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Wider role for our miners in Africa

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Joel Negin, Lisa Sachs and Glenn Denning

The Australian government is rapidly increasing aid to Africa. But the real story about the country's engagement in Africa is the massive investment by Australian companies in extractive industries.

More than 150 Australian resource companies are active in more than 40 African countries with a total investment greater than \$20 billion, including in coal in Mozambique, copper and uranium in Zambia, gold in Eritrea and uranium in Malawi.

The growing level of investment in extractive projects is having a significant impact on economic growth in some African countries. There have been suggestions that Australian uranium projects in Malawi could contribute to as much as 15 per cent of gross domestic product. But there is also a major reputational risk associated with these investments.

Harmful environmental impacts, poor labour practices and secrecy about revenue flows and payments can have a major negative impact on Australian companies and on Australia's reputation itself. There is emerging evidence that African governments are starting to scrutinise mining investments more closely. Recent attention in Zambia, for instance, to poor labour practices and alleged tax evasion have galvanised action and put mining executives on their toes.

In a recent report, Columbia University's Vale Columbia Centre on Sustainable International Investment has identified five essential pillars that underpin the contribution of extractive industries to sustainable development.

First, to ensure more equitable and inclusive growth, extractive companies in Africa and the respective host governments should support regional integrated development within and beyond the mining region and adjacent communities. Neglect of the broader community can bring disastrous consequences, as illustrated by experiences in Nigeria's Niger Delta.

Second, extractive industries, governments and other stakeholders should identify opportunities to leverage the resource investments to meet regional development needs.

Co-operation among governments, companies and other partners can help build a local supply chain, and the transport and energy infrastructure necessary for the export of the resources can be used and expanded to improve the productivity and market access of agriculture, regional energy transmission and mobile telephone and internet coverage.

Third, extractive companies must work with partners to manage and reduce the cumulative environmental risks and impacts associated with mining, while helping to address the most pressing environmental challenges in the region.

Fourth, extractive companies and other stakeholders should encourage and support effective government strategies and capacity for managing resource revenues, including national development planning, effective budgetary mechanisms and strategic allocation of resource revenues.

Fifth, extractive companies should support a transparent, robust legal framework for extractive investments, including committing to contract transparency, so governments and communities can understand how the risks, benefits and responsibilities are allocated.

This integrated framework seeks to assure that African countries reap a major boost to economic development from their resource endowments, while also respecting the profitability of private-sector investments in these projects.

For companies, the upside from such practices are: a more committed, healthy and well-trained workforce; improved infrastructure; stronger political support at the national and local level; greater stability and reduced risk; and increased investment opportunities in the region.

The report's timing is ripe; Rio Tinto has recently acquired Riversdale, which has one of the largest hard coking coal projects in Africa. Mozambique has the potential to become one of the world's leading sources of hard coking coal, an essential ingredient in steel manufacturing and in high demand in emerging economies. More than a dozen other Australian companies are invested in other mining projects in Mozambique.

The Australian government should work with industry and with African governments to build capacity across these five pillars to ensure Africa's vast resource endowments are translated into development outcomes.

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The Australian Financial Review

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