



AFRICA UNION COMMISSION

STATEMENT DELIVERED BY AMBASSADOR ALBERT M. MUCHANGA AT THE AFRICAN UNION COMMISSION – TECHNICAL WORKING GROUP MEETING ON GEOLOGICAL AND MINERAL INFORMATION SYSTEMS (GMIS) HELD IN NAIROBI KENYA ON 14TH AUGUST 2017

**Chairperson,
Distinguished Meeting Participants,
Ladies and Gentlemen.**

I am very happy to be with you this morning.

I also express my gratitude to our gracious host, the Government of the Republic of Kenya.

Furthermore, I would like to record my gratitude to you all for honoring our invitation to the 4th African Union Commission Technical Working Group Meeting on Geology and Mineral Information Systems (GMIS).

Your presence assures us of deliberations from different perspectives and persuasions. We shall in this regard stand to gain from your rich and diverse insights on the subject under consideration.

Meeting Participants,

Geological information is a key element of the Africa Mining Vision. It is, therefore, my expectation that during this meeting, you will all work towards building a more progressively continental approach on strategically harnessing geological and mineral information.

This would aid evidence-based decision making in our on-going efforts to develop the mineral sector on our continent, with a special focus on ensuring that our people: present and future generations; and, our economies fully benefit from mineral extraction and beneficiation.

Meeting Participants,

I note that this is your Fourth Meeting. Against this background, I call on you, as experts, to critically assess what has been achieved in each of the last three meetings.

In the same vein, bring out the concrete outcomes of this meeting in your report.

I also ask a pertinent question: how far will you be after this meeting in coming up with African-owned or shared Geology and Mineral Information Systems?

Furthermore, decide on how many more meetings you still have to organize in future before you conclude the meeting process of the Technical Working Group and come up with a product that assists us in adopting and implementing national, regional and continental policies, programmes and projects that produce tangible benefits to our people and economies, using the Geology and Mineral Information Systems.

I make this suggestion because the African Union is currently undergoing reforms. Rationalization of programmes and institutions is part of this reform process, and this includes reducing the number of meetings that we currently convene.

Meeting Participants,

The African minerals sector, like all our other natural resources sectors is vast and offers great potential for accelerated growth and development of our continent.

Since most of our minerals are of strategic importance to industrialization in many parts of the world, we could leverage them to promote our own industrialization as part of our economic or commercial diplomacy. We are, however, not doing that at the moment. And I ask why?

Africa also suffers from a perennial problem of illicit financial flows that exceed our annual receipts of official development assistance. The minerals sector contributes significantly to the illicit financial flows. We are, however, not doing much to stem the illicit financial flows outside our continent and this significantly slows down our growth and development as some of the illicit flows are as high as 14% of the GDP of some of our countries.

In continuing the list of our limited benefits derived from the African mining sector, I would also like to state that in many of our countries, the procurement practices of the mining transnational corporations operating on the continent are tied to their global buying houses. This cuts off local suppliers in addition to contributing to mispricing and over-invoicing which greatly suppress profits in their accounting processes. This invariably contributes to reduction in the benefits that our people and economies derive from our mineral sector.

In many of our countries, we are also undertaking mining operations without bequeathing some of the accruing benefits to future generations by way of creating sovereign wealth funds or promoting environmental sustainability.

Related to the foregoing, we are yet to see significant contributions of mining operations on the continent to fiscal revenues as well as their contribution to investments in our economic diversification programmes.

I would also like to state that many foreign owned mining houses operating on the African continent massively publicize their corporate social responsibility projects in our countries. While we appreciate corporate social responsibility, we can also point out that it is not an alternative to full tax compliance, promotion of local procurement and the sealing off of other leakages that deprive us of the full benefits of mining operations on the African continent.

May I also point out our own handicap, and this directly affects you as Directors-General of African Geological Survey Departments.

The evidence from across the continent shows that very few of our countries are investing in geological and mineral information systems.

This is in spite of the high returns, a matter that I will come back to later in my address.

As a result of failure to invest in geological information systems, many of our countries have not fully covered their territories in their mineral exploration programmes. This has, consequently generated interest from some transnational corporations which sometimes work behind international financial institutions to gain access to our geological and mineral information.

Meeting Participants,

This is the background against which you are meeting. In addition, let me point out that our continent is the least developed region of the world. It is, however, the fate of each of our countries, our regions and indeed our continent as a whole to take resolute and strategically focused steps to climb the increasingly difficult ladder of development, a difficulty demonstrated by the challenges outlined above, and the others to be found in our wider development agenda.

Meeting Participants,

May I also point out that we should not rely too much on development assistance. Too often, what is perceived as global compassion by way of official development assistance ends up breeding complacency on our part. We should avoid any complacency if we have to make a headway in our growth and development processes. We should instead be always alert to all opportunities of development and timely seize and exploit them.

Your meeting is one such opportunity. Each one of you in this meeting is a potential policy innovator. I come back to my earlier question: what concrete and practical benefits could you give to Africa from your meeting process and when will this be?

Africa is in a hurry to develop. As the late Mwalimu Julius Nyerere used to say: we must run, while others walk. Let me, in this connection, emphasize that each meeting on African development, such as this one, should end with tangible benefits to the people and economies of Africa.

Meeting Participants,

I will also pause the question: how does Africa approach the question of developing geological and mineral information systems? There are five possible models I have in mind, each with its benefits and costs. They could be more. I leave it to your meeting to interrogate them and any additional ones that you may wish to add. After that, you should come up with the most appropriate one for Africa. This would enable us realize the objectives of the Africa Mining Vision.

Before I come to the models, let us at this stage recall that the primary and long-term goal of the Africa Mining Vision is the: *“transparent, equitable and optimal exploitation of [Africa’s] mineral resources to underpin broad-based sustainable growth and socio-economic development”*.

I now present the five models for developing geological and mineral information systems in Africa as follows:

- The first model is government/state-owned geological data. Under this model, African countries could own their own data. To do this, governments must significantly invest in data generation. There is evidence of high returns from investing in geological data. Based on a study by the African Minerals Development Centre (AMDC), it has been established that for every US\$1 invested in geological data, the returns are 20 times more, whereas in other emerging countries, the ratio of cost to returns is 1:6. However, Africa's ability to realize this potential could be hampered, as earlier noted, by the low exploration of our geological terrain due to inadequate investments;
- The second model is that of complete private sector ownership of geological and mineral information systems. Under this model, knowledge of Africa's mineral endowments would be totally controlled by the private sector, leaving the continent at a disadvantage in negotiating contracts and invariably, getting low returns from the development its minerals;
- The third model is of Private-Public- Partnerships (PPPs) to build geological and mineral information systems. PPPs could unlock finances for mining investments. However, PPPs have certain specific challenges. For one, PPPs present constraints for data ownership and control due to the unfavourable contractual terms and clauses that inhibit optimal data sharing and knowledge transfer between the mining companies and African countries as a result of their negotiating from weaker positions. In addition, most African countries do not have the capacity to perform due diligence on mining companies targeted for PPP engagements;
- The fourth model is collaboration with development partners to invest in geological and mineral information systems. Several development partners have created geological data initiatives for the continent. However, this model raises concerns on

geological data ownership, security, accessibility and the nature of financing on a loan/credit basis which could put future high repayment and payment burdens on borrowing countries; and,

- The fifth model is the creation of an African Union Mineral Development Fund. Under this model, African countries could pool their resources in a common fund for mineral sector development, including the financing of geological and mineral information systems as part of the process of developing productive sectors of the Continental Free Trade Area under which we will be developing regional value chains. The Fund could be managed by the African Development Bank, and African countries could borrow from the proposed Mineral Development Fund against the assets held in their Sovereign Wealth Funds and other national assets.

Meeting Participants,

I leave it to you, as our experts, to recommend the most appropriate model for Africa. As I said earlier, there could be more which you are free to incorporate in your assessment.

I request you all to engage in frank deliberations and come up with specific and practical solutions on the key question of the the establishment of Geological and Mineral Information Systems in Africa.

I will be eagerly waiting for your report. I will keenly study and critically assess it. Do not disappoint Africa.

With these remarks, it is now my honour and privilege to declare this Meeting officially opened.

I wish you fruitful deliberations and thank you all for kind attention.