



African Union



United Nations  
Economic Commission for Africa

AFRICA MINING VISION

# LOOKING BEYOND THE VISION

An AMV Compact with Private Sector Leaders



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Australian  
Aid 

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## Executive Summary

The Africa Mining Vision (AMV) is a continental policy framework, adopted by all 54 African Union (AU) member countries in 2009. The Vision advocates for “*Transparent, equitable and optimal exploitation of mineral resources to underpin broad-based sustainable growth and socio-economic development*”. Successful implementation of the Vision hinges on participation by the private sector and other key regional and country stakeholders in Africa. The African Minerals Development Centre (AMDC) has the mandate to accelerate AMV implementation across Africa.

The AMV Private Sector Compact, launched in 2016, provides an opportunity for the most cost effective mode of cooperation to achieve the desired outcomes in rolling out the AMV. It is based on twelve principles that set out mutual obligations and mutual benefits: the principles are clearly aligned with core values, policies, strategic plans and mission statements of companies in the African extractives sector. The key drivers for cooperation are the business benefits that the private sector will derive from AMV implementation in AU member states and in Africa’s Regional Economic Communities (RECs). These include operational cost reductions and productivity enhancements, such as skills development and increased business opportunities – for example, through Public Private Partnerships. Effective implementation of the Compact should also contribute to strengthening companies’ social licence to operate.

The Compact is primarily targeting mining companies including oil and gas; Chambers of Mines; and other mining associations. There are a number of potential modalities for implementation, enabling AU member states and private sector stakeholders to select the approaches that best suit their country or regional context.

This publication explains the background to the AMV and the development of the Compact (Sections 1 and 2) and sets out the context and the shared benefits of participation in the Compact (Sections 3 and 4). Section 5 sets the Principles of AMV Compact in overview, and by theme. Section 6 explains options for adoption of the Compact and the range of implementation modalities available. Section 7 compares and contrasts the UN Global Compact and the sector-specific AMV Compact; and Section 8 offers conclusions. The annexes provide more details of the background to the development of the Vision, the UN Global Compact, and other source material.

AMDC is working proactively with stakeholders throughout Africa, at continental, regional and national levels. We would be delighted to hear from Member States or private sector representatives interested in working with us to make the Africa Mining Vision a reality.

## Acronyms

<b>AMDC</b>	African Minerals Development Centre
<b>AMV</b>	Africa Mining Vision
<b>AMV Compact</b>	AMV Private Sector Compact
<b>AU</b>	African Union
<b>AUC</b>	African Union Commission
<b>CMV</b>	Country Mining Vision
<b>‘the Compact’</b>	AMV Private Sector Compact
<b>CSI</b>	Corporate Social Investment
<b>CSR</b>	Corporate Social Responsibility
<b>ECOMOF</b>	ECOWAS Mining and Petroleum forum
<b>ECOWAS</b>	Economic Community of West African States
<b>ESIA</b>	Environmental and Social Impact Assessment
<b>EU</b>	European Union
<b>MIASA</b>	Mining Industry Association of Southern Africa
<b>MCIMS</b>	Mineral Cadastre Information Management System
<b>OAU</b>	Organisation of African Unity
<b>OPEC</b>	Organization of the Petroleum Exporting Countries
<b>R&amp;D</b>	Research and Development
<b>REC</b>	Regional Economic Community
<b>RMV</b>	Regional Mining Vision
<b>SADC</b>	Southern African Development Community
<b>SSM</b>	Small-scale Mining
<b>STEM</b>	Science, Technology, Engineering, and Mathematics
<b>TNC</b>	Transnational Corporation
<b>UN</b>	United Nations

## 1 Introduction

Africa is well endowed with mineral resources and has a long history of mining, but so far has not reaped the full developmental benefits from these resources. This results in part from the ‘enclave’ nature of mining, and its weak linkages with other sectors of the economy, particularly the limited or lack of downstream value addition and upstream linkages in the provision of mining capital goods, inputs and services. As a result, Africa has been losing immense opportunities to effectively advance socio-economic development and fight poverty. The Africa Mining Vision (AMV), adopted by the African Union Heads of State and Government in February 2009, seeks to change this status quo. The Vision advocates for “*Transparent, equitable and optimal exploitation of mineral resources to underpin broad-based sustainable growth and socio-economic development*”. Subsequently, an Action Plan to implement the AMV was adopted by Africa’s Ministers responsible for mineral resources development in December 2011. The African Minerals Development Centre (AMDC) was launched on 16 December 2013, in Maputo, Mozambique, as the implementing agency for the AMV. (For more about the origins of the AMV, see Annex A.)

## 2 Implementing the Vision and the launch of the AMV Compact

Under the leadership of the AU Commission, the AMDC has undertaken a number of initiatives aimed at rolling out and supporting the domestication of the AMV at country level. These include the creation of AMV guidelines in the form of the Country Mining Vision Guidebook, a tool for domesticating the AMV. AMDC works with AU member states to transform their country policy and regulatory frameworks to maximise the benefits from mining in line with the objectives and goals of the AMV.

In February 2014 and 2015, the AU Commission hosted an AMV Day in conjunction with the Ministerial Symposium at the Mining Indaba in Cape Town, South Africa. The AMV Day focused on how to broaden ownership beyond AU member states with the private sector. The main purpose was to garner support and buy-in from the private sector in the implementation of the AMV. This effort was further reinforced at the first AUC/AMDC dinner dialogue with the private sector on the eve of the Mining Indaba on 9 February, 2015. The dialogue, “*Shared Benefits in implementing the Africa Mining Vision*” brought together all stakeholders including Ministers and senior government officials, leaders of mining companies, Chambers of Mines, women in mining associations, civil society, AMV implementing partners, academia and international financial institutions. Statements by executives of large mining companies advocated for collaborative partnerships, continuous dialogue and new models of doing business. The private sector affirmed support for the implementation of the AMV and also recognised the need for closer cooperation so that the dialogue could be continuous and meaningful. In addition to these key outcomes, the process of formulating an AMV Compact with private sector leaders, African Chambers of Mines and other mining industry associations was launched.

Building on this, the AU Commission and AMDC session on 8 October, 2015 at the ECOMOF meetings in Accra, Ghana considered and reviewed the draft AMV Compact. Valuable comments from the AMV sessions were incorporated into the draft, and wider consultations were held with private industry associations, Chambers of Mines, Academia and civil society.

### **3 State of Affairs in the Mining Industry – Entry point for an AMV Compact**

The extractive industry is characterised by booms and busts. A situational analysis demonstrates that mining, including oil and gas, has been in a bust phase with depressed commodity prices on international markets due to the volatility of the world economy.

In a globalised economy, African and other developing countries are being affected by low commodity prices. Causes include the persistent decline of China's economic growth due to economic rebalancing and restructuring; an excess supply of commodities generally; and uneven global demand. This is exacerbated by a likely tightening of monetary policy in the U.S.A. that has resulted in the appreciation of the US dollar against most currencies.

China's economic slow-down has negatively impacted all commodities. Copper, gold and platinum prices dropped to six-year lows in August 2015, resulting in suspensions of mining operations in some African countries, with massive job losses that Africa can ill afford. Prices of other base metals have also been impacted. Diamonds, being a luxury good, became an early casualty in depressed market conditions. Uranium has not recovered since the 2011 Fukushima Daiichi nuclear disaster, although there are signs of a renewed demand following a restart of one reactor in Japan in August 2015. Oil prices have tumbled on account of increased shale oil production in the U.S. and also as a result of the Organization of the Petroleum Exporting Countries (OPEC), led by Saudi Arabia, refusal to cede its market position by reducing output<sup>2</sup>. Markets for coal, iron ore and other commodities are similarly depressed.

African economies and the extractive industry are faced with the challenge of mitigating the negative impacts of these developments. During this downturn, many companies are in survival mode, conserving cash and streamlining costs. There is a potential danger for a reversal of gains from the previous upswing. African economies with low foreign reserves, high fiscal deficits and largely reliant on the resource sector are most vulnerable to potentially disruptive adjustments which would severely hamper growth and socio-economic development. African economies will continue to experience reduced mineral production, which will translate to reduced government revenues in taxes, royalties, and foreign exchange earnings. According to the World Bank, the extractive industry may very well be entering into its fifth down-swing since the 1980s and companies could wait several years for prices to recover.

Against this background, the implementation of the AMV is expected to contribute to a win-win situation of shared value creation. Indeed, the downturn in global commodity markets should rather be seen as an opportunity for sober reflection on the true essence of the AMV which is to lead the fundamental restructuring of the mining sector by resource-endowed countries in terms of investing in linkages, resource-based industrialisation, enhancing local content and participation in the minerals value chain, and in promoting infrastructure development, R&D, skills and technology. In the current environment, this can only be achieved through solid compacts between governments, the private sector and other

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<sup>2</sup><http://www.forbes.com/sites/jamesconca/2015/07/22/u-s-winning-oil-war-against-saudi-arabia/>

stakeholders. The AMV should also be viewed as a platform to the easing of doing business, increasing the return on capital for investors and contributing to a positive corporate image with all stakeholders including communities.

## **4 The case for an AMV Private Sector Compact: shared benefits**

The case for a compact is premised on the basis that the AMV is a continental policy framework adopted by all 54 AU member countries, but that its successful implementation hinges on buy-in and participation by the private sector and other key stakeholders in Africa, at both regional and country levels. The AMV Private Sector Compact provides an opportunity for the most cost effective mode of cooperation to achieve the desired outcomes in rolling out the AMV. The AMV Compact is based on principles that are aligned with corporate core values, policies, strategic plans and mission statements of companies in the extractive sector.

Above all, the underlying drivers for cooperation are the business benefits that the private sector will derive from AMV implementation in AU Member Countries and in Regional Economic Communities (RECs). Its effective implementation should contribute to strengthening companies' social licence to operate. The Compact is primarily targeting mining companies including oil and gas; Chambers of Mines; and other mining associations.

### **Shared benefits in implementing the Africa Mining Vision:**

So, what's in it for the private sector? From the start, the AMV set out some aspects of what might constitute 'shared benefits'. Further possible benefits for the private sector are set out by topic below.

#### **4.1 Productivity Enhancements**

The private sector stands to reap operational cost reductions and productivity enhancements from many aspects of the AMV. For example, a skilled and motivated workforce will enhance productivity, competitiveness and sustainability of companies even in depressed market conditions. Building local human capacity will obviate the need to import an expensive labour force. The AMV aims to strengthen capacity at institutions that deliver education as well as institutions that are responsible for the administration of the minerals sector. This translates into efficient service delivery and lower cost of doing business. The overall benefit is improved shareholder value.

Companies are streamlining costs in light of volatile market conditions in the short term. The AMV presents opportunities for realizing longer-term cost reductions in various areas. For example, costs associated either with delays resulting from community relations problems and labour issues, or with business interruptions to the timely and cost-effective provision of goods and services, can be addressed through AMV-compliant mineral policy and regulatory frameworks at country level.

#### **4.2 Partnerships**

The interests of the private sector are firmly factored into both the AMV and its Action Plan for implementation. The private sector is specifically highlighted in the AMV as one of the key parties expected to mutually benefit from the Vision. The AMV Action Plan identifies the promotion of private sector investments as one of the main components of its *Linkages, investment and diversification* Results Area. This underlines the necessity for structuring suitable incentives for private sector growth and to engage other AMV stakeholders. This is emphasised in the AU's strategic orientation of the AMV, which supports efforts to "harness the potential of Public Private Partnerships". The Compact is an example of how such partnerships can be instrumental in realizing mutually beneficial implementation of the AMV, Regional Mining Visions (RMVs) and Country Mining Visions (CMVs).

### **4.3 Business opportunities**

The AMV provides business opportunities for the private sector to partner with governments in form of Public Private Partnerships (see above), particularly in infrastructure developments, R&D and other investments in sidestream linkages. Furthermore, adherence to a Compact will create a level playing field and may result in better conditions for a fair business environment.

### **4.4 Transparency and Social Licence to Operate**

Industry considers transparency and consistency in all forms, and particularly in licensing, taxation, and royalty regimes, as contributing to the ease of doing business and investment attractiveness of a country.

The *Governance and Participation* Results Area of the AMDC Action Plan advocates transparency and improved public participation in the formulation and implementation of national policies and legislation. This effectively gives the public and communities an opportunity to participate in the decision making process, for example, in awarding mineral rights through participation in Environmental and Social Impact Assessments (ESIAs). The private sector gains the direct benefit of obtaining a 'social licence' to operate which legitimises a project and reduces costs emanating from the social tensions that often arise with an externally imposed project.

### **4.5 Corporate Image – Environment and social responsibilities**

Companies stand to benefit from environmentally and socially sustainable business practices through sustainable investments in communities and the environment. In this way, companies will build resilient communities that can sustain themselves post mine closure. Immediate benefits will be seen in the harmonious relationships in which conflicts may be mitigated – building on a social licence. Potential benefits can extend to increased sales on local and global markets, where consumer behaviour is increasingly linked to how the product was produced. The issue of consumer boycott is a real threat to the sustainability of extractives.



## 5 The AMV Private Sector Compact

### 5.1 Definition of a Compact

A compact is defined as an “*agreement, contract, pact, or statement of intent*”. A Compact may either be mandatory or voluntary, but must be based on an agreed set of principles that are mutually beneficial to the contracting parties, for example the state and the private sector. (Section 6 sets out some flexible options for implementation modalities.)

### 5.2 Principles of the AMV Compact

The principles enshrined in the Compact (*Figure I*) are informed by possible roles that the private sector could voluntarily adopt in addressing the challenges set out in the AMV. These are principles that would be complied with because they are aligned with corporate values, rather than compliance based solely on account of legislation at country level. The basis for embracing these principles will also be driven by the shared benefits as illustrated above, and can only be built via the shared responsibilities of all stakeholders. In a similar fashion to the UN Global Compact (see Annex 2), the AMV Compact is premised on the seven results areas of the AMV Action Plan: the remainder of section 5 disaggregates the Compact principles thematically, with a summary narrative for each area.

**Figure I: Summary of Principles for the AMV Compact**

Number	Principle
1	<ul style="list-style-type: none"> <li>• <i>Companies fully commit to payment of all mineral rents and royalties and will ensure such actions are visible to the general public.</i></li> <li>• <i>States should publish all legal agreements with companies and actively ensure that all commitments from government agencies, including tax refunds and granting of appropriate permits, are honoured in a timely and transparent manner.</i></li> </ul>
2	<ul style="list-style-type: none"> <li>• <i>Companies subscribe to the principles of national, regional and international resource monitoring and oversight bodies and commit to work against corruption and transfer pricing.</i></li> <li>• <i>States should adopt zero tolerance to bribery and corruption and should aggressively prosecute those who attempt to promote such practices in the sector.</i></li> </ul>
3	<ul style="list-style-type: none"> <li>• <i>Companies pledge to support national geological surveys with geological data once the mineral rights lapse and revert back to the State as the resource owner.</i></li> <li>• <i>States pledge to resource the geological surveys and relevant ministries such that they can supply the knowledge infrastructure incorporating this data to the public in order to allow companies to make informed investment decisions.</i></li> </ul>

4	<ul style="list-style-type: none"> <li>• <i>Companies undertake to invest in human capacity development and support national and regional institutional capacities beyond payment of mineral taxes and royalties.</i></li> <li>• <i>States should raise relative levels of support for STEM education to world standards to meet the demands for trained staff within government bodies and in industry.</i></li> </ul>
5	<ul style="list-style-type: none"> <li>• <i>Companies will endeavour to support the growth and formalization of artisanal and small scale mining through collaborative strategies.</i></li> <li>• <i>States should develop policy and legislative frameworks that govern the formal participation of artisanal and small scale miners in the sector.</i></li> </ul>
6	<ul style="list-style-type: none"> <li>• <i>Companies are cognisant of the need to uphold public participation to obtain a social licence to operate and will work towards building long term relations with communities in which they operate.</i></li> <li>• <i>States should ensure that a substantive portion of the benefits of resource rents are returned to the populations and local regions that host the industry.</i></li> </ul>
7	<ul style="list-style-type: none"> <li>• <i>Companies will endeavour to respect national and regional governance structures and support States in designing optimum fiscal regimes for win – win outcomes.</i></li> <li>• <i>States should commit to stability in legal and fiscal frameworks.</i></li> </ul>
8	<ul style="list-style-type: none"> <li>• <i>Companies commit to ensure that their procurement policies are supportive of local and regional content - to underpin the development of local and regional capital goods, consumables and services industries in upstream linkages.</i></li> <li>• <i>States should support targeted vocational training to meet the demands of a local and regional procurement sector.</i></li> </ul>
9	<ul style="list-style-type: none"> <li>• <i>Companies and States will explore innovative ways of supporting public private partnerships in mineral beneficiation and linkages, including for promoting sidestream linkages to accelerate infrastructure developments and R&amp;D at national and regional levels.</i></li> </ul>
10	<ul style="list-style-type: none"> <li>• <i>Companies commit to the 'polluter pays' principle and to adhere to environmental sustainability, best practices, national policy and legislation and regional agreements and protocols (e.g. trans-boundary river basin agreements).</i></li> <li>• <i>States pledge to resource the institutions and Ministries responsible for conducting and evaluating environmental and social impact assessments for timely and transparent delivery</i></li> </ul>
11	<ul style="list-style-type: none"> <li>• <i>Companies embrace corporate social responsibility as an integral part of business to sustainably support surrounding communities and regions.</i></li> <li>• <i>States embrace the mining industry as valued stakeholders in the socio-economic development of the country and work with them to ensure mutually beneficial outcomes.</i></li> </ul>

12	<ul style="list-style-type: none"> <li>• <i>Companies and their regional mining associations will participate in the development of REC-specific Mining Visions (RMVs), endeavour to support them once formulated, and explore the efficacy of forming complementary regional industry associations (such as MIASA in the SADC).</i></li> </ul>
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### 5.2.1 Fiscal Regime and Revenue Management

As a non-renewable resource industry, mining is inherently finite. . However, sustainability can be ensured through fiscal benefits in mineral rents and royalties to the State for deployment in socio-economic development.

The State also needs the revenue to invest for future generations in infrastructure, education and skills development, R&D and, possibly, in a savings vehicle such as a Sovereign Wealth Fund<sup>3</sup>. Part of Africa's paradox of underdevelopment in the midst of rich natural resources is the inability of states to effectively collect and account for the revenues legitimately accrued from mining companies. Africa's underdevelopment and poverty is largely attributed to poor collection and mismanagement of mineral rents due to weak institutional capacity and in many cases, corruption. The logic of development via the minerals industry implies that industry needs to be seen as a valid partner in that development, and supported appropriately.

#### ***Related principles:***

- *Companies fully commit to payment of all mineral rents and royalties and will ensure such actions are visible to the general public.*
- *States should publish all legal agreements with companies and actively ensure that all commitments from government agencies, including tax refunds and granting of appropriate permits are honoured in a timely and transparent manner.*
- *Companies subscribe to the principles of national, regional and international resource monitoring and oversight bodies and commit to work against corruption and transfer pricing.*
- *States should adopt zero tolerance to bribery and corruption and should aggressively prosecute those who attempt to promote such practices in the sector.*

### 5.2.2 Geological and Mineral Information Systems

It is widely acknowledged that the unknown mineral endowment in Africa might be larger than the current known mineral resources, on account of poor geological databases at

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<sup>3</sup>UNECA, 2011. Exploiting Natural Resources for Financing Infrastructure Development – Policy Options for

National Geological Surveys<sup>4</sup>, and because the continent has not fully been geologically surveyed at appropriate scale. Basic geological information, particularly in digital format, is essential in attracting investments in exploration. For example, the Geological Survey of Namibia invested heavily in airborne geophysical surveys, making such data available to investors at a nominal fee, and is reaping the benefits with the discovery of world class mineral deposits such as the Husab uranium deposit. The US\$ 2 billion Husab uranium mine currently under development is set to become the second largest uranium mine in the world, once in full production in 2017. Since geological systems often straddle several countries, regional cooperation is needed to develop regional Mineral Cadastre Information Management Systems (MCIMSs) that will further assist in attracting investment.

Company data needs to be included in national geodata holdings; for logistical reasons it is recommended that data be initially provided only at the relinquishing of permits<sup>5</sup>.

***Related principles:***

- *Companies pledge to support national geological surveys with geological data once the mineral rights lapse and revert back to the State as the resource owner.*

*States pledge to resource the geological surveys and relevant ministries such that they can supply the knowledge infrastructure incorporating this data to the public in order to allow companies to make informed investment decisions.*

### **5.2.3 Building Human and Institutional Capacity**

The AMV advocates a knowledge-driven African mining sector that is internationally competitive. Besides the mineral endowment, educated human capital is the most important asset for the extractive industry. A knowledge-driven mining industry is beneficial to both the state and the private sector. However, Africa continues to suffer from skills deficiencies on account of weak education and training institutions and relatively weak support for STEM subjects at all levels.

In spite of the economic importance of the minerals sector and the research that underpins it, STEM subjects make up only 29% of all research in Sub-Saharan Africa excluding South Africa, as compared to 45% in South Africa<sup>6</sup>. Companies have a corporate duty to build skilled manpower and support governments in strengthening local institutions<sup>7</sup>.

***Related principles:***

- *Companies undertake to invest in human capacity development and support national and regional institutional capacities beyond payment of mineral taxes and royalties.*

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<sup>4</sup> Action Plan for Implementing the AMV, P. 14

<sup>5</sup> Harris & Miller. 2015. Company Geodata: Growing African National Archives via Transfer of Corporate Geoscience Data. IM4DC Report. <http://tinyurl.com/im4dc-harris>

<sup>6</sup> World Bank & Elsevier. 2014. A Decade of Development in Sub-Saharan African Science, Technology, Engineering & Mathematics Research.

<sup>7</sup> Governments are increasingly introducing training levies to capture added private sector support

- *States should raise relative levels of support for STEM education to world standards to meet the demands for trained staff within government bodies and in industry.*

#### 5.2.4 Artisanal and Small - Scale Mining

Mining (solid minerals) is historically linked to artisanal and small scale mining, with some SSM operations graduating into large operations. Illegal and unsupported artisanal and SSM operations in the vicinity of mining operations could pose a risk to the operations of well-established mines. Moreover, their exclusion from legal frameworks makes it hard for governments to provide support for the social welfare of SSM communities. The illegal activities of small scale miners in active and abandoned gold mines in South Africa<sup>8</sup> is a case in point.

- *Companies will endeavour to support the growth and formalization of artisanal and small scale mining through collaborative strategies.*
- *States should develop policy and legislative frameworks that govern the formal participation of artisanal and small scale miners in the sector.*

#### 5.2.5 Mineral Sector Governance and Public Participation

The level of governance capacity and the existence of robust institutions is a key element in determining whether a resource endowment will be a curse or a blessing (AMV, p.18). Industry has embraced the concept of public participation to obtain a social licence to operate – through public and community consultations prior to work on the ground. This is often through ESIA's which are in most cases, a legal requirement in the application of mineral rights.

The private sector views transparency in the awarding of mineral rights a major challenge, leading to the industry's support, sometimes financially<sup>9</sup>, for the acquisition of MCIMS governance tools such the Flexi Cadastre System for managing mineral rights application and reporting processes. The private sector may not be of much assistance to governance issues in institutions such as Ministries of Mines and Energy, Finance and Environment. However, companies are main drivers in the consultation process with communities and all other stakeholders through ESIA's.

#### ***Related principles:***

- *Companies are cognisant of the need to uphold public participation to obtain a social licence to operate and will work towards building long term relations with communities in which they operate.*
- *States should ensure that a substantive portion of the benefits of resource rents are returned to the populations and local regions that host the industry.*

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<sup>8</sup> <http://www.chamberofmines.org.za/media-room/mining-factsheets>

<sup>9</sup> Chamber members of the mining industry of Namibia financially supported government in the acquisition of the Flexi Cadastre System in 2014.

- *Companies will endeavour to respect national and regional governance structures and support States in designing optimum fiscal regimes for win – win outcomes.*
- *States should commit to stability in legal and fiscal frameworks.*

### **5.2.6 Linkages, Investment and Diversification**

Linkages and diversification are the cornerstones of the AMV, leading to the complete structural transformation of the extractive industry whereby the industry is integrated with other sectors of the economy to underpin socio-economic development. However, linkages are undermined by practices of importing most mining capital goods, consumables and services and exporting minerals to beneficiation and manufacturing industries abroad. This is particularly so for TNCs with global procurement networks and global processing facilities.

As the extractive industry has no control over international commodity prices, streamlining costs is the only option to remain competitive. R&D presents an opportunity to produce new mining related products, technologies, processes and services that will lower production costs and underpin a knowledge-driven mining industry. Companies have an opportunity to develop in-house R&D capacity or support national and regional R&D institutions on a win-win basis. It is recognised that due to high entry barriers (economies of scale) the establishment of up- and downstream mineral linkages would be greatly facilitated by regional strategies that realise the significant REC linkages markets (e.g. for mining/processing inputs, the SADC market is larger than the EU market).

Companies may invest in viable minerals value addition through the provision of essential mineral feedstocks into the local and regional manufacturing, infrastructure and agricultural sectors, by making their products available at competitive prices.

#### ***Related principles:***

- *Companies commit to ensure that their procurement policies are supportive of local and regional content - to underpin the development of local and regional capital goods, consumables and services industries in upstream linkages.*
- *States should support targeted vocational training to meet the demands of a local and regional procurement sector.*
- *Companies and States will explore innovative ways of supporting public private partnerships in mineral beneficiation and linkages including for promoting sidestream linkages to accelerate infrastructure developments and R&D at national and regional levels.*

### 5.2.7 Environmental and Social Issues

In the globalised economy, the extractive industry no longer wants to be associated with legacy issues such as abandoned and un-rehabilitated mine sites. Environmental stewardship is anchored in corporate values and usually reported in Annual Sustainability reports which include CSR initiatives. In some companies CSR is being elevated to Corporate Social Investment (CSI) as a business imperative and linked to the social licence to operate. CSR should not be seen as ‘charity’, an investor prerogative which is not sustainable. When times are hard, charity and donations are first casualties as companies curtail costs to weather a downturn.

#### ***Related principles:***

- *Companies commit to the ‘polluter pays’ principle and to adhere to environmental sustainability, best practices, national policy and legislation and regional agreements and protocols (e.g. trans-boundary river basin agreements).*
- *States pledge to resource the institutions and Ministries responsible for conducting and evaluating environmental and social impact assessments for timely and transparent delivery*
- *Companies embrace corporate social responsibility as an integral part of business to sustainably support surrounding communities and regions.*
- *States embrace the mining industry as valued stakeholders in the socio-economic development of the country and work with them to ensure mutually beneficial outcomes.*

### 5.2.9 Regional Mining Visions (RMVs)

In accordance with the Lagos Plan of Action and the Abuja Treaty (see Annex A), Africa is committed to regional economic integration to realise the enhanced economic opportunities offered by the RECs’ greater markets and resources, especially for the realisation of crucial mineral economic linkages and industrial diversification. In this regard the AMV needs to be cascaded into Regional Mining Visions (RMVs) that optimise mineral resources developments for each of the RECs.

#### ***Related principles:***

- *Companies and their regional mining associations will participate in the development of REC-specific Mining Visions (RMVs), endeavour to support them once formulated and explore the efficacy of forming complementary regional industry associations (such as MIASA in the SADC).*

## 6 Implementing the AMV Compact

### 6.1 Modalities for implementing the AMV Private Sector Compact

The success of the AMV Compact will depend on the mode of cooperation chosen with the private sector. A number of options may be considered, which are not necessarily mutually exclusive. They include:

- A Compact between AU/AMDC as the custodian of the AMV and individual private sector leaders
- A Compact between AU/AMDC and African Chambers of Mines and Mining Associations
- A Compact between AU member States as custodians of the Country Mining Vision (CMV) and individual private sector leaders
- A Compact between AU Member States and African Chambers of Mines and Mining Associations.

These options are discussed below.

#### 6.1.1 Compact between AU/AMDC as the custodian of the AMV and individual private sector leaders

A database of industry leaders in the extractive industry in Africa is under consideration. According to former President and CEO of Mintek (Council for Mineral Technology), South Africa, Paul Jourdan<sup>11</sup>, in 2015 there were 1,376 operating mines in Africa, excluding coal mines. Statistics by author and advisor to governments and oil companies Duncan Clarke<sup>12</sup> show that there are approximately 600 companies in the oil and gas in Africa. It is thus estimated that there are approximately 2,000 operations in the extractives industries.

Under this scenario, a Compact would mean AU/AMDC dealing with about 2,000 leaders of these operations. With limited capacity and resources to effectively manage such a Compact, this may not be the most effective approach, although if devolved to the country level it may be more manageable.

#### 6.1.2 Compact between AU/AMDC and African Chambers of Mines and Mining Associations

Figure II, below, demonstrates the low percentage of Chambers of Mines in Africa. Membership to these Chambers either includes organisations in the oil and gas industry by virtue of their constitutions, or the Chamber name may explicitly state “Chamber of Mines and Energy”. Preliminary figures show that out of 54 AU member States, confirmed

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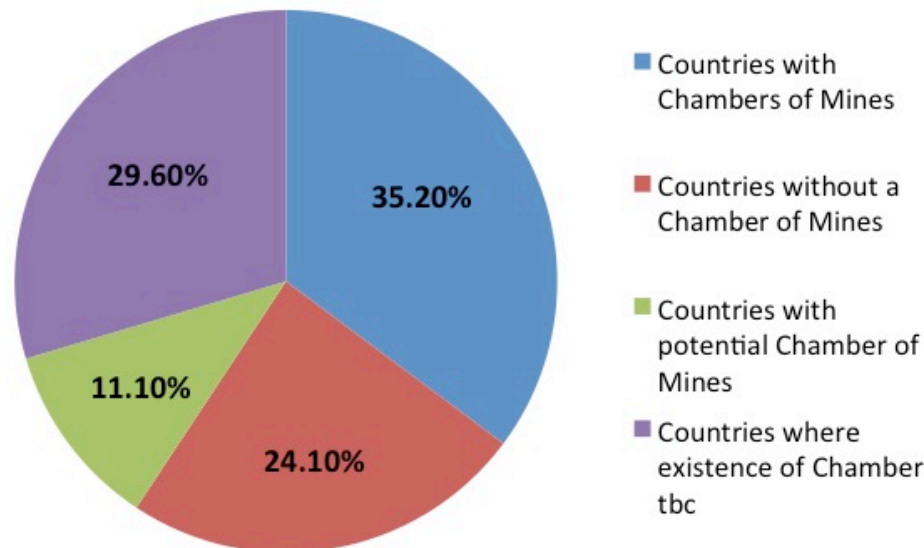
<sup>11</sup> Paul Jourdan. September, 2015. Resource - Based Industrialisation. *“Optimising the Developmental Impact of Africa’s Mineral Assets”*

<sup>12</sup> Duncan Clarke. Africa: Crude Continent. The Struggle for Africa’s Oil Prize



Chambers of Mines exist only in 19 countries, representing 35.2% of the total AU membership. There are ongoing efforts in establishing Chambers of Mines in six African countries. A total of 16 Countries have no Chamber representation, either as a result of the absence of a significant minerals industry or because the existence of such industry associations has yet to be confirmed. It is estimated that there is currently a maximum of 25 African countries with established Chambers of Mines.

**Figure II: Chambers of Mines (& Energy) in Africa**



It is assumed that Countries with Chambers of Mines will also possess Mining Associations for SSM. This is critical especially for the Artisanal and Small Scale Mining pillar.

In light of the above analysis, a Compact between AU/AMDC and the private sector as represented by Chambers of Mines and other Mining Associations would seem more attractive and easier to manage, but would not reach all industry in all countries.

### 6.1.3 Compact between AU/AMDC and Regional (REC) mining industry associations

There is currently only one regional industry association (MIASA in SADC). As more are established it will be possible to develop AMV/RMV Compacts between the AU/AMDC and the regional associations.

### 6.1.4 Compact between AU member States as custodians of the Country Mining Vision (CMV) and individual private sector leaders

The Country Mining Vision Guidebook<sup>13</sup> provides detailed guidelines to be followed in aligning country mining policies to AMV goals and objectives. The migration of the AMV to

<sup>13</sup>A Country Mining Vision Guidebook – Domesticating the African Mining Vision. AMDC

CMV is a multi-stakeholder consultative process which provides an opportunity for both private sector leaders and industry associations, including Associations for Artisanal and Small Scale Mining, to participate. As the country champion is the Ministry responsible for mineral resources development, a Compact with individual mining leaders is feasible and practical at country level.

### 6.1.5 Compact between AU Member States and African Chambers of Mines and Mining Associations

A Compact at country level with Chambers of Mines and Mining Associations is also feasible and practical (as above, see 6.1.4).

## 6.2. Summary of Compact Characteristics

Buy-in to the Compact should be anchored on the characteristics that are not perceived as deterrents by the private sector. These include:

- **Shared value**
- **Shared responsibility**
- **Mandatory vs. voluntary:** Though the UN Global Compact is voluntary, its mandatory reporting obligations would be a deterrent if applied to the AMV Compact or a CMV Compact.
- **Clear expectations:** The boundaries of expectations should be clearly defined to avoid open-ended demands.
- **Predictability and transparency:** There should be no uncertainty or shifting of goalposts.
- **Reporting obligations:** As above, there should be no reporting obligations to be compliant to the AMV Compact. This would be viewed as adding to the cost of doing business. Companies should only be required to illustrate the endorsement of the AMV Compact through annual company reports to stakeholders.

## 7 Summary of comparisons between the UN Global Compact and AMV Compact

As the AMV is tailored after the model of the UN Compact, a comparison of the two models illustrates the differences. See Figure III below.

*Figure III: Comparison between UN Global Compact and AMV Compact*

	UN Global Compact	AMV Compact
Business / Companies	8,371	Approx. 2,000
Number of Countries	162	54
Area of coverage	Worldwide	African Continent
Reports	33,273	Not applicable

## 8 Conclusions

The AMV Compact is being introduced at a time when the extractive industry is under extreme pressure from depressed commodity prices, on account of the volatility in the world economy and the persistent slowdown of China's economy. African economies are reeling from the negative implications of the downturn, resulting in reduced socio-economic growth and frustrating the fight against poverty and underdevelopment. However, Africa should not be detracted from implementing the AMV: the fundamentals will recover and an upswing will occur. This period presents an opportunity for African states and RECs to domesticate the AMV and strategically position themselves to optimally reap the benefits of the next super cycle. The AMV Compact will be a remarkable milestone in the implementation of the AMV.

An AMV Compact will provide a platform of cooperation for mutual benefits. Private sector leaders, Chambers of Mines, Mining Associations and Regional Mining Associations will benefit from multi-stakeholder engagements in domesticating the AMV to Regional Mining Visions and Country Mining Visions. Such a consultative approach fosters mutual trust and respect. The final principles of the AMV Compact should be simple to adopt and most importantly, be in conformity with corporate core values, strategies and procedures. The AMV Compact will demonstrate a buy-in from the private sector leaders and ensure the success of the Vision.

The AMDC would encourage mineral resource-rich African countries to promote the establishment of Chambers of Mines that would, in turn, form regional building blocks for regional associations of Chambers of Mines. MIASA<sup>14</sup> is a successful example of one such regional association. Such regional building blocks could form the basis of an Africa-wide network of Chambers of Mines and offer a vital collaborative link with AUC/AMDC in the implementation of the AMV and the Compact. Regardless of the route taken, AMDC hopes that private sector leaders will engage with the Compact and Vision, and welcomes direct contact from private sector stakeholders that wish to learn more about the potential for engagement.

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<sup>14</sup> MIASA was formed in 1998 and comprises eight Members in eight SADC Countries. Members are the Chambers of Mines in Botswana, Democratic Republic of Congo, Madagascar, Namibia, South Africa, Tanzania, Zambia and Zimbabwe. Four new Chambers in SADC are expected to join MIASA once their establishment is concluded.

## Annexes

### Annex A: Origins of the AMV

The AMV was adopted by the AU in the context of three core OAU strategies on continental and regional integration, namely:

- i. **1979 The Monrovia Declaration** “on the guidelines and measures for national and collective self-reliance in economic and social development for the establishment of a new international economic order” to “realise the sub-regional and regional internally located industrial development; co-operate in the field of natural resource control, exploration, extraction and use for the development of our economies for the benefit of our peoples and to set up the appropriate institutions to achieve these purposes”<sup>15</sup>
- ii. **1980 Lagos Plan of Action**, which noted, on mineral resources, the need for “Improved knowledge of African mineral resources through possession of an adequate inventory of existing and potential resources, better forecasting of consumption patterns and research towards rational use of known reserves. Particular attention should be paid to those mineral raw materials with strategic importance for building up the basic industries making up intermediate products such as: iron and steel, aluminium, base metals, petrochemical products and fertiliser, cement, etc.”<sup>16</sup> The Lagos resolution committed the OAU to: “(a) strengthen the existing regional economic communities and establish other economic groupings in the other regions of Africa, so as to cover the continent as a whole (Central Africa, Eastern Africa, Southern Africa, Northern Africa); (b) strengthen, effectively, sectoral integration at the continental level, and particularly in the fields of agriculture, food, transport and communications, industry, and energy; (c) promote co-ordination and harmonisation among the existing and future economic groupings for a gradual establishment of an African Common Market.
- iii. **1991 Abuja Treaty** including: “(a) The strengthening of existing regional economic communities and the establishment of other communities where they do not exist; (b) The conclusion of agreements aimed at harmonising and coordinating policies among existing and future sub-regional and regional economic communities; (c) The promotion and strengthening of joint investment programmes in the production and trade of major products and inputs within the framework of collective self-reliance; (d) The liberalisation of trade through the abolition, among Member States, of Customs Duties levied on imports and exports and the abolition, among Member States of Non-Tariff Barriers in order to establish a free trade area at the level of each regional economic community; (e) The harmonisation of national policies in order to promote Community activities, particularly in the fields of agriculture, industry, transport and communications, energy, natural resources, trade, money and finance, human resources, education, culture, science and technology.”<sup>17</sup>

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<sup>15</sup> OAU 1979 Monrovia Declaration

<sup>16</sup> OAU 1980 Lagos Plan of Action

<sup>17</sup> OAU Abuja Treaty

## Annex B: The UN Global Compact

The UN Global Compact is a worldwide call for businesses in all sectors to align their strategies and operations with ten universal principles in the areas of human rights, labour, the environment and anti-corruption. The UN Compact requires business to embrace and support within their spheres of influence, a set of core values to promote corporate sustainability. The principles are derived from:

- The Universal Declaration of Human Rights
- The International Labour Organisation's Declaration of Fundamental Principles and Rights at Work
- The Rio Declaration of Environment and Development
- The United Nations Convention against Corruption.

The ten principles are:

### **Human Rights:**

Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights;

Principle 2: make sure that they are not complicit in human rights abuses;

### **Labour:**

Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;

Principle 4: the elimination of all forms of forced and compulsory labour

Principle 5: the effective abolition of Child labour;

Principle 6: the elimination of discrimination in respect of employment and occupation;

### **Environment:**

Principle 7: Businesses should support a precautionary approach to environmental challenges;

Principle 8: undertake initiatives to promote greater environmental responsibility;

Principle 9: encourage the development and diffusion of environmentally friendly technologies;

### **Anti-Corruption:**

Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.

## Annex C: Sources

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