The global low of metal prices has hit the West African region hard and will continue to cause a stressful situation for metal companies in the region with divestment of assets, output cuts and bankruptcies to expect. The region will however continue to attract investments in the long term due to its vast mineral reserves and low labour costs. The mining sector is also expected to be prioritized issue on the political agenda, aiding to the sector’s development despite the global metal prices. The sector is therefore forecasted to remain as a vital contributor to the GDP of the West African countries over the next couple of years. Given the expectation that mining costs in South Africa will rise significantly, West Africa might be up for a golden era as international mining companies will be attracted by low production costs and increased stability.

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MINING IN WEST AFRICA

“If you want the best sweet potato you must dig deeper.”
- African proverb

OVERVIEW

The mining sector in West Africa is mainly dominated by gold although excavation of diamonds, ore and bauxite is on the up rise. Even though the countries share the same metal deposits below ground they all offer very diverse conditions to operate above ground. Mauretania is characterized by a business-friendly environment, Burkina Faso has a generous legal framework whilst Guinea has experienced increasing involvement from the government. Côte d’Ivoire has had a significant growth in the gold sector at the same time as Ghana has experienced a decreasing production as an effect of the global gold prices. Sierra Leone is among the most corrupt countries in Africa, but Ghana ranks in front of Italy. The global fall in metal prices have however affected the entire region, more or less dependent on the different countries legislation, political stability, and will to support the mining sector.
Mali
- Gold mining is the main driver of the Mali Economy and currently there are 13 international mining companies operating in the country.
- Third biggest producer of gold in Africa with a production of 2.1 million ounces a year.

Burkina Faso
- Gold accounts for 70% of the export earnings.
- Has by far the most supporting legislative framework for mining in the region, although the production has continued to decrease since 2010.

Ghana
- Heavily reliant on gold, which accounts for around 90% of total revenues, followed by manganese, diamonds and bauxite.
- Second largest producer of gold in Africa.
- Ghana's deep-seated banking sector penetration, extensive bureaucratic procedures and high levels of taxation however pose risks to foreign investors.

Côte d'Ivoire
- Production forecasted to reach 1.03 million ounces during 2016.
- Has a sector growth of 6% annually.
- Offers a business-friendly environment although political instability is a matter of concern.
Mali

Even though the global gold prices has had its effect on the mining sector in West Africa, the ongoing recovery in gold prices and private long-term investments has made Mali’s gold exports increase significantly during 2015, from 1.6 to 2.1 million ounces, making it the third biggest producer of gold in Africa. As the gold sector accounts for 70% of the export revenue and 7% of real GDP in Mali, this is expected to have substantial spill-over effects on the economy in general. Even though Mali’s export figures show a significant growth, this is mostly an effect of a pickup in artisanal mining output, rather than that of mining firms operating within the country.

Although the global gold prices have not shown effect on the Mali gold export, international companies in the country has been under major stress as they are forced to decrease capex in order to maintain profitability. Despite this, new projects are expected to be launched, supporting the sectors growth in the long term. Alogold Ashanti halted production permanently at the company’s Yatela mine in 2014 and Alecto Minerals struck a strategic cooperation agreement with Desert Gold Ventures in 2015 to develop a low-cost gold operation, with an output of 400,000 ounces per year.

Beside the international companies present in the mining sector the government has canceled 130 mining permits, accounting for approximately 30 percent of the existing permits, in an effort to fight the widespread illegal mining. This has freed permits for the Mali government to grant to other investors that will pursue exploration.

Ghana

Ghana is holding 3.1 % of the global gold reserves, and about the same percentage of the global production. These vast reserves in combination with continuous low production costs have appealed to international investors over the last decade as they are seeking new ground to brake when costs are running high and reserves low for more traditional producers, such as South Africa. Ghana’s gold output is however expected to decrease since miners cut costs and scale back operations in order to increase profit margins due to being under pressure caused by the global gold prices. The growth of the sector is also inhibited by power shortages ascribed to the inability of the countries supply of energy to catch up with the increasing demand, a demand which has been increasing with a staggering 12 % annually. Even though the mining companies present in Ghana are experiencing a decline of profits as prices are low and power shortages is hampering the production, the government is refusing to reduce taxes and royalties which were raised in 2012.

However, the government is investing to solve the power shortages. In 2015 a plan to construct a 2000 MW thermal power plant was announced by Sahara Group as well as plans by Finagestionus to develop an integrated liquefied natural gas-to-power project, with a capacity of more than 1,000MW, full in operation by 2019. Even though Ghana is one of the most political stable countries in West Africa the opposition against the environmental impacts of gold mining has increased in the western and northern parts of the country. The country’s fast growth in oil production also raises worries about the governments focus and their tendencies to invest in infrastructure beneficial for oil production rather than mining. The mining sector is however attracting private investments and, for instance, Qatar is among a number of foreign states rumoured to be ready to invest in Ghana’s bauxite sector.
CÔTE D’IVOIRE

Contrasting the alarming development between 1985 and 2008, when the estimated share of the population living below the poverty line increased from around 10% to about 49%, Côte d’Ivoire is today by far the fastest growing economy in the West African region with a GDP growth of 8.4% in 2015. The economic activity has had a dynamic pace across all sectors and the economy has benefitted from increased demand and purchase power for the government and the public, as well as increasing private and public investments.

In this context, Côte d’Ivoire’s gold sector is showing great potential with an annual production growth of 6%, and a forecasted production of 1.2 million ounces by 2020. Due to their strong project pipeline, low production costs, and vast gold reserves, the gold sector continues to attract investments despite the political instability and inadequate infrastructure. Even though Côte d’Ivoire is expected to be one of the mining outperformers in the region in the coming years, the country will not reach its full growth potential until the social unrest and political instability ceases and investments are made to resolve the problems with the insufficient infrastructure. Even though an organized national government is in place, the political system is fragile and ethnic conflicts are a constant threat. The current president is serving his last term and the real litmus test for the progress of Ivorian democracy in recent years will be whether the president abides by the rules or seeks to amend them in order to remain in power in 2020.

BURKINA FASO

Gold mining has grown to be the most important sector in Burkina Faso, making up 70% of total export earnings, but the real growth dropped from 9% to 6.9% in 2013 when the global price of gold fell. Even though the government has tried to boost the mining industry with legislation and investments in infrastructural projects, the mining production in Burkina Faso has decreased on an average of 4.65% annually from 2010 to 2015, reaching a record low of 43% in the third quarter of 2015. The low cost is however attracting new investments and, for instance, Endeavour has begun construction of its Hounde project, which is forecast to produce about 1.9 million ounces of gold over a 10-year mine life.
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