ROLE OF INFRASTRUCTURE FOR MINING IN AFRICA; Mining is not only about engineering

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by

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Introduction

It gives me great pleasure honour to address this noble occasion.

However, I am not here to try and educate you on your profession and business, something you know and understand too well. Instead, I am here to sensitise you on the growing need to take deeper cognisance of the environment within which you operate. It is an environment that many private sector leaders should start giving a new perspective towards, as opposed to the traditional. Both commercial and policy conditions are changing.

This is particularly so, for African business leaders and miners.

We have just come back from the UN Special SG's Summit on climate change and the 2014 Private Sector Forum, in New York, on the 23rd of September. Here, private business, from across the world, made profound pledges and commitments, inspired by a duty to do **sustainable business,** under the auspices of the UNGC. Most of the beliefs that drove business, have influenced the post 2015 Agenda, which places Africa at its centre. Also, at its centre is infrastructure.

The world has sat up to listen. Expectations have been raised. People gathered here today, need to appreciate that this is a challenge that we cannot go back on.

This is a very important context for this gathering.

What are the imperatives?

Unfortunately, often operators in the private sector seem to think that the responsibility for policy is entirely that of government. That is no longer the case. As business leaders, you are now accountable for your environment, your fate and that of the companies you run. As you take accolades - those of us who do - for the sterling results you record, you should also be ready to take responsibility for the failures that arise – both within and without your operations.

I am here to plead for a new **consciousness –** in this sector in particular. A Consciousness that mining is not only about engineering. It is about people - what they bring to the production process, what they need and get from the process, where they come from and where they go to after mining. It is about communities that mining interacts with, relationships with states, neighbours and the world.

This consciousness will require a significant shift in psyche.

That means, as we think about the subject of today, infrastructure and mining, we need to think about it in three distinct periods. Before the investment is made, during the investment and post the investment.

Rarely do we think about the last period. Not dealing with this period objectively, often delivers hollow and destitute societies – who had their livelihoods highly dependent on mining - leaving governments to pick up the pieces.

What it also means is that, as miners, we have no choice but to think and operate long term. If we do not, as has been observed in certain investments, sustainability of our operations will not be secured.

Necessarily, therefore, mining cannot only be about holes in the ground and a source of manmade earthquakes, as we have witnessed in our part of the world, recently.

It is a sector that sits at the heart of the livelihoods of many African societies and families. Directly and indirectly. It is a sector that has defined the civilizations of many nations and not only mere developments but the industrialisation of many economies. It has triggered and spurred the development and deepening of many financial markets.

It is a sector that has linked nations across the world, but has also sparked wars and originated many atrocities. It has put capital in direct conflict with societies, their livelihoods and traditions - all of which have led to unfortunate yet avoidable social strife.

The name of Ken Saro-Wiwa is a painful part of our history. The notion of blood diamonds is not academic. The sound of Marikana remains a delicate and deeply painful impression of this sector.

The deep poverty and inequality associated with mineral originating societies is incomprehensible and clearly unsustainable.

Many of these are a function of inadequate and inappropriate investing by the mining sector.

Whatever the rights or wrongs - together we need to account for this history and together we need to change our futures.

We are all too familiar with the economic principle of economic growth being merely a “necessary but not sufficient condition” for our improved livelihoods. The equitable distribution of this wealth is a missing yet essential part of this equation. Today, the biggest threat to social stability and a key risk to our development - is inequality. This is not only a macro/national concern, it is also a sectoral concern, which is magnified in the mining sector, given the far reaching linkages of mining in our economies and societies.

So, it cannot be just about engineering. Mining shapes our lives. In turn, it is shaped by how societies and policy makers in particular, respond – in recognition of its importance. So the link between this sector and infrastructure, needs to be understood within this context.

Why is all this important? It is important to remind us that there is a bigger picture we should concern ourselves with. Our role and impact extends way beyond mining and over long periods of time. It should remind us that we cannot be inward looking and short-termist in optimising the objective of today.

This is a responsible balance, consistent with sustainability – a crucial consideration for the continental economy.

Role of infrastructure

Now I can turn to what I have been paid to say.

There are two perspectives for considering infrastructure and mining. The one perspective, is that of mining as a consumer of infrastructure. The other is mining as a supplier of infrastructure. Each, raises its own unique policy considerations. None is more important than the other.

In any economy that is driven by mining, this will show in the distribution of services supplied. Typically, mining will be a significant consumer of power, water, transport infrastructure (both rail and road), and financial sector services.

In many cases, mining investments take place in remote areas. Areas where agglomeration does not obtain. As a consequence, mining activities typically require a significant level of investments in infrastructure before the actual mining takes place. It is for this reason that minerals are usually regarded as a catalyst for development, in as far as it can agitate for the basic infrastructure to be built.

More importantly, these interventions have been key in opening up previously isolated areas. All of a sudden, from what was a desolate community, a vibrant economy comes alive.

Typically, mines have to be self-contained. They invest in road networks, rail systems and to some extent harbours. This is with respect to the need to take product to market. However, they also have to invest in input infrastructure, such as water, power, housing for staff as well as schools and health facilities. These are significant contributions to an economy's capital formation.

If you are a classicalist, you may conclude that, in this context, private sector is taking on the responsibilities of the state. Modern thinking concludes differently.

Mines are also notable contributors to the labour market, economic linkages, the fiscus as well as trade generation.

This latter factor is important because processing is often undertaken off-site. In our context, it is not only off-site, it is outside of our economies and beyond our continent. Given trade considerations, transport infrastructure is key. But this is the kind of infrastructure said to impoverish Africa, by encouraging raw materials to be exported to other parts of the world.

The argument is that low or the absence of beneficiation, deprives originating societies of better economic multipliers. This is an area that needs deeper and more strategic continental consideration, to better position mining in our economies. This, by investing in infrastructure that enables value enhancing, within and around the localities of mines.

It is clear, from this interdependency that without infrastructure the success of mining will be significantly constrained. In turn, the way we invest in this infrastructure influences the functioning, productivity and efficiency of our economies.

Whose responsibility is it?

The question that the industry increasingly needs to ask itself is, whose responsibility is it to provide this necessary input – namely, infrastructure? Is it government or is it private sector?

There is a growing debate unfolding in South Africa today, on this very question – occasioned by the adoption of the country's first NDP. Whilst the question may seem complex, increasingly there is growing consensus that it is both. There is a compelling commercial case for the private investor to take on this responsibility and lead.

Sometimes, waiting for the state may be value destructive. This is because the timing and quality of infrastructure delivery may not match the expectations, plans and investment timing of the private sector.

If infrastructure is that important for the livelihood of an investment and directly affects the bottom line, it is sub-optimal to rely entirely on government, where this delivery is uncertain.

Whilst we have seen the Chinese taking this lead, not every mining investor has the resources to match. Neither are we guaranteed that these investments in infrastructure have indeed taken account of all the three stages we have spoken about earlier. In particular, they being of sufficiently good quality to sustain societies beyond the life of the mine.

Ironically, the quality and life of these investments, has recently been a subject of deep debate in a few countries across the continent.

It gets back to the relationship with the state, where either the government provides infrastructure or incentivises the private sector to undertake this critical intervention. Where neither happens, many mining operations have suffered destructive infrastructure constraints - mainly power, transport and water.

In many African economies, power is the single most important constraint. This, we have always acknowledged, as a continent. Recently it has been identified as the single most important hurdle to Africa's further and sustained growth. But seemingly, the operative word being seemingly, the recent notable impetus to deal with power limitations on the continent has been brought about by the "Power Africa initiative" by President Barack Obama. We do hope that this prioritisation, from wherever it originates, should provide a basis for more focused leadership and ownership of this initiative from amongst African leaders – both political and business.

This, in its own right, raises yet another challenge identified by investors in the sector and emphasised in a recent study on Zimbabwe (Paul Jourdan et al.) – and that is 'policy uncertainty' and 'political will'. These are significant twin-risks for all investors, not only those in mining and not only in Zimbabwe.

Add to this, is an observation that the greater part of the continent is constrained by underdeveloped financial markets, which make the funding of large operations a bit more challenging than in other parts of the world. It also makes the price of capital that much dearer.

These matters cannot be taken lightly, as they are critical in improving the productivity and competitiveness of our economies. They are important to help crowd-in private capital. If managed properly, this should increase the potential for job creation and poverty reduction - the two most challenging social imbalances in our economies.

Conclusion

In conclusion, whilst we acknowledge the underlying importance of infrastructure to mining, it cannot be the responsibility of government alone to deliver. If it is important for the bottom line, the private sector should also see a role for itself to play – an increasing role for that matter.

Where private sector gets involved, it should do so in a responsible and equitable manner, if we are to see going concerns, over extended periods of time. Decisions cannot be driven only by commercial considerations, to the detriment of staff and communities.

We have a moral obligation to be long term, inclusive and sustainable – in all our actions. As a long term player, we cannot seek to maximise profits at all costs. We cannot afford to be short termist.

We owe it ourselves to be responsible partners in the realisation of the Post-2015 dream.

I thank you.