



Extractives and Development

Governance and Human Rights

Context

In many developing countries and emerging economies, the extractive sector is a pillar of the economy on a par with agriculture and is a key source of revenue. The sector's potential for economic development allows it to directly contribute to the Sustainable Development Goals proclaimed by the United Nations in its *2030 Agenda*. This, however, will only happen if resource wealth benefits people on the ground – through value creation, taxes and wages, and in extractive processes that are equitable and climate-sensitive. To that end, governance in the extractive sector needs to mitigate adverse local effects upon environmental quality, human rights, peace and security.

In the '*Marshall Plan with Africa*', the *German Ministry for Economic Cooperation and Development* (BMZ) has intensified its cooperation with the continent since 2016. The three pillars of the Marshall Plan – economic activity, trade and employment; peace, security and stability; democracy, rule of law and human rights – provide guidance on the benefits and challenges within the extractive sector. One such challenge is stemming the trade of conflict minerals and ensuring responsible extraction. Germany's *National Action Plan* (NAP) for Business and Human Rights addresses that challenge by setting out guidelines for fair supply and value chains.

Objective

German Development Cooperation contributes to good governance in the extractive sector worldwide by crafting solutions which are incorporated in national and international policy dialogue.

Approach

Assisting National and International Policy Development

Working together with Germany's *Federal Institute for Geosciences and Natural Resources* (BGR), GIZ assists the BMZ with the programme *Extractives and Development* (X4D) in harnessing the extractive sector's potential to contribute to the implementation of the *2030 Agenda*. The programme works in concert with other actors and international initiatives such as the *Extractive Industries Transparency Initiative* (EITI), the *World Bank* and the *Intergovernmental Forum on Mining, Minerals and Metals for Sustainable Development*.

Putting Transparency into Practice

Transparency in how wealth from a country's extractive sector is used and managed is necessary to ensure that their natural resources benefit all citizens. The EITI is a global standard initiative to promote transparent and accountable management of these resources. Extractives and Development assists BMZ in aligning the initiative more strongly to results and outcomes; this involves collaboration with the World Bank, GIZ projects in partner countries and the EITI International Secretariat.

Establishing Fair Supply and Value Chains

In pursuit of the *2030 Agenda for Sustainable Development*, *Extractives and Development* assists BMZ with other multi-stakeholder partnerships (SDG 17), such as establishing fair supply and value chains in the context of the *European Partnership for Responsible Minerals* (EPRM).

Supply chain responsibility is gaining importance. Consumers want assurances that the resources embodied in the products they purchase have been extracted responsibly without contributing to infringements of human rights or degradation of the natural environment. EPRM is a back-up development measure and is thus an instrument to implement the EU Conflict Minerals Regulation.

Quick Facts	
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Devising Strategies for Good Resource Governance

Extractives and Development assists BMZ in devising strategies and approaches so the extractive sector can conform with the principles of the *2030 Agenda*. This includes assistance in re-aligning Germany's resource strategy. The experience gained when developing and testing new approaches and tools in partner countries is fed into this process.

Activities addressing the climate-resources nexus are highly topical. These seek to reduce the carbon footprint of the mining sector. The programme is integrating renewable energy sources in mining in order to meet international climate goals. It is also exploring options to provide basic energy services to surrounding communities in parallel with mining operations.

The implications of the ever-increasing automation in mining for the sector's employment potential is another topic. Related issues include the benefits of new digitalisation trends (e.g. blockchain) and their impacts on partner countries.

Results

'Leave no one behind' according to 2030 Agenda

In Mauritania, human rights risks in the extractive sector were identified and projects in handling such risks.



Combating Illegal Transfer Price Transactions

A risk assessment tool to combat the improper use of internal transfer pricing in the mining sector was developed.

The guidance puts tax authorities in the partner countries of German Development Cooperation in a position to rapidly assess the risks of illegal transfer price transactions.

Establishing Gender Mainstreaming in the extractive sector. Within the *Women's Rights & Mining* multi-stakeholder partnership, Extractives and Development urges stakeholder groups in the mining sector to give greater attention to the issue of gender equality and thus respect the rights of women and girls in the sector.



Strengthening Local Value Creation

In cooperation with *Engineers Without Borders*, a Canadian non-governmental organisation A new tool was created for local value creation. The *Local Procurement Reporting Mechanism* fosters domestic added value as opposed to foreign value creation and thus has a positive effect on the local economy in resource-rich countries.



Creating Clarity Among Supply Chain Standards

Extractives and Development advances research and dialogue on cooperation and harmonisation among supply-chain standard schemes. This creates clarity in the otherwise bewildering array of emerging and existing standards.



Integrating Renewables in Mining

Through international trendsetting, the programme helps resource-rich developing countries shape extractive processes in a climate-sensitive manner by integrating renewable energies.



Online Portal to Combat Illicit Financial Flows

Working together with the *Revenue Development Foundation*, Extractives and Development has developed an online platform to combat illicit financial flows. The portal provides a transboundary framework that facilitates the efforts of customs authorities to combat gold smuggling.



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