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**ROLE OF GOVERNMENTS IN STRENGTHENING
(SUB)REGIONAL COOPERATION IN THE
DEVELOPMENT AND UTILISATION OF
MINERAL RESOURCES**

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ACRONYMS

AEC	African Economic Community
ASEAN	Association of South East Asian Nations
AMU	The Arab Magreb Union
CEAO	West African Economic Community
CAMRDC	Central African Mineral Resources Development Centre
CEPGL	Economic Community of the great Lakes
COMESA	Common Market for Eastern and Southern African Countries
ECOWAS	Economic Community of West African States
ECCAS	Economic Community of Central African States
ESAMRDC	Eastern and Southern African Mineral Resources Development Centre
IDRC	International Research Development Centre
LAIA	Latin American Integration Association
MINTEK	Council for Mineral Technology of South Africa
MRU	Mano River Union
NAFTA	North American Free Trade Agreement
PSD	Private Sector Development Strategy
REC	Regional Economic Communities
SACU	Southern African Customs Union
SADC	Southern African Development Community
UMOA	West African Monetary Union
UEMOA	West African Economic and Monetary Union
UDEAC	Central African Customs and Economic Union

ROLE OF GOVERNMENTS IN STRENGTHENING (SUB)REGIONAL COOPERATION IN THE DEVELOPMENT AND UTILISATION OF MINERAL RESOURCES

1. INTRODUCTION

1. It is a well known fact that Africa is richly endowed with mineral resources. The contribution of mineral resources to its socio-economic development has not, however, been consistent with its large potential. Governments have a major role to play in changing this scenario. As the promulgators of policy, Governments directly determine the fate of the minerals industry. Over the last three decades, Governments' role in mineral resources development has undergone some major changes. The post independence era saw most Governments take over the tasks of developing mineral resources. This was a responsibility for which they were not best suited due to a number of constraints, primarily related to management incapacities.

2. The 1980s and 1990s have brought about changes in the role of the State in minerals development. Most African Governments now see their role as policy coordination, administration and supervision of mining activities and creating the right conditions for attracting private sector mining companies.

3. In line with these changes, cooperation by Governments should aim at improving the mineral policy environment at the subregional level. This cooperation will be driven by a number of intrinsic weaknesses including a weak technology base, limitations in skills and competencies, and above all trends in globalisation and liberalisation which have made regionalisation an imperative of today. In terms of its intergovernmental machinery, Africa will have to increase the institutional mechanisms and efficiencies of the existing structures. Increased coordination and networking will build bridges to existing pools of expertise in the region. A national coordination committee to oversee the process of economic cooperation and integration at the national level would improve the implementation of economic cooperation programmes.

2. THE ROLE OF THE STATE AND ITS IMPACT ON AFRICA'S MINERAL INDUSTRY

2.1 The Post-Independence Role of the State

4. The African region has more than a generous endowment of mineral resources. The continent possesses more than half of the world's known reserves of manganese, chromium, platinum group metals and phosphates. It also has more than a third of the world's reserves of gold, bauxite, cobalt, uranium, vanadium and vermiculite while its diamond deposits are the richest and among the most extensive in the world (1). Despite its unquestionable potential, the performance of Africa's mineral industry has often been incongruent with its rich heritage. Many reasons are adduced for the paradox. An undoubted major one relates to the historical role of Governments in the industry.

5. Prior to independence in the 1960s, the minerals industry in most African mining countries was owned and operated by foreign multinational mining companies. Following independence, a number of the mining countries sought to eliminate what they perceived as the exploitative foreign

domination over what was national patrimony. Thus in many African countries, the State took over control of the industry; in effect nationalised it. It must be understood that control in this sense meant the State was the major shareholder and operational manager of the mineral resource industries. It thus became the major developer of mineral resources. This, It was hoped, would enable the economic benefits of what was often the most important sector in the national economy, accrue to the owners of the wealth; the citizenry.

6. In most African countries, however, nationalisation heralded stagnation and often decline in the industry due to a number of institutional inadequacies by the State. The Government had neither the skills, financial capacity nor technology resources to keep modernising the productive capacity in line with other minerals industries elsewhere. Finance for exploration and mine development became a premium as the industry competed with a plethora of other more pressing national social needs. The result was a serious erosion of the performance of the industry. A good example of the decline is provided by the cooper sector. Between 1984 and 1994, a sharp fall in copper output in the Democratic Republic of Congo and Zambia, Africa's two principal producers, resulted in a decline in the region's copper output from 1.1 million to 540,000 tons. In line with the decline of mine output, Africa's share of global copper output plunged from 20 per cent in the 1960s to 6 per cent in 1994. In 1978, Chile displaced Zambia as the world's largest exporter of refined copper and the gap has been widening ever since then (5).

7. The lacklustre performance of the African mineral sector was not due to a global shortage of risk capital to finance exploration and mine development. The international mining companies, the major global mine developers, simply refocussed their exploration and mine development activities to other regions whose mineral policies were conducive to private sector participation. Thus, in the 1980s, whereas the major global mining countries, such as Australia, Canada and South Africa were attracting annual investment of up to 10 per cent of the value of their mineral production, sub-saharan Africa was attracting about 1 per cent (2). Between 1980 and 1989, South Africa attracted US\$ 180 million in exploration expenditure compared to US\$ 100 million for the rest of sub-saharan Africa (2).

8. Even within Africa, mine output from privately operated mines leap-frogged by some 350 per cent over the period 1960 to 1989, while growth in the state-controlled sector averaged only 36 per cent over the same period (2). Among the bright performers with a strong private sector were Botswana, where the value of diamond production increased by 374 per cent between 1985 and 1994; Namibia where it went up by 231 per cent between 1986 and 1993; South Africa where the total value of mineral exports rose by 162 per cent between 1985 and 1993 and Zimbabwe where the total value of mineral production increased by 252 per cent between 1989 and 1993 (3). Next door in Zambia, where the State controlled the copper industry, mineral production fell by 54 per cent from a peak of 755,000 tons in 1969 to 350,476 tons in 1995, and this trend has continued to date.

2.2 Change in Government Roles and the Re-emergence of the Private Sector

9. The under performance of the State-owned mining companies, coupled with the political reform which has swept much of Africa, have combined to bring about fundamental changes in Governments' policy and attitude to the private sector. In virtually the entire region, Government sees its major tasks as creating the so-called enabling environment which would attract domestic, but more

important, international mining capital away from other regions. The role has changed from that of developer of mineral resources to:

- (a) policy coordination and strategic planning;
- (b) administration and supervision of mining activities, particularly with respect to efficiency of resource depletion, health and safety to humans and the environment;
- (c) coordination and promotion of investment into the sector; and
- (d) infrastructural support in the broader sense, including scientific and technical support, provision of utilities in mining areas, and provision of mineral related information.

10. In line with these changes, a number of government ministries responsible for mineral resources development have been restructured to better manage these tasks. Along with the changes, most African countries have recently restructured their mining codes in attempts to make them attractive to the private sector. Thus by the end of 1995, at least 35 African countries had revised their mining codes, or were in the process of doing so (4). The more notable changes have hinged on negotiable tax-based packages, guarantees against State expropriation, improved security of tenure of mining rights and the privatisation of the State equity in existing mining companies.

11. These changes have brought about a hesitant but renewed confidence in Africa among the international mining companies. Exploration expenditure financed by them has started to creep up again. In 1995, exploration spending climbed up to US\$ 322 million while in 1996, spending on non-ferrous metals exploration in Africa rose to a new high of US\$ 420 million, giving the region a 12 per cent share of global spending (5).

12. To what extent can the new role of Governments sustain the private sector's rekindled interest and maintain competitive growth of the sector?

3. THE IMPERATIVES FOR COOPERATION AND INTEGRATION

3.1 The Persisting Weaknesses of National governments

13. Other than a profusion of non-business decision-making procedures characteristic of the state mineral sector, the afflictions which led to the under-performance of the minerals industries are well known, and largely still exist. Some of the serious weaknesses are outlined below.

3.1.1 The Fragile Macropolicy Environment

14. It is widely recognised that the establishment of a sound macroeconomic framework is a prerequisite to a rapid and sustainable growth of the private sector. However, any attempts to improve the business environment on the micro side will only attract a moot responsible from the private sector in the presence of unstable macro policies and public financial indiscipline. Much as some progress is being made, a good number of African countries are still grappling with fiscal deficits, hyper inflation, high external debt stocks and relatively high interest rates. Their weak

financial markets do not help with the low diversity of instruments for financial intermediation, which robs the private sector investors of domestic partnerships. These macroeconomic distortions do not only result in the non-availability of risk finance for exploration and mine development, they worry the international sources. Not surprisingly, the international mining companies are certainly showing interest in Africa's mineral resources but are not rushing back just yet.

3.1.2 The Weak Technological Capacities

15. This is embodied in:

(i) The Limited Pool of Technically Skilled Manpower

16. A 1996 major survey of the distribution of mining skills in eastern and southern Africa undertaken by the Lusaka ECA-SRDC had instructive revelations (6). It found that all countries had qualitative and quantitative skill deficiencies. The qualitative skill deficiencies were concentrated in the traditionally non-mining countries and those in which the state was the major developer of minerals. This was attributed to poor competence definition. The survey further established the dearth of skills in the small scale mining where operations were often ad-hoc and undertaken by people who hardly understood the technical exigencies of mining as a discipline. In respect of Government administrative skills, capacities for playing a regulatory role in the sector was weak in most African countries. This was in a number of areas including monitoring mine safety, the environment and implementing mining legislation. The survey further identified the extreme limitations in the geographical distribution of human resources development facilities in the mining sector. In southern Africa, for example, they were concentrated in only three countries, namely South Africa, Zambia and Zimbabwe.

(ii) The Lack of Technology Sources

17. This particularly includes R&D to promote use of domestic mineral materials and support the technology renewal process for production operations. This is probably the biggest and most formidable constraint faced by African countries. The three potential sources of R&D products, namely the geological surveys, other specialist publicly funded mining research bodies and the universities (and colleges) are mostly non-existent, where they do, they are mostly in advanced states of disrepair (3).

3.1.3 Lack of Supportive Infrastructure

18. The interminable financial difficulties of Government quite often mean that Government abdicates its responsibilities to provide infrastructure to mining areas. Thus mining projects have to often have a carrying capacity for infrastructural developments. For low unit value, high volume mineral deposits, this is not often possible. Infrastructural deficiencies extend to the support service industry, such as chemical analysis, fabricators of equipment, drilling companies, and process plant constructors.

3.2 The Driving Forces for Economic Cooperation and Integration

19. These weaknesses, and many more not enumerated are not new. They have provided strong historical incentives for cooperation and integration across the (sub)region(s). Thus the benefits of economic integration in the African context have traditionally been viewed from the standpoint of synergistic elimination of national deficiencies in policy, technical and financial capacities, as well as the narrow and inadequate markets. Integration is seen as a means to pool resources for investment and to industrialise efficiently and less painlessly by taking advantage of the opportunities of scale that larger markets make available (5).

20. These broad objectives are alright but to answer fully the role of government in economic cooperation and integration, one must consider the evolving impediments to cooperation and integration. Firstly, the assumption is often made that regionalisation would incite industrialisation by creating conditions for economies of scale, efficiency and product (or process) differentiation, ie specialisation. In the case of the minerals industry in Africa, it is presumed that the sources of technology for industrialisation will be the international mining companies. In practice, the multinationals are not vertically integrated in downstream fabricated products. Their role in trade creation is therefore limited to trading in mineral commodities. The absorption capacity of mineral commodities is low and the contribution of this to broad-based industrialisation is therefore questionable. In contrast, the mineral industry multinationals operating in the other regional blocks are well integrated into the national economies. The assumption that a mere presence of private sector multinational mining companies in Africa will osmotically translate into industrialisation for the host state is not often correct.

21. Secondly, economic cooperation and integration must take into account the effects of globalisation and liberalisation on Africa's mineral industry. This is because Africa's mineral industry is fully integrated into the global economy. Globalisation today has resulted in powerful economic blocks. Pioneered by the successes of the European Union, economic cooperation and integration efforts are now seriously being pursued in North America (North American Free Trade Agreement, NAFTA), South East Asia (the Association of South East Asian Nations, ASEAN) and Latin America (the Latin American Integration Association, LAIA). At the root of the globalisation trend is the intent to remove institutional barriers to trade and capital flows. Thus economic blocks can only survive the effects of globalisation and liberalisation if they are globally competitive. In turn, competitiveness is driven by innovation in process technology, products or new ways of doing things. Will Liberalisation, privatisation and regionalisation develop a globally competitive African mineral sector?

22. Clearly from the above two cases, Africa's lack of sources for technology renewal to drive the industrialisation and global competitiveness of the African mineral sector is a serious constraint and must be fully tackled through economic cooperation and integration.

4. EXISTING INTER-GOVERNMENTAL INSTRUMENTS FOR ECONOMIC COOPERATION AND INTEGRATION IN AFRICA

23. The importance of economic cooperation and integration to Africa's development agenda is well reflected in various integration schemes which have been promulgated over the last two or so

decades. Whereas it is neither the intention of, nor the place in this paper, to dwell on the complete details of these schemes, it is beneficial to assess their impact on Africa's minerals industry.

4.1 Regional Initiatives

4.1.1 OAU Initiatives

24. It is at the regional level where perhaps Africa has expressed its greatest political will for economic cooperation. The major landmarks in this direction include the adoption of the Lagos Plan of Action and the Final Act of Lagos in the 1980s which lay the foundations for Africa's individual and collective socio-economic transformation. The biggest landmark, however, is undoubtedly the Treaty Establishing the African Economic Community which came into force in May 1994. The Abuja Treaty, as it is sometimes referred to, is an all-engaging and comprehensive document which provides for the building of the regional economic community in a step-wise phased manner. It aims to achieve this through the initial strengthening of smaller integration groups, referred to as (Sub)Regional Economic Communities (RECs) which progress through customs unions, free trade zones, common markets and their eventual unification into the African Economic Community. Thus the RECS are viewed as the building blocks of the Community. They are important components of the Economic and Social Commission, the OAU organ charged with the tasks of preparing, harmonising and coordinating the policies and strategies of African States towards cooperation.

25. The Abuja Treaty does not deal with the development of mineral resources in a comprehensive manner. It does, however contain guidelines in the chapter on Industry, Science, Technology, Energy, Natural Resources and Environment. Thus in Article 56, the Treaty requests member States to:-

- (a) exchange information on the prospecting, mapping, production, and processing of mineral resources;
- (b) coordinate their programmes for the development and utilisation of mineral resources;
- (c) promote inter-industrial vertical and horizontal linkages among member States;
- (d) coordinate positions in all international negotiations; and
- (e) implement joint training programmes to develop the human resources and appropriate local technological capabilities for the exploration, exploitation and processing of mineral resources.

4.1.2 ECA Initiatives

26. The Regional Conference of African Ministers Responsible for the Development and Utilisation of Mineral and Energy Resources in Africa is an inter-governmental forum which held its first meeting in Arusha, Tanzania in 1981. The forum was established in accordance with the spirit of the Lagos Plan of Action to promote cooperation in what is clearly a key area of economic activity for many African economies. During its sixteen years of existence, the Conference has established

itself as the foremost policy forum bringing together decision makers, representatives of mining companies and international organisations, as well as universities and colleges.

27. In 1993, the scope of the Conference was broadened to include energy issues. The objective nevertheless remained the same; to continue providing a forum for stakeholders at all levels to analyze the major issues impinging on the development of minerals and energy resources and formulate policies and strategies to promote the further development of the two sectors. The Conference of African Ministers Responsible for the Development and Utilisation of Minerals and Energy in Africa held its first session in Accra, Ghana in November, 1995. The session in Durban will be the last one because the forum has been replaced by the Committee of Experts on Natural Resources and Science and Technology which will report to the Conference of African Ministers Responsible for Economic and Social Development and Planning (the Commission). The legislative functions of the Conference will be subsumed by the African Economic Community's Committee on Industry, Science and Technology, Energy, National Resources and Environment. The major effect of such a reorganisation will be to bring the AEC and ECA's policy organs into sharper harmony.

28. The ECA also has a dedicated Regional Integration and Cooperation Division at the Headquarters in Addis Ababa. The division has a regional sub-programme in Regional Cooperation in Mineral and Energy Resources Development. The global objective of the sub-programme is to foster effective cooperation among African countries with the view to strengthening the mining and energy sectors as important engines for sustaining socio-economic growth in African member States. The sub-programme provides African member States, intergovernmental organisations and RECs with an institutional framework at the regional level for strengthening inter-country collaboration, and the definition and evaluation of the macro policy framework supportive to the growth of the minerals and energy sectors. This conference is incidentally organised by the Minerals and Energy Sub-programme of the Regional Cooperation and Integration Division of ECA.

4.1.3 The African Development Bank (ADB)

29. The African Development Bank is a regional multilateral development finance institution whose membership consists of about two thirds of African member States and a third made up of members from Asia, Europe, North and South America. The purpose of the Bank is to further the economic development and social progress of African countries, individually and collectively. The Bank is thus a major component of Africa's economic cooperation and integration agenda.

30. The Bank provides loans and grants to projects that contribute to the development of African economies. By the end of 1996, the African Development Bank Group had cumulatively approved loans and grants amounting to US\$31 billion to 50 countries and African institutions to support projects and programmes across various economic sectors. Since about the mid 1980s, the Bank has increasingly supported reform and adjustment programmes and the private sector. In 1991, it established a special window to provide direct financial and technical assistance to private enterprise, while in 1996, it introduced a new Private Sector Development Strategy (PSD). The objectives of PSD are to enhance the role of the local private sector, attract foreign direct investment, help create a conducive environment for private sector business and generate domestic and international confidence in the region (5).

31. Despite the Bank's outstanding achievements in the its lending portfolio, the Bank does not appear to have any special mechanisms for lending to the minerals sector. The mineral sector is a unique business. The aggregate business risk in mineral resources development is much higher than in many other investments projects. Among the major contributors to the relatively high risk profile include:

- (a) geological risk associated with exploration and orebody definition;
- (b) technical risks associated with the various stages of mine development;
- (c) the long gestation period between exploration and a producing mine which is on average 10 years or more;
- (d) lack of Government assurances that exploration targets will progress to producing mines as long as the legal provisions are fulfilled.

32. The high risk profile of mining projects generally imply that there is a much higher relative sunk cost for every successful mine and this must be taken into the risk management process. It would appear that there is a broad need for mining projects to be treated somewhat differently from other investment projects due to their peculiarities.

4.2 Sub-Regional Initiatives

4.2.1 The Generic Regional Economic Communities

33. In line with the AEC ideal to establish and strengthen the intergovernmental machinery at the subregional level, there are many, and perhaps excessive, initiatives which deal with economic cooperation and integration at the subregional level. These include: in North Africa, the Arab Magreb Union (AMU); in West Africa, the Economic Community of West African States (ECOWAS), the West African Economic Community (CEAO) which merged with the West African Monetary Union (UMOA) into the West African Economic and Monetary Union (UEMOA), the Liptako-Gourma and the Mano River Union (MRU); in Central Africa, the Economic Community for Central African States (ECCAS), the Central African Customs and Economic Union (UDEAC) and the Economic Community of the Great Lakes (CEPGL); in East Africa, the East African Community; in Southern Africa, the Southern African Customs Union (SACU) and the Southern African Development Community (SADC); in Eastern and Southern africa, the Common Market for Eastern and Southern African Countries (COMESA).

34. Generically, these regional communities (RECS) were established to push the broad agenda for trade integration through customs unions, preferential trade zones and (sub)regional common markets. They are not specific to mineral resources development although a number of them contain provisions in their treaties for cooperation in mineral resources development. Those which recognise mineral resources specifically include:

35. ECOWAS which has a minerals subcommittee established in 1982. A two-phased programme was drawn up largely from the work of the ECA first Regional Conference responsible for Mineral

Resources Development and Utilisation. The first phase involves undertaking a comprehensive review of the known mineral resources, preparing a harmonised minerals policy and establishing the feasibility of an ECOWAS Mineral Resources Development Centre. The second phase includes initiating action to establish the Mineral Resources Development Centre and an ECOWAS mineral data bank, undertaking a feasibility study on the creation of subregional institutions for mobilising mineral investment and drawing up programmes for small scale mining.

36. The **SADC Mining Sector Coordinating Unit**, established in 1981, is perhaps the most successful sub-organ of any of the RECS with respect to mineral resources development. The Unit plays both a facilitative and promotional role.

37. In its facilitative role, it:

(a) convenes, chairs and services SADC meetings of mining ministers, technical committees, subcommittees and working groups;

(b) convenes, chairs and distributes to member States reports of consultative meetings with international co-operating partners;

(c) initiates projects, prepares strategy papers and coordinates and monitors project implementation;

38. As a promotional organ, the Unit:

(a) convenes mining fora bringing together project promoters, investors, governments and international co-operating partners; and

(b) participates in international events and disseminates information through diverse media. In this respect, the Unit has a home page on the internet based at the Council for Geoscience in South Africa and has an in-house magazine.

39. The Unit owes much of its success to its organisational structure comprising sub-committees consisting of national experts from the SADC countries. The sub-committees were conceived in an effort to reduce dependence on the cooperating partners and entrench the community building spirit of the organisation. The sub-committees are:

(a) the geology sub-sector responsible for the development of geoscience data management systems;

(b) the mining and marketing sub-sector which advises small scale miners on mining and marketing strategies. It also promotes the mining sector in southern Africa;

(c) the mineral processing sub-sector which assesses the processing capacity of the subregion with a view to rationalising and optimizing the use of these facilities in the subregion;

(d) the environmental sub-sector which over the past few years, has developed a programme to assess pollution and formulate measures to reduce the impact of pollution on the environment;

(e) the human resources development sub-sector responsible for promoting the efficient use of available human resources development institutions. The sub-sector has been working on a major project to introduce a common SADC mining industry qualification framework and thereby unify the mining competencies and skills in the entire subregion. This would promote the free movement of skills in the region; and,

(f) the information sub-sector, which is the newest addition to the sub-sectors and is expected to sharpen the information networking function.

40. Currently, the Unit has a portfolio of some 31 projects at various stages of implementation. The total cost of these projects is US\$ 16.3 million of which \$ 10.6 has already been secured. The Unit has increasingly worked very close with the private sector to attract finance for exploration and mine development in the subregion. It plans to hold a second SADC Region Mine Investment Forum and Exhibition in 1998 under the theme MADE IN SADC. The object of the forum will be to increase mining investment in SADC countries by providing potential investors with the (7):

- (a) opportunity to shape subregional mining policy;
- (b) updated information on the status of the subregional industry; and
- (c) opportunity to find SADC partners for investment.

41. The first Forum held in December, 1994 attracted a total of 448 participants including 153 project promoters from the SADC region, 142 potential investors from Europe, North America, Australia, Japan, and South Africa from the SADC region. Many senior government officials, including six ministers, also attended (8).

42. ECCAS, in its treaty, also has provision for the harmonisation of its member States' policy on prospecting and exploitation of mineral resources. In addition, it advocates the exploitation of similarities and complementarities in the utilisation of mineral resources within the Community to promote vertical and horizontal inter-industrial relationships. It further emphasises joint training programmes to develop human resources and hence the local technological capacity required for the exploration, exploitation and processing of minerals. Needless to point out, these objectives are based on those of the AEC. However, little progress appears to have been made towards them.

43. UEMOA has a minerals and energy unit. The energy programme is under implementation. The Unit is currently working on the mineral resources development programme which will be considered by the Mining Ministers meeting to be held in October, 1998.

44. The Liptako-Gourma has a programme in mining focused on artisanal gold mining activities. Since 1988, they have organised three seminars for the stakeholders and are currently setting up a legal framework to regulate the artisanal activities.

4.2.2 The Mineral Resources Development Centres

45. In the late 1970s and early 1980s, at the request of its member States, the United Nations Economic Commission for Africa promoted the establishment of subregional institutions of research, training, and specialized services in the field of minerals. There are two of such centres in existence; the Eastern and Southern African Mineral Resources Development Centre (ESAMRDC) established in 1977 and its sister centre, the Central African Mineral Resources Development Centre (CAMRDC) set up in 1981. The two institutes are different from the above RECS in the strict sense that they were established as specialised agencies to provide professional services to the subregional communities. This is reflected in their objectives which are to provide for the benefit of the member States:

(a) advisory services upon request, in the preparation, planning, implementation and evaluation of geological (prospecting and exploration) and mining projects;

(b) advisory services upon request, relating to technical and economic prefeasibility studies for the development of mineral resources;

(c) short practical courses in the field of applied geology, geochemistry, geophysics, hydrogeology and mining engineering designed to complement the training provided by universities and other appropriate institutions;

(d) specialized laboratory services to support mineral exploration and mine development and to supplement national laboratories in the member States; and,

(e) services for collecting, processing and dissemination of data and information, including the publication of maps.

46. After a very difficult start, the ESAMRDC managed to make some notable progress in the early 1990s. Among the achievements has been the construction and equipping of its laboratory facilities in Dar-es-salaam which were commissioned in 1992. This was achieved with the assistance of donors including the EU, UNIDO, IDRC and the Belgium government. With the assistance of ECA, the ESAMRDC has also established a modest library and information centre. Recently, the Centre appointed a review committee to assess its current status and propose measures to improve its operational effectiveness, particularly in view of the changed market for R&D products in the subregion. The restructuring efforts have resulted in changes to the organisational structure, a more focused business plan and generally the targeting of the private sector. It is hoped that these measures will improve the revenue generation base of the Centre and reduce the financial burden of the contracting States.

47. The Centre is negotiating memoranda of understanding with both SADC and COMESA which will enable it become a specialized agency of these RECs. Preliminary consultations have also been held with the Council for Mineral Technology of South Africa (MINTEK) to explore the possibilities of a franchising arrangement between the two R&D institutes. This would help ESAMRDC improve its management capacity and offer to its clients a broader range of R&D products. These actions would also add greatly to networking technology centres in the subregion.

48. The CAMRDC has not been operational since mid 1988 . Lack of adequate expertise, mismanagement and questionable financial practices led to a severe financial crisis which paralysed the institution. Despite these difficulties, the member States of ECCAS, during one of their summits held in Rwanda in 1991, adopted a resolution to turn CAMRDC into a specialized agency of the Community.

49. L'Ecole des Mines et de la Geologie de Niamey is one of the six institutions initiated by the West African Economic Community (CEAO) to cover cooperation in a number of economic areas including mining. It was established in 1982 with an annual capacity to train 36 engineers and 60 technicians in the fields of mining, electrical and mechanical engineering. When UMOA and CEAO were merged, it was agreed that the institution should become a national body to which other member States could send their students at their own cost. Since 1995, the mining school has been operating as part of the University of Niger.

4.2.3 ECA Subregional Development Centres (SRDCs)

50. There are five ECA Subregional Development Centres (SRDCs), each located in North Africa, West Africa, Central Africa, Eastern Africa and Southern Africa. The SRDCs, previously known as the Multinational Programming and Operational Centres (MULPOCs) have recently undergone a major transformation within the New ECA framework: Serving Africa Better: Strategic Direction for the Economic Commission for Africa which was adopted by the member States in 1996. In the context of the SRDCs, the reform programme aims to sharpen their alignment to the work programmes of the RECs they serve. The SRDCs will serve as a pool of intellectual resources to provide effective partnerships to the RECs. Specifically, they will provide technical support to the work programmes of the RECs, facilitate networking with a view to disseminating best practices, provide coordinational services for the UN system and specialised agencies and act as extensions of ECA in the subregions. In support of this, ECA is re-directing 30 per cent of its material resources to the SRDCs.

51. For subregions where the RECs have entrenched mining programmes, the SRDCs have been supporting the work of the RECs for sometime now. This is, for example, the case for southern Africa where the SRDC's work programme has a strong mining component because mining is a major priority for the SADC region. As part of the reform programme, the Central and East African SRDCs have also been strengthened with experts in mineral resources development. Activities in mineral resources development should pick up substantially in these regions.

4.3 National Institutions for Cooperation

52. National institutions which could contribute to (sub)regional mineral development may be classified into three broad categories: facilities for human resources development, R&D institutions and centres for mineral policy studies.

53. Human resources development facilities are well distributed in the African region, particularly those offering training programmes in geology. Facilities for metallurgy and mining programmes, however, tend to be limited and located only in a few of the major mineral producing countries possessing a long history. Due to this limitation, there is a lot of cross-border training which takes

place but this does not appear to have an institutional framework (formalised collaborative schemes). There are exceptions as in the case of Zambia and Tanzania, for example.

54. Generally, the facilities tend to be in a state of disrepair due to interminable funding constraints. Thus teaching materials and equipment are in most cases in short supply, threatening academic standards. There are exceptions to this such as the facilities located in South Africa.

55. Based on available information, research and development facilities, particularly those operating at the frontiers of knowledge, are not commonly available in the minerals sector of Africa. Again, exceptions are in South Africa where Mintek and Miningtek provide globally competitive technologies and processes for mineral industry innovation. The Central Metallurgical Laboratories in Egypt is noteworthy, although it has a bias towards supporting existing productive capacity rather than undertaking innovative research.

56. Dedicated centres for the study of mineral policy are also not available. A good example is provided by the Centre for Mineral and Energy Policy in South Africa. Perhaps more common are broad-based economic policy institutes, often as part of universities. These conduct economic studies which at times are of direct relevance to the minerals industry.

4.4 Weaknesses of the Intergovernmental Machinery

57. The performance of the inter-governmental machinery for mineral resources development in Africa is inextricably linked to that of the RECs under which they fall. There is a general consensus that regional cooperation and integration groupings have achieved limited success due to a number of difficulties.

4.4.1 Structural Weaknesses

58. As indicated earlier, cooperation and integration efforts have largely been trade-focused in a region where capacities for trade creation are severely limited. The basis for trade models of integration has been that efficiencies of production and specialisation would be indirectly achieved through the stimulus of trade which would be engendered by bigger markets. In practice, structural imbalances, such as infrastructural deficiencies, unfavourable macroeconomic environments, inadequate production and productivity have all impeded the smooth operation of trade zones. In the light of the limited success achieved so far, there has been a growing shift towards the development-focused model which emphasises the dynamic gains derived from regionalisation as emanating from joint industrial ventures, coordinated exploitation of natural resources, particularly with respect to access to cross border factor conditions, and (sub)regional coordination of macroeconomic policies. This shift has been hastened by the increased globalisation and liberalisation of production and trade, factors which have promoted the enlargement of integration blocks in the rest of the world.

59. In line with the shift in the paradigm for cooperation, the RECs in the region have been undergoing metamorphosis. Thus the ECOWAS treaty was revised in 1992 to accommodate the changing circumstances. In the franc zone, UEMOA intends to achieve a greater degree of intra-regional harmonisation of macro policies and cooperation in key sectors such as energy. In East Africa, the EAC views the role of the State as critical in absorbing the overheads of infrastructural

creation in order to promote the right environment for the private sector. In Eastern and Southern Africa, the Preferential Trade Area was transformed into COMESA in 1994 while in southern Africa, the southern African Coordination Conference (SADCC) was transformed into SADC, the community. In 1997, SADC undertook a major introspective review and rationalisation of the SADC Programme of Action. Among the main recommendations of the review are to:

- (a) entrench development approach-based integration in which the major stakeholders, including the private sector must have a role;
- (b) crystallise the major role of SADC as policy formulation, coordination and harmonisation, rather than project development and implementation in which the private sector should play a larger role;
- (c) adopt a suitable structure in which sector coordinating units, whose performance are affected by inherent national deficiencies, are replaced by Planning and Coordination Directorates, while introducing a National SADC Committee at the national level to provide a consultative mechanism for consensus building.

60. To what extent does the above reform in the intergovernmental structures affect the role of the State in mineral resources development? It is important to understand that this role is exercised within the broad framework of the existing intergovernmental machinery. Translated into models for mineral resources development, the structures for mineral development will largely mirror the above reforms. Thus the role of the State will lie in influencing the policy environment to facilitate the exploitation of (sub)regional factor conditions by the private sector. Policy issues which are yet to be addressed include, for example, common frameworks for addressing the higher risk profile for mining projects relative to other regions such as Latin America and South East Asia. Furthermore, the role of the State is going to lie in infrastructural development to support the exploitation of mineral resources. Infrastructure includes not only the provision of utilities but providing quality research institutions to drive technology acquisition and innovation, and hence global competitiveness of Africa's mineral industry.

61. Judged by the present capacities for Government to fulfil the above role, it is clear that major structural weakness still persist. These include:

- (a) the lack of general working institutional structures for collaboration in mineral resources development. Most RECs have provisions for mineral resources development in their treaties, but few have working structures on the ground;
- (b) unclear strategies which link mineral resources development to the national and (sub)regional macroeconomic environment and or economic planning agencies in an unambiguous manner;
- (c) weak capacities for infrastructural development in the broadest sense; and
- (d) the weak structures for consensus-building particularly with the private sector, perceived to be the engines for growth of the mineral sector. This is exacerbated by an absence of

national coordination units for economic cooperation and integration within the structures of the RECs.

4.4.2 Weaknesses in Management Capacities

62. The problems observed at the national level of managing the process of change in the mineral sector are replicated at the (sub)regional level. Like at the national level, many RECs face both quantitative and qualitative deficiencies in skill levels. If RECs are to focus on mineral policy formulation, coordination and harmonisation, their skill mix would need to be considerably reinforced with strategic leadership and management skills. Analytical skills to understand the macroeconomic environment, the synergies underpinning cooperation, the relative roles to be played by Governments and the private sector in mitigating the effects of globalisation and liberalisation, all need strengthening.

63. A major weakness is that recruitment is strongly influenced by geographical ethnic distribution and many of the successful candidates are mostly from Government Departments. There is need for more open recruitment into the intergovernmental structures coupled with skill sharpening programmes into areas of strategic importance to the (sub)regional mineral sector. Management weaknesses have hitherto been a major feature of mineral resources development units in the (sub)region including the CAMRDC, ESAMRDC, ECOWAS and the SADC Mining Sector Coordination Unit.

4.4.3 The Inadequate Finances

64. Inadequate and sustainable funding has been the achilles of RECs, severely limiting their operations. Contributions from member States have both been irregular and inadequate to finance agreed programmes.

65. On their part, Governments have perceived little value in some of the activities of mineral resources development agencies. This is more so for the specialised technical intergovernmental units such as the ESAMRDC and CAMRDC. As a direct result of financial constraints, these institutions have suffered from a credibility gap due to lack of resources to fund their valuable programmes.

4.4.4 Lack of Coordination and Rationalisation

66. A major weakness of RECs is the inadequate collaboration between them, a sign of the unwillingness to wholly embrace the principle of complementarity. The RECs lack an institutionalised framework for cooperating in a number of areas including the development of human resources and utilisation of research capacities. Furthermore the interface between Government mineral development agencies, the universities, the private sector and research institutes is very poor.

67. In this respect, some progress is being made in some RECs. As mentioned earlier, the ESAMRDC has been negotiating to become a specialised technical agency of SADC and COMESA. The ESAMRDC has also been negotiating with Mintek to operate a franchise in Tanzania. Generally, however, networking to increase access to available pools of expertise is a feature that must improve.

5.0 RECOMMENDATIONS FOR ENHANCING THE ROLE OF GOVERNMENTS IN ECONOMIC COOPERATION AND INTEGRATION FOR THE DEVELOPMENT OF THE MINING SECTOR

68. It is quite clear that the performance of the African intergovernmental structures has fallen short of the objectives due to a number of persisting difficulties. Despite these difficulties, there is a renewed belief by African countries, bolstered by the spirit of the AEC and the formation of regional blocks in other parts of the world, that the African renaissance lies in economic cooperation and integration. There are a number of actions which can improve the efficiency of cooperation and integration. These include the following:

At the National Level

(a) Governments must seek to strengthen their role in policy coordination, strategic planning as well as the traditional role of administering the minerals industry. Governments must improve their management capacity by investing more in the area of human capital development. A strong Government machinery has a much higher potential to participate in and contribute to policies and strategies which promote cooperation and integration. Capacity building represents an area in which the UN family, including ECA, can focus their support.

(b) Governments must continue their efforts to strengthen the macroeconomic environment to achieve the goal of a more dynamic and competitive national economy which provides partnership to the private sector. Areas of attention include investment in education and training facilities, infrastructure and the development of local entrepreneurs. The latter would add a dimension of local partnership to mining projects and facilitate the development of local technical capacities.

(c) Member States must establish national cooperation and integration coordination units to act as focal points for community organs. This would sharpen participation in integration activities and promote consensus-building among all national stakeholders including the private sector, the intended beneficiaries of private sector-oriented reform.

(d) Member States should fulfil their financial obligations to the budgets of the community organs to strengthen their capacities.

At the Subregional Level

(e) The RECs must work towards a common policy framework for reducing their subregions' mine investment risk profile. Such a framework could take the form of "limit setting" of broad monetary and fiscal policy measures such as focusing on positive interest rates, reducing inflation to specific limits and a low tariff structure. Such a framework should be continuously evaluated in respect of its competitiveness to other world mining regions.

(f) The RECs should promote their subregions as a whole unit in their efforts to attract mine investment. This would increase the attraction of the subregions to the international mining companies.

(g) The RECs must deliberately improve their formal structures to promote coordination and rational use of available facilities. Special mention must be made of human resources development facilities and research institutions which are not evenly distributed geographically. Given the long term commitment and sustained finance required to develop high level skills and quality research institutions, it is unlikely that most member States can develop their own facilities in the short term. Thus the few available institutions, such as Mintek, Miningtek, ESAMRDC, the Central Metallurgical Laboratories must be used to strengthen the technology function in Africa's minerals development. This will require that formal institutional mechanisms be worked by the RECs. It is worth noting that ECA plans to undertake a project to evaluate the institutional framework of RECs for mineral resources development.

(h) The RECs must strengthen their strategic management function and analytical skills. This could be helped by competitive recruitment schemes to attract the best human resources in mineral resources development, coupled with focused short training schemes in specific areas of need. As part of strengthening the management process, the RECs must also strengthen their capacity to collect, process and disseminate mineral information to both investors and decision makers.

(i) The RECs must benchmark the process of economic cooperation and integration. Such benchmarking must include feasible and achievable targets related to (sub)regional mineral resources development programmes. Furthermore, their work programmes must be more discriminative to include only projects which enhance the community building spirit and economic cooperation.

At the Regional Level

(j) The OAU must continue its support for the (sub)regional building blocks paying particular attention to facilitating measurable achievements in the RECs' transition to common markets.

(k) The ECA must continue to support the RECs in various areas including the promotion of policies, strategies and structures which enhance regional cooperation and integration in the exploitation of Africa's mineral resources. Such support should focus on providing intellectual resources for sharpening the capacities for analytical studies, strengthening coordination activities and encouraging networking to provide unrestricted access to factor conditions located across borders.

(l) The ADB must devise mechanisms which take into account the peculiar difficulties of mining investment projects. Ideally, a special window, concessionary rates or specific commodity-linked incentives would provide a much needed push to the development of the African mineral sector.

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