Seventh Multi-year Expert Meeting on Commodities and Development
15-16 April 2015
Geneva

The Africa Mining Vision & AU Commodity Strategy: Implications for Policy

By

Charles Akong
United Nations Economic Commission for Africa

The views expressed are those of the author and do not necessarily reflect the views of UNCTAD.
The Africa Mining Vision & AU Commodity Strategy: Implications for Policy

15 April 2015,
UNCTAD Expert Meeting on Commodities,
Geneva, Switzerland
Presentation by Mr. Charles Akong
Economic Affairs Officer
African Minerals Development Center (AMDC)
Outline of Presentation

**Explain**
- The Africa Mining Vision
- Draft AU Commodity Strategy

**Profile**
- Africa Mineral Endowments
- Minerals and Development

**Identify**
- Strategic Pillars- Revenue, Industrialisation and Regionalisation
- Challenges and Opportunities

**Present**
- Policy Implications
The Africa Mining Vision: a new social contract

- **“To create a transparent, equitable and optimal exploitation of mineral resources to underpin broad-based sustainable growth & socio-economic development”**

- African governments are called upon to produce the following policy shifts:
  - change the vision for the sector;
  - expand the role of linkages;
  - adopt innovative fiscal sector and taxation regimes;
  - transform ASM into a developmental tool;
  - create transparent and accountable mineral sector governance;
  - uphold highest standards of safety, health and environment protection;
  - integrate CRS in local and national development plans;
  - support regional integration and cooperation;
Why the AMV

- Resource Endowments and comparative advantage
- Top producer but most minerals export raw
- Mining has not delivered broad based development - employment share contract
- Poorly integrated into local, national and regional economies
- Citizens demanding for “fair share” of revenue
- Better resource rents in the mining sector can catalyse growth in other sectors
- Despite price swings, demand for minerals will likely continue to grow
- Merely regulatory role of the state questioned, returned of “developmental state”
Structural Transformation in Reverse

Share of Sector Employment

Relative Share of Sector GDP
AMV implementation: AMDC, mission and roles

- Formally launched in December 2013; Facilitator of choice
- UNECA-AUC-AfDB-UNDP as implementing partners.
- **AMDC mission**: “working with member States and their national and regional organizations to enable mineral resources play a greater transformative role in the development of the continent through increased economic, social linkages and improved governance”.
- **Demand driven**: support the launch of CMV upon governments request
- **Coordinate** implementation of AMV
- **Provide** think tank capacity for embedding the AMV into Africa’s long-term development
Country Mining Vision

CMV— a Process
- Allows countries to articulate vision beyond political cycles
- Facilitates stakeholder engagement
- Roadmap for sectorial ministeries
- Comprehensive understanding of the stakes and challenges to the sector

CMV— a Product
- Common vision on mining & development
- New social contract
- Enrichment of PRSPs and other national development strategies
- Promote integration of mining into local, national and regional economies
AU Draft Commodity Strategy

- To lay out the vision for commodity-led industrialization: achieve structural economic and social transformation of Africa and Agenda 2063
- To present sector specific as well as cross-cutting strategic interventions
- To focus on key commodities including:
  - hard - metals and minerals
  - soft - agricultural products
  - energy commodities
- Process: Led by the AUC with technical support from AMDC and relevant UNECA departments. Multistakeholder including consultations at regional and country levels
AMV and AUCS: towards a forward looking approach
1. Commodity Price Volatility

- Price-takers African minerals exporters
- Rapid Price Movements all inclusive, more challenging than price decline
- Unprocessed ores & metals higher volatility than processed
- Financialisaton and sophistication of commodity markets
- Weak fiscal capacity and reliance on taxing “low-hanging fruits”
- High revenue leakages through Illicit Financial Flows

Figure 2: Author’s Own Graphics based on World Bank Dataset
Mixed Outlook: Beyond golden age?

Outlook for Metals and Minerals Price Indexes

- Precious Metals
- Base Metals
- Industrial Minerals

Price Index

Year

2. Resource-based Industrialisation

- Marginal position of Africa in mining global value chain
- Africa has even rolled back on industrialisation
- Countries increasingly adopting a more development approach to mining
- Poise to seize firm-specific opportunities for linkages through participation in GVC and RVC
- Mining to anchor key infrastructure investment and maximise corridor infrastructure opportunities
- Linkage opportunities - AU Agenda 2063, NEPAD, AMV, RECs
3. International Trade and Investment Rules

- Mastering rules of international trade
- Exploring forward looking opportunities to apply flexibilities
- Seizing preferences accorded to LDCs (33 out of 44 LDCs in Africa) to harness trade and industrial policy
- Overcoming constraints narrowing policy space, trade negotiations and facilitation
- Overcoming barrier
Regional Trade and Bilateral Investment Trade Rules

- Policy space for active industrial policy in EPAs
- Coordination of composition of sensitive products in EPAs for the emergence of viable RVCs based on resource endowments
- Impact of EPAs on industrialization will vary across regions
- EPAs likely not influence trade in raw materials but would increase imports of manufactured metal products into Africa
- BITs outdated & clearly misaligned with AMV and Africa’s development agenda of transformation through industrialisation
- 400 BITs in Africa-despite unproven investment attraction benefits
- Countries have started reviewing their BIT, e.g. South Africa
Beyond inter-country trade

- Explore firm-specific opportunities through participation in GVC and RVC
- Mining sector more prominent in the GVCs than recognised
- Africa’s participation however marginal to ores export
- But Africa’s participation in RVCs is even higher and mining share is relatively higher than in the GVC
- Much greater scope for industrial and agricultural minerals in RVCs with potential to even climb up higher
- Intra-African trade in intermediate mining product jumped six fold while trade outside Africa was four fold
- In sectoral terms mining ranked 13th in GVC compared with 8th in RVCs
- Completion of CFTA could boost Africa’s export by $40 billion with more than two-third industrial products
RVCs More Dynamic Than GVCs
Conclusion & Policy Implications

Political:

- AMV/CMV&AUCS are complementary strategic docs
- Greater commitment to the AMV as the development instrument for the mining sector
- Look beyond revenue-based renegotiation of contracts to broader sector reforms to capture greater devt benefits, guided by clear vision
- Deepening of RVCs in addition to GVCs through adopting CFTA and policy harmonization
- Coordinated and forward-looking approach to trade agreements
- Strengthen APRM as African owned governance mechanism that goes beyond revenue transparency to structural transformation
Con’t Policy Implications

Technical:

- Greater alignment of mineral policies with trade, industrial and educational policies
- Alignment fiscal, legal, policy, regulatory, investment with the AMV through CMV
- Optimal tax instruments including tackling IFFs
- Greater consideration and analysis of all minerals and their potential for linkages including development of industrial, construction and agric minerals
- Develop effective country and regional value chains strategy & R&D
- Strengthen integrated planning through anchoring key infrastructure development with mining facilitating regional integration
Con’t: Policy Implications

Operational:

- Implement CMV
- Design of optimal, efficient and effective tax instruments negotiate meaningful fiscal provisions
- Formulate mineral policies and value chains analysis
- Develop decision-support tools including geological and geospatial systems at all levels
- Lead participatory governance including equity, gender and envt
- Build capacity in ASM and gender, technology
- Support entrepreneurship, research and development and skill migration
- Coordinate of donor support in country
Thank You!