



United Nations Economic Commission for Africa

**Dialogue on
Harnessing Mineral Resources for Africa's Development:
The Role of South-South Cooperation**

22 October 2012
Addis Ababa, Ethiopia

ADF VIII Pre-Event
Organized by the Economic Development and NEPAD Division

CONCEPT NOTE

1. Background

The past decade has witnessed the revival of South-South Cooperation with remarkable changes in its momentum and dynamics. Unlike in the 1960s, where political issues were the driving force behind cooperation among developing countries, recent partnerships have been driven more by the desire for economic cooperation particularly given the tremendous cooperation potentials provided by the prosperity and diversity of the large Southern economies, such as Brazil, China and India. The key vectors (or dimensions) of recent economic cooperation among developing countries have been trade, finance and investment, although trade has so far been the most dominant. Between 2001 and 2010, South-South trade expanded from 13 per cent to 23 per cent of world trade and is expected to accelerate following the successful conclusion of the São Paulo Round of Negotiations on the Global System of Trade Preferences among Developing Countries. There has also been a substantial increase in financial flows among Southern countries. It is estimated that the magnitude of such financial flows grew by 78 per cent between 2006 and 2008.

Africa is increasingly playing a significant role in South-South Cooperation. Africa's total merchandise trade with the South (excluding intra-African trade) increased from \$34 billion in 1995 to \$283 billion in 2008. Accordingly, the share of Southern countries in the continent's extra-regional trade stood at 32.5 per cent in 2008, from 19.6 per cent in 1995. The financial flows from non-African Southern countries followed a similar trend. For example, the share of Southern foreign direct investment (FDI) in total FDI inflows to Africa increased from an average of 12.6 per cent over the period 1995–1999 to 15.9 per cent for the period 2000–2008.

Mineral resources are at the heart of Africa's recent burgeoning relationship with other developing country regions. In particular, the mineral resource-rich countries in Africa have been at the frontier of engagement between the continent and its Southern partners. Not only have they accounted for the bulk of the trade growth between Africa and its Southern partners, due to significant increase in mineral-resource export, they have also absorbed most of the financial inflows from the continent's Southern partners. A study by the United Nations Economic Commission for Africa (ECA) on South-South Cooperation published in 2011 notes that the top five FDI stock host countries in the region are all mineral resource-rich countries (Algeria, Nigeria, South Africa, Sudan and Zambia) and, for example, account for more than half of the total Chinese FDI stock in Africa. In this regard, one of the challenges facing African countries in their cooperation with Southern partners is how to create linkages between the mineral resource sector and other sectors of the economy. Furthermore, there is the issue of how to ensure that the increased revenue from mineral exports is used effectively in support of development.

For mineral resource-rich African countries, cooperation with Southern partners has had a positive impact on growth through various channels. First, these countries are highly dependent on the mineral resource export revenues to finance their development programs and maintain their balance of payments. In this regard, the additional demand from the leading Southern countries has helped to maintain mineral resource prices at a relatively high level and has also buffered the potential negative demand shocks as a result of the recent global economic and financial crisis. Second, the financial inflows, especially FDI, from the South have played an important role in helping the mineral resource-rich countries in Africa to exploit their untapped mineral reserves. Last but not least, cooperation with Southern partners has allowed mineral

resource-rich countries to strengthen infrastructure development (through the practice of channelling loans to infrastructure projects in hosting countries with the backing of natural resource supplies). This practice, often referred to as the “Angola mode”, provides crucial access to long term development financing for infrastructure projects.

2. Objectives of the event

Against the backdrop of the issues raised in the previous section, the key objective of the event is to provide a platform for African policymakers and experts, Southern partners, international organizations, civil society and other stakeholders to have constructive dialogue on how Southern partners could contribute to Africa’s quest to harness and manage mineral resources for sustainable development.

African countries are endowed with significant reserves of natural resources which have been important drivers of growth in the region since political independence in the 1960s. The increasing roles of large Southern partners in the global economy has led to an increase in resource prices and further enhanced the role of mineral resources in Africa’s development. One of the challenges facing the region is how to manage and use these resources effectively in support of long-term sustainable development. The proposed event provides an opportunity for African countries, development partners and other stakeholders to discuss how to address this challenge.

3. Issues for discussion

While recognizing that a dialogue on the role that South-South cooperation can play in the efficient and development-oriented harnessing of mineral resources in Africa has many dimensions, the event will focus on the following key issues:

- Will the demand for mineral resources by Africa’s Southern partners remain strong in the medium to long term? What are the implications for development financing in Africa?
- How can African countries improve the management and make better use of mineral resource revenue for development and how can Southern partners support the process?
- What can be done through South-South Cooperation to strengthen the linkage of the mineral resource sector with the local economy?
- What can be done through South-South Cooperation to mitigate the potential negative effects of the mineral resource activities on the environment?

4. Venue and date

The event will be held on the 22nd of October 2012, at the United Nations Conference Centre, Addis Ababa, Ethiopia. The meeting will be held from 09:30 to 13:00 hours.

5. Format of the meeting

The event will be organized around the theme “Harnessing Mineral Resources for Africa's Development: The Role of South-South Cooperation”. It will be a half-day meeting beginning with an overview of Africa-South Cooperation by staff of ECA, followed by a lively panel discussion (not formal presentations) on the theme of the event. The panelists will include a high-ranking government official from Ethiopia and Ambassadors of Algeria, Brazil, China, India, Nigeria and South Africa. Following the panel discussion, there will be an interactive debate with participants. The event will be moderated by a renowned journalist (to be determined later).

6. Participants

The event will bring together around 100 participants, including high-level officials from Embassies based in Addis Ababa, academics, and representatives of the private sector, civil society and international organizations.

7. Communication and dissemination

A simple communication plan will be prepared and executed, targeting the key participants and the general audience. It will seek to increase knowledge and awareness of the elements involved in harnessing Africa's vast natural resources and how south-south cooperation can enhance it, while triggering desirable actions in the context of south-south cooperation. Appropriate communication tools will be deployed. Spot radio interviews will be arranged and a post-event press conference will be addressed jointly by selected members representing Africa, the South and ECA. Press releases will be prepared and widely disseminated. ECA website and interactive social platforms will also be used.

8. Expected Outcomes

The dialogue would strengthen the capacity of Africa countries to design and implement sound economic policies and better manage mineral resources through a mutually beneficial South-South cooperation for equitable development. An outcome document highlighting key issues and recommendations will be issued and widely distributed after the dialogue. The dialogue will also help in informing the work of the Economic Development and NEPAD Division in the areas of South-South cooperation and harnessing natural resources for inclusive growth, employment and sustainable development in Africa.

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