



## Friend or Foe? Developing Partnerships in Natural Resource Governance A Global Stakeholder Analysis



Published by  
Deutsche Gesellschaft für  
Internationale Zusammenarbeit (GIZ) GmbH  
Registered offices:  
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Co-Published by  
Hessische Stiftung Friedens- und Konfliktforschung (HSFK)  
Peace Research Institute Frankfurt (PRIF)  
Baseler Straße 27-31  
60329 Frankfurt a.M.  
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Photo Credits: giz // upper line, centre photo - giz/ Michael Tsegayae  
Design and Layout: Eva Engler, Berlin  
Print: Top Kopie GmbH

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July 2013

# PRELIMINARIES

This study has been conducted by a research team of the Peace Research Institute Frankfurt (PRIF), commissioned and supervised by the GIZ Sector Network Good Governance in Sub-Saharan Africa Working Group on Resource Governance.

Considering the growing globality and inherent crossstakeholder linkages of resource related issues, the study aims at providing a better overview and better understanding of who is active in the field on an international playing field and which potential for cooperation may exist. The target audience are organisations engaged with the link between natural resource governance and sustainable development.

The original version of this study was entitled “Mapping of Resource Governance Stakeholders and Options for Action” and produced for GIZ internal strategizing purposes. It contained more than 20 stakeholder profiles. This condensed public version is composed of the study’s conceptual framework and provides only exemplary stakeholder profiles.

The authors wish to thank all interviewees from GIZ and other organisations for their very kind contributions to this study. Particular thanks go to Juliane Weymann and Kristian Lempa from the Working Group on Resource Governance for indepth discussions and feedback on earlier drafts of the study.

All interviewees have been assured anonymity and non-attribution. A list of interviews conducted can be provided by the authors upon request.

The findings, interpretations and conclusions expressed in this paper are entirely those of the authors and should not be attributed in any manner to the GIZ.

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## 06 LIST OF ABBREVIATIONS

ABC	Agencia Brasileira de Cooperaçã
AMV	Africa Mining Vision
ASM	artisanal and small scale mining
AusAID	Australian Agency for International Development
BGR	Bundesanstalt für Geowissenschaften und Rohstoffe / Federal Institute for Geosciences and Natural Resources
BMZ	Bundesministerium für wirtschaftliche Zusammenarbeit und Entwicklung/ Federal Ministry for Economic Cooperation and Development
BRICS	Brazil, Russia, India, China and South Africa
CIDA	Canadian International Development Agency
CSR	Corporate Social Responsibility
DfID	UK Department for International Development
DRC	Democratic Republic of the Congo
EITI	Extractives Industries Transparency Initiative (EITI)
EU	European Union
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit / German International Cooperation
GIZ-IS	GIZ International Services
GRI	Global Reporting Initiative
ICMM	International Council on Mining and Metals
IMRI	Integrated Mineral Resource Initiative
IO	International Organisation
IFI	International Financial Institutions
KfW	Kreditanstalt für Wiederaufbau
MPD	“Mining: Partnerships for Development” project
MSI	Multi-Stakeholder Initiative
NEPAD	New Partnership for Africa’s Development
NGO	Non-Governmental Organisation
NORAD	Norwegian Agency for Development Cooperation
NRC	Natural Resource Charter
PRIF	Peace Research Institute Frankfurt
REi	Resource Endowment initiative



## 08 EXECUTIVE SUMMARY

Increasing demand for extractive resources, volatile markets and protectionist endeavours are currently heightening a well-known challenge of the developing world: Countries that possess significant amounts of natural resource deposits on average achieve lower development success in economic as well as in political terms. Research on this so called ‘resource curse’ stresses that effective governance is a key to achieving broad-based development from resource extraction. Consequently, more and more development actors – donor countries and their agents as well as NGOs and numerous newly created multi-stakeholder initiatives – are now focusing their attention on governance of the extractive sector.

This publication is a condensed version of a study that was commissioned by the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ). The primary goal of this study was to map the growing field of actors working on development-related questions of natural resource governance. It also aimed to identify potential partners for GIZ from the universe of stakeholders. This condensed version of the original study provides a conceptual framework for identifying partnership possibilities between stakeholders in the field of natural resource governance and applies the framework to a selected number of actors.

The study’s scope is limited to stakeholders that are active on a global scale and to non-renewable natural resources (oil, gas, and mining). It distinguishes four major groups of stakeholders: state actors, business actors, civil society actors, and multi-stakeholder initiatives. Selected organisations representing these stakeholder groups are analysed; and their goals and activities in the sector are briefly described.

The study starts by introducing the ‘governance perspective’ and outlining the various governance problems that accompany the industrial extraction of natural resources in developing countries by using the concept of the extractive industries value chain. Governance problems exist all along the chain, they begin when the decision to extract is taken and continue all through the phase of extraction until after the closure of operations. Problems along the chain can be located on the global, regional, national, and local level. From a governance perspective, each actor can play different roles with regard to these governance problems – they can be problem-causers, advocates for certain policy solutions, rule-implementers or coregulators. Actors are not confined to playing one single role but instead, they play differing and ambivalent roles in relation to concrete governance problems.

The study provides a simple tool for profiling actors in natural resource governance according to their agenda (i.e. the overarching goals they pursue), arena (i.e. the strategies they pursue, the themes and geographic regions they focus on), assets (i.e. the competitive advantages they possess), and alliances (i.e. important partnerships and collaborative relations they have with others).

Based on this actor profiling tool, a classification is developed to assess the partnership potential between different organisations. The framework can be applied to identify partners from any organisation's perspective.

The framework distinguishes between potential primary, secondary and tertiary partners for any given organisation. Primary partners are actors whose agendas and arenas overlap strongly. Secondary partners expose reduced but nevertheless substantive overlap of agenda and arena; they become secondary partners, however, because there is potential for conflict between goals that the organisations do not share. The group of secondary partners is characterized by significant internal variation as it ranges from high to low agenda and arena overlap and from high to low risk that potential conflicts actually materialize. Finally, tertiary partners are those whose agendas still overlap but whose arenas – in terms of strategies, geographic or thematic areas of engagement – diverge significantly so that there is limited potential for intensive forms of cooperation. Next to the three categories of partners, actors can also be classified as neutral to each other, as competitors, or opponents – though these categories are only of limited relevance for the purpose of this study.

The study also provides a profile of GIZ's current engagement in resource governance. Broadly speaking, GIZ's strategic approach in resource governance – in line with the Federal Ministry of Economic Cooperation and Development (BMZ)'s strategy – focuses on good governance, (legal) frameworks that foster compliance with social and environmental standards, local value creation and economic diversification. GIZ's activities include development interventions aimed at national level (administrative) capacity building, fostering of good (financial) governance, including comprehensive support for Extractives Industries Transparency initiative (EITI) implementation, local-level capacity-building, and regional development planning. Geographically, activities cover a large part of resource-rich developing countries, including in Sub-Saharan Africa, but activities in natural resource governance are so far concentrated in a few countries including Liberia, Sierra Leone, Mozambique, Madagascar and the Democratic Republic of the Congo (DRC). GIZ cooperates with a variety of actors to achieve its objectives: While its principal focus clearly rests on collaborating with state actors and a few multi-stakeholder initiatives such as EITI, GIZ has carefully increased its cooperation with private sector extractive corporations.

The core of this study is an extensive stakeholder analysing and profiling exercise (Chapter 5) applying the developed framework. Methodologically, the analysis draws on (semi-structured) interviews conducted with experts representing the various stakeholders as well as on publically available primary and secondary data. This published version includes only a few exemplary actor profiles (out of a total of more than 20 actors from different stakeholder groups that were included in the original study) to provide an illustrative application of the provided tools.

## 10 EXECUTIVE SUMMARY

In the conclusion (Chapter 6), stakeholders are mapped along the (World Bank's) extractives industries value chain. The exercise illustrates that the stakeholder universe can be broadly divided into two groups. A first group of actors works to comprehensively reform resource governance and usually focuses on national-level policy implementation in line with a "whole-value-chain-approach". Major extractive corporations also take a rather broad approach to resource governance but their perspective usually looks from the bottom up, i.e. from one specific extractive project to the governance mechanisms relevant to it. A second group of actors specializes on specific themes and/or nodes of the value chain where they believe to have a meaningful impact.

The study concludes with a wrap-up of overarching current and future challenges to resource governance as put forward by the various interviewees, and an indication of future areas for research.

Resource governance activities that aim to turn the exploitation of resource wealth into positive drivers for broad-based development are currently faced with a number of challenges: A first major issue are massive imbalances of capacity in the handful of countries that currently experience a massive extractive sector boom, such as Mozambique or Mongolia, but lack behind in the necessary governance reform. A second major challenge is policy and donor coordination, in particular in face of the current parallelism of comprehensive resource governance reform initiatives such as the Africa Mining Vision or the Natural Resource Charter. Thirdly, there is a strong perception that a highly important step forward in terms of improving resource governance for development lies in engaging and partnering with extractive corporations and non-traditional donors from China, India or the BRICS generally. While almost all interview partners stressed this need, all expressed a lack of knowledge on how it could be addressed. Finally, further issues identified include the need for better management of (local) expectations of the extractive sector and a greater emphasis on the development-enhancing potential of artisanal and small-scale mining.

Lastly, in drawing on these considerations, the study identifies a number of areas for future research. These include the need to further investigate the role of corporations and state actors from emerging economies and the potential of cooperation with South-South donors. Another area for future research refers to the roles which extractive corporations have – or should have – in partnerships with donors and other development actors. Research in this strand could, for example, seek to identify feasible criteria for corporate partner selection. Similar goes for a comprehensive network analysis of the stakeholder universe, which could for example serve to identify emerging trends by monitoring patterns of interaction (and non-interaction) between actors involved in resource governance over time.



# 12 1. INTRODUCTION

Growing demand for increasingly scarce resources, rising prices, persistent problems of poverty, environmental destruction and violence in resourcedependent developing countries; as well as new political and economic challenges in high-income resource-importing countries; all of these recent trends have contributed to a heightened focus on the governance of natural resources as a global policy concern. While this holds true for all kinds of natural resources (such as agriculture, fisheries and livestock), this study focuses on non-renewable extractive resources that pose particular challenges from a development perspective. The study identifies the global stakeholders involved in natural resource governance and provides a conceptual framework for identifying like-minded actors and potential partners among these.

## *Resource Markets and Development*

The market conditions for extractive resources have changed tremendously in recent years: After an extended period of low commodity prices characterizing the 1990s, the latter have been continuously rising to historically unprecedented heights since about 2002 (Erklärung von Bern [Bern Declaration] 2012; Feldt/Martens 2008), fuelled primarily by China's accelerated industrialisation (Erten/Ocampo 2012: 1). An additional reason sometimes given – but contested – is the increasing trade with and speculation on resource markets (Erklärung von Bern [Bern Declaration] 2012). In brief, resource markets may be described as characterized by increased competition for increasingly scarce resources – all of which reinforces instability in these markets.

From a development perspective, these trends enhance the already demanding challenges that characterize the extractive sector. Those countries in the developing world which possess significant amounts of resource deposits on average achieve lower development success in economic as well as in political terms (Auty 1993). Many of them are characterized by high levels of poverty, corruption and huge disparities between the very rich and the very poor, by low level institutional capacity and, often times, even by persistent violent conflict. Research on this 'resource curse' has shown that effective governance is key to avoiding it and instead, turning the extractive sector into a positive force for development and poverty reduction (Collier 2007; ICMM 2006; World Bank 2009). Resource extraction itself, however, has been shown to weaken governance capacity, by producing institutional devolution, rent-seeking dynamics and kleptocracy (Fearon/Laitin 2003). If these negative institutional impacts of resource revenues are curbed, the overall governance and development capacity of any resource-dependent country is believed to increase. For development cooperation, resource governance has become a high-priority topic as interventions promise high returns for economic, social and institutional development. Many development actors, donor countries and their agents as well as NGOs and numerous newly created multi-stakeholder initiatives, have recently focused their attention on the extractive sector.

### *Governance and Partnership*

In parallel to these sector-specific trends, international politics is in general subject to a broader trend towards dehierarchization and ‘privatization’ of governance. New actors, often from the private realm, assume positions of decision-making and implementation power. Governance, in the sense of authoritative setting and implementation of rules, is no longer exerted exclusively by the state or public actors such as formal intergovernmental organisations. The result is a multiplication and differentiation of actors that is particularly pronounced in the area of natural resource governance. A large number of governance schemes are trying to address the problems related to the exploitation of natural resources including, among others, the multi-stakeholder Extractive Industries Transparency Initiative (EITI) or the nonstate Natural Resource Charter (NRC).

In all of these initiatives, a central challenge – perceived as such by many of the involved actors – is the question of how to work with the private sector, i.e. with the extractive corporations that actually undertake resource exploitation and are, necessarily, involved in many of the governance challenges characterizing the sector. In recent years, the emergence of Corporate Social Responsibility (CSR) norms (Coni-Zimmer 2011), as a result of sustained civil society pressure upon corporations, has profoundly transformed the latter and has created significant potential for cooperating with the private sector. Nevertheless, many public development actors – who have focused their activities on the extractive sector only recently – shy away from or are unsure about how to seek partnerships with the private sector. This may be posited as one of the central challenges in the global governance of natural resources.

#### **1.1 Goals of the Study**

The goal of this study is, first of all, empirical as it seeks to map the growing field of stakeholder groups and actors working on development-relevant questions of natural resource governance and to identify possibilities for partnership between organisations active in the field. For this purpose, the study provides a framework for analysing actors in resource governance according to their agenda, arena, assets and alliances. Moreover, the study develops a conceptual model for identifying like-minded actors that could potentially partner and pool resources in order to achieve their goals in natural resource governance (see Chapter 3).

This conceptual framework can be applied by any organisation that is looking for partners to cooperate with on a global, national, or local scale. It was originally developed for and applied to the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ), the German development agency. The resulting study contained more than 20 profiles of selected organisations from different stakeholder groups (see Annex 1) and assessed the potential for partnering between them and GIZ. This condensed version applies the framework in exemplary fashion by including four actor profiles from different stakeholder groups.

### 1.2 Scope of the Study

Natural resource governance is potentially a very broad concept referring to a variety of resources, to a vast set of governance problems and to numerous instruments to tackle them. As a consequence, there is a potentially innumerable set of actors in natural resource governance on the global, national and local level. This study does not intend to comprehensively cover this field but will be limited to non-renewable, or extractive, resources including fossil fuels and minerals of metallic and non-metallic nature as these pose very particular challenges from a development perspective. In the mining sector, the focus will be on industrial production; issues and actors related to small-scale and artisanal mining will not be covered.

As regards the scope of actors of interest to this study, we will focus on stakeholders with global activities. Governance activities of actors in resource-rich countries will be left aside although, very clearly, these – governmental as well as non-state actors, such as national energy companies or civil society actors – are important when seeking to reap developmental benefits from resource extraction.

### 1.3 Methodology

The analysis is based on two different types of data: academic and policy-oriented literature as well as expert interviews. Semi-structured expert interviews (Gläser/Laudel 2004) were conducted with GIZ staff and representatives of selected stakeholder groups and organisations.<sup>1</sup>

The study's framework for actor profiling puts great emphasis on actors' agendas, i.e. the objectives they pursue. This dimension of the analysis is, by definition, subjective and relies heavily on actor self-portrayals. In particular, when actors seek to find common ground and to identify potential for partnership between one another, self-perception is the necessary starting point.

The stakeholder profiles are based on academic literature (if available), self-portrayals of actors (on homepages and in corporate/actor publications) and whenever possible, interviews with representatives of the selected organisations.

<sup>1</sup> The interviews were conducted between November 2012 and March 2013.

### 2.1 Governance – a definition

In social sciences, ‘governance’ has become a prominent concept for studying societal, political and economic processes. Although there is criticism that the concept is too blurry to support meaningful analysis (Peters 2002), a number of its constitutive elements are usually agreed upon: (1) Governance refers to tackling public problems, (2) emphasizes contributions of state as well as non-state actors, (3) governance instruments that go beyond hierarchical steering as well as (4) the multi-level character of policy problems and solutions.

Firstly, and on the most general level, governance refers to the tackling of public or collective problems by means of rule-setting and implementation (Mayntz 2004: 66). Importantly, defining governance as the tackling of public problems is a strictly descriptive exercise and separate from the normative question whether particular governance activities, rules or implementation strategies, are truly serving public interests (Mayntz 2005).

Secondly, the governance concept underlines that rule-setting and implementation can involve a variety of different, not only state actors (Dingwerth/Pattberg 2006; Rosenau/Czempiel 1992). In the last two decades, a variety of non-state or private actors – including transnational social movements, NGOs, and corporations – have become participants in public rule-setting and implementation and have thereby risen into positions of authority or formal decision-making power within and beyond the state (Cutler et al. 1999; Hall/Biersteker 2002). It is here that governance research departs most clearly from traditional political science with its exclusive focus on the state (Mayntz 2005). From a governance perspective, policies and rules are made by state as well as non-state actors as long as they tackle problems of public concern.

As a third component, the governance concept stresses the use of instruments other than hierarchical steering through command and coercion (Scharpf 2000). A number of horizontal and generally non-binding mechanisms, such as soft law and standards, certification schemes, self-regulation, self-reporting and peer-reviews are employed to ensure rule implementation (Börzel/Risse 2005).

Fourthly, a governance perspective stresses the multi-level character of rule-setting and implementation and understands local, national and global processes as closely intertwined (Dingwerth/Pattberg 2006: 192; Rosenau 1995: 13,15). Nevertheless, there is an empirical trend to internationalizing policy-making, meaning problems of public concern are increasingly tackled on the global rather than national level (Lake 2010; Mayntz 2008; Reinicke 1998; Wolf 2008).

In sum, governance can be understood as processes of rule-setting and implementation that tackle issues of public concern or public policy problems. Governance involves non-state actors and relies on binding as well as non-binding steering instruments on the local, national, and global level. It is important to note that the governance concept has also been embraced in global and national political debates (SEF 1995; Enquete-Kommission 2002). In contrast to this study (where the concept is used in an analytical sense), governance is then often connected to normative claims: ‘More’ governance is promoted as an answer to challenges posed by globalization and the inclusion of different actors is suggested as a way to deal with (global) problems more effectively (Enquete-Kommission 2002; Messner/Nuscheler 2003: 3).

## 2.2 Resource Governance and Governance Problems

Based on the above, defining natural resource governance requires identifying problems of public concern in the context of resource extraction that should be tackled via rule-setting and implementation by state as well as non-state actors.

From a development perspective, resource extraction has been shown to correlate with a number of severe governance problems. The two most prominent ones are firstly, the phenomenon that resource-rich countries regularly suffer from limited or negative economic growth (Auty 1993, Gylfason et al. 1999) and secondly, the empirical fact that resourcdependent countries are often drawn into violent conflict or even civil war (Collier 1998; Collier et al. 2009; Le Billon 2005; Ross 2004a, 2004b). The two are – sometimes separately, sometimes combined – generally referred to as the ‘resource curse’.

One increasingly prominent way of systematizing the numerous governance problems associated with resource extraction is found in the extractive industries value chain (Natural Resource Charter 2010; World Bank 2009). Governance problems exist all along this chain, they begin when the decision to extract is (to be) taken and continue all through the phases of exploration, construction and production until after the closure of any operation.



Figure 1: The extractive industries value chain (Source: World Bank 2009)

Many stakeholders working on issues of natural resource governance including, in particular, international policy-makers such as the World Bank or the NRC, base their recommendations for reforming resource governance explicitly on the value chain approach. The following sections will briefly illustrate the primary reform challenges along the chain.

As regards the first step in the chain, the award of contracts, the challenge faced by governments is to design a system that is, on the one hand, attractive to investors and on the other hand, providing sufficient benefits to the national economy. A number of contractual instruments, including production-sharing agreements as well as license and royalty schemes can be designed to achieve this balance (Likosky 2009; Cotula 2010). But generally, competition in the award of contracts, best achieved via transparent auctions, is considered the ideal approach to allocating exploitation rights. It ensures efficiency even when governments lack administrative capacity and comprehensive information about the true value of the resources (Natural Resource Charter 2010: 8-10).

The second step on the chain is as comprehensive – relating to issues as diverse as fiscal, environmental and social regulation – as it is challenging because institutional capacities in resource-rich countries are often times not yet adequately developed. Continuous institution and capacity building, therefore, is a highly important task here. Among the central issues are state-owned companies participating in the resource sector. While these may fulfil important development functions – such as domestic capacity building and local content linkages – they need to be carefully regulated and should not themselves be charged with regulatory functions to avoid conflicts of interest (Natural Resource Charter 2010: 10-11). Further important aspects are the establishment and maintenance of cadastres and other geological information infrastructures (World Bank 2009: 7) and the regulation of environmental and social assessments including provisions for early consultation of affected communities and participatory monitoring of operations as well as clearly defined roles for the various governmental agencies involved (World Bank 2009: 10).

The third component, the collection of taxes and royalties, is highly dependent on sufficient institutional capacity on the national level to administer and implement the respective taxation regime. For countries with limited technical and administrative capacities, royalty schemes may therefore be a good solution as they are relatively easy to implement and monitor (World Bank 2009: 11-12).

The fourth step aims to avoid Dutch disease and price volatility through sound macroeconomic policies that limit the negative impacts of exchange rate appreciation. It requires balancing the desire – and need – to use resource revenues for public expenditure with the country's absorptive capacity, i.e. the ability to use investments in a productive way. Revenue sharing between central and local governments also requires awareness for the often limited local absorption capacity (World Bank 2009: 14-17; Natural Resource Charter 2010: 11-14).

The ultimate goal of resource governance on the national level is broad-based development beyond the confines of the resource sector. The fifth step on the chain underlines the importance of using resource revenues to implement sustainable development projects – through stimulating economic diversification and careful investment in physical and social infrastructure and provision of public goods (Natural Resource Charter 2010: 11-12). Finally, a number of overarching issues need to be tackled along the entire value chain. These include capacity and institution building – as most resource-rich countries are at the same time weak states that lack the resources and capacity to manage complex policies – as well as transparency and accountability that are essential prerequisites for effective and legitimate governance interventions on all levels.

The value chain approach is used as a diagnostic tool to identify governance gaps on the national level. However, from a governance perspective, problems of public concern exist on several levels of analysis, including – in addition to the national – also on the international level as well as on the local level of single extraction projects.

On the local level, extractive operations often cause environmental destruction and contribute to violations of human rights or social standards including forced resettlement, misconduct of public or private security forces protecting extractive operation, destruction of livelihoods, or violations of core labour standards (Frynas 2009; UNCTAD 2007; Wright 2008).

The international arena is, on the one hand, plagued by a particular set of problems – such as increasing competition for increasingly scarce resources – and on the other hand, it is the ideal locus for tackling a number of regulatory questions that extend beyond any single state's regulatory power. Here, free trade rules are as relevant to resource extraction as is the regulation of corporate behaviour in areas such as labour or human rights. Many governance problems indeed cut across these different levels. A decisive factor for designing ideal governance interventions and instruments, therefore, concerns on what level to tackle any particular governance problem.

Both ways of diagnosing and systematizing governance problems – along the extractive industries value chain or on different levels of analysis – can and should be combined to attain a comprehensive picture that identifies problems of regulation and monitoring on the local, national and international level.

### 2.3 Stakeholders in Resource Governance

One of the goals of this study is a mapping of stakeholders in natural resource governance. The term ‘stakeholder’ originally emerged in business research where it has been broadly defined as a label for “any group or individual that can affect or is affected by the achievement of a corporation’s purpose” (Freeman 1984: 228).

From a resource governance perspective, stakeholders are all those that affect or are affected by governance problems or affect or are affected by rule-setting and implementation (or, importantly, non-setting and non-implementation) designed to address these. Stakeholders include a) state actors such as bilateral development agencies active in technical or financial cooperation, partner/ host governments and related ministries, international organisations or multilateral development banks; b) business actors including extractive corporations, business associations or commercial banks; c) civil society actors including both, advocacy and implementation NGOs, trade unions, think tanks or private donor foundations and d) multi-stakeholder initiatives in which different constellations of these actors cooperate and have shared decision-making power.

The second goal of this study is a partnership analysis. Consequently we are only interested in those stakeholders that are actively involved in governance, meaning in those that affect it rather than are solely affected by it although the latter will often be intended beneficiaries of governance activities.



STATE ACTORS	BUSINESS ACTORS	CIVIL SOCIETY ACTORS
<b>DONOR/HOME STATE INSTITUTIONS</b> bilateral technical/financial cooperation	<b>EXTRACTIVE CORPORATIONS</b> multinational/majors SMEs/juniors	NGOs Advocacy Implementation
<b>PARTNER/HOST GOVERNMENTS</b> extractive ministries regulatory agencies	<b>COMMERCIAL BANKS</b> nationally active internationally active	<b>TRADE UNIONS</b>
<b>INTERNATIONAL ORGANISATIONS</b> International Financial Institutions	<b>CONSULTANCIES</b>	<b>PRIVATE DONORS/FOUNDATIONS</b>
	<b>BUSINESS ASSOCIATIONS</b> national international	<b>ACADEMIA AND THINK TANKS</b>
		<b>LOCAL COMMUNITIES AND GRASS ROOTS ORGANISATIONS</b>
MULTI-STAKEHOLDER INITIATIVES		
<b>JOINT INITIATIVES (IN ANY COMBINATION) OF THE ABOVE ACTOR GROUPS</b> international national		

Table 1: The universe of stakeholders in resource governance

## 20 RESOURCE GOVERNANCE

One can distinguish four <sup>2</sup> analytically distinct ways in which stakeholders affect resource governance: <sup>3</sup> They can either be (1) causers of governance problems, (2) advocates lobbying for a particular governance solution, (3) addressees of governance instruments, or (4) (co-) producers of governance. Importantly, however, no stakeholder is confined to playing just one of these roles in natural resource governance. Instead, stakeholder roles are often ambivalent. For example, governments as well as corporations are able to contribute to problem causation as well as to problem solution and are regularly the addressees of governance initiatives.

For any actor devising partnership strategies in resource governance, awareness of these varying roles played by actors is essential. Importantly, analysing stakeholders as potential partners stresses their role as co-producers of governance. It does, however, not diminish the necessity to account for the various other roles these stakeholders may play either simultaneously or prior to concrete interventions. When for example extractive corporations are brought in as partners to development interventions, this should not lead to ignore their role in problem causation at other points in the value chain or on other levels.

<sup>2</sup> A fifth way exists in theory – namely those stakeholders that are exclusively affected by (or ‘victims of’) resource governance without any active role in it. As these, however, cannot conceptually be understood as governance actors, we will disregard them here.

<sup>3</sup> This paragraph draws from a typology of the ambivalent roles played by non-state actors in global governance elaborated in (PRIF Research Department III 2012: 6-13). Social, in particular associational actors are constantly subject to development and change.

# 3. FRAMEWORK FOR STAKEHOLDER ANALYSIS

This section serves to outline a theoretical framework that can be used by any organisation to determine the potential for partnership with other organisations active in the field of natural resource governance. It provides a general actor profiling tool based on the analysis of agenda, arena, assets and alliances of actors that is applied to GIZ and selected other organisations in Chapter 4 and 5.<sup>4</sup> The chapter also provides a typology that can be employed by any organisation active in resource governance in order to identify potential primary, secondary and tertiary partners – depending on the level of agenda and arena congruence between them. Any organisation looking for partners is advised (1) to reflect on and compile its own profile according to the presented categories, (2) to develop actor profiles of potential partners, and (3) to compare its own profile to those of other organisations in order to establish the potential for partnership.

## 3.1 Actor Profiling Tools

An actor's **agenda** describes his mandate and mission; it comprises his normative as well as his strategic objectives, including those which he prefers to keep secret. Actors often pursue multiple goals simultaneously including more abstract and more concrete ones, long-term, middle- and short-term ones. The motivation of any actor is always a mix of more normative and more interest-based objectives. While the importance attached to each of these different motivations may vary between actors, none is either purely self-interested or purely normative in his actions. In order to best capture the essence of what drives an actor's decision-making, it is therefore important to establish in what order of priority he strives for his goals and how he proceeds in case of collision between them. In the development context, most stakeholders are driven by broadly shared overarching goals and visions, such as sustainable development, pro-poor growth or transparency. However, differences often arise on the more concrete level in the way actors prioritize these different goals.

**Arena** refers to the fields of action or the scope of influence of an organisation. The question is how and where an organisation is active to achieve its goals. Three components are used in order to describe the arena of stakeholders engaged in resource governance: strategies, thematic focus (along the value chain), and geographic scope.

The first component refers to the *strategies* that actors pursue. Some strategies are specific to certain stakeholder groups (e.g. advocacy is mostly used by NGOs); others are used by many different actors (e.g. trainings for different target groups). Some of these strategies are a necessary consequence of the nature of an actor (e.g. whether one participates in national or global policy-making), others are intentional decisions (e.g. whether an NGO pursues advocacy or engagement techniques). Possible strategies to be differentiated include participation in global norm- and standard-setting; advocacy for certain topics and policy solutions on global or national level; constructive engagement with problem causers; financial support; institution- and capacity-building on the national or local level; consultancy and policy advice; as well as implementation of local-level development projects.

<sup>4</sup> The definition of these concepts is based on GIZ's management tool "Capacity Works" (GTZ 2008: 125-6; Zimmermann/Maennling 2007: 17).

# FRAMEWORK FOR STAKEHOLDER ANALYSIS

The second component differentiates activities of actors according to their *thematic focus* by reference to the various governance problems associated with natural resource extraction. A prominent way of systemizing these governance problems that will also be used in this study is the extractive industries value or decision chain (see Chapter 2.2).

The third component looks to the *geographical scope* or focus of actor activities, i.e. to the countries and regions where they are active.

The **assets of an actor** can be described in terms of his financial, expert and political position power (GTZ 2008: 125-6). Financial power refers to the financial resources that are available to a certain actor. Expert power reflects the knowledge and expertise of an actor. Political position power describes the overall standing and influence of an actor in the context of a certain project or thematic area. Actors possess different combinations of assets, e.g. some may primarily rely on their command of large financial resources, while others foremost emphasise their expertise. Actors that have significant assets in terms of financial power, expertise or political position can be considered key stakeholders with strong influence on the success of a certain project (GTZ 2008: 81). Those who are able to bring about the failure of an intervention because of their assets on their own can be classified as veto players (GTZ 2008: 81). The existence of veto-players always requires high attention and strategic decision-making. Importantly, key stakeholders as well as veto-players can figure as potential partners or opponents from a certain organisation's perspective.

**Alliances** refer to the (quality of the) relationships a particular organisation has with other organisations. These relationships can range from (peaceful) coexistence to different forms of cooperation (GTZ 2008: 93-96). Rather loose forms of cooperation are the exchange of information or knowledge. A more intense form of cooperation is the "coordination of planning and the use of resources" (GTZ 2008: 95) between different actors. The highest levels of co-operation are strategic alliances between two actors and joint project implementation (co-production). It is not always advisable that actors aspire to establish intense forms of cooperation. The latter should only be pursued if actors share substantive goals and strategies (see below) so that gains for partners and beneficiaries can be expected from cooperation.

- 
- AGENDA:** What are the main goals of an organisation in the area of natural resource governance?
  - ARENA:** What strategies and activities does an organisation pursue to achieve its goals? What issues does it focus on? In which world regions and countries is it active?
  - ASSETS:** What resources does the organisation have at its disposal? Where does it possess comparative advantages?
  - ALLIANCES:** With whom does the organisation cooperate and what types of partnerships is it engaged in?

## Box 1: Guiding Questions for Developing Actor Profiles

### 3.2 Determining Partnership Potential

The following section establishes a model for classifying potential partners for any organisation active in resource governance based on the degree to which that organisation's agenda and arena are congruent or overlapping with those of other organisations. Principally organisations can appear either as potential **partners** or **opponents** of any particular actor. From the perspective of a development agency, the group of partners is likely to be much broader than the group of opponents. Therefore, further differentiation within the group of partners is necessary.

The following typology is based on measures of congruence between actor agendas (objectives pursued) and arenas (the strategic, thematic and geographic focus of their activities). The central claim is that partnership potential exists principally whenever there is a certain minimum of congruence in both of these dimensions.

The level of congruence is a continuous parameter for both dimensions. The congruence of agendas, for example, may take a number of forms. Stakeholders may, theoretically, share all of their goals or only a limited number of them; they may share overarching normative objectives or merely projectspecific targets (GTZ 2008: 125). The goals that are not shared between any two actors may, nevertheless, be compatible with one another or may be conflicting thereby significantly reducing congruence and partnership potential. The congruence of arenas also takes a number of forms. It may occur in terms of shared territorial space or in terms of strategies to achieve shared goals. Occasionally, the decision whether congruence is sufficient for partnership or not is a matter of the degree of "overlaps" and can be difficult to take.

#### *Congruence of Agendas*

While congruence in both dimensions determines the overall potential for partnering between actors, the model proposed here prioritises agendas in the sense that a minimal level of congruence of agendas is an absolute prerequisite for partnership.

Vice versa, actors whose agendas are fully non-congruent do not qualify for partnership.

Where agendas are simply non-congruent in the sense that there is no overlap, actors do not qualify for partnerships but neither do they represent a threat to one another, they can be considered **neutrals**. In contrast, actors whose agendas are not only non-congruent but rather in (full) conflict need to be understood as **opponents**. While the existence of neutrals does not have to inform an actor's strategy, the existence of opponents, in particular if they have significant financial or non-financial resources, requires attention. A constellation of fully conflicting agendas can, however, be considered as relatively rare (in particular in the substantive context of this study). Beyond this threshold – whenever actors' overall objectives are neither fully conflicting nor fully non-congruent – a broad universe of congruence constellations exists where actors qualify as potential partners.

# FRAMEWORK FOR STAKEHOLDER ANALYSIS

The **potential of partnerships** increases with the level of agenda congruence: Actors constitute ideal partners to one another when their agendas are fully congruent in the sense that there is no or very limited potential for conflict between the goals they pursue. Such a full congruence of agendas is, however, also very rare.

This logic creates a relatively broad middle category where agendas of actors are partially overlapping but not wholly shared or congruent. Within this category, partnership potential is decreased but may still be very promising. Actors who share a number of goals are still capable of collaborating in certain areas even if there is certain potential for conflict in others. For some actors in this category it is unlikely that the potential for conflict will ever materialize. For others, manifest conflicts should be expected. There may still possibilities for collaboration exist but the concrete options for partnering will depend on further factors. In any case, in order to establish stable partnerships, it is essential to ensure that the potential for conflicts – originating from non-shared goals – is monitored and conflicts are addressed in early stages and handled constructively.



AGENDAS	POTENTIAL FOR PARTNERSHIP
Fully congruent	Very promising
Partially congruent but potential for conflict	Varying degrees
Full conflict	None (classification as 'opponents')

**Table 2: Agenda congruence and partnership potential**

### *Congruence of Arenas*

Whether a partnership between two or more organisations with overlapping agendas is viable and advisable also depends on the degree of congruence of their arenas. Ideal partners do not only have substantially overlapping agendas, they also focus on similar thematic issues and are active in the same geographic regions. Their strategies, activities, and resources complement each other.

The partnership potential increases the more actors share strategies, geographic or thematic focus. Where a substantial amount of goals is shared but no congruent strategies are pursued, partnership potential is limited but may nonetheless exist. The activities of actors may – accidentally or intentionally – complement each other in their endeavours for shared overarching goals and there might be room for pooling resources.

Against this background, the following categories of primary, secondary and tertiary partners, neutral actors, and opponents can be distinguished:

1. **Primary partners** feature a very high congruence of agendas with no or very low potential for conflict among the objectives they each pursue. Moreover, their arenas are strongly overlapping.
2. **Secondary partners** still have substantial overlap of agendas but there is potential for conflict between some of the objectives each pursues. Like primary partners, there is a strong overlap of arenas.
3. **Tertiary partners** also share substantial parts of their agendas. However, there is no or only very limited overlap in terms of their arenas.
4. **Neutrals** are actors whose agendas and arenas do not overlap and whose objectives are not conflicting.
5. **Opponents** are such actors, whose agendas are in full conflict with one another.

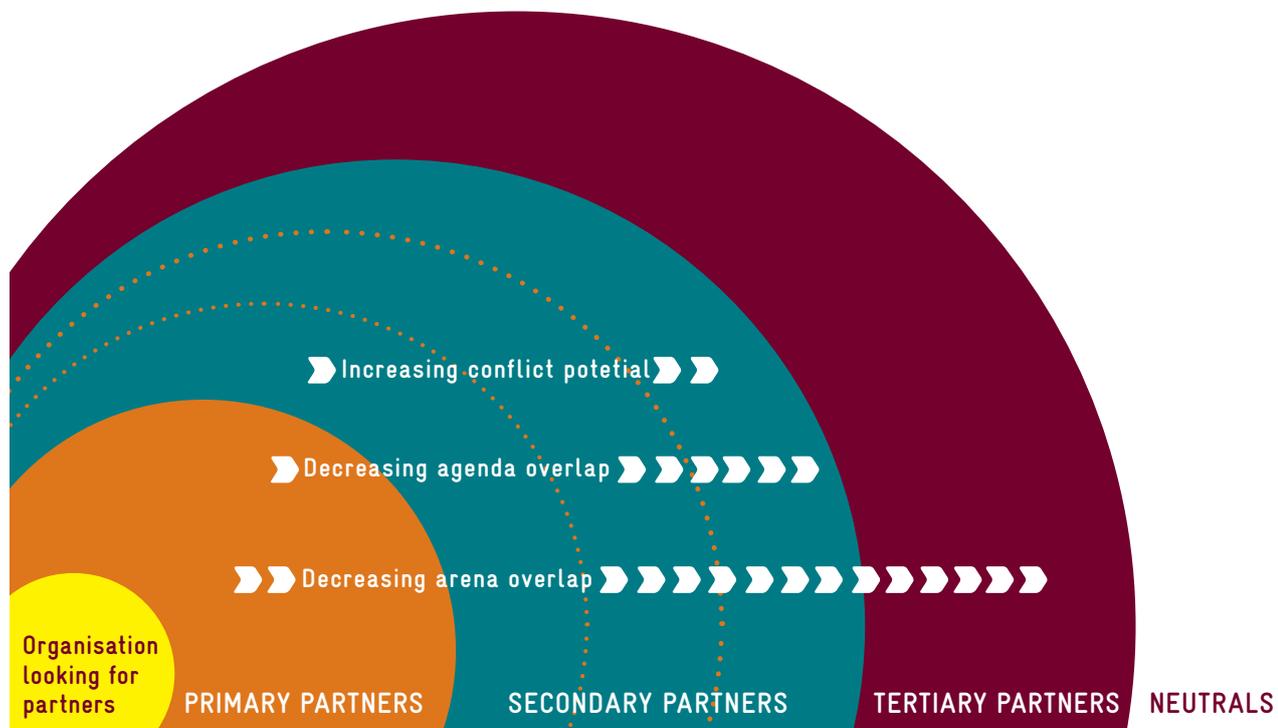


Table 2: Agenda congruence and partnership potential

Figure 2 illustrates this typology of primary, secondary and tertiary partners from the perspective of an organisation that is looking for other organisations to cooperate with. The figure shows that decreases in agenda overlap only differentiate primary from secondary partners while arena overlap continues to decrease when moving from primary via secondary to tertiary partners. Finally, the increasing potential for conflict between agendas is an important measure solely within the category of secondary partners. As a result, it is also very important to note that the category of secondary partners is likely to be the broadest and to expose a high degree of internal variation. Actors found within it may still expose significant agenda and arena overlap and limited potential for agenda conflict – thereby coming close to being primary partners. At the other end of the scale, they may also show limited agenda and arena overlap but high potential for conflict.

Advisable forms of cooperation vary between these different types of partners. Primary and secondary partners qualify for close forms of cooperation, such as pooling of resources and shared implementation. Nevertheless, broad and overarching forms of cooperation can be considered advisable only for primary partners while more specific and more limited cooperation agreements should be developed with secondary ones. For the latter, careful attention in the design of partnership is necessary. Tertiary partners that share agendas but have no congruent arena qualify as ‘normative partners’ but there is limited potential for operative cooperation.

Certain types of partial congruence require careful attention as they involve significant risks: Firstly, substantial congruence of agendas may only exist on a rhetoric level when other actors do not intrinsically support the same goals but covertly pursue conflicting ones. In all cases where arenas are shared with such actors, there may still be practical reasons for seeking cooperation but significant risks arise. This point is important because actors with a congruent arena but different priority objectives are frequent in resource governance where many actors engage out of profit or power rather than developmental interests. Second, potential partners might at the same turn out to be competitors. Actors are competitors precisely because overlap exists with regard to agendas and arenas. Dealing with competitors requires careful attention. Finally, the existence of opponents in a shared arena clearly poses strategic challenges. It can be expected that opponents often pursue their opposite goals with a hidden rather than public agenda because opposing sustainable development is hardly publicly defensible to date. Depending on the specific contexts, it may be advisable to either convince known opponents that they have an interest in the intervention, or to actively work towards the delegitimisation of their positions among key stakeholders.

To sum up, the potential for partnership between two organisations must be assessed empirically, based on an analysis of the degree of congruence between their agendas and arenas.

The following section will outline GIZ's profile – including its agenda and arena – in natural resource governance. Starting with a self-analysis before looking into the stakeholder environment provides an organisation with information on crucial parameters for identifying the potential for partnerships with other stakeholders.

# 28 4. GIZ IN RESOURCE GOVERNANCE

## Actor

GIZ is a federal enterprise operating under the auspices of the Federal Ministry for Economic Cooperation and Development (BMZ).<sup>5</sup> GIZ acts as the principle agency for implementing the German government's development policy through the demand-driven provision of development services. GIZ also operates on behalf of other German ministries, states, municipalities, and public and private sector clients. It is headquartered in Bonn and Eschborn, operates in more than 130 countries and has more than 17,000 staff across the globe (some 70 per cent of whom are employed locally as national personnel). At year-end of 2011, GIZ's business volume stood at around EUR 2 billion.<sup>6</sup>

## Agenda



The promotion of liberal democratic values, the rule of law and the observance of human rights constitute the foundation of Germany's development policy (BMZ 2011b, 2011c: 7). Germany's central objective is "the sustained fight against poverty and structural deficiencies in the spirit of the UN Millennium Development Goals" (CDU et al. 2009:181; BMZ 2010b). Partnership-based cooperation among all stakeholders, broad-based societal participation and 'ownership' are defining principles of Germany's overall development policy. Its central determinants are the strengthening of good governance, self-determination and self-help capabilities in developing countries. The German government promotes the inclusion and strengthening of all kinds of non-state actors involved in development work and promotes closer cooperation with the private economy in Germany (CDU et al. 2009: 181-182).

## Box 2: Germany's development policy

GIZ's overall operations are guided by the values enshrined in the German Basic Law and the development principles of the German government (see Box 2). GIZ is a private-sector company implementing governmental mandates, in particular from the Federal Ministry for Economic Cooperation and Development (BMZ). Hence, its mission is a combination of developmental and business-objectives between which it constantly strives to balance.

In recent years the BMZ has specified the goals of German development cooperation in the area of natural resource governance highlighting the sustainable management of the sector as its goal (BMZ 2010a, 2011a): "In this way, optimum use can be made of the sector's potential to help reduce poverty and promote sustainable development – whilst adhering to basic social and environmental standards – , and to foster security of supply" (BMZ 2010a: 11).

In addition to the developmental objectives, the above BMZ quote refers to the aim of fostering security of supply. The latter is the primary goal of the German Government's raw materials strategy (BMWi 2010; compare Box 2).

<sup>5</sup> The Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) was formed on 1 January 2011 through the merger of the three implementing organisations for technical cooperation, the Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ), the German Development Service (DED) and InWEnt (Capacity Building International, Germany).

See [http://www.bmz.de/en/what\\_we\\_do/approaches/bilateral\\_development\\_cooperation/players/selection/giz/index.html](http://www.bmz.de/en/what_we_do/approaches/bilateral_development_cooperation/players/selection/giz/index.html) (last accessed 01.02.13).

<sup>6</sup> See <http://www.giz.de/en/aboutgiz/profile.html> (last accessed 01.02.13).



The German raw materials strategy has been developed under the aegis of the Federal Ministry of Economics and Technology and aims to secure access to those raw materials that German industry is highly dependent on. To this end the strategy emphasises the reduction of trade barriers and distortions of competition, the diversification of sources of raw materials but also measures such as improving efficiency of use and recycling. Among the instruments introduced by the strategy are bilateral raw materials partnerships; so far agreements have been signed with Kazakhstan and Mongolia in 2011 and with Chile in January 2013.

The Raw Materials Strategy also seeks to align foreign economic and development policy and emphasises the overall goal of sustainable development, "creating good governance and transparency" is listed among the core objectives of the strategy (BMWi 2010: 7). It has been drafted in close collaboration with German industry. Civil society has not been involved in developing the strategy and criticizes it for turning development cooperation into an instrument serving economic interests (Global Policy Forum Europe 2010).

### Box 3: The German Raw Materials Strategy

The BMZ has reacted to the Raw Materials Strategy by specifying its own strategy on extractive resources as a source of development (BMZ 2011a). The latter stresses six components: the use of natural resources for strengthening national economies in developing countries; building efficient institutions and capacity; ensuring transparency; paying attention to social and ecological impacts; strengthening efficient resources use; and paying attention to the dangerous links between resource exploitation and violent conflict (BMZ 2011a). This policy framework guides GIZ engagement in the area of natural resource governance.

GIZ describes its overall approach to development cooperation as comprehensive, process-oriented, value-driven and based on the principles of participation, ownership, economic efficiency and subsidiarity (GTZ 2008: 7-8). GIZ seeks to foster capacity building and strives to achieve broad societal participation, in decision-making as well as in the distribution of economic benefits. Its corporate strategy is to become the global leader in international cooperation for sustainable development.<sup>7</sup> In line with BMZ's policy, its priority agenda in the area of natural resource governance is to contribute to the sustainable and responsible exploitation and use of natural resources in order to secure and maximise their developmental benefits.

<sup>7</sup> See <http://www.giz.de/en/aboutgiz/identity.html> (last accessed 01.02.2013).

### Arena

GIZ defines its arena in natural resource governance in terms of service packages which relate to six policy areas: 1) regarding the awarding procedure for exploration and production rights; 2) reform and strengthening of extractive sector administration; 3) design of public revenue and taxation schemes; 4) transparency of public revenues; 5) allocation of resource revenues to poverty-reduction; and 6) regional dialogue and harmonization (GIZ 2011).

As of February 2012, GIZ's portfolio featured around a dozen projects in the area of natural resource governance. Almost all of them focus on capacity building among national governments and on fostering good (financial) governance with particular emphasis on revenue transparency and accountability. Most of them explicitly include capacity-building for EITI implementation which illustrates the high importance that GIZ allocates to EITI and its national implementation processes. Other focus areas of GIZ are the strengthening of local capabilities and the promotion of comprehensive local development plans in partnership with civil society stakeholders.<sup>8</sup>

GIZ's project portfolio demonstrates a strong focus on Sub-Saharan Africa. Several projects are conducted in fragile environments with the explicit aim of contributing to overcoming the destabilising effects of mineral wealth by improving the capacities of governments, improving the state of public revenues and by gearing the minerals sector towards the production of greater benefits in terms of poverty reduction and sustainable development. Larger projects are ongoing in West Africa (Liberia and Sierra Leone), in the regional organisations of Central Africa (CEMAC) and the Great Lakes (ICGLR) as well as in Mauretania, Mozambique and the Democratic Republic of the Congo.

Following up on the German government's resource partnership agreement with Mongolia (compare Box 2), GIZ participates in the so called Integrated Mineral Resource Initiative (IMRI). The IMRI is jointly conducted by Germany's implementation agencies GIZ, Bundesanstalt für Geowissenschaften und Rohstoffe (BGR), Physikalisch-Technische Bundesanstalt (PTB) and interested German corporations. IMRI offers a broad range of services including capacity building measures for the Mongolian government and its administration.<sup>9</sup> GIZ aims to use IMRI to support a community-centred development approach in Mongolia which it seeks to promote through the facilitation of dialogue between local communities, corporations and (local) government agencies.<sup>10</sup>

<sup>8</sup> See „Übersicht aktueller GIZ Vorhaben im Rohstoffbereich im Auftrag des BMZ (Stand Beauftragung 02/2012)“. Document on file with the authors.

<sup>9</sup> See <http://www.giz.de/themen/en/30962.htm> (last accessed 03.02.13).

<sup>10</sup> Expert interview, December 2012.

### Assets

GIZ's major asset is its high level of expertise and its comprehensive experience in the management of complex development projects. The strong embedment of GIZ staff in national contexts and the resulting linkages to government representatives, business and civil society stakeholders constitutes another asset of GIZ. Germany's reputation as a peaceful economic powerhouse and GIZ's reputation as an honest provider of German technical cooperation abroad provide the organisation with a potentially high level of legitimacy and, therefore, constitute a further asset.<sup>11</sup>

### Alliances

GIZ necessarily puts a strong focus on promoting its agenda in partnership with national governments. However, its engagement in resource governance goes beyond the public sphere. To promote its agenda, GIZ cooperates extensively – and frequently partners – with all kinds of stakeholders ranging from governmental actors, to private business actors and civil society organisations as well as multi-stakeholder partnerships. Cooperation varies in scale and intensity from global policy coordination to local level project partnerships. On both levels, EITI is one of the most important partners of the GIZ.

GIZ's cooperation with the private sector takes various forms and will probably gain in importance in the future.<sup>12</sup> Some of GIZ's ongoing resource governance projects in Africa are already conducted in partnership with the private sector. In Madagascar, for example, GIZ has implemented a PPP with the mining giant Rio Tinto which sought to foster diversification of the local economy and to establish participatory budgeting at the local level in order to improve the allocation of shared mining revenues.<sup>13</sup> Another example is a recently acquired project in Gabon. In this case, GIZ International Services (GIZ-IS), an independent operational department of GIZ, got contracted by Shell in order to design and implement the construction of a road which primarily serves to connect the town of Gamba to the local road network. Construction is to be done in an ecologically and socially sensitive manner, includes capacity building for local enterprises and explicit developmental components for two villages located along the road.<sup>14</sup>

<sup>11</sup> Expert interviews, December 2012.

<sup>12</sup> Expert interviews, December 2012 & January 2013.

<sup>13</sup> See <http://www.giz.de/Themen/en/dokumente/giz2011-en-fact-madagascar-mining.pdf> (last accessed 01.02.13).

<sup>14</sup> Expert interview, December 2012.

# 32 5. STAKEHOLDER ANALYSIS

In the original study, Chapter 5 contained the empirical analysis of more than 20 organisations active in natural resource governance. Based on the profiling tool developed in Chapter 3, actors are described in terms of their agenda, arena, assets and alliances and classified as potential primary, secondary and tertiary partners, neutrals or opponents of GIZ. This condensed version of the study includes four exemplary actor profiles, one out of each stakeholder group: state actors, business actors, civil society actors, and multi-stakeholder initiatives.

## 5.1 State Actors

### 5.1.1 Introduction

States and state actors are of central importance when analysing the universe of stakeholders in resource governance. Focusing on stakeholders engaged in global resource governance three types of stakeholders are of particular interest: traditional international organisations (IOs), international financial institutions (IFIs) and bilateral development agencies.

IOs – with universal or regional membership – often are the institutional focal point for coordinating the international community's joint activities and they sometimes engage as international regulators (Rittberger/Zangl 2003). There is, however, no dedicated international organisation with an explicit mandate to deal with natural resource governance. While a number of specialized organisations govern renewable and flow resources (e.g. international river commissions), none is devoted to extractive resources. Specific aspects of resource governance come within the ambit of a number of IO mandates – trade related questions are for example relevant to the WTO and UNC-TAD, development aspects to UNCTAD and UNDP, energy related questions to the IEA and IAEA. But none of them seems to have developed a particularly strong mission in the area of development-related resource governance. The discipline of International Relations explains such lack of institutionalized international cooperation by reference to noncongruent interest constellations among states that hinder the possibility for mutual gains and win-win arrangements (Oye 1985). Indeed, it is likely that national interests of states are dominant in this area and divide the international community, for example, into exporters and importers of energy resources, therefore allowing only for partial coalitions, such as OPEC or the IEA.

IFIs and multilateral donors with a development mandate are, however, very actively engaged in resource governance. Generally speaking, they seek to enable resource-rich states to avoid resource curse-dynamics and to reap positive development benefits from resource exploitation. For less and least developed countries, IFIs are of particular importance because their weak institutional capacities often make them unattractive to foreign direct investments.

A final group of state actors in resource governance are donors and bilateral development agencies although these, too, seem to engage in the sector only relatively rarely. Notable exceptions usually are agencies from countries with significant extractives industries of their own such as CIDA (Canada), AusAID (Australia) or NORAD (Norway).

### 5.1.2 Stakeholder Profile – Australian Aid

#### Actor

AusAID is an Executive Agency managing the Australian government's official development assistance program and reports to the Minister for Foreign Affairs. The agency employs about 2100 people. 800 of them work overseas. Last year, Australian aid amounted to 4.8 billion Australian dollars (AusAID2012b: vii). In 2012, the Australian government released a new aid policy (AusAID2012a) in response to a comprehensive independent review of Australia's aid effectiveness (Hallway et al. 2011).

AusAID's has recently developed a very strong focus on the role of the mining sector in developing countries. Work in this area consists of the centrally managed 'Mining for Development' program that was formally launched in 2011. The Mining for Development-team manages global partnerships and provides technical expertise and support to country programmes and desks.

#### Agenda

AusAID's overarching goal is poverty reduction. Its new aid policy defines five strategic goals and ten more specific development objectives (AusAID2012c: 7), among the latter is 'the development of sustainable mining industries to boost overall economic development' (AusAID2012a: 2).

Its overall agenda in the mining sector can be summarized as ensuring that mining investments produce sustainable local development.<sup>15</sup> At the moment, AusAID is still finalizing a Mining for Development-strategy that will articulate more concretely the way AusAID will operate in the sector. Country-specific mining sector programmes through which technical assistance and other forms of aid will be delivered are also being developed.<sup>16</sup>

The Australia-Africa Partnership Facility (AAPF) also includes 'support to mining governance' as one of its three focus areas.

#### Arena

AusAID plans and coordinates development projects, implementation of projects, however, is usually left either to not-for-profit organisations that receive funding from AusAID or is contracted out to advisory and consultancy firms through competitive tenders.<sup>17</sup>

<sup>15</sup> See <http://www.ausaid.gov.au/aidissues/mining/Pages/home.aspx> (last accessed 19.01.2013).

<sup>16</sup> Expert interview, February 2013.

<sup>17</sup> See <http://www.ausaid.gov.au/makediff/Pages/default.aspx> (last accessed 23.01.2013).

## 34 STAKEHOLDER ANALYSIS

To achieve its goals, AusAID aims to design highly targeted and catalytic interventions in all of its work, including in the extractives sector. It concentrates its efforts in areas where it can make a particularly meaningful contribution due to its own experience and competitive advantages. For this reason, AusAID has recently established a strong focus on the industrial mining sector but does less work, for example, on the oil and gas industry.<sup>18</sup> AusAID is now among the top three bilateral donors in the mining sector. Its Mining for Development program provides 127 million Australian dollars over four years to 2014–15 (AusAID2012b: 30).

Broadly speaking, work in the mining sector concentrates on three pillars: Improving mining regulation and management of the sector by governments, supporting improvement of revenue management and increasing the benefits for local communities from global mining activities. In 2013, AusAID intends to concentrate in particular on the third pillar.<sup>19</sup> The Mining for Development program also includes a vast array of capacity building instruments for African government and administration officials, including long and short-term training courses and study tours to Australia.<sup>20</sup>

Most of AusAID's work in the mining sector is currently delivered via global partnerships and financial support for regional and global initiatives. AusAID is among the top donors of the EITI, the World Bank's Extractive Industries Technical Advisory Facility, the IMF's Trust Fund for Managing Natural Resource Wealth and the African Union's African Minerals Development Centre (AusAID2012b: 108).

Geographically, Australia's aid program has always had a strong focus on the Asia Pacific region, development and stability of which is understood as a national interest (AusAID2012a: 3). The Mining for Development program has, however, greatly increased AusAID's focus on Sub-Saharan Africa. In the new four-year project budget, Sub-Saharan Africa is the only region – aside of East Asia – where AusAID plans a high growth band (AusAID2012c: 9). In 2011-12, AusAID spent approximately 17.5 million Australian dollars on mining-related assistance to 46 African countries (AusAID2012b: 108). Areas of support under the Australia-Africa Partnership Facility include mining legislation; resource surveys; public financial management of natural resources; environmental and social assessments; and skills assessments and training.<sup>21</sup> Mining sector programs will be particularly prominent in country programmes for Ghana, Liberia, Mozambique, Zambia, Indonesia and Papua New Guinea.

As one major component of the Mining for Development initiative, AusAID is funding the newly founded International Mining for Development Centre that provides research, training, workshops and broad technical assistance. The Centre's work streams include geological and mining information systems, governance and participation, artisanal and small-scale mining, creating linkages between African countries to share experiences, creating investment and diversification opportunities, building human and institutional capacity, communications and advocacy.<sup>22</sup>

18 Expert interview, February 2013.

19 Expert interview, February 2013.

20 See <http://www.ausaid.gov.au/countries/ame/Pages/mining.aspx> (last accessed 29.01.2013).

21 See [http://www.aa-partnerships.org/activities\\_sector.asp#mg](http://www.aa-partnerships.org/activities_sector.asp#mg) (last accessed 03.02.2013).

22 See <http://www.ausaid.gov.au/HotTopics/Pages/Display.aspx?QID=792> (last accessed 29.01.2013).

The following highlights some of Australia's recent activities in bilateral collaboration in the mining sector: In Mongolia, AusAID is working to strengthen transparency and environmental safeguards around mining (AusAID2012b: 99). In Liberia and Mozambique, AusAID supported the creation of new mining taxation units within the Liberian Ministry of Finance and in the provincial government of Mozambique's resource-rich Tete Province. In West-Africa, AusAID plans to implement a local procurement framework in the coming years.<sup>23</sup>

### Assets

AusAID's greatest asset is Australia's long-standing tradition and expertise in mining thanks to which its aid to the sector is of high quality and effectiveness. Furthermore, Australia's recent reassessment, repositioning and streamlining of its aid system and its rigorous transparency approach will likely make AusAID a particularly effective donor agency in the years to come.

### Alliances

AusAID relies on and works with a large network of partners as it channels most of its aid through other implementing agencies.

The recommendations of the 2012 independent review stressed, *inter alia* the importance of partnerships in delivering Australian aid, in Africa on the one hand and on the global level, on the other. As a result, AusAID intends to increase its support to global initiatives and NGOs<sup>24</sup> that are known to be effective (AusAID2012b: 53).

According to AusAID, it is not easy to find implementing partners that work on the extractive sector and focus on local communities and community development (the third pillar of AusAID's programme), probably because the programmes of most stakeholders, whether civil society or other donors, are still in their infancy.<sup>25</sup>

AusAID's Mining for Development program has an international multi-stakeholder advisory committee on which renowned academic experts, NGOs as well as major extractive corporations are represented. AusAID's linkages with the private sector have also been strengthened through the creation of a new Business Engagement Steering Committee<sup>26</sup> who is currently preparing a first ever AusAID Consultative Forum with Business.

### Conclusion

AusAID is a definite **primary partner for GIZ** due to strong overlap of their agenda's and arenas. AusAID's Mining for Development-programme offers opportunities for very close collaboration, including through cofinancing or contracting of GIZ by AusAID. The arenas of both actors are probably growing even closer now that Australia is devoting increasing resources to Africa with large amounts earmarked for the mining sector. AusAID's strong focus on capacity and institution-building in education and on transferring

<sup>23</sup> See [http://www.aa-partnerships.org/activities\\_sector.asp#mg](http://www.aa-partnerships.org/activities_sector.asp#mg) (last accessed 03.02.2013).

<sup>24</sup> As another result of the independent review, AusAID developed a new Civil Society Engagement Framework will be developed as a result of the overall review (AusAID2012b: 55).

<sup>25</sup> Expert interview, February 2013.

<sup>26</sup> Expert interview, February 2013.

extractive expertise may be one area where both could align their resources to support sector governance through build-up of vocational training policies and institutions. Through collaboration with AusAID, GIZ could strengthen its support to the Africa Mining Vision – which is among its objectives in the sector. And finally, AusAID’s intention of concentrating this year’s work on increasing local level benefits from industrial mining could be a particularly attractive entry point for collaboration.

## 5.2 Business Actors

### 5.2.1 Introduction

Two different groups of business actors were analysed: corporations and business associations. A central goal of corporations is to make profits. In contrast, business associations do not intend to make profits but offer services to their members and represent their joint interests in political processes. Some associations are primarily engaged in lobbying for conditions that help raise their profits; others have been explicitly founded with the aim of working towards sustainability and strengthening Corporate Social Responsibility (CSR, see below).

Corporations from different sectors are relevant to natural resource governance, including extractive corporations themselves but also commercial banks financing extractive projects, stock exchanges where extractives are quoted as well as consultancies offering their services to public and private actors.



OIL AND GAS INDUSTRY	MINING COMPANIES
Exxon Mobil (USA)	Vale (Brazil)
Royal Dutch Shell (Netherlands)	Rio Tinto (UK)
PetroChina (China)	BHP Billiton (Australia)
Petrobras-Petróleo Brasil (Brazil)	Xstrata (Switzerland)
BP (UK)	Anglo American (UK)
Chevron (USA)	China Shenhua Energy (China)
Gazprom (Russia)	Freeport Copper (USA)
Total (France)	Barrick Gold (Canada)
Sinopec-China Petroleum (China)	Norilsk Nickel (Russia)
ConocoPhillips (USA)	Teck Resources (Canada)
ENI (Italy)	Newmont Mining (USA)
Statoil (Norway)	Coal India (India)

Table 3: Largest extractive corporations worldwide (Source: [www.forbes.com](http://www.forbes.com))

Extractive corporations can be grouped into large multinational (see Table 3) and small and medium sized companies. National state-owned companies are another important set of actors. They have emerged as a result of different waves of nationalisation in the extractive industries and have gained prominence in recent years when some of them, from emerging economies, became increasingly active on international markets (e.g. CNPC from China or Gazprom from Russia, UNCTAD 2007: 116). In academic terms, not much is known about these actors and what standards they apply in their overseas operations, though – based on anecdotal evidence – scepticism about their commitment to sustainable development prevails.

German extractive corporations generally have a low profile in global resource governance. German business had more or less wholly withdrawn from the resource sector by the early 1990s and has only recently sought to reengage in extraction projects. The junior nature of most German extractive corporations makes for their limited engagement with questions of sustainability and governance.

The industry structure differs between the oil & gas and the mining sector, majority state-owned companies being much more important in the former. Large multinational companies usually cover the whole value chain, from exploration to refining in the mining or service stations in the oil industry (UNCTAD 2007: 105-121). In contrast to small and medium sized companies, multinationals are much more visible and less flexible (Shankleman 2006). The former are often only active in exploration and/or offer various services to multinationals. In the mining sector, in particular, junior companies are often seen as posing particular challenges to developmental objectives as they are often forced to develop projects fast and costefficiently.

As a consequence of changing societal expectations, since the 1990s corporations have started to take up the idea of CSR which has become a widely disseminated and accepted set of norms steering corporate behaviour (Segerlund 2010, Coni-Zimmer 2011). CSR refers to the voluntary engagement of corporations who can no longer deny their broader responsibilities to society – beyond their shareholders and core business. Most multinational corporations have incorporated CSR into their structure by installing CSR departments, developing codes of conduct, taking part in global and national CSR and multi-stakeholder initiatives as well as implementing social and ecological standards on the ground. Being faced with severe criticism from civil society and other actors, the extractive industry has been a leader in this respect aiming to secure its social license to operate (Frynas 2009, Coni-Zimmer 2011).

CSR is often referred to as voluntary engagement, however, boundaries between voluntary and mandatory engagement are recently blurring, e.g. the British Companies Act (2006) requires that quoted companies include CSR-relevant information in their business review (Horrigan 2010). The Dodd Frank Act Section 1504 requires companies listed on U.S. stock markets to disclose payments to foreign governments and Section 1502 requires them to

report from where they source certain conflict-relevant natural resources and to prove that those sourced from within or near the Democratic Republic of Congo do not benefit armed groups. Recently, legislation on CSR reporting is also debated in the European Union.<sup>27</sup>

Corporations usually command large financial resources, but they often lack the capacities and expertise to engage in broader development issues on the local level. This makes them attractive partners for development agencies. At the same time, cooperation with the corporate world involves serious reputational risks for development agencies and, as several interviewees suggested, partners should be selected with special care. Reputational risks arise because corporations' role in governance is highly ambivalent: They can be partners in governance in some areas, but might still cause problems in others, e.g. they might engage in local development projects but at same time are responsible for serious environmental problems or they engage in voluntary initiatives such as EITI but still lobby against more binding regulation.

### 5.2.2 Stakeholder Profile – International Council on Mining and Metals

#### Actor

The International Council on Mining and Metals (ICMM) is a membership organisation composed of 22 extractive corporations and 35 national and regional mining associations and global commodity associations. Corporations who seek to become members have to fulfil a set of criteria measuring their sustainability performance. The ICMM is a not-for-profit association under Canadian law<sup>28</sup>, is headquartered in London and has 21 staff members (ICMM 2012: 2). It is governed by a Council of CEOs that convenes twice a year and sets the strategic direction for ICMM. It is supported by an Principal Liaisons Committee that consists of CEO-nominated representatives of each of the member companies, meets three times a year and is responsible for the effective implementation of the ICMM work program.<sup>29</sup>

#### Agenda

ICMM describes itself as a catalyst for performance improvement in the mining and metals industry. It aims to maximize the contribution of mining, minerals and metals to sustainable development.<sup>30</sup> Further explicit goals of ICMM are anticipating change in issues of public concern, strengthening engagement capacity and relationships with those important to the industry's social license to operate; listening and communicating; seeking fair and consistent regulation; representing the collective views of the members (ICMM 2012: 3).

<sup>27</sup> [http://ec.europa.eu/enterprise/policies/sustainable-business/files/csr/new-csr/act\\_en.pdf](http://ec.europa.eu/enterprise/policies/sustainable-business/files/csr/new-csr/act_en.pdf) (last accessed 05.12.2012).

<sup>28</sup> ICMM will soon be re-registered under UK law.

<sup>29</sup> See <http://www.icmm.com/about-us/governance> (last accessed 02.01.2013).

<sup>30</sup> Expert interview, February 2013.

Since the ICMM seeks to promote leadership in sustainability, any company wanting to become a member is required to commit to the ICMM's 10 sustainability principles and to have their implementation independently verified:<sup>31</sup>

1. Implement ethical business practices and apply good corporate governance
2. Integrate sustainable development considerations in corporate decision-making
3. Uphold fundamental human rights
4. Manage risks based on sound science
5. Improve environment, performance continuously
6. Improve health and safety continuously
7. Conserve biodiversity & contribute to integrated land use planning
8. Encourage a life cycle approach to materials management
9. Contribute to community development
10. Publicly report, independently assure and engage openly and transparently

ICMM membership implies three mandatory components for corporations, referred to as the Sustainable Development Framework<sup>32</sup>: Implementing the 10 principles throughout the business; reporting in line with the Global Reporting Initiative (GRI) reporting framework; and providing independent assurance that the ICMM's commitments are met (ICMM 2008: 2). Every member's performance is assessed against this framework and the assessment is published annually by the ICMM since 2009.

### **Arena**

ICMM seeks to serve as an agent for change and continual improvement. It studies the development contributions of the metals and mining industry; tries to identify best ways for improving these; and publishes best practice manuals and tools aimed at guiding metals and mining corporations in their sustainability activities.

ICMM's work is structured by a three-year Strategy and Action Plan (ICMM 2012: 2) that outlines a series of substantive and housekeeping work programs. According to the Strategy and Action Plan 2013-15, the substantive work programs are Social and Economic Development; Environmental Stewardship and Climate Change; Health and Safety; and Materials Stewardship.<sup>33</sup> Each of these program areas is implemented via a number of concrete projects.

From this study's partnership perspective, the Social and Economic Development program is of highest relevance. Among other things, it includes the "Mining: Partnership for Development"- project that, for its part, builds on the Resource Endowment Initiative.

<sup>31</sup> For the membership process, see <http://www.icmm.com/our-work/sustainable-development-framework/member-admission-process> (last accessed on June 2013).

In addition to the 10 principles, each member is also committed to currently six position statements on Mining and Protected Areas; Mining: Partnerships for Development; Climate Change; Mining and Indigenous Peoples; Mercury Risk Management; Transparency of Mineral Revenues.

<sup>33</sup> See <http://www.icmm.com/our-work/sustainable-development-framework> (last accessed 01.02.2013).

The Resource Endowment initiative (REi), conducted in collaboration with UNCTAD and the World Bank, was a major multiyear research project that sought to establish how mining's contribution to social and economic development can be enhanced. Its main findings were that the resource curse is not inevitable, that effective governance is decisive for overcoming it and that multi-stakeholder partnerships can help close governance gaps (McPhail/ICMM 2008).

As a result of the REi, ICMM established the "Mining: Partnerships for Development" (MPD) project and developed the MPD toolkit that is now being implemented at country level. The toolkit provides a three-step methodology for measuring economic & social impacts of mining; assessing the main causes (success factors and failings) underlying those impacts; and developing practical partnership ideas that address capacity gaps and enhance mining's contribution.<sup>34</sup> The toolkit has been implemented in ten countries so far. In 2013, the process is ongoing in Brazil and Zambia.

Furthermore, an MPD position statement explicitly commits ICMM members to seek partnerships in order to strengthen the contribution of the mining sector to development (ICMM 2010a). The statement identifies six priority areas for such partnerships: mining and poverty reduction; mining and revenue management; mining and regional development planning; mining and local content; mining and social investment and mining and dispute resolution (ICMM 2010a).<sup>35</sup> Examples of existing partnerships in the priority area of regional development planning include the construction of a deepsea port in Madagascar through a partnership of Rio Tinto, the World Bank and the government; or the business-lead creation of regional development agencies in Brazil and Argentina through partnership between mining companies, local authorities and commercial associations (ICMM 2010b: 34-37).

Beyond the REi and the MPD-project, the work program on Social and Economic Development in 2012-15 implements projects on community development, business and human rights and indigenous peoples.<sup>36</sup> In all of these projects, ICMM's work focused on collaboratively developing best practice documents, guidelines and toolkits to be used by its members and other interested businesses.

<sup>34</sup> ICMM presentation 'ICMM's Resource Endowment initiative and Mining Partnerships for Development', on file with the authors.

<sup>35</sup> For a brief description of each area, see <http://www.icmm.com/mpd/themes> (last accessed 04.01.2013).

<sup>36</sup> See <http://www.icmm.com/social-and-economic-development> (last accessed 01.02. 2013).

### Assets

ICMM's greatest asset is its unique constitution: It comprises all mining and metals companies that aspire to be leading the sustainability agenda in their sector, from industrialized Western home states as well as from emerging markets. These companies are committed to ICMM on CEO level and are supported by a rather unique set of highly professional staff with many years of experience in the field of sustainable development but with differing backgrounds, in industry, government and the non-profit sector.

### Conclusion

The ICMM shares GIZ's normative goals to a large degree as it is committed to enhancing the social and developmental contributions of the mining and metals sector. The overlap of ICMM's and GIZ' arenas, however, is more limited since ICMM seeks to build collaboration of industry leaders in order to catalyse sustainable industry performance and is primarily engaged in research and best practice generation. The Council however also prioritises a number of areas (such as health, safety of materials stewardship) that are from GIZ's perspective of less relevance. Due to these arena overlap limitations, the Council merely constitutes a secondary partner for GIZ. Nevertheless, ICMM's MPD project and in particular its country level implementation offers room for collaborative approaches. Furthermore, ICMM's MPD priority area of regional development planning could be of particular interest to GIZ who itself places strong emphasis on this field.

Furthermore, the Council's work offers multiple possibilities for seeking more operative partnerships with its member corporations. ICMM's Mining: Partnerships and Development programme could be considered a unique entry point for such. All ICMM member companies have committed to seek multi-stakeholder partnerships in order to enhance the development impact of mining in six priority areas, among them several where GIZ holds significant experience, such as regional development planning and social investment.

## 5.3 Civil Society Actors

### 5.3.1 Introduction

The following section deals with civil society actors engaged in natural resource governance. NGOs are probably the most influential group of civil society actors, however, think tanks, foundations, academics, and trade unions are also important players who provide, for example, funding and/or expertise.

Unlike business actors, NGOs are not motivated by seeking financial profits they are rather "motivated by promoting a perceived 'common good'" (Risse 2002: 256). Academic literature distinguishes between (1) advocacy or public interest and (2) service or implementation-oriented NGOs (Rittberger et al. 1999). The former aim to influence the political decision-making according to their goals, the latter offer certain services for different target groups or focus on implementation of certain programmes. This is, however, a rather simplistic categorization and many organisations are trying to actively influence (global) policy making as well as to support national-level implementation.

It is important to note that NGOs differ in size, regarding their thematic focus and their strategies used. Some NGOs work on a broad spectrum of issues covering the whole value chain and/or have activities regarding different natural resources; others are rather small and specialized and focus, for example, on environmental or human rights matters.

Positions of NGOs range from outright rejection of all extraction activities to more moderate proposals on how to reform the sector and realize benefits for the broader population of resource-rich countries. As a consequence, NGOs use very different strategies that range from confronting other actors to achieving change through dialogue and cooperation with governmental and business actors (Brühl 2003; Yaziji/Doh 2009). Even the latter, often refuse corporate funding to remain credible.

In terms of assets, NGOs command very specific resources. Unlike business actors, they have limited financial resources available but they dispose of specialized knowledge and expertise as well as of ‘moral authority’ (Hall/Biersteker 2002). In contrast to governments and corporations, they are often perceived as highly legitimate actors. Therefore, cooperating with them involves limited reputational risk.

### 5.3.2 Stakeholder Profile – Natural Resource Charter

#### Actor

The Natural Resource Charter (NRC) is a relatively new organisation. The idea of a natural resource charter as an instrument to help resource-rich countries to avoid the resource curse was originally put forward by former World Bank economist and Oxford academic Paul Collier in his book “The Bottom Billion” (2007). The NRC emerged as an initiative in 2008 when academics and other experts started drafting the charter document. The organisation has recently merged with the Revenue Watch Institute, where it will continue its activities but as a part of a larger organisation, the name of which will shortly be altered to reflect this change. The Secretariat is based in London; it has recently expanded from one to six fulltime staff members. Financial support has been provided by a consortium of donors, including different development agencies and private foundations (see p. 43).<sup>37</sup>

#### Agenda

The NRC aims to assist countries “rich in non-renewable natural resources in managing those resources in a way that generates economic growth, promotes the welfare of the population, and is environmentally sustainable” (Natural Resource Charter 2010: 1). The Charter document is primarily intended to be a reference document for governments in resource-rich countries and their citizens. It consists of twelve precepts or principles that cover the whole value chain, from the decision to extract natural resources to spending revenues for sustainable development. It also includes recommendations for the role of international actors including corporations (Natural Resource Charter 2010). Resource-rich countries need to carefully make decisions all along the value chain: If there is a “weak link”, “the whole system suffers”<sup>38</sup>, i.e. serious governance problems emerge.

<sup>37</sup> Expert Interview, November 2012.

<sup>38</sup> <http://naturalresourcecharter.org/content/country-benchmarking> (last accessed 29.11.2012).

For each precept, up-to-date academic and expert knowledge is summarized in the charter documents with the aim of helping countries to use their wealth in natural resources to benefit their peoples. Governments and other actors can use it not only as a reference document to access current knowledge but also to benchmark developments in their countries against the precepts. The NRC is rather unique in that it focuses on the whole value chain; in contrast, many organisations work on rather specific issues. The approach is thereby similar to the one chosen by the World Bank.

### THE 12 PRECEPTS

Precept 1:	The development of a country's natural resources should be designed to secure the greatest social and economic benefit for its people. This requires a comprehensive approach in which every stage of the decision chain is understood and addressed.
Precept 2:	Successful natural resource management requires government accountability to an informed public.
Precept 3:	Fiscal policies and contractual terms should ensure that the country gets full benefit from the resource, subject to attracting the investment necessary to realize that benefit. The long-term nature of resource extraction requires policies and contracts that are robust to changing and uncertain circumstances.
Precept 4:	Competition in the award of contracts and development rights can be an effective mechanism to secure value and integrity.
Precept 5:	Resource projects can have significant positive or negative local economic, environmental and social effects which should be identified, explored, accounted, mitigated or compensated for at all stages of the project cycle. The decision to extract should be considered carefully.
Precept 6:	Nationally owned resource companies should operate transparently with the objective of being commercially viable in a competitive environment.
Precept 7:	Resource revenues should be used primarily to promote sustained, inclusive economic development through enabling and maintaining high levels of investment in the country.
Precept 8:	Effective utilization of resource revenues requires that domestic expenditure and investment be built up gradually and be smoothed to take account of revenue volatility.
Precept 9:	Government should use resource wealth as an opportunity to increase the efficiency and equity of public spending and enable the private sector to respond to structural changes in the economy.
Precept 10:	Government should facilitate private sector investments at the national and local levels for the purposes of diversification, as well as for exploiting the opportunities for domestic value added.
Precept 11:	The home governments of extractive companies and international capital centers should require and enforce best practice.
Precept 12:	All extraction companies should follow best practice in contracting, operations and payments.

Table 4: NRC's Precepts<sup>39</sup>

<sup>39</sup> Expert Interview, November 2012.

### Arena

The Charter document has been and will be further developed through global stakeholder consultations. The initiative is implemented through country assessments and trainings.

*Global Stakeholder Consultation:* The NRC began as a global consultation process with the aim of drafting the Charter. The Charter is intended to be a “living document” that summarizes up to date knowledge through on-going consultations. Final decisions are made by the Oversight Board upon recommendation of the NRC’s Technical Advisory Group and the Secretariat. Though, the NRC involves a wide range of state and non-state stakeholders, academic experts have a particularly strong role in the initiative.

*Country Assessments:*<sup>40</sup> In 2012, the NRC moved from the phase of standard-setting to implementation in the form of country assessments. The latter are based around the NRC benchmarking methodology, which governments can use as a comprehensive performance management framework on extractive sector governance and economic management. All benchmarking activities are country-owned processes handled by local institutions. In addition to providing the framework and the methodology, the NRC assists these exercises through technical guidance, by convening internationally renowned experts, and by arranging international peer review of all benchmarking reports and other outputs.

General criteria guiding country selection are:

- ▶ **Resource-Rich:** The country should have substantial current or anticipated production of sub-soil mineral assets including oil, gas, and minerals relative to the rest of the economy.
- ▶ **Demand Driven:** There must be strong internal demand, both from government and civil society, for an NRC process.
- ▶ **Government Invitation:** Governments will be expected to formally invite the NRC and its partner organisations, including the New Partnership for Africa’s Development (NEPAD), to support an assessment exercise.
- ▶ **Emerging Producers:** The NRC speaks to all resource-rich countries, however initial phase implementation may have greater value-added in country contexts at earlier stages of resource development.

A pilot project was conducted in Nigeria in 2012, in which a panel of Nigerian experts – including former government officials, extractive professionals and other civil society representatives – used the benchmarking methodology to score petroleum governance and economic governance across all twelve precepts. A final report summarizing the results is available online.<sup>41</sup> In 2013, the panel will work on infusing their policy recommendations into the political process; a reevaluation of the scoring will be done by the end of the year. The Nigerian country benchmarking was financially supported by DfID’s Facility for Oil Sector Transparency (FOSTER Programme).<sup>42</sup>

<sup>40</sup> <http://naturalresourcecharter.org/content/country-benchmarking> (last accessed 29.11.2012).

<sup>41</sup> <http://nigerianrc.org/content/benchmarking-exercise-report> (last accessed 29.05.2013).

<sup>42</sup> More information on the programme can be found at: <http://projects.dfid.gov.uk/project.aspx?Project=200341> (last accessed 29.11.2012).

Looking ahead, the NRC will work with governments and international partners to initiate two or more country benchmarking exercises in 2013. A notable partner in Africa is NEPAD, who have adopted the Charter as a flagship Natural resource governance Programme. At the time of writing the Governments of Sierra Leone and Tanzania are both planning to commence NRC benchmarking activities. The NRC is also in discussions with officials from the governments of Afghanistan, Liberia, Uganda, Ethiopia, Mali, Niger and Myanmar. In many cases, government officials from these countries have expressed their interest by approaching the NRC.

**Trainings:** The NRC offers three types of trainings for different target groups. First, in collaboration with the Revenue Watch Institute, the NRC offers regional intermediate training to government officials and oversight actors (including civil society, parliamentarians and the media). These trainings are hosted by universities in Anglophone Africa, Francophone Africa, Latin America, Eurasia, Asia-Pacific and MENA, as part of the regional hub programme supported by the Revenue Watch Institute. Second, also in collaboration with the Revenue Watch Institute, the NRC supports advanced training for government official and oversight actors. The last of these trainings was held at the Central European University in Budapest in 2012-13 and a second year of the course is now being planned. Third, the NRC will offer week-long trainings for government ministers and other senior government officials from resource-rich countries. Developed and delivered by members of the NRC's Technical Advisory Group, this course will be run in collaboration with the Blavatnik School of Governance at Oxford University in September 2013.<sup>43</sup>

### **Assets**

A rather specific asset of the NRC is the support by a range of very high-profile personalities, including former politicians, academics, and representatives from various stakeholder groups. The drafters of the Charter are an independent group of the world's foremost experts in economically sustainable resource extraction. This group of experts, chaired by Nobel Laureate Michael Spence, comprise the Charter's Technical Advisory Group, which will continue to incorporate views, feedback, and other inputs into the Charter on an annual basis.<sup>44</sup>

### **Alliances**

Initial seed-funding was provided by DfID during the drafting phase of the Charter (until 2011). Since then, a larger consortium of donors supports the implementation phase. Major donors include: the World Bank, AusAID, DfID, and the Norwegian government as well as the Hewlett Foundation.<sup>45</sup> Existing funding covers initiating country processes (i.e. country benchmarking exercises), but not conducting them.

<sup>43</sup> Expert Interview, November 2012 and <http://naturalresourcecharter.org/content/training-courses> (last accessed 30.11.2012).

<sup>44</sup> <http://naturalresourcecharter.org/content/people> (last accessed 30.11.2012).

<sup>45</sup> Expert Interview, November 2012.

As discussed in the previous section, the NRC cooperates with a wide range of organisations from different stakeholder groups. They are either represented in the Technical Advisory Group, involved in stakeholder consultations where essentially every interested organisation could become involved or in implementation. Examples for cooperation include the before mentioned training programmes that have been organized together with the Revenue Watch Institute or different academic institutions. Country benchmarking processes will involve different constellations of state and non-state actors.

### Conclusion

The NRC is a relatively new organisation with a rather unique approach as it covers the whole value chain. It is led and backed by some high-profile personalities in the field of natural resource governance who can act as door openers. The organisation can be categorized as a primary partner for GIZ, the agendas and arenas of both organisations strongly overlap: Both organisations share overarching (achieving a sustainable use of non-renewable resources) and more concrete goals. At least at this point in time, there seems to be rarely potential for conflict. Moreover, both organisations work in similar geographic regions and can meaningfully work on joint implementation projects by pooling their resources. GIZ could possibly become involved in funding, otherwise supporting, or even managing NRC country benchmarking processes, e.g. DfID has taken over such a role in Nigeria. The NRC has no permanent staff on the ground in resource-rich countries and defines its role as primarily initiating, not managing country benchmarking processes. GIZ could potentially offer expertise, access to its networks and act as organizer/facilitator of such processes, especially in countries where it is already active in the realm of natural resource governance.

## 5.4 Multi-stakeholder Initiatives

### 5.4.1 Introduction

The following section will deal with multi-stakeholder initiatives (MSIs) as actors in natural resource governance. The founding of such multi-stakeholder initiatives is a rather new trend that can be observed since the 1990s thanks to the growing importance of social and environmental standards on global markets (Dingwerth/Pattberg 2009; Abbott/Snidal 2009). It is at the same time part of the broader trend towards increasing partnership between the public and the private sector (Global Compact/PRI 2010).

The defining feature of MSIs is that they include different types of actors: state actors, civil society and business actors form the membership of these initiatives, albeit in varying constellations – not all initiatives necessarily include organisations from all sectors (Börzel/Risse 2005; Dingwerth/Pattberg 2009; Rittberger et al. 2008). Furthermore, state and non-state actors are involved in “[t]rue joint decision-making” (Börzel/Risse 2005: 202) in these initiatives. The term “initiative” is misleading in as far as many of these MSIs have developed rather elaborate permanent organisational structures that are similar to those of international organisations.

The thematic focus and addressees of MSIs vary: Some of them address the behaviour of states or corporations; others target both groups of actors. Some MSIs have developed industry-specific guidelines; others address corporations from all sectors. The latter (examples include the Global Compact or the Global Reporting Initiative) are nevertheless important for the extractive industry as they have initiated sector-specific dialogues and/or guidelines (Coni-Zimmer 2011). This study dealt only with MSIs that focus specifically on governing the exploitation of non-renewable natural resources by developing standards for government and/or corporations, namely the EITI and the Voluntary Principles on Security and Human Rights.

A specific governance instrument that has become more important in recent years are certification schemes for social and environmental standards. These schemes are often organized as multi-stakeholder processes (but they can also be pure business related or pure non-profit schemes). An important distinction can be made between positive and negative certification: Positive certification systems are developed to safeguard compliance with certain social and environmental minimum standards during commodity production. Prominent examples are the Forest Steward Council (timber), the Marine Stewardship Council (fisheries), and Fair-trade International (e.g. coffee, chocolate and tea). In contrast, negative certification – the prime example is the Kimberley Process – aim at the exclusion of certain products from (global) markets. In the extractive sector, positive certification systems are still in their infancy. However, the recent emergence of initiatives such as business-driven Responsible Jewellery Council (RJC) and the multi-stakeholder Diamond Development Initiative (DDI) indicate that this might change in the future. The Fairmined initiative that is a pilot of Fairtrade International was analysed as an example of this broader trend.

#### 5.4.2 Stakeholder Profile – Extractive Industries Transparency Initiative (EITI)

##### Actor

The EITI is an international standard that ensures transparency around countries' oil, gas and mineral resources. It is developed and overseen by a coalition of governments, companies, civil society, investors and international organisations. The Extractive Industries Transparency Initiative (EITI) was launched in September 2002 at the World Summit on Sustainable Development in Johannesburg. This took up ideas originally formulated by the civil society campaign Publish What You Pay that asked extractive companies to publish what they pay to governments and governments to publish what they receive and how they spend it. A consultation process facilitated by the British DfID involving states, representatives from international organisations, civil society, and industry resulted in the formulation of the basic principles of the EITI that were agreed in 2003 (Haymann/Crossin 2005, Oranje/Parham 2009).

Currently 39 states implement the EITI Standard.<sup>46</sup> A Secretariat was established in 2007 and is based in Oslo, Norway. The EITI is incorporated as a non-profit association under Norwegian law. The work of the Secretariat is funded by supporting countries and

<sup>46</sup> Expert Interview, November 2012.

companies<sup>47</sup>, while implementing countries pay for their national implementation. The EITI Multi-Donor Trust Fund, administered by the World Bank, provides implementation support for resource-rich countries.<sup>48</sup>

### Agenda

The overall aim of the EITI, as formulated in 2003, is to improve governance of the extractive sector by establishing revenue transparency in resource-rich countries. To this end, companies disclose what they pay to governments and governments disclose what they receive. The resulting information is independently verified and reconciled and published in an EITI Report. It is argued that accountability of governments can be improved in the long-term if data about revenues from the extractive sector is published and publically debated. The EITI originally focused on oil and gas, but it is now also typically applied to the mining sector. Some implementing countries have included additional sectors, e.g. forests in Liberia and water in Togo (EITI 2011).

The EITI is organized as a multi-stakeholder coalition on both the global and national levels. On the global level different groups of stakeholders are distinguished: as well as resource-rich implementing countries, governments and agencies can support the EITI through technical and/or financial support. Other supporting stakeholders are almost 80 large oil, gas and mining companies as well as over 80 global investment institutions, civil society organisations (such as the Revenue Watch Institute and Global Witness), and partner organisations (e.g. regional and international organisations and business associations).<sup>49</sup> These different groups are also represented in the international EITI Board which oversees the activities of the EITI.

The original EITI Standard focused on the issue of revenue transparency, i.e. the third node of the value chain. However, the EITI process at the country level often went far wider than the core Standard. A recent strategy review has resulted in the adoption of a revised EITI Standard<sup>50</sup> at the EITI Conference in Sydney in May 2013. Next to other improvements (that aim to ensure that EITI Reports are better understandable and accessible), the new Standard also requires improved transparency in other areas, such as licensing information, contract transparency (encouraged), transfers from the central to sub-national government entities, and social expenditures of companies (where legally or contractually required) (EITI 2013b: 9). It also considers the need to look further into the question of how transparency can actually result in accountability.

### Arena

Implementation of the EITI is a state owned process. National implementation processes are often supported by multilateral and bilateral donors. In addition, the EITI International Secretariat helps to explain the process and reaches out to other countries.

47 In 2012, funding was received from supporting countries and international development agencies (45%), oil, gas, mining and institutional investors (28%), oil and gas companies (17%) and mineral and mining companies (10%). The Secretariat is responsible for ensuring that no single stakeholder group dominates the funding (EITI 2012).

48 <http://web.worldbank.org/WBSITE/EXTERNAL/TOPICS/EXTOGMC/EXTTEXTINDTRAINI/0,contentMDK:22268500-menuPK:4973734-pagePK:64168445-piPK:64168309-theSitePK:3634715,00.html> (last accessed 31.05.2013). **geht nicht!**

49 <http://eiti.org/supporters> (last accessed 31.05.2013).

50 <http://eiti.org/document/standard> (last accessed 31.05.2013).

Implementation in resource-rich countries: Resource-rich countries can apply for EITI Candidate status after fulfilling signup requirements. These include a credible government commitment, the development of a workplan and the establishment of a national commission (national multi-stakeholder working group) including representatives from state, civil society and business to oversee implementation. Candidate countries have 18 months to publish their first EITI Report “where tax and royalty payments are independently verified and reconciled” (EITI 2013a). To become EITI Compliant, a country must undertake Validation, an independent assessment of the national EITI process determining whether a country has met all EITI requirements.

23 of the 39 resource-rich countries that implement the EITI Standard have currently achieved the EITI Compliant status (as of May 2013). Additional countries have committed to implementing the EITI, among them the United States of America (EITI 2013b: 6-7), the UK and France. The EITI is a global standard with a large presence throughout the world.

Activities of the EITI International Secretariat: The Secretariat engages supporting countries with implementation and outreach (EITI 2012).

The International Secretariat supports implementation by offering advice at all stages of the EITI process, facilitating the exchange of information and peer learning as well as offering different types of trainings. It also oversees and finances national Validation processes. In addition, it indirectly supports implementation by helping to coordinate technical and financial assistance that is available from different stakeholders such as the World Bank as well as multi- and bilateral donors (EITI 2012, 2013b). Activities of donors include financing studies, technical support, cofinancing EITI Reports or engaging in capacity building of government and civil society.

The International Secretariat also engages in outreach activities to encourage EITI implementation and ensure the continuing support of the international community. Based on a set of criteria, including the risk of the resource curse in these countries and strategic importance for the EITI, priorities for outreach include countries such as Brazil, Mexico, South Africa, South Sudan and Uganda (EITI 2012).

### **Assets**

The EITI has become the most important transparency and accountability standard in the extractive sector (e.g. Darby 2010). Though it has sometimes been criticized for being too narrowly focused on the issue of revenue transparency, the EITI has delivered some tangible results and helped to initiate and inform public debate about the extractive sector in some countries. Moreover, the (incremental) approach seems to be successful as the recent revision and broadening of the EITI Standard has signalled.

One of the major assets of the EITI is its multi-stakeholder nature. The EITI offers a global forum of exchange between different countries, civil society and business actors. It has also contributed to enhanced dialogue and cooperation between different stakeholder groups in many implementing countries. Moreover, the EITI enjoys a particularly high level of legitimacy. It has been endorsed by different international organisations, for example through resolutions of the United Nations General Assembly and declarations of the G8.

### Alliances

The EITI includes and cooperates with a wide range of actors from different stakeholder groups on the global and national levels. Multi- and bilateral donors are important partners for the EITI as they support national level implementation of the Standard with the German development cooperation (BMZ and GIZ) being recognized as belonging to the group of most important donor organisations.<sup>51</sup> GIZ is supporting EITI capacity building on the national and regional level in different countries, e.g. in Ghana, Sierra Leone, Liberia and Mozambique as well as in the CEMAC region. GIZ is also very active in the area of EITI trainings.<sup>52</sup>

### Conclusion

The EITI is one of the most important initiatives in the field of natural resource governance; it enjoys a high level of support among actors from different stakeholder groups and is well connected to many actors. The agendas of the EITI and GIZ overlap as the establishment of transparency to avoid or mitigate resource curse dynamics is a central concern of both organisations. At this point, potential for conflict among the two organisations seems very limited. Moreover, GIZ is present in many resource-rich countries around the globe that have committed to implement the EITI (or would benefit from implementing it) and can support EITI implementation through capacity building measures in these countries. As a consequence, the EITI can be considered a primary partner for GIZ. A good working relationship has been established in recent years and GIZ is considered to belong to the most important donors/partner organisations.

Being an active participant in the EITI is important not only to influence global policy development but to connect and coordinate activities with other actors active in the field of natural resource governance. On the national level, GIZ should continue and build on its current activities. It is reasonable to assume that implementing countries will require sustained support to comply with the new version of the EITI Standard that has been approved in Sydney. Another future area of engagement for GIZ could be the development of information-sharing systems about best practices in different EITI implementing countries. Activities could include organizing regional workshops and conferences or the development of internet-based tools for information sharing with the aim of facilitating cross-country exchange and learning.<sup>53</sup>

<sup>51</sup> <http://eiti.org/document/standard> (last accessed 31.05.2013).

<sup>52</sup> Expert interview, December 2012.

<sup>53</sup> Expert interview, December 2012.

This concluding chapter summarises the analyses of all individual stakeholders and draws some comparative conclusions about their fields of engagement. Additionally, merely generic, overarching challenges that currently characterize natural resource governance are outlined and areas for future research are identified.

## 6.1 The universe of stakeholders

The study has shown that in recent years, the universe of actors working on issues of resource governance on the global level has been expanding. Theoretically, possibilities for partnerships among these actors are manifold but on a more practical level, they are subject to a number of constraints and challenges.

Figure 3 (at the end of this chapter) gives an overview of the substantive areas stakeholders are engaged in. The figure summarises the results of the original study with its more than 20 stakeholder profiles and depicts the scope of their activities along the World Bank's Extractive Industries Value Chain. As the figure shows, one can broadly divide the universe of actors in resource governance into two groups: One group is taking a whole-value-chain-approach by seeking to support comprehensive reform of resource governance; this group usually concentrates on national level policy-implementation. A second group of actors takes a specific-nodes-approach by specializing on one or a few themes in resource governance, usually on such nodes along the value chain, which they consider crucial and where they believe to have a meaningful impact. This latter group often combines global level advocacy with national level implementation efforts.

The first group, for the most part, consists of state actors whether donor agencies, such as the World Bank (WB), GIZ or the Australian bilateral development agency (AusAID) or coordination bodies, such as the AU's and UNECA's Africa Mining Vision (AMV). The British bilateral development agency Department for International Development (DfID) is presently elaborating a comprehensive resource governance agenda and can be expected to start promoting a whole-value-chain-approach in the course of 2013.

The more specialized actors are often civil society actors or multi-stakeholder bodies. Global Witness, for example, concentrates its efforts on issues of transparency; the Voluntary Principles are wholly devoted to human rights in the security arrangements of extractive operations. Extractive corporations, also, choose their fields of engagement selectively. Due to their very nature they are not usually driven by an overarching policy vision but rather, by their business needs arising in the context of local extractive operations or by demands and expectations that other actors raise towards them, often on a broader, sometimes even global level.

From a partnership perspective, collaborative efforts would have to be designed differently across these two groups: Actors that pursue a whole value-chain approach – and are active in the same country – should ideally develop very close forms of collaboration and pool their

efforts and resources as much as possible in order to increase the effectiveness of their interventions and to not duplicate each other's efforts. While this is evident in theory, it may prove difficult in practice for a variety of reasons, not least because such actors may indeed often constitute competitors to one another. For these reasons, it may prove beneficiary to find a division of labour among the actors with a comprehensive reform agenda, either along the different nodes of the chain when working in the same country or, alternatively, a per country division that could be supported by cross-country exchange of knowledge and best practices. In any case, for particular nodes of the chain, collaboration with more specialized actors may be preferable to sole reliance on partnering among generalist ones as the latter are likely to lack specialized knowledge and experience in certain fields. Specialized actors, for their part, may seek to establish themselves as partners of choice for actors with a whole-value-chain-approach when it comes to tackling particular nodes on the chain.

#### *Recommendations for Partnering*

This study has demonstrated that a large number of global stakeholders potentially qualify as partners for GIZ and other development agencies because they share the overall agenda of translating resource wealth, exploitation and revenues into sustainable development.

Comprehensive forms of partnership such as the coordination of planning and the joint use of resources, strategic alliances and coproduction are advisable for primary partners. At a minimum, coordination between these actors is imperative as it helps to avoid duplication of efforts which, at best, wastes valuable resources and, at worst, detracts in-country partners, creates confusion and reduces positive impacts. However, stakeholders with similar goals and strategies should not only avoid negative impacts upon each other's work but should also seek to pool resources, develop joint strategies and reap the resulting benefits of scale.

For the group of secondary partners, similarly close forms of cooperation, such as joint implementation, may be sought but are advisable in less overarching and more precisely circumscribed projects only. Where comprehensive forms of collaboration, such as strategic alliances, are sought with secondary partners, monitoring and evaluation efforts should be enhanced. Nevertheless, as has been reiterated, the group of secondary partners is necessarily always a broad one containing partnership possibilities that are characterized by different levels of risk. For example, among the world's largest extractive corporations, there may be many where agenda conflicts are unlikely to materialize because these have come to share the vision of sustainable development as part of their business rationale and necessity for obtaining and keeping their social license to operate. Nevertheless, partnering with the extractive industry will always require careful planning and regular evaluation of the joint efforts.

While on the theoretical level, actors constituting potential primary or secondary partners towards one another both qualify for close forms of cooperation, on a more practical level, however, either achieving a more systematic partnership where collaborative relationships already exist or establishing new partnerships where they do not is likely to be a time and

resource-consuming exercise. This holds true for both groups of primary and secondary partners. The main difference, however, is that limited risks are attached to seeking partnerships with actors falling within the first group. Risks of agenda conflict as well as reputational risks are low for primary partners but higher for secondary partners. This is why, for example, extractive corporations, even those with a strong, credible and effective sustainability agenda, will rarely fall in the category of primary partners for development agencies (though some come very close to it). Due to the very nature of these actors, there will always be reputational risks involved in partnering with them and there will always be areas where corporate and developmental goals are on the verge of if not already conflicting. This is not to imply, however, that conflict risks are necessarily high for all actors in the secondary category, in particular, since the group of potential secondary partners will usually prove very broad and exhibiting significant internal variation, ranging from actors collaboration with whom poses limited risks that are not likely to materialize to actors where conflict is highly likely to occur. Therefore, the group of secondary partners should be seen as offering multiple possibilities for partnerships that, however, require more careful approaches than the primary group does.

Finally, the group of potential tertiary partners still share agendas but have limited arena overlap in terms of strategies, thematic areas and countries they are active in. Partnership potential will be limited within this group. At times, it may however be possible and advisable to pool efforts at a normative level of international or national advocacy.

Independent of these considerations for partnering, all actors and partnerships in the area of resource governance are currently faced with challenges that will be outlined in the following section.

## 6.2 Overarching Challenges in Natural Resource Governance

Beyond the old and well-known general challenges and hindrances to translating resource wealth into positive and sustainable development (compare Chapter 2.2), actors in resource governance are currently faced with a set of additional challenges resulting, primarily, from the price hausse and increasing competition on resource markets. This section clusters these challenges broadly under the headers 'resource-driven development' and 'overarching governance challenges'.

### *Resource-driven development*

The demand-induced persistently high prices on world markets for raw materials have led to an unprecedented surge in investment activities, in particular in the mining sector of a small number of countries with large known deposits but very weak governance capacities. Countries such as Mongolia, Mozambique, Zambia and Madagascar are now faced with a massive inflow of private investments the speed of which far exceeds that of desperately needed governance reforms. Development actors seeking so support these countries in reaping positive and sustainable development impacts from the resource boom are faced with a

number of challenges. The substantive issues that arise in these contexts include questions about whether or how to smooth out the speed of mining sector development so that national governments and necessary reforms can keep up with it; how to find and decide about the respective countries' development model and the role played by resource revenues within it, i.e. whether all exploitable deposits should be exploited or whether alternative development potentials should also be explored; and how to avoid the emergence of major social conflict and unrest, as currently experienced for example in Peru, without foregoing the economic possibilities provided by their resource boom. Donor coordination, harmonization and alignment as well as collaboration between various stakeholder groups will be essential to providing optimal support to these countries, but will – as so often also in other sectors – be a major challenge in itself.

A related issue is expectation management. Many of our interview partners, not only from the private sector, voiced concerns about highly exaggerated expectations raised towards the resource sector which is sometimes seen as a cure for all ills of very poor developing countries. Even if it were not for the significant difficulty that strong governance is an – often missing – prerequisite for reaping any development benefits from resource exploitation, these expectations often go much too far. On the one hand, quite a few countries are considered or consider themselves to be resource-rich but do not actually dispose of many or any deposits that are commercially exploitable by big industry. Where deposits suffice at maximum for small and artisanal forms of mining, they may still reap important local level development impacts but cannot be expected to lift the whole country and its population out of poverty. On the other hand, even where deposits truly are substantial, it is the nature of extractive sector revenues flows that investments require extensive amortization periods. This latter aspect is misunderstood by many, even international actors, engaged in the field. Managing these expectations through appropriate dissemination of information and capacity-building schemes will therefore be a prerequisite for securing the sector's social license to operate over the long term and hence, for at least leaving a chance that broad-based development may result.

This study has focused explicitly on governance questions with relevance for industrial resource extraction. As a result the development potential of artisanal and small scale mining (ASM) is not considered. ASM can clearly make meaningful contributions to development, if not at the national but surely on the local level. A potential way forward for increasing AMS's positive impact may be via supporting the nascent trend towards implementing environmental and social standards in ASM; in particular in Sub-Saharan African (post) conflict zones.

#### *Overarching governance challenges*

A much related challenge that is not only relevant for the above “boom countries” is harmonizing and avoiding the doubling of efforts, in particular in but not reduced to current overarching sector-reform initiatives such as AMV and NRC. Several interviewees emphasised

the need to more clearly align these initiatives with one another. However, some were highly sceptical with regard to the chances of success of such an undertaking. Donors and implementing agencies could nonetheless steer the alignment process in the right direction if they had a coherent strategy in this regard. As aptly put by one interviewee “the universe of development stakeholders in the extractive sectors is still so small that – unlike in many other areas – we do stand a small chance of establishing one coherent approach”.<sup>54</sup>

Many of the public sector interviewees pointed to general difficulties of partnering with the private sector. Most agreed that the private sector has the potential to make significant contributions to enhancing the developmental impacts of resource extraction and saw partnerships as a preferable approach to achieving this end. Nevertheless, several mentioned that their own organisation or other public sector actors they knew of intentionally refrain from such partnerships because the – primarily reputational – risks are seen as too high.

Another overarching partnership challenge that figured prominently was the question of how to collaborate with various types of actors from BRICS countries, in particular from China. Whether as extractive corporations or as non-traditional donors, Chinese actors were generally considered central to the pursuit of development objectives in the extractive sector, in particular in Africa. Concerns voiced related not only to reputational risks but much rather to very practical questions with several interviewees having pointed out that they simply would not know how to approach Chinese actors.

Another highly significant and very timely challenge, which is particularly relevant with regard to partnering with the extractive industry, lies in the effect current work on establishing a conflict minerals regime has on the overall dynamics of natural resource governance. A number of initiatives to tackle the problem of severe human rights violations in the context of mineral exploitation in the DRC are underway on different levels and different certification schemes are investing significant efforts in aligning their standards with one another. Mining corporations, in particular the world’s largest multinational corporations, are participating in these efforts. Nevertheless, the appropriateness of measures such as the US Dodd Frank Act or the OECD Due Diligence Guidelines to address the problems of the DRC continues to be highly contested between varying alliances of actors. One result is a significant uncertainty on the part of extractives corporations about their appropriate role in these global governance processes. This might lead some to seek a lower profile in governance and standard-setting processes as they no longer dare “to stick their head up”<sup>55</sup>. From the perspective of development agencies seeking to partner with the extractive industry to achieve better development outcomes, this will increase the difficulties of engaging the industry.

<sup>54</sup> Expert interview, December 2012.

<sup>55</sup> Expert interview, December 2012.

### 6.3 Areas for Future Research

Against the background of this study, it seems appropriate to highlight some areas for future research.

- 1. Actors from resource-rich countries:** This study has focused on stakeholders in natural resource governance with a global reach and has thereby neglected actors from resource-rich countries themselves. It might be worthwhile to conduct research that maps different stakeholder groups on the national level and how they are connected (or not) with globally active organisations. Important actors on the national level include, for example, governments, legislative bodies, national oil/mining companies, national and local civil society as well as the national private sector. Such studies might focus on a certain resource-rich country or be designed in a comparative manner.
- 2. The role of actors from emerging economies:** The study provided evidence of the increasing role of actors from emerging economies and, in particular, BRIC countries in the extractive sector. Especially, the role of Chinese actors in the context of natural resource governance is highly contested. It can be expected that there are huge differences, for example between activities and approaches of South African or Brazilian actors, on the one hand, and Chinese actors, on the other. Further research into the role of development agencies, extractive corporations and financial institutions from these countries would be desirable to inform the strategies of GIZ and development agencies in general.
- 3. Analysing networks of actors in natural resource governance:** Due to its design as a partnership analysis for GIZ, this study has selectively focused on some 20 out of a potential myriad of actors which jointly constitute the stakeholder universe of resource governance. While the study has – assumingly – covered most (types of) key players in an exemplary manner, mapping the whole universe and shedding light on the nature of the interactions between the different types of stakeholders within it can be considered a highly worthwhile undertaking. Social network analysis techniques seem appropriate for such a task.
- 4. Development agencies' cooperation with the private extractive sector:** Partnering with the private sector is an important issue for development agencies, international organisations, and civil society actors. It is generally acknowledged that such partnerships come with considerable reputational risks. In particular, the difficulties of partnering with junior companies were a recurrent theme in the interviews. It would be desirable to share information between donors about how and according to which criteria different actors choose their partners from the private sector. A study could provide an overview of policies and criteria used by major multilateral and bilateral donors as well as implementing agencies, and civil society organisations and could form the basis for further information exchange and dialogue on this issue.

### Figure 3: Mapping Stakeholders on the Extractive Industries Value Chain

Figure 3 summarises the original version of this study that contained more than 20 stakeholder profiles.<sup>56</sup> The figure visualises each actor's fields of activities across the World Bank's Extractive Industry's Value Chain<sup>57</sup> and the five nodes it distinguishes (see chapter 2.2).

The aim is to identify each actor's focus areas. Grey bars indicate limited to no activities in this area/on this node; single bars refer to significant engagement and double/bold bars indicate that an actor's activities are particularly intense in this area.

State actors are represented in blue, business actors in dark red, civil society actors in green and multi-stakeholder initiatives in orange bars.

Importantly, the figure focuses only on those activities of each actor that are relevant to 'governance' in the field of natural resources, i.e. to the tackling of problems of public concern via rule-setting and implementation.

The definition of governance does not imply formal legal power to regulate or exert formal control on the respective node of the chain, it merely implies that a stakeholder has 'activities' in this area that aim to address problems of public concern. The focus is important, for example, when looking at extractive corporations: Clearly, their operations in themselves have an impact all along the value chain but they are not necessarily always tackling governance issues, i.e. problems of public concern. Instead, on many nodes of the chain they are active merely as business entities, for example when negotiating awards and contracts.



World Bank Value Chain Steps	1 Award of Contracts and Licenses	2 Regulating and Monitoring of Operations	3 Collection of Taxes and Royalties	4 Revenue Management and Allocation	5 Implementation of Sustainable Development Policies and Projects
Stakeholders					
ABC*					
AMV*					
AusAID					
BGR					

<sup>56</sup> See Annex 1 for the full list of stakeholders and their abbreviations as used in Figure 3.

<sup>57</sup> For details and further explanations, see here:

[http://siteresources.worldbank.org/INTOGMC/Resources/ei\\_for\\_development\\_3.pdf](http://siteresources.worldbank.org/INTOGMC/Resources/ei_for_development_3.pdf), last accessed 6 June 2013.

DfID					
EU					
GIZ					
IFC*					
KfW					
WB					
Cronimet*					
DRAG*					
EnBW					
CNPC*					
ICMM					
Minmetals*					
Rio Tinto					
Shell*					
WEF					

GW*	Grey	Grey	Green	Grey	Grey
	Green	Grey	Green	Green	Grey
HF*	Grey	Grey	Grey	Green	Grey
	Grey	Grey	Green	Green	Green
NRC <sup>58</sup>	Grey	Grey	Grey	Grey	Grey
	Green	Green	Green	Green	Green
RWI	Green	Green	Green	Grey	Grey
	Green	Green	Green	Green	Green
EITI	Grey	Grey	Orange	Grey	Grey
	Orange	Grey	Orange	Orange	Grey
Fairmined*	Grey	Orange	Grey	Grey	Orange
	Grey	Orange	Grey	Grey	Orange
VP	Grey	Grey	Grey	Grey	Grey
	Orange	Orange	Grey	Grey	Orange

\* Visualization based on public sources only, no interview has been conducted.

<sup>58</sup> The organisation has recently merged with the Revenue Watch Institute, where it will continue its activities but as a part of a larger organisation.

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# ANNEX 1: LIST OF ACTOR PROFILES INCLUDED IN THE ORIGINAL STUDY 67

## State Actors

- ▶ Africa Mining Vision (AMV)
- ▶ Agencia Brasileira de Cooperacao (ABC)
- ▶ Australian Aid (AusAID)
- ▶ Bundesanstalt für Geowissenschaften und Rohstoffe (BGR)
- ▶ Department for International Development (DFID)
- ▶ European Union (EU)
- ▶ Kreditanstalt für Wiederaufbau (KfW)
- ▶ World Bank Group

## Business Actors

- ▶ Chinese Extractive Companies (China National Petroleum Corporation and China Minmetals Corporation)
- ▶ German Extractive Corporations (Cronimet Mining AG, Deutsche Rohstoff AG, Energie Baden-Württemberg AG)
- ▶ Resource Alliance
- ▶ Rio Tinto Group
- ▶ Royal Dutch Shell
- ▶ World Economic Forum

## Civil Society Actors

- ▶ Global Witness
- ▶ Hewlett Foundation
- ▶ Natural Resource Charter
- ▶ Revenue Watch Institute

## Multi-stakeholder Initiatives

- ▶ Extractive Industries Transparency Initiative
- ▶ Fairmined/Fair Gold
- ▶ Voluntary Principles on Security and Human Rights

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