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

By

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

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Geneva, Switzerland

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# Outline of Presentation

## Explain

- The Africa Mining Vision
- Draft AU Commodity Strategy

## Profile

- Africa Mineral Endowments
- Minerals and Development

## Identify

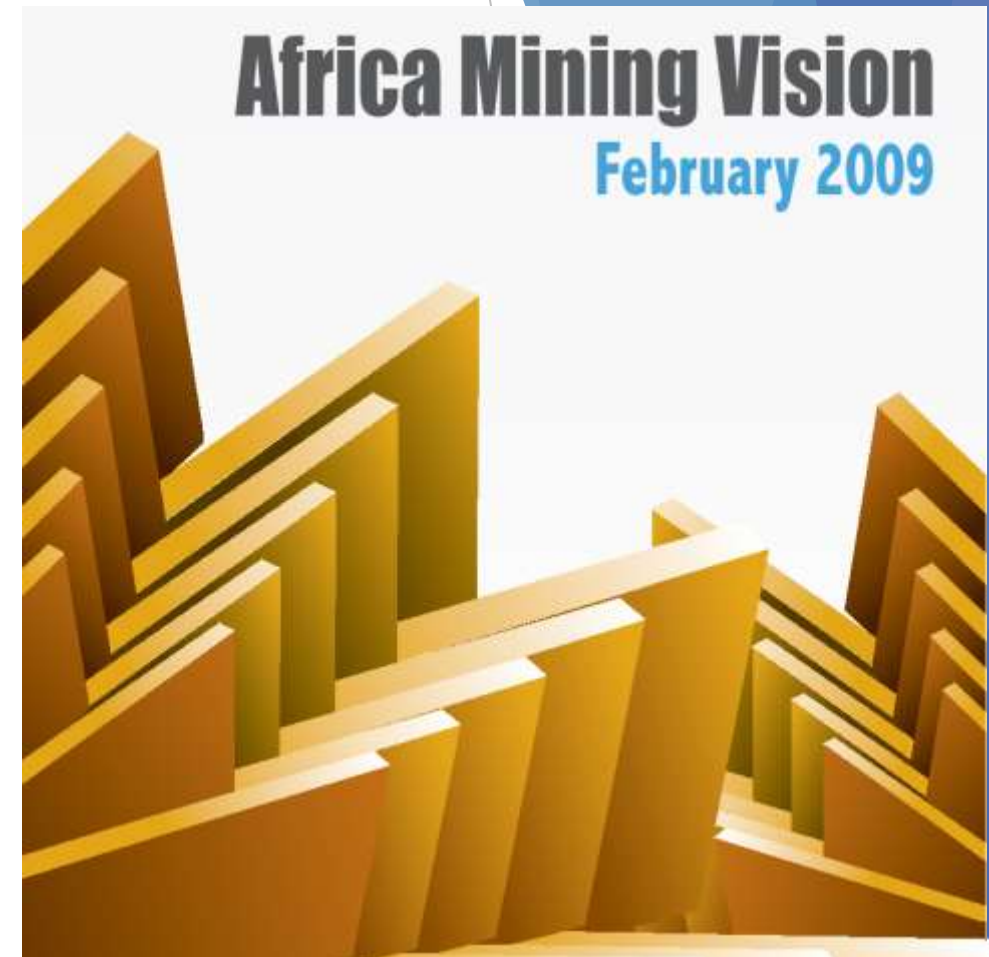
- Strategic Pillars- Revenue, Industrialisation and Regionalisation
- Challenges and Opportunities

## Present

- Policy Implications

# The Africa Mining Vision: a new social contract

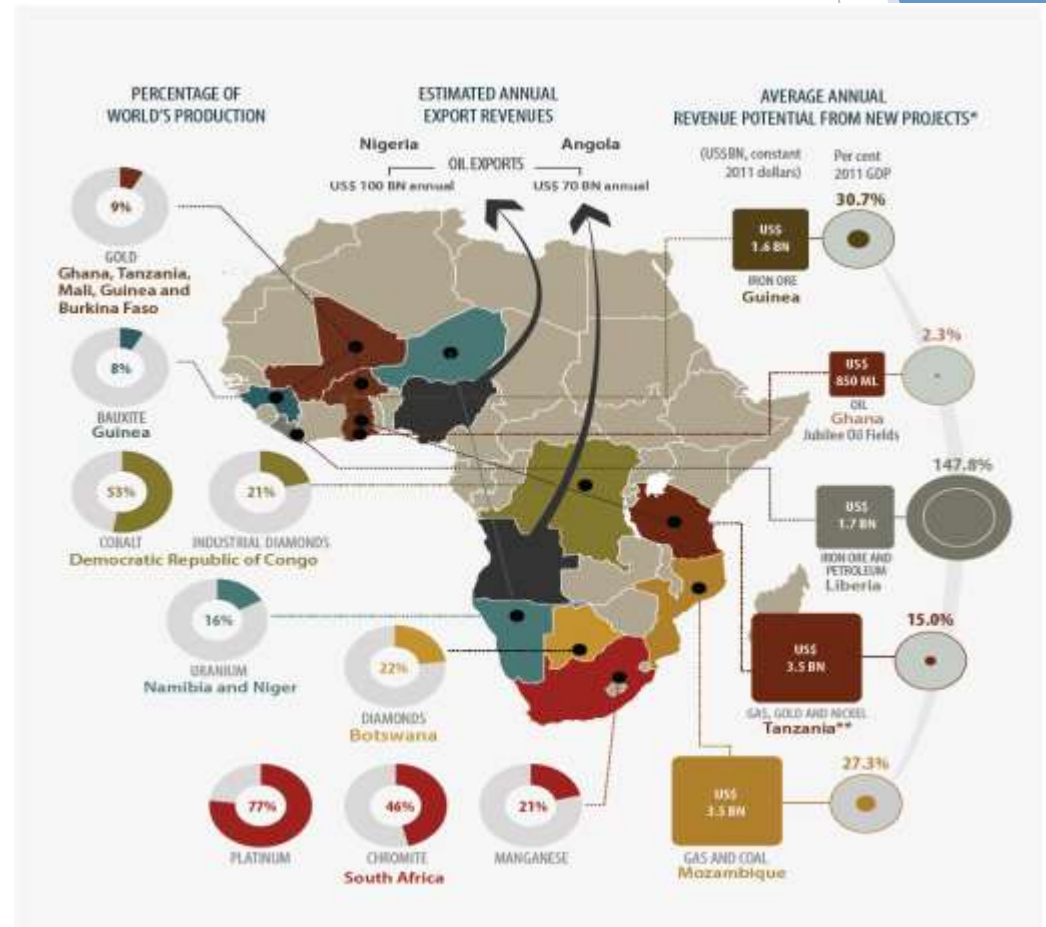
- ❑ *“To create a transparent, equitable and optimal exploitation of mineral resources to underpin broad-based sustainable growth & socio-economic development”*
- ❑ African governments are called upon to produce the following policy shifts:
  - ❑ change the vision for the sector;
  - ❑ expand the role 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

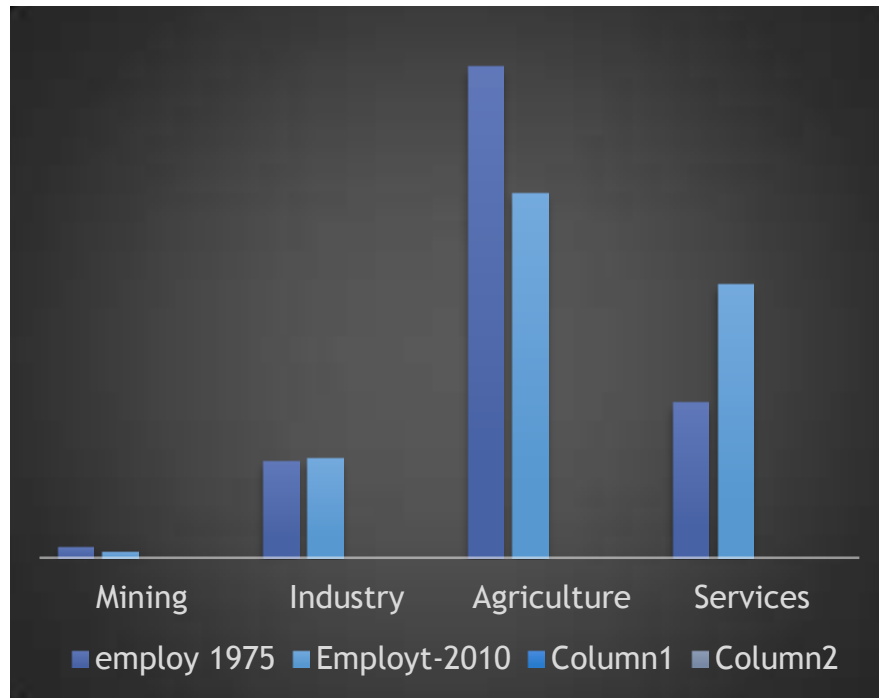
- ❑ Resource Endowments and comparative advantage
- ❑ Top producer but most minerals export raw
- ❑ Mining has not delivered broad based development - employment share contract
- ❑ Poorly integrated into local, national and regional economies
- ❑ Citizens demanding for “fair share” of revenue
- ❑ Better 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”

## Resource Endowment of Selected Countries

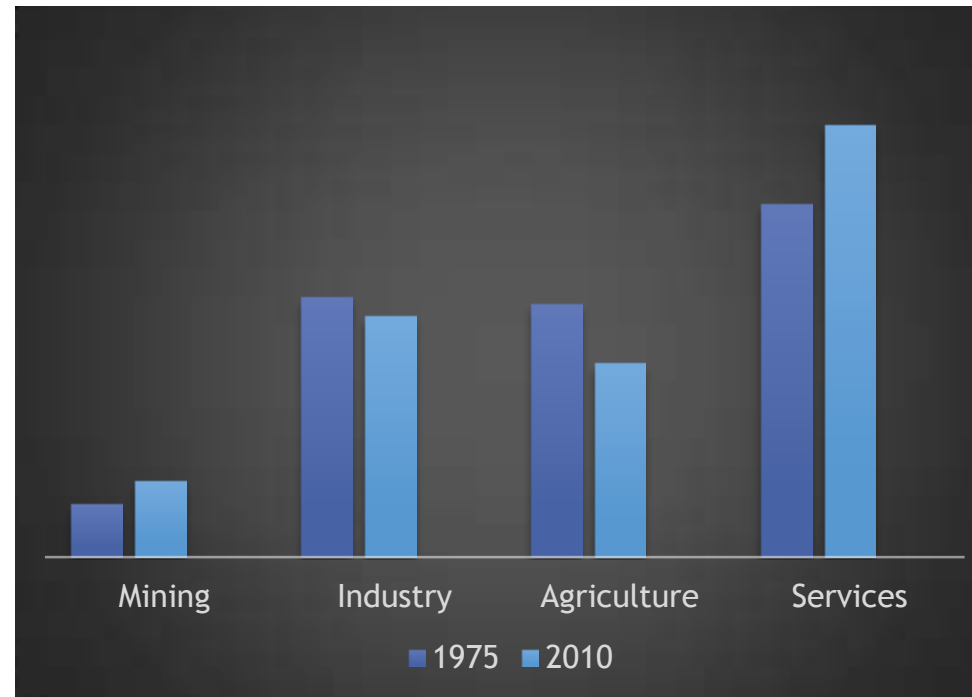


# Structural Transformation in Reverse

## Share of Sector Employment

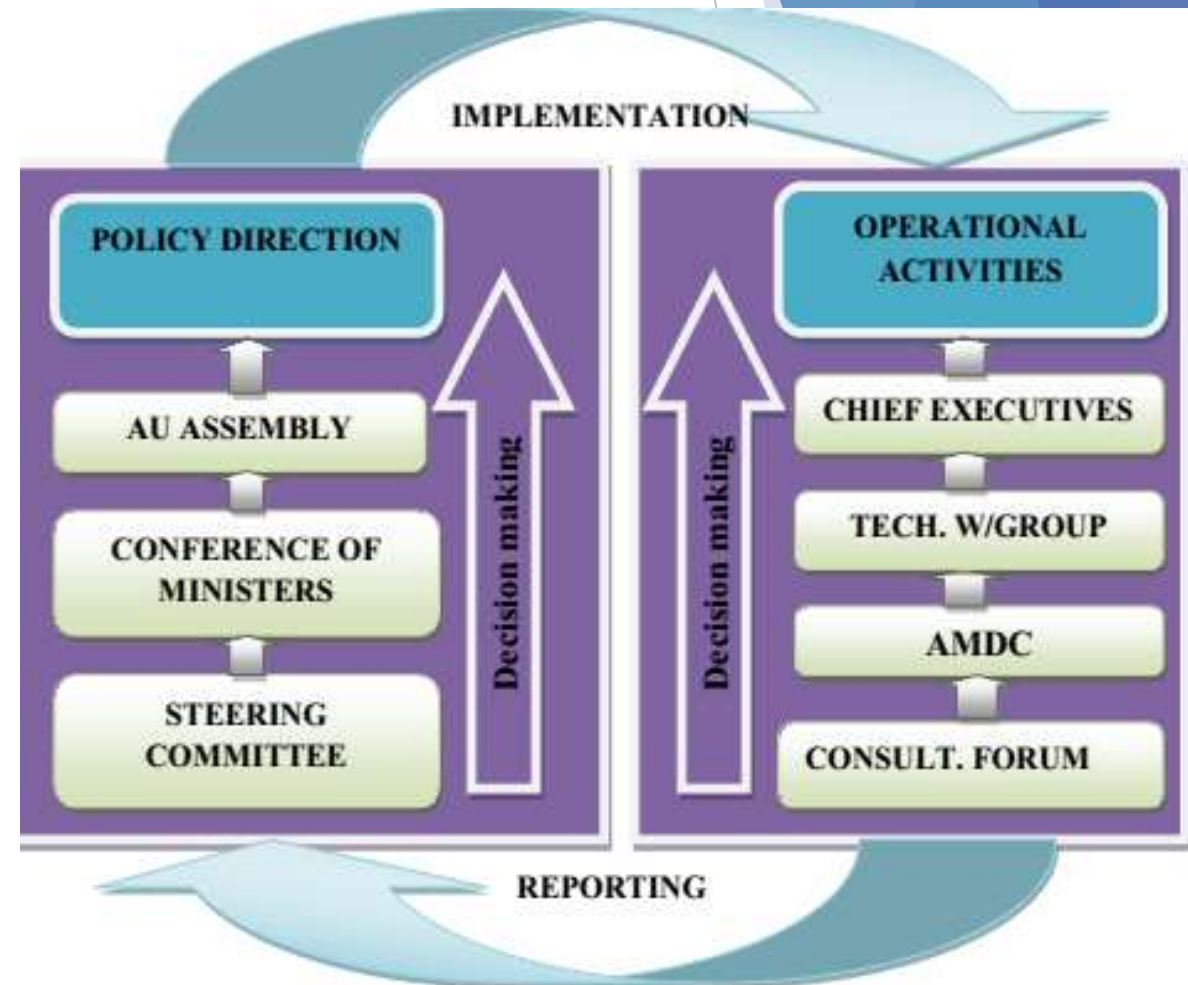


## Relative Share of Sector GDP



# 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



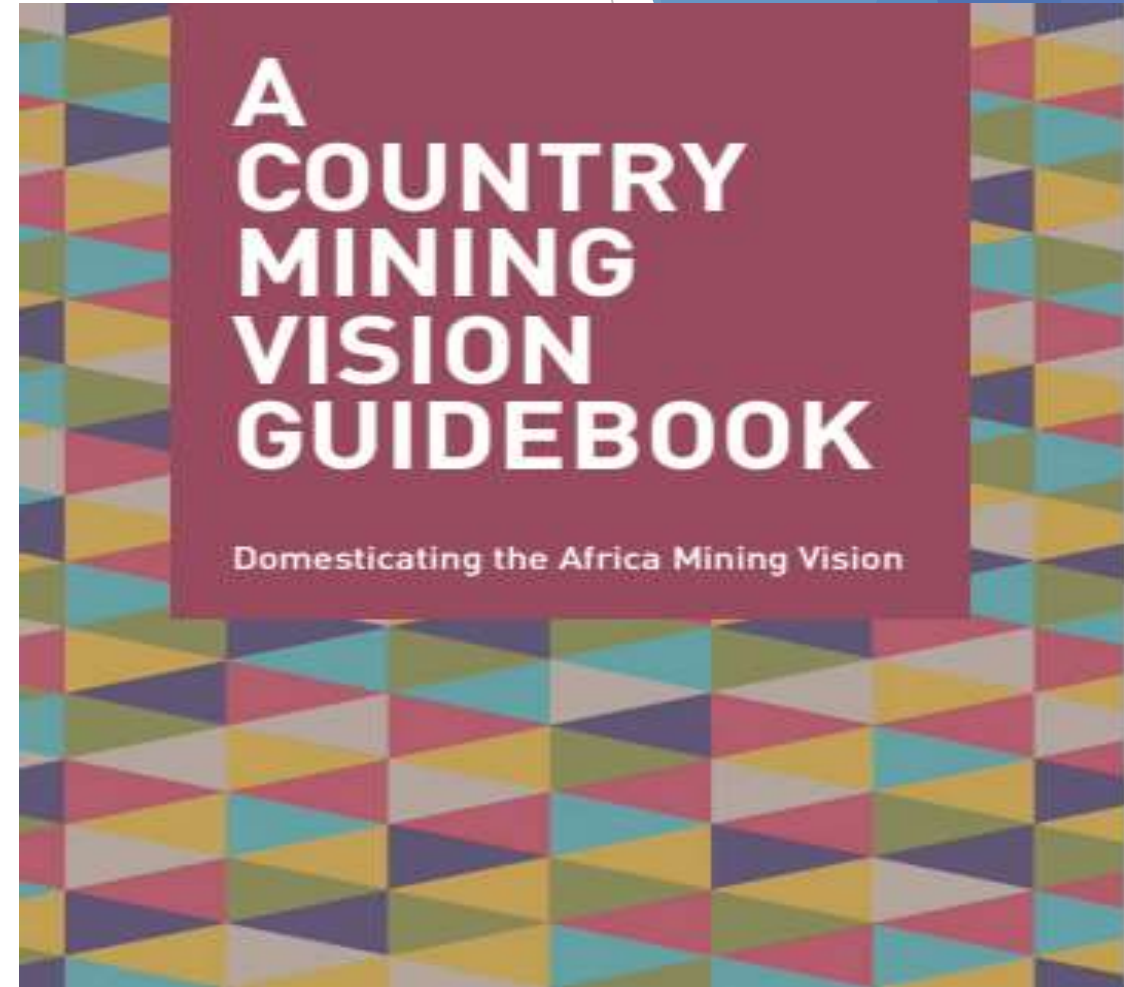
# Country Mining Vision

## 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



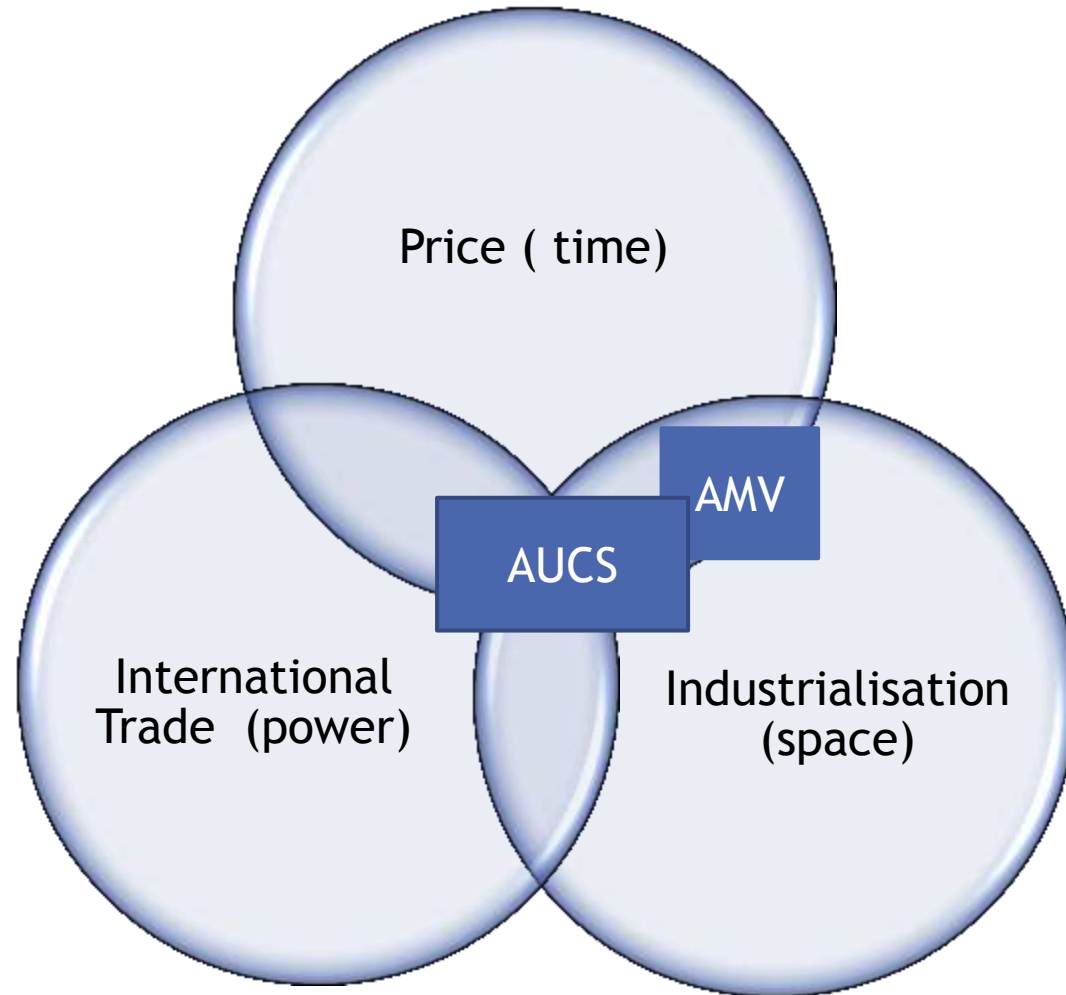


## AU Draft Commodity Strategy

- ❑ 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



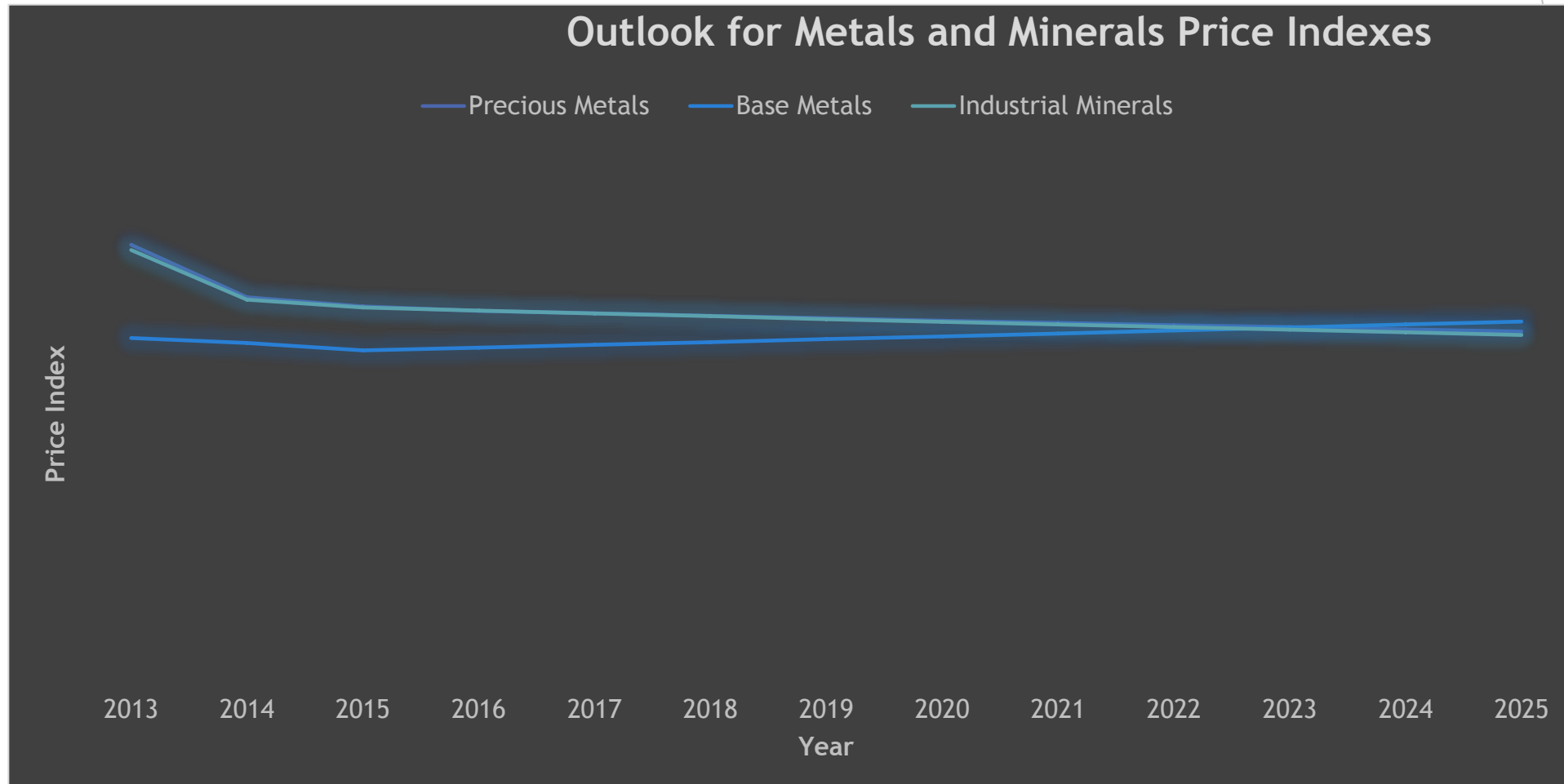
# 1. Commodity Price Volatility

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



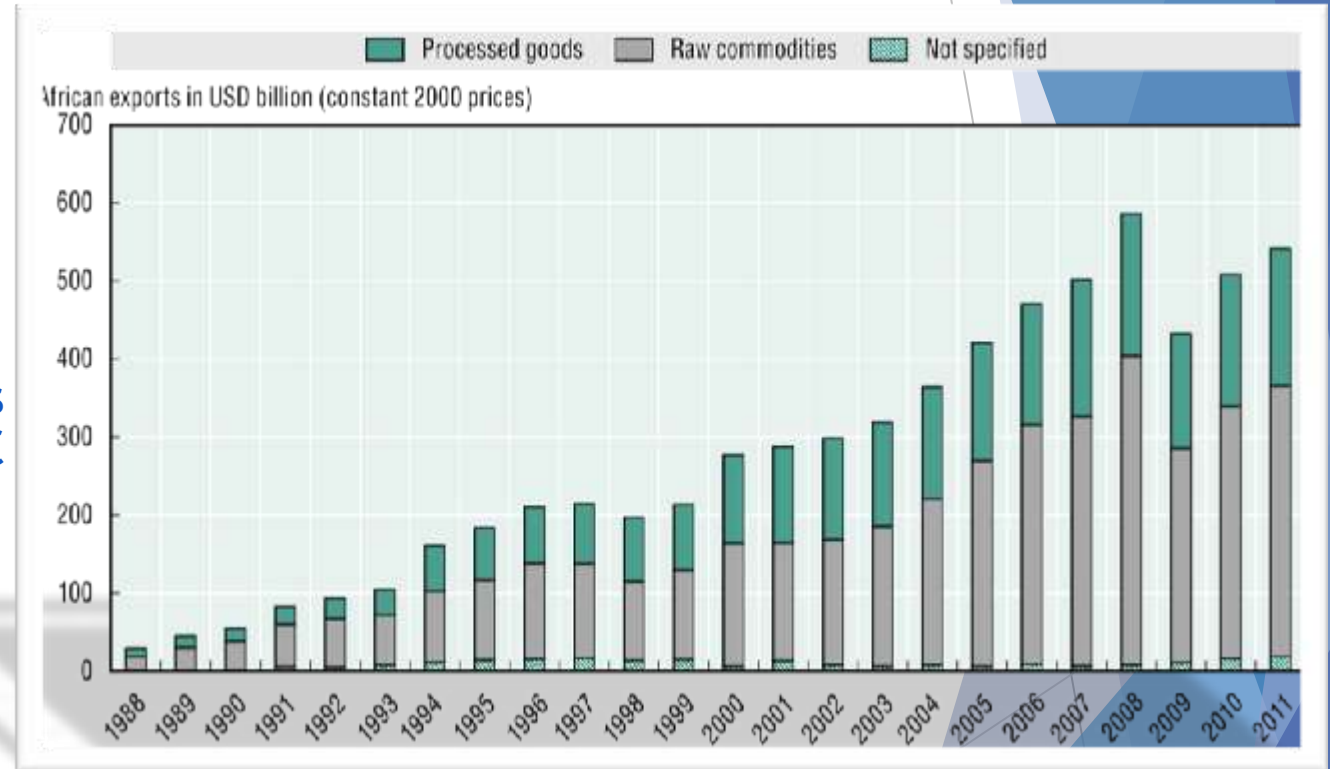
Figure 2 Author's Own Graphics based on World Bank Dataset

# Mixed Outlook: Beyond golden age?



## 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



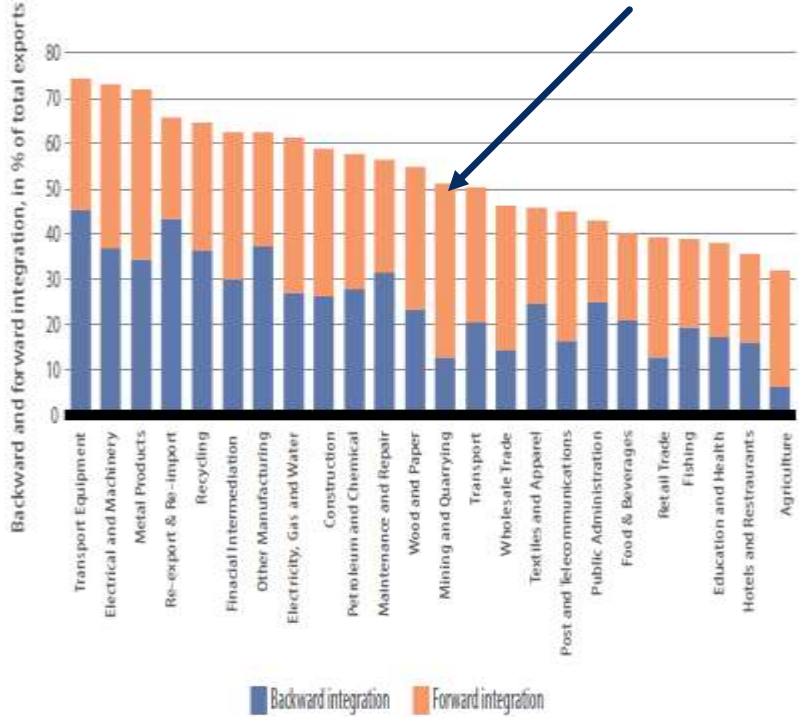
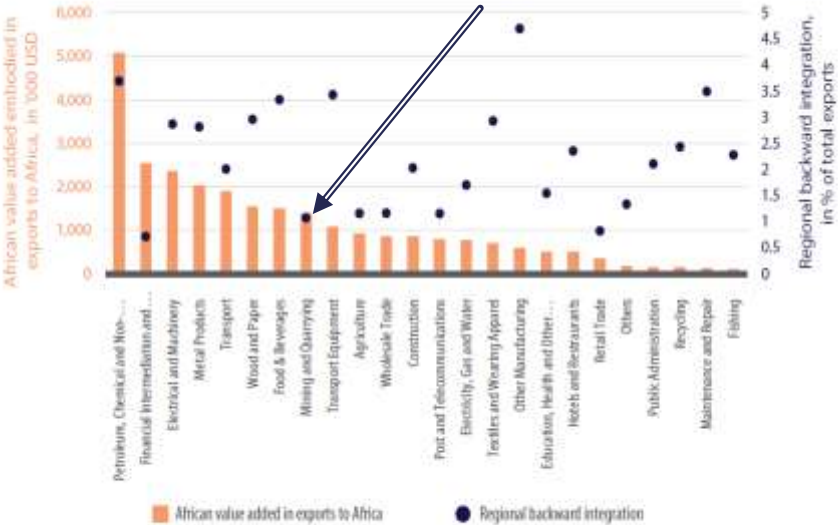
# Beyond inter-country trade

- ❑ 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 13<sup>th</sup> in GVC compared with 8<sup>th</sup> 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



Source: Calculations based on UNCTAD EORA Database.



# 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!

