



**AAMEG**

Australia-Africa Minerals & Energy Group



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## **Australia and Africa**

Assessing the scale and potential of Australian engagement in Africa



# Why Africa?

Across the world Africa is seen as a rising continent with an increasing trend of economic growth. In the last decade, the gross domestic product of the 11 largest countries in sub-Saharan Africa increased by 51% - more than twice the world average of 23%.<sup>1</sup>

According to the African Development Bank's (AfDB) African Natural Resources Center (ANRC), the continent is home to 30% of the world's known mineral reserves and 10% and 8% of oil and gas reserves, respectively. Additionally, in 2012, mining, oil and gas accounted for 28% of the continent's GDP. Africa has the world largest cobalt, diamond, platinum and uranium reserves. Overall, in 2012, natural resources accounted for 77% of total exports and 42% of government revenues.<sup>2</sup>

For those who are willing and able to seek out its opportunities, Africa represents the world's latest and potentially greatest emerging market.

Traditionally, most investment in Africa has centred around the mining, oil and gas industries. More recently, we have seen investment in the infrastructure and construction industries, as well as telecommunications, agriculture and the banking sectors.

Like many other nations, Australia stands to benefit from the opportunities that the rising Africa will represent in the coming decades.

Corruption, political instability and civil unrest remain in some jurisdictions but since the turn of the millennium, an increasing number of African states have experienced prolonged periods of political stability and economic growth, and have undertaken democratic reforms of security and governance architectures. Systems and institutions are maturing.

Doing business in Africa is not without risk but the trend in investment confidence is showing that these risks no longer deter commercial interest in the way they once did. The opportunity presented to be part of the African growth story is compelling and will be to the mutual benefit of the host African nations and Australia, should we seize the opportunity.

Australia has a long history of engagement with Africa and already has a far reaching footprint. AAMEG research in 2016 has identified that this extends to at least 170 Australian companies developing or operating over 400 projects across 35 African countries. AAMEG research highlights a clear shift in focus towards West African nations over recent years, with four of the top 10 countries now in this region. The quantum of investment over decades is substantial.

The Australian resources industry is well-positioned to play a pivotal role in the development and economic growth of Africa's natural resources. This paper seeks to lay the foundations for determining the current level of investment in Africa and future potential for Australia's engagement in Africa.

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<sup>1</sup> Herbert Smith Freehills, A Multi-Jurisdictional Review: Dispute Resolution in Africa, Legal Guide Second Edition, September 2016.

<sup>2</sup> African Development Bank (AfDB), African National Resources Centre (ANRC) 2016 [www.afdb.org/en/topics-and-sectors/initiatives-partnerships/african-national-resources-centre](http://www.afdb.org/en/topics-and-sectors/initiatives-partnerships/african-national-resources-centre).



# The Australia Africa Partnership

## Strategy

If Australia is to benefit from the rising Africa's potential, there is a need for a clearly articulated Australian Foreign Policy strategy on Africa, a targeted effort to increase the number and effectiveness of private-public partnerships and an enhanced and consistent visible presence on the ground by the Australian government, focussed on building and maintaining long-term, mutually beneficial relationships.

## Trade is key

Trade and investment, and particularly investment driven by the resources sector, underpins the "Australia Africa" relationship.

Policy focusing on economic diplomacy and trade, and not merely aid, will position Australia as a key benefactor of Africa's economic potential and will demonstrate Australia's commitment to make a real difference to the socio-economic circumstances of millions of Africans.

## Presence

An increased visibility of the Australian Government and the Australian diplomatic footprint across Africa will demonstrate Australia's commitment to support and promote Australian business opportunities across the African continent.

Australia has a long history of engagement with Africa which has largely been driven by historical Commonwealth ties and the resources boom of the 1990's. In the mid 2000's the Australian Government recognised the importance of engaging in bilateral talks with a number of African countries.

Historically, Australia's diplomatic footprint has largely extended to Commonwealth, or Anglophone, African countries. The current Liberal Coalition government under Malcolm Turnbull's leadership has recently announced its intention to open a new Australian Embassy in Morocco.<sup>3</sup>

## Australian Investment and Trade

Recognition of Africa's enormous potential and significance to Australia is slowly increasing – an example is the 2014 Memorandum of Understanding (MoU) between the Western Australian State Government and COMESA (Common Market for Eastern and Southern Africa).

In the context of Australia's historical and contemporary engagement with Africa, this MoU highlights the responsiveness of the WA Government to the growing Australian investment in Africa. It also highlights the WA Government's recognition of Africa's importance to Australia's national interests.

Perth, Western Australia has hosted the Africa Down Under (ADU) Conference since 2003. The conference is the single largest Africa business forum held annually outside the African continent itself. The 2016 ADU conference saw over 800 delegates in attendance, including over 50 exhibitors and media representation from both Australia and Africa. Thirteen African delegations were represented. The 2016 ADU was the first time the conference was situated within a dedicated Australia-Africa Week, which is built around the nucleus of Africa Down Under conference and brings together a range of events – including the Australia-Africa Universities Network Forum, the Africa Oil, Energy and Gas Conference, and the Australia-Africa Technology and Infrastructure Conference.<sup>4</sup>

Australia-Africa Week is illustrative of the whole-of-government approach the Australian Government is increasingly taking to Australian engagement with Africa. It received support from the Department of Foreign Affairs and Trade's (DFAT) Advisory Group on Australia-Africa Relations (AAGAR).

A whole of Government approach to engaging Africa within the context of a comprehensive foreign policy strategy is imperative in moving forward.

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<sup>3</sup> Australia to open an Embassy in Morocco, 2016 [www.foreignminister.gov.au/releases/pages/2016/jb\\_mr\\_161116](http://www.foreignminister.gov.au/releases/pages/2016/jb_mr_161116).

<sup>4</sup> DFAT "Perth to host first Australia-Africa week during ADU conference [www.zimbabwe.embassy.gov.au/hare/hare-news](http://www.zimbabwe.embassy.gov.au/hare/hare-news).

## Government and Industry Engagement

Over the past decade the Australian Government has recognised the potential of the Australian mining industry's presence on the African continent. This led DFAT to suggest regular Government-industry discussions to facilitate a more active engagement on Africa and the formal incorporation of the Australia-Africa Minerals and Energy Group (AAMEG) in 2011.

In 2011 AAMEG made a submission to the Joint Standing Committee on Foreign Affairs, Defence and Trade, which reviewed Australia's relationship with the countries of Africa. AAMEG's submission outlined how the resources industry operating in Africa could help foster Australia's engagement with our western neighbour. In particular, the AAMEG submission made note of how mining companies are appropriately positioned to deliver social development assistance through public-private partnerships, as their projects can provide a commercial focus for the management of such programs.

The 2011 Inquiry endorsed the need for greater Australian Government collaboration with the private sector.

In parallel with this policy development, AAMEG has been actively engaged with the Australian Government to develop substantive linkages to facilitate the minerals and energy sector's role in pursuit of Australia's common objectives in Africa.

Another key achievement by the Australian Government is its ongoing commitment to education and training. During the 2014-15 period DFAT offered over 600 Australian Awards. The Australian Awards program enables the next generation of African leaders to acquire skills and knowledge in areas critical for Africa's development – public policy, extractives governance and agricultural productivity. The program also has a focus on enabling women's leadership and strategic management opportunities.

The growth of the diaspora communities across Australia is significant and seen as an important factor in growing positive relationships. According to the 2011 Australian Census of Population and Housing, approximately 338, 000 African-born people live in Australia.

# Trade Trends and Growth

Australian trade with Africa has increased significantly over the past 20 years. In 2012 the value of Australia's exports in goods and services to South Africa stood at \$1.9 billion. Imports were \$1.3 billion. Exports to other parts of Africa stood at \$2.6 billion in 2012. Imports from other parts of Africa increased substantially in 2012 to \$6.4 billion. This shows that, not only has Australian trade with Africa been growing, but over the past five years in particular Australia's interests have expanded beyond the South African market.

DFAT's 2014-2015 Annual Report recognises that African economies continued to perform steadily overall. [DFAT] supported commercial opportunities for Australia in extractives, infrastructure, agribusiness and education. However, peace and security challenges in parts of Africa continue to undermine stability and good governance.<sup>5</sup>

The report further highlights that Australia increasingly views itself as an Indian Ocean rim power and that Australia is committed to strengthening its bilateral and multilateral relationships with African countries.

In 2014, Australia's two-way trade in goods and services with Africa amounted to approximately \$10 billion, which is 'indicative of the potential of African economies'.<sup>6</sup> Overall, the growth of two-way trade between the two continents highlights that Africa is a key economic and development partner to Australia, as well home to many of the world's most vibrant markets. A long-term comprehensive engagement strategy is needed to establish credible and mutually beneficial partnerships with the countries of Africa.

## Australia's investment footprint

In an effort to obtain the most recent statistics of Australia's investment footprint in Africa, AAMEG has reviewed over 450 Australian companies who operate in or have substantial economic links with the 54 countries of Africa. Based on this review, it was established that at least 170 Australian resources companies are currently operating in Africa. Of these, approximately 150 are publicly listed, while the remainder are private. The vast majority of the public companies are listed on the ASX – of the 150, all but 8 are ASX-listed.

5 DFAT, Annual Report 2014-15 p 167

6 DFAT Annual Report 2014-15 p.71.



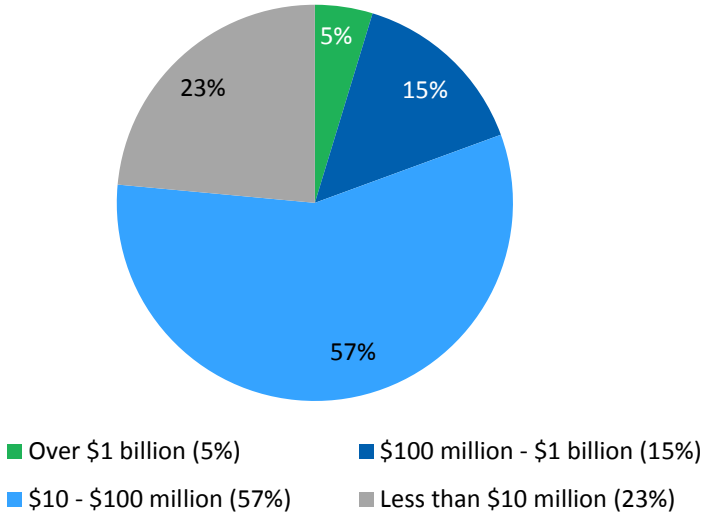
For the purposes of this review, an 'Australian company' has been defined as falling under one or more of the following criteria:

- A primary listing on the Australian Stock Exchange (ASX)
- Head office based in Australia with executive employees present
- Most of the company's revenue accruing to Australia or Australian shareholders

While the large majority of companies relevant to this review are listed on the ASX, the several exceptions that do exist. For example, Sarama Resources is based in Western Australia and is for all intents and purposes an 'Australian' company, but is listed on the Toronto Stock Exchange.

The total estimated market capitalisation of the 150 resources companies exceeds \$200 billion. As Table 1 shows, companies with a market capitalisation over \$100 million represent approximately 17% of the sector (25 companies), and make up 98.5% of total market capitalisation. Less than 10 companies have a market capitalisation over \$1 billion. Approximately 40 companies have a market capitalisation of less than \$10 million.

**Table 1 – Companies by market capitalisation<sup>7</sup>**



This research highlights the significant number of mid-cap and junior resource companies who have a dedicated focus on the African continent. 57% of the companies have a market capitalisation of between \$10 and \$100 million.

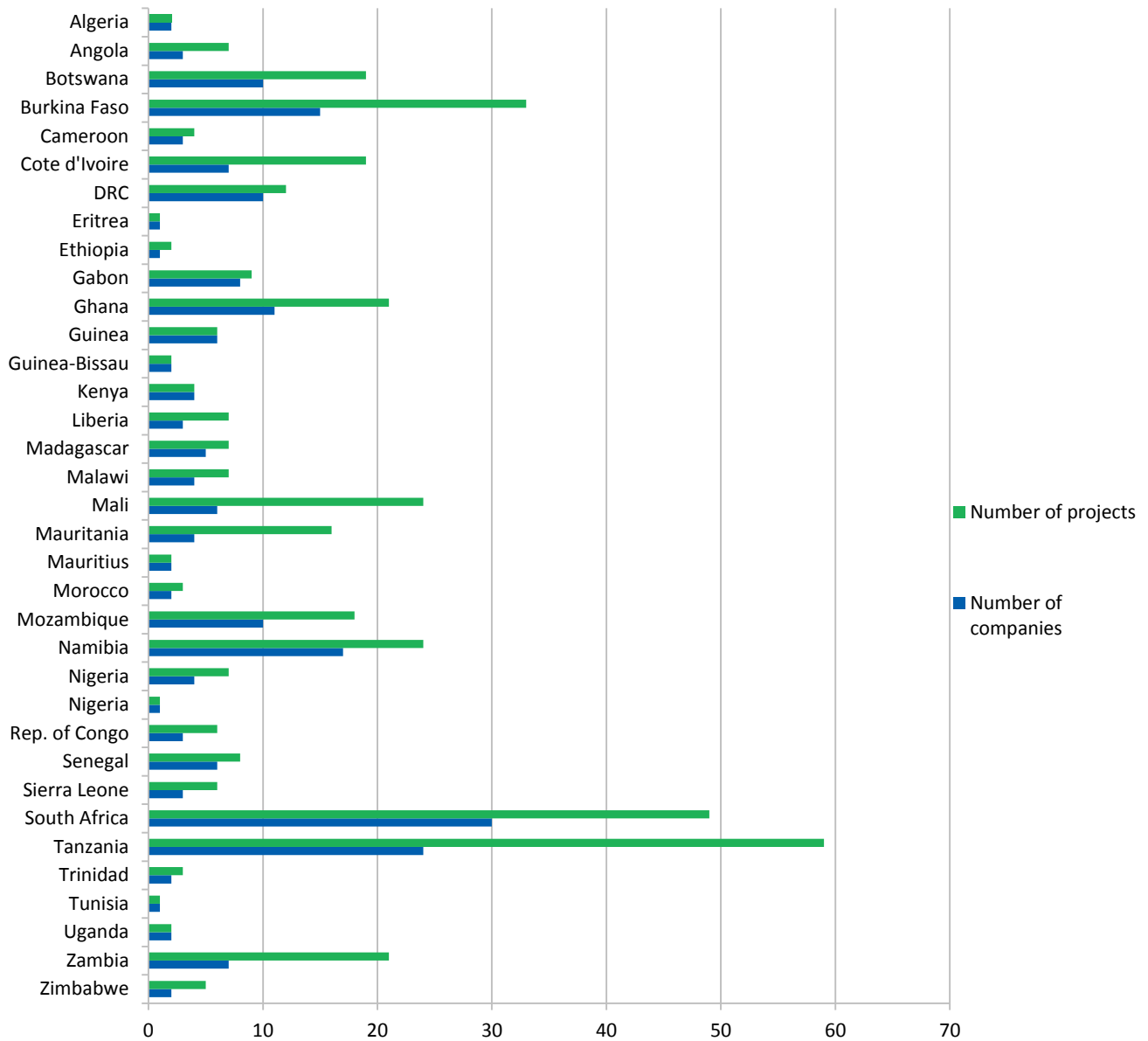
Australia's footprint across Africa has for the last decade been extensive, consistently operating on the ground in many of Africa's 54 countries. Traditionally Anglophone Africa has been the preferred destination of Australian investment; however, other regions in Africa, particularly West Africa, have seen increasing attention in the last several years. Currently, over 400 individual projects across 35 African countries are either Australian owned or operated.

<sup>7</sup> Source – AAMEG research.

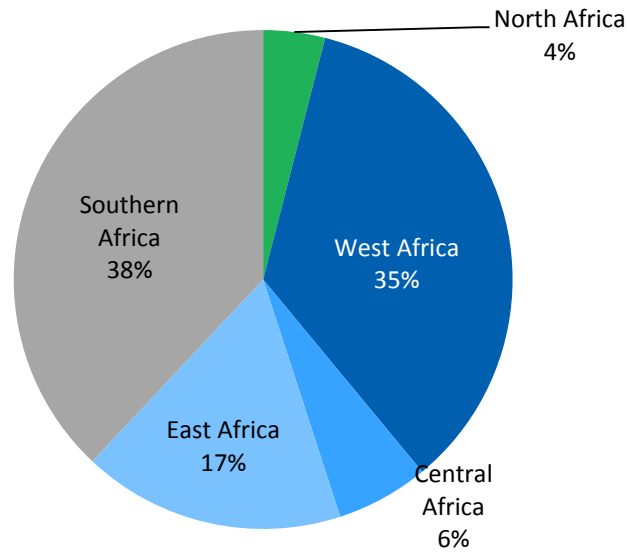


The ten countries with the most Australian projects are; Tanzania, South Africa, Burkina Faso, Mali, Namibia, Ghana, Zambia, Botswana, Cote d'Ivoire and Mozambique. The shift in focus by Australian companies to West Africa is clear from this list.

**Table 2 – Number of projects/companies by country**

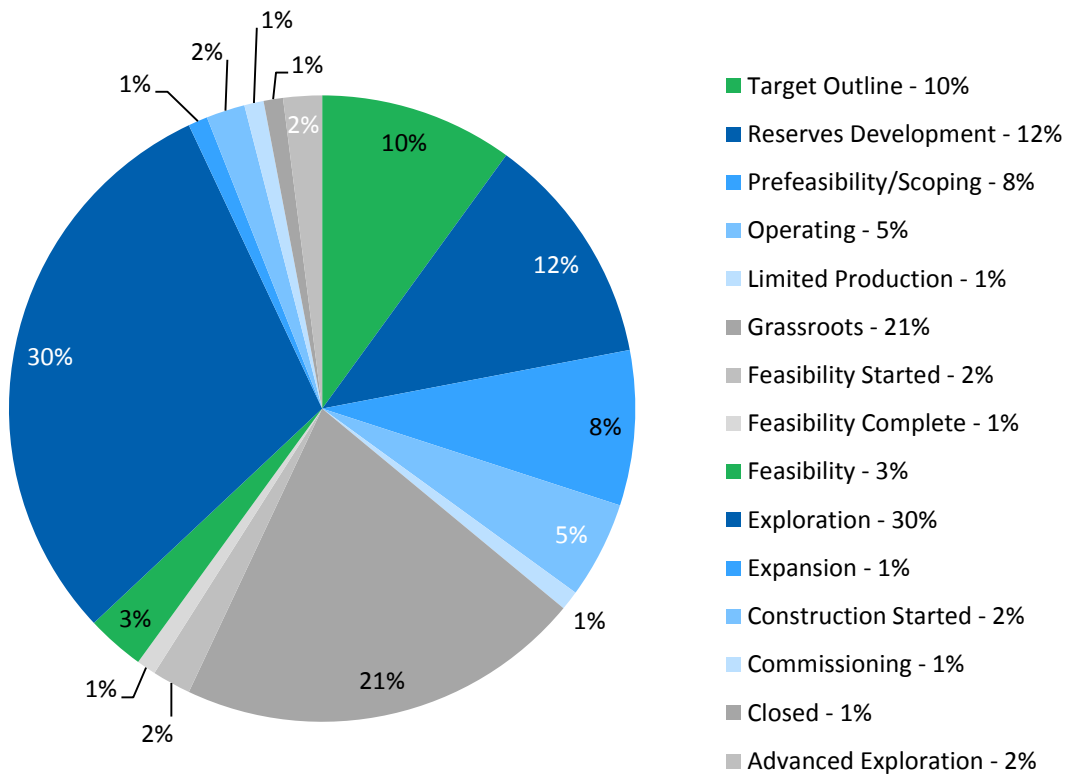


**Table 3 – Share of projects by region**



The majority of Australian projects are in the exploration or pre-exploration stages, with a smaller number of projects in production or near-production. Reflecting on Australian project data from 2013 conducted by SNL Metals & Mining, the share of projects into 2016 has remained heavily tilted towards exploration, despite a reduction in the overall number of projects. Operating projects comprise approximately 5% of all Australian projects in Africa. This demonstrates the enormous potential for growth available in the future.

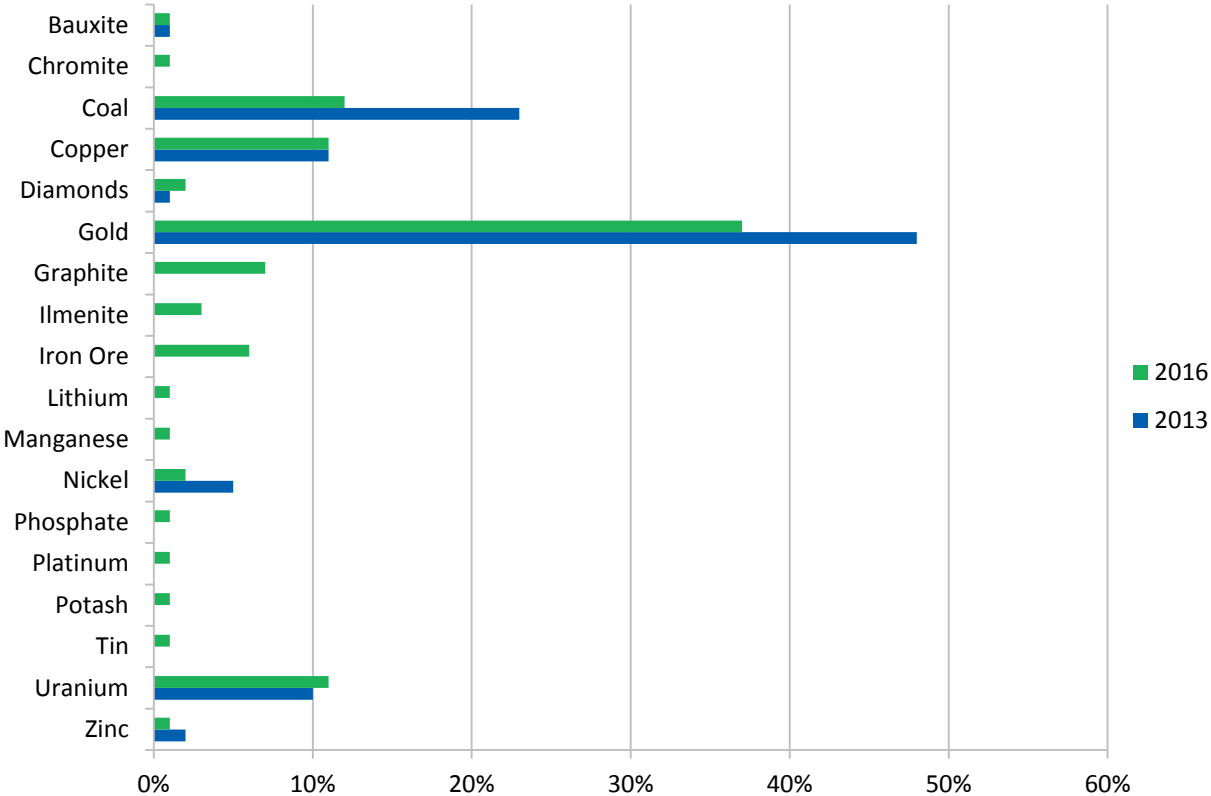
**Table 4 – Project Stages**





The Australian owned projects cover a wide range of development stages and commodities. Gold, coal, copper and uranium have traditionally been the minerals with the highest quantum of Australian companies, and while this remains the case, we can see a diversification in the minerals mined over recent years. Projects developing new world commodities such as graphite and lithium have become significantly more commonplace in 2016.

**Table 5 – Minerals mined by Australian companies 2013 & 2016**



## Conclusion and Next Steps

Australia has a far reaching footprint in Africa with trade increasing significantly over the past 20 years.

Australia is uniquely placed to benefit from Africa’s economic potential through its active involvement in the positive progress in supporting African governments to unlock the growth potential of this continent, while providing mutual benefit to African nations and their people through direct foreign investment, job creation and skills development.

The Australian resources industry is well-positioned to play a pivotal role in the development and economic growth of Africa’s natural resources.

AAMEG research has shown that over 170 Australian companies, with a combined market capitalisation of greater than \$200 billion have operating, development and exploration projects in Africa. This footprint has spread across the continent and, importantly, only 5% of the more than 400 projects are currently in operation. The potential for future growth is clear.

Establishing further detailed analysis of the economic impact and valued added both to African nations and Australia will be the key next step in this research. Gaining a deeper understanding of what has been invested, what is at stake and how much value has been created will support the further deepening of Australia’s engagement with Africa.

This is a significant document and begs the question of where to from here. AAMEG looks forward to close engagement between industry and Government in developing key outcomes to foster growth between Australia and Africa. Ongoing positive engagement with the African continent represents a real opportunity for both Australia and Africa.

**We would like to note the key contributions to the development of this document. In particular AAMEG wishes to thank:**

- **Berkay Erkan (Project Officer, AAMEG)**
- **Tinashe Jakwa (Masters Student University of Western Australia)**
- **Ben Gargett (Partner, PwC)**
- **Adel Van der Walt**
- **Trish O'Reilly (CEO, AAMEG)**

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