

5th Regional Dialogue on EI September 2019

AFRICAN UNION DEVELOPMENT AGENCY (AUDA-NEPAD)

5th REGIONAL DIALOGUE AND TRAINING FISCAL POLICIES AND CONTRACT NEGOTIATION IN THE EXTRACTIVE INDUSTRIES *18th to 20th September 2019 Lusaka, Zambia* Opening Remarks on behalf of Mrs. Estherine Lisinge-Fotabong – Director of Programme Innovation and Planning – AUDA-NEPAD

Assistant Secretary of Administration and Finance for COMESA, Mr. Dave Hama;

Representative of the Permanent Secretary of Mines and Minerals Development, Mrs. Bernedette Mwakacheya;

Representatives of Member States;

Technical Experts on fiscal policies and contract negotiation on extractive industries,

Ladies and Gentlemen,

It is an honour and a pleasure to preside over the opening ceremony of this important event bringing together eminent personalities on tax and mining professionals for a dialogue on the critical issue that extractive industries is.

First of all, allow me to take you few years back. In June 2013 at the 25th Ordinary Session of the Assembly of the African Union held in Johannesburg, the Heads of State and Government have invited at that time, the NEPAD Planning and Coordinating Agency (NCPA) to strengthen the technical capacities of Member States in the design and implementation of appropriate fiscal policies in the extractive industries, in order to increase profits for governments and populations to benefit from

the exploitation of these resources. NEPAD, at that time, has also been requested to follow up, as an African body, on G7 commitments on the CONNEX initiative which aims to provide developing countries with advice and technical assistance for Complex Contract Negotiations in the extractive industry.

1

5th Regional Dialogue on EI September 2019

AFRICAN UNION DEVELOPMENT AGENCY (AUDA-NEPAD) It is in that context that NEPAD decided to organize a series of regional dialogues around taxation and negotiation issues in the Extractive Industries. The first dialogue was held in Dakar in September 2015 for the Economic Community of West African States (ECOWAS) and Economic Community of Central African States (ECCAS) regions; the second was held in Johannesburg in June 2016 for the Southern and Eastern regions; the third in Yaoundé in 2017 for the Central Africa Region and the fourth last for East Africa in Nairobi, Kenya. These four dialogues brought together about 100 representatives from the Member States of different regions to discuss and share experiences on the subject matter.

Then to continue in the same spirit, the newly created African Union Development Agency (AUDA-NEPAD) is organizing its first regional Dialogue here, this week, in Lusaka, Zambia. As you might already be aware at the 31st Ordinary Session of the Assembly of African Union Heads of State and Government in Nouakchott, Mauritania, in July 2018, a decision was officially adopted to transform the NEPAD Planning and Coordination Agency (NPCA) into the first ever African Union Development Agency (AUDA-NEPAD). The mandate of AUDA-NEPAD includes four elements:

I. Provide knowledge-based advisory services and technical assistance to African Union Member States and Regional Economic Communities in order to strengthen their capacity; II. Act as the continent's technical

interface with partners and stakeholders on policy development recommendation and implementation; III. Coordinate and execute priority regional and continental projects enshrined in Agenda 2063 with the aim of accelerating regional integration to achieve the Africa We Want; IV. Undertake the full scope of Resource Mobilization.

In the light of the new mandate, it was critical to organize this 5th Regional Dialogue as it includes some of these key elements of our new mandate.

Furthermore, Extractive Industries are extremely valuable to Africa's countries, and they can be leveraged to fuel sustainable and inclusive economic growth. They offer the potential to generate significant financial benefits and help countries fuel their economic growth and development

2

5th Regional Dialogue on EI September 2019

AFRICAN UNION DEVELOPMENT AGENCY (AUDA-NEPAD) through direct and indirect job creation, business opportunities, technologies and knowledge transfer and incomes generation. Taking into account these opportunities lead ultimately to a better life for the citizens of those countries by a sustained poverty reduction and an inclusive growth.

Negotiating mining contracts is an extremely complex endeavour that requires a clear set of objectives articulated by leadership; a variety of technical skills in law, engineering, economics, finance, and other areas; a high level of coordination across relevant government entities and other key stakeholders.

To reach an agreement that is stable over time, the investor-state relationship must be perceived to be fair by the foreign investor and the host government, as well as local communities, broader civil society and the business community. A key to achieving the perception of fair negotiations is incorporating transparency into the process from the onset.

While transparency is crucial, the fact remains that the definition of the fiscal and taxation are a key to concluding a win-win contract.

Considering the need for African countries more resources to support good growth momentum, strengthen the resilience of their economies and accelerate progress towards social progress in Africa, the contribution of extractive companies to fiscal revenues of the States may still seem insufficient in terms of income derived from the exploitation of mineral resources.

However, we must recognize that the extractive companies, mining in particular, carry out activities that often required advanced technology and employ a large workforce, creating new jobs. It is a highly capital intensive industry; substantial financial resources are invested, several years before the start of operations. And again, the chances of discovery and exploitation are not as certain as it looks!

Given this ambivalence, this is the place to wonder about the content of the incentives and the regulatory framework for the extractive industries. In that sense, what administration, what organizational form, what fiscal policy to use to obtain the most benefit without impacting on the return on equity investors?

AFRICAN UNION DEVELOPMENT AGENCY (AUDA-NEPAD)

Highlighting these multiple issues and challenges showcases the relevance and interest of this dialogue. Also, in the interests of sustainable management of mining natural resources, the experts that are in charge of the development and the implementation of tax policies and contract negotiation, should sit on a number of major principles. Indeed, these must be centred, among other objectives, on optimizing profits from mining

activities, safeguarding the interests of workers, local communities and indigenous peoples and protecting the environment and finally ensuring higher revenues for the state.

Therefore, this dialogue should allow the professionals of tax policies that you are, to have a better knowledge of the activities of extractive industries, operation, issues related thereto and their implications in the economy and society.

Finally, I welcome the mobilization of all relevant partners and stakeholders, and I would like to seize this opportunity to reiterate the continuous engagement of AUDA-NEPAD to support African governments and African populations to benefit more and more from the exploitation of their natural resources towards the “Africa We Want”.

Zikomo, Thank you!!”