

Basic skills training program at Freeport-McMoRan's Tenke Fungurume operation



Courtesy of Freeport-McMoRan

# Towards a common goal

## Resource development critical to a new era in West Africa

By Alexandra Lopez-Pacheco

**A**frica is quickly becoming a hot spot for mining exploration and investment, and Canadian firms are at the forefront. In 2010, West Africa was a leading destination, with 107 TSX and TSX Venture Exchange mining companies operating in the region, as compared to 49 in Southern Africa and 39 in Central Africa, says Avril Cole, a lawyer in the private capital and mining groups of Macleod Dixon LLP's Toronto office. The number of Canadian companies operating in West Africa is growing by the day.

And it is no wonder. Sub-Saharan Africa is rich with untapped mineral resources, the development of which has been thwarted by the continent's troubled history of colonialism, civil war, poverty, corruption and despotism. In the past, many Western companies looked at the strife and challenges and turned away. But over the last decade, step by step, an overall wave of reforms, stability and hope has been advancing across Sub-Saharan

Africa. There is a long way to go, but increasingly, the opportunities are outweighing the challenges for many mining companies.

### A fresh perspective on investment

"Africa, in terms of mining, is the last virgin territory," says Michel Miron, senior policy advisor, Minerals and Metals Sector, Natural Resources Canada. "It's where most of the discoveries will be made in the world in the next 10 to 15 years."

Bruce Shapiro, president of MineAfrica, a business development and marketing company focused on mining investment in Africa, contends there is tremendous potential for Canadian mining companies and investors. "The opportunities in West Africa are dramatic. They have very good geology, a lot of governments are very friendly towards investors, and they have structured their environment to attract investors," he says.

## WEST AFRICA - CUMULATIVE CANADIAN MINING ASSETS

	2006	2007	2008	2009	2010
Mauritania	265,086,900	433,442,790	653,300,020	652,043,553	4,326,017,020
Ghana	1,054,521,483	904,083,852	1,225,353,403	1,103,969,320	1,547,166,761
Burkina Faso	329,868,787	695,768,092	870,393,876	1,135,673,057	1,413,016,017
Senegal	15,047,878	19,899,393	37,723,060	53,224,418	403,180,387
Guinea	445,517,818	289,914,068	361,716,428	320,234,066	244,003,787
Mali	188,884,777	237,624,669	292,165,551	228,802,272	229,596,581
Niger	76,772,097	82,898,262	123,882,158	107,633,536	119,656,621
Liberia	23,662,592	29,641,445	44,207,745	44,809,011	51,799,654
Ivory Coast	23,411,488	21,705,587	25,429,279	26,158,185	41,121,182
Sierra Leone	40,017,239	22,740,383	30,688,845	16,429,970	10,362,511
Benin	0	0	71,854	0	0
Guinea-Bissau	0	0	0	0	0

Source: NRCan, Minerals and Metals Sector

\* Assets are calculated at acquisition, construction or fabricating costs, and include capitalized exploration and development costs, non-controlling interests, and exclude liquid assets, cumulative depreciation, and write-off. The figures reflect the holdings of companies that are listed on Canadian exchanges domiciled in, and with assets in Canada.

The reality is, Canadian mining companies have been active for some time throughout Africa, with most focused on gold and a few on uranium in Niger, Namibia and South

Africa, base metals in Zambia, the Democratic Republic of Congo, Eritrea, Mauritania and Madagascar, as well as diamonds in Lesotho, Botswana, South Africa, Namibia and Angola, says Miron.

In 2002, the federal government changed its methodology for evaluating foreign investment by publicly held Canadian companies to more accurately reflect where the assets were located. As a result, the extent of Canadian mining companies' stake in Africa became much clearer, revealing \$23 billion in investments. That number, says Miron, was far greater than had been estimated in the past and has implications for foreign policy decisions.

## Confronting the elephant

One of the challenges that has long kept foreign investors wary of investing in West Africa has been its political instability and poor governance. "Across the region there has been a trend towards democratic reform and openness to external investment," says Cole, citing the modest example of Sierra Leone, which has been steadily climbing up the World Bank's ease of doing business rankings. Between 2010 and 2011, it climbed by five points to 143rd of 183 countries. Ghana ranked 67th. By comparison, China ranked 79th, Chile 43rd and South Africa 34th.

"At a national level, West African countries are instituting mining policies that reflect a paradigm shift in the role of government from owner or operator of mining projects to regulator or administrator," says Cole. "Increasingly, the private sector – especially international mining companies – is taking the lead in developing the region's mineral resources. To this end, in Ghana, Liberia, Burkina Faso, Mali and, more recently, Guinea, there has been a trend towards improved legal, fiscal and regulatory frameworks, designed to attract foreign direct investment into the mining sector;

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effectively managing both the positive and negative aspects of mining; and ensuring that the mining sector contributes meaningfully to sustainable development. Sierra Leone, for example, introduced a more investor-friendly Mines and Minerals Act last year, which is an important step in transforming the mineral sector in that country," says Cole. Glenn Mullan, the president and CEO of Golden Valley Mines Ltd., which has projects both in Canada and in Sierra Leone, says that "one of the main challenges is the bureaucracy; things take longer than in Canada, but the articles and spirit of the existing legislation are good tools."

In the last few years progress has been made. The government of Sierra Leone, with the support of the World Bank, has improved the business climate, halving the number of steps and time required to register a business and dramatically reducing the cost.

As well, Cole points out, there is a trend across Sub-Saharan Africa towards the harmonization of mining codes and policies on a regional basis. "One of the problems that has plagued West Africa, in particular, is the lack of uniformity in the way business is done, and that has presented a hurdle in the way of attracting foreign investment," she says. "The Economic Community of West African States (ECOWAS), which is a regional organization of 15 countries, is working towards establishing a unified mining code for the sub-region." In fact, in 2009, ECOWAS issued a directive to do just that. The directive calls for a common mining policy to be implemented concurrently with the unified mining code by the end of 2012. Member states will have until July 1, 2014 to comply with the directive. "When implemented, the directive will result in a more stable and transparent mining legal environment across the sub-region," Cole adds.

Despite all this, political risk remains a significant challenge for mining companies in West Africa – although it varies greatly from country to country. UK-based West African gold mining company Cluff Gold PLC, for example, has operations in Burkina Faso, Sierra Leone and Ivory Coast. "Burkina Faso is a very good environment to work in, from an operational perspective, as well as for its political environment and regulatory regime," says Carrie Lun, investor relations manager for Cluff Gold. "It's very established and there is a good source of personnel, so that's been very successful for us. Over in Sierra Leone, the government has been very supportive, and it is clear from working with them that they are strongly committed to developing the country."

On the other hand, the company recently had to halt its operations in Ivory Coast due to the country's political crisis. "We had to temporarily stop operations partly because of lack of access to fuel and supplies, but the boiling point was when the banks had to close and we weren't able to do international transfers into the country," says Lun. The developments in Ivory Coast, says Cole, "have led to the

Cluff Gold expects to produce 70,000 ounces of gold in 2011 at its Kalsaka Mine in Burkina Faso.



Courtesy of Cluff Gold

suspension of a number of mining operations there, and the ongoing civil strife has the potential to destabilize the entire region."

With a number of presidential and parliamentary elections scheduled for this year in such countries as Niger, Nigeria, Gambia, Liberia, Benin, Cameroon, Chad and Mauritania, there is a concern about further instability. Mining companies, however, can mitigate the risks through such measures as political risk insurance, says Patricia Bentolila,

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chief representative, Africa, Export Development Canada (EDC), which offers the product to Canadian companies.

Mullan suggests that a little more knowledge of the region might also change perceptions. "Canadian investors place more risk in the value proposition than do Europeans — particularly UK investors, given Sierra Leone is a former British colony," he says.

## Aligning aims

While the minefield of political conflict is difficult to negotiate, there are plenty of opportunities for mining firms to be proactive in reducing their exposure to risk when attempting to establish operations in the region. "The fundamental way to mitigate that risk is to get the social licence to operate by engaging all stakeholders, especially the local communities," says Shapiro. "If you have the population around you on your side, the odds of having external problems are reduced significantly."

In many instances, the needs of the mining companies and the communities that host them are complementary. Canadian miner IAMGOLD, which operates a new mine in Burkina Faso and has a joint venture in Mali, is addressing the challenge of skills shortages by investing in training. "We're working to build skills for future employees and for the future of the industrial development in the country, bolstering the technical schools," says Ross Gallinger, the company's senior vice-president, health, safety and sustainability. "Typically, what we find in developing countries is a lack of pipe fitters, welders, electricians, heavy-duty mechanics, or just mechanics in general. So we're looking at our needs, and the country's needs, to build up the skills for self-sustainability beyond the life of our mines."

In Burkina Faso, Cluff Gold is doing much the same with a mechanic training program. The company hires some of the graduates and the rest join the much-needed skilled labour pool across the country.

"With good CSR practices — and by engaging not just the elders in a community, but also the youth — mining companies are investing for the long term, not just of the country but also theirs," says Radcliffe Dockery, president and CEO, HigherEye Training & Consulting. "If a 16-year-old today sees that the mining company has been a part of his life and it has helped make a positive difference, when that youth turns 30 years old and is elected into government, and there's talk about nationalization, he will remember what that mining company did and reject nationalization."

Over in the Democratic Republic of Congo (DRC), one of the most challenging countries on the continent in which to operate, U.S.-based Freeport-McMoRan Copper & Gold Inc. has put considerable effort into its community engagement at its Tenke Fungurume mining operation that went into production in 2009. "We believe that our investment in the region will help to provide stability," says William Cobb, vice-president, environmental services & sustainable development for Freeport-McMoRan. "We are committed to operating this project in a way that benefits the local community and the nation as a whole, promotes good

governance, respects local culture and human rights, minimizes disruption to the existing ecosystem and supports the evolution of the country towards sound mineral development. Our investment in infrastructure, human resources and community development programs is an essential part of our business. We aim to work in partnership with the local community, government and non-governmental organizations to ensure long-term community capacity building. The concept of integrated support aligned with community needs is the basis for our community investment decisions. Our social development programs in the DRC have focused on increasing access to schools and health facilities, as well as working with local partners, to strengthen their capacity to provide services to the community. We also support economic development initiatives, such as micro-credit and agricultural improvement programs to support economic development in addition to our mining operations," Cobb explains.

Cole says that, typically, Western public mining companies operating in West Africa are voluntarily compliant with an array of global and domestic corporate social responsibility "best practice" initiatives, including PDAC's E3 Plus initiative, the UN Global Compact, World Bank Group Guidelines and the Equator Principles. In the near future, it is likely that many will be looking to the recently released United Nations Guiding Principles for Business and Human Rights (the John Ruggie Principles) as well, which will raise the bar globally by providing the first authoritative global standard for preventing and addressing the risk of adverse human rights impacts linked to business activity.

## The industrial backbone

The lack of infrastructure to various degrees throughout the region – and lack of government resources to build and maintain it – remains a major challenge. "In the region, there are lots of little things we take for granted in Canada that must first be addressed before embarking on advanced work," says Mullan of Golden Valley. "The bridges need to be repaired, a village has no water, there is no electricity."

However, across the region there is a sense of urgency to develop transportation and power facilities. "There are plans for lots of new infrastructure in Liberia and Guinea," says Paulo De Sa, manager, oil, gas and mining unit, The World Bank. "Liberia has just commissioned a reconditioning of a railroad. There's now construction in Sierra Leone. All of this is in relation to big iron ore developments."

For all challenges and investments, most Western companies in Africa are very aware that they have the opportunity to build far more than profits and business success. "I am a great believer that mining is the single industry that has the opportunity to bring Africa forward," says Shapiro, "provided it is done responsibly and well." **CIM**



Meaningful engagement with stakeholders, such as with these villagers affected by the construction of IAMGOLD's Essakane Mine, is one of the guiding principles for business and human rights.

## A new standard for corporate responsibility

The UN Guiding Principles for Business and Human Rights, published in March, are intended to help both governments and enterprises avoid human rights abuses connected to business activity. They lay out a framework based on: the duty of the state to protect human rights; the responsibility of corporations to respect human rights; and the need for victims of business-related abuses to have greater access to remedy.

The following are adapted from the document that the UN Human Rights Council will consider for endorsement in June.

### Corporate responsibility

According to the Guiding Principles, enterprises should:

- avoid causing or contributing to adverse human rights impacts through their own activities and address such activities when they occur; and
- seek to prevent or mitigate adverse human rights impacts that are directly linked to their operations, products or services by their business relationships, even if they have not contributed to those impacts.

### Corporate policy

Enterprises should create a robust human rights program that is approved by senior management and publicly available, that outlines expectations for personnel and partners and that is embedded in operational practice. Human rights due diligence is essential to such a program and would include a process to assess actual and potential human rights impacts and would evolve with the operation. Outside involvement from both external experts and relevant stakeholders is a critical component of due diligence. A response to adverse human rights impacts should be integrated into operations; the effectiveness of that response should be monitored and draw on appropriate outside expertise; and the results should be communicated both inside the company and externally. If remediation is required, enterprises should cooperate.

For the complete document, visit [ohchr.org](http://ohchr.org), and enter "business and human rights" in the search field.