



United Nations
Economic Commission for Africa



Southern African
Development Community

Report of the Ad hoc Expert Group Meeting on the Harmonization of National Mining Policies in the SADC subregion





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ACRONYMS AND ABBREVIATIONS

AEGM	Ad Hoc Expert Group Meeting
ASM	Artisanal and small-scale mining
AU	African Union
AUC	African Union Commission
BCL	Bamangwato Consolidated Limited
CSR	Corporate social responsibility
DRC	Democratic Republic of Congo
ECA	United Nations Economic Commission for Africa
FDI	Foreign direct investment
GDP	Gross domestic product
HRD	Human resources development
ICP	International cooperating partners
ISG	International study group (on Africa's mining regimes)
MIASA	Mining Industry Association of Southern Africa
MINTEK	Council for Mineral Technology, Johannesburg, South Africa
MYP	Multi-year programme (of cooperation between UNECA and SADC)
NMP	National Mining Policy
NR-Can	Natural Resources Canada
R&D	Research and development
REC	Subregional economic community
SADC	Southern African Development Community
SSM	Small-scale mining
TB	Tuberculosis
UNECA-SA	United Nations Economic Commission for Africa Southern Africa Office

SUMMARY

The United Nations Economic Commission for Africa, Southern Africa Office (UNECA-SA) has been working with the SADC Secretariat to implement the SADC Mining Protocol. The work is part of a multi-year programme to harmonize mining policies in the SADC subregion and is based on the Framework for the Harmonization of National Mining Policies, Standards and Legislative and Regulatory Frameworks, which was approved by SADC Mining Ministers at the meeting held in Antananarivo, Madagascar, in March 2006. The latest phase of work on the harmonization programme has been a Study to compare the provisions of the different national mining policies (NMPs) of SADC countries with the Harmonization Framework.

This report presents the outcome of the Ad Hoc Expert Group Meeting (AEGM) which was held in Johannesburg, South Africa, on 4 and 5 May 2009, to review the draft report on the Harmonization of NMPs in the SADC subregion. The meeting was organized by UNECA-SA in collaboration with the SADC Secretariat. Representatives of the private sector and senior officials of mining ministries from twelve SADC States attended the meeting, in addition to representatives of MINTEK and the Johannesburg office of Natural Resources Canada, who attended the meeting as observers. The meeting also reviewed an issues paper entitled "Impact of the Global Financial and Economic Crisis on the SADC Mining Sector", which was prepared at the request of SADC, following the difficulties encountered by the subregional mining sector as a result of the global economic crisis.

The meeting recommended a range of actions aimed at improving the alignment of the SADC NMPs with the subregional Harmonization Framework covering the following policy areas: mineral development; macroeconomic and investment climate; governance; environmental management; social/people issues; and subregional cooperation and integration. The meeting also recommended a series of actions to minimize the negative impact of the global financial and economic crisis on the SADC mining sector, including protecting the subregional economies from financial contagion effects; minimizing retrenchments through flexible tax regimes; improving local participation in the mineral sector to increase the residual economic value of mining investments; diversifying the mineral value chain; investing in soft and hard infrastructure to improve competitiveness; and promoting exploration activity. The recommendations of the AEGM will be presented to the next meeting of the SADC Mining Ministers for consideration.

A. BACKGROUND

1. The Ad Hoc Expert Group Meeting (AEGM) on the Harmonization of National Mining Policies in the SADC Subregion was held at the Emperor's Palace in Johannesburg, South Africa, from 4 to 5 May 2009. It was co-hosted by the Economic Commission for Africa, Southern Africa Office (UNECA-SA) and the SADC Secretariat. The main purpose of the meeting was to review the report, prepared by UNECA-SA on behalf of the SADC Secretariat, on the harmonization of national mining policies (NMPs) in the SADC subregion. The report is part of ongoing work under the multi-year cooperation programme (MYP) between UNECA-SA and the SADC Secretariat.

2. The SADC Secretariat has launched the implementation of its Mining Protocol, which took effect in February 2000. The central tenets of the Protocol are harmonization and alignment of mining policies, standards, and administrative and regulatory frameworks; sharing of human and technological capacities; and promotion of private sector investment, especially through improved availability of economic information. UNECA-SA has been working with the SADC Secretariat as part of its technical cooperation programme. The "Framework for the Harmonization of Mining Policies, Standards, and Legislative and Regulatory Frameworks in Southern Africa" was approved by SADC Mining Ministers in June 2006. An Implementation Plan to translate the Framework into an operational programme of activities has also been developed. The Implementation Plan was endorsed by a SADC meeting of Experts from the private sector and Senior Government Officials from the SADC countries in October 2007.

3. The October 2007 meeting of experts and senior officials recommended that the next phase of work determine the degree of alignment of NMPs to the Harmonization Framework approved by SADC Mining Ministers in March 2006. Consequently a study was carried out to compare the provisions contained in the NMPs with those of the approved SADC Harmonization Framework and international best practices in mining policy development, and to identify gaps in the NMPs. The report on the outcome of the NMP harmonization review meeting will be presented to the meeting of Mining Ministers which is expected to be held later in 2009.

4. Furthermore, in the six months leading up to the AEGM, mineral commodity prices collapsed in the wake of the global financial and economic crisis and subsequent recession. This led directly to a number of significant challenges for the SADC mineral sector, including the closure or placement on care and maintenance¹ of several mines, swift and very steep decline in tax revenues, and rapidly rising

2 ¹ A mine is said to run on care and maintenance when only the most essential services are ensured, including mine dewatering to prevent flooding, maintenance of production equipment to maintain its serviceability, and security services to prevent theft and vandalism. However, no production takes place.

unemployment levels. These challenges have in turn led to a substantial decline in foreign exchange earning capacities, distortion of exchange rates, and rising inflation levels in the mineral-dependent economies of Southern Africa.

5. The AEGM on the harmonization of NMPs in the SADC subregion reviewed the above-mentioned challenges and formulated recommendations to be submitted to the next meeting of SADC Mining Ministers.

B. ATTENDANCE

6. The AEGM was attended by Senior Government Officials from the Mining Ministries of twelve (12) SADC member States. Representatives from the Chambers of Mines and the Mining Industry Association of Southern Africa (MIASA) represented the private sector, while members of the International Study Group (ISG) from Mintek and Natural Resources Canada (NR-Can) attended as observers. The list of participants and their affiliation are presented in Annex I.

C. OPENING OF THE MEETING (*Agenda item 1*)

7. The meeting opened with the observance of a minute of silence in memory and honour of the late John Chowa Chanda who was Senior Programme Manager – Mining Activities at the SADC Secretariat. Mr. Chanda was coordinator of mining policy harmonization programme on behalf of SADC.

8. The meeting was called to order by Mr. Andre Andreas from South Africa's Department of Minerals and Energy, representing the Government of South Africa. He welcomed the participants to South Africa and wished them a pleasant stay. He thanked UNECA-SA and the SADC Secretariat for co-hosting the meeting, which was a great milestone in moving forward some of the key recommendations from earlier meetings. He urged the participants to share their own country experiences and to offer recommendations that would help sharpen the report of the meeting. To conclude, he encouraged the participants to discuss the issues freely and openly in order to develop robust recommendations to help advance the SADC subregion.

9. Mr. Wilfred Lombe of UNECA-SA delivered the opening remarks on behalf of the Executive Secretary of ECA. He welcomed the participants to the meeting and thanked them for their favourable response to the invitation. He recalled the rich history informing the current work on the harmonization of the national mining policies in the SADC subregion, and underscored the need for the meeting to deliver key messages and outcomes that would be useful to the SADC Mining Ministers meeting later on in the year. He expressed his wish for a successful meeting.

10. Ms. Alisoa Vololoniaina from the SADC Secretariat joined UNECA-SA and the Government of South Africa in thanking the participants for accepting the invitation to attend the meeting. She recalled the similar process that had taken place in 2006, which had culminated in the development of the Implementation Strategy for the Harmonization of Mining Policies, Standards, and Legislative and Regulatory Frameworks in the SADC Subregion. On behalf of the SADC Secretariat, she thanked UNECA-SA for its ongoing support to the Secretariat and the SADC member States. To conclude, she underscored the importance of the meeting, the outcome of which would determine the course of action taken by the SADC Mining Ministers.

D. ACCOUNT OF PROCEEDINGS

I. Election of the Bureau (*Agenda item 2*)

11. The meeting elected the following Bureau:

Chairman: Mr. Andre Andreas, South Africa

Rapporteur: Ms. Nyakallo Mpatuoa, Lesotho

II. Adoption of the agenda and work programme (*Agenda item 3*)

12. The meeting adopted the agenda shown below:

1. Opening of meeting
2. Introductions and election of the Bureau
3. Adoption of the agenda and work programme
4. Objectives and expected outcomes
5. Presentation on the International Study Group to review Africa's mining regimes
6. Presentation of the draft report on the Harmonization of national mining policies in the SADC subregion.
7. Discussion and recommendations
8. Presentation of the draft issues paper on the Impact of the current global financial crisis and recession on the SADC mineral sector
9. Discussion and recommendations to the Mining Ministers
10. Any other business

11. Closure of the meeting

III. Objectives and expected outcomes (*Agenda item 4*)

13. Mr. Wilfred Lombe informed the meeting that the major objective of the AEGM was to review the report on the Harmonization of National Mining Policies in the SADC Subregion. The review should take into account the accuracy and consistency of the report with respect to the current status of the NMPs, identify constraints to policy alignment at the national level, and propose appropriate actions to bring the national policies in line with the SADC policy framework approved by the SADC Mining Ministers in 2006. The meeting should also discuss ways of reinvigorating the harmonization programme, review current capacities for implementing the programme at the country and SADC Secretariat levels, and formulate recommendations for consideration by the Mining Ministers at their next meeting.

14. The AEGM would also review the issues paper entitled “Impact of the Current Global Financial Crisis and Recession on the SADC Mining Sector”, in order to identify key areas in which actions are required to address the adverse impact of the crisis. The recommendations from review will be submitted to the SADC Mining Ministers for consideration.

IV. Presentation on the International Study Group (ISG) to review Africa’s mining regimes (*Agenda item 5*)

15. Mr. Wilfred Lombe informed the meeting that the main objective of the ISG was to review Africa’s mining regimes and determine the extent to which they promote sustainable development, particularly in terms of supporting Africa’s broad economic and social development goals. To that end, the ISG would develop a comprehensive knowledge base of the principal elements of a mining regime; conduct case studies and profile selected mining economies in Africa; scan the international environment to identify constraints and opportunities; and develop tool kits, templates, guidelines and other instruments to assist policymakers and other stakeholders in formulating the next generation of development-oriented mining policies and strategies.

16. The ISG was formed in 2007 following the Big Table recommendations on managing Africa’s natural resources for growth and poverty reduction. The Big Table noted the commodity boom experienced by the natural resources sector, and given Africa’s unique and rich resource endowment, considered it a window of opportunity

for African countries to enhance the contribution of natural resources exploitation to the economic and social development of the continent.

17. The ISG comprises leading academics and practitioners of natural resources law, selected universities and researchers, the Commonwealth Secretariat, the ECA Secretariat, and eminent individuals. So far, the ISG has worked with the African Union (AU) to develop the African Mining Vision and the Addis Ababa Declaration on the Development and Management of Africa's Mineral Resources, which were both adopted by the AU Conference of Ministers Responsible for Mineral Resources Development meeting in Addis Ababa, from 13 to 17 October 2008. The ISG has also compiled a number of research reports on various topics, including mining taxation and FDI flows, environmental management, optimisation of economic linkages with the mineral sector, and specific country reports. The ISG is currently compiling a Framework Report for phase one of the project before proceeding to the implementation phase under the aegis of the AUC.

18. The work of the ISG is related to the SADC mining policy harmonization process in that both share the objective to bring about a socially and economically equitable and development-oriented mineral sector in Africa. The AU is the umbrella structure that provides political leadership and vision for Africa's development, while Subregional Economic Communities (RECs) like SADC are the building blocks for the broader African Economic Community. The development policies and programmes of the RECs should be aligned with the AU vision. The African Mining Vision was informed by the SADC Policy Harmonization Framework, among other documents.

19. The participants took note of the presentation and called for closer collaboration between the work of the ISG and SADC. They expressed their interest in receiving the ISG report and participating in future phases of the project.

V. Presentation of the draft report on the Harmonization of National Mining Policies in the SADC Subregion *(Agenda item 6)*

20. Mr. Wilfred Lombe presented the above report. He said that the main objective of the report was to evaluate the NMPs of SADC countries to determine their alignment with the subregional Harmonization Framework approved by the SADC Mining Ministers in 2006, and recommend actions to bridge any gaps. The review took into account global trends in mineral policy. The mineral policies of many developing countries are based on national development objectives and emphasize

equity and a fair return to both Governments and resource companies. Social and environmental sustainability are also major trends in mineral policy, and require adequate financial provisions for their implementation. In terms of governance, the trend is towards broader consultations with multiple stakeholders and transparency of revenue receipts as well as expenditure.

21. Mr. Lombe outlined the SADC Harmonization Framework, which, he stated, does not seek to create one mineral policy for the SADC subregion, but rather comprises policy guidelines for key areas of the SADC mineral economy, including mineral rights, value addition, artisanal and small-scale mining (ASM); macroeconomic and business climate; governance, environmental management and social issues; subregional cooperation and integration.

22. Comparison to international trends and the SADC Framework indicated that the NMPs were generally in conformity with mineral administration and permitting systems, but needed to move towards developing one-stop mineral administration systems, and creating subregional information capability. Other areas in need of improvement included the development of databases on tariff and non-tariff barriers to support beneficiation efforts; support to ASM; and the promotion of R&D, innovation and cluster formation.

23. Regarding investment, most countries need to promote national and Government equity participation. While fiscal incentives are generous and competitive, they remain a source of friction due to continuing perceptions that the benefits are skewed towards mining companies. Fiscal incentives are not always judicious, and can have contradictory effects, for example, long tax holidays at reduced tax rates, royalties waived in times of financial losses (although royalties are a depletion tax that should be applicable at all times); inability to effectively monitor profits despite clauses on additional profit taxes; and unlimited carry-forward losses. The report noted that the negotiating capacity of Governments in the fiscal area are substantially weak and urgently in need of strengthening.

24. Governance was another contentious area. In general, corporate social responsibility (CSR) is poorly practised by mining companies and is largely discretionary. Broader local community participation in mineral projects is not always promoted. There is need to develop a CSR framework which creates reasonable expectations among stakeholders. Environmental management is another area that posed difficulties. While environmental impact assessments are routinely undertaken, mine closure plans, exploration of land use options and use of social funds are much less common. There is need to promote an integrated environmental management approach, which incorporates land-use planning and post-mining closure, and

provides for social funds. It would also be in the subregional interest to develop a uniform SADC-wide environmental legislation framework.

VI. Discussion and recommendations (*Agenda item 7*)

25. Discussions took place in both the group sessions and in the plenary. There were four discussion groups on mineral development; macroeconomic and investment climate; governance and social issues; and environmental management and subregional integration. The outcomes and recommendations based on the discussions are presented below by discussion group:

26. **Mineral development:** the main outcome of the discussions was that the NMPs should swiftly move to:

- (i) Create one-stop mineral administration systems and strengthen their capacities to deliver on their mandate; and
- (ii) Improve the capacities of the geological survey departments to provide updated geological information to facilitate exploration.

27. **Macroeconomic and investment climate:** the recommendations on this topic were as follows:

- (i) The NMPs should emphasize economic policies and strategies that broadly focus on wealth creation rather than poverty alleviation as an end in itself. The private sector, as the main vehicle for wealth creation, should be more involved in developing such policies and strategies;
- (ii) Mining companies are not in the business of beneficiation and value addition. NMPs will need to provide policy incentives for to that effect. In order to encourage manufacturing value added, NMPs should require that a proportion of mineral output be diverted into manufacturing activities;
- (iii) The NMPs should empower SADC citizens to participate meaningfully in the ownership and control of their mineral resources. Local participation encompasses many aspects, including involvement in equity, management, public ownership and supply chains, and does not necessarily mean nationalization of mines;
- (iv) Tax regimes, including stability agreements, should be predictable to avoid uncertainty among investors, and should respond to the changing dynamics in the sector. Ring-fencing, provisions on transfer pricing and double taxation should be incorporated into the NMPs;

- (v) Royalties are a depletion allowance and should be paid regardless of profit levels, although they can be suspended when mining companies experience financial stress. Royalties should be based on gross sales rather than levels of profitability. Forgone royalties or other tax income streams can be used to increase Government shareholding in mining assets;
- (vi) Mining companies have always out-negotiated Government negotiators. There is need for SADC and UNECA to work towards creating a pool of knowledgeable people in SADC with the capacity to help Governments negotiate better terms with mining companies on a range of issues.

28. Governance and social issues: the following recommendations were made:

- (i) While governance and CSR cannot be completely legislated, they need to be provided for within the legal framework in order to encourage compliance;
- (ii) Although all human resources development (HRD) aspects can be legislated, those that are amenable to legislation should be covered in the policy and legal framework. For example, professional skills training for local staff (especially where expatriates are employed) should be made an integral part of mining policies and legislation; incentives for industry participation in HRD should be clearly specified in the NMPs, which should also seek to create an environment favourable to skills mobility within the subregion;
- (iii) The NMPs and legislation should include provisions on social and labour plans which address human resource development, economic development in local and labour-provision areas, downscaling management, retrenchments, and so on;
- (iv) Social funds are required to promote social sustainability. These should be based on workable models in the subregion, and should provide for addressing the impact of post-mining closure and skills building for the communities to ensure survival after the mines have shut down. Such funds could be held in trust on behalf of the communities and have stringent access conditions to ensure that they are not abused;
- (v) While the SADC 50/50 gender principle is generally accepted, it should be applied on a case-by-case basis, taking into account that some jobs, especially underground, cannot be done by women cannot do; and
- (vi) The issue of communicable diseases (HIV/AIDS, TB and malaria) should be mainstreamed into the NMPs and addressed on an ongoing basis.

29. Environmental management and subregional integration: the outcomes of the discussions on this topic were as follows:

- (i) Member States should adopt similar principles in their NMPs and harmonize environmental management legislation. To this end, it would be useful to define a basic EIP framework;
- (ii) Stringent access conditions are required to avoid abuse of environmental rehabilitation funds which are intended for disasters and social decline due to mining activities;
- (iii) Provisions for environmental impact plans for exploration activities should be included in the NMPs;
- (iv) The expression “integrated environmental management principles” should be removed from the NMPs;
- (v) Member States should encourage the sharing of capacities and experiences. Some countries stated that they could benefit from a working model of an Environmental Rehabilitation Bond; and
- (vi) Member States need to adopt a subregional approach and the NMPs should incorporate components on subregional integration.

30. Recommendations on the Harmonization Framework: The AEGM reviewed the Harmonization Framework approved by the SADC Mining Ministers and recommended as follows:

- (i) The Harmonization Framework as approved by the Mining Ministers contains excessive detail for a national mining policy. Some of the provisions should be incorporated into the legislative framework, instead of the policy;
- (ii) Reference to political instability should be removed from the Harmonization Framework;
- (iii) Point iii under 2.2 General Investment Regulations: “Not restrict the payment of dividends to foreign shareholders by foreign investors” should be deleted since it is incorporated under Point ii dealing with exchange controls; and
- (iv) Point ii under International Taxation: “royalties” should be deleted since it is not practical to impose withholding taxes thereon.

VII. Presentation of the issues paper on the impact of the current global financial crisis and recession on the SADC mineral sector (*Agenda item 8*)

31. Professor John Lungu presented the report on the Impact of the current global financial crisis and recession on the SADC mineral sector. He emphasized the vital importance of the mineral sector to the SADC economy, and laid out the reasons for serious concern over the negative impact of these two global events on the sector. Indeed, the crisis and subsequent recession have reduced the demand for mineral commodities and led to a price collapse for several of them. Between 2008 and 2009, copper prices took the heaviest fall of close to 53 per cent, followed by nickel, whose price fell by 48.6 per cent. Prices for aluminium and lead declined by about 46 per cent, while tin and zinc fell by 39.4 and 38.7 percent respectively. Professor Lungu observed that, generally, mono-commodity economies have fared worse than diversified economies, especially since the price of some metals, such as gold and iron, had risen over the same period.

32. Professor Lungu observed that as a result of the crisis a number of mines have either been closed or placed on care and maintenance. The main effects of this include greatly reduced government tax revenues; diminished capacity on the part of Governments to finance social spending; distortion in macroeconomic fundamentals, including a depreciation of exchange rates; reduced foreign reserves; rising inflation rates; and rising unemployment rates. Zambia, for example, has lost 10,000 jobs, the Democratic Republic of Congo, 200,000 jobs, and Botswana, about 1,000 jobs. Significant currency depreciation has been observed in South Africa, Lesotho, Mozambique, Botswana, Angola and Zambia.

33. Turning to possible policy responses, Professor Lungu stated that it might be necessary to provide some monetary stimuli by lowering interest rates and encouraging investment in sectors where industrial upgrading is most likely to have significant payoffs. Governments should consider injecting some well-designed fiscal stimuli into their economies to generate domestic demand. Governments must, at all costs, invest in social protection and human development to ensure that a temporary shock is not converted into severe permanent declines in the welfare of poorer households.

34. From the viewpoint of the mining industry, the first step should be the reduction in the cost of production. This can be achieved in a number of ways, including by introducing flexible wage structures. While this is controversial, it calls for open dialogue between employers and labour unions. Secondly, mines should consider reducing labour costs. The wage differentials between expatriate and local

employees are too wide. Governments could also consider introducing flexibility in the tax regimes to provide more financial liquidity to mining operations which are under severe financial stress, and which are deemed important to GDP, export earnings and employment.

35. Other significant measures that Governments could consider include the promotion of local participation in the ownership structures of mining companies. Local participation, either by the State or indigenous entrepreneurs, would create a much higher retained value of mining investment. Retained value can also benefit from reduced supply-chain costs through local sourcing of inputs. However, weak local capacities to supply inputs are a severe constraint. Given that South Africa has a good supply base for mining inputs, a harmonized subregional approach should facilitate such cost reductions.

36. In the medium term, SADC Governments should consider diversifying mineral production by mining a variety of minerals, so as to mitigate the inherent risk of depending on one single export commodity. Governments should also consider diversifying away from mining and into manufacturing and agricultural exports, which would require value addition. However, given the limited technology capacities in most SADC countries, a subregional integration approach on diversification, from which all member States could benefit, would need to be adopted.

VIII. Discussion and recommendations (*Agenda item 9*)

37. The discussions that took place during the plenary session included accounts of individual country experiences. In response to the crisis, Angola has established a strategic relationship with China. While Angola has experienced a reduction in fiscal revenue, its Government has established a diamond purchasing fund to enable mines to continue operating. Angola has recognized the need to diversify away from diamonds into other minerals (such as phosphates and ceramics) and into manufacturing. It is now also cognizant of the need for better rationalisation of the use of boom time revenues, and is making efforts to that effect.

38. In Botswana, the major diamond mines were shut for several months to conserve cash and reduce existing diamond inventories in order to prop up prices. The largest copper-nickel mine, Bamangwato Consolidated Limited (BCL), had a large financial infusion when its major shareholders, Anglo American and Amex, quit, leaving Government no option but to save the 5,000 or so jobs. Government now owns 93 per cent of BCL's shares. The Botswana Government is providing relief through deferred royalties to help financially stressed companies improve their liquidity.

39. Similarly, in South Africa, platinum mines have been operating at about 30 per cent reduced capacity due to problems in the motor vehicle industry, the major consumer of platinum, while ferrochrome mines are operating at 40 per cent capacity. The State has suspended royalty payments. In Tanzania, the industry is cost restructuring with a significant reduction in its workforce and spending. The Kabanga Nickel project will progress but at a much slower pace with plans for conducting a feasibility study held in abeyance. Diamond and tanzanite production is currently being stocked up on account of low sales. In Zambia, some mines have either closed or have been put under care and maintenance, performing only the essential services to keep plant equipment serviceable. In Zimbabwe, all nickel mines and smelters are currently on care and maintenance, while platinum mines have been operating at 40 per cent capacity. Nickel mines are on care and maintenance.

40. Namibia reminded the meeting that not all was doom and gloom. Two uranium mines were due to open in that country as this mineral has continued to enjoy boom prices. Furthermore, the names of all retrenched workers have been entered into a database so that they are first in line for jobs when new mines are opened. The AEGM noted that Governments were working closely with industry and labour to promote dialogue, especially with regard to job losses. While such dialogue builds trust among Government, labour and employers, it needs to be ongoing. Unfortunately, this is hindered by the high staff turnover in some Government departments.

41. The AEGM made the following recommendations to mitigate the negative impact of the global crisis:

- (i) Retrenchment should be a last resort, after all alternatives have been exhausted, preferably in the form of voluntary separation and in a context of dialogue and goodwill between Government, labour unions and employers so as to build goodwill and trust and prevent conflict; flexible wage structures should also be explored in view of a long-term solution to the challenges faced by the industry;
- (ii) In order to save jobs and keep some mines viable, Governments should adopt a flexible tax system to relieve mining companies of heavy tax burdens during periods of financial stress. Suspension of front-loaded taxes, like royalties, would also help. Negotiating tax matters also requires healthy dialogue and trust between mining companies and Governments;

- (iii) Mining is a strategic industry to the SADC subregion and citizens cannot continue to be marginalized from it. The AEGM recommended that the crisis be used as an opportunity to increase the participation of the State and citizens in mining assets on negotiated commercial terms. Deferred royalty payments could be used to increase Government shares, while nationals will need to be empowered to achieve this. Namibia and Botswana were cited as good models of State participation;
- (iv) The crisis represents opportunities to promote manufacturing and diversification. Diversification should take two forms: inter-sector to produce additional minerals, and intra-sector, i.e., into other sectors of the economy, such as agriculture and the manufacture of value-added mineral products;
- (v) The crisis is also an opportunity to reduce transaction costs by examining regulatory and other obstacles to business start-ups, with a view to increasing local content in the industry. This would also be the time to review infrastructure support for the industry, for example by investing in upgrading generation and transmission capacities since reduced electricity consumption relieves pressure on available capacity; and
- (vi) Governments should explore ways of providing incentives, especially to young explorers, to enable the continuation of exploration activities to ensure that SADC countries are in a position to benefit from the next upswing in mineral commodity prices. Currently, little exploration is taking place because that area has been negatively affected by the recession.

IX. Any other business (*Agenda item 10*)

42. The AEGM reviewed capacities for implementing the Harmonization Framework at the SADC Secretariat and in the Member States. The participants expressed deep concern at the diminished capacity with regard to mining at the SADC Secretariat, and requested that this be put on record. They made the following recommendations:

- (i) The Mining Ministers should bring to the attention of Council the need for the Secretariat to swiftly implement the recommendation made by the Mining Ministers in June 2006 to strengthen capacities at the SADC Secretariat to coordinate the implementation of the harmonization programme; and
- (ii) The implementation of the programme should be reinvigorated and the SADC Secretariat should consider reintroducing the structures that existed previously under the Mining Sector Coordination Unit. The AEGM felt that

those structures worked well in the past and provided an avenue for member States and their organizations to effectively participate in subregional cooperation and integration programmes. Many useful studies were carried out at the time.

43. It was proposed that the current draft report on the Harmonization of National Mining Policies in the SADC Subregion be given a different title to differentiate it from the earlier study on the Harmonization of Mining Policies, Standards and Legislative and Regulatory Frameworks in the SADC Region. As such, the title Evaluation of National Mining Policies against the SADC Regional Framework was proposed and will be adopted for purposes of reporting to the Ministerial Meeting. However, the original title will continue to be used within ECA, since outputs have been pre-programmed and a change in title would create reporting problems.

X. Closure of the meeting (*Agenda item 11*)

44. The Chairman of the Bureau, Mr. Andre Andreas, thanked the participants for their hard work and valuable contributions during the two days of intense deliberations. He wished them a safe passage back to their respective countries and adjourned the AEGM at 16:00.

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