

Policy certainty is key to mining investment

By  Danette Breitenbach

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The recent changes in leadership in Angola, South Africa, Botswana, and Zimbabwe bode well for investment, and junior miners need to take advantage of the new status quo.



Mike Teke, CEO, Seriti Resources. Photo: Wynand van der Merwe

What is also encouraging in this scenario is that people who understand the industry have been put into key positions, such as Gwede Mantashe's appointment as mining minister. "It says the region is taking mining seriously," said Mike Teke, CEO, Seriti Resources.

However, despite these changes, without good policy and regulation that create certainty in the mining sectors, investment will be slow to follow.

Policy uncertainty were a major topic at the recent Junior Indaba. In a panel discussion on how recent political and regulatory changes in various Africa countries are affecting junior miners, Sacha Backes, senior investment officer, mining investment division, International Finance Corporation said policy changes one day do not lead to investment the next. "It takes time for investment to happen. It takes years to rebuild the confidence of investors."

Using South Africa as an example, he says the dramatic change of leadership has helped the country, but key decisions in policy still need to be made.

Policy uncertainty

Otsile Matlou, chief operating officer, ENSafrica added that, "South Africa has had a static and uncertain regulatory environment for a decade. In a country where mining is pivotal this has destroyed the investor sector."

Balancing the competing interests of government and investors leads to an enabling environment, said Matlou, while the opposite is true. "In addition, good regulations/policy facilitate development, bad regulations/policy does not."

The Democratic Republic of Congo (DRC), Tanzania, Zimbabwe and South Africa all have specific issues, but policy uncertainty is a common denominator. The DRC and Tanzania, for example, are both overregulating, Matlou said.

Backes believes the jury is not out on the two countries. "There is still concern about investing there, and this can be seen in the DRC, where, while investment continues, it is below what it should be."

Turning to Zimbabwe, Matlou said if we listen to what is coming out of that country there is a glimmer of hope. "However, this needs to be followed up very quickly by policies/regulations if that glimmer is to be turned into a tangible reality."

Backes said that decisions to revitalise that country's industry and some policy changes have not lead to a massive influx of big mining companies. "There is the risk that Zimbabwe attracts short-term investment as a result."

Investors have choice. "If they are not happy with a country, they will not put their money there. Keep in mind the continent is massive and has ample opportunities for investment. Currently, West Africa is very popular and after getting its regulatory environment stable, even a country like Guinea has become attractive to investors. After years of policy uncertainty in that country, today it boasts half a dozen projects worth 100s of millions of dollars," he said

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