Money matters

FOUR months ago in this column, I drew attention to the efforts of Prof Calestous Juma to improve indigenous management and entrepreneurial skills in Africa (*MM*, February 2006, p3). Prof Juma, who lectures on international development at Harvard University, is well known for his work on helping to build Africa's own capacity to solve the challenges it faces.

In an innovative project, he called for the mining industry to fund an African school of entrepreneurship (with places for about 100 students a year) that would act as a model for similar centres of learning throughout the continent.

In response, Michel Hudon of Montreal-based law firm Colby, Monet, Demers, Delage & Crevier, has written, saying that, in his opinion, Prof Juma had left out probably the most important factor – namely, the need to teach knowledge of the international risk-capital markets and how mining ventures are financed.

Mr Hudon argues that the curriculum of the projected schools should include a course on the access to capital because "the name of the game is money, and Africans are completely left out of the loop because of their apparent lack of knowledge and experience in that area".

In his letter, Mr Hudon said that no one, including the World Bank, has addressed the issue of how to train African mining operators and investors, private and public, on how and where to obtain capital. Any school for entrepreneurs, he said, will need to explain "the basics of exploration and development agreements, including partnerships and joint ventures".

Although Prof Juma's report earlier this year centred on the need to teach science, technology and innovation in Africa, it is unlikely that his proposed curriculum will have overlooked the importance of financing. Indeed, a keen supporter of the project is UK Chancellor Gordon Brown, who understands more than most what makes the world tick.

However, first things first. Above anything else, Prof Juma's schools will need to explain what makes mining different from other industries.

As Mr Hudon himself told delegates at an international forum on the mining sector in Guinea (held in Conakry in October 2004), it is important to demonstrate that mining is a process that begins with the exploration for, and discovery of, mineral deposits and continues through ore extraction and processing to the closure and remediation of worked-out sites. Each successive stage involves more time and money.

The mining industry is capital-intensive, lead times are invariably long, and the operations inevitably have an impact on the environment (at least in the short term). Nevertheless, it has traditionally been regarded as a vehicle for accelerating national development and, because of this, mining is surely the only industry of a comparable size that offers Africa the prospect of economic self-sufficiency.

Mining company shareholders, staff and even managers are inevitably focused on a relatively short-term horizon (and that is being kind). In contrast, politicians in Africa – and everywhere, for that matter – should be looking beyond the next election to the long-term good of their respective nations. I am aware that this is hopelessly optimistic (although, ironically, if elections are of little concern, a longer-term view should be easier to accommodate). If anyone is going to succeed in getting the message across, it is a combination of Messrs Juma and Brown. Both are well known and highly regarded in their own communities. The former can attack the hearts and minds of the next generation of African entrepreneur and politician, while the latter can help to apply a squeeze on the current incumbents in Africa.

The importance of education into the financing of the mining industry in Africa was driven home last month by publication of a report from the Ohio-based Freedonia Group.

In its 336-page document on World Mining Equipment, Freedonia projects that global demand for specialised mining equipment (including parts and attachments sold separately) will grow by an annual 9.3% for the next four years to reach US$27.5 billion in 2009.

Africa is expected to be the third-fastest-growing region (in terms of mining-equipment demand) after Eastern Europe and Asia (led by China). The school clearly can't come soon enough.

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… with Dr Chris Hinde