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## Key Issues Affecting Mining Projects In Africa

Angola, as with its neighbouring countries, is endowed with a wealth of natural resources. The petrochemical industry provides around 90% of total exports, 40% of GDP and 80% of government revenue. However in an effort to diversify away from reliance on oil, mining has been widely tipped as the greatest potential for economic growth.

Angola is already the third largest producer of diamonds in Africa and historically exported iron ore mined in Malanje, Bié, Huambo, and Huíla provinces. However due to problems with security and transportation during the civil war and a slump in the world steel market in the 1980s Angola's iron ore exportations had all but ceased. The government is exploring partnerships and feasibility studies to resume projects in a manner that will not threaten the areas' biodiversity and is also seeking to exploit deposits of other minerals such as manganese, copper, gold, phosphates, granite, marble, uranium, quartz, lead, zinc, wolfram, tin, fluorite, sulphur, feldspar, kaolin, mica, asphalt, gypsum, and talc.

Lucy Hall, an associate in the Mining group at global law firm Mayer Brown shares her experience of what we can learn from mining projects already established amongst Angola's neighbours.

### Key Issues Affecting Mining Projects in Africa



Mining projects across Africa often face similar challenges throughout their lifecycles from the planning phase, during the operation phase and up to mine closure. This article will explore some key issues for mining projects in Africa and will suggest ways in which they can be overcome.

#### Human Resource Management

Intra-community tension over a mining company's recruitment strategy, rivalry and perceived favouritism of one community over the other can result in unease and instability for a mining project.

In order to combat this issue, it is essential to ensure that the staffing of a mining project is adequately balanced. It should consist of a mixture of employees from overseas as well as from the country in which the mining project is being developed. Recruiting from a diverse range of communities in relatively equal proportions is one strategy that may ease any intra-community tension. This is particularly important in areas where there are limited employment opportunities.

Sufficient training is essential in order to ensure that local communities are given the opportunity to perform the roles that are required on a mining project. Educating and providing skills to individuals within local communities, including sponsorship initiatives for higher education courses, will also create a positive impact within such communities in the long term. For example, in South Africa, Lonmin plc focused on a skills development program for local suppliers, and as a result 305 contracts were awarded to local businesses, creating approximately 330 jobs.

#### Crisis management

Civil disruption and violence can often break out during periods of political turmoil, such as elections, as was the case during the presidential elections in the Ivory Coast in November 2010 between Laurent Gbagbo and Alassane Ouattara. The dispute surrounding the election results triggered civil unrest in 2010 and 2011 which resulted in the suspension of operations at various mining projects throughout the country.

Mining companies need to plan ahead in order to have a clear exit strategy for their employees. It is essential to identify threats and constantly be aware of potential risks.

The policies should be updated frequently to ensure a smooth operation when a crisis occurs. Testing of such policies is a useful way to ensure that policies are sufficiently rigorous and can prepare employees for such events. The exit strategy should be communicated regularly to all employees so that swift co-operation can be secured, should civil unrest occur.

#### Theft

Theft of metal is increasingly costing mining companies significant amounts of money as well as causing disruption. Metal is often illegally removed at mining projects from sites such as railway lines to sell.

Whilst it may be difficult to constantly monitor several hundred kilometres of track, engaging with the communities at the outset of the mining project and providing opportunities for them to be involved in the mining project will assist with limiting such financial losses.

In order to monitor and reduce this risk, mining companies could use the radio to reach out to several communities along vast areas of land. Radio programmes can be used to engage with communities by hosting question and answer sessions, updating them on the progress of the mining project and constantly informing them about the positive contributions the mining project is having on them. This will help to create an environment of mutual respect and openness and will hopefully discourage such theft.

#### Security

Employees feeling unsafe at home and at the workplace can create a difficult and fraught environment.

Surveillance and adequate security at a mining project in order to protect both its employees and its assets is a key requirement.

Care should be taken to ensure that residential areas are secured with rigorously trained local security guards. Reassurance to employee residents that security operations are effective is essential.

Equally, monitoring security and surveillance at the mine is key. Some mines in Africa have been taken over by militia or rebel groups. For example, the Bisie mine in the eastern part of the Democratic Republic of Congo, which is one of the country's largest tin ore mines, was illegally occupied by the Congolese army for over five years until the army withdrew in March this year. The occupation has led to appalling suffering of the local population as well as destabilising the mining project.

By implementing security plans at an early stage, mining projects can ensure that local security guards offer protection for employees and assets and that key staff have sufficient security in place.

#### Conclusion

In conclusion, despite the numerous obstacles that mining companies face in Africa, they can be overcome by advance planning, organisation and the provision of education and training. Understanding and engaging with local communities is of paramount importance. By developing a clear strategy at the outset of a mining project and obtaining community support, many of the above issues can be prevented or minimised.

Lucy Hall is an associate in the Mining group at global law firm Mayer Brown.

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EDITOR'S PICKS


#### Government tighten foreign exchange laws

Travellers to Angola soon come to understand that the country operates on two currencies the US dollar and the Angolan Kwanza. Restrictions on moving Kwanza out of the county are draconian and cross border transactions are therefore, more often than not enacted in foreign exchange. The reliance, for the time being, on the petrochemical [...]



#### A foreign exchange revolution for the oil sector

Law firm Tauil & Chequer's Goncalo Falcão explains what the Foreign Exchange Regime law means for the Angolan oil sector Earlier this year the Government of Angola passed Law 2/12 (January 13), setting a new Foreign Exchange Regime ("FER") for the Angolan oil sector. As further explained below, this new FER introduces new requirements on [...]



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Jorge Pereira Ramos, Managing Director of Espírito Santo Investment Bank explains what the new FX laws will mean for the Angolan Financial services industry. Angolan banks have benefited from a decade-long oil boom (Angola is the 2nd largest African crude producer, after Nigeria) that supported an accelerated growth (the 5th worldwide, during 2000-10, at an [...])

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