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Australian companies capitalising on Africa's mining boom are doing more than just digging.
Story: Lucas Robson

Two years ago, the town of Karonga in northern Malawi did not have a clean, reliable source of water. Now it does. It also has a uranium mine.

To secure government approval of the Kayelekera mine development, Perth-based Paladin Energy promised to spend $US10m on infrastructure projects in one of Africa's least developed countries.

As part of that commitment a water supply project was completed in 2010 and now provides safe drinking water for 40,000 people.

It is an example of increasing links between Australian companies and African countries as a continent-wide mining boom spurs development.

> "What will bring Africa out of poverty is not so much the work of governments but the entrepreneurship of the private sector."

Around 225 Australian companies are operating in 42 African countries.

Projects currently undergoing feasibility studies could lead to a further $27 billion of investment on top of the estimated $20 billion already invested.

Paladin Energy international affairs general manager Greg Walker told a parliamentary committee that Australian resource companies are helping to transform Africa's mining industry and its economies.

"The development of Kayelekera is an interesting example of the positive transformative impact that a well-run mining operation in Africa can have," he said.

"Kayelekera, once it is in full production, will add 10 to 15 per cent to Malawi's GDP and account for up to 70 per cent of total foreign earnings."

Rio Tinto's Bruce Harvey told the committee Australian companies help unlock the mineral wealth of developing countries and provide a sustainable socioeconomic endowment for the host communities.

It is an endowment that many African countries desperately need.

Africa is home to 33 of the world's 49 least developed countries.

In 2008, over 390 million people in Sub-Saharan Africa were living below the internationally accepted poverty line of US$1.25 per day.

A delegation from the Foreign Affairs, Defence and Trade Committee recently visited four countries as part of a review of Australia's relations with Africa.

Delegation leader Joel Fitzgibbon (Hunter, NSW) said the visit to South Africa, Zimbabwe, Ghana and Ethiopia was not just about what Australia could offer Africa but also opportunities for Australia in an area of rapid economic growth.

"We often hear about China and India, well there's nearly a billion people in Africa, and their emergence out of poverty is inevitable, and so there will be some big trade and investment opportunities for Australia and Australians," he said.

And corporations may be best placed to take advantage of these opportunities.

"What will bring Africa out of poverty is not so much the work of governments but the entrepreneurship of the private sector," Mr Fitzgibbon said.

As well as helping to boost host nations' balance sheets, Australian mining companies in Africa have recognised the importance of operating with a corporate conscience.

Corporate social responsibility programs are becoming part and parcel of the development deal for governments and local communities.

Ports, housing developments, schools and health centres are springing up across the continent, built by mining companies wanting to secure government and community support for their operations.

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According to Rio Tinto's Bruce Harvey, corporate contributions to development are best made where that support is associated with a company's core business.

That includes building infrastructure but also training staff and purchasing from local suppliers.

During a recent visit to Australia, Malawi's former resources minister Henry Chimunthu Banda highlighted the long-term benefits that accrue from the training that mining companies provide in fields such as engineering and geology.

"We think the mining sector will improve the capacity of our Malawian people and that capacity will be made use of well after the companies have gone," he said.

That long-term perspective has also seen mining companies fund health and education programs to help address some of the underlying problems facing African communities.

One example is the Palabora Foundation, funded by contributions from Rio Tinto's copper project in South Africa.

The foundation provides counselling, antiretroviral drugs and education campaigns on HIV-AIDS in conjunction with the South African government.

Another is BHP Billiton's anti-malaria program around its aluminium smelter in Mozambique, which has reduced annualised infection rates from around 85 per cent to less than 10 per cent.

Such programs are more than just corporate goodwill, they also make good corporate sense, according to long-time aid and development worker Andrew McLeod.

He told the parliamentary committee these programs lead to a healthier workforce, with mining companies benefitting from less absenteeism.

Similarly, education programs contribute to a better-equipped second-generation workforce.

According to Mr McLeod, it is the corporate ethos that makes such aid programs effective.

"A well-constructed corporate social responsibility or community investment program tends to work because there is a link with the profit motive and because the company has invested in the success of the outcome of the program," he said.

BHP Billiton, which spends one per cent of its pre-tax profits (around $US200 million) on corporate social responsibility programs, has effectively become the third largest development agency in Australia behind the Australian government and World Vision, according to Mr McLeod.

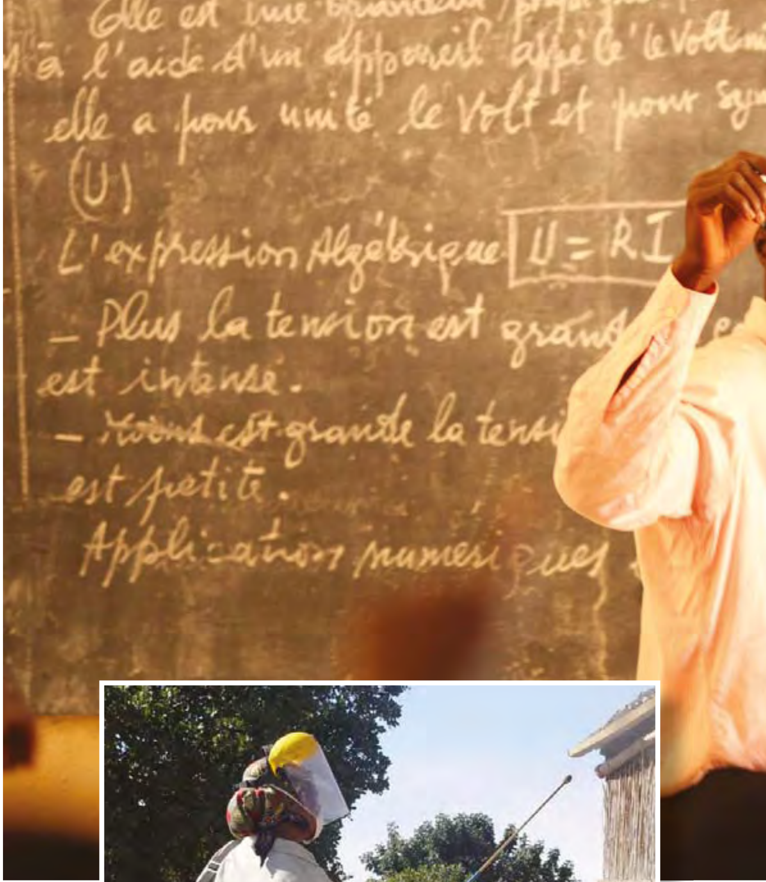
In its submission to the parliamentary review, the Australia-Africa Mining Industry Group has suggested public-private partnerships to deliver aid, with the Australian government providing funds to approved corporate social responsibility programs.

The group said this approach would ensure that the relatively limited available government aid funding is applied to maximise social, financial, political and strategic advantage.

In a 2010 report on the development outcomes of Australian resource companies operating overseas, the Australian Strategic Policy Institute and the Foundation for Development Cooperation stopped short of advocating financial support for corporate aid programs, but did suggest closer working relationships between government and mining companies.

"Australian resource companies have a significant impact on how other countries perceive Australia and their overseas activities provide an opportunity to present a positive view of Australia to the rest of the world," the report said.

"They can be vital partners in collaborating with Australian government public diplomacy activities."



BHP BILLITON

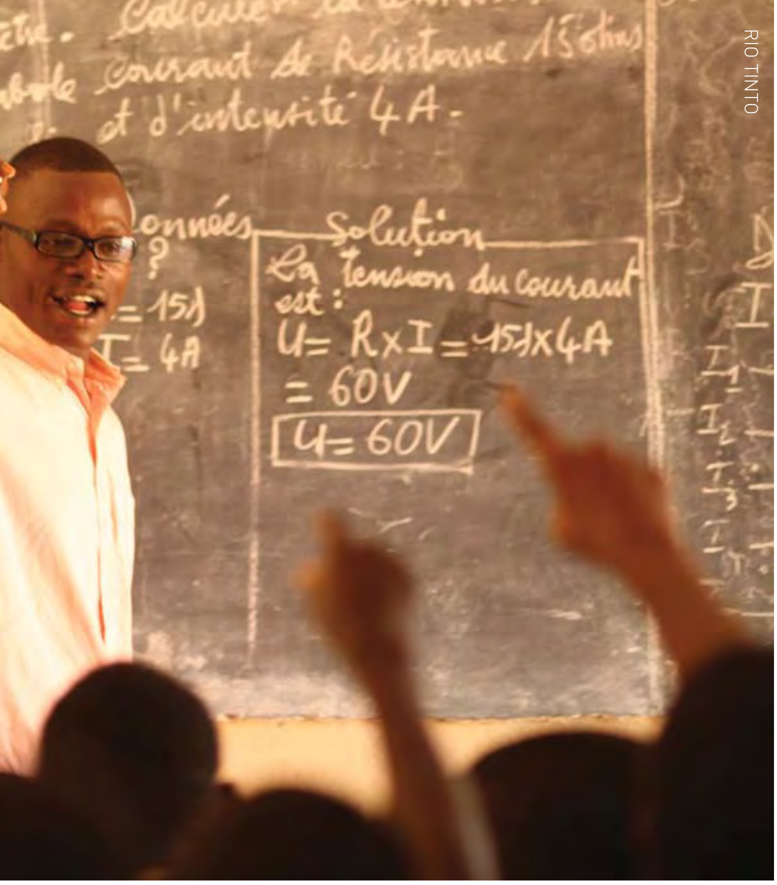
"Australian resource companies have a significant impact on how other countries perceive Australia."

Impressed by a corporate funded housing project he inspected in Ghana with the parliamentary delegation, Mr Fitzgibbon sees potential for cooperation between official development assistance and corporate aid.

"Throughout the course of the inquiry I've become a bit of a fan of leveraging, or having the private sector deliver aid in combination with their own contributions," he said.

"And I don't have any problem with someone making a buck doing so."

But there is some scepticism about the degree to which companies seeking to make a profit on a poverty-stricken continent can act as honest brokers in delivering development projects.



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Long-term benefits from health and education programs


PALADIN ENERGY

The Australian Council for International Development prefers to see more aid channelled through non-government organisations such as aid agencies.

But it may not necessarily be a question of choosing between corporate and aid agency approaches.

In some cases, non-government organisations and mining companies can work together to balance financial and social interests.

Oxfam, for example, sits on BHP's 'external forum', and gives the company advice on the way it conducts business overseas.

But there are concerns that some of the smaller mining companies operating in Africa may not be as committed to doing the right thing.

The Australian Conservation Foundation told the committee that smaller companies lack capacity and operational experience in the corporate social responsibility field and are less concerned about community perceptions than large companies like BHP and Rio Tinto.

"If you are a company set up for a specific purpose to raise some capital while the running is good in Africa...you have got less of a care, quite frankly, if you burn your bridges than if you want to be a mining player for the next 100 years," ACF campaigner Dave Sweeney said.

The Australian Strategic Policy Institute report identified the same concerns, and recommended government support to build capacity among junior and mid-tier resource companies operating overseas.

In response, smaller mining operators such as Paladin argue they are signatories to industry codes of practice which require certain standards of conduct wherever they are operating.

But the voluntary nature of such codes raises concerns about the degree to which mining companies may have a free hand in their operations overseas.

Exacerbating this concern are questions over the capacity of many African governments to regulate their mining sector.

The significant impact that a single mine can have on a developing country's small economy means that foreign investors and operators are often welcomed by host governments with open arms.

But whether a government is ready to regulate and monitor such large and complex operations is often questionable.

The primary responsibility for ensuring that mining developments benefit the community belongs with the host government, according to Philip Ruddock (Berowra, NSW) who was deputy leader of the parliamentary delegation. But some authorities may need help fulfilling this role.

"We could assist them through aid programs and giving advice about what sort of requirements that they may need to assist in imposing themselves to get the right sort of development," Mr Ruddock said.

QUT law professor Anne Fitzgerald believes Australia has the expertise to assist African countries with the complex task of developing the legal infrastructure necessary to regulate the mining booms underway on their soil.

"Wherever you are developing mining from scratch with large amounts of foreign direct investment, you have to set up a regime which is stable, secure, transparent and essentially in accordance with the rule of law," she told the committee.

Former Malawian resources minister Henry Chimunthu Banda agrees.

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CORE BUSINESS: *Training staff helps companies and communities*

"Being a country that depended very much on agriculture, where mining is a recent venture, one major challenge is to come up with good regulatory frameworks," he said.

"The challenge is to have enough laws, to have strong enough regulatory mechanisms, at a time when there is a rush to exploit the minerals."

Australian environmental and human rights groups believe regulatory weakness can lead to adverse environmental and social impacts on local communities.

Human rights abuses, environmental calamities and problems of corruption are all portrayed as possible outcomes from a cocktail of profit-driven corporations and weak governance structures.

The mining industry says it abides by high standards even when it is not compelled to do so by local laws.

"The majority of companies prefer to transpose more onerous, but familiar, Australian standards in relation to safety, and environmental and social requirements, rather than adopt the often less onerous international standards or those of the jurisdictions in which they operate," the Australia-Africa Mining Industry Group told the inquiry.

Paladin Energy, BHP and Rio Tinto all assured the committee that where appropriate they abide by high Australian-style standards in their African operations, even where lower local standards exist.

ACF's Dave Sweeney noted this assurance and challenged the industry to accept binding regulations on their overseas operations.

"The challenge is to have enough laws, to have strong enough regulatory mechanisms, at a time when there is a rush to exploit the minerals."

"Don't tell us about it, legislate it, regulate it, monitor it independently and rigorously. If you can prove it then you've stepped up," he said.

But Mr Ruddock is wary of imposing too many Australian regulations on companies operating overseas, as this could undermine their ability to compete with other corporations who may not be so concerned with social responsibility.

"We might bind companies that are going to operate offshore to regulations that we might impose here in Australia and ensure that they don't get a chance to develop anything. And it won't have protected anyone in Africa," he said.

"It's a question of getting the balance right." •

For more information on the inquiry into Australia's relations with Africa visit www.aph.gov.au/jfadt or email jscfadt@aph.gov.au or phone (02) 6277 2313.