

THE IMPACT OF PERCEPTION ON THE DEVELOPMENT OF THE WEST AFRICAN MINING INDUSTRY

**An enquiry on the impact of local West
African versus external risk perception on
the risk mitigation & CSR policy making**

Perception matters

- Common external perception of West Africa's mining industry :

"Still untapped resources, great potential opportunities but great uncertainty, instability and associated risk"

- Directly impacts market trust which dictates the investment decision
- Regional trust is negatively impacted by both older & persistent perceptions and newer opinions

The Misleading Impact of the « Perception Gap »

Whilst there is growing awareness and recognition of the impact of the « Western » perception over investment and project decision making in WA, there is a lack of understanding of local risk perception and its impact:

- How do WA mining stakeholders' perceive risk associated to further industry development?
- How is their local perception different to that of external actors?
- How does the perception gap impact the adequacy of risk mitigation and CSR policies in place?
- What are the consequences for further industry development?

Poor questioning of the local perception and risk mitigation tools mainly conceived out of WA and locally implemented may not allow to see the full picture: further industry development is so far expected from outside of WA whilst it could be internally driven

Good momentum to look differently at mining & WA

Global contextual imperatives

- A severe project selection on the backdrop of increasingly difficult access to finances and greater pressure to cut costs
- An incentive to go geographically further and on riskier markets for rewarding projects
- Growing industry awareness of the “innovation imperative”: challenging ways of thinking by revisiting long standing practices and processes (Ex: Deloitte 2014 tracking trends report)

Specific WA dynamics

- Perceived rise of global threats (ex: extremism, Ebola, etc.)
- Simultaneous acknowledgment of high growth prospects

Own legitimacy & intervention context

Self presentation: « informed mining industry observer »

- Living & working in WA since 2009
- Core skill is Business & Competitive Intelligence
- Derived Business Development services
- Executive Coach

A joint initiative with BRVM

- Thinking process initiated in 2013 : finding local ways to unlock WA mining exploration
- “If external actors hesitate taking the risk, WA locals could take it”
- Identify a starting point, create synergies & launch a pilot project with BRVM

- Pragmatic approach: the added value is the focus on the perception of WA local actors'. No scientific or exhaustive ambition
- Market intelligence method: identification of key categories of local stakeholders directly and indirectly involved in mining, discreet & confidential enquiries
- Systematic questioning: identified risks and challenges to the mining industry, proposed solutions
- Comparative approach: compare the locally declared risk perception to that of external actors

“Risk Perception Enquiry” Methodology

KEY RISKS

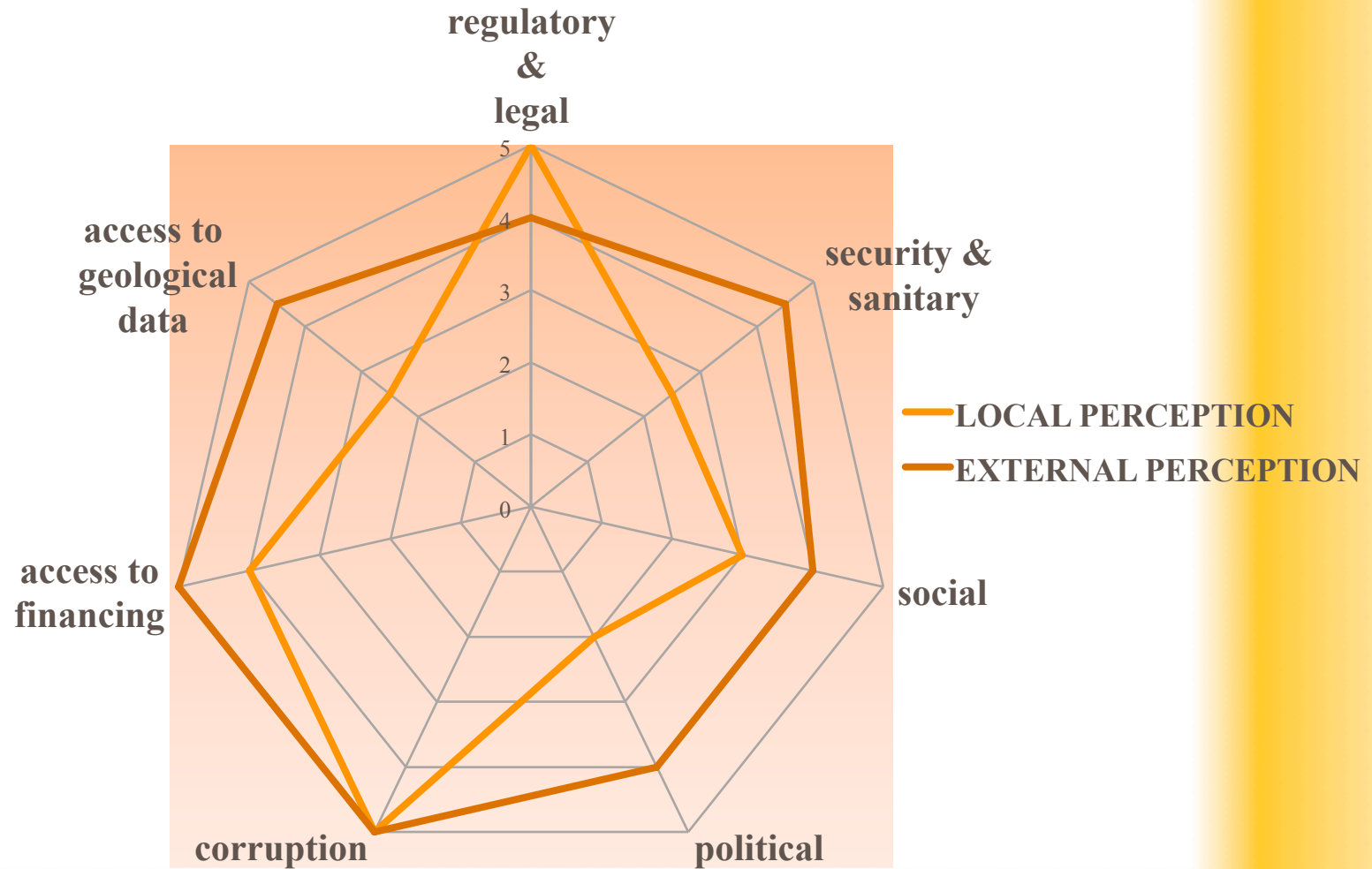
- **Regulatory & Legal**
- **Corruption & Compliance**
- **Access to Finances**
- **Social**
- **Security & Sanitary**

MARGINAL RISKS

- **Political**
- **Access to geological Data**
- **Environmental**

Local ranking of the perceived risks

Risk Perception Gap



- **What is the local perception of the identified risk?**
- **Is there a Gap with the external perception of the same risk dimension?**
 - **Is the Gap Narrowing or Widening?**
 - **How does it impact the effectiveness of risk mitigation tools & policies in place?**
 - **What are the current Openings & Potential Solutions?**

Methodology per identified risk dimension

Regulatory & Legal Risk

- Greatest perceived risk by the private sector. Officials are aware but often lack the knowledge to enact adequate legislation. Mutual mistrust and poor communication prevails between private and institutional actors
- Apparent paradox: local actors have a comparatively higher perception of regulatory risk. Externals are negatively impacted by perceived resources nationalism but only indirectly exposed
- Potentially widening gap which creates corporate misunderstandings (local offices v. headquarters) & prevents the emergence of policies aiming at raising local awareness
- Relative lack of mining history in most of WA leaves room for greater private-public awareness enhancing initiatives. Chambers of Mines, etc. can play an educational role, establish communication and bridge the existing trust gap.

- Perceived remaining high levels of corruption at all business levels. This prevails among actors directly managing the risk: mine managers, local advisers & power brokers
- Locals & externals rank corruption equally high but react differently. Externally conceived compliance frameworks are increasingly stringent and diminish the effective room of manoeuvre of private local actors in a change resistant environment
- Zero tolerance regulatory frameworks complicate & increase the costs of compliance on the ground. This has little positive impact on the local business environment and a high negative impact on the perceived attractiveness of WA
- Openings include: increasing preventive due diligence measures, rendering existing compliance frameworks meaningful and enhancing communication to raise institutional awareness about the impact of the current vision

Corruption & Non Compliance

- Poor access to finances is seen as a major obstacle by local operators. They complain about the lack of incentives from local banks and funds, and the absence of structured ways to collect and access local savings
- Locals have a comparatively higher risk perception combined with frustration. They have less/no financing alternatives currently in place whilst deeply believing that resources exist but are not trying to be mobilized
- Less junior mining companies can finance WA exploration & there's few joint "North-South" reflections on finding mutually beneficial and workable financing solutions. This can further prevent unlocking WA mining exploration or can encourage local actors to develop own solutions.
- Potential Solutions include supporting a wider role for the local WA stock exchange. There are local exploration actors looking for financing, there are local available funds and competencies. BRVM can offer financing solutions in local currency for WA projects.

Access to Finance

- Corporate & institutional stakeholders are increasingly aware of the importance of local communities and of the growing complexity of stakeholder relationships. Operators observe that “CSR is more than what you need to do to get your ESIA”. They realize the need to improve the identification & understanding of local stakeholders for developing inclusive and sustainable engagement strategies
- Local perception comes closer to the external but CSR policies remain externally designed. Local still lack methodology and skills to grasp and mitigate social risk
- Good momentum to rethink more inclusive CSR policies with higher local inputs
- Private-public “bridge” structures (chambers of mines) can create a wider framework : stakeholder mapping engagement strategies can be more cost-effective if jointly conducted and shared by operators with close geographic scope, objectives, etc.

Social Risk

- General local awareness about the global nature of security & sanitary risk remains low. It is mainly sensed by those who need to deal with it directly (mine managers, security providers, etc.). The rise of extremism and the recent Ebola threat act as incentives for raising local awareness
- Remaining wide gap with the external perception. Risk policies are conceived remotely with little local content
- Impacts the adequacy of risk management tools in place. Policy is often disconnected from realities on the ground. It is based on anticipative scenarios challenged by the volatile and ever changing nature of security threats & Black Swan events and on a prevailing physical security perspective. CSR is rarely used a security prevention mechanism on the ground
- Current external challenges provide incentives to increase local content within security and sanitary risk management, develop synergies with CSR, and improve the local relationships

Security & Sanitary Risk

Political Risk

- Generally undermined as the result of a fundamentally different structure of interpretation. Instability and cyclical violence are internalized as part of common reality: “we can’t predict it all, but we will get over political turmoil”
- Local actors’ are comparatively less fragile and more reactive to contextual volatility. Whilst local perception is directly impacted by reality and shifts very quickly, external one is subject to processed information and is more resistant to change. A time gap occurs in spite of ever faster circulation of the information
- This rises the persistency of external perception beyond local change. It fosters local frustration and creates a risk for inadequate decisions. The gap may widen on the backdrop of expected higher regional political volatility in 2015
- Incentive to revise the political risk component of mitigation policies through enhanced communication with local counterparts and higher integration of their inputs

Access to quality geological data

- Directly involved actors perceive the lack of quality geological data as an impediment to further sector growth whilst the majority of local stakeholders lack awareness
- Access to geological accurate and updated data is still not a priority on the local mines ministries agendas. This is slowly shifting on the backdrop of international partners' involvement and higher interaction between the industry and politicians
- Whilst this doesn't prevent specific projects from developing, it impedes a major positive shift in regional exploration
- The current industry incentive to go further for rewarding projects can support local WA authorities in finding the energy and capacities to map their resources, update and complete the current available data

Findings I

- A growing mistrust gap at the local level between regulators and private sector actors on the backdrop of poor knowledge & experience of the mining industry
- Increasingly non tolerant & stringent regulatory frameworks make it more complicated and compliance costly to operate in WA. At a time of scarce resources and drastic project selection it acts as an external investment disincentive
- Difficult context for junior mining companies to finance WA exploration. Local WA actors realize that they need to develop own solutions, raise and mobilize local savings through existing platforms such as the regional stock exchange. This is increasingly seen as the way forward to unlock exploration
- Increasing awareness of the importance of social aspects & local communities; they can support or jeopardize further exploration. Enhancing the understanding of local stakeholders at the early stages of a project is key for successful engagement and quality relationship building. Need to rethink CSR with local inputs

Findings II

- The lack of local content at the conception stages of risk management policies (security, CSR, political, compliance risk, etc.) penalizes their adequacy to realities on the ground. Instead of supporting mining actors to take measured risk and informed decisions policies are seen as rigid obstacles to action. They become counterproductive
- A large part of the perception gap resides in the acceptance of volatility as part of normality. Local players are comparatively more responsive and fit to change. If Western counterparts become less resistant to change it should enhance their capacity to seize opportunities in imperfect environments
- Enquiries among local actors reveal a shift in risk ownership. In the new paradigm WA is ready to explore own ways with Western support & unlock its mining potential

BRVM can act as a catalyst for WA mining exploration through:

- Offering a secure financial platform to raise local funds & private savings and hence complementary funding in local currency for junior mining companies
- Providing a neutral & non political framework to rethink and act upon the adequacy of risk management tools to reality
- Giving a structured setting for dialogue to operators and governments and a real chance to overcome mutual mistrust in a safe space
- Creating a regional incentive to raise global market awareness about mining

Start bridging the gap through a locally driven, inclusive & sustainable initiative