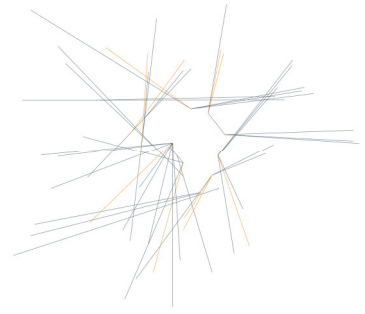


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**Will the Africa Mining Vision promote mining investment in
Africa at a time of uncertain commodity prices?**

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Will the Africa Mining Vision promote mining investment in Africa at a time of uncertain commodity prices?

Global commodity prices are now at their weakest in twelve years with spending cuts by mining companies very much the *ordre du jour*. Prices of minerals and metals are now at their lowest since August 2002, according to the Bloomberg Commodity Index, which was just before the start of the commodities super-cycle.

At the same time Africa is more dependent on mineral exports than any other region in the world. Ten of the world's twenty countries most reliant on mineral exports are in Africa. Countries such as Botswana and Guinea derive more than 60 per cent of their export revenues from minerals.

Macquarie Group Limited expects mining companies to cut capital expenditure by US\$20 billion this year, as demand for minerals abates amidst declining commodity prices. Spending this year by mining companies is likely to be US\$79 billion, some 39 per cent less than it was in 2012 and 19 per cent less than it was last year.

This is bound to affect Africa more than other mining regions such as Australia and Canada as the continent is high on the cost curve owing to its infrastructure and logistical challenges.

“Companies have become very Darwinian in how they look at capex. Projects have to make a return” – Clive Burstow, Baring Asset Management.

This is particularly true of the West African iron ore belt when iron ore prices have declined by 54 per cent over the last year (London Mining plc now in administration – \$400 m expansion of Sierra Leone Marampa mine on hold; African Minerals closed its mine in December).

The copper price has likewise declined by 23 per cent over the two years. Despite this, the Zambian government, Africa's second biggest copper producer after the DRC, has recently increased its tax take from mining, leading First Quantum and Glencore to suspend US\$1.5 billion worth of copper projects in Zambia. Zambia derives 69 per cent of its exports from minerals.

“Companies need property rights and a clear and fixed tax regime to make long-life investments...Africa has such potential and resources to be developed. But to realize that,

you need to spend a lot of cash and that's a story, in general, investors don't want to hear right now." (John Moorhead, Pictet & Cie, London).

1. Why the need for the AMV?

1.1 The cost of independence

On independence, the political economy of mining epitomized the limits of the political power and economic control gained by newly sovereign African nations. In economies dominated by mineral exports, this most important sector was an externally-oriented enclave only narrowly linked with the rest of the domestic economy through the taxes paid to the state by the mining companies and their small pool of mainly lower level African workers.

1.2 The World Bank identifies the problem

Many African countries in the early 1980s were severely indebted, leading the World Bank to become increasingly involved in designing reforms that were introduced into Africa's mining industry. In 1992, the World Bank set out in its Strategy for African Mining, the first systematic presentation of reforms that it considered necessary to tackle Africa's poor performance in minerals. The World Bank saw that African mining was attracting only 5 per cent of global exploration and mining development expenditure.

1.3 The solution to the problem

The future development of the mining industry would largely depend on attracting new high risk capital from foreign mining companies because historically, it was international mining companies which provided the management and technical capabilities and mobilized the necessary financing for mining. To adapt to modern conditions of mining, it argued, African countries would have to avoid state ownership and attract private investors to mining.

1.4 Mixed results at best

Although the extensive reforms of regulatory and legal frameworks introduced during the 1980s and 1990s helped to create a more favourable environment for foreign investment in African mining, their contribution to social and economic

development objectives has been far less certain—even contested in many countries. Within the past decade a very visible civil society movement, protesting about the costs and questioning the benefits of the revitalized mining sectors, has emerged in many mineral-rich African countries.

2. Inception of the AMV

In 2007 a “Policy Big Table” was held by the United Nations Economic Commission for Africa (UNECA) and the African Development Bank. The Big Table concluded that Africa had not gained the best possible benefits from the exploitation of its natural resources and urged African countries to seize the opportunity offered by the boom in demand for minerals and metals and the accompanying price surge to extract better terms from natural resources exploitation and to catalyse growth and poverty alleviation across the continent.

3. What does the AMV say

The AMV seeks to advocate for “Transparent, equitable and optimal exploitation of mineral resources to underpin broad-based sustainable growth and socio-economic development”. The vision will comprise (summary):

- A knowledge-driven African mining sector that contributes to the broad-based growth and development of a single African market through up-stream, down-stream and side-stream linkages;
- A sustainable and well-governed mining sector that effectively deploys resource rents and is safe, healthy and environmentally friendly;
- A mining sector that has become a key component of a diversified, globally competitive industrialising African economy;
- A mining sector that has helped establish a competitive African infrastructure;
- A mining sector that harness the potential of small-scale mining to advance rural social and economic development;

- A mining sector that is a major player in competitive capital and commodity markets.

4. What is the purpose of the AMV

4.1 Social Development

The AMV is first and foremost a developmental mining approach that insists that the royal road to growth is through building economic and social linkages that benefit Africa itself.

The AMV aims to tackling the paradox of great mineral wealth existing side by side with pervasive poverty. At the centre of the Vision is a developmental state that integrates the mining sector into broader social and economic developmental processes and ensures that economic development and wealth created through the exploitation of natural resources creates long-term development and is distributed more equally.

That means thinking about how mining can contribute better to local development by making sure workers and communities see real benefits from large-scale industrial mining and that their environment is protected.

4.2 Negotiations

It also means making sure that nations are able to negotiate contracts with mining multinationals that generate fair resource rents and stipulate local inputs for operations.

And at regional level, it means integrating mining into industrial and trade policy.

4.3 Skills development

Most of all it's a question of opening out mining's enclave status so that Africa can move from its historic status as an exporter of cheap raw materials to manufacturer and supplier of knowledge-based services.

5. Coming into force and implementation

5.1 How did the AMV come into force

The Africa Mining Vision was adopted by Heads of State at the February 2009 AU summit following the October 2008 meeting of African Ministers responsible for Mineral Resources Development.

5.2 Further steps to promote implementation of the AMV

In 2011, the Second Conference of African Union Ministers of Mining adopted an Action Plan for the Implementation of the African Mining Vision and called for the creation of an African Mineral Development Centre ("AMDC") to support member states of the African Union in implementing the AMV.

In 2013 the AMDC was launched during the third ordinary session of the African Union Conference of African Ministers Responsible for Mineral Resources Development. The purpose of the AMDC is to implement the AMV through their action plan consisting of 6 result areas:

- Policy and licensing,
- Geological and mining information systems,
- Governance and participation,
- Artisanal and small-scale mining,
- Linkages, investment and diversification, and,
- Building human and institutional capacities.

Ministers of Mining are requested to report every 2 years on the implementation of the AMV.

6. Has the AMV been implemented?

6.1 Mining countries in Africa

Mining is an integral part of Africa with between 47 and 53 of the 54 member states of the African Union involved in mining to a greater or lesser extent. The African continent contributed 6.5% of the world's mineral exports during 2011 from mining 20% of the world's land area. From a regional perspective, members of the Southern African Development Community (SADC) produce two-thirds of Africa's mineral exports by value with the biggest player in the region being South Africa.

6.2 Implementation of the AMV

6.2.1 General

There has been widespread criticism regarding the lack of implementation of the AMV. The African Minerals Development Centre (AMDC) has been established to promote developmental mining in Africa by supporting the domestication of AMV through the design of Country Mining Visions (CMV). The AMDC has lent support to CMV processes in Mozambique, Lesotho, Tanzania and Ghana. Of these, Ghana and Tanzania are significant mining producers with Ghana being the second and Tanzania the third largest gold producers.

6.2.2 Guinea/Conakry

In Guinea the AMDC will support reform of the mineral sector and will focus its assistance on:

- capacity building initiatives for contract negotiations;
- establishment of policy and legal frameworks for the improved management of oil and mineral resources;
- human and institutional capacity development; and
- construction of a laboratory/centre of excellence.

6.2.3 Tanzania

In April 2014 Tanzania released a project document relating to Capacity Development in the Energy Sector and Extractive Industries. The document sets out a resources and results framework where it states that there was at the time no Country Mining Vision ("CMV") in place and that one of the targets is to develop a CMV, put this roadmap in place and to follow it.

6.2.4 Ghana

Ghana is currently (February 2015) in talks with the United Nations Development Program (UNDP) as part of efforts to establish a Country Mining Vision-CMV for the mining sector.

Once discussions are concluded for the implementation of the CMV, major reforms such as job creation, dividend payment and infrastructural development will be seen in Ghana's mining sector.

6.2.5 Lesotho

In May 2014 Lesotho reviewed its Minerals and Mining policy on the basis of the African Mining Vision with the support of the Economic Commission for Africa and UNDP. It will be the first country on the continent to align its mining policy with the African Mining Vision.

7. Conclusion

African governments have signed numerous bilateral investment treaties ("BIT") supposedly to improve their investment climates and saw accepting constraints on their policy spaces as a price worth paying. In recent weeks Canada signed new investment agreements with Benin and Tanzania and a growing number of emerging powers are seeking BITs and double taxation treaties with African countries.

Foreign Direct Investment ("FDI") requires regulation that balances effective protection of investments with measures to ensure that FDI supports national development, augments domestic resources, fosters enterprise development, and enhances the technology, skill and knowledge base of the economy. The flipside of this is the need for a development policy framework which brings coherence and coordination to all these concerns and

provides the context for efforts to attract FDI. In the case of Zambia privatization and liberalization had created a policy environment that had led to the development of extensive linkages being swept away, removing incentives for the broadening and deepening of backward linkages.

It can be said that these situations underline the value of the AMV but at the same time highlight the tough road that actual implementation could face, including how to respond to the challenges posed by the international trade and investment regime. It is clear that strong coherence and coordination across government departments and regionally among African governments is a necessity. "*Nature + Technology + Regulation = Prosperity*" - Sir Paul Collier