STATE OF MINERAL RESOURCES GOVERNANCE IN SOUTHERN AFRICAN DEVELOPMENT COMMUNITY

AFRODAD

African Forum and Network on Debt and Development

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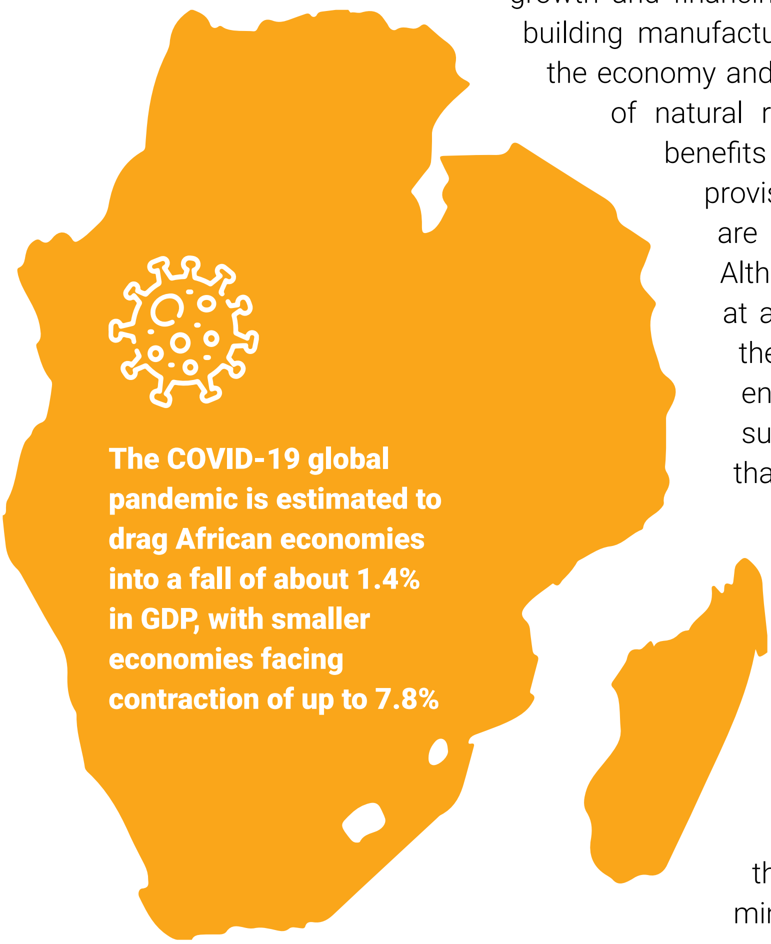
EXECUTIVE SUMMARY



Southern Africa's natural resources provide a unique opportunity to foster human and economic development. Undoubtedly, the mining industry has emerged as a powerful engine of economic growth and financing for the region's development. Apart from building manufacturing industries, linkages to other facets of the economy and local content participation, the exploitation of natural resources could provide the revenues and benefits needed for investment in social service provision, including health and education which are key equalisers for poverty and inequality. Although African economies have been growing at an average of about 5 per cent a year since the turn of the century, this rate is considered encouraging but inadequate. Southern Africa suffers from the paradox of plenty, meaning that abundant endowments of natural resources do not lead to equivalent levels of prosperity, broad-based development and resource-based industrialization. Poverty remains a serious concern for the region characterized in the sense of limited access to education, healthcare, housing, potable water and sanitation. Thus, the effective and efficient mobilization as well as management of revenues from the mining industry is at the center of SADC's mineral governance.

The transformative potential of Africa as a content and SADC's mining sector in terms of supporting sustainable and inclusive development has been faced with a myriad of obstacles. These concerns have been instrumental in the development of various mineral resource governance frameworks which include the continental broad based socio-economic Africa Mining Vision (AMV).This report notes the lack of strong legal and institutional frameworks or capacities, aimed at leveraging on the optimum revenue generation from the mining sector as a key obstacle. The Report of the High Level Panel on Illicit Financial Flows from Africa deems illicit financial flows (IFFs) as the major impediment to development of the continent particularly from its mineral resources. Currently, the continent is estimated to be losing more than $50 billion annually in IFFs.

IFFs are a potential source of domestic resource mobilization for the SADC region and continent, which if tapped will have positive impacts for attaining the Sustainable Development Goals (SDGs). Another factor affecting revenue mobilization from the sector has been the failure by some member states to capitalize on the windows of revenue generation opportunities presented in the forms of taxes during commodity booms of certain minerals like gold, copper, lithium and platinum group of metals has also been a drawback.

Further problems impeding the region's mining industry from supporting sustainable and inclusive development include limited transparency and accountability in the whole mining value chain aiding corruption, volatility in commodity prices and weak links to the rest of the national economies. The region's minerals remain largely exported unprocessed in their raw form or lightly processed commodities. The COVID-19 global pandemic is estimated to drag African economies into a fall of about 1.4% in GDP, with smaller economies facing contraction of up to 7.8%. The contraction is mainly a result of export adjustments affecting primary commodity exports mainly in the mining sector and the attendant losses to tax revenue. COVID 19 has also exposed the weaknesses in the mineral commodity-driven growth models by SADC countries failing to foster domestic and intra-African trade due to the dependence of global markets such as China. The effective implementation of the African Continental Free Trade Area (AfCFTA) and the SADC Industrialisation Strategy and Roadmap can strengthen regional value chains, reduce vulnerability to external shock and build economic resilience against future crises.

Thus, Southern Africa needs to climb the value-added chain of mineral processing and manufacturing to unlock the full economic potential of its natural resources. It needs to foster local resource-based industrialization and value addition and embrace it as a legitimate aspirational goal. The goal is to use mineral resource endowments to develop a competitive local supply industry that, through employment creation, value addition, technology and knowledge transfer, fosters broad-based sustainable development. SADC member states must, therefore, adopt initiatives like the AMV among others at national level to ensure optimum benefits accrue from resource extraction. In response to new pressures, the mining industry has seen itself evolving by integrating financial success with contribution to social and economic development, and environmental stewardship. The future demand outlook for metals and minerals key in the just transition to a low carbon economy presents notable opportunities for countries in the region endowed with these resources to harness their mineral wealth to advance economic development and human well-being.

INTRODUCTION & OVERVIEW OF THE SADC MINING SECTOR

Mining is an industry of strategic importance in Southern Africa. Roughly half of the world's vanadium, platinum, and diamonds originate in the region, along with 36% of gold and 20% of cobalt. These minerals contribute greatly to several Southern African Development Community (SADC) member states' gross national product and employment, and many of them depend on mineral exports for their foreign exchange earnings. The mining sector accounts for about 10% of SADC's GDP, 25 % of regional exports, about 7 % of direct employment and 20 % of national government revenues. The dependence on the sector varies markedly across the region's member states whereby in Zambia, copper accounts for over 80 % of Zambia's export earnings and diamonds account for 20 % of Botswana's GDP and over 90 % of exports.

Given the mineral resources abundance and the importance of the extractives sector in SADC economies, it is important to make an assessment of the extent to which the extractives sector has contributed to ensure the socio-economic development of national economies. To make this assessment, an in-depth analysis on the state of mineral resources governance in the SADC region is important. This aids in understanding how the progress or regression in the governance of mineral resources has a bearing on the benefits that accrue to national economies. The purpose of this study is to supplement evidence on the current state of resource governance in the SADC region to the wide spectrum of interested and affected stakeholders, especially citizens who are often not provided with adequate information. The study's objectives are to determine and assess the adequacy and effectiveness of the current mineral resource governance architecture, maximum benefits in terms of revenue, prevention of leakages and illicit financial flows (IFFs), ensuring environmental protection, ensuring community beneficiation and value addition and to understand and analyse the current trends in the extractives sector with a view to identifying the direction of policy shifts and responding to new imperatives within the extractive sector.

As such, the study provides a kaleidoscopic view of the current state of mineral resource governance in the region considering the obtaining factors. These factors include the COVID-19 global pandemic and its impact on mineral dependent economies, debt and development through the resource backed loans, fluctuating commodity prices, constrained demand for minerals and climate change among others.

The study provides an illustrative picture of the state of resource governance in terms of the domestication and implementation of global and regional initiatives such as the Africa Mining Vision (AMV), the SADC Protocol on Mining and the Extractives Transparency Initiative (EITI). This is done to make a determination on how SADC countries are performing in terms of progressing or regressing in terms of governing their resources so that they are better positioned to derive maximum benefits from the exploitation of their mineral resources. Furthermore, the study will also conjure up practical recommendations for various stakeholders such as different governments to aid in policy formulation and advocacy by civil society and groups to ensure checks and balances in the exploitation of mineral resources by each individual state.

MINERAL RESOURCE GOVERNANCE CHALLENGES IN SADC MEMBER STATES

One of the key prerequisites to converting extractive wealth into sustainable development is capturing a fair share of revenues that come from the extraction of resources. Capturing commensurate revenues and benefits from the extractives sector entails an understanding of the challenges that extractive sector is grappling with. It is important to understand why SADC as a regional bloc has failed to realise optimum revenue generation and management from its diverse and abundant mineral resource rents. This understanding plays a pivotal role in crafting and implementations of solutions to ameliorate the identified challenges. The purpose of this section is to identify the key constraints currently being faced by SADC member countries.

2.1.1 Liberalized Mining Codes/Laws

The mining sector in many SADC countries such as Zimbabwe, Democratic Republic of Congo (DRC), Zambia and Malawi are still governed under liberalised mining legislation. a liberalised mining sector entails measures towards promoting ease of doing business by removing restrictions that inhibited the growth and development of the mining sector. This is likely to boost investor confidence, drive competition and reduce the dependency on import of substitutable minerals.These mining legislation have been hinged on luring significant foreign investment in the region's large-scale mineral exploration and mining sector.1 It has been argued that the greatest share of economic benefits has been to the companies themselves and not the host governments.2 By comparison, host governments, in most cases, receive poultry financial return from booming mineral exploration and mining activities, typically in the form of a royalty and/or various fees linked to permits and ground rents.

2.1.2 Corruption

Corruption is a major contributor to poor development outcomes from mineral resources. Corruption in resource-rich countries takes mainly two main forms, rent-seeking and patronage.3 Corruption in the mining sector significantly reduces domestic resources, stifling trade and macroeconomic stability and worsening poverty and inequality. Corruption is seen as a double edged sword which is both a form and facilitator of IFFs in the extractives sector.

1 Whither the state? Mining codes and mineral resource governance in Africa, Terhemba Ambe-Uva, Canada Journal of African Studies
2 Ibid, UNEP
3 Corruption in natural resource management: Implications for policy makers Ivar Kolstad , Tina Søreide

The Corruption Perceptions Index (CPI) is used to gauge the state of natural resource governance in different states. The CPI ranks almost 200 countries by their perceived levels of corruption, as determined by expert assessments and opinion surveys. The SADC ranking is as follows: 1. Botswana (34/198) 2. Namibia (56/198) 3. South Africa (70/198) 4. Tanzania (96/198) 5. Zambia (113/198) 6. Angola, Malawi & Mozambique all ranked at (146/198) 9. Zimbabwe (158/196) 10. DRC (168/198). These results are an illustration of how SADC countries are generally fairing badly on the current global ranking.

Examples include how over a 20-year period the Dos Santos family conducted what may prove to be a master class in corruption along the natural resource value chain, a fact pattern uncovered in 2020 by the International Consortium of Investigative Journalists in its "Luanda Leaks".4 Transparency International rates Angola as one of the most corrupt countries in the world.5 DRC, which is the repository of the world's richest mineral reserves, has been marred with high levels of poverty due to corruption in the management of the sector.6 Zimbabwe's Anti-Corruption Commission (ZACC) in a study undertaken of corruption in the mining sector noted its rife nature perpetuated by the lack of disclosure of the owners of the mining claims and non competitive bidding processes in the awarding of mining licenses.7 This opacity deprives the public of a voice or even representation in basic decisions on mineral resources and thus the siphoning of public revenues into the hands of the few political elites. It, therefore, shows that rampant corruption and looting is reigning supreme and hindering efforts to advance good mineral resource governance in the SADC region.

2.1.3 Mismanagement of State-Owned Mining Enterprises

A lot of the mineral rich SADC countries have established state-owned mining enterprises (SOEs) conferred with the mandate of generating revenues, thus advancing economic development through managing state equity or participating directly in extractive operations.8 The mismanagement of some of the SOEs is related to high costs; low revenues; excessive liabilities; and an inefficient allocation of revenues between SOEs and other public entities.9 The Auditor General Report of 2018 noted how the Zimbabwe Mining Development Corporation (ZMDC) an SOE as the parent company failed to recognize its interests in joint ventures and associates in its separate financial statements at cost or at fair value.10 Zimbabwe Mining Development Corporation did not recognize its shareholding in Todal Mining (Private) Limited, Gye Nyame (Private) Limited, Global Platinum Resources (Private) Limited and ShinZim Platinum (Private) Limited. DRC's SOE Gécamines has also historically been mismanaged whereby revenues estimated at US$262 million have been collected annually since 2009 without those revenues not being directed to the public treasury.11 Whilst Botswana's Debswana appears to have good corporate governance structures in general, the rules describing how the company operates are less clear than those of most other State Owned Enterprises.12 The company's annual reports do not provide the core financial details that analysts require to provide effective independent oversight of the company and does not disclose the transfers of funds to the government and details relating to the sale of diamonds. The absence of robust accountability systems in most state-owned mining enterprises has resulted in mismanagement and the failure to generate the much anticipated revenues to steer economic development of SADC resource rich countries.

4 https://www.icij.org/investigations/luanda-leaks/how-africas-richest-woman-exploited-family-ties-shell-companies-and-inside-deals-to-build-an-empire/
5 Ibid.
6 Democratic Republic of Congo: Overview of corruption and anti-corruption, Krista Lee-Jones, https://www.u4.no/publications/democratic-republic-of-congo-overview-of-corruption-and-anti-corruption
7 The Zimbabwe Anti-Corruption Commission's (ZACC) worried about corruption in the Mining Sector, Tafara Chiremba, http://www.zela.org/the-zimbabwe-anti-corruption-commissions-zacc-worried-about-corruption-in-the-mining-sector/
8 Tackling Mismanagement and Corruption in Natural Resource Enterprises, Andrew Bauer and Ines Schjolberg Marques, https://blog-pfm.imf.org/pfmblog/2018/11/-tackling-mismanagement-and-corruption-in-natural-resource-enterprises-.html
9 Ibid.
10 Report of the Auditor-General for the Financial Year Ended December 31, 2018 on State Enterprises and Parastatals, https://www.auditorgeneral.gov.zw/phocadownload/Parastatals/AG%20PARA%20REPORT%202018%20June%20%202019.pdf
11 A State Affair: Privatizing Congo's Copper Sector, Carter Centre, https://www.cartercenter.org/resources/pdfs/news/peace_publications/democracy/congo-report-carter-center-nov-2017.pdf
12 https://www.sundaystandard.info/international-watchdog-red-flags-debswanaocos-financial-secrecy/

2.1.4 Illicit Financial Flows

The diversion of revenue flows often referred to as illicit financial flows (IFFs) is a major challenge for many resource-rich countries including those in SADC. Annual capital flight from Africa is pegged at $88.6 billion by UNCTAD with the main forms of IFFs being corruption, smuggling or illegal resource exploitation and accounting tricks as companies export the resources mined without full declaration, thus not paying all the duties. Important to note is that out of this $88.6 billion about $40 billion were IFFs from the gold sector alone. Between 2010 and 2012, the DRC lost US$1.2 billion in revenues from underpricing of mining assets in five deals only.13 Smuggling is especially rife in the artisanal mining particularly of gold and diamonds given how most SADC countries have not formalized it and the porosity of its borders. Commendably, South Africa has developed the Draft Artisanal and Small -Scale Mining Policy 2021 for public comment. Similary, Zambia has been hailde for developing a blueprint for formalizing artisanal and small-scale mining. This model could potentially be replicated in all SADC countries taking into account the perculiarities of each country's ASM sector14. More than $1.5 billion of gold is estimated to be smuggled out of Zimbabwe every year, depriving the cash-strapped economy of crucial foreign-exchange revenues.15. Recent cases to corroborate these assertions include the President of the Zimbabwe Miners Federation, Henriatta Rushwaya who was caught trying to smuggle fourteen bars of gold weighing 6.9kg out of Zimbabwe on a flight to Dubai valued at £300,000 or about $400,000.16 In May 2021, the South Africa Revenue Services arrested a Zimbabwean man at O.R International Airport for trying to smuggle 23 pieces of gold valued at R11 million17The trends on gold smuggling are not only peculiar to Zimbabwe, Tanzania, one of the largest gold producers in Africa is also faced by the same problem, the same also with Zambia.

2.1.5 Weak Mining Fiscal Regimes

African states, including those in SADC have generally weak mining fiscal regimes that fail to impose resources tax regimes that ensure an equitable share of the rents, particularly windfall rents.18 These weak fiscal regimes highly favour the investors instead of maximizing on the much-needed revenues. In addition, they fail to be sensitive to mineral price volatilities and restrict maximizing existing scenarios to stimulate national development. The COVID-19 pandemic, lower global demand and decline in certain mineral prices has resulted in some mining operations scaling down on operations and some companies pushing for temporary relief from their tax obligations.19 SADC's mining fiscal regimes have also been marred with poor administration and capacity gaps which have led to poor implementation hence revenue losses. The inability by revenue authorities to be innovative to match with the growing technological changes has also weakened mining fiscal regimes. Further, the failure of innovative strategies to tap into the ASM sector has resulted in loss of potential revenues. The granting of tax incentive has also implied negatively on revenue mobilisation from the extractive sector. In 2021, the government of Zimbabwe granted a five-year tax holiday to Great Dyke Investments, a platinum mine operation tantamount to foregoing revenue.20

13 Ibid.
14 https://www.sciencedirect.com/science/article/abs/pii/S0301420720303949
15 Zimbabwe Gold Smugglers Shipping Over $1.5 Billion a Year, Felix Njini & Godfrey Maravanyika, https://www.bloomberg.com/news/articles/2020-11-24/zimbabwe-gold-smugglers-estimated-to-ship-1-5-billion-a-year
16 https://www.herald.co.zw/breaking-rushwaya-arrested-at-r-g-mugabe-international-airport-for-gold-smuggling/
17 https://www.news24.com/news24/southafrica/news/man-arrested-at-or-tambo-for-allegedly-trying-to-smuggle-gold-worth-r11m-into-sa-20210509
18 Africa Mining Vision
19 The Impact of COVID-19 on Employment in Mining, IGF, https://www.iisd.org/system/files/publications/covid-19-employment-mining-en.pdf
20 Income Tax (Exemption from Income Tax) (Great Dyke Investments) Notice 2021

2.2 MINERAL RESOURCE GOVERNANCE FRAMEWORKS AND IMPLEMENTATION

Given the challenges that have faced the optimum realisation of mineral revenue and benefits by many resource rich countries, a number of mineral resources governance frameworks have been developed. These mineral resources governance frameworks aim to address the attendant challenges particularly, of why Africa including SADC member states' vast mineral wealth has failed to catalyze growth and deliver positive development outcomes. It is important to assess how these frameworks have shaped the mineral governance of SADC countries.

2.2.1 The Africa Mining Vision

The Africa Mining Vision (AMV) is the continental development framework agreed to by the African Head of States and Government in 2009 aimed at facilitating economic transformation through advancing good mineral resource governance.21 The AMV is founded upon a series of nine core pillars or tenets on whose architects is believed will yield "Transparent, equitable and optimal exploitation of mineral resources to underpin broad-based sustainable growth and socio-economic development.22 The nine core programme tenets of the AMV are; Mining Revenues and Mineral Rents Management, :Geological and Mining Information Systems, Building Human and Institutional Capacities, Artisanal and Small-Scale Mining, Mineral Sector Governance, Research and Development, Environmental and Social Issues, Linkages and Diversification and Mobilising Mining and Infrastructure Investment.

Despite the AMV being a non-binding framework, member states are encouraged to adopt it into national laws and policies. So far, 24 out of 54 countries have started implementation of AMV.23 Only Lesotho has fully domesticated and used AMV to prepare her Country Mining Vision (CMV). Tanzania's interest in the AMV reflects the country's appreciation of the strategic role that the mining sector can play in achieving the country's development vision and a desire to put in place appropriate policies, strategies and practices to optimise benefits from exploitation of its mineral endowment.24 Equally, Tanzania's work towards a CMV is framed within the wider acknowledgement by the government that a lack of proper management and development of mineral resources will have serious consequences for communities, the administration, the mining industry and the wider nation

It is worthwhile to note that the AMV has largely influenced the push for reforms in the mining laws/ codes of member states. Some of these countries include Malawi which replaced the Mines and Minerals Act 1981 with the Mines and Minerals Act 2018 and DRC Revised Mining Code of 2018. Other countries in the region such as Zimbabwe and Namibia have on-going legal processes to revise their mining laws. In addition, the AMV has enabled a number of governments to renegotiate mining contracts such as the Democratic Republic of Congo (DRC), Ghana, Tanzania and Zambia. The programme pillar of the AMV on Linkages and Diversification has thus been a challenge to implement by most SADC states. Whilst efforts have been made by several countries to aggressively design and implement "local content" policies this is still largely work on progress. Local content policies and laws could have more success in stimulating economic development in a country such as Malawi, given that it does not have a dynamic mining history.[25]

21 Ushie V, 2017, From Aspiration to Reality: Unpacking the African Mining Vision, available at https://www-cdn.oxfam.org/s3fs-public/bp-africa-mining-vision-090317-en.pdf {accessed on 23 April 2021}.

22 Gavin Hilson, The Africa Mining Vision: a manifesto for more inclusive extractive industry-led development, Canadian Journal of Development Studies, Vol 41, 2020-Issue 3

23 Ushie V, 2017, From Aspiration to Reality: Unpacking the African Mining Vision, available at https://www-cdn.oxfam.org/s3fs-public/bp-africa-mining-vision-090317-en.pdf {accessed on 23 April 2021}.

24 Ibid.

25 Paul Kamlongera.

The fiscal and revenue management pillar is noted to be the most highly implemented aspect of the AMV.26 This is because governments are particularly interested in obtaining as much possible revenue in the form of taxes and royalties from the extraction of minerals in their jurisdictions. The competition amongst member countries to attract foreign direct investment, weak fiscal regimes are presented that highly favour the investors at the expense of maximizing revenues. Often weak and rigid fiscal regimes in turn fail to be sensitive to mineral price volatilities and restrict maximizing existing scenarios to stimulate national development.

2.2.2 SADC Protocol on Mining

The Southern African Development Community Protocol on Mining was signed on 8th September 1997 and entered into force 10th February 2000. The General Principles of the Protocol in Mining are provided for in Article 2 and these include recognition by member states that a thriving mining sector can contribute to economic development, poverty alleviation and improvement of the standard and quality of life throughout the region. In addition, member states shall seek to harmonise national and regional policies, strategies and programmes related to the development and exploitation of mineral resources. There has been a chameleon and piecemeal approach in terms of implementing the SADC protocol on mining. This has led to slow improvements in the mineral resources governance reform.

2.2.3 Extractive Industries Transparency Initiative

The Extractive Industries Transparency Initiative (EITI) is a global standard to promote the open and accountable management of oil, gas and mineral resources.27 It requires the disclosure of all information along the extractive industry value chain, from the negotiation and awarding of mining rights point of extraction to how revenues make their way through the government, and how they benefit the public. The EITI is currently implemented by 55 countries, commendably 25 of the countries are African countries. SADC member countries that are currently parties to the EITI are Zambia, Mozambique, Madagascar, Malawi, DRC.28 Whilst the DRC is a member of the EITI, which insists that member countries publish new and amended contracts, licences and agreements concluded with extractive companies, a majority of the important deals are still to be published.29The EITI is yet to be taken up by other mineral rich countries in SADC such as Zimbabwe who since 2010 have expressed commitment to join the global governance standard given the plethora of problems in the country's mining sector.

The experiences of the countries within the region that are implementing the EITI showcases how it contributes towards realising optimised value from mineral resources by addressing corruption and tracking the revenues through transparency and accountability. Impressively, the Angolan Government acknowledging the importance of the EITI as a mineral resource governance framework formally notified the EITI of its intention to join in a letter to the EITI Board Chair, dated 14 September 2020.30.

26 Southern Africa Resource Watch, Civil Society Africa Mining Vision Conference Recommendations.
27 https://eiti.org/
28 https://eiti.org/countries
29 https://african.business/2021/03/energy-resources/can-tshisekedi-clean-up-drcs-mining-sector/
30 https://eiti.org/news/angola-formalises-its-intention-to-join-eiti

The EITI has also managed to introduce new rules showcasing its ability to be dynamic to the current context and emerging best practices on mineral governance. An example is the mandatory disclosure of beneficial ownership which now makes it easier for tax authorities to "follow the money" and assess the correct tax liability of an extractive company operating under their jurisdiction, as well as highlighting potential conflict of interest for politically exposed persons. The impact of the COVID-19 crisis on EITI implementing countries has been countries needing to fund urgent healthcare priorities, often relying on increasingly uncertain revenues from extractive sector operations. In response to the crisis, the EITI has introduced changes to its reporting model to respond to the crisis and support countries in publishing relevant and up-to-date information through flexible reporting.31 The flexible reporting measures aim to ensure that implementation is safely contributing to global and national responses to the pandemic, while upholding commitments to transparency, accountability and multi-stakeholder dialogue.

2.2.4 Resource Governance Index (RGI)

The Resource Governance Index developed by the Natural Resources Governance Institute (NRGI) measures the quality of governance in the oil, gas and mining sector of 81 countries.32 It scores and ranks the countries, relying on a detailed questionnaire completed by researchers with expertise in the extractive industries assessing the quality of key governance components. The first component assessed is value realization— it covers the governance of allocating extraction rights, exploration, production, environmental protection, revenue collection and state-owned enterprises. 33The second component assessed is revenue management— it covers national budgeting, subnational resource revenue sharing and sovereign wealth funds. The third component assessed relates to the enabling environment – it covers six worldwide governance indicators: voice and accountability; political stability and lack of violence; government effectiveness; regulatory quality; rule of law; and control of corruption.[34]

The latest RGI of 2017 shows that it is only Botswana in the SADC region which is amongst countries such as Indonesia, Mongolia and Norway that recorded good or satisfactory performance bands.35 The governance performance of State owned enterprises such as Zimbabwe's Zimbabwe Mining Development Corporation, DRC's Gecamines and Botswana's Botswana Debswana scored below 50 on the index. Zambia Consolidated Copper Mines Investment Holdings and South Africa's African Exploration Mining and Finance Corporation ranked above 65% in terms of state owned enterprises governance performance thus showcasing how some of them in the region are making positive strides to transform the mineral resource governance landscape.

31 EITI Reporting during COVID-19, Flexible Measures for EITI Implementing Countries at https://eiti.org/eiti-reporting-during-covid19
32 2017 Resource Governance Index see https://api.resourcegovernanceindex.org/system/documents/documents/000/000/046/original/2017_Resource Governance_Index.pdf?1498599435
33 Ibid.
34 Ibid.
35 Ibid.

2.2.5 Investment Attractiveness Index

Another index that is globally used to project a picture of the state of natural resource governance is the Investment Attractiveness Index (IAA). The investment attractiveness index is a combination of the Mineral Potential Index which considers the geological attractiveness of a jurisdiction and the Policy Perception on how government policy decisions affect investment decisions on exploration.[36] Of note is that when considering both policy and mineral potential in the Investment Attractiveness Index, Venezuela ranks as the least attractive jurisdiction in the world for investment followed by Argentina: Chubut, and Tanzania. Also, in the bottom 10 (beginning with the worst) are Indonesia, Argentina: La Rioja, Bolivia, Argentina: Mendoza, Zimbabwe, Spain, and Michigan. Zimbabwe's mining sector has been struggling to boost capacity owing to challenges in raising capital and investment.

Chief among the main hindrances to capital flowing into the sector is a negative perception about the country and the political risk factor.[37]

2.2.6 Policy Perception Index

Closely aligned with the Investment Attractiveness Index, is the Policy Perception Index. The Policy Perception Index is a composite index that measures the overall policy attractiveness of the 77 jurisdictions in the survey.38 The index is composed of survey responses to policy factors that affect investment decisions. Policy factors examined include uncertainty concerning the administration of current regulations, environmental regulations, regulatory duplication, the legal system and taxation regime, uncertainty concerning protected areas and disputed land claims, infrastructure, socio economic and community development conditions, trade barriers, political stability, labor regulations, quality of the geological database, security, and labor and skills availability. The 10 least attractive jurisdictions for investment based on the PPI rankings (starting with the worst) are Venezuela, Argentina: Chubut, Zimbabwe, Bolivia, Argentina: Mendoza, Tanzania, Papua New Guinea, the Democratic Republic of Congo (DRC), Indonesia, and Argentina: La Rioja.39 The fact that three SADC countries are at the bottom 10 of the index namely Zimbabwe, Tanzania and DRC which is an indictment of the bad policies that spur investments and will have an effect on mineral resource governance in the respective states.

36 Jairo Yunis and Elmira Aliakbari 2020, Annual Survey of Mining Companies 2020, available at https://www.fraserinstitute.org/studies/annual-survey-of-mining-companies-2020 {accessed on 29 April 2021}.

37 Zimbabwe's Mining Sector Anticipating Growth in 2020, Evelyn Shumba, https://theexchange.africa/africa/zimbabwes-mining-sector-anticipating-growth-in-2020/

38 Jairo Yunis and Elmira Aliakbari 2020, Annual Survey of Mining Companies 2020, available at https://www.fraserinstitute.org/studies/annual-survey-of-mining-companies-2020 {accessed on 29 April 2021}.

39 Ibid.

CURRENT TRENDS AND IMPLICATIONS ON MINERAL RESOURCE GOVERNANCE IN SADC

THE COVID-19 GLOBAL PANDEMIC AND DEBT

The outbreak of the COVID-19 pandemic has disrupted the political, economic, financial and social structures all over the world including within SADC. These disruptions are likely to restrict the much anticipated flow of funds to the region in the short- to medium-term whereby plans to increase mineral exploration, development of new and existing mines and major logistical infrastructure to facilitate the delivery of African minerals to world markets have scaled down.40 The mining industry has had to battle mine closures, falling share prices and crashing commodity prices, all of which have subsequently dented investors' confidence. 41 According to the Mines and Minerals Council of South Africa Facts and Figures Pocketbook of 2020, despite production disruptions as a result of an ongoing national lockdown, the mining sector is still a significant contributor to the country's economy.

Among the key economic drivers, the mining sector has contributed R361.9 billion to GDP (2019: R376.4 billion), employed 451,427 people (2019: 460,015), contributed R26.2 billion (2019: R22.7 billion) to PAYE on behalf of employees, paid R34.7 billion in value added taxes (2019: R36.9 billion) and R11.8 billion in royalties (2019: R8.6 billion), sold R608 billion in primary mineral sales.42 Zimbabwe's mining sector was greatly affected by negative economic shocks mainly caused by the COVID-19 pandemic through reduced investment flows, lost production hours as well as broken supply chains among others. 43Regardless of these setbacks, there were certain positives accrued to the sector. There is a new US$4,2 billion Great Dyke Investments Platinum Mine under construction, new coal mines have been opened and the US$25 million Invictus Energy Oil and Gas Project in Muzarabani is expected to start drilling in October 2021.44 DRC's economic growth decelerated from its pre-COVID level of 4.4% in 2019, to an estimated 0.8% in 2020. Growth was driven by the extractives sector which, helped by robust demand from China, expanded by 6.9% in 2020 (compared to 1% in 2019).45

40 Ericsson, M. and Löf, O. (2019). Mining's contribution to national economies between 1996 and 2016. Mineral Economics (2019) 32:223–250
41 The Impact of COVID 19 on African Mining, Opinions, findings and commentary from the most senior stakeholders across the African mining sector, Africa Mining Indaba.
42 minerals-council-media-statement-minerals-council-president-on-the-state-of-the-mining-nation-and-publication-of-facts-and-figures-pocketbook-2020-final.pdf.
43 Zimbabwe Country Commercial Guide, https://www.trade.gov/country-commercial-guides/zimbabwe-mining-and-minerals
44 Mining Sector Analysis of the 2021 Budget Statement, Learmore Nyamudzanga, https://goxi.org/blog/mining-sector-analysis-2021-national-zimbabwe-budget-statement
45 https://www.worldbank.org/en/country/drc/overview

Several countries in Southern Africa are at high or medium risk of debt distress, examples include Zambia with an estimated debt of US$11.2 billion at end 2019, Zimbabwe where arrears to external creditors amount to almost 30 percent of GDP, South Africa where debt is projected to rise to 70 percent of GDP, Angola with debt at 102 percent of GDP and Mozambique caught up in litigation with its Eurobond holders.[46] The SADC region is said to be losing at least US$21.1 billion a year from external government debt payments.[47] International capital flight flows to safe harbor assets due to COVID-19 fears, will make it costly for Southern African countries to raise capital (or service loans) on Eurobonds and will likely delay any debt issuance (for example, South Africa) until global financial markets stabilize.[48]

SADC countries have resultantly undertaken various measures to mitigate against the effects of the Covid 19 pandemic. The fiscal stimulus measures among the different countries, though varying in extent and intensity, have included increased spending in the health sector, establishment of relief funds and wage subsidies, and the monetary measures have included interest rate cuts, loan deferrals and restructuring, adjustment of reserve requirements and reduction in discount rates and liquidity requirements all designed to lower the cost of borrowing. For example, Zambia introduced a ZMW10 billion fiscal stimulus package for industry; Zimbabwe announced a Z$18 billion package to support business49, South Africa announced a R3 billion rand package for businesses in distress and Botswana a BWP2 billion fund to support industry.50 The packages are in addition to many other strategies employed to support economic revival in these funds invariably will filter to the mineral extractive sector.

Due to the Covid 19 global pandemic, there has been a resultant depreciation of local exchange rates in most of the SADC countries resulting in the price increases for imported products, including medicines and medical equipment required to fight COVID-19, basic household goods due to the border closures in countries like Zimbabwe and Botswana which heavily rely on imports from South Africa. The result will be an increase in the foreign currency-denominated debt burden, making debt management and servicing more challenging, and increasing the probability of default. Furthermore, currency instability may also lead to higher costs for cross-border transactions.

In addition to the above, most central banks in the SADC region have continued to loosen monetary policies and bank liquidity rules (i.e. cutting benchmark policy rate as well as introducing additional measures to enhance liquidity in the market) to mitigate the macroeconomic impacts of the coronavirus.

46 Jonathan Wheatley, Tommy Stubbington, Michael Stott, Andrew England and Joseph Cotterill, 2020, Debt relief: which countries are most vulnerable? Available at https://www.ft.com/content/31ac88a1-9131-4531-99be-7bfd8394e8b9 {accessed on 29 April 2021}

47 Southern Africa: SADC region losing billions in trade-related illicit outflows & external government debt payments every year; https://www.business-humanrights.org/en/latest-news/southern-africa-sadc-region-losing-billions-in-trade-related-illicit-outflows-external-government-debt-payments-every-year/

48 Ibid.

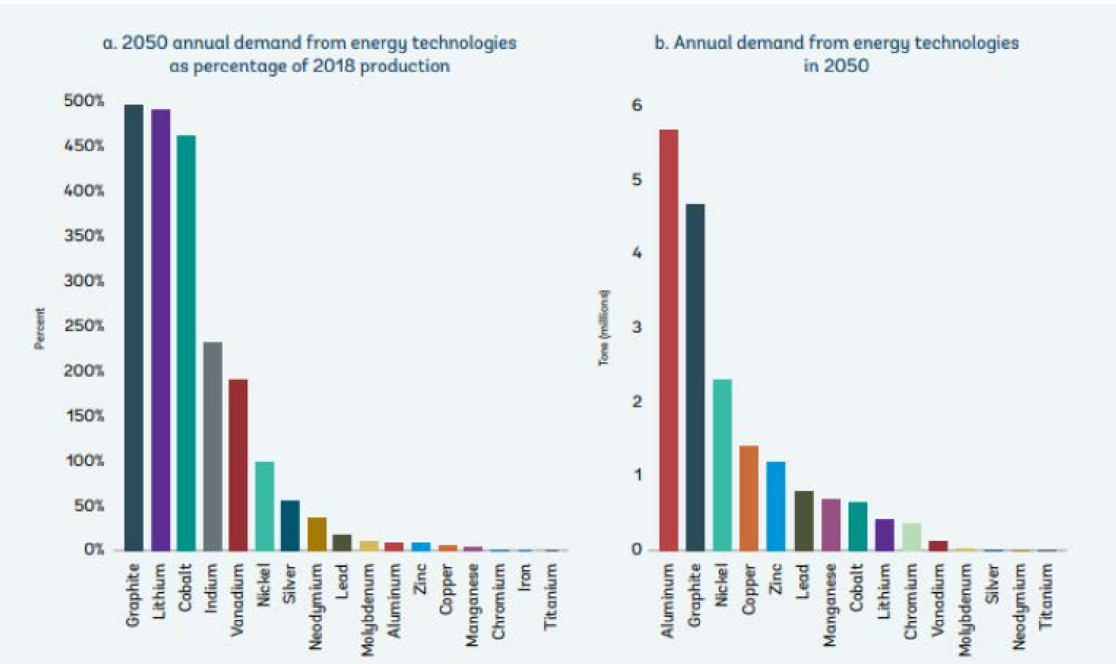
49 Available at file:///C:/Users/T/Downloads/Presss%20Statement%20-%20Guidelines%20and%20Modalities.pdf { accessed on 29 April 2021].

50 Beauregard Tromp Sipho Kings, 2020, Ramaphosa announces R500-billion Covid-19 package for South Africa available at https://mg.co.za/article/2020-04-21-ramaphosa-announces-r500-billion-covid-19-package-for-south-africa/ {accessed n 29 April 2021}.

The result is that the policy rate cut will further weigh on their currencies by narrowing the gap in yields between their assets and those in developed countries. To the contrary, limited foreign exchange reserves and upcoming debt servicing requirements has limited Angola's ability to put in place monetary buffers to cope with the COVID-19.51 Overall, Southern African currencies continue to weaken in reaction to the coronavirus spread due to being commonly correlated with risk and emerging market sentiment, restricting the freedom of the central banks to lower interest rates as part of countercyclical policies. Furthermore, lowering interest rates lowers the appeal of money market yields, causing outflows and more currency depreciations. The authorities will not lose sight of the inflationary impact of weak currencies and will therefore be less enthusiastic to follow their overseas counterparts on drastic scales.

3.1.2 Resource Backed Loans

Resource backed loans are loans provided to a government or a state-owned company in which the repayment is made in the form of natural resources52 Research has shown that currently eleven sub-Saharan African countries took out RBLs. It must be noted that from the beginning, most of these RBL are taken outside the formal lending structures within a given state and shrouded in secrecy. These countries are Angola, Chad, the Democratic Republic of Congo (DRC), Ghana, Guinea, Niger, the Republic of Congo, São Tomé and Príncipe, South Sudan, Sudan and Zimbabwe.53 Angola received the largest amount of RBLs in sub-Saharan Africa. Of note is that between 2000 and 2016, Chinese lenders committed over $24 billion worth of oil-backed loans and credit lines to Angola, most of which have been disbursed.54 In addition to the Chinese RBLs mentioned above, Sonangol independently



51 United Nations Economic Commission for Africa (2020), Socio Economic Impact of Covid 19 in Southern Africa available at https://www.uneca.org/sites/default/files/COVID-19/Presentations/socio-economic_impact_of_covid-19_in_southern_africa_-_may_2020.pdf { accessed on 26 April 2021}.

52 Håvard Halland, John Beardsworth, Bryan Land and James Schmidt. Resource Financed Infrastructure: A Discussion on a New Form of Infrastructure Financing (World Bank, 2014), documents.worldbank.org/curated/en/394371468154490931/pdf/Resourcefnanced-infrastructure-a-discussion-on-a-new-form-of-infrastructure-fnancing.pdf.

53 David Mihalyi, Aisha Adam, Jyhong Whang, 2020, Resource Backed Loans: Pitfalls and Potential available at https://resourcegovernance.org/analysis-tools/publications/resource-backed-loans-pitfalls-potential { accessed on 28 April 2021}.

54 Austin Strange, Bradley Parks, Michael J. Tierney, Andreas Fuchs, Axel Dreher, and Vijaya Ramachandran, 2013, China's Development Finance to Africa: A Media-Based Approach to Data Collection available at https://www.cgdev.org/sites/default/files/chinese-development-finance-africa.pdf {accessed on 24 pril 2021}.

borrowed large amounts from Chinese lenders during the same period, though we only found evidence that a $2.5 billion loan signed in 2010 was explicitly oil-backed.55 Moreover, $10 billion from the $15 billion oil-backed credit line that the Angolan government signed with CDB in 2015 was subsequently lent to Sonangol.

Research has also shown that the Republic of Congo is the second largest sub-Saharan African recipient of RBLs, with a total of $5.1 billion worth of RBLs.56 The government borrowed about half of this amount ($2.6 billion) from the China Eximbank through two consecutive credit lines. The state-owned oil company, Société Nationale des Pétroles du Congo (SNPC), borrowed the other half of this amount from commodity traders such as Trafigura ($1 billion), Glencore ($850 million) and Gunvor ($625 million). The lack of transparency in these RBLs is reflected in the fact that the Congolese government only revealed to the public that it had taken these loans once it had difficulties servicing them.57

In addition to the above countries, the DRC is the third largest recipient of RBLs in sub-Saharan Africa with $3.5 billion in RBLs from two mineral barter deals. These include a $3 billion RBL under the Sicomines project. In 2008, the Congolese state-owned mining company Gécamines formed a joint venture company named Sicomines and a consortium of Chinese companies led by Sinohydro and China Railway Engineering Corporation (CREC) to develop a copper and cobalt mine. China Eximbank then awarded Sicomines two credit lines totaling $6.2 billion. China Eximbank intended one credit line of $3.2 billion to be used for mine development. It intended the second credit line of $3 billion to be used for various public infrastructure projects. DRC would pay back the loans through the mine's future profits and with government guarantees.

Data collected suggests that RBL borrowers tend to be governments with weak resource governance. Zimbabwe, Angola, DRC illustrate the above position as shown in the previous section on the various indexes on assessing mineral resource governance.

3.1.3 Climate Change and the Just Transition to Low Carbon Energy

The just energy transition is defined by the International Renewable Energy Agency (IRENA), as a pathway towards the global energy sector from fossil-based to zero-carbon by the second half of this century. Importantly, the mining industry plays a focal role in addressing global warming and supporting the global energy transition. Although being a notoriously energy-intensive and high carbon emitting industry, the mining sector accounts for approximately 2–11% of total global energy consumption, and 26% of global carbon emissions, green energy generation being more infrastructure intensive, requires much more metals and minerals, and therefore more mining activity.

The demand for base and niche minerals stemming from clean energy technologies manufacturing is expected to grow significantly, with anticipated increases of up to nearly 500% by 2050 for certain minerals in relative terms to 2018 production levels.58 This is particularly the case for those concentrated in energy storage technologies, such as lithium, graphite, and cobalt. The DRC produces 60 percent of world cobalt. Zambia is also producers of Cobalt (3 percent of global production).

55 David Mihalyi, Aisha Adam, Jyhong Whang, 2020, Resource Backed Loans: Pitfalls and Potential available at https://resourcegovernance.org/analysis-tools/publications/resource-backed-loans-pitfalls-potential { accessed on 28 April 2021}.
56 Ibid.
57 Ibid.
58 World Bank Group Minerals for Climate Action: The Mineral Intensity of the Clean Energy Transition at 12.

The DRC and Zambia are 1st and 2nd largest producer of copper in Africa. The DRC has numerous other strategic minerals including coltan, Zinc and Manganese. The DRC is also sitting on first grade world reserve of uranium. Zambia also produces manganese and uranium. Mozambique beside gas production which it has come to be known for, it also has abundant mineral resources including rare earth and lithium. According to the African Mining Market, Zimbabwe's lithium deposits are the largest in Africa and the country will become one of the world's largest lithium exporters due to the continued high international demand given its importance to the energy-battery industry. The government claims the country will meet 20 percent of the world's total demand for lithium when it fully exploits its known lithium resources. This demand for strategic minerals provides comparative and competitive opportunities for SADC resource-rich countries. It is therefore important that mineral resources governance is improved to ensure maximum benefits are derived.

Projected Annual Mineral Demand Under 2 Degree Scenario Only from Energy Technologies in 2050, Compared to 2018 Production Levels – Source: World Bank Group: The Mineral Intensity of the Clean Energy Transition, 2020

3.1.4 Fluctuating Commodity Prices & Demand

The region's direct links with China through trade, investment and movement of people, have exposed regional growth prospects due to the global disruptions of the COVID-19 pandemic.59 Since commodity dependence varies across member States, countries have been impacted differently by the falling commodity prices.[60] For instance, a run for safe commodities has benefited gold exporters even where the metal makes a small contribution to the overall GDPs; and the sharp drop in oil has benefited most regional member States but has hurt Angola for whom 92.4 percent of export earnings was generated from oil in 2018. The Covid-19 pandemic has also led to sharp decline in the prices of oil and oil rich and dependent countries such as Angola and Nigeria were greatly affected as they lost revenues. In the gold sector the case was different. The Covid-19 pandemic saw the prices of old going up due to increased demand as people were hedging and protecting their wealth. However, the absence of effective mechanisms to capture price booms coupled with weak mining fiscal regimes, very little benefits accrued to gold exporting countries. The slow growth in China, Angola's largest oil importer has further dampened growth prospects in the latter. Similarly, for South Africa, China is a key market for chrome, iron-ore, manganese and metallurgical coal and subdued growth in the latter has correspondingly dragged down prices.

Of note is that the less diverse economies such as, Zambia (copper) and Botswana (diamonds) have been affected more by the commodities prices wane than those who are reasonably diversified.[61] Gold prices rose as investors sought a haven due to the low returns in US dollar denominated securities. However, prices of precious metals used for industrial applications such as diamonds and platinum group metals are on the decline. Prices of base metals key for industrialization, copper, aluminum, chrome and manganese, have all weakened due to lower Chinese demand as China consumes about 45 percent of metallic minerals produced worldwide.[62]

59 United Nations Economic Commission for Africa (2020), Socio Economic Impact of Covid 19 in Southern Africa available at https://www.uneca.org/sites/default/files/COVID-19/Presentations/socio-economic_impact_of_covid-19_in_southern_africa_-_may_2020.pdf { accessed on 26 April 2021}.
60 Ibid.
61 Ibid.
62 United Nations Economic Commission for Africa (2020), Socio Economic Impact of Covid 19 in Southern Africa available at https://www.uneca.org/sites/default/files/COVID-19/Presentations/socio-economic_impact_of_covid-19_in_southern_africa_-_may_2020.pdf { accessed on 26 April 2021

3.1.5 Increased Focus on Environment, Social and Governance Issue (ESG)

Environmental, Social and Governance (ESG) standards are a set of non-financial performance indicators. Investors typically use them to assess a company's performance from a sustainability and societal impact perspective, in order to inform investment decisions, and companies typically use them to de-risk a project and measure their risk profile for investors. To standardize the ESG narrative, companies can start by incorporating ESG into their core business model and decision-making. This will assist to set qualitative disclosures and quantitative metrics (KPIs) and report on them transparently. There are various international efforts for uniform ESG standards, for example the SASB (industry-focussed) and TFCD (pillar-focussed).

South Africa's mining industry is moving in the direction of developing mining-specific standards on ESG to guide monitoring and disclosures, beyond the current independent reporting requirements under current legal frameworks (e.g. Mining Charter, procurement spend, environmental permitting compliance and Social and Labour Planns). The International Council of Mining and Metals (ICMM) launched the Mining focusing on various ESG objectives, including biodiversity, diversity, pollution and waste, human rights and mine closure.[63] These principles are hinged on establishing relationships between a mine and the host community which requires mining companies to demonstrate supply chain integrity and transparency.[64]

3.1.6 Increased Automation and the Social Impacts

Scaling down operations and placing mines under care and maintenance during the COVID-19 pandemic has significantly impacted the economies of countries that rely heavily on mining. An obvious strategic step for Africa's mining companies is to focus on technological advancements that reduce the number of underground miners, thus reducing the risk of health and safety incidents. Mining companies that are already considering technologies to improve efficiency may gain further competitive advantages by implementing these in response to government regulations regarding the conditions under which their workforces must operate. However, these technologies come at a cost to employment, and Africa desperately needs employment opportunities. Public-participation processes for prospective mining operations in Africa often include quietly desperate individuals looking to the mine for employment, to help feed their families. Sometimes, and especially if layoffs are looming, desperation leads to tearing up a mine's social license and a revolt against its operations.

Host-community concerns rarely find simple or immediate solutions. In the same way that companies have found technological answers to extract minerals more effectively and use resources more wisely, innovative solutions (possibly from the social sciences) must be developed to improve community engagement processes.16 These include identifying better ways to communicate, understand each other and collaborate to develop sustainable communities that exist independently of any mining operations.

63 International Council on Mining and Metals Mining Principles
64 Canadian Minerals and Metals Plan at 43

3.1.7 Resource Nationalism

Increasingly, some of the SADC mineral rich countries have been keen to maximize revenues through resource nationalism. This has seen countries revising mining contracts and launching new mining policies which advance nationalisation of mining operations in countries.[65] From 1 April 2021, all applications for a mining licence in Namibia must have 15% local owners, the Ministry of Mines and Energy has announced.66 The move to localise ownership of Namibian mining licences follows the ministry's announcement in a press release that all "applications by Namibian nationals for the transfer, cessation and assignment of mineral licences to foreign companies or persons may be granted provided 15% interest in the company is retained locally".

Resource nationalism and revision of mining policy should be welcomed as an opportunity to engage governments on their appropriate role vis-à-vis mining companies in delivering development. Industry bodies such as the ICMM are of the view that by assuming a greater stake in the extractive sector, governments can also lower the unreasonable expectations on extractive companies.

3.1.8 Violence, Conflict and Security Risks

Over the past year, a wave of violence has rocked SADC countries linked to mineral resource governance. In Zimbabwe, Armed gangs, alternatively portrayed as consisting of or preying upon small-scale miners, have wreaked deadly havoc, especially in the country's many gold mining areas. Machete gangs are not a new phenomenon in Zimbabwe's mining areas, but they have lately killed in unusually large numbers. Gangs originated in the late 1990s, when several industrial mines closed, leaving workers unemployed.[67] Many went into agriculture, but around Shurugwi in Midlands province where arable land is scarce, jobless miners organised into itinerant groups looking for mineral deposits to explore. Although not all these groups engaged in violence, and not all machete gangs come from Shurugwi, the terms Mashurugwi (or "from Shurugwi") and machete gang have become synonymous. Around 2006, the diamond mining sector saw a peak in gang-related violence, including confrontations between gangs and state security forces. The same year witnessed a police crackdown, ostensibly on gangs in the gold sector. More recently, gold mining areas have again seen a marked increase in machete gang violence.[68]

Northern Mozambique is known for its oil-rich land and also its growing fight against Islamist extremism. The French oil giant Total recently noted that the insurgency will continue to wreak havoc on its planned liquified natural gas project in the province. The Cabo Delgado violence erupted for several years as companies discovered massive oil and gas deposits in the region. Since October 2017, 700 civilians have been killed in attacks, at times claimed by the Islamic State armed group or other militants hailing from Kenya and Tanzania who have joined a homegrown group called either Ahlu Sunna Wal Jama or Ansar al-Sunna (meaning 'supporters of tradition'). That group is often called locally Al-Shabaab, but it has no practical connection to the Somali rebel organisation[69]By and large, the conflict and security situation in Zimbabwe and Mozambique will have adverse effects on the overall performance of the mining industry if the situation.

65 Ibid, UNEP
66 https://www.lexology.com/library/detail.aspx?g=6c9f58e5-bd8e-4054-ba16-3c681f3d1021
67 Tarisai Mudahondo, "The genesis of machete gangs", Bulawayo 24, 17 January 2020.
68 "Statement: Escalating Violence in Gold Panning Communities", Zimbabwe Peace Project, 15 May 2015.
69 Anne-Marie Bissada , 2020, Mozambique: Can Cabo Delgado's Islamist insurgency be stopped? Available at https://www.theafricareport.com/35435/mozambique-can-cabo-delgados-islamist-insurgency-be-stopped/ {accessed on 10 May 2021}

3.1. 9 Coming into Effect of The African Continental Free Trade Agreement (AfCTA)

The African Continental Free Trade Agreement (AfCFTA) was signed by 44 AU member states in 2018 and came into effect on 1 January 2021. According to the African Union (AU), the AfCFTA will create the world's largest free trade area estimating that its implementation will lead to around a 60% boost in intra-African trade by 2022. Launched July 2019, the AfCFTA agreement is aimed at driving up the historically low levels of trade in Africa by reducing barriers to trade on the continent. Only 16% of international trade by African countries currently takes place between African countries, according to research by the African Development Bank in 2014. Over the years concerns have been noted on how mineral resources have not contributed towards the industrialisation of producing countries and SADC as a region. This has been due to resources being exported as ores or concentrates without significant value-addition and any manufacturing or processing, thus depriving the region from the full potential of contributing to national and regional industrialisation. The coming into force of the AfCFTA agreement is an opportunity for SADC mineral rich countries to reduce reliance over external trade partners and the value addition of mineral raw materials into products that foster integration and industrialisation.

RECOMMENDATIONS

- The following recommendations are proposed for SADC countries to improve their mineral resource governance to attain broad based socio-economic growth and development.
- Intensify economic diversification, value addition and beneficiation of the mining sector and the faster rollout of regional industrialization programmes to boost industry and cushion economies against the decline in global economic growth and support the growth of micro, small and medium enterprises.
- Boost SADC Regional Integration through Mineral Trade. Given that regional trade is currently at 19.3 percent, there is need to invest into the diversification of regional mineral commodity trading beyond export destinations of China, Europe and the United States, including through deepening intra-African trade and faster implementation of the AfCFTA
- Implement Local Content laws and Support to local micro, small and medium enterprises that can provide services and goods in the mining value chain through local content through fiscal stimulus packages consisting of grants, concessionary loans and tax reductions
- Implement conducive and consistent economic policies and stable macroeconomic environments with fiscal sustainability to endear good economic governance and boost investor confidence thereby encouraging local and foreign investment in large, medium and small scale mining operations
- All borrowings such as loans should be made transparently. Recent steps taken by the EITI, IMF and others have improved the transparency norms applicable to RBLs. Practice should follow so all key terms of each loan contract are promptly made public. Where loan contracts are bundled with contracts for extractive rights or trading, the government should also publish contract terms for those elements. As encouraged by EITI, the criteria for company selection with regards to trading rights should be made public.

- All loans should be on National Budgets. Given their complex nature and importance, the loans and their associated spending cannot be executed by state-owned enterprises with a limited borrowing remit. Rather, the loans and their associated spending should be brought on budget, be vetted by countries' ministries of finance and subject to parliamentary scrutiny (where applicable).
- Invest in Contract Negotiation Expertise. Governments need robust institutions with the capacity to negotiate such complex deals as RBLs. This includes legal expertise in contracting, economic modeling of the loan conditions, valuation of resources used for repayments and unbiased technical assessments of the projects. These are all critical to ensure that governments can make informed decisions on whether the proposals it received are worthwhile.
- Strengthening the implementation of laws and regulations particularly in areas where practice has been found to be lagging, such as those related to the environment, taxation, and illicit financial flows.

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African Forum and Network on
Debt and Development

Contact Us
African Forum and Network on Debt
and Development
31 Atkinson Drive, Hillside, PO Box CY1517,
Causeway, Harare, Zimbabwe
Telephone: 263 4 778531, 778536, 2912754
Telefax: 263 4 747878
Email: afrodad@afrodad.co.zw
Website: www.afrodad.org