

**Resources and the ‘Renaissance’:  
Australian Government support for the *Africa Mining Vision***

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**Abstract**

A defining characteristic of the ‘African Renaissance’ is African countries’ expanding exploitation – and strengthened governance – of their natural resources. The adoption in February 2009 by African Union Heads of State of an *Africa Mining Vision* (AMV) has stimulated national efforts to ensure this resource wealth is shared equitably. The AMV advocates for a transformative role for mineral resources in Africa’s development. But there is a long road ahead. In many African countries increased resource revenues are widening the gap between rich and poor. As in many parts of the developing world, inequalities between resource stakeholders in Africa are stark, in terms of expertise, resource governance ‘fluency’ and access to decision-making. This paper outlines how the Australian Government is playing a pioneering role in supporting the realisation of the AMV, as a founding supporter of the African Minerals Development Centre (AMDC) – the chief organ to drive continent-wide implementation of the AMV. The success of the AMV will, however, largely be measured by the extent to which African communities themselves manage and negotiate their resource endowments – while minimising social and environmental impacts. So the Australian Government is also working at this level to build individual and institutional capacity, to support the goal of a knowledge-driven African mining sector.

**Introduction**

In May 2013 the African Union celebrated the 50<sup>th</sup> anniversary of the formation of the Organisation of African Unity (OAU) in 1963, and the 10<sup>th</sup> anniversary of the transformation of the OAU into the AU. The mantra of ‘Africa 2063’ was born, as leaders sought to formulate their vision for the coming 50 years. Drawing on the adage: ‘If you cannot define yourself, someone will define you’, African leaders used the opportunity of the Jubilee to celebrate the continent’s achievements, and articulate a vision for the way forward.

At the same time, the 10<sup>th</sup> anniversary of the Africa Peer Review Mechanism (APRM) was commemorated in Addis Ababa – an initiative under the New Partnership for Africa’s Development (NEPAD). The APRM has arguably been critical to the promotion of the African ‘Renaissance’, with African ownership of the APRM a founding principle. The APRM is frequently characterised as a home-grown governance mechanism that has consolidated Africa’s ownership of its development agenda. Anniversary discussions highlighted the extent to which the APRM has in effect redefined the African social contract, focusing on shared accountability. A key contribution has been the role played by the APRM in institutionalising a culture of accountability within Africa (and within states), to replace

externally imposed ones (such as donor-imposed conditionality). Focusing on ‘getting politics right’, the APRM has shown potential to bridge the divide between the African political elite and African peoples by institutionalising accountability mechanisms.<sup>1</sup>

Behind the vision statements, there is real substance to the claims of an African ‘renaissance’. Africa’s rise is underpinned by rise of the global South - the transformation of a large number of developing countries into dynamic economies who are wielding growing political influence and making impressive gains in human development.<sup>2</sup> Private capital flows – particularly through foreign direct investment – have increased to Africa to the point where they rival development assistance. Moreover, returns on investment are high compared to other developing regions: 20 per cent for Africa, compared with 12-15 per cent in Asia and Latin America.<sup>3</sup>

The African mining sector holds some of the greatest potential to support a new Africa narrative, written by Africans themselves. The surge in resource-based wealth is one of the defining forces transforming Africa’s social and economic landscape, and contributing to shifting geopolitical patterns in the global South. The African continent accounts for 40 per cent of the world’s known gold reserves, and 80-90 per cent of the chromium and platinum group metals.<sup>4</sup> Africa is now seen as having the greatest overall investment potential of all emerging economies globally, with seven of the ten fastest growing economies from 2011 to 2015 in Sub-Saharan Africa: Ethiopia, Mozambique, Tanzania, DRC, Ghana, Zambia and Nigeria.<sup>5</sup>

But improved governance of mineral resources – anchored to effective institutions – will be essential to make this economic growth more ‘poverty reducing’. A decade of significant growth has not seen comparable improvements in education, health and nutrition.<sup>6</sup> Resource-rich countries account for nine of the 12 countries at the bottom of the UN’s Human Development Index (HDI).<sup>7</sup> Moreover, although by 2050 Africans will account for 25

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<sup>1</sup> Donors are seeking to strengthen APRM engagement with the African mining sector, given the potential for the Mechanism to support African leaders’ management and oversight of their expanding resources sector.

<sup>2</sup> UNDP, *Human Development Report 2013 - The rise of the South: Human progress in a diverse world*, 2013, ii.

<sup>3</sup> Africa Progress Panel, *Equity in Extractives: Stewarding Africa’s natural resources for all – Africa Progress Report 2013*, 46.

<sup>4</sup> McKinsey Global Institute, *Lions on the move: The progress and potential of African economies*, June 2010, 3.

<sup>5</sup> Figure from IMF, in AfDB, *Governor’s Dialogue, Long-Term Strategy 2022, Issues Paper* (quoted in UNDP Development Brief, *Towards a framework for attracting private equity and venture capital in Ethiopia*, UNDP Ethiopia No. 3/2013)

<sup>6</sup> Africa Progress Panel, *Africa Progress Report 2013*, 6.

<sup>7</sup> The UN Human Development Index (HDI) is a summary measure of key dimensions of human development, measuring the average achievement in a country in three basic dimensions of human development: a long and healthy life, access to knowledge, and a

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per cent of the world's workforce,<sup>8</sup> 52 per cent of African countries have insufficient skills for innovation to occur or be supported.<sup>9</sup> African countries frequently lack the skills to ensure that resource extraction occurs on their terms: for example, that contracts are favourable, and that environmental impacts are understood and managed.

Mining resource booms can have negative impacts on economic development, engendering a false sense of security and, especially in cases where the state is already weak, further eroding the legitimacy of state institutions. Where there is reduced incentive for governments to diversify their economies, and to tax citizens and organisations, the process of statebuilding and improving centre-periphery relations is further protracted. In this way, poor people in resource-rich countries are typically more vulnerable because their countries' economies are more exposed to economic shocks linked to the notoriously volatile nature of commodity prices.

The rapid growth in Africa's resource wealth has exposed one of the inherent weaknesses in its mining sector: Africa remains overwhelmingly an exporter of unprocessed commodities. This means that exporters benefit from only a small portion of the final value of the mineral exports, and Africa misses out on the potential employment-generating benefits were it to step up the minerals processing value chain. The economic resilience of African communities would also increase with more value added, given that processed products are less vulnerable than raw materials to market shocks.

Recognising these challenges, in February 2009 AU Heads of State and government adopted the Africa Mining Vision (AMV). The Vision advocates for 'transparent, equitable and optimal exploitation of mineral resources to underpin broadbased sustainable growth and socio-economic development'. The AMV's genesis was a realisation that the boom in global commodity prices had not benefitted Africa significantly, despite Africa's resource wealth. The AMV therefore seeks to exploit Africa's mineral endowment to improve its development prospects by integrating its mining sector into broader development programming and thereby better tackling persistent poverty.

An Action Plan to realise the AMV was endorsed by AU Mining Ministers in December 2011,<sup>10</sup> and AU Ministers called for the establishment of the African Minerals Development

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decent standard of living. <http://hdr.undp.org/en/statistics> (statistics accessed 28 October 2013).

<sup>8</sup> US State Department website, US Secretary of State Kerry's remarks on the occasion of the African Union's 50<sup>th</sup> Anniversary Summit, Addis Ababa, <http://www.state.gov/secretary/remarks/2013/05/209965.htm> (accessed on 29 October 2013).

<sup>9</sup> OECD, African Economic Outlook 2012, *Special theme: Promoting youth employment*

<sup>10</sup> The Second AU Conference of Ministers Responsible for Mineral Resources Development in December 2011 approved the AMV Action Plan through their Addis Ababa Declaration on *Building a sustainable future for Africa's extractive industry – from Vision to Action*, which endorsed the Plan as the 'continental tool for guiding the prudent, transparent and efficient development and management of Africa's mineral resources in order to meet the MDGs,

Centre (AMDC) to provide strategic and technical support to the AU/NEPAD, Regional Economic Communities and Member States for the implementation of the Action Plan and hence the AMV. The need for such a Centre is evidenced by the complex set of stakeholders (at community, national, regional and pan-Africa level), the growing number of development partners interested in supporting this work, and the challenges posed by the diversity of African country mining sector contexts.

The AMDC is a joint initiative of the African Union Commission (AUC), the UN Economic Commission for Africa (UNECA) and the African Development Bank. The AMDC's workstreams align closely with the priorities of the AMV Action Plan:

1. policy and licensing
2. geological and mining information systems
3. governance and participation
4. artisanal and small-scale mining
5. linkages, investment and diversification
6. capacity-building
7. communication and advocacy

The AUC's role in AMDC's operationalisation will be critical. The AUC is, by its nature, a vehicle for mobilising political support among African Member States for continent-wide approaches to improved development outcomes. Its strength lies in its ability to secure high-level buy-in and to forge shared visioning between leaders. Its weakness arguably lies in its remoteness from the lives of ordinary Africans and its limited capacity to influence country-level implementation. Making the AU more relevant to the lives of ordinary Africans continues to be a defining objective of the modern AU.

The AMDC's effectiveness will largely be determined at country level, through development of Country Mining Visions (CMVs). CMVs will provide a roadmap for all sectoral ministries to support planning at the national level, and to begin the process of integrating mining sector strategies into overall national development plans. The CMV process will also look to promote connection with plans at the regional level (such as through plans for resource corridors) and the local level (through, for example, Millennium Development Goal (MDG)-based mine sustainability strategies).

#### **Australian Government support to the Africa Mining Vision**

Australian Government support for natural resource governance in Africa is assisting African countries to translate their resource wealth into economic growth and sustainable development. Key areas of focus are improving resource governance, supporting skills development, building resource sustainability, and fostering public-private partnerships.

The Australian Government was a founding supporter of the African Minerals Development Centre (AMDC), providing \$5 million over two years (2012-14) to support its implementation of the Africa Mining Vision. This support is underpinned by ongoing assistance at country and individual levels in Africa – to build the human skills and organisational capacity to harness Africa’s mineral wealth in a sustainable and equitable way. Skills development in the African mining sector is widely recognised as a pivotal priority to link mineral wealth to improved development outcomes. Mining-focused Australia Awards, targeted mining governance short course training, and technical assistance in African mining ministries are among areas of assistance being provided. Through this support, the Australian Government is building an alumni of individuals capable of driving change in this sector.

The Australian Government is also assisting in improving the transparency of payments from extractive industries companies (through support to the Extractive Industries Transparency initiative and Transparency International).

An area that typifies the deep-seated challenges inherent in realising the AMV is artisanal and small-scale mining (ASM). It is estimated that there are 25 million people globally working directly in ASM, with the livelihoods of a further 150-170 million people affected indirectly.<sup>11</sup> ASM presents both obstacles and opportunities for African countries. ASM has the potential to reduce poverty and improve development outcomes by providing employment and livelihood opportunities, stimulating local economic growth, increasing purchasing power, and mitigating urban migration (especially of youth).

ASM is in some ways a microcosm of the expansion of mining industry into the lives of African communities. The ambivalence and, at times, antagonism of both governments and mining companies towards ASM has resulted in poor oversight and understanding of the sector. It is here that many of the most damaging impacts of mining have been seen in Africa – especially in the areas of human rights violations (especially child labour), unsafe working conditions (for example, mercury exposure) and environmental degradation. But the incidence of ASM will inevitably rise given enduring rural poverty and rising prices for minerals. Government and commercial engagement with ASM must necessarily increase, on efficiency, equity, moral and sustainability grounds.

In countries where governments have sought to regulate the ASM sector, policies are often poorly designed, contextually inappropriate, and overly bureaucratic. There are often limited incentives for artisanal miners to connect with the state. For example, an illiterate artisanal miner in a remote rural area of Ethiopia is unlikely to see the benefits – nor have

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<sup>11</sup> [www.miningfacts.org/Communities/What-is-Artisanal-and-Small-Scale-Mining/](http://www.miningfacts.org/Communities/What-is-Artisanal-and-Small-Scale-Mining/) (accessed 20 October 2013).

the capacity – to navigate the annual licensing requirements required by the Federal Mining Ministry in Addis Ababa.

Nevertheless, the Ethiopian Government is making a concerted effort to formalise the ASM sector. The Ethiopian Government recognises that ASM provides an important existing and potential source of income for rural populations, and provides alternative livelihoods to agriculture, especially in Ethiopia's Developing Regional States, with workers transitioning between ASM and agriculture on a seasonal basis. ASM has proved to be a key source of employment for Ethiopians typically marginalised in the labour market – including unskilled and low skilled workers, women and people with disabilities – and a much sought-after source of foreign currency.

The Government of Ethiopia estimates that around 1 million people are directly engaged in ASM in Ethiopia, with 5 million people dependent on the sector, either directly or indirectly.<sup>12</sup> The Ministry of Mines reported US\$419 million in exports of minerals produced by artisanal miners in the first 11 months of 2012-13.<sup>13</sup> High-value minerals mined in this sector in Ethiopia include gold, gemstones and tantalite.

But as ASM expands in Ethiopia, so do the problems associated with lack of basic infrastructure in mining localities, and increased exposure to communicable diseases (including cholera, HIV/AIDS, malaria and waterborne diseases). The use of archaic mining technologies limits outputs, and opals and tantalite, in particular, are exported with next to no value addition. Artisanal miners typically lack the capital to allow even rudimentary production efficiencies, which in turn keeps their earning at subsistence level.<sup>14</sup> Low environmental awareness leads to high levels of land degradation. Unformalised open markets and high levels of smuggling mean artisanal miners have little access to fair prices. The enclave nature of ASM is reflected in poor or non-existent linkages with other sustainable economic sectors, particular in rural areas.

Efforts by the Ethiopian Government to bring artisanal miners into the formal sector include creating awareness about the value of association, establishing purchasing centres near mining sites, providing technological support and training, developing basic rural infrastructure, supporting women's participation and empowerment, and building protections against child labour exploitation. With Ethiopia's real GDP growth expected to average 7 per cent annually during the period 2013-17,<sup>15</sup> the Government's recognition of

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<sup>12</sup> Ethiopia Ministry of Mines, *Artisanal mining activities in Ethiopia: Challenges and opportunities*, Powerpoint presentation, October 2012

<sup>13</sup> Economist Intelligence Unit, Ethiopia (<http://country.eiu.com/article.aspx?articleid=1160976500&Country=Ethiopia&topic=Summary&subtopic=Highlights>) (accessed 28 October 2013).

<sup>14</sup> Africa Progress Panel, *Africa Progress Report 2013*, 89.

<sup>15</sup> Economist Intelligence Unit, Ethiopia (<http://country.eiu.com/article.aspx?articleid=1160976500&Country=Ethiopia&topic=Summary&subtopic=Highlights>) (accessed 28 October 2013).

the potential for, and their capacity to provide support to, the ASM sector, is likely to continue to grow.

Reflecting its significance as a potential source of rural livelihood development, ASM is the focus of one of the AMDC workstreams, with an overarching goal of harnessing the potential of ASM. Key actions include developing policies, laws and regulations, and standards and codes, to promote a viable and sustainable ASM sector and, where possible, to embed ASM into comprehensive rural development strategies. Upgrading the skills, knowledge and technologies used in the ASM sector will be central to forging a viable sector – as is the case in the large-scale, formal mining sector.

### **Conclusion**

Existing African national development frameworks rarely situate mining as a catalyst for sustainable development. So building a culture of policy coherence across sectors and ministries in African countries will be important to link resource wealth to development progress. Moreover, building a knowledge-based mining sector will require cross-sectoral skillsets (in, for example, human rights, environmental sustainability, civil society engagement, law and taxation). These are challenges which the Africa Mining Vision recognised as critical, and which the AMDC – with Australian Government support – is now seeking to tackle.

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