

AFRICAN MINING: POLITICAL RISK OUTLOOK FOR 2017

10th Annual Investing in African Mining

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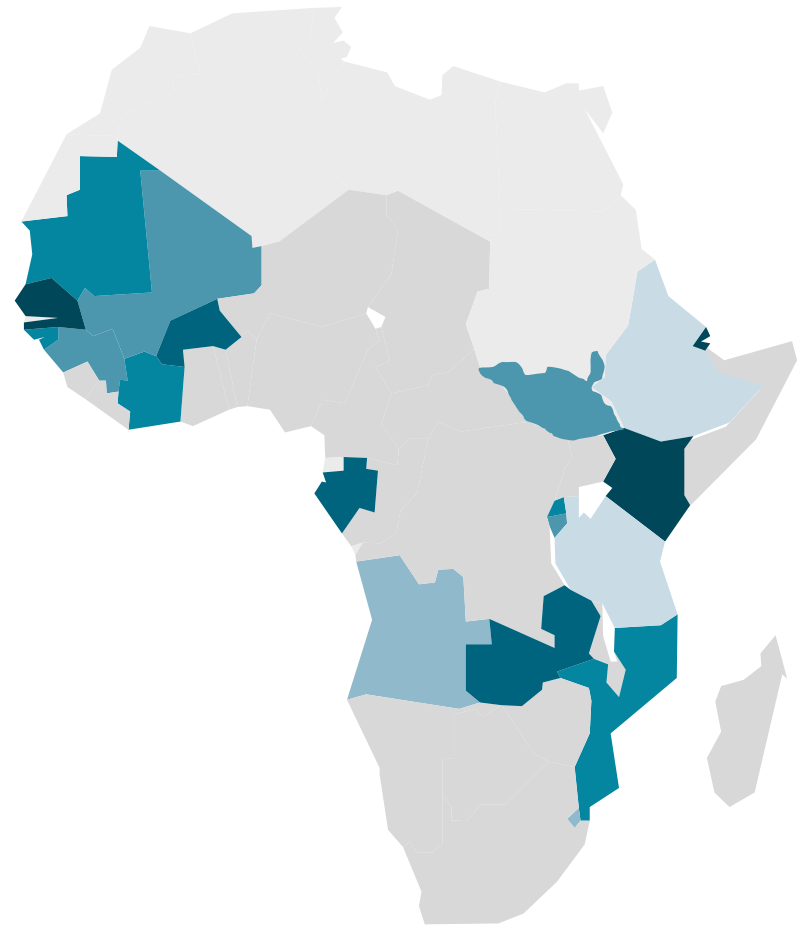


28 November 2016

Risk Trends

Between 2010 and 2016 19 sub-Saharan African countries introduced new mining legislation.

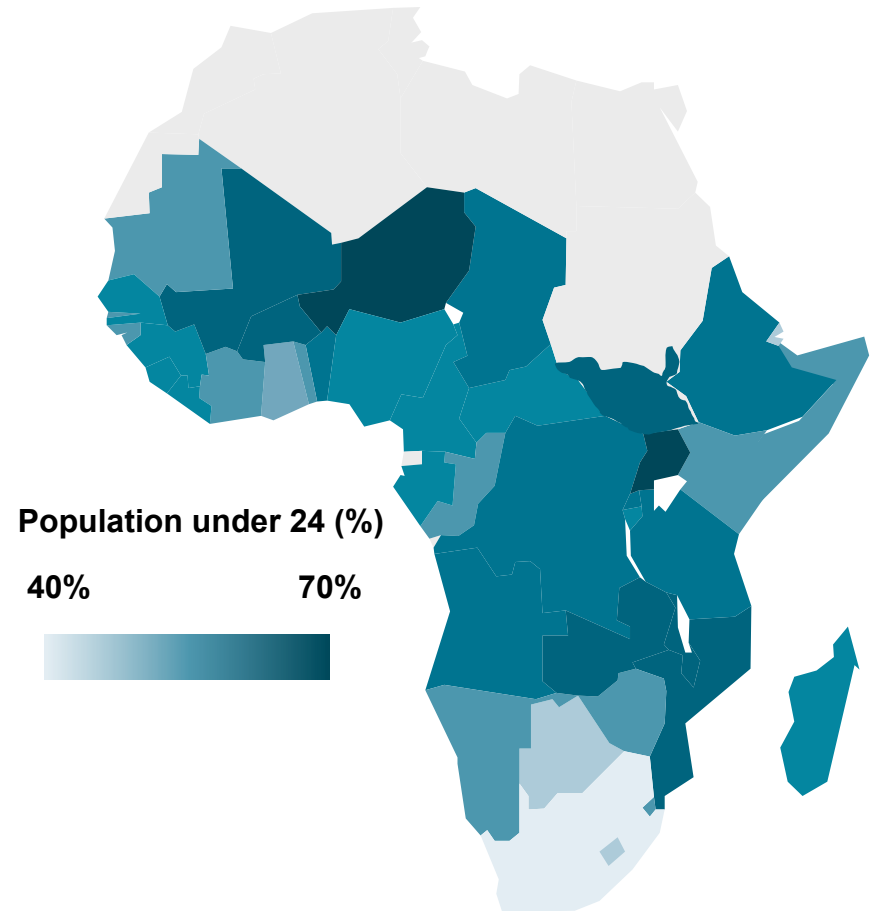
Country	Mining Code Amendment
Djibouti	2016
Kenya	2016
Senegal	2016
Burkina Faso	2015
Gabon	2015
Zambia	2015
Cote d'Ivoire	2014
Guinea-Bissau	2014
Mauritania	2014
Mozambique	2014
Rwanda	2014
Burundi	2013
Guinea	2013
Mali	2012
South Sudan	2012
Angola	2011
Swaziland	2011
Ethiopia	2010
Tanzania	2010



Risk Drivers

Mining code changes prompted by:

- Desire to extract greater revenue following commodity price drop
- Conforming with the African Mining Vision
- Populist pressure
 - *Perception that the mining sector was not contributing*
 - *Need to create employment for large youth population*



■ Risk Drivers

Populist pressures have now eased:

- High-profile legislative changes have addressed some popular grievances
- Perceptions of mines making massive profits are no longer so widespread
- Government efforts to diversify economies mean they are looking elsewhere for job creation
- Retrenchments and suspension of operations at mines across sub-Saharan Africa

The mining sector is no longer as prominent as a driver of growth, and as such is less politicised.

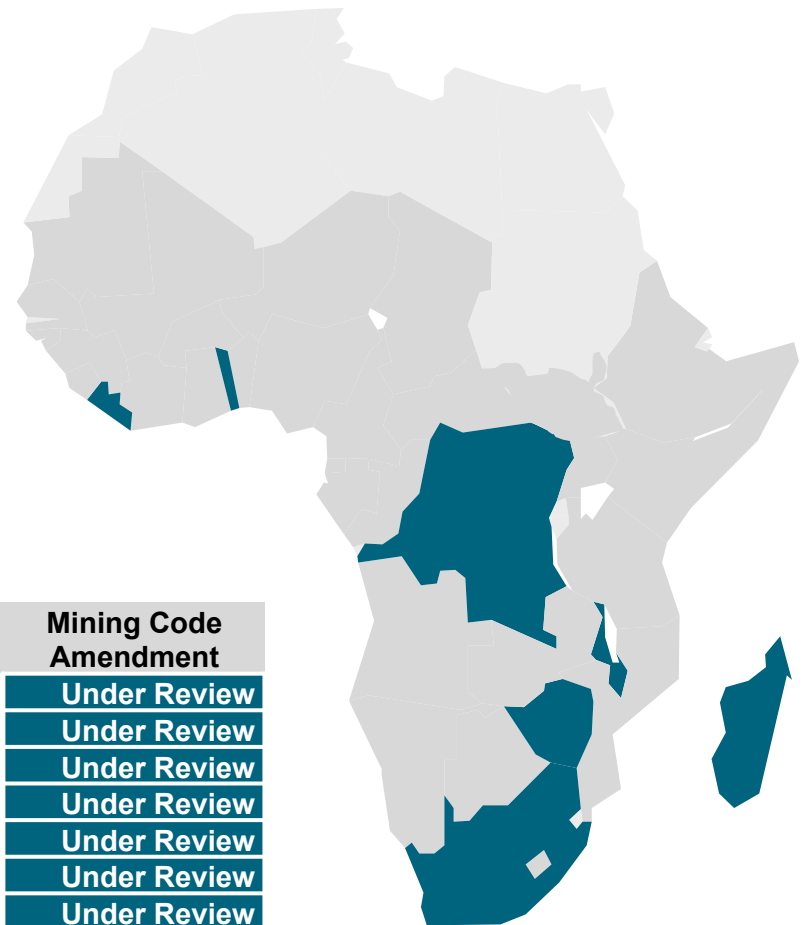
Nonetheless, other drivers of risk still remain. In particular, budgetary pressures on governments are increase. More a rebalancing than a reduction of risk drivers.

Risk Types

In the next few years Control Risks expects a greater degree of policy and legislative stability in the mining sector.

This is due in part to the easing of populist pressure, which means that governments are far less likely to make sector-wide changes with potential adverse impacts.

However, risks will now be more company-specific as regulations are made and often inconsistently applied.



Country	Mining Code Amendment
DR Congo	Under Review
South Africa	Under Review
Liberia	Under Review
Madagascar	Under Review
Malawi	Under Review
Sao Tome and Principe	Under Review
Togo	Under Review
Zimbabwe	Under Review

■ Risk Types

A shift from sector-wide risks to company specific risks, as legislative framework remains stable but regulations are still being introduced and inconsistently enforced:

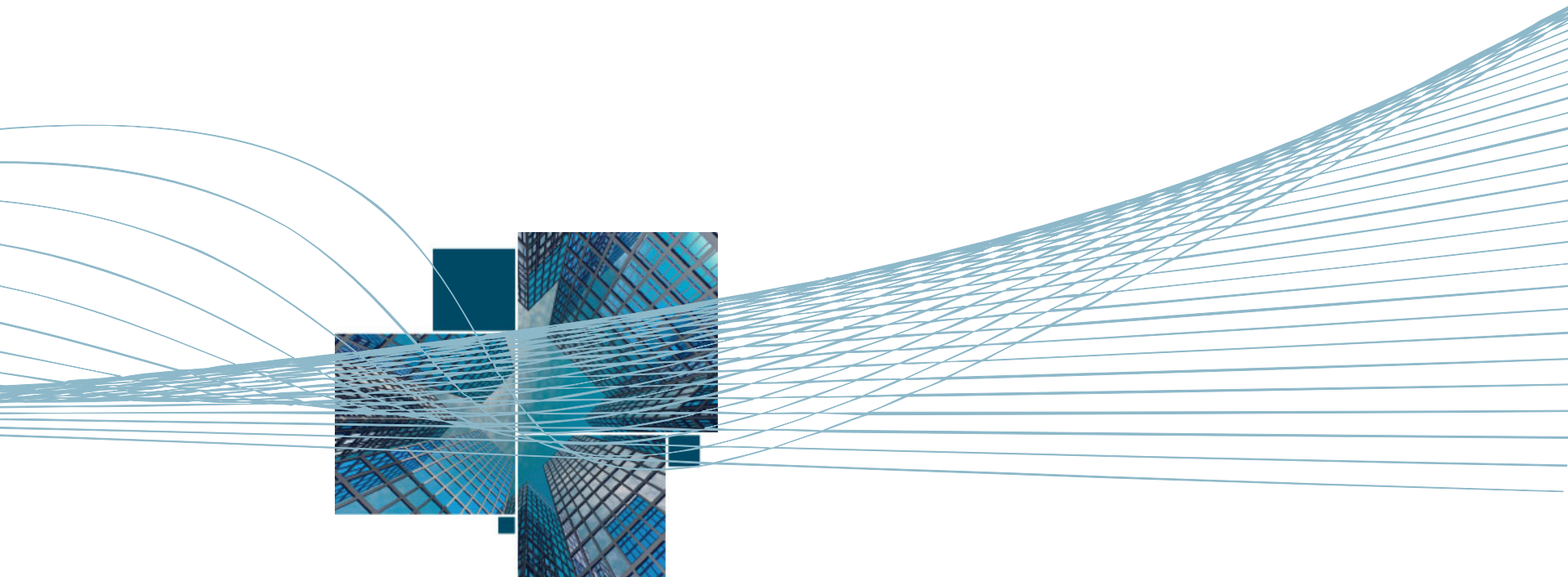
- Legislative ambiguity or discretionary authority allows for increases in regulatory or financial burdens
- Local content provisions can expose foreign companies to significant integrity risks
- Relationships with the political elite can expose companies to challenges following changes of government
- Expanded roles for often poorly-managed state-owned companies exposes foreign partners or contractors to non-payment and other risks
- Divisions of authority between different government departments increases bureaucratic hurdles

■ Risk Mitigation

Important to fully understand the political landscape in which you are operating in or looking to enter.

- What are the decision-making structures within government?
- Who holds formal or informal influence over the mining sector?
- What are the motivations of the various stakeholders?
- What is the relationship between different authorities in the mining sector?
- Who are your local partners?
- What are the risks associated with state-owned companies?

Despite legislative stability and pro-business rhetoric in most sub-Saharan jurisdictions, the ability of a company to successfully operate is increasingly based on how it specifically is placed in the wider political and commercial landscape.



Thank you
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