VALE COLUMBIA CENTER
ON SUSTAINABLE INTERNATIONAL INVESTMENT
A JOINT CENTER OF COLUMBIA LAW SCHOOL AND THE EARTH INSTITUTE AT COLUMBIA UNIVERSITY

The Resource Boom and FDI in Africa:
new players, new opportunities, a new agenda for development

October 26-27, 2011
Columbia University

PROGRAM

With support from:

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22 September 2011

Background

In recent years, the influx of foreign direct investment (FDI) in natural resources in Africa has been making headlines, as prices (of both food and minerals) climb, new investors and consumers emerge and resource-for-infrastructure deals and 'land grab' investments stir debate and discussion. The increased FDI inflows have contributed to Africa's accelerated growth: Africa's GDP growth rate is approximately 5% a year and is forecast to continue at this pace or faster. A major challenge for Africa, however, is to ensure that the current resource boom translates not only into continued and sustainable economic growth, but also that this growth is inclusive and consistent with national and regional development priorities.

A defining feature of the current resource boom is the slate of new players and partners in Africa's growth: emerging markets are increasingly investing in Africa's natural resources and becoming key consumers of the products. Over the next decade, the BRICS (Brazil, Russia, India, China, South Africa) are expected to provide 30% of the new foreign investment coming into Africa according to a report published by the Standard Bank in 2009. This increase in capital inflows and the surge in less-traditional south-south partnerships present new opportunities to focus on critical investments necessary for meeting the Millennium Development Goals and leading in turn to the development of the non-natural-resource economy. Such investments could be in infrastructure (e. g., energy generation and transmission, roads, rails, ports, information and communication technologies), the scale-up of agricultural productivity, and human capital development, all of which will form the foundation for sustainable economic development. Such investments can also create opportunities for upstream linkages (supply chain development, vocational training, employment) and downstream linkages (processing, industrial development), further diversifying the economic base. Ensuring these outcomes from the resource boom will require all of the relevant stakeholders (investors, home and host governments, financial institutions, development partners, and others) to examine and align their policies and activities. Taking up this challenge will avoid a replay of the 2008 food and fuel price crisis and the fading impact of the fuel price surge of the seventies.

The purpose of this conference is to host a forward looking discussion about these respective policies and activities that can help transform the resource boom into a development boom, promoting sustainable, inclusive and impactful economic development in Africa. The conference will start by taking stock of the current resource boom, including a discussion of the implications of the new emerging market players (as investors, home countries, consumers) and new features of FDI in Africa's natural resources. Two substantive panels will focus concretely on how FDI in natural resources can be leveraged for increased investments in critical infrastructure and how to create desirable and impactful linkages with the national and regional economies, leveraging the new partners and new opportunities. Finally, an action oriented panel will focus on policy implications for the various stakeholders, and what actions and policies are both desirable and possible to move toward implementation.

This conference brings together a wide range of stakeholders, including high-level government officials involved in policy making and implementation, corporate executives, investors, academics, and civil society. The discussion will be "Davos-style," in other words, without formal presentations, in order to foster a productive and dynamic discussion among all participants.

October 26, 2011, Wednesday

8:30 – 9:00 **Breakfast and registration**

9:00 – 9:15 **Opening remarks: Karl P. Sauvant**, Executive Director, Vale Columbia Center on Sustainable International Investment

9:15 – 10:00 **Keynote Address**: **Jeffrey D. Sachs**, Director, The Earth Institute, Columbia University

10:00 – 13:00 **Session I**: **What are the defining and important features of the current resource boom in Africa?**

The rapid growth of the rising BRICS countries (Brazil, Russia, India, China, South Africa) as well as other emerging markets such as those in the Middle East and the associated demand for raw materials is driving the growth of extractive industries worldwide. In addition to their growing role as consumers, these emerging markets are also increasingly entering the sector as investors. This trend is also true in Africa, where the BRICS will constitute 30% of the new foreign investment coming into Africa over the next decade (the bulk of FDI inflows and stock still comes from OECD countries). The new role of emerging markets in Africa, as both investors and consumers, is arguably impacting the nature of the current resource boom in Africa. For instance, emerging market investors are entering into new partnerships with African governments, including through resource-for-infrastructure contracts and other financing arrangements for infrastructure and energy production. The current resource boom has also brought new countries and resources to the fore; new discoveries have changed the landscape of host governments, and shifting interest in natural resources (for instance, in biofuels, land and agriculture, potash and phosphates, rare earths, etc…) are presenting new opportunities and risks for the stakeholders.

This panel will address:

- What are the defining features of the current resource boom and how do they differ from earlier booms? Who are the new players, and what are the implications of their increasing role as consumers and investors? How do their corporate strategies and diplomatic relations differ from the traditional investors and diplomatic partners?
- Are there new trends in natural resource investments? Are investments in land, for instance, surging as much as some are reporting? How has the map of host countries been affected? Are related sectors (infrastructure, agro-processing, energy) also attracting these new investors?
- Do these new trends of FDI (in agriculture, infrastructure) present an opportunity for more sustainable and diversified growth than traditional FDI in mineral, oil and gas extraction?

Moderator: Howard French, Author, journalist and associate professor at the Columbia University Graduate School of Journalism

Panelists:

- **Harry G. Broadman**, Leader, Emerging Markets Practice and Chief Economist, PricewaterhouseCoopers LLP
- **Richard Duffy**, Executive Vice President Africa, AngloGold Ashanti
- **Rohit Malpani**, Senior Campaigns Advisor – Private Sector Department, Oxfam America
- **Alais Ole-Morindat**, Chair, Tanzania Natural Resource Forum
- **Peter Rosenblum,** Lieff, Cabraser, Heimann & Bernstein Clinical Professor of Human Rights Law, Columbia Law School

13:00 – 14:30 **Lunch, sponsored by the World Gold Council** WORLD GOLD COUNCIL

14:30 – 17:30 **Session II**: **Leveraging FDI in natural resources for infrastructure development**

In addition to the well-known benefits of large-scale investments in natural resources, such as on–site employment and the generation of revenues, such investments can be leveraged for the creation or expansion of critical infrastructure, unlocking regional development potential. There are several ways in which the resource boom can be leveraged for infrastructure development (including power, roads, rail, ports, and information and communication grids). For one, natural resource investors, governments and other stakeholders (such as regional banks) can coordinate infrastructure plans and needs to reduce costs, improve access and create scale economies; for instance, infrastructure built for exporting raw materials can also be used for other bulk agricultural commodities, and power generation for an investment can be used to expand the local electricity grid. Also, some of the new players are increasingly willing to finance infrastructure development in Africa, both in return for access to resources (the so-called "resource-for-infrastructure" deals) and to build new or stronger diplomatic ties with African governments. New players, new financing mechanisms, new research about unlocking the infrastructure potential, and new investments in natural resources present an opportunity to rethink how the resource boom can address the critical infrastructure challenges throughout the continent.

This panel will address:

- To what extent do the infrastructure needs of natural resource investors overlap with critical infrastructure needs in Africa? Are there specific examples - both positive and negative - that can be instructive for thinking about shared infrastructure platforms or leveraging investors' infrastructure for expanding infrastructure grids? Are shared platforms even desirable?
- How have the new players been addressing the critical need for infrastructure throughout Africa? How common and beneficial are resource-for-infrastructure deals? How can the benefits be ensured and the risks minimized? Are these deals refocusing the non-BRICS' attention to the fundamental question of bridging the infrastructure gap in Africa?
- What are the important institutional and regulatory challenges for leveraging natural resource investments for infrastructure expansion? At a national level? At a regional (international) level?

Moderator: Louis Wells, Herbert F. Johnson Professor of International Management, Harvard Business School

Panelists:

- **Hermann Ferré**, Partner, Curtis, Mallet-Prevost, Colt & Mosle LLP
- **Ian Gary**, Senior Policy Manager for Extractive Industries, Oxfam America
- **H.E. Minister Mike Hammah**, Minister for Lands and Natural Resources, Ghana
- **Wenran Jiang**, Project Director, EITI China Support Program; Associate Professor of Political Science, University of Alberta
- **Richard Keck,** Partner, Macmillan Keck
- **Michael Likosky,** Director, Center on Law and Public Finance, New York University
- **Alda Salomão**, Director General, Centro Terra Viva-Estudos e Advocacia Ambiental, Mozambique

18:00 – 21:00 **Drinks followed by a networking dinner**

<u>October 27, 2011, Thursday</u>

8:30 – 9:00 **Breakfast**

9:00 – 12:00 **Session III: Upstream and downstream linkages from FDI in natural resources**

Central to the promise of natural-resource-based development has long been the notion that extractive activities can and should be a springboard to industrialization and diversification, through upstream and downstream linkages. Upstream linkages mean supporting local or national small and medium-sized enterprises (SMEs) to improve efficiency in the investors' supply chains, build capacity in SMEs, and develop non-resource-dependent clusters of industrial activity. Vocational schools, training programs and education in general can further develop upstream skills that can support the natural resource investment and build other skills important for economic development and diversification. Downstream linkages mean moving toward processing and beneficiation (which could include early stages of processing the raw metals or minerals or agro-processing, in the case of investments in land and agriculture). The idea is to create additional jobs, increase the value added to the raw materials in the country, and introduce new skills, know-how and technologies into the market. Downstream linkages can also include the use of the resource (usually coal, oil or gas) to build local industry.

This panel will address:

- After decades of emphasis on upstream and downstream linkages, can we ascertain a positive impact of such linkages on broad-based economic development? Supply-chain development? Local content? Vocational training and skills-building? Downstream processing and value-addition? Should either upstream or downstream linkages be prioritized over the other? Are there examples of investments with noteworthy upstream or downstream linkages that can be instructive for other investments?
- How do the answers to these questions about the desirability of certain types of linkages vary depending on the type of natural resource? Could, for example, processing phosphate for fertilizers have more regional relevance than processing copper? If so, how should such considerations be integrated into development planning and FDI frameworks? Can and should host countries be selective in attracting the FDI that will more directly contribute to national development plans versus enclave investments? Can FDI in natural resources be used as a trigger to attract FDI in other sectors such as manufacturing?
- Do the new players seem more, less or equally interested in developing upstream and downstream linkages than the traditional investors? Can these South-South partnerships also facilitate experience-sharing and knowledge transfer due to more similar economic contexts than between African countries and the traditional OECD partners?
- Should bidding processes, contracts and licenses require specific commitments of employment generation, knowledge transfer, local content, supply chain development, or beneficiation? Should African countries only negotiate and accept deals with a package of concrete goals relative to these commitments?

Moderator: Graciana del Castillo, Managing Director, Macroeconomics Advisory Group
Panelists:

- **Carlos Nuno Castel-Branco,** Director, Instituto de Estudos Sociais e Económicos, Mozambique
- **David Hallam**, Director, Trade and Markets Division, Food and Agriculture Organization of the United Nations
- **Kathryn McPhail**, Senior Program Director, International Council for Mining and Metals
- **Antonio Pedro**, Director, Sub-regional Office for Eastern Africa of the United Nations Economic Commission for Africa
- **Michael Solomon**, Mining engineer and Chairman of the Mineral Economics Committee, Southern African Institute of Mining and Metallurgy

12:00 – 13:30 **Lunch**

13:30 – 16:45 **Session IV: Moving from analysis to policies**

There have been discussions, initiatives and analysis for decades about the need to ensure that FDI in Africa, especially in primary commodities, leads to diversified, inclusive and sustainable development. However, coordinated action and the translation of intentions into policies have been limited, without clear guidelines, roles and opportunities for the different stakeholders involved. Moreover, the changing landscape of FDI in natural resources in Africa (new investors, consumers, commodities, etc.) may require a rethinking of traditional models and guidelines to adapt to new geological, geopolitical and economic realities and opportunities. This final roundtable will draw together the ideas and policy proposals suggested in all the earlier panels and reflect on next steps for realizing their implementation.

This panel asks in particular:

- What have been the major challenges to the realization of resource-based development? Do we have a greater understanding or better tools now than we did a decade ago to leverage the resource boom for long-term, sustainable and equitable development? What can we learn from the development of resource rich countries such as Australia, United States or Canada?
- Which existing principles, guidelines, agreements, or tools are most useful for facilitating implementation? Are there remaining gaps either in substance or in supporting tools, research, technical assistance, coordinating bodies, etc?
- What are the *key* responsibilities and opportunities for the various stakeholders to leverage FDI in natural resources for development: Host country governments? Home country governments? Consumers? Investors? Regional banks? International financial institutions? Development partners? Civil society? What new opportunities are presented by the new players in Africa, and how can these new partnerships be maximized to promote positive outcomes and minimize risks (social, environmental, etc.)?

Moderator: Karl P. Sauvant, Executive Director, Vale Columbia Center on Sustainable International Investment

Panelists:

- **Belay Begashaw**, Director, MDG Center for East and Southern Africa
- **James Bond**, Chief Operating Officer, Multilateral Investment Guarantee Agency
- **Lorenzo Cotula,** Senior Researcher, Law and Sustainable Development, International Institute for Environment and Development
- **Olivier De Schutter,** United Nations Special Rapporteur on the Right to Food
- **Darius Mans**, President, Africare
- **Jeffrey D. Sachs**, Director, The Earth Institute, Columbia University

16:45 – 17:00 **Closing remarks: Karl P. Sauvant**, Executive Director, Vale Columbia Center on Sustainable International Investment

Conference Organizers and Supporters

Vale Columbia Center on Sustainable International Investment
Columbia Law School/The Earth Institute

The Vale Columbia Center on Sustainable International Investment promotes learning, teaching, policy-oriented research, and practical work within the area of foreign direct investment (FDI), paying special attention to the sustainable development dimension of this investment. It is a joint center of Columbia Law School and The Earth Institute. For more information, see: www.vcc.columbia.edu

Vale

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