

ASM AND LSM RELATIONSHIP

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INTRODUCTION

- The ASM – LSM relationship is still being characterised by:
 - Lack of trust
 - Conflictuous
 - Parcial /Total separation
 - Hate
 - Etc.

WHAT HINDERS THE ASM FROM GROWING TO MEDIUM AND LARGE SCALE MINING?

1. Lack of finance
2. Lack of finance
3. Lack of finance
4. Technology
5. Legal and regulatory compliance
6. Entrepreneurship spirit
7. Management and technical skills

HOW TO ADDRESS

FINANCING ASM

- ❑ Financing ASM is one of the most difficult issues that limit their potential to grow. Financing is required for exploration, operation, both in the form of loans and equity.
- ❑
- ❑ Financing of exploration or geological investigation to identify suitable areas for ASM has been a challenge. By its quantum and high risk nature, with little direct benefit to the financier, it has not been easy to get either government or donors to fund such investigations. Gov't or donor funding, though sparse, has rather been directed at acquisition of equipment and working capital when viable projects are demonstrated.



FINANCING ASM

- ❑ Loan finance has been made available in a number of cases through Government loan schemes, from financial institutions and from special purpose funds.
- ❑ In Zimbabwe, government has over the years implemented a number of support programmes including loan schemes.
- ❑ In Mozambique, the FFM is a mining development fund set up by the Government to help ASM gain access to finance and to market.
- ❑ In South Africa, Government facilitated the establishment of a loan/private equity fund, the African Mining Fund, with the help of IFC, specifically to provide finance for small scale operators.
- ❑ These schemes, however, all assume the ability to pay back borrowed funds, viable business plans, and this is the biggest problem for most ASM operations. Such schemes would therefore require that ASM operators to have ready access to the business development skills.



- Equity-based financial schemes, JV partnerships, venture capital funds, investment banks funding, unit trust or mutual funds, and stock exchanges are also available but require bankable projects.
- Such conditionalities make access to these funds by small-scale miners very difficult.
- However, there are a few cases where ASM have been able to access these funds successfully.
- These include an amethyst JV between a Zambian company and a Swedish partner, underwritten by HIFAB, a Swedish donor agency; and Sable Zinc an equity sharing Zinc Tailings Recovery Project. The company was formed by Kabwe Power and Metals Ltd. (KPM), comprising ex miners, the Commonwealth Development Corporation (CDC) and a technical partner with experience in the processing of zinc.
- The Munyene JV in Moz, between the association and SA mining investment house. Equity 75%:25% on production.

- The big lesson from these success stories suggests that a technical partner is crucial to accessing equity finance and providing vital technical expertise. Equity investors always seek compelling value for growth management experience, robust cash flows, good ore reserves and demonstrated team experience to manage risk (Goss, 2009). These are all attributes that are deficient in ASM operators.

- Cooperation between ASM and LSM represents an avenue for ASM to access finance and technical support.
- Essentially this is by a mentoring relationship and not a joint venture.
- The approach is that a LSM company adopts several SSM companies and provides them with technical and business support, including guaranteeing their borrowings from commercial financial institutions. The SSM companies are expected to graduate to fully fledged businesses over a given period, normally five years, after which the LSM Company will adopt another company (UNECA, 2009).



SUCCESS STORY ON MENTORSHIP

- Example: SA - The African Rainbow Minerals (ARM), which started off as a small contract mining company called Future Mining in 1994.
- In 1998 ARM acquired some marginal shafts from Vaal Reef on favourable financial terms, and this was followed by the purchase of other marginal shafts from AngloGold.
- Today ARM is the world's fifth largest gold producer and a leading diversified South African mining and minerals company with interests in platinum and nickel (ARM Platinum), coal (ARM Coal), Iron and chrome (through ARM Ferrous), gold (Harmony) and an exploration wing (ARM Exploration).
- ARM has recently started construction of a new copper mine in Zambia, known as Konkola North Mine, at a cost of \$380 million in partnership with Vale do Rio Doce.



Another success story

- The other example come from Zimbabwe (ZIMASCO), LSM segregated their claim (identified areas that are not suitable for LSM) and sub-let them to registered ASM. The LSM provides working capital, tools, technical support and geological info. The ASM has to operate within safe and environmentally friendly standards and then sell all production to LSM. Theoretically the ASM should graduate after a certain period of time.
- Also LSM can segregate their claim and lease to ASM on royalty base arrangement (e.g. 5%). Again the LSM provides technical.



- The notion of LSM companies mentoring ASM holds win-win outcomes. For LSM, it provides reputational returns (improved corporate image and acceptability in the community) and financial returns arising from subcontracting out non-core functions, in addition to improved relations with SSM companies.
- For ASM operations, mentorship facilitates technology and skills (both entrepreneurship and specialised skills) transfer, at low cost, allows small scale miners access to working capital, promotes legal, environmental and regulatory requirements compliance, and improves the overall working of ASM due to the adoption of best practice (UNECA 2009).
- Yet there are significant policy lessons before mentorship of ASM by LSM can deliver its full potential. Even though this appears to be a good intervention for SSM, the applicability at the artisanal end is questionable. The policy needs to be well structured and monitored to ensure mentorship.

- Productive collaboration between ASM and LSM is an avenue that has not been fully exploited in mining sector.



IN LYBERIA (a policy intervention!)

- There has always been a problem of coexistence between ASM and LSM companies.
- The artisans are usually removed from their mining properties when LSM operations commence.
- This usually results to unending conflicts in the mining sector.

- To resolve this issue, the Government of Liberia has developed policies for coexistence by allowing artisans to continue operations in exploration areas until production lots are declared by LSM companies.

- At such times the ASM are paid for the areas taken from them and employed by the mega companies.
- This has brought much peace between ASM and LSM.



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LSM perspective

- ASM occurs near/on large-scale mining operations
- ASM is part of community engagement
- Need for collaborative approaches
- ICMM in collaboration with CASM and CommDev. developed a Toolkit for LSM companies,
- The toolkit discusses:
 - Key issues facing ASM-LSM engagement;
 - Business Case for companies to engage with ASM;
 - Tools to assist companies to engage with ASM.
- Provides guidance on how an LSM company can go about working with ASM community members to identify the appropriate development projects in a participative manner, and develop a partnership to implement them.



17 tools (Anne-Marie)

1. Diagnostic assessment;
2. Stakeholder Engagement;
3. Community Development;
4. Resettlement;
5. Alternative Livelihood Programmes;
6. Regularization/ Formalisation;
7. Organisation;
8. Purchasing Programmes;
9. Employment of ASM workers;
10. Workforce Awareness;
11. Segregation of Concession;
12. Security and Human Rights;
13. Conflict Resolution;
14. ASM Department;
15. Technical assistance;
16. Mine closure planning;
17. Monitoring and evaluation

9. Employment in LSM Operations

- Objective:
 - Probably the most common request from ASM miners to LSM companies is for employment;
 - The tool seeks to advise companies on how to manage these requests and distribute available work equitably.
- Application:
 - Different roles for ASM miners at different stages of LSM mineral cycle - exploration, construction, operation, closure etc

11. Segregation of Mineral Concessions

- Objective:
 - Segregation of LSM mineral concessions to invite ASM activity onto the concession in designated areas which can't be mined by LSM companies
 - E.g. The mining of chromite in Zimbabwe
- Application:
 - This only applies when LSM and ASM are operating in very close proximity.



13. Conflict Resolution

- Objective:
 - The relationships between large-scale mining, artisanal and small-scale mining, surrounding communities and security forces are not always peaceful;
 - This tool is designed to offer companies an approach to the resolution of conflict, without reliance upon either legal remedies or use of force.
- Application:
 - This tool can be applied unilaterally;
 - Important to involve Government in conflict resolution mechanisms, particularly with informal ASM activities



15. Technical Assistance

Programmes

- Objective:

- Technical assistance programmes cover a wide range of activities and the support from LSM might extend to ASM;
- Programmes can include improvements in health, safety and environmental practices, improved mining and processing techniques, facilitation of access to processing plants or markets and many other activities.

- Application:

- Technical assistance programmes can be used in almost all settings involving LSM and ASM working together



CONCLUDING REMARKS

- There are few examples of success stories on LSM - ASM relationships.
- However, the situation has been far worse.
- So, it is recommended that the ASM approach the LSM for collaboration.
- The governments need to engage on creation of structured mechanisms to operationalize the relationship between LSM and ASM.
- The time is right to engage in ASM-LSM





I THANK YOU

