

Shared Value as a Stepping Stone for Development Linkages? Evidence from Central Africa

**AGM - Intergovernmental Forum on Mining, Minerals, Metals and Sustainable Development
(IGF)**

Session 12: Employment, Local Purchasing and the Shared Value Paradigm - Challenges



Milaso Chérel-Robson
Special Unit on Commodities
UNCTAD

26 October 2016
Geneva, Switzerland

Background & Objectives of the Presentation

Presentation based on a forthcoming paper co-authored with Samuel Gayi (Head of Special Unit on Commodities, UNCTAD)

1 - Situates the importance of the mining sector in the development trajectory of Central African countries

2. Underscores the role of long term political vision and leadership in the design and implementation of a holistic commodities sector development strategy

3 - Investigates the role of shared value in addressing development linkages in the mining sector & singles out the role of training and technological foresight

4- Makes recommendations for maximising development linkages of shared value initiatives in Central Africa

Selected materials: Relevant work by UNCTAD

1. Research at the Special Unit on Commodities (SUC)

- **Commodities & Development Report 2017 (forthcoming)**
- **Case studies on role of commodity policies in development trajectories: Copper in Zambia / Nickel in Indonesia/ Diamonds in Botswana/ Oil in Nigeria**
- **Trade Misinvoicing in Primary Commodities: The Cases of Chile, Côte d'Ivoire, Nigeria & Zambia - covers oil and gas, minerals, ores and metals, and agricultural commodities.**

2. Capacity building & market information (SUC)

- **Development Account Project on Policy design support for strengthening the development linkages from oil, gas and mining in pilot countries in Central Africa**
- **Iron Ore Database & Market Report**

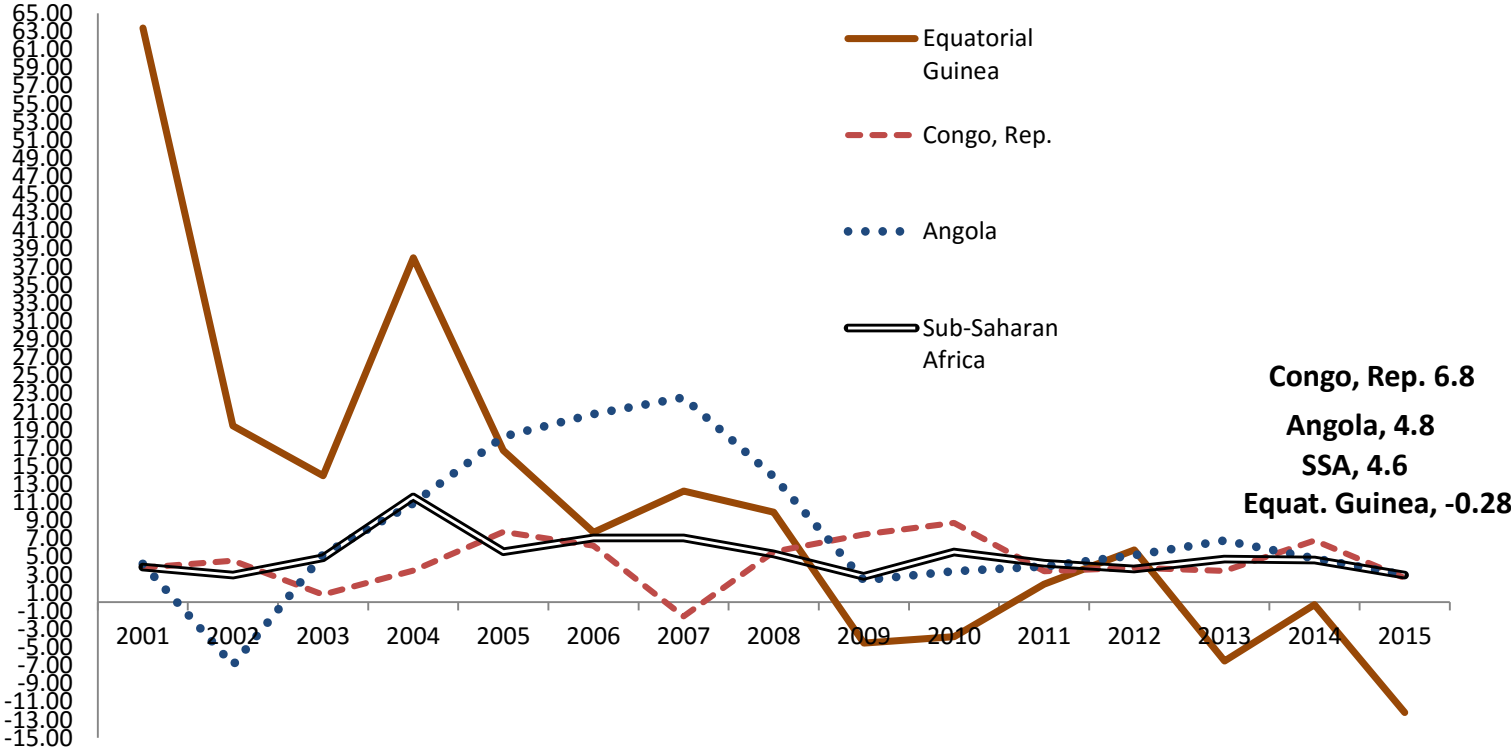
3. Forums (SUC)

- **7 editions of Global Commodities Forum**
- **Working Group on Transparency in Commodity Markets**
- **17 editions of Africa Oil, Gas, Mines Conference**
- **Multi-stakeholder engagement for historical Pan-African Cotton Road Map**
- **Inter-agency engagement work**

4. Other UNCTAD materials

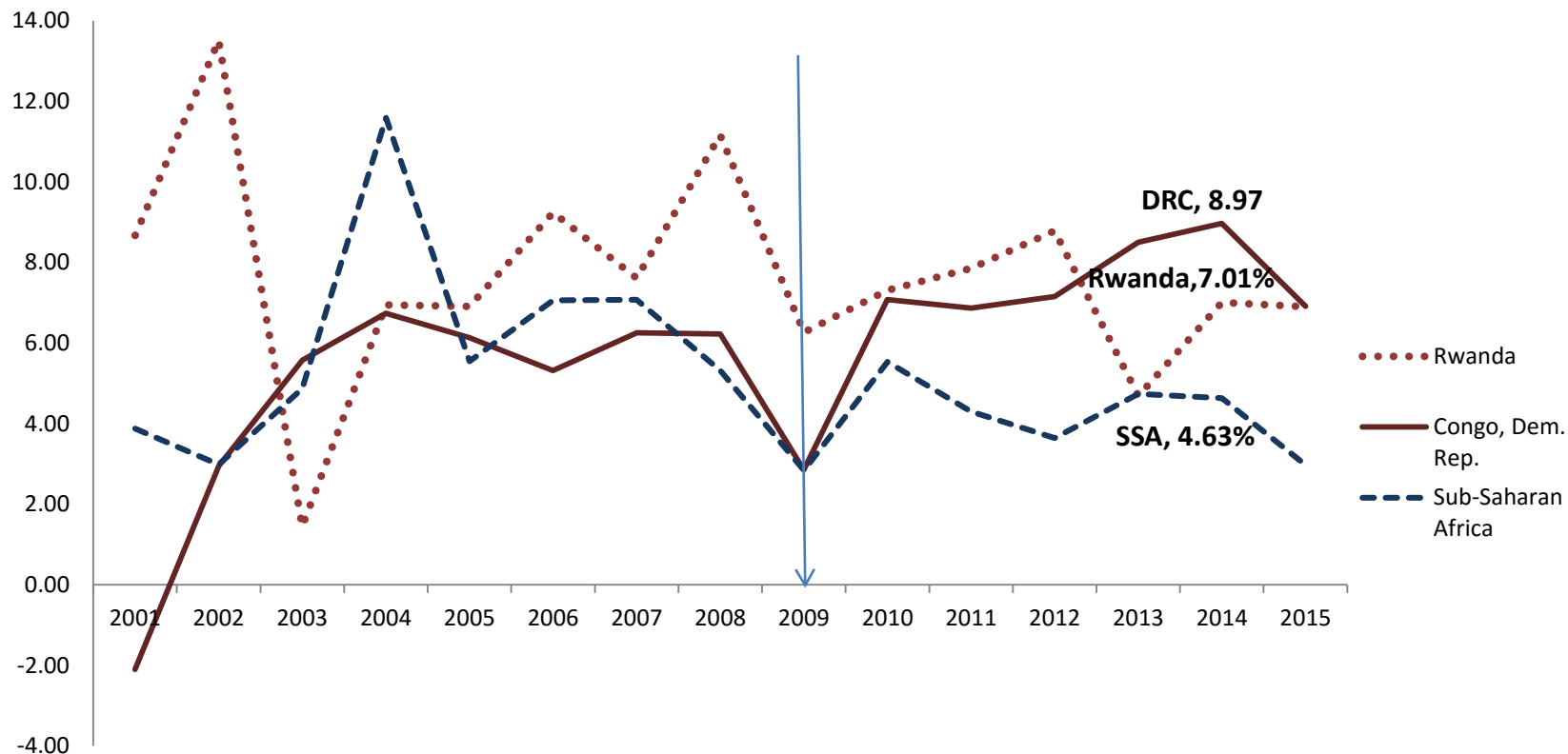
- **Investment Policy Reviews and investment attraction strategies of mining economies**
- **Technology and Innovation Report series**
- **Issue Paper on Technological Foresight for the Commission on Science, Technology and Development**
- **UNCTAD Statistics including on FDI flows**

Annual GDP growth in the three largest oil economies in Central Africa and SSA, 2001-2015 (per cent)



Source: Compilation of comparable data from World Bank, World Development Indicators.

Annual GDP growth in the two largest mining economies in Central Africa and SSA, 2001-2015 (per cent)

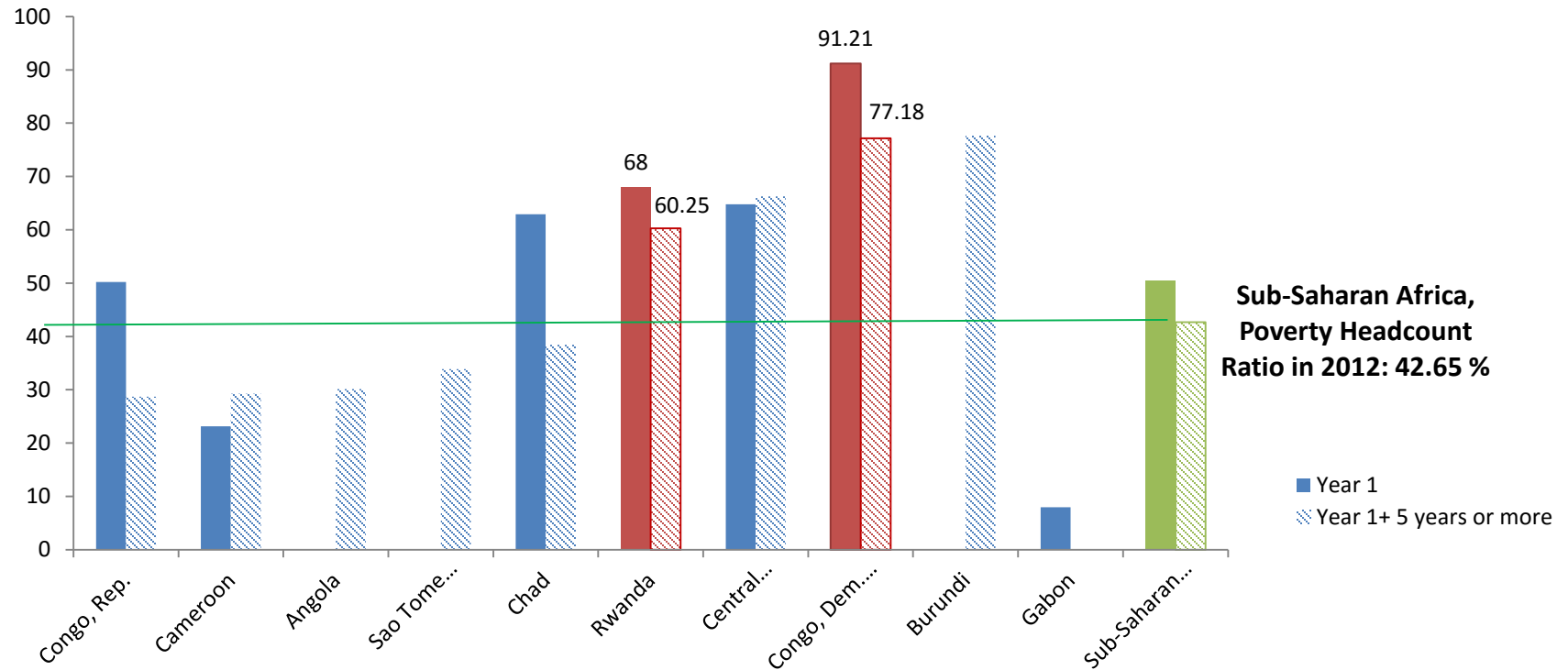


Source: Compilation of comparable data from World Bank, World Development Indicators.

Mining in Central Africa

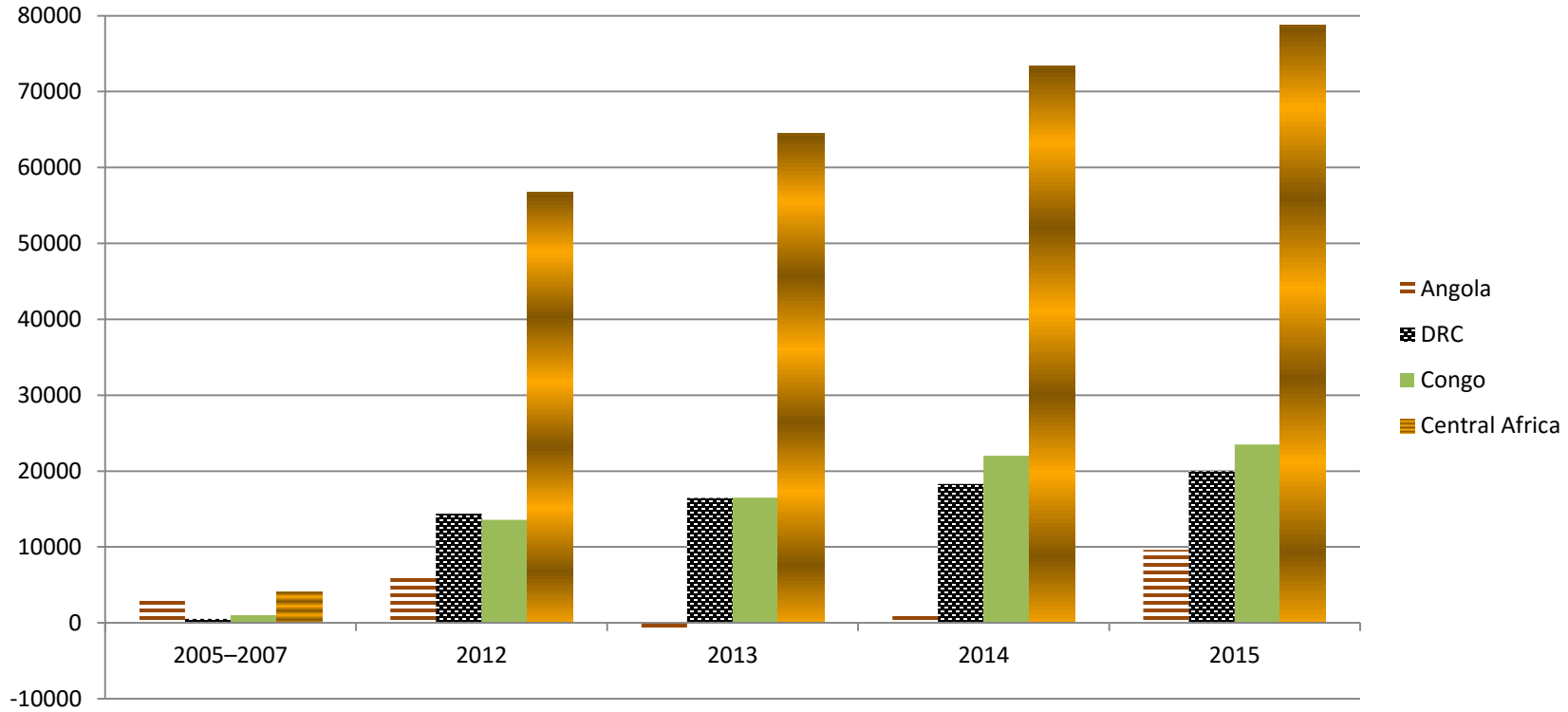
- The region is a major producer of cassiterite for tin, wolframite for tungsten, coltan for tantalum and gold ore whose end users are electronics companies.
- Major oil economies in the region are exploring opportunities in diversification in mining.
- Estimates of the contribution of the Great Lakes region (mainly Rwanda and the DRC) to global tantalum production vary between 45%-55% (multiple references) to... 10% (Tantalum Niobium International Study Center). Mostly through artisanal mining.
- Mining contributes to 94% of merchandise exports in Democratic Republic of Congo and to 46% in Rwanda.
- In Rwanda, the contribution of these three minerals to total formal exports decreased from 34.3% (USD 190 million) during the first 11 months of 2014 to 21.1% (USD 107.8 million) in 2015

Poverty headcount ratio at \$1.90 a day (2011 PPP, % of population) in Central Africa, 2001-2015



Source: Compilation of comparable data from World Bank, World Development Indicators.

FDI stock in selected oil and mining economies in Central Africa, 2005-2015 (millions of dollars)



Source: Compilation based on UNCTAD World Investment Report 2016
2005-2007 (Pre-crisis annual average)

Human development index & Ease of doing business, Central Africa, 2015

Country	Human Development Index Rank	Ease of Doing Business Rank (out of 189 economies)
Angola	149	181
Burundi	184	152
Cameroon	153	172
Central African Republic	187	185
Chad	185	183
Congo, Dem. Rep.	176	184
Congo, Rep.	136	176
Equatorial Guinea	138	180
Gabon	110	162
Rwanda	163	62
São Tomé and Príncipe	143	166

Source: UNDP, Human Development Report 2015; World Bank Ease of Doing Business Benchmarking June 2015

Case studies of Shared Value initiatives in mining, DRC

Banro, Gold, DRC - "possibly" the largest private sector employer in the South Kivu & Maniema area - No use of Shared Value Concept

Expenditure Item	Percentage
Spending on Infrastructure (including CSR activities)	2.94
Payroll, Royalty, Taxes etc.	9.79
Spending on Local Food	0.14
Total share in total in-country expenditure & investment	12.87
Direct jobs occupied by Congolese (out of 1,540 employees)	91.80
Jobs held by Congolese in contracting companies (out of 747 jobs)	96.30

Other initiatives: Mining related Education and Skills Development Programme: Community Apprenticeship Programme, Operational Training and Development; Local Community Employment Agreement

Source: Compilation from Banro 2015 Sustainability Report: Creating jobs & Economic Opportunities -

Case studies of Shared Value initiatives in mining, DRC

Companies	Operationalisation of Shared Value/Sustainability
Glencore (DRC)	Uses the Concept of Creating Shared Value - In 2014, developed a set of performance metrics to better understand the company's socioeconomic contributions, tested in pilot studies at multiple locations in 2015. Contributions will be listed in different categories including: host communities and governments through the wages, taxes and royalties, and contributions to health, education and infrastructure systems.
Tenke Fungurume Mining (DRC)	Does not use the Concept of Creating Shared Value - Company estimates that more than half the economic benefits from the project will ultimately remain in the DRC (taxes, royalties and duties), this share rises to more than two-thirds of the project's benefits when the provision of local services (e.g. power purchases from Société Nationale d'Electricité) are included.

Source: Compilation from 2013, 2014 & 2015 Company Sustainability Reports

Shared Value in Mining: Vulnerability to Price Volatility

- Impact of commodity price slump >> layoffs & cancellation of projects.
- Example of the Democratic Republic of Congo, the largest mineral producer in Central Africa:
 - 1) Drop in mineral production: copper (-12%), cobalt (-16%), coltan (-26%)
 - 2) Loss of 3,000 direct jobs and 10, 000 indirect jobs in sub-contracting companies -

Source: DRC Chamber of Mines, May 2016

- Tantalum production through conventional mining is vulnerable to low prices >>> technological progress in by products: Australia moved from accounting for 60% of the world's supply in the early 2000s to almost zero now >>> rising investments in by products

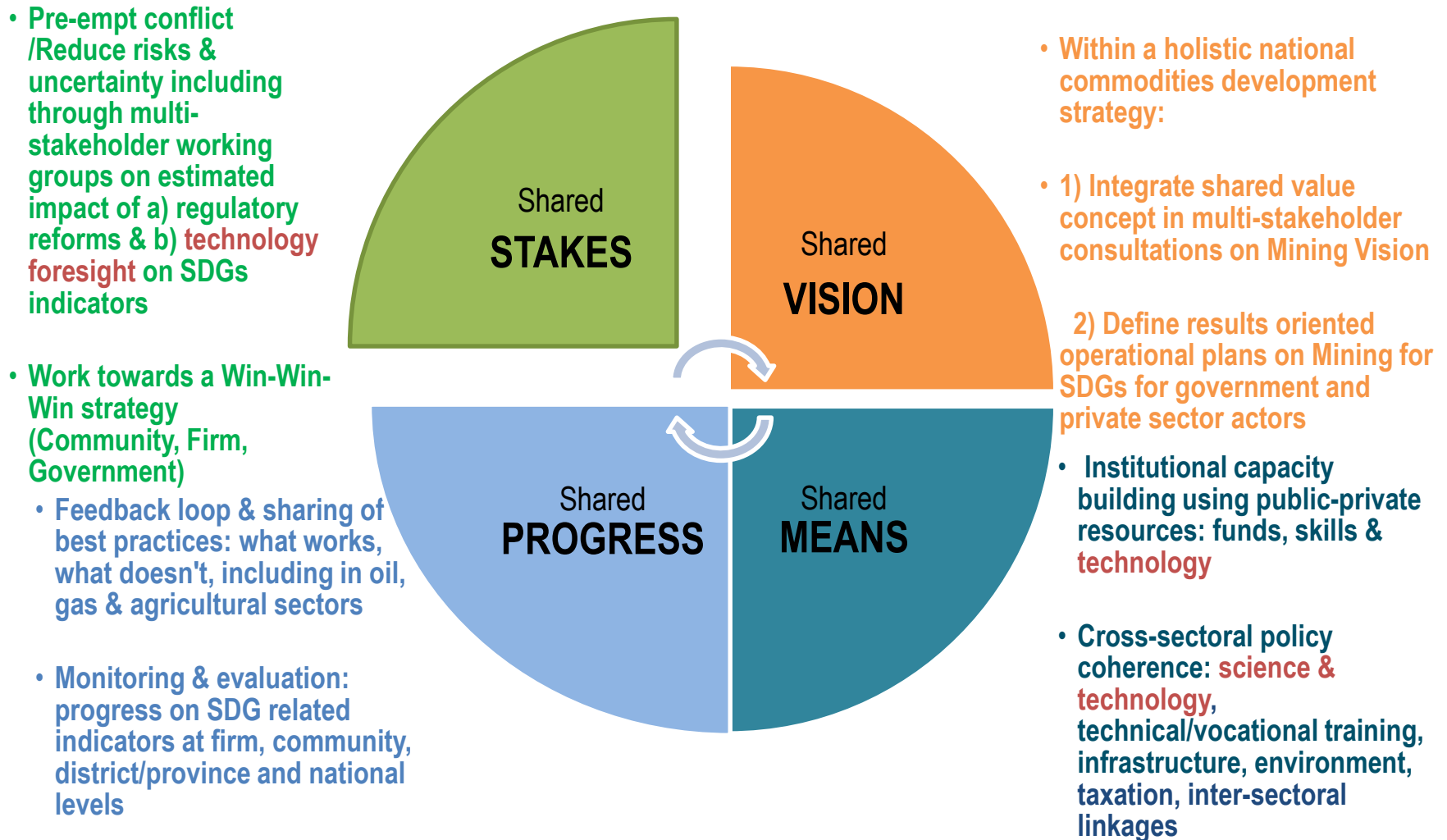
Source: Roskill. 2016. Tantalum: Global Industry, Markets & Outlook

Recommendation 1 - Vision, political leadership and implementation

- Establish an overarching holistic commodities development strategy and use shared value in mining as a stepping stone for economic diversification.
- Undertake inclusive policy design process, efficient implementation and monitoring.
- Build on increased awareness of the role of agriculture in the development process of many Central African countries and establish links with shared value initiatives.
- For example: "Over time, the Banro Foundation has come to appreciate how deeply the future for this eastern region of the DRC will depend on developing **sustainable agriculture**." Banro Sustainability Report 2015. This interest led to its investment in the Fundi sustainable agriculture (model) project which consists of 21,000 hectares of fertile land in the province of Maniema, 100 ha of which went into production in 2014.

Making Shared Value a Stepping Stone for Development Linkages

Recommendation 2 - Lock Shared Value for SDGs into the Government's Policy Cycle



Recommendation 3 - Underscore the role of development friendly and transparent fiscal policies

Domestic resource mobilisation is a key issue in Financing the SDGs >>> mandates:

- The African Union Commission/United Nations Economic Commission for Africa (AUC/ECA) High Level Panel on Illicit financial flows.
- High level delegates from all member states agreed on The Nairobi Maafikiano at UNCTAD 14 in July 2016. References to the role of **Effective taxation** in the mobilization of resources for the implementation of SDGs include Para 76 - In accordance with paragraphs 10 and 12, UNCTAD should: "(n) Support developing countries relying significantly on natural resources exports (...) while ensuring such investment is responsible and does no harm, and by **addressing excessive tax incentives related to foreign direct investment, particularly in the extractive industries**, as well as agro-based industries;"
- The OECD/ G20 Base Erosion and Profit Shifting (BEPS) Package whose objective is to close gaps in international tax rules that allow multinational enterprises to legally but artificially shift profits to low or no-tax jurisdictions.

Thank you



Milasoia Chérel-Robson

[Email: Milasoia.cherel-robson@unctad.org](mailto:Milasoia.cherel-robson@unctad.org)