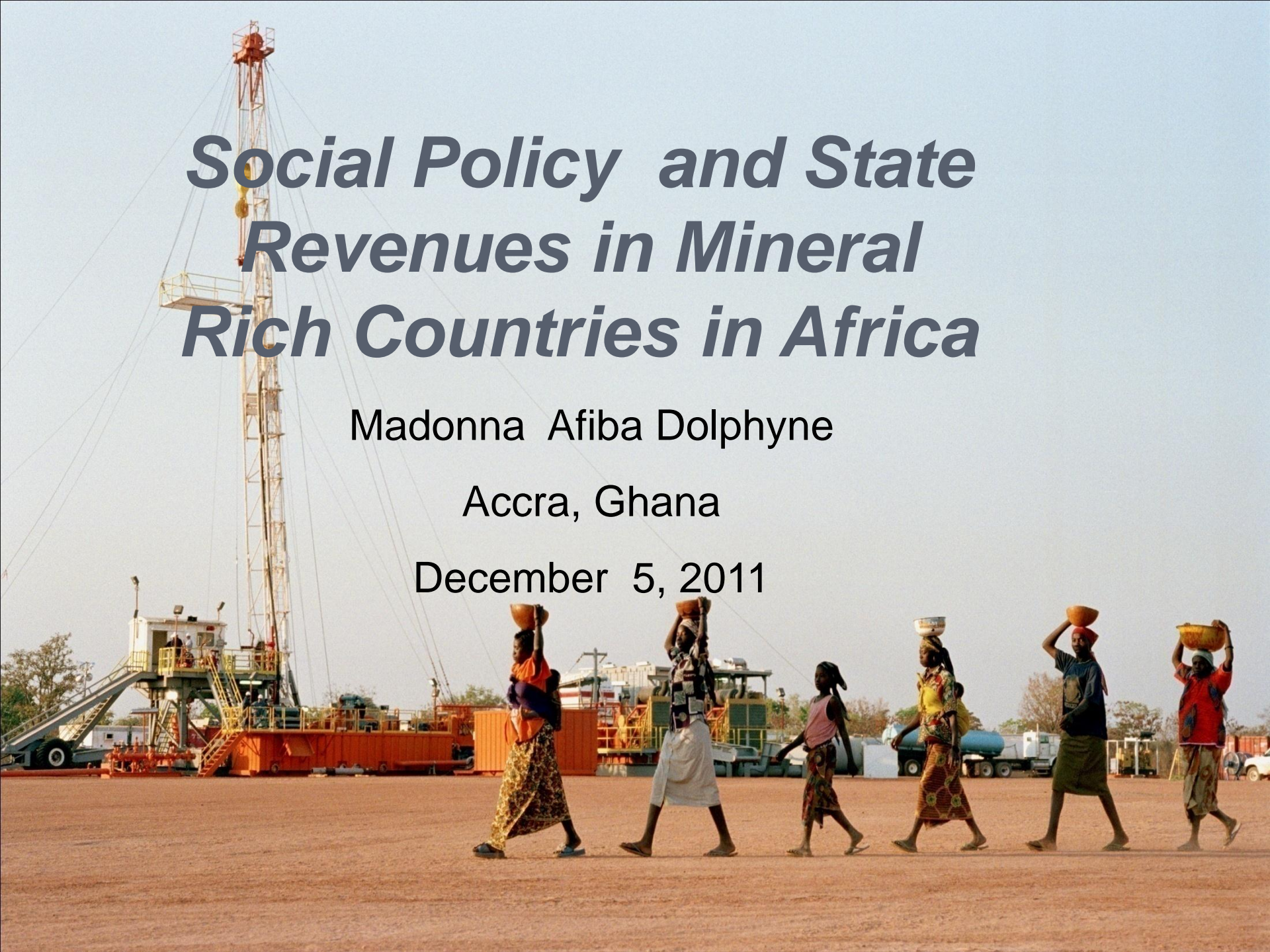


# ***Social Policy and State Revenues in Mineral Rich Countries in Africa***

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# **OUTLINE**

- **INTRODUCTION**
- **THE NATURAL RESOURCE ARGUMENT**
- **SUCCESS STORIES OF SOME COUNTRIES WITH MINERAL WEALTH**
- **OPTIONS FOR AFRICA**
- **CONCLUSION**



# INTRODUCTION

## **SOCIAL POLICY AN INTEGRAL PART OF ECONOMIC GROWTH**

- Mineral endowments, a capital that spur growth and reduce streams of mining and the challenges for their equitable creation, investments, distribution and management.**
- Investments in the extractive industries could contribute to sustainable development if the benefits from mining are well-used.**



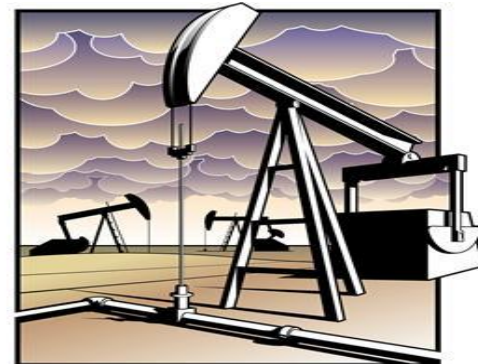
# **INTRODUCTION..... CONTINUED**

**Mr Koehler, Former President of Germany observed that Africa had enormous natural resources that could provide a great source of economic prosperity for the continent, 'but the crucial task will be to ensure that this fortune will benefit all people'**



# THE NATURAL RESOURCE ARGUMENT

The schools of thought are divided between those who argue that mineral resources are a curse and that, in general, growth in mineral-rich and dependent economies has been worse than in less endowed countries and scholars who consider mineral resources an endowment that has the potential to spur growth and development in developing countries.



# SUCCESS STORIES OF SOME COUNTRIES WITH MINERAL WEALTH

Some examples are;

○ **Botswana**

○ **Morocco**

○ **Namibia**

○ **South Africa**



## **SUCCESSES IN THESE COUNTRIES COULD BE LINKED TO;**

- sound management of the sector;**
- good governance;**
- respect for the rule of the law;**
- good infrastructure; and**
- an overall favourable environment for business development.**



# **BOTSWANA**

**This paper presents Botswana as an excellent model of a resource-rich economy in Africa using natural-resource related revenues (predominantly from diamonds in this case) to escape the 'resource curse' through prudent macroeconomic management.**





## **BOTSWANA.....CONTINUED**

**In the process Botswana has achieved remarkable improvements in infrastructure, human capital, and supply of basic services to its population.**

**For example:**

**paved roads:** 23 km in 1970, increased to 2,311 km by 1990

**safe drinking water:** 29% of the population in 1970, increased to 90% by 1990

**telephones:** 5,000 connections in 1970, increased to 136,000 by 2001

**female literacy:** 77% by 1997



# OPTIONS FOR AFRICA

- **Creating a conducive, stable and predictable policy, legal and regulatory framework and a competitive fiscal regime with a view to attracting and retaining the required level of investment in the sector, creating wealth, promoting employment and opening-up opportunities.**



# OPTIONS FOR AFRICA.....CONTINUED

- Achieving better mineral resources revenue allocation and redistributing the benefits of mineral wealth through improvements in the governance and management of revenue flows deriving from mining, and through decentralization of decision-making and resource allocation



# OPTIONS FOR AFRICA.....CONTINUED

- **Enhancing governance systems, organizational and institutional capacity in sectorial ministries, i.e. the ministries of finance and planning, and in local governments.**



# **IMPROVING PUBLIC PARTICIPATION IN MINERAL RESOURCES DEVELOPMENT**

- Policies, legal and regulatory frameworks to facilitate equitable participation by local businessmen, communities and other stakeholders in mining activities should be in place, as well as tools to improve revenue (derived from royalties, income taxes, land taxes, lease rents, etc) distribution at local level.**



# **IMPROVING PUBLIC PARTICIPATION IN MINERAL RESOURCES DEVELOPMENT**

- Preferential employment of local labour**
- Contracting of services and procurement of goods from indigenous local companies**
- Infrastructure provision to local communities**



# **IMPROVING PUBLIC PARTICIPATION IN MINERAL RESOURCES DEVELOPMENT**

- o Allocation of benefits from mining to local communities; The holding of mineral rights to platinum and other resources. Examples of the Merensky Reef in Northwest South Africa by the Bafokeng tribe. The tribe is a shareholder in the Impala Platinum Holdings Ltd, which is the second largest producer of platinum in the world .The company has four mines, namely Bafokeng North and South and Wildebeestfontein North and South.**



# MAINSTREAMING MINING IN PRSPs

- **Policy-makers should focus on gathering relevant data to understand actual and potential poverty-related impacts, risks, and opportunities of the mining sector in their country.**
- **Setting clear objectives and identifying priorities for intervention in a consultative process regarding poverty impacts and the mining sector.**





## **MAINSTREAMING MINING IN PRSPs.....CONTINUED**

- In preparing the PRSPs there is the need to foster broad consultation and participation through the involvement of local community representatives, local government representatives from mining regions, industry associations, trade unions, non-governmental organizations (NGOs), and other relevant parties. In most cases, the Ministry responsible for mining is better placed to lead the process.**



# **MAINSTREAMING MINING IN PRSPs.....CONTINUED**

- Identifying the mechanisms to achieve the objectives, including needed changes in policies, laws and regulations**
- Establishing the necessary institutional arrangements, including authorities, responsibilities and capabilities to implement the mechanisms**



# IMPROVING MANAGEMENT OF MINERAL REVENUE: THE CASE OF STABILIZATION FUNDS AND NON- RENEWABLE RESOURCE FUNDS (NRFs)

## TOOLS

- Commodity loans
- Bonds
- Swaps

## DERIVATIVE MARKETS

- Futures
- Forwards
- Options

These should be considered as solutions to managing revenue volatility and hedging against exposure to commodity price risk for short- and long-term horizons.



.....**CONTINUED**

- NRFs, including future generation funds, have been established in several countries as a tool to insulate economic activities from fluctuations in mineral resources revenue.

For example, as part of the conditions for developing the Chad oil fields and funding the Chad–Cameroon oil pipeline, and in an effort to prevent waste and corruption and promote transparency in the use of oil revenues, the World Bank imposed the establishment of such a fund in the two countries.



.....**CONTINUED**

- This was to ensure that they contribute to improve fiscal discipline, foster transparency in the management of mineral-derived savings as well as promote equitable share of benefits between national, regional and local stakeholders.
- There is need to promote good governance. In establishing them, it is, therefore, important to ensure that an independent, accountable and capable body manages the funds.



# FOSTERING MINERALS CLUSTER DEVELOPMENT

- **The key outcomes would be: Increasing local upstream support (supplier/input industries) sectors;**
- **Availability and further development of a local skills base;**
- **Adequate infrastructure;**
- **Existence of a critical mass of companies and institutions willing to cooperate, network and share knowledge and information formally (e.g. through industry associations such as Chambers of Mines) and informally.**



# **FOSTERING MINERALS CLUSTER DEVELOPMENT**

- Combination of legal requirements and incentives that encourage local outsourcing of goods and services;**
- Provision of financial support for the development of small-and medium-scale mining supply and services companies;**
- Existence of hives of research and development, innovation, diversification and technology diffusion.**



## **IMPROVING SUSTAINABILITY IN ARTISANAL AND SMALL-SCALE MINING (ASM) COMMUNITIES**

- The Yaounde vision on ASM provides a good framework for the development of the sub-sector in Africa. The vision recognizes ASM as a poverty-driven activity and recommends that it should be integrated in PRSPs of African governments. It further urges that the mining policies and laws of member States should be reviewed to incorporate a poverty reduction dimension in ASM strategies.**





# **IMPROVING SUSTAINABILITY IN ARTISANAL AND SMALL-SCALE MINING (ASM) COMMUNITIES**

- Advances integrated rural and regional social and economic development;**
- Functions within an equitable and effective legal framework;**
- Utilizes environmental responsible techniques;**
- Complies with international standards related to child labour and occupational health and safety.**



# CONCLUSION

- African countries to learn from and emulate successful examples like Botswana, where mining has played a pivotal role in the growth and development of the country.
- Good governance is a fundamental prerequisite to turn Africa's mineral endowments into a blessing that can promote growth and poverty reduction. There is need to shift from resource extraction to resources management.
- Need at country level for an overall transformation in business and financial organization, education, research and knowledge development, human capital accumulation and infrastructure expansion.



# CONCLUSION

- **Development outcomes of mining can be also enhanced if coalitions of change with increased, informed and meaningful participation of local communities and other stakeholders in the decision-making and implementation of extractive industry projects are promoted.**



**THANK  
YOU**

