

# Why trust between mining firms & host Governments is critical for success

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# Presentation Outline

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- What is Trust?
- Expectations of Governments & Mining Companies
- Structures to Promote Trust
- Trust And shared Value
- Consequence of Trust Deficit
- Outcomes of Mutual Trust for Governments
- Recommendations

# What is Trust?

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- Trusting someone **means** that you think they are reliable, you have confidence in them and you feel safe with them. **Business Relationship** thrives when parties decide to **trust** each other.
- **What can cause trust issues?**
- Betrayal in relationships can cause **trust issues**. Significant loss or *perceived injustice* by either party can cause strong feelings of mistrust towards the other.

# Examples: Statements portraying Mis-trust

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- “”We have reached out to the government for negotiations”  
(Srinivasan Venkatakrishnan CEO, Anglogold Ashanti in response to amendments to Tanzania law that infringes its Geita Mine Development Agreement)
- Ghana’s Vice President, Dr. Mahamudu Bawumia has disclosed that government will be tough on inspecting oil and gold resources exported out of the country. According to him, government is working on a regulation that will give some state agencies the power to check and inspect total production of oil and gold before it leaves the country. ...

# Expectations of Government

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- ***Contribute significantly to Sustainable Development***
  - *Fiscals, Social services and Environmental*
- ***Spawning of Businesses***
  - Offer support for the development of small & medium scale enterprises – *Localisation Initiatives*
    - One District, One Factory Policy – *Employment & Rural Development*

**Effect?**

**Value Diffusion within Economy**

# Expectations of Mining Companies

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- Predictability & Certainty in implementation of policies & regimes
- Achieve Risk Adjusted Return on Investments
- Appropriate infrastructure etc.
- Security & protection of investments;
  - Capital
  - Human Resource
- Harmonious Relationship with Government and co-existence with Host Communities

# Structures and Ways to Promote Trust

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- Constitution, Minerals Commission Act 450, Minerals & Mining Act, 2006 (Act 703), Internal Revenue Act 592 & Amendments
- Collaboration & Openness with State Agencies & Civil Society;
  - Ghana Revenue Authority, Minerals Commission, Inspectorate Division of MinCom, Environmental Protection Agency, ISODEC
    - EITI
    - Pre-Shipment Assaying of Dore (“--we are impressed with the collaboration between the Ghana Chamber of Mines and PMMC- (H.E the V.P of Ghana M. Bawumia)

# Optimum Shared Value & Growth Hinges on Mutual Trust

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Government offers Mineral Resources



Mining Enterprise



Mining companies bring investment & technology

Creating Value & Growth for stakeholders



Governments, Mining Companies,  
Employees, Contractors, Suppliers,  
Communities

**Fair Return for  
Everybody**

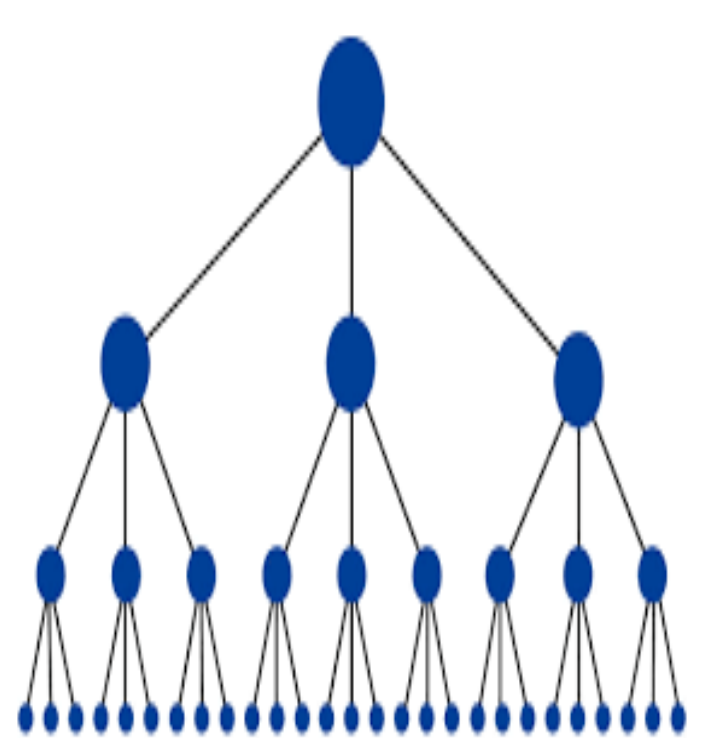


# Trust Facilitation

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- Government & Investors – Often, *Investors' highest level & first point of contact with the country*

- a. Determines success of relationship with sub-national levels of government and host community
- b. Ease entry into sub-national governments and host community



# Consequence of Trust Deficit

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‘Trust Deficit results in sub-optimal outcomes for the mining enterprise:



- Suspicious by government and consequent arbitrary change to rules of engagement
- Mining companies exhibit irresponsible mining practice

# Outcomes of Mutual Trust for Government

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- Significant Contribution to sustainable growth & development of national & community economies
  - Direct Contributor and Catalyst for development
    - ✦ Multiplier benefits on value creation, employment & livelihoods
    - ✦ Optimal Lateral, Forward and Backward Linkages
    - ✦ Corporate Social Investments projects (CSIs)

# Recommendations

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1. Mining companies and Host Countries should agree mutually beneficial contracts
  - IMF's FARI Tool may be a guide but consider cyclical nature of commodity prices
2. Host governments should provide stable certain and predictable framework.
3. Companies should collaborate and behave responsibly with the mutual interest of host country and company in view.



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**Thank  
You**