Salient points from the European Commission-African Union Commission High Level Conference "Translating Mineral Resource Wealth into Real Development for Africa", 26 January 2012

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In times of increasing demand for minerals, intensifying pressure on natural resources on the one hand and persistently high levels of poverty on the other hand, the role extractive industries could potentially play for development in Africa has again become highly topical.

Obviously, the issue of raw materials and sustainable development is not a new topic. The development conundrums that might come along with the blessing of natural resources are as old as the use of those resources for human civilization itself. What seems to be new is the growing willingness among a diverse range of stakeholders, including national and local governments, extractive industries, business associations, civil society organisations and international NGOs, to jointly reflect on how to harness raw material wealth to bring about sustainable development.

What is more, the adoption of the “African Mining Vision” by the leaders of the continent has marked a key milestone in terms of African countries jointly putting forward their own strategic priorities and for ensuring that their mineral resources contribute to equitable development and achieving national poverty reduction goals. With the backdrop of this common vision and other initiatives tabled in the framework of EU-Africa partnership, the European Commission organized a High-Level conference on “Translating Mineral Resource Wealth into Real Development for Africa”.

These trends were highlighted at the recent High Level Conference that was jointly organised by the EC and African Union Commission (AUC) in the context of the EU-Africa Partnership on Raw Materials Brussels on 26 January 2012. Building on the conclusions of two expert group meetings on raw material held in 2011 in Dakar and Brussels respectively, the conference brought together around 300 high-level representatives from African and European governments, extractive industries, business associations, civil society organisations, technical agencies and media with a view to debate how to join forces to ensure that Africa’s mineral wealth would better translate into development for the continent. The conference was preceded by a closed-door expert group meeting on 25th of January 2011 and also served to share key findings of this group with a broader range of stakeholders.

Aligning to the strategic priorities identified in the African Mining Vision, the conference was organized along three major thematic areas: 1) good governance, 2) investment and infrastructure, and 3) geological knowledge and skills. This article summarises some of the salient points of the debate on the first two themes.

The timeliness of a thorough debate on thematic areas was emphasized by the two keynote speakers, Antonio Tajani, Vice President of the European Commission, and Sinknesh Ejigu, Minister of Mines of Ethiopia. Mr. Tajani pointed out that the first two areas were highly interlinked. He emphasised that transparency of natural resource management is not only an essential element of good governance and a key tenet of accountability, but also indispensable for attracting investment. Mr. Tajani highlighted the need for a broader strategic framework, which includes *inter alia* innovation, trade and, recycling. Mrs. Ejigu put particularly emphasis on the severe lack of geological knowledge and information in the African continent. She also remarked that mining reforms that are framed on Africa’s own terms are needed in the current situation.

Good governance

Members of the first panel, debating governance issues, were the European Commission’s DG DEV, the Gabonese Minister of Mines, the Secretary General of the ACP Group, the Africa Regional Coordinator of Revenue Watch Institute and two senior representatives of the Mining Companies Anglo American and

AngloGold Ashanti. The session was moderated by Fabrice Nodé-Langlois, Energy correspondent for Le Figaro. Commenting on the potentials for EU-Africa partnership in improving governance practices, Nadia Calvino, from the European Commission, pleaded for a global approach to enhancing transparency, whilst pointing to the progress that - in her view - had been by the Kimberley process on conflict diamonds and the potential of such legislations as the United States Dodd Franck Act and the EC Transparency Directive proposed in 2011. Referring to the two latter initiatives, Hugh Elliott of AngloAmerican cautioned that binding legislations might have the perverse effect of driving away investment. In his view one of the unintended effects of the Dodd-Frank Act may be to prevent some US companies from sourcing raw materials from Central Africa, simply because they felt that under the new legislation the risk of not complying with the new act law would be too high. Mr. Elliott also noted that companies could be overwhelmed by the multiplicity of different regulations issued by the EU, US and other entities. Mohamed Ibn Chambas noted that a framework of action has been devised at ACP level, not to mention the AMV.

Emmanuel Kuyole of Revenue Watch Institute argued for the need for more attention to be given to transparency on rather fundamental grounds of state-society relationship. He underscored that mineral resources should be viewed as public resources entrusted to the state by the people of the country. Consequently, mineral rich states and their development partners subscribing to principles of good governance had the moral obligation to design and implement legislation that allowed civil society and citizens to hold mining companies and public authorities accountable. He therefore strongly argued for regional and global initiatives needed to step up their transparency requirements to the level of project-by-project reporting. Alexandre Barro Chambrier, Minister of Energy and Mines of Gabon, posited that access to information on the activities of mining companies and agreements reached with governments was in the public domain and accessible to interested stakeholders due to expansion of information technologies. However, for Mr. Kuyole access to information that would allow civil society and citizens to monitor the quality of governance of extractive resources was still hard to trace. According to his experience, a major constraint to transparency on financial flows around extractive industries was that both governments and companies persistently refused to grant information, arguing that the approval of the other party for information disclosure would be necessary.

As much as forward and backward linkages from extractive industries to local small and medium enterprises is hyped as a potential avenue to diversify mineral-based economies, the supply-chain of many of the multinational companies does not seem to be amenable to the transparency criteria. This was highlighted in questions and examples raised by members of the audience. In responding to this particular question, Mr. Elliott claimed that about 75 percent of his company’s spending in supply chains remained in developing countries. But he did not clarify whether those countries were the same countries as the ones where the mineral revenue was generated.

Another theme that surfaced repeatedly during the panel discussion was the issue of fiscal regimes. Regarding tax issues, Mr. Chambrier said that more and more convergence in fiscal rules can be observed among major mineral producing countries. He made a strong case for investment in e-governance, e. g. for pooling information on fiscal regimes and procedures and making them readily available to potential investors on websites. Whilst such efforts were acknowledged as important, representatives of extractive industries argued that the degree of flexibility of tax regimes was a much more crucial issue for investors. Mr. Elliott reflected on the extent to which contracts and tax regimes might have to take the cyclical nature of extractive industries into consideration. Mr. Chambrier countered that too much flexibility in the tax system might induce every company to come up with demands tailored for its own needs. As a representative of civil society in the panel, Mr. Kuyole tried to link the stability of the tax system to its degree of fairness. According to him, a more fair tax system will be more stable, attracting sustained investment.

Capacity was another issue that got the attention of several panellists in relation to its effect on good governance. Mr. Chambrier stated upfront that African countries need to beef up their capacity and negotiation power. The issue of capacity also featured in the deliberations from the expert group meeting that had taken place on the eve of the Conference. An important recommendations of this group experts recommended African countries to develop institutional capacity to negotiate group contracts.

The representatives of the private sector underlined that contrary to some popular views, promoting sustainable development, poverty reduction and thus stability was in the interest of the investors. In this context, Mr. Cochi expressed the view that companies that engaged in long-term projects with extended gestation periods such as gold mining should therefore actively seek to align their Corporate Social Responsibility (CSR) strategies with the medium and long-term development goals and policies of the host country. But he also acknowledged the different logics of government and private sector actors when engaging in public-private partnerships and saw a need to invest in dialogue to better harmonise these logics. Arguing along the same line, Mr. Elliott pointed out that the perception that multinational mining companies favour corrupt government was wrong: For a long-term investor, poor governance was clearly a hindrance, because it increase the risk for the company. Both representatives of the mining industry emphasised that they were involved in a dialogue on local economic development and poverty reduction with NGOs and mining communities. They also signalled keen interest to engage in debate with donors and NGOs to explore further possibilities for cooperation and aligning to national and local development priorities.

Investment and Infrastructure

In recognition of the priorities of investment and infrastructure, the conference assembled a panel of international bankers and representatives of private sector, government, and regional bodies. Magnus Ericsson of Raw Materials Group moderated the session. Paolo de Sa of the World Bank noted that these two issues were strongly interrelated, because experience had shown that accessibility of mining sites, transport and shipment costs were important considerations for multi-national mining companies when deciding on investments. Wilfred Lombe of UNECA reiterated the central place investment and infrastructure were given in the African Mining Vision. He added that a country’s infrastructure is normally used geared to different economic actors and of the general public. Strategies for all infrastructure development, including infrastructure financed or run by mining companies should be embedded in the overall development framework of the country. They should also take due account of efforts to develop regional transport corridors that were presently supported by number of donors, such as the World Bank, the African Development Bank and the EU and its member states. Questions and remarks from the audience also pointed in that direction. Government officials indicated interest in identifying and documenting good practice and experiences with regard to integrating mining infrastructure with overall infrastructure programs.

The large-scale and regional nature of some infrastructure projects was reflected in the remarks given by Alexis De Roquefeuil of the African Development Bank. Mr. De Roquefeuil laid out his bank’s strategy to promote transport corridors and trans-African highways. He also said that the programme would be relying on issuing infrastructure bonds that could be used to source financing from a diverse group of investors including the BRIC countries and Islamic finds. Scandinavian participants argued that African countries could draw useful lessons from the experience of Nordic countries in building development corridors. Mr. De Sa indicated that the World Bank also follows a regional strategy in building mining infrastructure and training skilled manpower. He gave the example of the five centers of excellence funded by the bank in different parts of the continent.

In several parts of the discussion on infrastructure, CSR was brought up by different speakers in relation to investments in community infrastructure, such as hospitals, health centres or road infrastructure. Joe Mathews of ArcelorMittal noted that his company treats CSR as part of a much broader framework of Corporate responsibility. He claimed that different commitments the company make to stakeholders such as its employees or communities it works in tend to reinforce each other. Mr. Mathews also argued that multinational companies contribute to CSR objectives by imparting the lesson of CSR itself to smaller local companies they do business with. Mr. Lombe sounded a bit sceptical about the sustainability of CSR efforts as long as they were not aligned with broader social development frameworks. He pointed to the risk of stand alone schools being built by companies and not becoming operational, because teachers were allocated in line with national school development plans, and communities unable to hire their own teachers for lack of resources.

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