

# **The Africa Mining Vision (AMV) as a Model for Natural Resource Governance in Africa**

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# Objectives

- Share views about topical mining development issues in Africa
- Articulate the AMV Tenets
- Provide an update on the state of implementation of the AMV

# Africa today

- ADFVIII (Oct 2012): Links mining with Africa's structural transformation
- Mining Indaba 2013 epitomised the changes: Called for a model that delivers long-term broader benefits for all, “decent” mining, and a transition from an extractive industry to a development industry (Ed O’Keefe blog FT, Feb 2013)
- CoM 2013 in Abidjan: Defined path for Africa's commodity-based industrialisation with more linkages, local processing and value addition
- In 2009, the AMV had already captured all of those dimensions

# But

- The continent is impatient, expectations are high and benefits are not equally felt: The Bomani Commission
- Stakeholders' perceptions of what constitutes mineral value/benefits differ (see WEF MVM)
- Failure to manage the divergence in expectations can lead to conflict and tension between stakeholders
- Linkages still at an infant stage and face many barriers (NTBs, BITs, procurement policies, infrastructure and knowledge gaps)

# And

- There are governance gains and power relations are changing: Strong CSOs are holding governments accountable
- Increasingly, the social licence to mine is being requested not only to companies, but also to governments
- Captains of industry are ready to engage in development
- “Joint responsibility” is gaining traction and international actors are stepping in: Dodd Frank Act, OECD Guidance, EU

# However, getting it right is a great challenge

- Legacy: How to overcome the enclave nature of the industry
- Irreversibility: How to make a non-renewable resource an asset that benefits all including future generations
- Creating wealth with equity: How to avoid a race to the bottom
- Investing wisely
- Distributing fairly
- The Dutch Disease: A perennial problem
- Capacity gaps (asymmetries, silos, connecting the dots, strategic planning, cumulative impacts, post-mining life)
- Governance deficits (rentier behavior, participation)

# Above all and despite the challenges, there is belief though that

- Africa has a unique window of opportunity:
  - More policy space
  - Great potential to harness (the AMGI)
  - Increased competition for its resources which can strengthen the continent's bargaining power
  - Sustained growth and good investment profile (Zambia, Rwanda Eurobonds)
  - 2 billion people by 2050, young population, growing middle class, rapid urbanisation
  - Despite blips, market fundamentals can sustain historically high commodity prices
  - Strength of its blueprint: AMV captures the pulse, aspirations and goals of the continent and was endorsed at high-level

# The AMV

# 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 not about mining; It is about development!”.It essentially seeks to use Africa's natural resources sector to transform the continent's social and economic development path

# The AMV process

- Adopted by AU Heads of State in Feb 2009
- Has become the Framework for developing mineral resources in Africa
- Being used by several African countries to reform their own mineral policies, legal and regulatory frameworks and by RECs to harmonize their mineral policy strategies (Mozambique, Ethiopia, Lesotho, Tanzania)
- Recognized internationally
- AMDC BP approved in October 2012
- AMDC to be established in 2013 as a one-stop-shop platform to coordinate implementation of the Vision

# The tenets

- Recognition of importance of MR to Africa's economies
- Transform finite NR capital and transient wealth into lasting forms of capital beyond the currency of mining
- Broader understanding of “benefits”
- Using comparative advantages to build dynamic comparative and competitive advantages: A developmental, transformative, knowledge-driven and integrated mining sector with downstream, upstream and sidestream linkages

# Tenets (2)

- A sector that anchors the development of a competitive infrastructure base through local and regional economic linkages
- Optimal exploitation of finite resources at all levels (large and small-scale) and of all types (high and low value, including non-metallic minerals)
- New economic order (?): A sector that puts Africa geo-politically and strategically at its right place in the global international capital and commodity markets

# Tenets (3)

- 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

# The tenets (4)

- Unbundle the “minerals complex” (from exploration to fabrication, markets and mine closure) to bundle:  
Entry points to promote local content identified
- A sustainable and well governed sector: resource rents are well managed, distributed and smartly invested; intergenerational equity, environmental and material stewardship and CSR are respected
- Promoting good governance of the mineral sector in which communities and citizens participate in decision making and in mineral assets, and in which there is equity in the distribution of benefits

# The tenets (5)

- Fostering a transparent and accountable mineral sector in which resource rents are optimized and utilized to promote broad economic and social development
- Labour standards, safety and health are advanced; stakeholders are empowered; and contribution of the sector to development well recognised by society

# Entry points

- Resource rents: Invested to improve physical, human and social infrastructure
- Expanded physical infrastructure: To open up other resource potential (agriculture, forestry, tourism) and access zones with lower economic potential (densification, SDP)
- Downstream value-addition: To establish resource-processing industries that could provide the feedstock for manufacturing and industrialization

# Entry points (2)

- Upstream value-addition: To develop resource supply/inputs sector (capital goods, consumables, services)
- Technology/product development: To incubate niche technological competencies in the resource inputs sector that can migrate laterally to other sectors to produce new products for other (non-resource) markets (e.g. Atlas Copco)

# Fig 1: Schematic Resource-based African Industrialisation Phasing

(relative economic importance)

Phase 1

Phase 2

Phase 3

Phase 4

I

Resource Exploitation

Resource Beneficiation (value-addition, market access)

II

Resource Infrastructure

Densification/generic (SDP) Infrastructure

III

Unskilled resource labour

Increasing skills intensity (HRD) & capacity building

IV

Resource rents (tax)

Rents from Resource diversification industries

Diverse tax base

V

Import of Resource Inputs

Resource Inputs production & Lateral migration

(diversification)

VI

Import of Resource Technologies

Resource R&D. high level skills and tech development

VII

Contract/license resource & infra (PPP) governance

Policy space, Complex regulation, M&E, governance

Contract Law

Resource Exploitation & infrastructure phase

Resource Consumables & HRD phase

Resource clusters, R&D, cap goods & services phase

Lateral migration & diversification phase

# 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: AMGI
- Fight for more fiscal space: Robust, but flexible tax regimes that are responsive to economic circumstances; beware of stabilization clauses, BITs/IAs; export taxes to promote local value addition?
- 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: The AMSI
- Audit, review and renegotiate (if required) existing mining agreements
- Manage mineral wealth better (APRM, oversight committees, stabilization funds, prudent spending, active countercyclical policies)

# The strategies (3)

- Develop African resource companies (It is not only CODELCO: We have Office Cherifien des Phosphates in Morocco)
- State owned companies: Need a judicious analysis
- Double (local) or cross listing (DSE): To increase local participation
- Unbundle the “minerals complex” (from exploration to fabrication, markets and mine closure) to bundle/Marry with industrial and trade policy (Malaysia)
- Address infrastructure constraints (Resources for infrastructure deals, resource corridors,SDP, DCs) and other market failures (economies of scale, market size)

# The strategies (4)

- Mainstreaming the AMV at national (CMVs) and regional levels and secure buy in: Essential
- Promote RI and facilitate factor flows
- Promote mineral clusters (Region II in Chile) and support SMEs (local content provisions) to enter the supply chain
- Yaounde Vision: Integrate ASM in rural development plans
- Above all, be smart: Understand your comparative advantage, build and expand it, and explore your niche

# Implementation: Some success factors

- Entrenched belief on the power of indigineous ideas
- Shared vision, but phased (Short, medium and long-term actions) and context specific action (There is no “one size fits all”)
- Leadership, political will and proactive government action: Key
- Focused and effective public policy
- Phases are not mutually exclusive: Implementation can be fastened depending on internal and external factors (Auty)
- Mainstreaming the AMV at national and regional levels and secure buy in: Essential

# Implementation: Some success factors (2)

- Policy space and ownership of the development process: The cornerstone!
- A capacitated African developmental state: It is a must!
- Mining included in the discourse on domestic resource mobilisation and reflected in relevant budget and planning frameworks (PRSPs, MLTSFs, Visions 2030, etc)
- 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

# Implementation: Some success factors

## (3)

- 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
- The “minerals complex” (from mining/extractive industry to a minerals industry): New institutional mindset, break silos and departmental rivalry
- Capacity building and R&D: Fundamental!

# Implementation: Some success factors

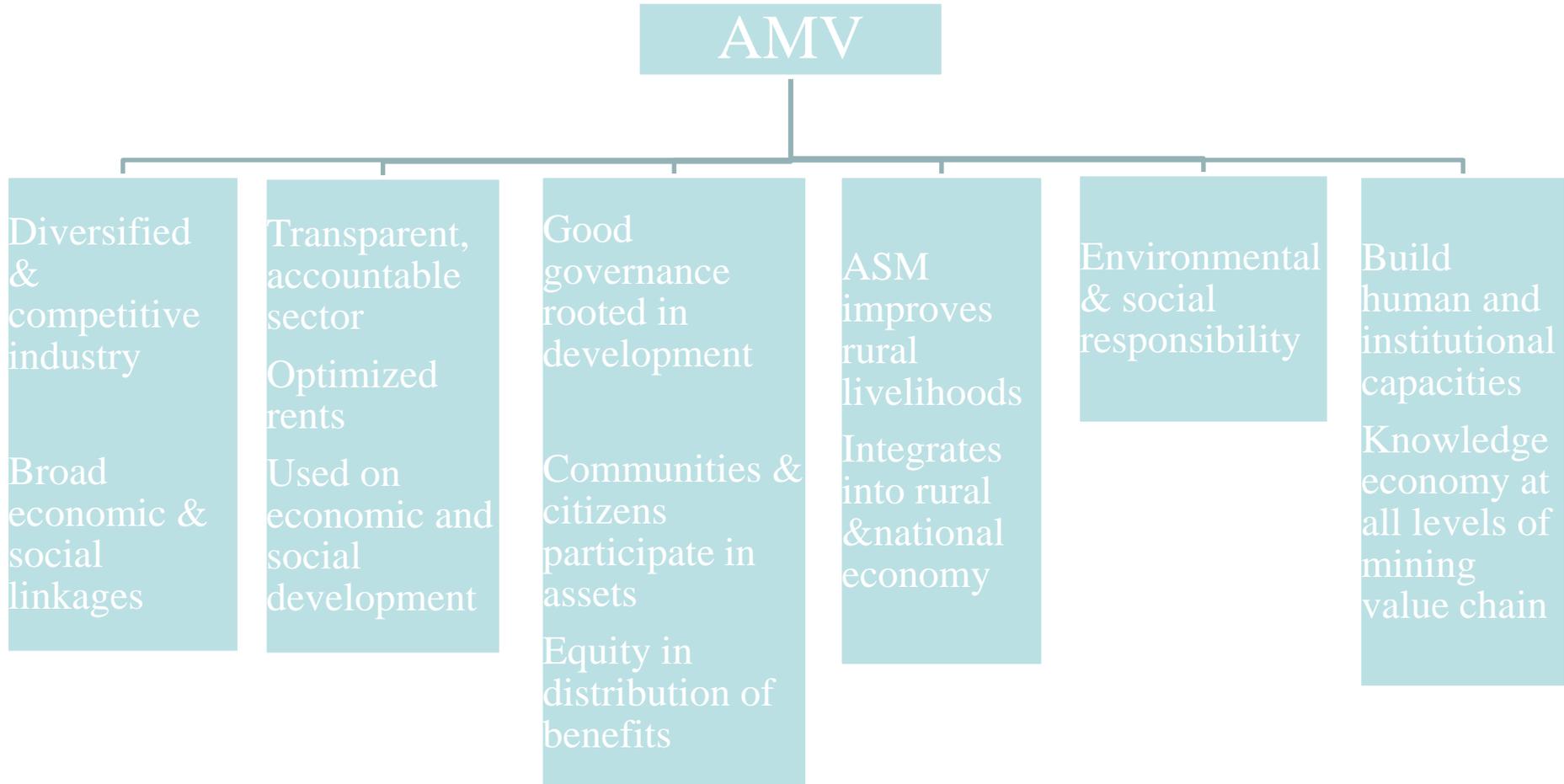
(4)

- Advocacy, communication and dissemination: Expand the coalition for change and build new champions
- Through the AMDC, deepen work of the ISG: (Auctions, Capital Gains Tax, Local Content, Linkages, Value Addition, Institutions, Trade Agenda, Industrial Policy)
- ADF VIII (23-25/10/2012) on “Governing and Harnessing Natural Resources for Africa’s Development”: Was an important rallying point for Africa to strengthen its voice and position
- But, move fast: The game changes fast

# Who will do all this?

- AMDC is being implemented as an AU project of the member States (AU) by the AUC, ADB and ECA and will report progress to Heads of State every two years through AU Conference of African Mining Ministers
- Extensive partnerships are envisaged (many under discussion) eg with AMSI, World Bank (several levels), private sector eg WEF-RMDI, research institutions, CSOs, etc
- AMDC will not duplicate existing expertise, rather coordinate this for the benefit of the African mineral sector.
- To be financed by member States and several key development partners, notably Canada and Australia
- Will start operations by September 2013

# The AMV principles for development



The AMV requires a broad range of expertise and partners to implement – the Heads of State asked ECA, AUC and ADB to coordinate this and establish the African Minerals Development Centre (AMDC)

# AMDC work streams

## Policy and licensing

Development Goal – The mining sector in Africa supports a broader share of social and economic development objectives

Mineral policies lack dev. objectives – focus is on tax & equity participation

Fiscal terms are poorly designed

Transfer pricing is common – Africa losing \$50 bn per year!

Embed dev objectives in policy & legal frwks

Optimise NPV of resource rents

Legislate against transfer pricing

Build value chain analysis capacity

Establish SWFs

Explore infrastructure funds

Establish long term community dev funds

Invest in broader national capacity building

Now

Medium term

Long Term

# AMDC work streams

## Geological and mining information systems

Development Goal – Enhance use of geological and geospatial information to manage long-term developmental outcomes

Geo mapping and exploration activities are very limited

Geo information data bases are poor

Geo spatial data manipulation capacities are weak



Improve national geological surveys

Increase mapping and exploration activities

Strengthen geological and mineral exploration databases



Improved quality of pre-competitive geological exploration activities

Improved national capacities to manage geological and geospatial information objectives

Now

Medium term

Long Term

# AMDC work streams

## Governance and participation

Development Goal – A socially and environmentally accountable sector that provides broad benefits to all stakeholders

Weak transparency and  
stakeholder participation  
Regulation and  
management of environ and  
social impacts is poor  
Human rights are violated  
Power asymmetry prevent  
equity in distribution of  
benefits

Improve policy and  
institutional space for  
transparency and  
participation  
Build stakeholder  
capacities to understand  
the mineral value chain  
Embed CSR in long term  
development f/works

Improved equity in  
benefit sharing eg with  
communities and local  
authorities  
Improved human rights  
in Africa's mineral sector  
Improved social and  
environmental  
management of the  
sector in Africa

Now

Medium term

Long Term

# AMDC work streams

## Artisanal and small-scale mining

Development Goal – Increased income for the ASM sector leading to improved livelihoods of rural communities

Sector is poorly regulated often with illicit activities  
Most operations are subsistent and not viable  
Technical skills and technology use are poor  
Environmental and social management is poor

Upgrade knowledge, skills and technologies in the ASM sector  
Develop programmes to improve viability of ASM operations  
Embed ASM into rural development strategy or local economy

A viable ASM contributing to local and national economy  
Strengthened skills and capacities of ASM operators  
Reduced negative environmental, health and welfare impacts from ASM

Now

Medium term

Long Term

# AMDC work streams

Development Goal - Mining sector makes a significant contribution to African resource-based industrialisation and social economic development

Sector is poorly linked to other economic and social sectors

There is little R & D into new processes and creation of mineral value added

Poor infrastructure limit opportunities

Need policies that encourage innovation and beneficiation

Local content policy  
Link beneficiation with industrial dev and other sector strategies

Explore collateral infrastructure & mining investment eg SDIs

Greater diversification of national economies

Improved economic linkages within the national economy

Improved availability of infrastructure for collateral economic and social use

Now

Medium term

Long Term

# AMDC work streams

## Building human and institutional capacities

Development Goal – to create a knowledge based a mining sector that underpins an internationally competitive African industrial economy

Mineral development institutions are currently weak

Human skills are poor at various levels of the mining value chain

General stakeholder understanding of value chain is poor

Diversify E & T funding to include private sector

Include development objectives in mining & delivery

Build stakeholder capacity to participate in decision of the mining value chain

A mining sector with a competitive skills base and high productivity levels

Strengthened capacities of stakeholders to make decisions affecting the mineral value chain

Now

Medium term

Long Term

# Why does it matter?

- The AMV will influence soft law on the continent
- It is already a reference for mineral policy reforms
- It was endorsed at the highest possible level in Africa by African themselves
- It has buy in internationally and many actors including governments, corporations and international organisations are feeling compelled to demonstrate commitment to its tenets
- Indaba 2013 asked for a popular AMV....

**Thank You!**