NG MINING

NEXT GENERATION MINING SUMMIT

The Takeaway

Analyst Partner Summary of the NG20 Discussion

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Topic of debate and delegates participating

The NGM 20 discussion on 1 March 2011 near Cape Town focused on the evolving mining regulations landscape in many African mining jurisdictions. The delegates comprised a distinguished group of representatives from major and junior mining companies, suppliers and service providers, mining industry associations and governments. Delegates were predominantly from South Africa, Zimbabwe, Ghana and Tanzania, but several delegates had experiences from operating in other African countries, too.

The evolution of African mining legislation and stakeholder implications

The discussion recognised that the mining industry had come out of the crisis very well and that Africa was receiving a lot of interest as a mining investment destination. The need for sustainable development and positive societal contributions from mining investment was widely acknowledged. This need is also underlined by the need for transformation in South Africa and similar indigenisation requirements in other African countries.

However it was also acknowledged that FDI is mobile and that investors 'vote with their feet' where to make investments. This is driven by the perceived risk/reward ratio. Any political uncertainty that casts doubt on the security of tenure of mineral rights scares investors away. Onerous requirements are also factored in and reduce the economic attractiveness of mining projects.

The balancing act of attracting the right level of investment while also meeting the societal expectations arising from this investment sits squarely with government. Mining regulations have evolved rapidly in Africa and in many jurisdictions, both the legal framework and the underlying intent are commendable. However, the capacity of the public sector to implement regulations correctly and efficiently is not always there. This can have severe implications for the pace of mining development through inconsistencies, red tape and perceived corruption.

Mining companies could also do more to meet the needs of their stakeholders in many cases. Their sustainability reports tend to present a rosy picture but the reality on the ground is sometimes less rosy. Environmental damages are severe in certain abandoned mine sites and local communities don't always prosper as much from proximity to the mining activity as hoped. Sometimes ghost towns are left behind when mining activity ceases without developing a sustainable economic basis for the life after mining. Some companies are more concerned with box-ticking towards compliance than driven by genuine concern for the well-being of the community and protection of the environment.

Availability of the right skills is a huge concern for mining companies anywhere in the world, and this concern is exacerbated in many African countries, where the educational system doesn't deliver the necessary skills. The onus of skills development increasingly falls on the private mining sector. Training requirements exist at all levels, from front-line operators to board members.

Societal expectations of benefits from mining activities have grown in boom times of the sector and so has the discontent with delivery in many instances. This can be exploited by populist politician and lead to radical policy shifts towards resource nationalism, or the threat thereof. The resulting capital flight leaves countries worse off than they were before.

A possible way forward towards sustainable development of Africa's mining sector

No economic gain is possible without adequately addressing societal needs for sustainable development, and transformation won't lead to lasting prosperity if investors are lost in the process. The path towards

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sustainable development of Africa's mining sector must hence start with mutual understanding and acknowledgement of the legitimate needs of stakeholders (investors, local communities, governments, labour etc.).

There is a need for greater openness and enhanced dialogue between the mining industry and its social partners, in order to align expectations and agree on a mutually beneficial development path for mining projects. Talkshops alone are insufficient though even if they lead to signed agreements. Collaborative action of stakeholders is often required to address challenges that are too big or complex for any single actor to deal with. Partnerships can lead to a truly symbiotic relationship between stakeholders. In the early stage of stakeholder collaboration, the primary focus needs to be on (re-)building trust between the parties; this is more complicated where a difficult relationship history has to be overcome.

Key enablers of sustainable mining development include education, infrastructure and institutional capacity to administer and support mining developments effectively. Economic linkages of the mining activity to adjacent sectors can create lasting economic development beyond the life of mine. Johannesburg with its diversified economic platform is an inspiring example of what can become of an old mining town. Mining companies can make major contributions to wider economic development by localising the sourcing of supplies and services and by investing in the development of their suppliers.

Mining companies as investors are not necessarily turned off by demanding laws and regulations. However, they do require assurance of security of tenure. Governments are hence well advised to stick to their agreements and resist the temptation of changing the rules of engagement if they don't want to see the flow of FDI and development slow or stop.

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