

Mining in Africa:

The African Union's 50-year vision

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The author is the chairperson of the African Union. This is her speech to the 2014 Mining Lekgotla, an annual think-tank hosted by the South African department of mineral resources, the Chamber of Mines South Africa, and the National Union of Mineworkers. It took place at Gallagher Estate, Midrand on 12–13 August

It is indeed a great pleasure for me to participate in this Mining Lekgotla on behalf of the African Union Commission, and to raise some critical issues facing the continent, particularly the management of its mineral resources. Your lekgotla agenda is in line with the discussions that we are having on "Agenda 2063: The Africa we want", looking at the present and also debating the future of the African continent.

At the celebration of the 50th anniversary of the founding of the Organisation of African Unity, we decided that we must look at the Africa we want 50 years from now. It is good to look long-term in order to see past the immediate constraints of what is possible now. We've had many contributions from different sectors of society: the youth, women, political parties, academia. For a change, we decided not to start by consulting governments. We decided to start by consulting the citizens and finding out from them what kind of Africa they want.

We also looked at what we can build on. We took into consideration the potential of our human resources, of our young and growing population, and especially women. We looked at our natural and mineral resources: our forests, our lakes, our rivers, our biodiversity, our minerals, gas and oil deposits, and our vast ocean territories. Indeed, our ocean waters are three times the size of our landmass.

But, we asked, if Africa is so endowed, why do we have two-thirds of the least developed countries in the world? At the turn of the century, why did the United Nations' Millennium Development Goals programme speak of "Africa's development challenge"?

With all these resources, 70 percent of the poorest live in countries where these extractive industries are. And you must answer the question: why are most countries where you are doing business in extraction among the poorest? I think that's the question we should grapple with today, to try to see how we can reverse the situation.

The ultimate goal of Agenda 2063 is to see an Africa that is integrated and peaceful. The African people aspire to a continent of shared prosperity, where they are not perpetually the wretched of the earth, while

the riches are taken from the bowels of the earth in their countries, often with their own sweat and blood, and shipped elsewhere. When we ship these mineral resources raw, we are also shipping out the jobs that we sorely need on this continent.

THE AFRICA MINING VISION

Because of the dominance of the mining and resources sectors in Africa, the implementation of the Africa Mining Vision (AMV)¹ is critical to the realisation of Agenda 2063.

We need an African skills revolution, to train hundreds of thousands of young Africans in science, technology, engineering, innovation and research, and also to develop skills in all priority sectors, including mining and infrastructure development. Although training should be the primary responsibility of governments, the private sector must also contribute substantively to the training of young people so that they are not only able to get decent jobs, but they are also able to create jobs. They can become entrepreneurs and innovators, and drive the development of the continent.

We would like to work with the mining sector and the universities to identify the skills required by industry and work together to provide education and training, including artisanal and technology development, as well as research. SADC [the Southern African Development Community], for example, is working with the recently established African Mining Development Centre (AMDC) to map the skills needed in the sector and the capacities of the delivery systems, and to develop an ability to forecast the skills that the industry will need as we go forward. The ultimate objective is to cover the mobility of skills in the region, and to adopt common SADC qualification frameworks for training in this sector. At the continental level, we also are looking to harmonise qualifications and curricula so that young people can train anywhere and still be able to work wherever their skills are needed across Africa.

We are also looking at expanding the skills base by persuading our universities to utilise technology for virtual education, so that learners can study without being physically in the classroom. This can be done.



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Our people have embraced technology: Africa is the second-largest user of mobile technology. So we should be able to use technology to leapfrog some of the stages of development.

A central aim of the AMV is to move mining out of its enclaves and turn it into a sector that can catalyse and contribute to the broad-based growth and development of a single African market, within which it will be fully integrated. This requires work, sector by sector and region by region, to build both downstream linkages into mineral beneficiation and manufacturing, and also upstream linkages into mining capital goods, consumables and service industries.

Although African growth is slowly diversifying, it is still largely driven by demand for commodities. As our economies aspire towards the critical tipping point of a sustainable 7 percent growth rate, and as our population is set to reach two billion by 2050, we must also pay attention to meeting the domestic demand as producers, not only as consumers. African countries must look for opportunities to build regional value chains around particular minerals, such as the eastern Congo, north-eastern Angola and Zambia's copper belt. Other opportunities can be found with minerals such as bauxite or columbite-tantalite (known as coltan and used in the manufacture of cell phones), where Africa is both a large producer and has a large domestic productive market.

Why can't we have a greater influence in pricing and beneficiation of these minerals that are so critical to the rest of the world, so as to create jobs and stimulate our industries? As long as we are exporting everything raw, there is nothing to stimulate our industrialisation.

INFRASTRUCTURE BACKLOGS

The African Mining Vision also raises the issue of side-stream linkages into infrastructure (power, logistics and transport, communications, water) and the necessary skills, research and technology development. Mining companies, by the nature of their business, have expertise and capacity in all these areas.

We know that the infrastructure backlogs – especially in transport, ports and harbours, energy, irrigation, and information and communications technology – are major challenges to manufacturing and mining sectors alike, and also to trade within the continent. We seek to address this through PIDA [the AU's Programme for Infrastructure Development in Africa]

Given these backlogs, shouldn't we move away from building infrastructure for only one purpose? For example, we see areas in the continent, and here in South Africa, where power generation is only for the mining sector, and the villages around the mine are completely dark. There is water only for the mining sector, and the villages around it don't have water. We can't sustain that kind of interaction with our population. We must begin to look at infrastructure highways. The new gas pipeline

that is going to be built between Algiers and Lagos will also have a highway – the Trans-Sahara Highway – built at the same time. But we should even look at putting broadband on that highway. We also need to mobilise domestic resources for infrastructure while we work with international partners.

FLAGSHIP PROJECTS

Agenda 2063 identifies three flagship projects. One, as I mentioned, is the e-university. The second one is a high-speed train that will link our capitals and commercial centres. Now, a lot of people ask why we should start with this. The countries with high-speed trains today started with the steam engine. Why shouldn't we start with high-speed? We didn't start with rotary telephones before we used cell phones. So why should we start where the European industrial revolution started when the technology is available to leapfrog all those stages?

But for the high-speed train to be useful, we need to have R&D [research and development] centres and training centres within the continent. Maybe most of the equipment will be imported in the first phase, but in the medium and long term, everything must be developed on the continent. We want to use the model of the Airbus, which was developed in Europe by many countries. Each country makes some components; even South Africa has a small component in the project. We think this high-speed train can be developed through that model. But it will also have a lot of spin-offs. Iron ore will be utilised to create what we need. There will be other skills and other industries needed, and it can be part of our industrialisation process, while providing transport for goods and people across the continent.

The third flagship project for Agenda 2063 is one that has been discussed *ad nauseam*: the Inga Dam [in the Democratic Republic of Congo]. It is time to really start to move with this, because it can provide so much energy for industries and people and contribute towards clean energy and the reduction of emissions. Unlike coal generation, hydropower is clean, renewable and sustainable.

We want to build an African mining sector that will harness the potential of artisanal and small-scale mining to stimulate local and national entrepreneurship, improve livelihoods and advance integrated rural social and economic development. I am not talking about illegal mining, but artisanal miners – men and some women – who toil away in the most hazardous of conditions. We need to work with them to improve their skills because they also contribute to job creation. We need to work with them to improve safety and health, and also to improve their productivity.

The AMV also calls for the continent to develop a comprehensive map of its mineral endowments, as a lot of our resources have not yet been explored. The institutions established by the Mining Vision, such as the African Minerals Development Centre, are critical to



this process. It is an area of international co-operation, and the World Bank has announced that it is making US\$1 billion available for the project. I was at the World Bank a few days ago and I asked who is going to do the mapping and if they are also going to build capacity in this area. Also, who is going to have ownership of the outcome: the governments, the World Bank? I think we need to ask those questions before we see the flashing dollar signs and go ahead without knowing who will own and have access to the map of our minerals. All those issues must be teased out. This mapping is not just an exercise: it has a huge commercial value. Ownership of the information is therefore important, as well as where it will be distributed. To my surprise, they said they had not thought about it. They are going to think and let us know.

WORKING CONDITIONS

I also want to challenge you, as the mining sector, especially those companies that work both inside and outside the continent. I want to challenge you to see how the conditions of your workers in Australia and South America compare to those in Africa. I don't think it's right that a company can be mining the same commodity elsewhere but treating workers differently. What's good for workers in Australia should be good for workers in Ghana and South Africa. I think it's one issue you should deal with. Only then we can say whether workers in South Africa or Ghana are reasonable or not reasonable in their demands.

It is also good for the mining sector if people have decent working conditions, if their children can go to school, their children can eat. Not only their working conditions, but salary, safety, everything that allows people to look after themselves. We are talking about eradicating poverty, but we can't have a huge workforce that is poor. It is not sustainable. That's what we are telling the mining companies. We must make sure that we give the best that we can.

I also want to challenge you in another area. The UNECA/AU High-Level Panel on Illicit Financial Flows from Africa, chaired by Thabo Mbeki, was set up in 2012. At first, a lot of people thought it was about our corrupt politicians. But what came out of the study was something a bit different: the vast majority of these illicit flows were from companies, particularly the extractive industries. And secondly, companies are not transparent in the way they operate. It starts with contracts that are skewed in favour of the company. The company can make its profit, but the host country must also benefit so that it can do everything that it needs to do, like providing transport and education for the people.

Why do countries sign those contracts? The truth of the matter is that most of them don't have the capacity. The companies have bigger budgets than the budget of the country. Now we are looking at how to build capacity so that these countries sign contracts that allow

profit to the companies, but also give the country what it deserves.

Then these companies inflate their costs, and the countries – especially the small ones – cannot verify what the real costs are. The companies undervalue what they take out, and the country has no capacity to determine whether the real value has been declared or not. Some of them don't even pay tax. They are allowed to pay no taxes until they recoup their capital, and they go on for decades, saying, "I haven't, I haven't". Some even claim to be working at a loss. What company stays in a country for 10 years working at a loss?

This is real. And the money that we lose through these schemes, through these criminal activities and the small amount that comes from corrupt politicians, far outstrips what we get through foreign aid. Yet these funds should be used to send kids to school, to develop infrastructure. I know that not all companies are doing this, and I don't know which companies do it, because I am talking about a study. But if you are part of it, stop it!

Industry must be transparent about everything. Governments must also be transparent about what they are getting from these contracts and what the money is used for. We must build the accountability of governments and companies to our citizens. This is the best way to collect rent and taxes and to utilise the money from these resources.

The mining sector should not look at these developments as a disadvantage, but as an advantage. It should be an opportunity to help to shape shared prosperity, the growing African middle class and industry, and, therefore, a growing demand.

There has been progress in the five years since the African Mining Vision was adopted, but we need a more concerted push for transformation on all the issues that we've raised above. Many countries, many regional economic communities, and companies within the mining sector, are working in these areas. We must learn from each other's experiences and pool our capacities together.

We hope to have the last contributions for "Agenda 2063: The Africa we want" by the end of October and it will be finalised in January next year. I hope we'll also have your own contributions.

NOTE

1. 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. It is Africa's own response to tackling the paradox of great mineral wealth existing side-by-side with pervasive poverty. First and foremost, it is a developmental mining approach that insists that the royal road to growth is through building economic and social linkages that benefit Africa itself. See more at www.africaminingvision.org.

