

AFRICAN UNION



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Statement of the African Union Commission Chairperson,
HE Dr. Nkosazana Dlamini Zuma
To the

MINING LEKGOTLA

Johannesburg, 14 August 2014

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Thank you very much, Programme Director,

**A my warm greetings to my old Colleague, the Minister
Ngoako Ramatlhodi and Oliphant,**

**To the Captains of Industry and to the Women in the
Mining, the Trade Unionists and all the Distinguished
Participants who are here with us this morning,**

It is indeed a great pleasure that I am participating 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.

It is significant that South Africa, which is a leading light in mining and minerals, is convening this event, I think for the first time, but this time coinciding with the 20th anniversary of our freedom. It is befitting that this event also looks at the contribution of the mining vision and how the National Development Plan and the African Mining Vision can come together.

Ladies and Gentlemen

Your Lekgotla agenda is in line with the discussions that we are having across the continent, looking at the present and also debating the future of the African continent.

We are in the process of debating what we call Agenda 2063, the Africa we want. And this came about at the celebration of the 50th anniversary of the OAU. We then decided that we must look at the next 50 years what is the Africa we want for the next 50 years. And I must say that we've had a lot of contributions from different sectors of society on the type of Africa that they want, whether it is the youth, women, parties, academia. Many people have taken an interest to contribute to what is the Africa they want and they want to be in, going forward from now on and in the next 50 years. And hopefully,

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we will get contributions from both the mining and the trade unions sides from this part of the world.

And we decided to go a bit long term. Many people were saying why are you talking 50 years? Normally you should talk five years or ten years. I always answer it is good to look long-term because you can escape your immediate constraints and not just look at what is possible now. We should look at what is possible in 10, 20, 30, 40, 50 years.

And of course, in these reflections, we considered a number of issues, and most of those issues actually came from the consultations because, 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 Africa they want. And in those discussions, we also looked at what potential Africa has and, therefore, what we can build on to bring this Africa that we want. We looked into and took into consideration the potential of our human resources: a young and growing population, 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 oceanic spaces. Indeed, our oceanic spaces are three times the size of our landmass.

African forest resources account for 23% of our land mass, and we also have minerals beneath our soil, minerals like platinum, diamonds, chromium, gold and uranium. I will not name them all because you know them better.

But the questions we asked, if Africa is so endowed, why do we have two-thirds of the least developed countries being in Africa? Maybe four of our African countries are classified as least developed. And during the Millennium Development Goals at the United Nations at the turn of the century, the 21st was defined as “*Africa’s development challenge*”. We were seen as a development challenge!

With all these resources that we have, 70% of the poorest on our continent live in countries where most of these extractive industries are. And you must answer the question why: if we have these extractive industries in these countries, why are 70% of the citizens among the poorest? 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 and try to see how we can reverse the situation.

Of course, this situation, as I said earlier this year at the African Mining Indaba, should be untenable to all of us: to governments, to citizens, to continental organizations, as much as it should be untenable to the mining executives and the professionals gathered here today.

Because of the dominance of the mining and resources sectors in the majority of African countries and economies, the implementation of the African Mining Vision is critical to the realization of Agenda 2063. Of course, the ultimate goal of Agenda 2063 is to see an Africa that is integrated, peaceful, with shared prosperity.

Firstly, the African people aspire to a continent of shared prosperity, where they are not perpetually the wretched of the earth, whilst the riches are taken from the bowels of the earth in their countries, often with their own sweat and blood, and are shipped elsewhere. And when we ship these mineral resources out, ship them raw to other continents, we are not only shipping the minerals, we are also shipping the jobs that we sorely need on this continent.

Whether in the mining sector or in the broader priority programmes, the one billion African people are the continent's most precious resource. The majority are young, and over half of them are women. So, investing in their health, investing in their education and basic needs and infrastructure is therefore critical to governments, and it should also be critical to the private sector, as well. In addition, we

must also address food security, increase investments and productivity of agriculture and develop the agro-processing sector. I am not confining myself only to mining. I am trying to give an overall view of the continent needs, but of course the emphasis is on mining.

More specifically, 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. I think training, though it 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, innovators and they are able to drive the development of the continent.

So, we would like to work with the mining sector and the universities on this issue to identify the skills required by the industry and work together to provide education and training, including artisanal and technology development, as well as research. SADC, for an example, is working with the recently established¹African Mining Development Centre and they are mapping skills needed in the sector, the capacities of the delivery systems and the development of a skills forecasting on what the industry will need, going forward. The ultimate objective is to cover mobility of skills in the region, and to eventually adopt common SADC qualification frameworks for training in this sector.

But at the continental level, we also are trying to look at harmonization of qualifications and curricula so that kids can train anywhere and still be able to work in any part of the continent where their skills are needed. We are also looking at expanding the skills base by persuading our universities not only to train young people within the confines of their physical buildings but to utilize technology

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to have virtual education where kids can study without being physically in the classroom.

Technology shows this can be done. Our people have embraced technology: Africa is the second user of mobile technology. So we should be able to use technology to leapfrog some of the stages others have gone through without it.

Central to the African Mining Vision is the movement of mining out of their enclaves, into a sector that can “*catalyze and contribute to the broad-based growth and development of, and is fully integrated into, a single African market.*” So, this requires work, sector-by-sector, and region-by-region, on building both downstream linkages into mineral beneficiation and manufacturing, and also upstream linkages into mining capital goods, consumables and service industries. That’s what the mining vision envisages what the mining sector should be.

We are also keenly watching the initiatives by Botswana and Namibia with regards to the diamonds sector. Since Africa accounts for over half of the global share of diamond production, we think that this should become an Africa-wide initiative, growing another global hub for the diamond trade.

Ladies and Gentlemen,

African countries must also look at other minerals where it accounts for over 25% of global production, such as cobalt, the platinum group of metals, manganese and phosphate, and where it can build regional value chains around particular minerals, such as the Eastern Congo, north-eastern Angola, Zambia taking the area of Copperbelt, or with minerals such as bauxite, or where it is a large producer and a larger domestic productive market, such as with the mineral columbite-tantalite (or coltan, the colloquial African term) used in cellphones, whilst we are the second fastest growing cell phone market in the world.

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So, why can't we ensure that these minerals that are so critical to the rest of the world but are mined in Africa so that we have a greater influence in pricing, beneficiation so as to keep the jobs and stimulate our industries on the continent? For, as long as we take everything raw, there is nothing to stimulate our industrialization.

And we also think that, though slowly diversifying, African growth is still largely driven by demand for its commodities. But as our economies aspire towards the critical tipping point of 7% growth sustainably, and as our population is set to reach two billion by 2050, we must plan ahead and also pay attention to meeting the domestic demand as producers, not only as consumers.

The African Mining Vision also raises the issue of “*side-stream linkages into infrastructure (power, logistics and transport; communications, water) and the skills needed, research and technology development*”. Mining companies, by their nature and the nature of their business, have expertise and capacity in all these areas. We also know the infrastructure backlogs on the continent (especially transport, ports and harbors, energy, irrigation and ICT) are major challenges to industrialization and trade amongst African countries, which we seek to address through PIDA and infrastructure projects that are critical to manufacturing and the mining sectors alike, and also connect markets in the continent.

So given these backlogs in the infrastructure, shouldn't we move away from building infrastructure only for one purpose, whether it is power generation. We see areas in the continent, and here as well, where power generation is only for the mining sector and the villages around it 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. And so we need to look at infrastructure differently. And I see this a lot in our continent, but a little bit of it also in South Africa.

So we must begin to look at infrastructure highway. And one good example, if we take the new pipeline that is going to be built between Algiers and Lagos, it will also have a highway and a pipeline built at the same time. This is the Trans-Saharan Highway. But as I say, we should even look at putting broadband on that highway so that it is not just an infrastructure highway. We also need to mobilize domestic resources for infrastructure whilst we work with international partners.

As part of agenda 2063, we are identifying three flagship projects. One, I have just mentioned, is the e-University. The second one is a high speed train that will link our capitals and commercial centers. Now, a lot of people ask why we should start with the high-speed train. The countries that have a high-speed train today started with the steam engine. Why start with high speed?

And my answer to them is that I think our grandparents have taught us a lesson that even though they didn't have rewinding phones, they didn't say they want to start with the rewinding telephone before they use cell phones. So equally, why should we start where the industrial revolution started when the technology to leapfrog all those stages is available? So that's why we are saying we want the high-speed train. And we have already started discussions with the people we work with in providing this high-speed train.

But for the high-speed train to be useful, we need to have R&D centers within the continent. We need training centers within the continent. Maybe in the first phase, most of the equipment will be imported, but in the medium and long term, everything must be developed on the continent. We want to take the model of the Airbus, which is developed in Europe by many countries. Each country makes some components, even South Africa has a small component in the project. And so we think this high-speed train can be developed through that model. But it will also have a lot of spinoffs because iron ore will be utilized to create what we need. There will be other skills

needed, other industries will be needed, and it can be part of our industrialization while providing transport for goods and people across the continent.

The third one that we think should be a flagship project for Agenda 2063 is a project that has been discussed ad nauseam: the Inga. We think it is time that we really move with the Inga project because it can provide so much energy for industries and people and contribute towards clean energy and the reduction of emissions. Instead of those kilowatts produced through coal, it will be through hydropower which is clean, renewable and sustainable. So these are some of the projects we are looking at beyond mining, but they are also linked to the mining sector because it will also benefit.

The US wants to assist some countries with energy, and this is welcomed. You can't believe that in sub-Saharan Africa – a term I don't quite like but those are the statistics we have; we should be looking at statistics in Africa, not sub-Saharan Africa– half the electricity generated in Africa, half of it is from South Africa and all others share the other half. The need for energy is enormous, and the lack of energy is a great constraint to developing any part of industry.

But we should also be talking about health and safety in the mines. I just mention it in passing because the Minister spoke about it. Also gender: how many women here are owners or part owners or in the management of the mines? I see a few women here among the men.

Yes, it was like that, but it must change for many reasons. For a start, it is inconceivable that you can work with half your team. Women are more than half the population of this country and the continent. But they also bring a different set of skills. Companies that are managed by women, I will not say how well they do. But also, giving women the financial resources they need doesn't end in women purses; they go into the family – education for the children, health for the children, shelter, the husband, the community. Strengthening women is

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strengthening financial resources of communities and nations. So it makes good business sense to have women. And also it is their right to develop to their full potential. I hope you are grappling with those issues because, definitely, the mining sector has to change when it comes to women's integration.

Closely related to this is the building of an African mining sector that 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. In the continent, there are many parts where 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, health, and also to improve their productivity.

The African Mining Vision also calls for the continent to develop a comprehensive knowledge of its minerals endowments mapping. We live in a new age of exploration, but a lot of African resources have not yet been explored. The institutions established by the Mining Vision, such as the African Minerals Development Centre, are therefore critical to this process, and it is an area of cooperation.

I was at the World Bank a few days ago before I come here. The World Bank has announced that they are making \$1 billion available for the mapping. I asked who is going to do the mapping and if they are also going to build capacity in this area so that they will be able to map. 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 billion dollar and say "go ahead" without knowing who will own and have access to the map of our minerals. All those issues must be teased out. To my surprise, they have not thought about it. "We are going to think and we will let you know". This

mapping is not just about mapping. It has a huge commercial value. Ownership of the information is therefore important, as well as where it will be distributed.

I also want to challenge you, as the mining sector, especially those companies that work in and outside the continent. I want to challenge you to see how the conditions of your workers in the same industry in Australia and South America are, compared to Africa. I don't think it's right for a mining company mining the same commodity elsewhere but treating workers differently. 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.

Because what's good for workers in Australia should be good for workers in Ghana and South Africa. But it is also good for the mining sector to have people who have decent working conditions, whose children can go to school, whose children can eat, people who can look after themselves. We are talking about eradicating poverty, but we can't have huge workforce that are poor. It is not sustainable. That's what the continent we are telling the mining companies, not only their working conditions, their salary, but their safety, everything. We must make sure that we give the best that we can.

The other are that I also want to challenge you, I have no idea whether you are part of what I am going to say. If you do it, then you need to sort it out. You know about the Mbeki Panel that was set up to look at this issue for our continent. At first, a lot of people thought it was about our corrupt politicians. That's why they were interested in this project and put a lot of money to fund it, and we are grateful for that because we don't want corrupt politicians to take money out.

But what came out of the study was something a bit different. What has come out was that the vast majority of these illicit flows were from companies, particularly the extractive industries. And two, that they also are not transparent in the way they operate. First, starting with
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contracts: they sign contracts that are really skewed in favor of the company. The company can make its profit, but the country must also benefit so that workers can send their children to school, provide transport and everything that it needs to do.

Why do those countries sign those contracts? The truth of the matter is, most of them don't have the capacity because the companies have bigger budgets than the budget of the country, let alone the budget of their legal departments. So they end up with contracts that are totally useless for the country. Now we are looking at how to build capacity for the countries that are going to sign such contracts so that they sign contracts that profit to the companies but also give the country what it deserves.

The second issue is that these companies inflate their cost and the countries, especially the small ones, cannot verify what the real costs are. The third issue is that they undervalue what they take out, and the country has no capacity to actually determine whether what has been declared is the real value or not. And then some of them don't even pay tax. In some countries, some are allowed to pay taxes until they recoup their capital. And they go on for decades, saying, "I haven't, I haven't". Some even say they are working at a loss. What company is staying in a country for 10 years working on a loss?

This is real. I know one country within SADC that has to get an international company to determine if these companies shouldn't real pay taxes. And they found that this company had long passed the point where it shouldn't be paying taxes. And the amounts that we lose through these schemes, through not only these criminal activities, and besides the small amount that comes from corrupt politicians, but the amounts that we lose far outstrip even the amounts that we get through foreign aid. Yet these amounts should be used to send kids to school, to develop infrastructure. So, because I don't know which companies do it, because I am talking about a study, I don't know who

does it. If you are part of it, stop it! I know that not all companies are doing it, but there are some. That's another area I thought I should raise, which comes through the mining industry.

Of course, there are models and best practices globally on all these matters, but these must address Africa's specific challenges and priorities in the mining sector but also learning from the other best practices. The mining sector should not look at this as a risk or as insecurity. It should be an opportunity to help shape shared prosperity, a growing African middle class and industry, and therefore a greater demand later on for their goods. It shouldn't be seen as a disadvantage, but an advantage.

Also, we say 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. Therefore, we must build the accountability of governments and the companies to the citizens. And this is the best way to utilize the money from our resources and collect rent and taxes from these resources.

Finally, I just want to say that five years since the adoption of the African Mining Vision, there is progress, but we need a stronger and more concerted push for transformation on all the issues that we've raised above.

Many countries and many regional economic communities, as well as companies within the mining sector, are doing work around these areas, and we must learn from each other's experiences and pool our capacities together.

As Africa therefore develops its Agenda 2063 "the Africa we want", which will be finalized in January next year, we would like to invite the mining sector and trade unions to make their contributions towards this process. We hope to have the last contributions by the end of

October. I hope in those contributions we'll also have your own contribution.

Thank you.