

STATEMENT DELIVERED BY ALBERT M. MUCHANGA, AFRICAN UNION COMMISSIONER FOR TRADE AND INDUSTRY DELIVERED AT THE WORKSHOP ON INNOVATIVE FINANCIAL INCLUSION FOR ARTISANAL AND SMALL-SCALE MINING SECTOR IN AFRICA

18-19 December 2019 in Lusaka, Zambia

Honourable Richard Musukwa, MP and Minister of Mines and Minerals Development of the Republic of Zambia;

Distinguished Workshop Participants;

Ladies and Gentlemen:

I would like to begin my statement by extending a warm welcome and great appreciation to the Honourable Minister of Mines and Minerals Development, the Honourable Richard Musukwa, MP for gracing this important workshop on Innovative Financial Inclusion for Artisanal and Small-Scale Mining.

Your presence, Honourable Minister is a clear testimony of the strong commitment and high importance that the Government of the Republic Zambia attaches to the sector of Small-Scale mining.

The sector is critical to the development, industrialization and structural transformation of Zambia. The sector is equally important in other African countries where mining is taking place.

***Honourable Minister:
Distinguished Workshop Participants;
Ladies and Gentlemen:***

The African Heads of State and Government adopted the African Mining Vision (AMV) in 2009.

The AMV has a long-term goal of attaining “transparent, equitable and optimal exploitation of mineral resources to underpin broad-based sustainable growth and socio-economic development”.

From the foregoing quote, it is very clear that the AMV is not just about mining. It is also about socio-development, ushering decent livelihoods for citizens.

The African Mining Vision essentially seeks to use Africa's vast natural resources sector to transform the continent's social and economic development path, with a key focus on ensuring that there is value addition from which the ordinary people benefit the most.

The AMV is also designed to facilitate the effective exploitation of Africa's mineral endowment, especially during high commodity prices. In this respect, it is a strategy for integrating Africa's mining sector into its broader social and economic development processes. Seen in this way, mining can contribute to addressing Africa's poverty and underdevelopment.

The AMV is also meant to address the sector's isolation from mainstream social and economic activities, instead of it remaining an enclave in the broader economy. In this respect, it is envisaged that mining will be one of the key pillars of development of regional value chains in the African Continental Free Trade Area (AfCFTA).

**Honourable Minister;
Distinguished Workshop Participants;
Ladies and Gentlemen:**

Activities surrounding Artisanal and Small-Scale Mining (ASM) have focused on addressing a number of issues.

I will sample a few of them.

The first set are the inadequate policy and regulatory frameworks.

This is followed by the limited technical capacity of the artisanal miners.

Furthermore, there are limited financing opportunities and the constrain their capacities to scale up operations and grow.

We must add to all these the impact of mining on communities amongst this large but under-served field of mining activities.

Against this background, there is on-going work in some African countries that focuses on ASM responsible sourcing and mineral supply chains. This is aimed at the transformation of ASM activities towards sustainable livelihoods.

**Honourable Minister;
Distinguished Workshop Participants;**

Ladies and Gentlemen:

The currently low levels of Intra-African trade hamper the continent's pursuit of regional mineral value chain development.

In addition, there is a general lack of appropriate policy frameworks and strategies to drive regional industrialization, value addition or beneficiation.

This state of affairs stifles Africa's beneficiation of her vast mineral endowments.

I will give one example. Taking into account the exponentially increasing demand for global clean energy which greatly depends cobalt, data from 2016 indicate that the global primary production of cobalt was 110,000 tons, with almost 65% coming from the Democratic Republic of Congo (DRC) and Zambia.

Whilst still on DRC and Zambia, as the global leaders in the production and export of cobalt; Artisanal and Small-Scale Mining (ASM) contribute around 20 to 25% of the two countries' output of cobalt.

The Artisanal and Small-Scale Mining production of over 12,000 tons in the DRC alone, surpasses the primary production of cobalt in any other country in the world.

The demand forecast varies from outlet to outlet but all indications are for strong growth.

By some estimates, demand for cobalt is estimated to increase by approximately 30% by next year, reaching 120,000 tons. Other estimates show that by 2025, the global consumption of cobalt will reach about 200,000 tons, which is a 90% increase from current levels.

The supply of cobalt is characterized by some factors that predict its potential for future shortage.

Its main producers, the DRC and Zambia need a sustainable approach that embodies and embraces the AMV.

As earlier indicated, local content policies are viewed in the AMV as important to achieving national development objectives by resource-rich countries. Strategic or special economic zones are one mode that can be utilized by DRC and Zambia to push for such local content policies. This possibility has been enhanced by a recent decision of the African Free Zones Organization to promote the development of regional special economic zones. The DRC and Zambia must seize this opportunity.

In the case of the continent in general, special economic zones can go a long way in catering for upstream linkages. This could be in the form of initiatives designed to encourage sourcing of local inputs, through for example, local ownership, local procurement, and employment of locals. There are also downstream linkages that include local value addition or beneficiation.

With the African Continental Free Trade Area soon coming into operation, there will be growing local demand for minerals as manufacturing in Africa scales up to supply this large market of 1.27 billion people, with a middle class that is growing very fast.

Honourable Minister;

Distinguished Workshop Participants;

Ladies and Gentlemen:

Financial incentives for local producers and the creation of the Special Economic Zones, for example, for cobalt as earlier mentioned, will be required in Artisanal and Small-Scale Mining.

Financial inclusion and its related products act as a key enabler for artisanal and small-scale miners in their bid to escape from unemployment and poverty.

Financial inclusion provides incentives for the registration of their activities within the mainstream economy as groups or individuals. With such a development, they are enabled to easily interface with marketing, value chains and responsible sourcing programs. It also supports sustainable practices through delivering appropriate financial services to poor remote households that require engagement with; and, in reaching the goal of inclusive rural economic development. Financial inclusion can, therefore, harness the potential of Artisanal and Small-Scale Mining into the mainstream of national economies of African countries with mining operations.

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There is also need to embrace electronic-commerce. The good news is that it is rapidly growing in Africa; at an estimated annual rate of 40%.

The McKinsey consultancy estimated in 2013 that the digital economy in Africa is expected to grow to over \$300 billion by 2025, just five years from today. This will be on the back of massive mobile penetration and rapidly evolving payments and settlements systems; among other drivers of digital transformation.

In order to promote continued development of e-commerce, another key requirement is the development of digital identity (ID) systems and platforms. This is an issue being addressed by the African Union.

At national levels, some African countries and regions are making strides in developing their digital ID systems and platforms. While there is evidence of progress, these developments notwithstanding, Africa is yet to fully harness the benefits of digital ID for the artisanal and small-scale mining sector. These benefits range from establishing a legal identity for the actors in artisanal and small-scale mining through effective digital

identification systems; to catalyzing social protection, financial inclusion, governance and digital trade; among others.

We can take financial inclusion within the scope of expected AfCFTA benefits. Using it as an instrument of solving the attendant issues of the informality of small-scale traders; inclusive of cross border traders; the bulk of whom are women, it is also in the same light that the informality of artisanal and small-scale miners and their challenges may be addressed.

These informality challenges generally lock small-scale players (whether in mining or otherwise) into cycles of poverty sustaining subsistence operations; and, in some instances with significant negative socio-economic and environmental consequences. In a world going green, such unsustainable practices have to be addressed.

According to the United Nations Conference on Trade and Development (UNCTAD), some of the digital trading and e-commerce platforms that ensure financial inclusivity, provide a full range of other facilitative services; such as: payment processing, customer services; shipping; return processing; and, delivery.

Such services, including simplified logistics and payments, are greatly appreciated by Micro, Small and Medium Enterprises when they access them.

Where larger businesses can rely on brand awareness and reputation, such digital platforms are of value, especially to Micro, Small and Medium Enterprises without the benefit of a known brand or links to remote buyers which large companies enjoy.

Harmonized Artisanal Small-Scale Mining regulatory frameworks are also necessary in order to enable digitally-driven cross-border trade and to govern issues around digital IDs including, privacy; data; and, security.

However, pushing for increased governance and transparency within the field of small scale players has been difficult to introduce within the mining sector.

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As I conclude, I would like to make a commitment that one of key achievements for the African Union Department of Trade and Industry this coming year will be the adoption of improved legal and regulatory frameworks for artisanal and small-scale miners. This will be done with a view to also promoting financial inclusion mechanisms and services to these players in mining.

From the foregoing, I would like to make a special appeal to this workshop of technical experts to come up with a clear road map and strategies aimed at leveraging financial inclusion mechanisms and services for artisanal and small-scale miners.

This should also include draft capacity building program on the financial inclusion of artisanal and small-scale miners and other key stakeholders.

I also invite you to come up with accompanying action plans that can be tested and adopted to fully develop artisanal and small-scale mining in Africa.

I will end here and thank all of you most sincerely for your kind attention.