



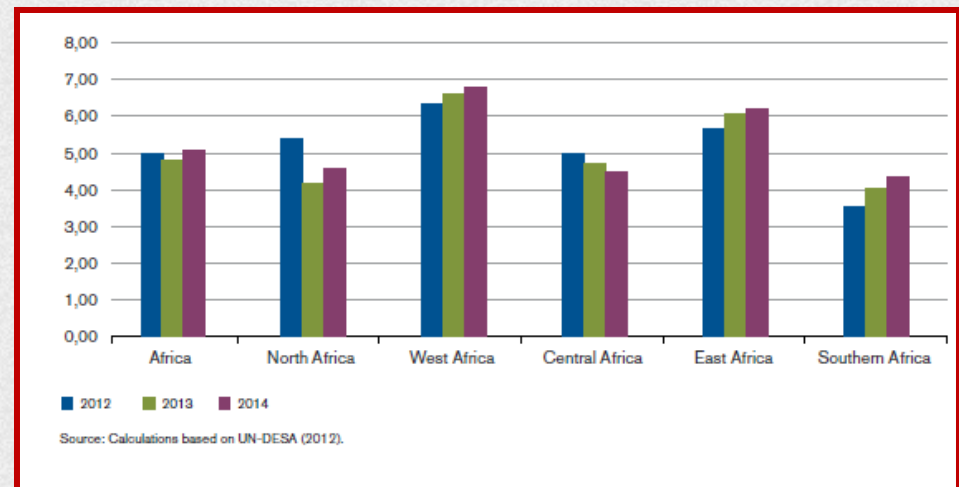
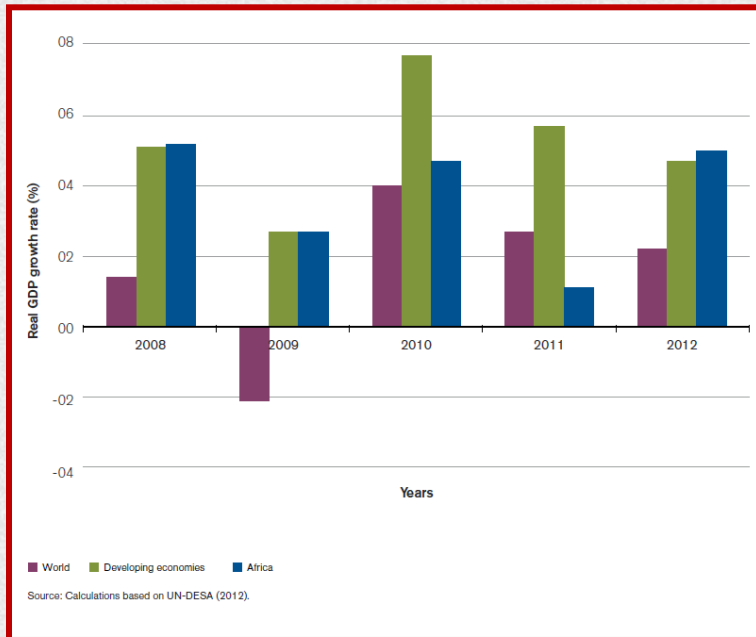
**Contribution of Mineral Resources Development
to Social and Economic Development**

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Africa's Economic Performance

(Economic report on Africa 2013 by commission for Africa)



GDP growth prospect by region, 2008-2013

GDP growth, 2004-2012

- Initially presented as a victim of the globalization, Africa is increasingly taking a significant role in the world economy (~5.4% GDP last year despite a slowing world economy).
- Africa's medium-term growth prospects remain strong at ~4.8 % in 2013 and ~5.1% in 2014



Mineral resources: key driver for sustainable development in Africa

- **Africa's growth was mainly supported by domestic activities** (private consumption and investment, both public and private)
- **Oil and mining sectors** have remained the main engines of growth in many resource-rich countries such as in Angola and Gabon
- It is indicated that the growth prospect for Africa during 2013/14 and especially the West Africa region will be driven by oil and mineral sectors but also by agriculture and services
- In other countries such as South Africa, labour unrest in the mining sector crippled production and adversely affected the social climate in the whole country
- **The economic growth** across the continent has not been translated into a visible broad-based economic and social development needed to lift millions of Africans out of poverty and reduce inequalities





Mineral resources: key driver for sustainable development in Africa

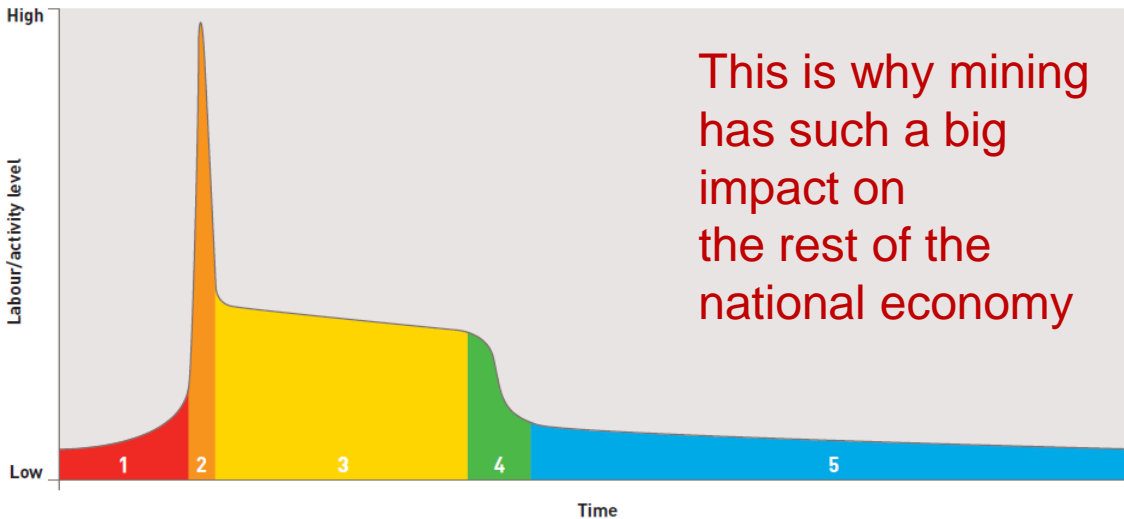
- Africa is well endowed with mineral resources, but has so far not reaped the full developmental benefits from these resources
- When managed responsibly and effectively, and in a context of good governance, mineral resources extraction can become a real driving force to social and economic transformation of the host country and particularly the immediate community
- However, some countries resources have been misused, fuelling conflicts and political unrests and even conflicts
- In the past the focus was on how mining can be sustainable but the reality is that **Mining is not sustainable** because these natural resources are non-renewable
- The focus must therefore be on **how mining of mineral resources can contribute to sustainable development?**
- This is a conceptual shift away from the traditional singular analysis of impacts and mitigation to a more comprehensive analysis of positive contribution of the mining industry i.e. a quantification of the value added to the society and economy

Key considerations about mineral resources projects



Figure 1: The mine project life cycle

- 1** Exploration
1-10 years
or more
- 2** Site design and
construction
1-5 years
- 3** Operation
2-100 years
- 4** Final closure and
decommissioning
1-5 years
- 5** Post-closure
A decade to perpetuity



South Africa: the Total Contribution of Mining to the Economy:

- GDP R468 billion or 18.7% of GDP
- Jobs ~1.353.383 (16.2% of total employment) (Economic report on Africa, 2013 by Economic Commission for Africa)



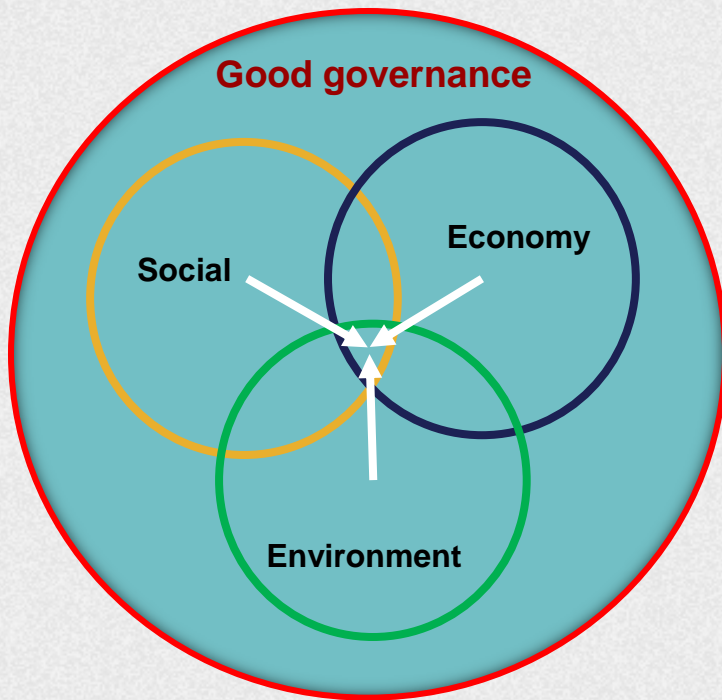
- Mining is a high risk, expensive and long-term business
- Companies making heavy, long-term capital commitments must be sure that they are in a stable legal, political, social and economic environment.
- Mineral resources abundance does not always lead to sustained economic growth and development

Sustainable Development: a theoretical perspective



Sustainable development rests on three main pillars:

- Economy (\$\$\$)
- Social (people and communities)
- Environment (biosphere)



These components are interrelated: for instance, the elimination of poverty requires the promotion of social justice and economic development and the protection of the environment

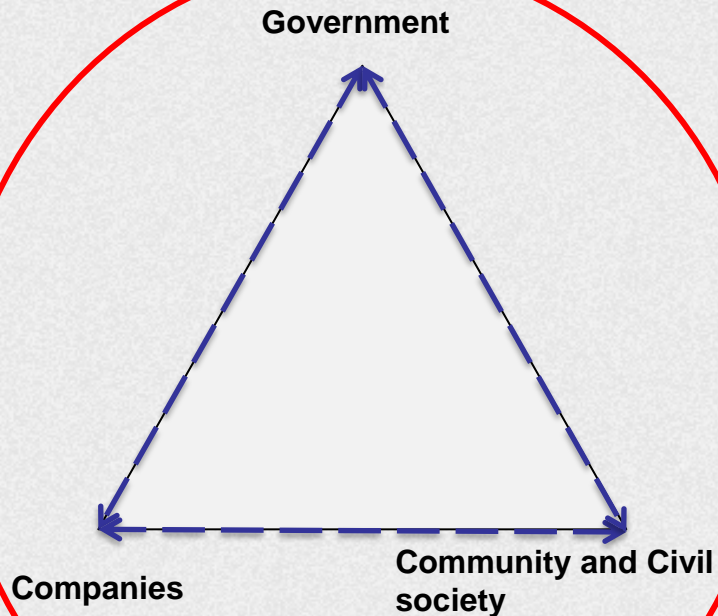


Sustainable development is about meeting the needs of society while living within the planet's ecological limits and without affecting the ability of future generations to meet their needs

Defining the key stakeholders in mineral resources development



Good governance



- The development of any mineral resource project requires a collaborative involvement of key stakeholders: mineral company - government, community/civil society
 - For a shared value creation, roles and responsibilities must be clearly defined



Government and national institutions framing the mining sector



- Strong government institutions and regulatory oversight is critical to capitalize on the benefits of the mining sector for economy-wide growth
- One of the main ways in which wealth from the mining sector is shared and can be used to promote growth throughout the economy is through:
 - appropriate taxation (transparent and predictable) (sharing the benefits);
 - effective tax revenue management (redistribution of benefits)
 - implementation of policies that foster positive linkages and spillovers into other sectors of the economy (mining related activities).
- As with other economic activities, it is important to develop and maintain a governance framework based on the rule of law, and supporting institutions that provide an environment conducive to investment

Minerals companies: Corporate social responsibility



- No ore body lasts for ever (non-renewable natural resources)
- Minerals companies must therefore convert extractable resources into sustainable social and economic benefits for the communities and countries whose minerals they extract
- CSR should not be seen only as a means to manage environmental reputation risk and image (social license to operate) but as an obligation toward the government and communities in which they operate
- There are numerous benefits for being socially responsible which include:
 - mitigation of business risk (nationalization, etc....)
 - enhanced stock market value
 - social license to operate, etc....



Civil society's role in sustainable development



- The well organized and responsible can plays an important role in the area of governance and environmental responsibility in mining projects. E.g. NGO's in Gabon (Belinga IO project)
- It represents the voiceless masses of the community who usually do not have the resources or the means to speak out
- The prime role of the civil society is to uphold and defend the standards of society as a whole





.....why do many mineral project fail?

- Insufficient resources to justify continued investment
- Limited technical expertise and/or financial capability
- Lack of clear understanding of key stakeholders roles, responsibilities and accountability
- Weak institutions and/or poor governance
- Unreasonable level of taxation: trying to get more than the fare share
- Distrust among key stakeholders



Conclusion

- Strong institutions and regulatory oversight is critical to capitalize on the benefits of the mining sector for economy-wide growth
- Good Governance is critical to create a healthy environment for mineral project developments
- Clear understanding of roles and responsibilities of key stakeholders is key to mineral projects success
- Transparency and predictability of the taxation systems and efficient management of tax revenue