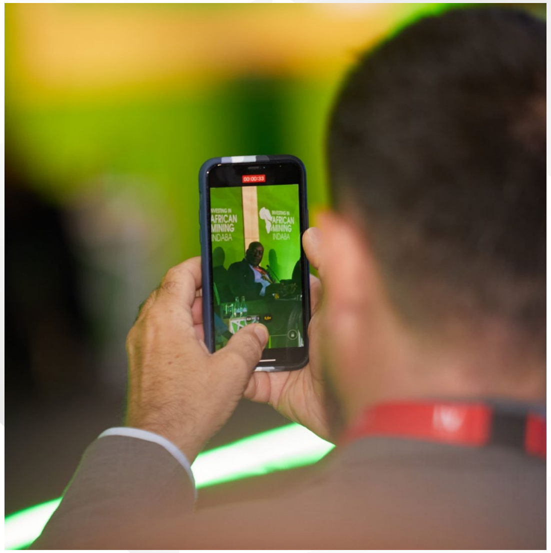
Investing in African Mining Indaba 2023 Ministerial Symposium

Summary Report


INVESTING IN AFRICAN MINING INDABA


AFRICAN MINING INDABA
By Hyve




AFRICAN MINING INDABA
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Frans Baleni
Co-Chair, Mining Indaba Advisory Board

Opening remarks

This year's prestigious **Ministerial Symposium** brought together 73 C-level mining executives, 22 Ministers, 7 Ambassadors/High Commissioners and 49 Government officials to engage in dialogue and strengthen public-private collaboration for the sustainable development of Africa's mining sector.

Amid a global economic slowdown, record-high inflation, and geopolitical fragmentation, the symposium saw the continent's mining leadership discuss vital strategies to build "the Africa we want" in the coming decades. Africa is looking to these leaders to find solutions that will steer the continent beyond its challenges and onto the pathways where Africa's rich mineral deposits can contribute to human development.

Nolitha Fakude
Chair, Anglo American South Africa & President, Minerals Council South Africa

Scene setting

It has been 13 years since the development of the *Africa Mining Vision* – a vision that defines Africa's mining industry's potential and commits to building a mining industry that is safe, sustainable, and well-governed, while equitably sharing the value created.

This vision sees the mining industry as a key pillar and vibrant part of Africa's economy, as globally competitive, and with the potential to industrialise the continent. Generations to come will benefit from the opportunity to supply the critical minerals, metals, and intermediate manufacturing inputs for the global clean energy transition – but only if this is deliberately made to work for all Africans.

The future of mining will need to connect with emerging and next-generation societal values, such as responsible technologies, innovation, sustainability, and shared prosperity, to shape a different future society within a just transition.

Mining needs to be the catalyst not only for economic development, but also for a decarbonising world. A stable and predictable policy environment will help encourage investor relations. Fast-tracking processes, while protecting the environment and providing confidence in energy supply and logistics, will help attract value-adding investments to create jobs, increase living standards, and improve infrastructure in mining communities.

Achieving this future resides in the hands of Africa's leaders: while Africa has the mineral deposits, it is the continent's leaders, as the custodians of these minerals, that will need to step up and help better the lives of all Africans.

Hon. Gwede Mantashe
Minister of Mineral Resources & Energy, Republic of South Africa

Opening address

Creating the Africa we want will require transformation. This includes decarbonising economies, despite still developing and overcoming energy poverty. It also includes ensuring that the transition is just. Africa has the opportunity to be a key driver of the global energy transition.

A transition that shifts economies from a state of high to low-carbon emissions must be done in a way that sustains livelihoods. This move, which in South Africa will need to, for example, include a transition from coal to renewables, requires that alternate economic activities are created in affected areas and communities. These need to be carefully considered. Such a transition must support and empower industrialisation, while furthering exploration and investment in the minerals of the future, which many African economies hold.

Future mining will need links to processing these minerals and adding further value through local manufacturing. Rather than importing and being consumers of these final products, making the components for the transition – through localisation programmes and regional integration that will help cushion economies from shocks – will help make this transition just for affected African countries. This must go hand in hand with creating a safer and more productive industry, avoiding "race to the bottom" policies in the region.

Lesetja Kganyago
Governor, South African Reserve Bank (SARB)

Diversifying the big feeder of GDP

Countries and companies are navigating persistent and serial shocks in a time of heightened uncertainty and risks. High inflation and a weak economic growth outlook remain notable risks for 2023.

This outlook impacts the mining sector. For example, electricity price inflation and core inflation increases due to wage inflation affect both companies' bottom lines and workers' wages. Wages constitute about 38% of the total cost of the mining sector in South Africa, so wage-price inflation matters.

To protect the income of the working population, the role of the SARB and other central banks is to arrest rising inflation. Failing to do so will result in the erosion of workers' incomes. Still, the average mine worker's wage increase has outpaced inflation due to higher commodity prices. However, when commodity supercycles correct, commodity prices come down again.

It is then, when real incomes are eroded due to inflation, that unions will bargain for higher increases, in turn affecting inflation expectations and driving higher inflation. Higher wage increase settlements result in higher inflation expectations. A growing proportion of agreements will need to factor in more moderate increases to anchor inflation expectations.

While South Africa's growth problem is outside of monetary policy – directly relating to insufficient energy supply and other well-understood constraints – the global economy is set to have new legs in the coming months, including China's reopening, which is likely to create tailwinds for the mining sector.

The underlying risk is that relying on such external tailwinds is not a sustainable growth model for economies. In South Africa's case, economic reforms to eradicate various bottlenecks to growth are crucial. Attracting private investment in renewable energy solutions is also vital to creating conditions for upward revisions to economic growth.

Panel discussion

Shifting tectonics and geopolitical change impact on the security of supply and opportunity for Africa

Panellists:

- **Hon. Gwede Mantashe**, Minister of Mineral Resources & Energy, Republic of South Africa
- **Hon. Sen. Gbemisola Saraki**, Minister of State - Mines & Steel Development, Federal Republic of Nigeria
- **Hon. Antoinette N'samba Kalambayi**, Minister of Mines, Democratic Republic of the Congo
- **Hon. George Mireku Duker**, Deputy Minister Ministry of Lands & Natural Resources, Republic of Ghana
- **Demetrios Papathanasiou**, Global Director Energy & Extractives, World Bank
- **George Botshiwe**, VP - Chamber of Mines, Namibia & Managing Director, QKR Navachab Good Mine
- **Lesetja Kganyago**, Governor, SARB

Moderator: Andrew Lane, Energy, Resources & Industrials Leader, Deloitte Africa

Decarbonisation, geopolitical fragmentation, the possibility of tighter monetary policy, and a tough global economic outlook could see 2023 being a challenging year. Higher international interest rates will impact investments and the cost of capital, which, in turn, will affect the mining industry.

Despite these negatives, the transformation of energy systems globally is accelerating as efforts to deal with climate change continue and as shocks such as the Russia-Ukraine war have hastened the search for cleaner energy options.

The impact of energy transformation on Africa is twofold. In the short term, Europe is looking to Africa for additional energy resources, such as natural gas. In the long term, however, as sizable markets phase out internal combustion engine cars, investment in clean energy is expected at more than US$1 trillion.

This will expedite the need for minerals and metals – many of which are in Africa – essential to a global clean energy transition. Prices will likely remain elevated for decades as the supply of these minerals and metals lags demand, given structural changes in commodities such as copper, nickel, manganese, and graphite. Opportunities in energy resources such as clean hydrogen are also emerging.

These trends need to be understood, and policy makers must be alive to these opportunities. If African economies do not invest in related capacity and capacity lags behind the pace at which economies invest in renewables, this opportunity will merely see supply constraints and higher inflation. Furthermore, while the just transition is the right thing to do, it is crucial to investigate its impact on the inflation dynamics going forward. Rising inflation has implications for small open economies, given the cost of capital and capital flows.

A more immediate challenge is the Russia-Ukraine war, which has fuelled energy security challenges. These have somewhat bucked the energy trend, as coal mining has boomed over the past year. The role of gas and its impact on reducing carbon intensity remains another vital consideration.

Importantly though, and as Africa positions for this opportunity, a strategy that determines Africa's just transition needs to be developed – one that is planned, systematic, and uses the continent's resource endowments. This might, for example, require looking inward to develop the continent before surpluses are exported. This is the stance Nigeria is taking. Its clean energy transition to net-zero emissions is aimed at 2060, as it is unrealistic for the country to transition earlier.

Such a stance also needs to consider how value is optimised locally. This may be achieved through legislation such as local content, and industrialisation and beneficiation policies. Strategies must factor in how countries respond to world events and how these shape the local and regional policy environment. The continent needs to develop its resources jointly and collaborate. Encouraging investment that adds value will also require that the enabling environment is in place so that it is easier and relatively cheaper to produce and process on the continent.

An enabling environment means the basics are in place: logistics and power infrastructure, policy certainty, and, crucially, leadership. Collaboration between the mining industry, government, regulators, supporting institutions, and host communities can create an environment for the private sector to invest and jumpstart downstream industries. At the regional level and at both private and public sector levels, collaboration will be important to build regional value chains to leverage comparative and competitive advantages.

If done right, mining can be Africa's platform for development and industrialisation, while helping the world to decarbonise. Taking advantage of this opportunity starts by recognising the opportunity. It requires strengthening institutions and ministries, having the proper infrastructure in place, creating the enabling environment for investment and innovation, and being transparent to build confidence and trust.

Ministerial & CEO regional roundtables

Topic 1#: Inflation, geopolitical risk, regional and international mining investment

What is the issue?

Attracting investment across the mining value chain amid high inflation, geopolitical risks, and a greater focus on environmental, social, and governance (ESG) investments now more than ever requires **policy certainty, strong institutions, enabling infrastructure and true regional collaboration.**

The inability to build local **processing and value addition** extends the risk that Africa simply supplies the minerals for a clean energy transition to final markets elsewhere. Investment in beneficiation activities is determined by countries' competitive advantages rather than their comparative advantages of mineral endowments. Without creating a **competitive enabling environment**, value addition and wealth creation will remain limited.

In the context of the global transition to net-zero emissions, the lack of a **singular plan or common position** on Africa's own "green strategy" is another issue. A shared vision and related strategy are essential to provide a better understanding of the minerals required for Africa's own development, its energy needs, and a just energy transition.

Another challenge is the **trust gap between government and the private sector**. Perceptions of mining have been adverse and trust eroded. Still, there are many things that the private sector is more effective at, including innovation. And while the business of mining companies has been mining rather than manufacturing, companies will need to look at how they can **collaborate along the value chain** and contribute to localisation efforts.

What solutions exist and what can be done differently?

An enabling and competitive environment must be complemented by creating local markets and mapping and addressing local demand. For example, understanding that the **mining industry itself can be a major market for large-scale beneficiation** opportunities is important for building regional value chains and stimulating cross-border collaboration. One potential local market is the **battery storage market**, which can be driven by the mining industry and enabled by government.

Another solution is for companies across the mining value chain to work in a **more integrated** manner. For example, while the scope of mining companies is upstream, building local capacity would require them to play a greater role in **developing supply and value chains locally**, akin to car manufacturers focusing on vertical integration. Such integration will help ensure security of supply, as well as work towards ESG measures.

A complementary solution is the creation of an **ecosystem of players** through **clusters or centres of excellence** where miners, suppliers, processers, startups, investors, academia and local authorities collaborate to leverage each other's strengths, overcome supply chain issues, and develop and transfer skills, technology, and innovation.

A **common understanding** of what the energy transition means for Africa and determining Africa's "green strategy" will go a long way towards creating a shared vision and strategy. This process must be driven by **authentic leadership** and **through an ecosystem of partnerships**, with coordinated legislation. This in itself will require a **paradigm shift**, where common visions and strategies get taken forward and result in **acting on plans** and strategy implementation.

This will also require **building trust**: trust that government will do the right thing, such as implementing the right policies that drive change, and trust that the private sector will work with government to achieve this vision. Fostering trust and **stronger real collaboration at the regional level**, such as the Southern African Development Community (SADC), could also give Africa and African regions a stronger voice at the international policy table, as clean energy policies that impact the continent are negotiated and formalised in third markets.

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Topic 2#:
Challenges related to the formalisation of artisanal and small-scale mining in Africa and environmental regulations and sustainability

What is the issue?

Experts differ on the role and impact that artisanal and small-scale mining (A&SM) has in Africa. Some see A&SM as **damaging the environment, posing health and safety concerns**, or lacking skills, know-how, and equipment. The industry may also be seen as largely illegal, employing child labour, or as a **major leakage to the national fiscus**. Botswana, for example, does not permit informal artisanal mining. Regardless of scale, all mining must be licensed according to regulations and thus formalised.

However, in Zambia, for example, **informal mining is encouraged**, although restricted to citizens, with the understanding that it **adds to economic activity** and that these miners benefit from the deposits they mine or pick immediately. The latter provides purpose and a living for their families. In other countries, artisanal mining is encouraged, often without formal structures or coordination.

A noteworthy concern is that such activities may be **underpinned by illegal activities** (such as unlawful traders) that facilitate the exploitation of deposits. And in some countries, informal mining is not always small-scale, but may be linked to criminal syndicates running sizable illegal operations.

Ultimately, the central challenges are **trust and conflict between A&SM and local authorities** in many countries.

What solutions exist and what can be done differently?

Formalising and organising the industry is difficult, particularly where informal or illegal mining activity is well-established. The first step in finding a solution is **understanding why the industry exists**.

Furthermore, a **gradual approach** needs to be taken in formalising this industry. This could, for example, entail exploring **different models and support for formalisation**, integrating artisanal miners into value chains and markets served by the industry, or providing **upskilling, training, and support** to a population that is generally uneducated.

Possible solutions will need to be **tailored to specific countries or environments**, rather than applying a copy-paste approach, by harnessing countries' mining history, culture, and indigenous knowledge.

As A&SM activities may be seen as encroaching on large-scale mining activities, one possible solution is to assign **designated spaces to these activities** or to clearly define the artisanal mining periphery. This may improve the management and monitoring of A&SM activities. Another solution is to implement a **licensing system for A&SM**.

Regulation of mine rehabilitation and sterilisation will also discourage activities at sites that are deemed unsafe and help the transition to smaller-scale legal mining when a larger-scale operation leaves.

Encouraging **ongoing dialogue between A&SM and governments**, as well as innovative approaches and models for including the sector in formal value chains and activities, should be part of the solution.

Panel discussion

Growth through unity – developing a public-private framework for Africa's industry and communities

Panellists:

- **Hon. Tom Alweendo**, Minister of Mines & Energy, Republic of Namibia
- **Hon. Paul Chanda Kabuswe**, Minister of Mines and Mineral Development, Republic of Zambia
- **Hon. Mohlomi Moleko**, Minister of Natural Resources, Kingdom of Lesotho
- **Hon. Winston Chitando**, Minister of Mines and Mineral Development, Republic of Zimbabwe
- **Louis Watum**, President, Chamber of Mines, Democratic Republic of the Congo
- **Edwin Elias**, CEO, Morupule Coal Mines, Botswana

Moderator: Ian Sanders, Global Mining & Metals Leader, Deloitte

Unity and partnerships between governments, organisations, and communities are essential for public-private collaboration. At the core of this collaboration is innovation, both in production and value addition. Collaboration and innovation also need to occur at the regional and international levels.

For example, regional collaboration and innovation could entail developing regional centres of excellence or a partnership model, where one country acts as the centre and others supply into that centre. This requires understanding the different roles that countries could play in that collaboration, such as which mining and manufacturing capabilities may complement one another.

Collaboration requires a single vision that governments in a region can rally behind, supportive national policies, and the understanding that innovation takes time. For example, an agreement like the African Continental Free Trade Area (AfCFTA) is a good starting point for multilateral negotiations, setting the tone for investment into infrastructure, good business practices, double taxation agreements, and harmonising customs and excise legislation in Africa.

Understanding the different stakeholders' roles in such collaboration and innovation is also required. For example, innovation does not reside with governments. It is startups that innovate, investors that provide capital, and governments that provide the enabling environment.

Public-private partnerships (PPPs) can be a key mechanism for innovation and sustainable economic growth. However, governments must develop policies and frameworks relating to PPPs and revise legislation (such as the public procurement laws) to support citizen economic empowerment or supplier development programmes. These programmes aim to ensure that contracted local suppliers are capacitated and trained to efficiently and sustainably deliver required products and services to mining companies.

Another critical area will be skills partnerships, as Africa has a large informal workforce. A share of skilled workers will need to be reskilled as part of the just energy transition. Public and private institutions will need to work together to identify future skills and to develop programmes to upskill and reskill workers.

To grow through unity, Africa's thinkers, doers, entrepreneurs, industry, and governments need to join forces. Leveraging the continent's rich mineral endowments, skills, and location, together with building governance and investing in infrastructure, will build the foundation for creating wealth and sharing this equitably.

Closing panel discussion

Overcoming protracted metals and mining permit and approval processes

Panellists:

- **Matome Tsholesta Malema**, CEO, Minerals Development Company Botswana
- **Sokwani Chilembo**, CEO, Chamber of Mines of Zambia & President of MIAS
- **Lemogang Pitsoe**, CEO, African Exploration Mining & Finance Corporation
- **Jean Luc Marquetoux**, President, Chamber of Mines, Madagascar

Moderator: Roger Baxter, CEO, Minerals Council South Africa

Africa has the critical minerals for the global energy transition. To attract the investment required to develop these mineral deposits – to mine them sustainably, safely, and profitably – and to reap the developmental benefits of mineral rents requires leadership and hard work at a country, regional, and continental level. Simply put, without attracting the capital to develop these resources, they will remain in the ground at zero economic benefit to the region.

A starting point for attracting capital is understanding Africa's resource endowment and mineralisation. According to S&P, over US$11 billion was invested in global exploration in 2021, up more than 35% from the previous year. Africa only accounted for 10% of global exploration and grew only by 12% year on year. This is under-representative of the continent's wealth, with Africa's share of global exploration spend less than half that of Canada.

Unlocking significant capital investment into exploration and mining requires not only the right regulatory frameworks and infrastructure, but also conducive permitting processes. Notably, junior miners – searching for new deposits – will prioritise competitive locations that approve mining rights more quickly.

To improve permitting, Botswana has digitised mining processes in the form of a live cadastral system. Zambia has also created an online system. Optimising permitting processes attracts investment into exploration and mining, while also creating ambassadors in the investing community to promote that jurisdiction.

Getting back-office processes like permitting right is arguably one of the best tech investments governments can make: it helps to reflect the level of potential a country has. It also makes the process transparent, repeatable, and impartial, and builds confidence. This, in turn, improves the prospecting pipeline and capital inflows. As this process becomes a priority of regional governments, Africa's share of global exploration spend will increase.

On the flipside, opaqueness fuels corruption. An accountable and transparent system for obtaining mining permits is essential: one that is fair, has clear rules, an up-to-date mining licence register, works on a "first come, first served" basis, streamlines multiple and lengthy processes, and possibly aligns systems at a regional level. Such a system will go a long way to attracting investment, rooting out corruption, and achieving better returns for citizens.

Roger Baxter
CEO, Minerals Council South Africa

Closing remarks

Achieving the Paris Agreement and delivering on the potential this holds for Africa will be a function of regulatory systems, governance, and partnerships between governments, companies, and many other stakeholders. While talking about energy transformation is vital, it is more important to act on the opportunity, which requires leadership collaboration at the institutional, governmental, ministerial, and private-sector levels. With the capabilities, knowledge, and know-how to drive Africa's own agenda, the right leadership and partnerships will position the continent as miner and deliverer of the minerals of the future.


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