou Goïta, we discussed the definition and challenges of the term "local" in the mining sector, with regard to various parameters (geographic, economic, social and/or political, etc.).

Goïta then turned to the topic of local employment constraints, while discussing good practices within the sub-region. He concluded with the important role that training plays in increasing local jobs. To this end, Goïta recommended enriching, at the national level, non-mining special education curricula with mining-related courses for lawyers, accountants, etc. He then recommended the creation of specialized schools for mining-related jobs on a regional basis, in order to pool efforts and reduce the risk of training more technicians than the sector can absorb.

Following the presentation, participants had the opportunity to share experiences from their respective countries. The discussions revealed that a good knowledge of mining companies' needs combined with consultation with the companies is essential to developing good

training policies and local jobs. Mining companies also have a role to play when it comes to in-house training to enable national executives to move up the corporate ladder.

### **4. ROUNDTABLE: DISCUSSIONS AND SHARING OF EXPERIENCES ON OPTIMIZATION OF THE LOCAL SUPPLY OF GOODS AND SERVICES**

During this roundtable discussion, questions on national strategies and the requirements to provide local goods and services were submitted to participants from each country who had provided information.

Shared experiences revealed that local supply requirements for goods and services are provided for in the laws and regulations of the various countries and also in the contracts signed with the mining companies. However, these texts are not systematically based on the existence of a previously defined national content policy or strategy. In most countries, the requirements for the supply of local goods and services are of a general nature, with no opportunity for negotiation on a case-by-case basis to define specific requirements with respect to rates or schedules of implementation. In some countries, however, there are opportunities to include specific requirements in contracts. Finally, other countries have required that the mining company submit a plan to increase local content.

Overall, good practices have been observed in some member countries, notably in terms of supporting small and medium-sized enterprises to meet the needs of mining companies, but the constraints related to the general business climate, access to finance and capacity building remain important. However, there is a need to work toward pooling efforts at the regional level and adopting specific and adjustable obligations for each mining company to more effectively achieve local content objectives.

The UEMOA Commission also reported on projects and ongoing discussions on local content within the region, including the revision of the UEMOA Community Mining Code. Participants stressed the importance of a regional strategy for these issues.





## 5. LOCAL PROCUREMENT POLICY FOR THE MINING SECTOR AND BRAINSTORMING

In this session, Jane Korinek relied on an OECD study of 10 mineral-rich countries. She highlighted examples of good local supply practices in some of these countries such as Botswana, Chile, Mozambique and Australia. Korinek also highlighted the fact that local content cannot be achieved by "decree"—it results from the adoption of a good policy that identifies the niches in the value chain where a country or region can be competitive and the barriers that prevent small and medium-sized enterprises from meeting the needs of companies and works to remove these barriers in close consultation and negotiation with mining companies. It has emerged from the discussions following the presentation that member countries should develop an upstream, comprehensive and integrated local content policy at the national and regional levels. Participants also stressed the importance of having a good legal framework for local content; however, the latter will have no effect without an accompanying policy and effective mechanisms for monitoring mining companies' obligations.

This session was an opportunity to brainstorm the issues faced by participants in their respective countries in terms of developing and implementing local content policies and legislation.

## 6. ANTICIPATING FUTURE CHALLENGES: INCREASING MECHANIZATION IN INDUSTRIAL EXPLOITATION

In this session, Suzy Nikièma presented the results of a 2016 [study](#) conducted by IISD, the Columbia Centre for Sustainable Development, and Engineers Without Borders Canada on the theme "Mining, a Mirage? Reassessing the Paradigm of Shared Value in the Light of Technological Advances in the Mining Sector."

The study sought to assess the impacts of increasing mechanization in industrial mines on mining company expenditures and how this could affect policies to increase local content in mineral-rich countries.

This study revealed that mechanization in the mining sector is an accelerating reality that has direct impacts on the number of mining jobs, the revenue received by governments and contribution to GDP. In terms of employment, Nikièma said that the impact could, in some scenarios, reduce low- or lesser-skilled jobs usually held by nationals of the host country by 70 per cent. While in absolute terms the impacts of mechanization are higher in high-income countries, developing countries are likely to feel the impacts more strongly because of their greater dependence on mining sector revenues and the accompanying difficulties with adaptation.



Faced with this reality, it is therefore imperative to engage in a constructive dialogue with various stakeholders, including developers of new technologies, to propose measures that anticipate the problem and seek alternatives.

At the end of the discussion following this presentation, the participants were unanimous that Africa will not be able to escape mechanization in the mining industry, even if certain climatic (high heat) and energy constraints can slow its expansion for a time. They felt that UEMOA member states must anticipate this problem by directing their actions toward appropriate training in the maintenance of automated equipment and machinery. They also suggested putting in place appropriate tax regimes and increasing community-based socioeconomic investments to compensate for the loss of jobs. Finally, participants drew attention to the risks that this technological change poses to the mining companies' social licence to operate in the event of reduced socioeconomic benefits to local communities.

## 7. SUSTAINABLE INFRASTRUCTURES

This presentation was made by Mamadou Goïta. After defining the term "infrastructure" through an analysis of public and private goods, he proceeded to define a typology of infrastructure according to various criteria (market and non-market, for the needs of the mine or through the establishment of a mine, etc.). Goïta also discussed the challenge connected with this theme: that of moving from infrastructure enclaves to infrastructure for development and

suggested some avenues for reflection in order to achieve this.

At the end of the presentation, participants were divided into two practical work groups with questions to guide the discussions. Each group had to discuss a mine-related infrastructure project in a union member country, respectively the installation of a power plant to supply two mines, as well as certain rural communities in Niger, and the creation of an agribusiness centre in connection with the premature closure of a mine in Mali. These exchanges allowed participants to learn from these case studies. The importance of early negotiation and planning with mining companies as early as the permitting phase has been identified as a key factor for success.

## 8. FINANCING SUSTAINABLE INFRASTRUCTURE: WHAT ARE THE POSSIBILITIES?

In her presentation, Suzy Nikiéma addressed the issues and fundamental factors underlying the financing of infrastructure as related to mining operations. She discussed various funding options by identifying the issues and risks associated with them. After a comparative analysis of the options, she said that the creation of a sovereign fund dedicated to infrastructure is the simplest, most direct and transparent option, which presents the least risk, subject to the respect of good governance. She also drew the participants' attention to the particularly high risks associated with the mine-versus-infrastructure option.





Discussions following this presentation led to a unanimous rejection of the mine-versus-infrastructure option by the participants. The risks of diverting the use of funds dedicated to infrastructure were also raised.

## **9. GROUP DISCUSSIONS ON LOCAL PROCESSING**

This session allowed the participants to share member countries' experiences. The existence of initial processing projects in some countries was noted, as well as the many constraints still weigh on these projects and limit their development. In some countries' legislation, mining companies are required to conduct a feasibility study regarding possible on-site ore processing.

It was also shown that UEMOA member states have not enacted restrictive provisions to prohibit or limit the export of unprocessed ores. ECOWAS member states have been given the flexibility to set export taxes, provided that these are within a prescribed range, but this option is not widely utilized in the mining sector.

Participants hoped that states would work together to set up processing quotas at the regional level to address the problem of ore volume and benefit from economies of scale.

## **10. LOCAL PROCESSING ISSUES**

Hosted by Mamadou Goïta, this session highlighted the importance of on-site mineral resource processing to create wealth by exploiting resources and by-products.

Goïta then discussed processing opportunities within the UEMOA zone, as well as the constraints that could negate efforts to establish on-site processing of mineral substances. These include the availability of water and energy resources, the transportation infrastructure, the volume of available raw materials and processing capacity. He also drew attention to the horizontal and vertical contradictions that sometimes exist between industrial, mining and trade policies.

Goïta argued that orienting states toward mineral processing will require moving toward a regional approach and a pooling of resources through the addition of internal and external incentives.

During the discussions, the participants reflected on Goïta's statements when sharing their respective countries' experiences.

## **11. PRESENTATION OF AN ONLINE TOOL FOR EXPORT RESTRICTIONS AND THE OECD'S WORK ON THE IMPACT OF EXPORT RESTRICTIONS REGARDING MINERAL PROCESSING**

Jane Korinek presented an online OECD database of all export restrictions in several countries. There was a heterogeneity in the policies that had been put in place regarding exports.

The data suggested that no further processing was being undertaken due to export restrictions. Likewise, restrictive measures that have been put in place in these countries have never been lifted. It was apparent from the discussions that it is not enough to introduce restrictions on the export of raw ore in order to drive on-site processing of mineral resources. Korinek noted that among the UEMOA member states, there are very few export restrictions applied to the mining sector. However, some participants did note that within the context of a coherent industrialization policy, such restrictions could be useful if well designed and matched with accompanying policies.

Botswana was mentioned as an example of good practice at the local level with its diamond processing—political leadership has played a leading role in this sector. The participants hoped that an appropriate model for local processing could be identified for the member countries.

## **12. INTERNATIONAL COMMITMENTS AND OBSTACLES TO THE IMPLEMENTATION OF LOCAL CONTENT POLICIES**

During this presentation, Suzy Nikièma drew participants' attention to international agreements and treaties that limit the ability of states to impose performance requirements.

After defining these and presenting their challenges, she gave examples of performance requirements, such as local content requirements for employment and the provision of goods and services. She went on to explain how bilateral



investment protection and promotion treaties can hinder their implementation. In her opinion, the question is not whether performance requirements are good policies or not, but how they can be used successfully. It is therefore more efficient to avoid making treaty commitments, especially as it remains possible to do so through national laws which will allow subsequent adjustments to be undertaken.

In view of the issues associated with these treaties and investment arbitration, and in view of the ongoing discussions and reforms on these issues at the African and global levels, Nikièma urged the member countries to be more cautious about the negotiation and signing of these legal instruments.

The discussions showed that countries should be particularly vigilant with regard to treaties and other binding agreements.

### 13. OPEN DISCUSSION ON THE TOPICS AND KEY MESSAGES OF THE PARTICIPANTS

Participants noted that the major challenge is to enable people to make the most of socioeconomic benefits regarding production and post-closure mines. This is why they wanted the focus to be on local content policies. Participants suggested that states should already be taking steps to anticipate the effects of mechanization on industrial mining operations. They regretted that they had not benefited from this training earlier and committed to seeking the implementation of ongoing reforms to the monitoring and evaluation mechanisms for mining activities in their respective countries.

### CONCLUSIONS AND RECOMMANDATIONS

This training strengthened participants' capacities to optimize national economies' participation in the mining sector's value chain, particularly in the supply of local goods and services, local jobs, local processing of minerals, infrastructure and the challenges regarding increased mechanization in the mining industry.

At the end of the work, the participants issued recommendations to UEMOA member states, namely:

- Establish and strengthen national policies on local content.
- Create a framework for consultation among states to establish training centres, construct infrastructure and install common processing facilities.
- Pay special attention to bilateral investment protection and promotion treaties and other binding agreements.

### CLOSING CEREMONY

The closing ceremony was chaired by Mrs. Lenaboua Coulibaly, an UEMOA Commission's Mining Officer. Certificates of participation were issued to all participants at the end of the ceremony.

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