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**AD HOC EXPERTS GROUP MEETING
ON "POLICIES AND STRATEGIES FOR THE DEVELOPMENT OF
NATURAL RESOURCES AND ENERGY IN AFRICA"**

Statement

of

**Mr. Layashi YAKER
United Nations Under-Secretary-General and
Executive Secretary of
the United Nations Economic Commission for Africa.**

Addis Ababa, Ethiopia, 27th June - 1st July 1994

Distinguished Participants

Ladies and Gentlemen

First and foremost, I wish, on behalf of the United Nations Economic Commission for Africa, to welcome you to the UNECA Headquarters, and to thank you for having accepted to join this international gathering, to debate on "Policies and Strategies for the Development of Natural Resources and Energy in Africa".

Honourable Delegates, the importance of your gathering should be measured against the current trends in the economic and social situation in Africa. You are meeting at a time when African economies are in transition on several fronts.

These major changes imply policy reorientation and the definition of new strategies. If you add to this, the role natural resources and energy are expected to play in the socio-economic development of our Continent, it becomes an easy matter to understand the importance UNECA attaches to your work during the four coming days.

Distinguished Participants

Ladies and Gentlemen

As is well known, the formulation of policies and strategies in a given sector should be based on a sound and updated assessment of the situation of the said sector. Such an assessment, regarding natural resources and energy, has been an on going exercise, here at ECA and no doubt country level. During recent conferences on natural resources and energy, we have indeed had the opportunity to exchange information on this subject. But allow me to share with you few facts on the situation of each of the main sectors of natural resources.

Mineral resources

Over the last ten years, the African mining industry has been beset by a serious crisis: the overall mining production of large scale operations declined with falls in production, for the principal base and ferrous metals, ranging from 2 to 90%. Besides, reserves of most of the deposits exploited are now depleted or about to be depleted. Some production units have closed down and many development projects have been shelved while exploration activities have slowed down.

Furthermore, we are concerned here with a sector which because of its export-oriented nature, is extremely vulnerable, to external factors such as weak metals prices, and sluggish demand for minerals. It is also a sector which severely suffers from lack of adequate financial resources, both from internal and external sources.

The steps taken by African Governments in the 1970's, aimed at the State asserting control over their mineral resources, were legitimate. But the overwhelming impression created with investors with regard to fiscal regime more particularly, was a sense of frustration. Besides, the uncertainty created by political turmoil in many African countries, has been a matter of great concern for investors, who diverted their interest to other parts of the world, thus depriving the African mining sector of important investment funds.

Domestic funds have not been available to provide an alternative because revenues from mining activities have been used more to meet Governments obligations than to sustain the mining sector. Mining firms, accordingly, experienced formidable financial difficulties which seriously constrained their productive capacity. Heavy debt burdens and accumulated arrears in the

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servicing of these debts inhibited Governments to play a substantive role in the financing of mining activities.

By the end of the 1980's, it became clear to African Governments that the investment environment of their countries should be improved in order to attract foreign investment funds into the mining sector. Many African countries embarked on the review of their legal frameworks. Changes introduced or being introduced in legislations affect not only the fiscal aspects of investment but also take into consideration the worldwide trend towards privatization of economic sectors and the preservation of the environment.

Regarding the fiscal aspect, clear and concise methods of taxation have been or are being set up. Realistic foreign exchange regulations have been installed or are contemplated; External accounts are being allowed and repatriation of profits guaranteed. The importance of the last two incentives to investors should be assessed against the difficulties faced by countries whose currencies are not freely convertible internationally.

The other incentives include the rights of mineral tenure; the majority equity ownership and management control offered to private investors; the rights for mineral producers to market freely their products, locally and outside, and the recourse to international arbitration for dispute resolution.

Distinguished Participants

The other issue I wish to refer to now, with regard to new trends in African mining legislation, is the environmental dimension. As you are all aware, the 1990s are witnessing an increasing trend towards the setting up by African countries of

regulations on environmental protection. The obligations of investors and the requirements of host countries have either been incorporated or are being inserted in mining laws or set up separately.

Distinguished Participants

If we turn to the field of water resources, it is well known that adequate and wholesome supply of water is an essential prerequisite for the development of agriculture and industrial potential, besides being basic to the survival of human and animal life. There is a wide disparity in the distribution of water resources in the Continent: about 50% of the total surface water resources of Africa are in one single river basin, namely the Congo Basin. 75% of the total water resources is concentrated in eight major river basins, among which, are the Congo, the Niger, the Nile, the Zambezi. Groundwater resources exist everywhere, but their exploitation is more developed in North Africa, where more data including information and hydrogeological maps are available, and in the Sahel, where surface water is scarce.

It is vitally important to realize that the water resources of the Continent have greatly diminished during the last two decades, while the demand for water has increased, due to high population growth, urbanization, industrialization, irrigation requirements, fisheries, livestock and other water related development activities.

At the United Nation Economic Commission for Africa, priority areas of focus were defined in line with the Mar de Plata Action Plan and the Lagos Plan of Action. In accordance with the provisions of these two programmes of action, the ECA urged member States to formulate their water master plans for water supply and

agriculture, integrating these into composite national development plans. The Commission also requested its member States to identify and prepare bankable water supply and irrigation projects. Reviewing policies in this area would be essential.

The promotion of cooperation among its member States is one of the main mandates of the UNECA. In the water resources sector, proposals for transboundary river and lake basins development were put before member States by the ECA, to strengthen existing basin organizations and to establish new ones. These proposals implied the definition by ECA of clear policies guidelines and strategies, to be adopted by member States. This was done in the 1980s, but African countries may feel the need to review them, specially in the light of the changes affecting the world in general and Africa in particular, since the late 1980s.

Without pre-empting the results of your meeting, I wish to underline that the future strategy, with regard to water resources development and management in Africa, should among other things focus on making institutional reforms and establishing legal instruments where these have not yet been done.

In the field of cartography and remote Sensing which are essential tools for planning, studies have indicated that in Africa, a number of development projects in various economic sectors have failed, due to the absence of maps or deficiency in mapping. With a few exceptions, maps on Africa, the bulk of which were established during the period of colonial rule, are inadequate and outdated. Valuable efforts have been and are being made by few countries to improve this situation, but a lot remains to be done.

Over the last twenty years, cartography conception and map production have tremendously changed. Technological innovations in these fields include remote sensing, which combines the use of airborne and satellite platforms with computer science, to collect

data on the earth's surface and enable the treatment of geographic entities.

However, while there is awareness of the potential of cartography and remote sensing as tools for natural resources planning, development and management, the overall capacities of most African countries in these fields remain inadequate. In particular, countries suffer from the lack of a framework for the promotion and use of cartography and remote sensing; from a strong scientific and technological infrastructure for the selection of methods which could effectively be applied to the country, the interpretation of data collected, and their conversion into images and maps.

Besides, most of the countries of the Continent face difficulties in data acquisition, due sometimes to lack of commitment by decisions makers regarding the use of remote sensing or to financial constraints.

Distinguished Participants

A fundamental requirement for economic development in Africa, is an adequate energy supply. Prospects for economic growth are closely linked to the provision of affordable and reliable energy.

The African Continent is endowed with abundant primary energy resources, although these are unevenly distributed among countries or within regions of the same country. Africa is able to generate about 1,630 TWH per annum of gross hydropower potential. It has 8.6 billion tonnes or 60.4 billion barrels of estimated reserves of oil and about 8,6 billion cubic meters of reserves of natural gas. Substantial resources of lignite and peat are known on the

continent which has also a considerable potential of new and renewable sources of energy.

But these resources remain largely undeveloped: less than 4% of the hydropower potential have been harnessed so far, and many countries still generate their electricity from oil; natural gas associated to oil is flared or reinjected; in Nigeria, to cite but one example, 75% of natural gas is flared. Only few countries, Kenya being one of them, have started developing their geothermal energy resources.

To attain a higher level of indigenous energy production in Africa, or at least to retain as far as possible the present level, continuing investments are of primary importance, especially in the upstream activities of the oil and gas industries, but also in the coal industry.

Against the background of current low oil and gas prices, and the scarcity of local financial resources, African Governments have recognized that steps should be taken to set up an attractive investment climate to ensure new investments in the energy sector. Some African countries have accordingly reviewed their fiscal regimes applicable to oil and gas exploration and development. Others are still introducing changes in their legislations.

Distinguished Participants,

In conclusion, I should like to focus on capacity building with regard to natural resources and energy development and management. It is important that with natural resources and energy sectors policy, legal and fiscal frameworks are given a higher attention. But African Governments should also consider the development of appropriate skills and the establishment of

appropriate facilities which will provide a strong support structure for the implementation of all the market-oriented investment policies/strategies set up or being set up.

Distinguished Participants,

You are the selected group chosen to review our current policies and if necessary, propose new ones. We are very grateful that you were able to accept our invitation. Our intention is to maintain this high level advisory group and benefit from its assistance on a regular basis. We therefore, hope that the exchange of information and experiences among ourselves and the secretariat during this meeting will be useful not only to ECA, but also to member States.

I thank you very much and wish you every success in your work.