



Adam Smith

INTERNATIONAL

OUR ORGANISATION

Adam Smith International (ASI) is a leading independent economic and government reform consultancy based in London, with registered offices in New Delhi and Nairobi. Founded in 1991, our aim is to apply our professional and consulting skills towards improving the quality of life for citizens facing the need for economic, political and social change around the world.

OUR SERVICES AND EXPERTISE

Economic Reform

Our economic reform capability is focused on the **extractive industries, infrastructure reform** and **private sector development**. Our key areas of expertise include business environment reform, public-private dialogue, investment promotion, local economic development, financial sector reform, transparent governance and anti-corruption, communications and business advocacy, and pro-poor growth.

Government Reform

Our government reform capability is focused on helping administrations to become more open, efficient and effective. Our key areas of expertise include **public financial management, capacity building, stakeholder consultation, and organisational reform**. We fully recognise that good governance favours all portions of society, but especially the poorest, who are at the centre of our focus.

EXTRACTIVE INDUSTRIES

In terms of our extractive industries practice, ASI works with clients to improve governance of the oil, gas and mining sectors, and also helps clients leverage investments in these sectors for broader economic and social development. We are experienced project managers skilled at working with private and public sector organisations to implement successful natural resource management and reform programmes. We are also **accredited as an official validator of the Extractive Industries Transparency Initiative (EITI)**, reflecting our strong commitment to good governance and transparent natural resource management.

Our expertise in the extractive industries includes:

- Political economy and economic assessments;
- Business linkages and local economic development;
- Legal and regulatory assessments and reform;
- Taxation and the fiscal regime for mining;
- EITI implementation and validation;
- Institutional reform and development; and
- Artisanal mining and rural livelihoods.

We have worked in a wide range of countries throughout Africa, Asia, Europe, the Americas and the Middle East, including Sierra Leone, Sudan, South Africa, Botswana, Mongolia, Macedonia, Nepal, India, Guyana, Ecuador, Romania and Afghanistan.





Extractive Industries

OUR EXPERTISE

POLITICAL ECONOMY ANALYSIS

Our approach to extractive industries management and governance is founded on the clear recognition that “**politics matters**”. Taking a flexible and pragmatic approach, our consultants are highly skilled at identifying the interests, activities and relationships of stakeholders relevant to each project, and then building them into the project design and delivery process. For governments, a political economy analysis can inform how best to implement reform, ensuring appropriate stakeholders’ interests are identified and managed - particularly as they relate to regional and traditional authorities. For the private sector, undertaking a political economy analysis is vital to understanding how business is really done in a country and to inform a strategy of how to manage operational risks.

The tools and research strategies we use differ for each and every assignment, and include:

- Policy and project evaluation;
- Economic and financial analysis;
- Risk analysis and management;
- Stakeholder analysis;
- Design of technical tool-kits and “how to guides” for compliance; and
- Reviews of international best practice.

We appreciate the delicate nature of undertaking such assignments and our professionals operate with the utmost discretion. Whether it is Australia, Canada or the Democratic Republic of Congo, the links between the extractives sector and the political agenda are strong. ASI understands the relationships and is able to help guide clients through reforms or to help inform an investment or operation.

LEVERAGING INVESTMENTS FOR BROADER ECONOMIC DEVELOPMENT

In many developing countries, extractive industries are a leading source of foreign direct investment and generate much needed foreign currency; however, the industry is usually criticised for not sufficiently contributing to the local economy. While recognising the inherent constraints with specific operations, ASI understands how to work with both Governments and companies to **facilitate stronger business linkages** between large investors and local businesses, thus leveraging investments for broader national and local economic development. Typically this would involve:

- Reviewing investment projects or operational procurement needs and identifying opportunities for local suppliers or sub-contracting;
- Assessing the local business community, opportunities and constraints;
- Facilitating dialogue between large corporate, local/national government and local business leaders;
- Designing and implementing a business linkage programme that may include:
 - ♦ Facilitating collaboration between large extractives companies;
 - ♦ An enterprise support or development component, targeted at strengthening local supplier businesses; and
- Reviewing and assessing intervention performance and impacts.

Facilitating business linkages is far more involved than traditional “corporate social responsibility”. ASI understands how to integrate a business linkages strategy within a company’s core operations, ensuring both corporate and developmental objectives are met.





ANALYSING AND IMPROVING THE LEGAL AND FISCAL FRAMEWORK

How well the extractives sector is governed is largely informed by the laws and regulations of a country. ASI has extensive experience in assisting clients analyse and reform the legislative framework, this includes revising and developing laws and regulations to govern the following:

- Overall framework for the sector, including defining decision making responsibilities and the processes for resolving differences;
- Issuance of mineral rights and the **licensing regime associated with exploration and mining**;
- **Health, safety** and other parameters defining how companies in the sector operate;
- The rights and obligations related to **collecting and managing geological information**;
- The trade, movement and disposal of minerals—including compliance with **conflict mineral safeguards** such as the Kimberley Process;
- The relationship between mineral rights and surface rights and the management of various interests;
- The **protection of the environment** and obligations prior, during and after extractive operations; and
- Company—community relationships, including formalised dialogue, development agreements and programmes.

In addition to the work we have done on national laws, we have also assisted clients in developing administrative tools that make the implementation of laws easier for governments and simpler for companies and the public to follow.

The unique nature of extractives industries requires governments to adjust their fiscal regime to ensure a fair balance between government revenues and returns to investors. Through modelling fiscal terms for extractive industry operations, ASI has helped clients make decisions or establish negotiation position on issues such as: **royalty rates & calculations; loss carry forwards, depreciation schedules, thin capitalisation, withholding taxes, import duties, and indirect taxes (GST/VAT)**. We have also worked with various revenue authorities and government ministries to strengthen administrator's capacity to assess and apply established fiscal terms to large and small extractive industry companies.

INSTITUTIONAL REFORM

Managing the extractives sector involves a range of skills and expertise. ASI has worked with numerous Governments to reform and strengthen existing ministries - enable them to better manage the sector. This has involved a range of activities such as:

- Reorganising departments, redefining mandates and activities;
- Implementing HR and performance management systems; and
- Implementing systems for budget management, internal and external auditing, and financial planning.

Increasingly, Governments are seeing the benefit of separating the role of policy making from administration and enforcement. In this context ASI has also been involved in designing and establishing numerous **sector based regulators**, including for the minerals sector. Besides professionalising the management of the sector an agency/regulator usually provides investors with more confidence and reduces their risks.

ASI has also worked with many **national geological surveys** developing information management systems and training staff on how to improve the quality and quantity of information available, and helping to leverage this for greater investment in exploration.

ARTISANAL MINING

Globally, it is estimated that artisanal mining supports, directly and indirectly over 100 million people. Activities range from producing dimension stone for the construction industry, to producing gold and platinum through dangerous chemical processes. Clearly this segment of the sector is important, both for Government to manage as well as for large companies operating in close proximity to communities and artisanal miners.

In working with Governments, ASI has develop **regulations that enable licensing, monitoring and ultimately promote safe and responsible practices**. Additionally, we have worked to integrate artisanal mining within a wider rural livelihood strategy.

In working with larger companies, we are able to help **identify ways through which to cooperate with existing or potential artisanal miners** as well as to manage community relationships more broadly.



Extractive Industries

SELECT EXPERIENCE

ASI has a long history of servicing clients and undertaking complex assignments related to extractive industries. Over the last two decades, ASI has **worked in over 75 countries** including developed, transition, post-conflict and conflict countries. Recognising the important role extractive industries play at local, national and international levels, ASI professionals combine **technical knowledge, practical experience** and **integrity** to all of our work. Whether informing significant reform, a single investment or an organisational strategy, ASI is well positioned to deliver meaningful results. Below are a few example of our past assignments.

MINERALS SECTOR DEVELOPMENT IN SIERRA LEONE

Since 2007, ASI has been the **chief advisory organisation to the Government of Sierra Leone** in developing a transparent extractives sector. This has included drafting new legislation (**2009 Mines and Minerals Act, the Diamond Trading Act**), redesigning and reviving the Diamond Area Community Development Fund (DACDF), building government capacity, and creating a new fiscal regime, regulatory framework and institutional model.

ENVIRONMENTAL SAFEGUARDS FOR THE EXTRAC- TIVES SECTOR IN LIBERIA

In support of the Ministry of Lands, Mines and Energy, the Inter-Ministerial Concessions Committee, the Mineral Technical Committee, and the National Investment Committee, ASI was responsible for building government capacity related to the **environmental aspects of minerals sector contract negotiations**. This involved preparing a roadmap for negotiating mining concessions, and environmental and social safeguards for downstream mining operations. ASI was also involved in defining the bidding process and selection methodology, preparing bid information, undertaking due diligence, evaluating proposals and providing technical advice during contract negotiations.

MINING TAXATION IN MONGOLIA

Working with the Mongolian General Department of Taxation, ASI advised on the establishment of a Tax Unit for Strategic Mineral Deposits within the Large Taxpayers Office. This involved developing organisational structures and operational procedures, training tax inspectors and building wider mining taxation capacity.

LEGISLATIVE FRAMEWORK FOR MINING IN SOUTH SUDAN

With the overall objective of strengthening minerals sector governance and fostering economic development and diversification, ASI supported the Government of South Sudan developed a **draft mining law, associated regulations and a fiscal framework for mining**. Additionally, we developed a framework for environmental and social management practices, policies and safeguards. Based on a thorough review of existing institutional arrangements, ASI also development a series of institutional options for the government to consider.

REFORMING THE MINISTRY OF MINES IN AFGHANISTAN

ASI supported the Ministry of Mines in implementing institutional and regulatory reform. This involved developing a five year business plan which **restructured the Ministry** into a policy body and sector regulator, we also re-engineered key business processes, supported the establishment of the EITI in the country, and assisted in the development of a **National Mining Strategy**. Additionally, we also supported the Government in packaging and marketing specific mining opportunities for the private sector.

ASSESSING THE POTENTIAL OF LIQUIFIED PETRO- LEUM GAS IN SUDAN

In the context of developing North-South relations, the oil and gas sector is a particularly important. In building common economic interests, ASI assessed the potential to scale up production and distribution of LPG to meet energy demand across Sudan. This involved analysing the policy context, industry structure, pricing mechanisms and subsidies, exports, refining capacity and distribution chains, making recommendations to Government, the private sector, and civil society.

