Excellency's Keynote Speech-Canada-Africa Chamber of Mines

Commissioner's keynote speech for your launch of Canada-Africa Business Combat of Busyness

Africa accelerating

It gives me great pleasure to have this opportunity to address this gathering on this very important occasion of the launch of Canada-Africa Chamber of Business as it transforms from being a sub-regional to continental.

I would like to use special occasion to thank the organisers, the Canadian people, the Canadian Business community and above all the government for the cordial welcome and hospitality accorded to me and my team since we arrived in Canada yesterday. It was indeed a warm welcome. I would also wish to take this opportunity to acknowledge the longstanding partnership Canada has had with Africa. I take pride in recognizing, on behalf of AU member states, the huge Canadian capital, FDI, and ODA flows both bilateral and multilateral to Africa more particularly sub-Saharan Africa. In 2014, the total investment flows to Africa, south of the Sahara stood at $1.7billion *Global Affairs Canada*. This however, has been a decline of almost 56%

compared with 2010 where the total FDI flows totaled to $4.6 billion but also a recovery from the lowest $1.3bn in 2012. These figures are an indication that Africa is still the most attractive region to investment and obviously with only 0.2% of Canadian global FDI going into Africa there is a lot more we need to do together to increase these investments.

The theme of my keynote speech "***Africa Accelerating***" is challenging but nonetheless befitting. Challenging because it is difficult to convince a very well knowledgeable congregation like this and all those who know Africa very well, that Africa is accelerating. May be if we imagine that it is accelerating down the hill having climbed during the commodity boom " the Africa rising" followed by" Africa accelerating" albeit in the opposite direction, of the slop. So the point we all need to ask ourselves is how can we reverse this trend so that Africa can again accelerate up the hill.

On the other hand the theme is befitting because irrespective of all challenges that Africa is faced with; low commodity prices, raising of the Federal Reserve interest rate that has seen African currencies depreciate against the dollar creating a double edged sword, and we see key oil and Mineral exporting countries such as Nigeria plunging into a deep recession; the slow flow of investments especially in the most needed infrastructure; energy, communications, logistics and transport, to mention but a few, this is the best opportunity for Africa to refocus its attention on diversification and putting in place macroeconomic fundamentals and a conducive environment that will prepare it to benefit from the not-far- away commodity boom. And I think this is why we are here, to put our heads together to find the best way to keep Africa riding. So it is very important for us as AUC to be part of this occasion of the launch of Canada-Africa Chamber of Business which we believe will strengthen Africa-Canada private sector relationship and increase FDI flows into the continent.

Founded in 1994 and originally focussing on South Africa, the Chamber has evolved steadily to cover the Southern African in 2008 and barely 8 years later to cover the entire continent. This underscores the importance and growing business interest the Canadian Business Community attaches to Africa. It is therefore deserving that African Union Commission and indeed myself, have been invited to witness and endorse this important partnership. It is also deserving because the Canadian Government has supported continentals initiatives such as African Trade Policy Centre, (ATPC), African Minerals Development Centre, (AMDC) as well as other past continental programmes such as the Programme for building African a Capacity for Trade (PACT 2) in which AUC was highly involved. All these Programmes and initiatives respond to and support important frameworks of the African Union including but not limited to: Boosting intra-African Trade BIAT, the Continental Free Trade Area CFTA Negotiations, Accelerating Industrial Development for Africa (AIDA) the Africa Mining Vision (AMV), and least but not least the Agenda 2063 which now defines the Road Map for Africa in the next 50 years.

As we all know, more than 30% of the world's global mineral reserves are found in Africa. This figure doesn't include other low value but high volume development minerals such as: industrial minerals, construction materials, and others. We also know that in the past decade or so, Africa has been experiencing high growth rates averaging around 5.5 to 6% . However this did not translate into job creation of Africa's growing and young population neither did it feed into long term strategic planning of side streams linkages, technology and technological know how, infrastructure, energy HRD, R&D etc). Today Africa feels the commodity price slump and the growth has tremendously followed suit with the GDP growth being estimated at just about 1.6% in 2016 according to IMF. Most of the commodity export dependent countries are doing so badly some of them such as Nigeria already in a recession. So Africa lost out and it missed an opportunity to take advantage of very high commodity prices; the BOOM, and now it is at CROSS ROADS. This confusion of not knowing where to go next, has created huge uncertainty. These events and others have lowered Africa's growth forecasts and even challenged the story of the continent's Renaissance.

Nevertheless, Africa is still a hopeful continent and some of the fastest growing economies are still in Africa including; Ethiopia, Kenya, Rwanda, Tanzania to mention but a few. Strategically, and not only to prepare for the next boom, but for long-term planning, Africa is still a continent for investment flows.

Did you also know that most of Africa's resources are yet to be explored?. Although the continent is home to 30% and above of the world's minerals, in 2015, *according to S&P Globa*l, the continent accounted for just 13.5% of the world's total exploration budget, with only $1.2-billion out of $9-billion. This is despite a year-on-year decline in global exploration budgets. However, this was distributed mainly among just 24 out of 54 AU member States which accounted for over 97% ($1.166 bn) of the $1.2 bn. The remaining chunk of 30 African countries most of them resource rich such as; Chad, CAR, Cameroon, in Central Africa; Liberia, Guinea Bissau , Equatorial Guinea, Sierra Leone, The Gambia, Niger etc in Western Africa; Algeria, Tunisia, Egypt, Libya etc in North Africa; Uganda, Sudan, South Sudan in Eastern Africa and Lesotho, Swaziland, in Southern Africa plus the Island states accounted for just less than 3% of the Africa's exploration budget (equivalent to just $34 million). This a clear indication that Africa is still hugely unexplored and yet African countries need this geological and mineral information not only to attract investment but also to make informed policy decision in key areas including climate change, infrastructure development and environment protection to mention but a few.

We all know that the most significant threat to investment in Africa's huge untapped natural endowments is the lack of adequate infrastructure, as well as legislative and fiscal stability, to which a commitment must be made to attract investment and foster a robust natural resource sector

So what are African economies doing to remove this critical uncertainty? How can African economies manage external shocks? More specifically, how should they build internal and external resilience to better navigate shocks? African policymakers often ask these questions, but usually only after shocks are already disrupting their economies, making adjustments more difficult. What is truly required to build resilience is a set of short- and medium-term policies, all of which are consistent with longer-term economic strategies.

First, most African policymakers, may have learned the lesson of the 1980s and 1990s that macroeconomic stability is key. Without proper macroeconomic fundamentals, it is pretty impossible to focus on other types of reforms. So, in today's uncertain world, the first area of focus is ensuring that correct fiscal and monetary policies are in place to weather the external shocks. Most African finance ministers well know what to do on this score, but they need a back up of the political flexibility and space to implement prudent policies.

Second, over the medium to long term, African countries must also undertake social and economic structural reforms that transform their economies from dependence on primary commodities to reliance on a much more diversified economic base encompassing beneficiation and value addition of both minerals and agricultural commodities, manufacturing, and services. These structural reforms should include more focus on side stream linkages such as energy, transport, logistics, and other infrastructural sectors backed by strong financial institutions that can provide private equity to leverage the external sources of financing. The Structural reforms require more of domestic financing and lees of external support if this has to be sustainable and long term. Domestic resource mobilization (DRM) is the watch word for the future.

Third, a broadened and diversified economic base through regional integration also provides a foundation for diversified revenue sources. For long African economies have relied on single sectors or commodities for the bulk of their foreign exchange earnings and have acted within the confines of the national boundaries. This trend must change and it is changing under the auspices of the African Union with the Regional Economic Communities as building blocks. This means that we need to move away from focusing on just mining, but look across the entire value chain of natural resources including agriculture; look at up-stream and side stream linkages for attracting investment but above all we need more investments into exploration. We need to diversify our investments along the value chains across these sectors. We, indeed, need to work together (through both FDI as well as domestic resources) to prepare or even trigger the next commodity boom.

Finally, countries that will continue to depend on commodity exports should create a fund for cushioning out commodity price cycles or swings. Most African economies lack such a buffer, which is why commodity price changes are often accompanied by economic crises. This could be in line with the strengthening of domestic financial institutions as alluded to above. These funds are important not only as buffers, but also to invest in the key sectors that can stimulate further investment and growth.

It is also important to sent up these funds in order to tap into the existing Financial Development Institutions such the African Development Bank and also the newly established ones including; the “New Development Bank” (NDB) established by the BRICS countries (Brazil, Russia, India, China, and South Africa) and the Chinese-led Asian Infrastructure Investment Bank (AIIB) all of which have infrastructure as their main target sector for investment.

How does African Union Commission come in and how can we do or what are we doing to support the process. How are we helping our member States to reposition themselves in order to manage the short term shocks while strategizing for the medium- to long term inclusive growth and sustainable development?

Well as you may be aware, Africa has a new master plan, a blue print that will guide and inform our development agenda for the next 50 years; the *Agenda 2063* which is ***"a global strategy to optimize use of Africa's resources for the benefits of all Africans"*** and is premised on ***"an integrated, prosperous and peaceful Africa, driven by its citizens and representing a dynamic force in the international arena"*.**

The AU Heads of State and Government have recognized that the minerals resources can play a transformative role in the attainment of the goals of Agenda 2063 as well as SDGs.. They also recognize that to achieve this we need string institutions. The African Minerals

Development Centre, AMDC, was established to provide technical support to AU member States and to coordinate the implementation of AMV. In this regard I would like to take this opportunity to thank the Canadian Government for the tremendous financial support towards AMDC.

As AUC and specifically my department, DTI, we are working with AMDC and our other Technical partners in key areas of minerals resources development; domestication of AMV through the Country Mining Vision CMV process, building the capacities of our national geological surveys and regional geological institutions and Centres of excellence to ably conduct geological information that africa so much needs in order to attract investments, reviewing of the national legislation, support in contract negotiation, governance through engagement with the public and private sector, in artisanal and small scale mining especially women and youth to ensure that they can meaningful be integrated into the regional and global minerals value chains. More importantly our Heads of State and Government are putting more emphasis on ensuring that we mobilize domestic resources to support key Continental infrastructure projects. One of the Agenda 2063 flagship projects is the “High Speed Train” Infrastructure Project that intends to link the entire continent together, link the landlocked countries to key ports, and thus reduce the transaction cost.

We also have other major infrastructural Programmes such as the Programme for Infrastructure Development in African (PIDA) which covers major projects in Energy and Transport. So it is important for the Canadian business community to take advantage of investment opportunities in the Infrastructure where return to investment is high and the risk is minimal.

We have also recently launched Continental Free Trade Area negotiations, which, if and when they successfully concluded, will create one of the largest markets in the world with 54 countries, with a population of over 1 billion people 65% of whom are young men and women, with a GDP of over $1trillion trading amongst themselves. This will increase intra-african trade from the current 12-14% to possibly 25% by 2023, will widen the industrial base and give opportunity to develop regions value chains that can be linked to the global value chains, create valuable and decent employment that will lead to inclusive growth and sustainable development.

In this regard and in concluding my speech, we are here to inform you, as you already know, that Africa is still a huge investment opportunity and that we all need to get involved in the **"African Dream".** The Agenda 2063 is a blue print for shared vision, optimal and shared benefits and a win-win solution whereby if we all work together to take Africa where it wants to go, everyone wins.

I thank you