The Africa Mining Vision: 
How can Africa benefit more from emerging global players?

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Objectives

- Share information about the impact of emerging global players on Africa’s mineral sector
- Raise awareness about the Africa Mining Vision (AMV)
- Discuss how in a changing and multipolar world, the AMV can propel Africa’s structural economic transformation
To Start With: The Context Changed

• In 1992, I prepared a very naive paper for ISRI titled “O Sector Geologico-Mineiro em Mocambique, sua Importancia e Perspectivas”, which suggested that coal, heavy mineral beach sands, gas, and rare metal pegmatites would form the basis of Mozambique’s mineral industry.

• Nobody wanted to touch coal (it was dirty): We failed to secure WB funding for Moatize.

• It was a buyers’ market (Commodity prices were low).

• Washington Consensus and the “Strategy for Africa Mining” were the mantra.
And the Mantra Was

“The recovery of the mining sector in Africa will require a shift in government objectives towards a primary objective of maximizing tax revenues from mining over the long term, rather than pursuing other economic or political objectives such as control of resources or enhancement of employment. This objective will be best achieved by a new policy emphasis whereby governments focus on industry regulation and promotion and private companies take the lead in operating, managing and owning mineral enterprises.”

*Strategy for African Mining – World Bank, 1992*
Today

• We are in a sellers’ market and possibly in a Super Cycle of historically high commodity prices
• China and India have entered the ball game
• Mining is booming in Mozambique
• Mining has a much better profile
• Strategic stockpiles back in fashion: Rare metals and rare earths are in the US “critical” list of minerals
• There is policy space for developmental strategies
• Environmental stewardships are mainstreamed
• We have governance gains: EITI, APRM, CSOs
• We have the Africa Mining Vision
WHAT IS THE AMV?

• Its goal is to create a -

  “Transparent, equitable and optimal
exploitation of mineral resources to
underpin broad-based sustainable growth
and socio-economic development”

• It is essentially seeks to use Africa's natural
resources sector to transform the continent's
social and economic development path
The AMV Process

• Task Force: AUC, ECA, AMP, AfDB, UNCTAD, UNIDO and UEMOA

• Draft informed by outcomes of several meetings and initiatives: JPoi, Yaounde Vision on ASM, AMP SD Charter and Mining Policy Framework, 2007 Big Table, ISG, SADC + UEMOA harmonization efforts

• Discussed at the First African Union Conference of Ministers of Mines in October 2008

• Endorsed by AU Summit in Feb 2009
The AMV Process (2)

- Has become the Framework for developing mineral resources in Africa
- Being used by RECs to harmonize their mineral policies
- Recognized by CSD 18 as a basis for the sustainable development of mineral resources in Africa
- Recognized by the EU as a basis for EU-AUC Cooperation
- Recognized by ACP countries & used it to inform the drafting of the ACP Framework of Action for the Development of Mineral Resources
- Endorsed by the World Bank
The Tenets – focus areas

• Development of a diversified and globally competitive African mineral industry which contributes to broad economic and social growth through creation of economic linkages

• Fostering a transparent and accountable mineral sector in which resource rents are optimized and utilized to promote broad economic and social development

• Promoting good governance of the mineral sector in which communities and citizens participate in mineral assets and in which there is equity in the distribution of benefits
The Tenets – focus areas (2)

• Optimizing knowledge & benefits of finite mineral resources at all levels of mining & for all minerals
• Harnessing the potential of small-scale mining to improve rural livelihoods and integration into the rural and national economy
• Fostering sustainable development principles based on environmentally and socially responsible mining, which is safe & includes communities and all other stakeholders.
• Building human and institutional capacities towards a knowledge economy that supports innovation, research and development
Fig 1: Schematic Resource-based African Industrialisation Phasing
(relative economic importance)

Phase 1
- Resource Beneficiation (value-addition, market access)
- Resource Exploitation

Phase 2
- Densification/generic (SDP) Infrastructure

Phase 3
- Increasing skills intensity (HRD) & capacity building
- Unskilled resource labour

Phase 4
- Rents from Resource diversification industries
  - Diverse tax base
- Resource Inputs production & Lateral migration (diversification)
- Import of Resource Inputs
- Resource R&D. high level skills and tech development
- Import of Resource Technologies
- Policy space, Complex regulation, M&E, governance
  - Contract Law
- Contract/license resource & infra (PPP) governance

Resource Exploitation & infrastructure phase
Resource Consumables & HRD phase
Resource clusters, R&D, cap goods & services phase
Lateral migration & diversification phase
Why the AMV?

- Need to have an African common voice
- Resource endowment: Comparative advantage to harness
- Top producer, but most minerals exported as raw materials: Potential for mineral beneficiation is great
- More favourable political economy: "Failure" of the Washington consensus opens room for more policy space
- G20 Seoul Development Consensus
- Africa has more chances now to bargain for better deals than in the days of the Lagos Plan of Action
Why the AMV (2)?

• Although RBIs are not a new mantra in Africa (Lagos Plan of Action), in general, mining has not delivered broad-based development: We can learn from successful RBIs (e.g. Nordic countries).

• Despite swings in commodity prices, resource intensity theory (resource use flattening at US $16,000/GDP) suggests that demand for minerals might continue to be strong if China and India (and other emerging economies) continue to grow: This and other factors might support prices.
Why the AMV (3)?

• Other sectors don’t have the same rents: Better resource rents in the mining sector can catalyze growth of other less competitive sectors
• Geopolitical competition for Africa’s resources can strengthen the continent’s bargaining power
• Resource nationalism and assertive governments: Pendulum can swing to host countries, but don’t kill the goose that lays the golden eggs
• Governance gains: Growth of non-state actors (CSOs) democracy, APRM, less monopoly of the policy space
• Greater political maturity and better internal capacity
Why the AMV (4)?

• Merely regulatory role for the state being questioned: Is the “developmental state” back?
• ”Tri-sector partnerships and public participation: Being mainstreamed
• New age miners: Embracing developmental and transformative approaches; triple bottom line (financial success, contribution to social and economic development, and environmental and material stewardship)
• We can learn from good practices: Nordic clusters
But, is a scramble taking place? What should Africa do?

- India has also expanded its FDI into the African extractive sector, driven by large multinationals like Vedanta in copper and Tata in steel

- Brazilian companies are aggressively investing in Africa’s mining sector – eg Vale in Guinea, Mozambique and Zambia

- Concerns about security of supplies led to EU defining the Raw Materials Initiative

- And the US and Japanese strategy based on “criticality” of high technology materials eg rare earths considered more important

- Criticality defined by importance & availability (US)

- The EU, like the US has no stock pile. But systematically monitors markets and supply – Raw Materials Initiative
## A CURSORY SWOT ANALYSIS OF AFRICA AND MINING SHOWS

### Strengths

- Unquestionable mineral endowments
- Unexplored areas: New frontiers (EA)
- Governance gains, political and economic reforms
- Improved macroeconomic stability and capital markets recognition

### Weaknesses

- Negative perception for investment
- Infrastructure deficiencies
- Heavy reliance on commodities combined with low capacity for contract negotiation
- Low capacity to audit value chain
- Weak policy capacity

### Threats

- If China’s growth slows down there will be a fall in mineral prices
- Global recession leading to high interest rates and low capital markets activity for financing exploration and development
- Lack of local participation in the value chain
- Exposure to the vagaries of commodity price swings as exacerbated by the financialisation of commodity markets

### Opportunities

- Expand mineral production to meet demand through foreign and domestic investment
- Explore opportunities for linkages with local industries
- Invest in infrastructure development
- Explore resource corridors to facilitate FDI flows

**Source:** WBMS, Raw materials group data (2010)
The Strategies

• A win-win conversation beyond optimising the current scramble for Africa’s resources and aimed at potentiating a future beyond mining

• Improve the level/quality of Africa’s resource potential data (gm and mineral inventory): It strengthens the continents’ bargaining power

• Fight for more fiscal space: Robust, but flexible tax regimes that are responsive to economic circumstances; beware of stabilization clauses, BITs/IIAs

• Innovate licensing schemes to boost competition and realise better value: Go beyond “First come and first served” and explore auctioning through differentiation of mineral terrains
The Strategies (2)

• Boost Africa’s capacity to negotiate contracts and extract better deals (AMDC, ALSF, EI-TAF)
• Enhance the capacity to administer [auditing, illicit financial flows (Global Financial Integrity) monitoring, regulating, fomenting linkages] the sector and build robust institutions
• Audit, review and renegotiate (if required) existing mining agreements
• Manage mineral wealth better (APRM, oversight committees, stabilization funds, prudent spending)
The Strategies (3)

• Develop African junior resource companies
• Unbundle the “minerals complex” (from exploration to fabrication, markets and mine closure) to bundle
• Address infrastructure constraints (Resources for infrastructure deals, SDP, DCs) and facilitate factor flows through RI
• Promote mineral clusters and support SMEs to enter the supply chain
• Yaounde Vision: ASM and rural livelihoods and employment
Implementation: Some Success Factors

• Shared vision, but phased (Short, medium and long-term actions) and context specific action (There is no “one size fits all”)

• Phases are not mutually exclusive: Implementation can be fastened depending on internal and external factors (Auty)

• Political will and proactive government action: Key

• Mainstreaming the AMV at national and regional levels and secure buy in: Essential

• Entrenched belief on the power of indigineous ideas

• Policy space and ownership of the development process: The cornerstone!

• A capacitated African developmental state: It is a must!
Implementation: Some Success Factors (2)

• Domesticate transparency processes (APRM) and strengthen overall governance (CSOs, legislature)
• Build an alliance for change: State and citizens - from conflict to common purpose
• Movement: Coordinated action between public, private, CSOs, and community stakeholders
• Collective and concerted action/The African voice: Indispensable
• Among African states – from competition for FDI to cooperation for change
• RI, policy harmonisation and coherence
• Build global alliances and solidarity: Africa’s structural socio-economic transformation is a shared responsibility
Implementation: Some Success Factors (3)

• The “minerals complex” (from mining/extractive industry to a minerals industry): New institutional mindset, break silos and departmental rivalry

• Through the AMDC, deepen work of the ISG: (Auctions, Capital Gains Tax, Local Content, Linkages, Value Addition, Institutions, Trade Agenda, Industrial Policy)

• Capacity building, R&D: Fundamental

• ADF VIII (23-25/10/2012) on “Governing and Harnessing Natural Resources for Africa’s Development”: Another rallying point

• Move fast: The game changes fast (“Super cycle” can go…)
Challenges

- History of passing resolutions and visions
  - LAP 1980, industrialization framework
- State capacity and political commitment
  - Structural dependence of countries
  - Movement from competition to cooperation among African countries
  - How to be a competitive mining destination without racing to the bottom?
- How to manage the Dutch Disease?
- How to build a future beyond mining
- Continued lack of capacity to stand tall among global players in the industry
- Vested interests within and without
  - Domestic beneficiaries of current model
Challenges (2)

• Failure by Africans to rally together and trigger the “movement”: Nation states can’t deliver alone
• Facile certitudes about sovereignty
• Tunnel vision in favour of short term gains as opposed to the big picture
• Failure to connect the dots: Poor understanding of the new world and the opportunities it offers
• Silos as opposed to defragmented govts
• Aligning mineral and industrial/trade policy
• Financing change – who will pay?
Challenges (3)

- Existing contractual obligations –stability agreements
- Declared hostility to resource nationalism
- EU raw materials Initiative, US Criticality, EU/Japan/US use of trade instruments: How to reconcile interests of securing access to raw materials and the continent’s aspirations to use minerals to promote Africa’s structural economic transformation
- New Global Players and new models (e.g.R4I, “non-interference”, preference for raw materials instead of value added products, lowering of standards)
- Outsiders will pick and choose elements of the AMV agenda that suits them (NRC, WB, EU, China, Aus): Who benefits the most? Africa?
- Too many detractors in a congested field: Players looking for private gain!
In Conclusion
The AMV Is A Credible Instrument

• It provides a good rallying point for the world to join Africa in its development
• It was endorsed at the highest possible level in Africa by African themselves
• It has buy in internationally: CSD 18, EU, ACP, WB
• The moment is right: There is policy space and willingness to partner, good economic fundamentals and market opportunities
• Social compacts are becoming a norm: APRM EI
Thank You!