

Transparent, equitable and optimal exploitation of mineral resources: The  
Role of the Chambers of Mines.

By  
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The Director of Ceremonies  
Honourable Ministers  
Senior Government Officials  
Captains of industry  
My fellow MIASA member representatives  
Executives of the Chamber of Mines of Zambia  
Esteemed Participants  
Ladies and Gentlemen  
All protocol observed

I am deeply honoured for this opportunity to speak at this prestigious event on behalf the Chambers of Mines in SADC, under the umbrella of the Mining Industry Association of Southern Africa (MIASA). And for me personally, this is very special being back home. I am most grateful to the organizers for the invitation.

By way of introduction, please allow me to say a few words about MIASA. MIASA is a lobbying and advocacy organization of the private sector mining industries in the SADC region. In other words, MIASA is an Association of the Chambers of Mines in the SADC region. MIASA has 7 members, namely:

- 1) The Botswana Chamber of Mines,
- 2) The Chamber of Mines of the Democratic Republic of Congo,
- 3) The Chamber of Mines of Namibia,
- 4) The Chamber of Mines of South Africa,
- 5) The Tanzania Chamber of Mines and Energy,
- 6) The Chamber of Mines of Zambia, and
- 7) The Chamber of Mines of Zimbabwe.

As you are all aware, the mining industry is the backbone of the economies of SADC countries mentioned above, contributing significantly to GDP, foreign exchange earnings and employment, both directly and indirectly. I was asked to address the topic: “The Role of the Chambers of Mines in the Transparent, Equitable and Optimal Exploitation of Mineral Resources.”

### **Mineral Resources vested in the State**

In doing so, the starting point is an acknowledgement that all legislations in SADC countries state that mineral resources belong to the citizens, and mineral rights are vested in the State for the benefits of the citizens. Private sector companies are granted the rights to exploit these minerals on specific terms of benefits to Government while also realizing returns to shareholders on their investments. Mining is a capital intensive business that involves high risks especially during exploration, and prices obtained at international commodity markets are beyond our influence. The industry is a price taker, with no choices at all. Mining is characterized by booms and bursts with its cyclical nature of commodity prices. In boom times, we see governments calling for more benefits from the exploitation of mineral resources. This is a natural call as mineral resources belong to the peoples of the respective SADC countries and also very much in line with the respective legislations. MIASA fully appreciates this position. The question however, is what should be the best means or policies to archive optimum benefits from the mining industry, to grow the economies, create jobs, eradicate poverty, and improve the lives of millions while stimulating the private sector as the engine of growth?

It is these issues that prompt governments to seek various ways for increased benefits from minerals resources, often calling for increased taxes, royalties and for greater participation in mining beyond revised taxes and royalties. We have seen the creation of new state owned mining companies in recent years in several SADC countries and introduction of policies aimed at increasing state participation in mining. In one case, we have seen some stakeholders calling for nationalisation of mines.

### **Role of the Chambers of Mines**

Now what is the role of the Chambers of Mines in all this? Although by their very definition, the Chambers of Mines are there to protect and promote the interests of their members, their roles have evolved to work closely with governments as major stakeholders to address major common challenges such as job creation and poverty alleviation. More jobs can only be created by increased private sector investments in exploration, mining and associated mineral beneficiation. As we all know, this requires governments to create conducive investment climates to attract the required capital, both local and foreign. The Chambers of Mines have a role to play in attracting FDIs. Foreign investors want to know if there is a private sector representative body that can speak with one voice to government and other stakeholders. This is a question that I personally encounter at mining investment conferences all over the World. A “yes” tick to this question adds positively to the competitiveness of a country as an attractive destination for FDIs. This is the reason why governments should work together with Chambers of Mines in investment promotional campaigns. In other words, the Chambers of Mines are also ambassadors in attracting investors.

Director of Ceremonies,

For one to fully appreciate the role of the Chambers of Mines, one has to look at the entire basket of challenges. Mistrust tops the list. Deep rooted mistrust between governments and mining industry needs to be addressed. Governments are often suspicious and concerned whether all our members are paying all the taxes due to state coffers, or whether companies are evading taxes through transfer pricing and other vices. Mining often stands accused of not doing enough on mineral beneficiation, to the extent that the expectation is that mining companies should also become manufactures of finished goods.

Other accusations include:

- not doing enough to communities around mining activities, no tangible benefits to such communities,
- not investing enough in skills development and just poaching, even from government departments,

- Not employing women in management positions and generally importing skills that can be found locally,
- not empowering citizens with lucrative tenders,
- Not doing enough to address health and safety matters. This concern is exacerbated when we have challenges with mine health and safety, particularly fatal mine accidents.
- Not doing enough to mitigate negative impacts on the environment, disappearing into thin air at mine closure and leaving environmental liabilities to governments.

Director of Ceremonies,

As the saying goes, there are always two sides to a coin. Our members concerns are mainly in the area of policy and regulatory uncertainties, skills shortages, safety, security of power supply, water supply in dry countries like Namibia, and infrastructure challenges.

### **Policy & Regulatory uncertainties**

Policy pronouncements without research into implications and with potential of unintended consequences are a major cause to investor uncertainties. In many cases, the intentions have merits but it is the way they are announced, without prior consultations with industry and without enough details, resulting in wild speculations and backlash. The immediate impact is often seen at stock exchanges which are a major source of private sector funding to most Chamber members. Raising of high risk exploration capital is jeopardized, and mining is not sustainable without continuous investments into exploration. Many of our members are listed or dual listed on stock exchanges.

The stability of policy and regulatory framework is another prerequisite to investor confidence. Shifting goal posts with regular changes to mining legislations is a deterrent. Investors want to see a stable legislation environment. As a matter of fact, the name of the game is ***predictability***. Investors may also work in environments that may be perceived to have unfavourable policy and regulatory frameworks as long as they are stable and predictable.

Director of Ceremonies, although setting of policy and regulatory framework is a sovereign mandate of Governments, the Chambers of Mines have a critical role to play in shaping the final outcomes. Chamber members are well placed to assist governments with the much needed analytical skills to new policy proposals, to analyze the implications and *constructively* provide alternatives. This is so because the overall objectives are well understood. The problem is that there are many routes that can lead to Rome, and some routes can be so treacherous that one may never reach the final destination. The message here is that consultations with Chambers of Mines are critical in identifying the best policy alternatives to achieve national development goals which are fully supported by the private sector. For example, it is not in the interest of Chamber members to have high unemployment rates as this is a time bomb for all.

The benefits of mining through skills developments, empowerment of local entrepreneurs and support to community developments are in many cases not well communicated to stakeholders. The industry has mainly relied on obvious tangible benefits to be seen and appreciated. The establishments of cities such as Johannesburg or the immerging second copperbelt in Northwestern province of Zambia are few examples worth noting. I am of the view that the mining industry does not beat the drums loud enough on many positive aspects. The Chambers of Mines have a role to promote the positive aspects of mining and also equally address the negative perceptions and challenges. This function is within their constitutional mandates.

### **Value addition/Mineral beneficiation**

We all agree that value addition to our minerals provides an opportunity for increased benefits from the mineral endowment. Value addition or mineral beneficiation is a subject close to the hearts of Governments. However, it is stunning to note that we all have different interpretations of value addition and worse still; the question of “*who is supposed to do what*” may not yield the same answer. We can only move forward on this critical issue when we have the same common understanding. This would enable governments and Chamber members to direct their energies in the right direction.

Chambers of Mines have a role to engage governments and other stakeholders on possibilities of value addition within the ambit of the mining industry and to provide advice on what activities belong to the manufacturing sector.

**Accountability**

Director of Ceremonies, the issue of transparent exploitation of mineral resources hinges on governance and accountability by both the governments and Chamber members. The role of the Chamber of Mines is to ensure that their members abide by the respective Chamber Constitutions which amongst others, stipulate that their members shall abide by the laws of the respective Countries. There are provisions for non-compliance. In the case of Namibia for example, non-compliance can result in the expulsion of a member from the Chamber of Mines. No member can afford this harsh punitive action. The share price may suffer irreparable damage and a bruised corporate image is the last thing any Chamber member may want to have in a globalized economy. In the case of Namibia, we have managed to amend the listing requirements of the Namibia Stock exchange to include proof of membership to the Chamber of Mines.

While there are other accountability tools such as Audits or a country joining the Extractive Industry Transparency Initiative, industry's own willingness for disclosure is the most powerful tool for transparency. This removes the general perception of governments and even the public, that mines may not be paying enough taxes or even evading taxes altogether. Sometimes our members are accused of contributing to corruption in Government departments. In the case of the Chamber of Mines of Namibia, we disclose all taxes paid by individual members in the Chamber Annual Reports for the public to see. We have nothing to hide. So far, these figures have never been challenged by Government.

The fundamental trust is eroded if transparency and accountability is not in place. The role of the Chamber is to cultivate and promote these values amongst the members who in many cases are equally concerned that should one member be found wanting, the rest of the members may be painted with the same brush. In other words, there is also peer pressure amongst Chamber members for good corporate governance and accountability. This may not be attained if Chambers of Mines were not in existence.

**Conclusion & way forward**

In conclusion and mapping the way forward, I submit that the mining industry can play an even bigger role in our economies if we can address the challenges I have discussed above. The magic word here is dialogue!

Through dialogue we can remove suspicions and build the much needed trust between governments and Chamber members. The spirit of Public-Private-Partnership (PPP) would remain a pipe dream in the absence of dialogue. We all agree that job creation and the fight against poverty cannot be left to governments alone. Chamber members have an equally critical role to play in growing the industry, in growing the “cake”. With new investments come new jobs and rest of economic benefits. I am pleased to note that a new trend has emerged within MIASA, whereby Chambers of Mines are engaging governments and other stakeholders through constructive dialogue.

In this light, the Chamber of Mines of Namibia has successfully held a Mining Expo and Mining Conference every year in May in the last 3 years. The Chamber of Mines of South Africa, in partnership with the National Union of Mineworkers, and the Department of Mineral Resources, successfully organized the first Mining Lekgotla or Mining Indaba two weeks ago in Johannesburg. I attended the event and was impressed with the level of frank discussions on all critical issues amongst the leaderships of Captains of Industry, organized labour and the Minister of Mineral Resources and her team.

And right here in this venue, the second Zambia International Mining & Energy Conference is unfolding in a spectacular fashion. To have such a conference being officiated at the highest level of government is a clear indication of the commitment by the Zambian Government to the dialogue with the mining industry of Zambia. The Chamber of Mines of Zambia should be proud of this achievement and seize the opportunity to build and cement relationships.

I thank you.