



4TH ANNUAL SADC INDUSTRIALISATION WEEK

Mining, Linkages and Growth for Sustainable Economic Development

Godfrey Nyamrunda



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Mining, Growth and Building Linkages for Sustainable Economic Development

- **Key sectors are growing especially the Service sector**
- **Unemployment is falling**
- **Improving access to social services**
- **Stable macro-economy**
- **Declining Poverty**
- **Equality of economic Opportunities**
- **Access to both natural resources and man –made resources**

Growth....

- Therefore, preliminarily Capital, Labour, energy, technology, infrastructures , services and other structural factors drives economic growth
- What is really driving Economic growth within SADC?
 - Capital
 - Labour productivity
 - **Technology?**
 - **Services?**
- More interesting, Which specific sector is driving the economy?
 - ✓ **Mining?**
 - ✓ **Agriculture?**
 - ✓ **Tourism?**

Mining in SADC...

“When a country discovers natural resources, people expect to be rescued from poverty very soon – Paul Collier”.

- On the other hand, public servants expects **more pay** and **allowances** as they sense the amount of Taxes to be generated from the new discoveries
- Governments struggle with ensuring
 - ☐ Good governance, transparency,
 - ☐ Properly designed public (Government) expenditures
 - ☐ A strong tax system
 - ☐ Financing local government and Communities

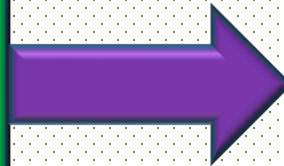
Mining, Growth and Linkages

- ❑ But in general, all the players (public and private sector) work towards
 - Growth (infrastructures, technology, education, Capital, Profit, etc)
 - More taxes and fees
 - More shares for the government
 - Transfer pricing
 - Hedging
 - Over-pricing
 - Building Linkages between sectors
 - Local content
 - Expanding the value chain
 - Value Addition

Growth, Mining and Linkages.....

Old Paradigm

Resources for
Revenue



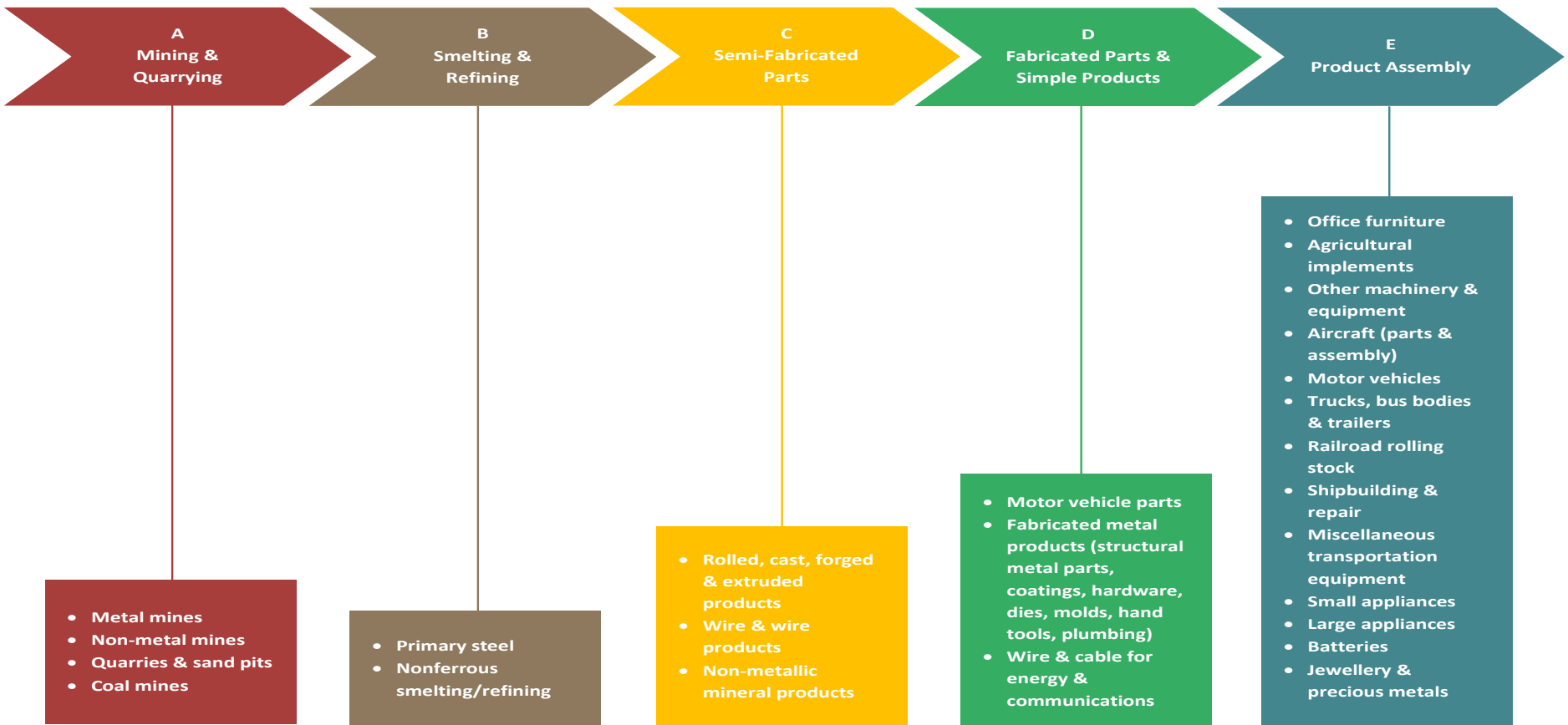
New Paradigm

Mining for growth,
jobs, poverty
eradication,
Industrialisation

- **Metallic minerals:** gold, silver, iron, copper, platinum, nickel, tin, lead, etc.
- **Gemstones:** Tanzanite, diamonds, ruby, garnet, sapphire, tourmaline, alexandrite, etc.
- **Industrial minerals:** kaolin, phosphate, lime, bauxite, gypsum, salt, silica, etc.
- **Building materials:** stone, sand, gravel, clay, volcanic ash, etc.
- **Energy minerals:** coal, uranium, etc.

Growth, Mining and Linkages

MINERAL BENEFICIATION AND VALUE ADDITION – MAIN STAGES AND SUB-SECTORS



Growth, Mining and Linkages..... How we can strengthen Linkages

1) **Promote Value Addition Activities in the Region**

- ☐ Refining
- ☐ Smelting
- ☐ Fabricating
- ☐ Assembling

2) **Promote participation of the private sector by ensuring there is enough supply of minerals for value addition**

- Minimize exportation of raw mineral throughout SADC
- Establishment of SADC Mineral Markets mechanism
- Minimizing Smuggling (through incentives)

3) **More transparent and competitive procedures for acquiring mining and processing license.**

Growth, Mining and Linkages Key Entry Points for SADC?

- **Entry Points for SADC**

- **Resource rents:**

- Invested to improve physical, human and social infrastructure

- **Expanded physical infrastructure:**

- To open up other resource potential (agriculture, forestry, tourism) through “*development corridors*” to access zones with lower economic potential (densification, SDP)

- **Downstream value-addition:**

- To establish resource-processing industries that could provide the feedstocks for manufacturing and industrialisation;

- **Upstream value-addition:**

- To develop resource supply/inputs sector (local procurement of capital goods, consumables, services)

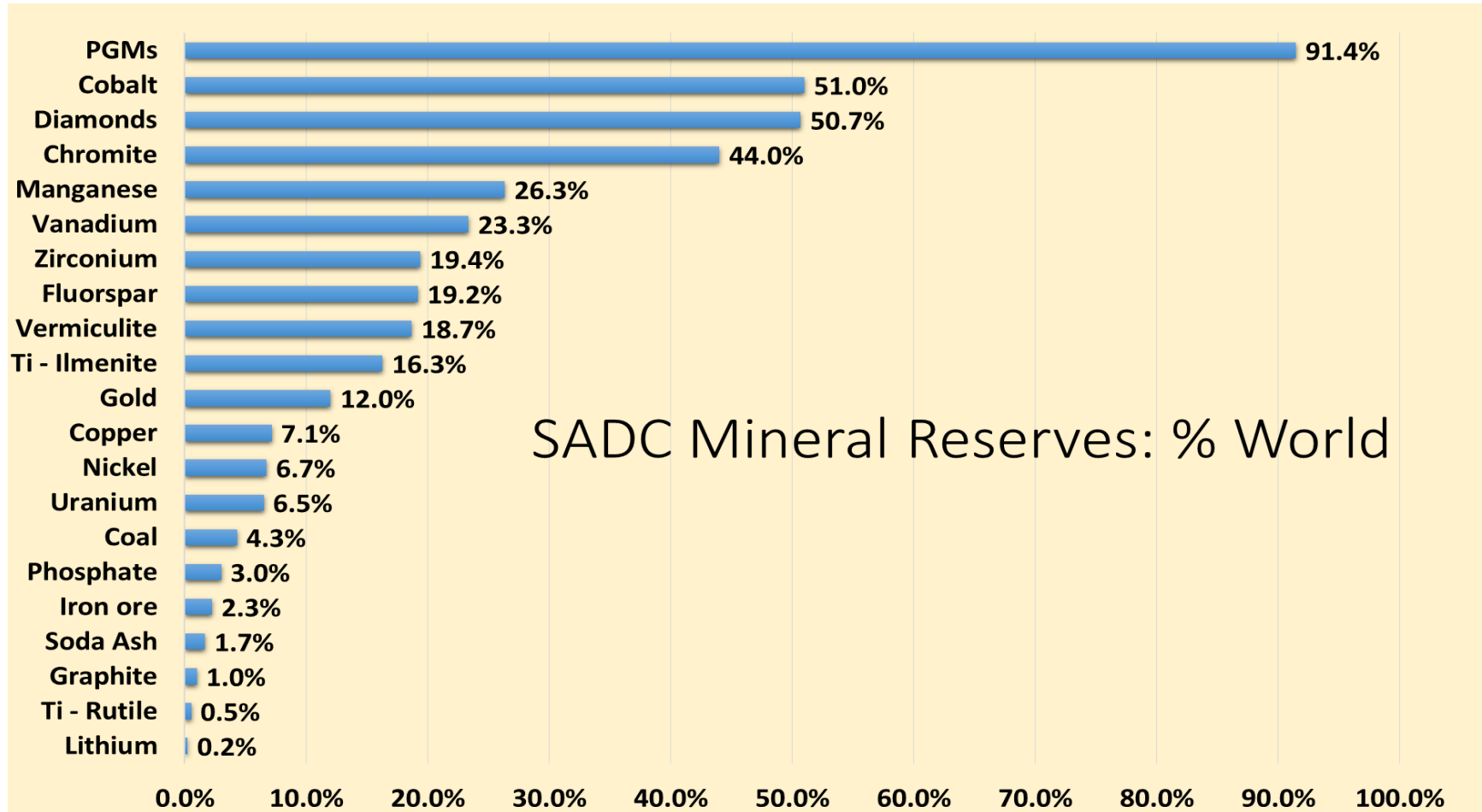
- **Technology/product development:**

- To incubate niche technological competencies in the resource inputs sector (including enviro-impact abatement techs) that can migrate laterally to other sectors to produce new products for other (non-resource) markets

Growth, Mining and Linkages.....Therefore?

- ☐ Mining should provide us with much more than tax revenues, jobs and, ultimately, a “hole in the ground”
- ☐ It could provide key feedstocks for our economic development and a huge market for supplier sectors: capital goods, consumables and services.
- ☐ To fully realise these opportunities we need sustainable regional strategies, starting with
 - The Africa Mining Vision
 - Regional Mining Vision: (SADC, EAC, COMESA, etc)
 - National policies that well aligned to the Regional Vision

Growth, Mining and Linkages.....



Growth, Mining and Linkages..... Therefore?

- **Regional MVC strategy should target the most important regional MVCs for regional growth and development.**
 - Focus 1: Strategic regional mineral feedstocks; &
 - Focus 2: Minerals where the SADC has potential producer power that could be used to stabilise prices and leverage the mineral linkages:

Sector	Regional Strategic Mineral Feedstocks
Manufacturing:	Steel, polymers (from coal & hydrocarbons), base metals (Cu, Al)
Energy (electricity):	Oil, coal, natural gas (and CBM, shale gas), limestone (emissions, S remove)
Infrastructure:	Steel, copper, cement (from limestone, gypsum, coal)
Agriculture:	Nitrogen (from coal, gas), phosphate, potassium, conditioners (e.g. limestone)
Producer power:	Where the SADC has potential producer power, there could be increased downstream (beneficiation) potential: e.g. PGMs, diamonds, cobalt

Growth, Mining and Linkages

- **In Manufacturing:**

- The manufacturing sector has the greatest potential for rapid job creation
 - steel/alloys (from iron ore and coking coal),
 - polymers (from HCs , coal) and
 - base metals (Cu, Al, Zn, Pb, Ni, et al).

- **In Agriculture:**

- Most SADC citizens are farmers/peasants/small-holders
- Most of the soils in the region are nutrient deficient.
 - ❖ Nitrogen
 - ❖ Phosphorus.
- There are several carbonatite and other apatite deposits in the region (e.g. RSA, Zimbabwe, Mozambique, Angola, Tanzania, et al) which could satisfy regional requirements for phosphates.
- Like cement, intra-regional fertiliser trade within SADC is constrained by high internal land transportation costs and coastal freight costs.

Mining, Linkages and growth...

- **In Infrastructures**

- The SADC construction industry could be a major job creator and growth in the **construction industry** has obvious implications for growth in the regional cement industry.
- **Cement** is a vital feedstock for infrastructure provision and the region has ample undeveloped resources of cement minerals (**limestone/dolomite, gypsum and coal**).

- **Power generation**

- Coal, gas, oil, etc

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SADC STRATEGIC REGIONAL MINERAL FEEDSTOCKS

UPSTREAM

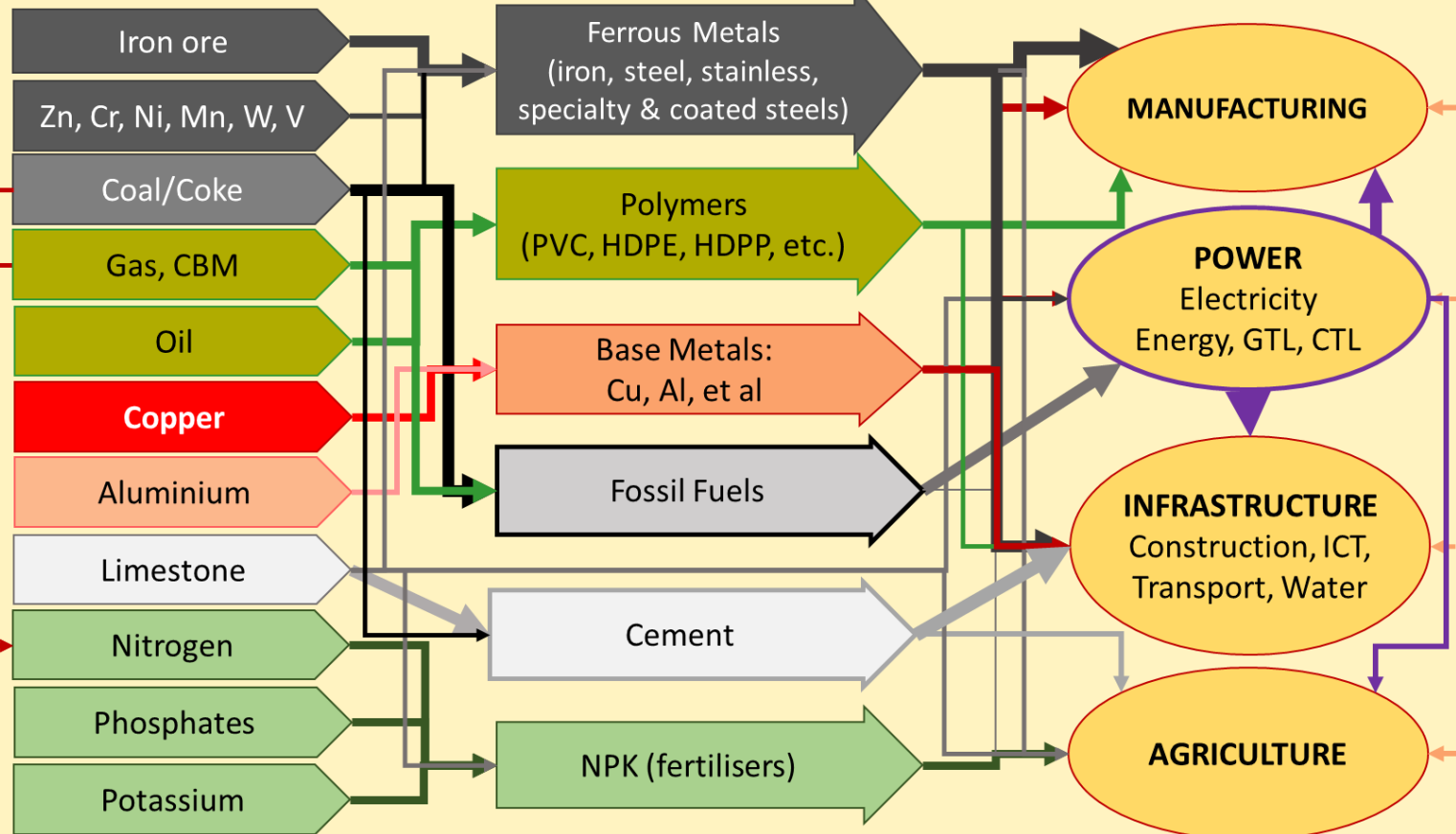
MINING/MINERAL

STRATEGIC REGIONAL FEEDSTOCKS

REGIONAL CONSUMPTION

Mining & Mineral Processing Inputs

CAPITAL GOODS:
Machinery, plant, equipment, etc.
CONSUMABLES:
Explosives, drilling steel, parts, grinding media, chemicals, etc.
SERVICES:
Labour, analytical, financial, security, ICT, etc....



Efforts towards Creating Linkages

THE CASE OF TANZANIA

Mining, Linkages and growth...the case of Tanzania

❑ Upstream (backward) Linkages

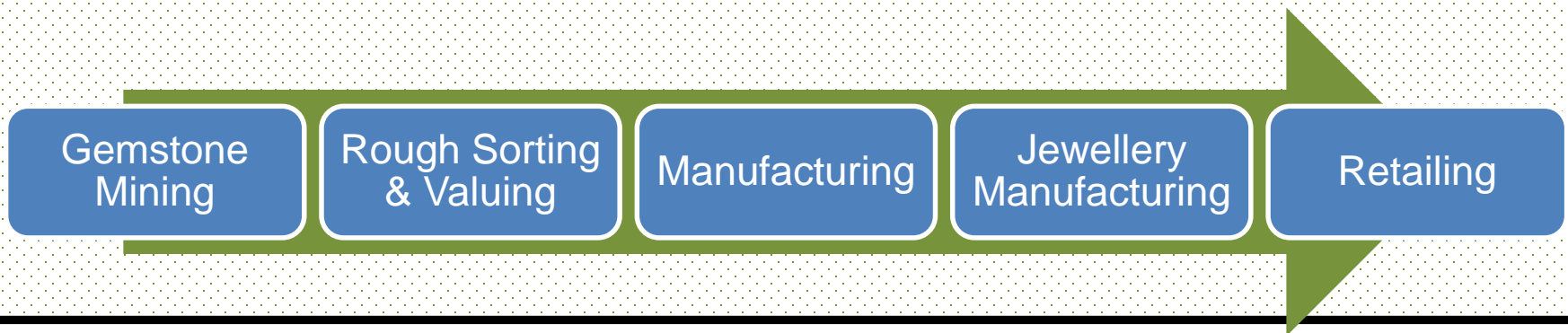
– Applying **Local content regulation** which aims at optimizing the procurement of goods and services that the mining project requires to operate.

- Legal and regulatory services
- Mining and drilling services
 - waste haulage,
 - secondary crushing,
 - specialized drilling,
 - sample analysis
- Transport and logistics services
- Supply of lubricants
- Analysis and testing, including ore samples
- Civil works, Capital Equipment, Consumables
- Non-core goods and services (Food and beverages, Local training service providers, Sample bags, packaging, Uniforms, etc)

Mining, Linkages and growth...the case of Tanzania

❑ Production Linkages: Downstream/ Forward Linkages

- Processing, beneficiation and value addition of the extracted commodities.



Mining, Linkages and growth...the case of Tanzania

❑ Side-stream Linkages: Knowledge and Technology Linkages

- There are four channels through which knowledge and technology linkages has been transferred in the mining sector of Tanzania:
 - **The demonstration-imitation channel**, by which knowledge and technology has adapted from large scale mining companies to medium and small scale miners,
 - **The labour mobility channel**, by which employees trained by large scale mining companies have been moving into the domestic economy (small scale and medium scale) and apply their acquired knowledge and expertise there,
 - **The upstream linkage** channel, by which the multinational corporation transfers knowledge and technology to domestic suppliers in order to help them meet certain standards, and
 - **The export channel**, by which large scale mining companies enable local companies to access international markets.

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