



Claude Baissac
Partner
Eunomix

THE POLITICAL CONNECTION

Eunomix is a consultancy specialized in de-risking mining and resources investments and projects. In Africa, where the line between social and political obligations is often hazy, having a local knowledge base and connections between government and civil society is imperative. Partner Claude Baissac has operated in Africa for over 15 years, helping miners achieve resiliency to growing risk exposures through local partnerships.

You've said that risk in African mining goes both ways, for government and for industry. How would you explain the relationship between the two?

African governments suffer from stigmas of history, of instability, and of their own practices. These stigmas have prevented companies from having optimal relationships with their governments. The state, in turn, often holds an ambivalent view of business, and also fears of an unequal relationship with wealthy mining companies with a tremendous amount of leverage. The foundations for a mismatch are often significant. That's the main reason we have governments constantly tempted to renegotiate mining licenses.

Where in West Africa is the relationship between mining companies and government improving?

I think Sierra Leone is one case. It's now considered to be a bit of a poster child for finally turning a great body of natural resources into a profitable industry. Liberia is also doing well. These countries have undergone numerous elections, and overall (though not perfectly) have passed the test. Ghana obviously also comes to mind, especially as it enters the oil and gas sector. Nigeria seems to be willing to start mineral development, too.

You have said before that a social license isn't enough to operate—miners also need a political license. How does this differ from simple compliance to laws?

We came up with the term "political license" because we believed the term "social license" in Africa only represents part of the social contract. The social contract has more to do with communities and working with people. The notion of political license comes from the idea that in a fairly fragile state, companies have to do certain things to secure their licenses. But these things tend to be linked to one particular minister or administration, and when power changes hands, the whole issue of the validity of that license—from a political standpoint—is called into question. We have seen that before. It's because they've been granted in very uncertain environments—not necessarily because there's corruption, but because you're not sure if the next minister or government is going to see that license as legitimate.

Can you give us an example of one company you've helped to acquire such licenses?

We're working on it. It's a work in progress for sure. Success in this area depends very much on establishing solid relationships with government, and understanding where you can help the state improve its capacity, policies, and overall mineral regime so it doesn't feel compelled to systematically review licenses. Successful projects also need to be based on durable and stable contracts. The problem is that many African societies suffer from a lack of trust between institutional partners and social groups; there is systematic suspicion. Mining firms need to be smarter in recognizing the realities of this in order to pass the test of social suspicion.

Eunomix also seeks to work with governments and chambers. How will you do that?

We're seeking to help governments assess the environmental impact of mining; we are putting in a few bids here and there. Another of our aims is to help governments renegotiate their contracts with mining companies. We haven't done that yet because you need to be very careful you are working with the right governments under the right conditions.

Could the labor disputes in South Africa spark a similar outbreak in West Africa? How well-represented is the mining workforce in West Africa?

That's a difficult question. There is much divergence between anglophone and francophone countries in this case. French communities tend to have very formal labor laws based on French law, which gives tremendous power to unions—sometimes for good and sometimes not. In anglophone Africa, labor law tends to be a little more liberal, and therefore unions are weaker. Until Africa seeks to address its enormous unemployment problem, labor instability will be a risk. Too few people have too few jobs, paying sometimes too high salaries in relation to production—that skews the labor relations dialogue and gives too much power to union forces, often at the expense of the masses of unemployed, who are unrepresented or underrepresented, and left out of the equation. 📧