

POLICY DEVELOPMENT AND ITS  
EFFECTS ON MINERAL  
RESOURCE RICH COUNTRIES:  
FROM POTENTIAL TO  
ACTUALISATION OF RESOURCE  
BENEFITS



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# Introduction



- Policy development has either a positive or adverse effect on attracting Direct Foreign Investment
- This is very remarkable in the Minerals sector worldwide
- As such as geologists we should seek to influence the formulation of these policies in the minerals sector

# Aim of a good regulatory framework

- ∞ The ultimate aim is to facilitate the establishment of a vibrant mining sector which can attract substantial investment for research, exploration and exploitation of mineral resources.
- ∞ The objectives of the policy are, inter alia, to put in place a simple, stable, predictable, efficient and unified regulatory framework and mitigate the adverse social effects of environmental contamination and pollution.

# 2000-2012 Global survey



- ❧ An increase in exploration budgets have been observed
- ❧ The increase is affected by inflation, currency fluctuations, and effect of mineral policies on mining and exploration budgets.
- ❧ Investment from China has shown not be governed by these factors

Worldwide exploration budgets for nonfuel mineral commodities by region for 2012 (2,556 companies totaling US\$20.53 billion). Source: SNL Metals Economics Group.

|                   |    |        |
|-------------------|----|--------|
| Latin America     | 25 | 5.1325 |
| Africa            | 17 | 3.4901 |
| Canada            | 16 | 3.2848 |
| Rest of the world | 15 | 3.0795 |
| Australia         | 12 | 2.4636 |
| United States     | 8  | 1.6424 |
| Asia Pacific      | 7  | 1.4371 |

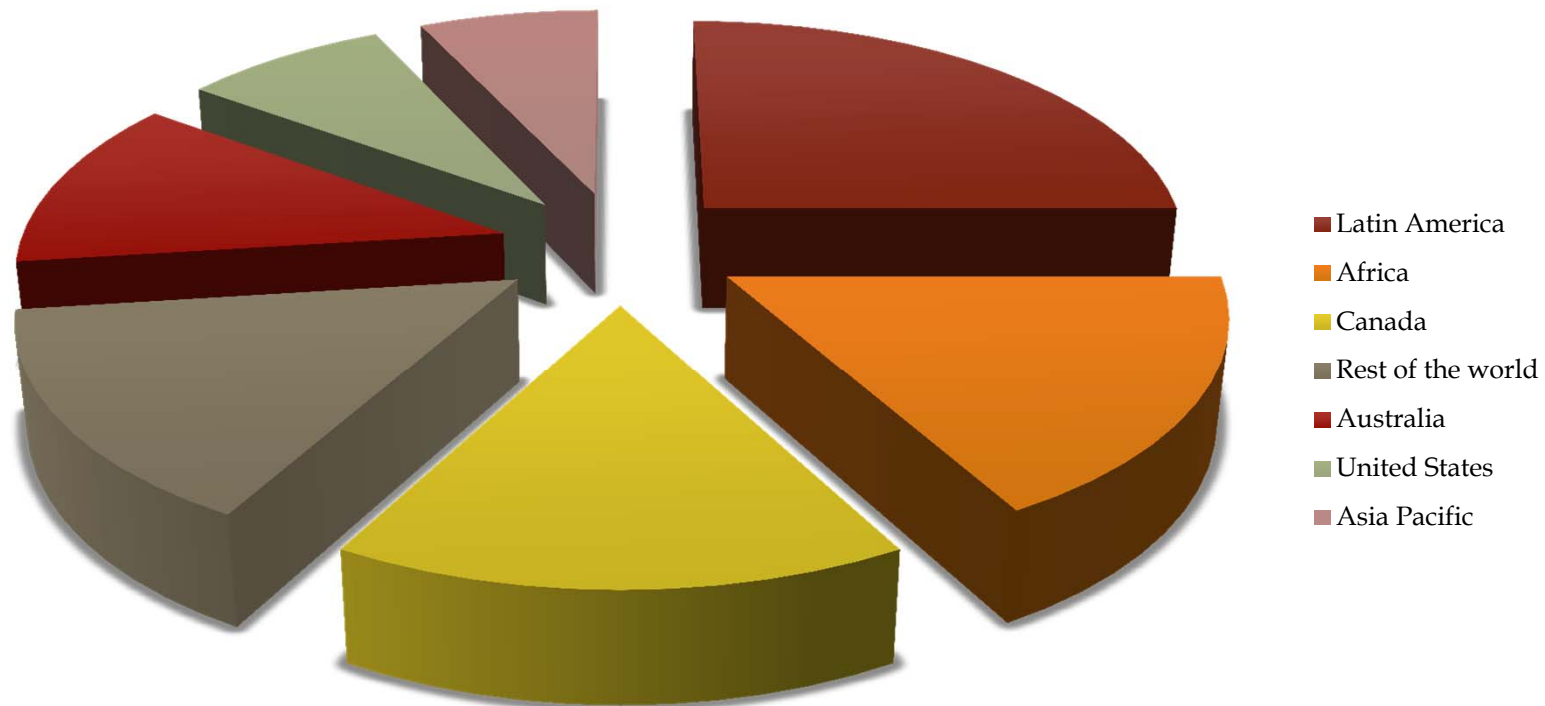
# Share among commodities (20.53 billion US \$)



- ☞ Gold (54%)
- ☞ Base metals (17%)
- ☞ Uranium (5%)
- ☞ Diamonds (2%)
- ☞ Coal, iron ore and other commodities (22%)



# This data excludes government funded exploration programmes



# Analysis of Budgets



- ❧ What do exploration companies look at?
- ❧ The Minerals Policy and investment climate
- ❧ The political stability
- ❧ The infrastructure of the country
- ❧ Availability of an educated and excellent work force

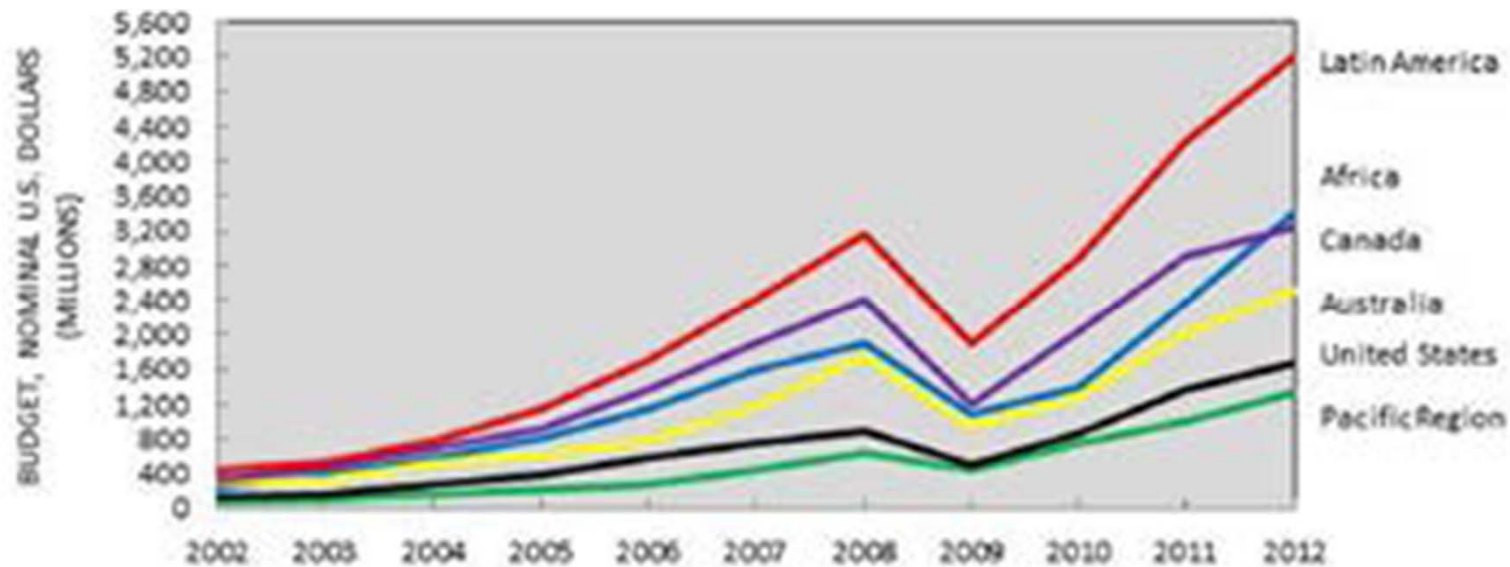


# What commodities are covered?

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- ❧ This presentation covers the following: Gold, Platinum, REEs, Phosphate, and Base Metals.
- ❧ These are taken as a good approximation for covering demand in metals and agricultural usage products and derivatives

# Source: Metals Economics Group



# The Minerals Policy and investment climate

- ⌘ Head of Africa mining and energy at law firm Webber Wentzel **Peter Leon** says the legislative framework for mining is a key factor that can potentially lead to a more equal South Africa in the future.
- ⌘ “South Africa needs a regulatory system that is objective and transparent, which imposes time limits on decision-making and doesn’t create uncertainty,” explains Leon.

❧ “The NDP dealt directly with [the] lack of regulatory certainty and predictability that has characterised the industry. I believe this is a strong message to government to fix the current minerals regulatory system. The NDP recognises weaknesses in the system, such as the infrastructure and energy constraints facing South Africa, which have a negative impact on the mining sector,” he states.

❧ He says that the NDP’s release six weeks after the ruling African National Congress’s (ANC’s) policy conference makes it clear that there is an obvious dissonance between the outcomes of the policy conference and the NDP.

❧ (source [www.polity.org.za/article/legislative](http://www.polity.org.za/article/legislative-framework) framework



# The political stability and certainty



Mining is a capital intensive business,  
with large capital outlays

Returns from exploration only commence  
after mining has commenced; and even  
that it takes some 4-6 years.

In light of the above, investors prefer to  
put their money where they are more or  
less certain that they will get some  
profits.

# The infrastructure of the country

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- ❧ The presence of a good infrastructure ensures the investor that there won't be major capital outlays to create new infrastructure for mining operations.
- ❧ It also ensures efficiency in the whole exploration to mining chain of events.



# Availability of an educated and excellent work force



- ∞ The presence of a a good and well eductated work force with a good work ethic is a positive factor to the investor.
- ∞ It reduces the need to recruit from elsewhere and go through the bureaucratic processes of obtaining work permits.

## Problems with Acts on the continent

- ❧ Even when the Act is good; the implementation is riddled with:
  - ❧ 1. Licensing delays- solution should be embedded within the Act, where by a response must be given to an applicant within a specified time.
  - ❧ 2. Back door discretion to certain “clients”.

# External Pressures



- ☞ Security of the supply of energy to the mining sector.
- ☞ Security of the supply of water to the mining sector
- ☞ Labour issues

# Examples



## ❧ 1. Angola

- ❧ Only 40% of the country is explored despite the country being rich in diamonds (Africa's second producer at 8 million carats in 2009-2010).
- ❧ Other known resources not developed are Iron ore; Mn, Cu, phosphate
- ❧ Problem: *The regulatory framework is not respected by the authorities*

## ❧ 2. South Africa

❧ Labour issues

❧ Regulatory delays in issuance of licences

❧ Uncertainty on policy evolution especially that of BEE and nationalisation.

SA is the world's largest producer of chrome, Mn, Pt, ilmenite, Pd, rutile and zirconium

## ∞ Botswana

∞ Has close to 77 projects running as exploration and mining ventures

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∞ Botswana has a fixed deadline in terms of time for the granting of licences, beyond which an applicant can appeal and get an answer.

∞ Policies are implemented quite well.

## ❧ Namibia

- ❧ About 87 projects are on going.
- ❧ Issues of the state participation in exploration in 2013 led to the withdrawal of some 26 companies
- ❧ New gold mine developed over 8 years
- ❧ New entrants are state related such as the Husab Project owned by the Chinese with Namibian government having a 10% stake.
- ❧ The issues were not quite clear as some EPL were targeted by the state Exploration company.



## ❧ Tanzania

- ❧ This country benefitted from the gold price and investment flowed with developments of the lake Victoria gold fields.
- ❧ 5 new projects going on
- ❧ The gas potential is yet to be developed.
- ❧ However political utterances of tax increases and nationalisation has caused some jitters among investors.

# Effects on African Economies

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- ❧ Despite Southern African countries having raked in billion of dollars in exploration and new mines (examples: Tanzania 6.8 billion US\$ in 2012; Botswana 3.5 billion;
- ❧ Namibia 7 billion;
- ❧ Zambia 15 billion;
- ❧ Angola 3.4 billion;
- ❧ Mozambique 3 billion on 62 projects

- ❧ The money could have been much much more if we were more transparent with our legal framework.
- ❧ South America, with only 1/3 a potential as Africa beats Africa on drawing investors.
- ❧ DRC has close to US\$24 trillion in untapped resources
- ❧ Issues of artisanal miners is still an issue

# Taxes



- ☞ Increase in mineral taxes in 2012 have affected several African countries, prominent among them are:
  - ☞ Burkina Faso
  - ☞ Ghana
  - ☞ Cote d'ivoire
  - ☞ Tanzania

# World wide

- ❧ Canada saw a decrease in investment in the Province of Ontario due to mining law changes- capital went instead to British Columbia and abroad.
- ❧ European countries affected by policy changes were Poland, Bulgaria (environmental)
- ❧ Junior companies continue to raise more money for exploration budgets across the globe up to 57% of the capital share in 2012.
- ❧ Australian and Canadian companies continue to lead the way in exploration; up to 650 Australian companies are operating on the continent.

# Conclusion

- ❧ If we tripple what each nation got; that would give us an idea of what big difference the countries in our region would have obtained.
- ❧ The sad reality is that:
  - ❧ 1. Several countries have very good legal framework, but is not implemented.
  - ❧ 2. some countries have poor legal instruments, that require amending to attract investment