



**DIRECT FOREIGN
INVESTMENT AND
THE ENVIRONMENT**

**AFRICAN MINING SECTOR
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I. INTRODUCTION

A. HISTORY OF THE MINING SECTOR IN AFRICA

➤ COLONIAL PERIOD (1850 - 1960)

- Mining sector developed rapidly**
- Investments were private sector**
- Domestic investments in a colonial sense**
- Governments provided the framework**

➤ POST-COLONIAL PERIOD (1960 - 1990)

- Direct Government participation**
- Disinvestment by private sector**
- Aid or loan finance used in the mining sector**
- Decline in the mining sector**

➤ **PERIOD OF GLOBILASATION (1990 -)**

- **Mining is the growth sector for Africa**
- **Agriculture too, but problems exist**
- **World Bank strategy**
 - **DFI for high risk investments**
 - **Government provide framework**
- **The strategy has been successful in places (Mali, Mauritania, Ghana)**

B. HISTORY OF THE IMPACT OF MINING ON ENVIRONMENT

- COLONIAL PERIOD (1850 - 1960)**
 - No public accountability by Governments**
 - Uncontrolled industry**
 - Severe environmental impacts resulted**
- POST COLONIAL PERIOD (1960 - 1990)**
 - No public accountability existed**
 - Uncontrolled industry**
 - Financial constraints existed**
 - Severe impacts continued**
- GLOBALISATION PERIOD (1990 -)**
 - Public opinion in the developed world exerted pressure**
 - Pressure on Governments and companies was strong**
 - Mining became a controlled industry**
 - Environmental legislation developed**

II. DIRECT FOREIGN INVESTMENT AND MINING SECTOR

A. DIRECT FOREIGN INVESTMENT

- \$200 to \$ 1 200 billion (1993 - 2000)**
- Replace aid funding which became stagnant**
- Create new production and a tax base**
- Developing countries +- 16% of DFI**
- Africa +- 0,16% of DFI**
- Place pressure on governments to do policy legal exemptions**
- unintended negative effects on local business**

B. IN MINING SECTOR

- Only viable option to develop the Sector:**
 - Risk profile is high**
 - Expertise is scarce**
 - Risk capital is scarce**
 - Markets segment is complex**

- Global best practices for the environment exists:**
 - Impact assessments**
 - Advanced monitoring procedures**
 - Advanced technologies**
 - Financial provisions for mine closure**
 - All parties accept a control**

III. NATURE OF MINING INDUSTRY

- Mining is a global industry**
- Companies are “locality captive”**
- Very high risk profile**
- Stakeholders are diverse and ill defined, so public image does matter**
- Success requires companies to be “good corporate citizens”.**

IV. MINING COMPANIES AND THE ENVIRONMENT

A. PRE - 1970 PHILOSOPHY

- Environment is a cost, not a profit**
- Environment is a Government responsibility**
- Companies pay taxes, Governments should take the long term responsibility**

B. POST - 1970 PHILOSOPHY

- Public opinion and environmental legislation changed perceptions**
- Implemented measures to mitigate physical environmental impacts**
- Reduce visibility of the impacts**

C. POST 1990 PHILOSOPHY

- Mining impact on the social environment**
- Mining and sustainable development**

D. PHYSICAL IMPACT ON ENVIRONMENT

- Surface damage**
- Bio-diversity impact**
- Impact hydrosphere and atmosphere**
- The role of mining to mitigate the impact of poverty on the environment.**

E. SOCIAL ENVIRONMENT

- “Island” economies**
- Philanthropic philosophies**

1. PRESENT COMPANY VIEWS:

- Community relations**
- Implied Social contracts**
- Good business sense**

2. PRESENT GOVERNMENT VIEWS

3. PRESENT VIEW OF COMMUNITIES

F. ECONOMIC IMPACTS

- Mining company responses**
- Effects on the regional economy**

V. MINING COMPANIES AND CODES OF CORPORATE GOVERNANCE

- Financial structure for mining**
- Role of stock exchanges**
- Changes in codes of corporate Governance**
 - King 2: South African experience**
 - Reporting and auditing**
 - Public watchdog function is strengthened**

VI. CONCLUSION

- NO ALTERNATIVE EXISTS FOR DFI IN THE MINING SECTOR**
- POSSIBILITY OF ABUSE EXISTS**
- COMPANIES HAVE BENEFITED FROM THE CONTROL ENVIRONMENT**
- LOCAL COMMUNITIES ARE EFFECTIVE CHECKS AND BALANCES**
- GOVERNMENTS HAVE INSTRUMENTS TO INTRODUCE CHECKS AND BALANCES**

- SOCIETY AND THE MINING VALUE TRAIN HAVE EFFECTIVE CHECKS AND BALANCES**
- SHAREHOLDERS AND INVESTORS HAVE ACCESS TO INFORMATION TO EVALUATE THE PERFORMANCE.**
- ON THE WHOLE THE IMPACT HAS EVOLVED INTO A POSITIVE FACTOR.**