

Investing In People for Social and Economic Justice

Investing in  
people  
for social  
and  
economic  
justice

# SADC MINERAL RESOURCE MANAGEMENT

## Introduction

The development of mineral resources has various implications for host communities, governments, mining companies and the region in which mining is taking place. A comparative perspective reveals huge divergence in the interests of various stakeholders including women, youths and people living with disability. Much of the negative impacts of mining are felt by the host communities socially and environmentally.

A properly structured and administered minerals sector has the potential to generate substantial benefits to individual economies, host communities and regions. Mining contributes directly to the country's foreign exchange and has the potential to generate substantial direct revenues to government through corporate taxes, royalties and employee taxes from miners. More indirectly, the sector can lead to national and regional social and economic development as it can facilitate creation of employment, skills and technological transfer to local people. This can only be guaranteed through favourable policies and laws that ensure the participation of all sections of the society in the mineral value chain.

The SADC region is endowed with immense mineral deposits including diamonds, gold, nickel, platinum and emeralds among others. Mining is strategic in Southern Africa and it is estimated that half of the world's vanadium, platinum, and diamonds originate in the region, along with 36% of gold and 20% of cobalt. The minerals contribute greatly to the member countries'

gross national product and employment as most of them depend on mineral exports for their foreign exchange earnings. South Africa and Zimbabwe are hosts to approximately 80 percent of the world's Platinum Group Minerals (PGMs) and chromite resources (REDI, n.d). Vast deposits of coal, both thermal and metallurgical, occur and are mined in significant quantities in Botswana, Malawi, Mozambique, South Africa, Zimbabwe and Zambia. Angola, Botswana, the Democratic Republic of Congo (DRC), Namibia, South Africa and Zimbabwe provide approximately 60 percent of the world's rough diamonds (REDI, n.d).

employment creation, technological and skills transfer to local people which have positive impacts on the citizens' lives. Beneficiation of minerals is the processing of mined ore to separate valuable mineral products from the associated waste rock or impurities (REDI, n.d).

## 2. The Problem



### 2.2 Unknown Quantity and Value of The SADC's Minerals

The SADC region is facing the same challenge as the broader African continent in terms of lack of knowledge on its minerals' quantities, location and capital value. This has affected planning in the sector. Geological surveys are urgently

#### 2.1 Mineral Endowment With No Development

The mineral industry is dominated by multinational companies which export profits from the sector in the region with little proceeds channelled towards local social and economic development. The prevailing extractivism model allows the companies to export raw minerals without much beneficiation taking place in the region. This deprives the region of potential benefits that are facilitated by beneficiation and value addition programmes. These include

needed to ascertain the real capital value of the region's minerals.

#### 2.3 Uncoordinated SADC Mining Frameworks

The policy and legislative frameworks governing the mineral sector in the region have not effectively facilitated linkages of the industry to other economic sectors to ensure sustainability. Thus the mining projects have socially and

environmentally affected host communities with very little benefits being enjoyed. Environmental degradation, water and air pollution coupled with non-compliance to agreed contractual conditions like Environmental Impact Assessment (EIA) processes, have negatively affected the host communities. Socially, families are displaced during the mine exploration phase with subsequent loss to access to farming and settlement land. Mining also leads to increased economic inequalities for example between men and women, between those with employment at the mine and those unemployed, and also among communities receiving royalties and other payments and those who do not receive. Such damages can be compensated once the sector is linked to other economic sectors through harmonisation of mining and investment frameworks in the region.

fully participate in the mineral value chains. Unemployment has remained a major social issue in the region despite the exploitation of the minerals in huge quantities.

The potential that exists within the mining sector to create employment and other down, up and side-stream economic benefits can be unlocked through facilitation of beneficiation of the region's mineral resources. Some countries in the region have witnessed a dramatic fall in

employment levels and skills through lack of functional industries and also as a result of brain drain. Zimbabwe for instance has been hard hit by huge unemployment levels (estimated to be over 90% by independent analysts).

# Zimbabwe

## Unemployment

### Levels Estimated

### To Be Over 90%

#### 2.4 Unfulfilled Expectations: Employment Creation

Mining projects bring a lot of expectations at regional, national and local levels as it is associated with local employment creation, local procurement and enterprise development (Gumbo, 2016). However, unmet expectations have led to conflicts between the companies and the local communities throughout the SADC region and beyond. The sector has also failed to fulfil the youth's expectations regarding employment creation, skills and technological transfer. Thus the youths have not been able to

#### 2.5 Export of Raw Materials

The central challenge facing Africa in general and the specific regions in particular is how to transition from the commodity dependent growth path to value-adding, knowledge-intensive and industrialised economies (SADC, 2017). SADC among other regions has continued to export raw minerals which are exposed to global price fluctuations. There is little value addition done in the host countries. The frequent decline in mineral commodity prices, which is often beyond the control of SADC producing countries, is one major reason why beneficiation

### 3. Africa Mining Vision

Africa Mining Vision has potential to allow the host communities to fully benefit from their mineral resources if fully domesticated by the region. The AMV was adopted by Heads of State at the February 2009 African Union summit following the October 2008 meeting of African Ministers responsible for Mineral Resources

Development. The vision is *“Transparent, equitable and optimal exploitation of mineral resources to underpin broad-based sustainable growth and socio-economic development”* (Africa Mining

Vision, 2009). The document advocates for the adoption of policies and laws by African countries that ensure down, up and side stream linkages.

The SADC population in 2013 approximately stood at 272 million, and was expected to grow at a rate of about 2% per annum to reach approximately 350 million by 2027 (see Mining News, 2013). The region's mineral resources have the potential to support such a growing population once favourable policies and laws are crafted.

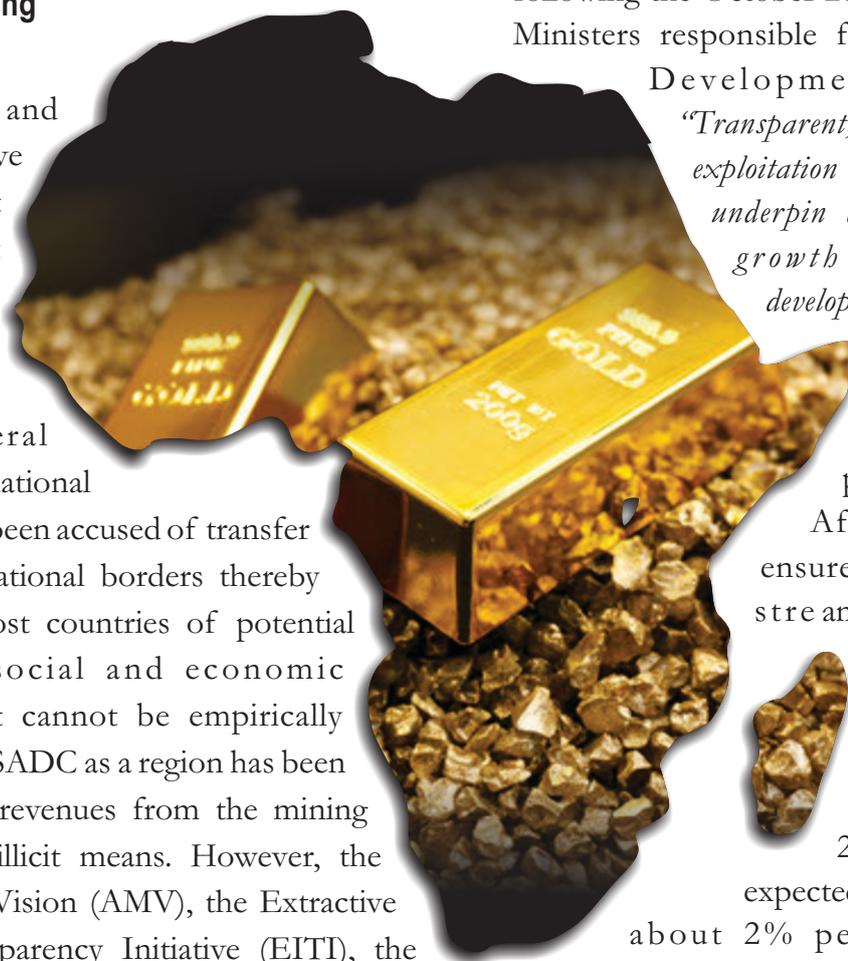
### 4. SADC Initiatives

As part of the Protocol on Mining, SADC Member States have been engaged to harmonise

and value addition of their minerals is important (REDI, n.d). Thus continental, sub regional and national policies and laws should focus on linkages between mining and the rest of the economic sectors through beneficiation and value addition.

### 2.6 Transfer Pricing

Illicit financial and mineral flows have also meant that the region is not able to maximise taxes and royalties from its mineral resources. Multinational companies have been accused of transfer pricing across national borders thereby depriving the host countries of potential revenue for social and economic development. It cannot be empirically established how SADC as a region has been losing potential revenues from the mining sector through illicit means. However, the African Mining Vision (AMV), the Extractive Industries Transparency Initiative (EITI), the Natural Resources Charter and the United Nations Guiding Principles on Business and Human Rights among other institutions have emphasised the need for fiscal policies and contractual terms that ensure full benefit by each country from its resources, subject to attracting the investment necessary to realize that benefit (REDI, n.d). Thus SADC should be able to domesticate such principles in order to reduce the impact of illicit financial and mineral resources.



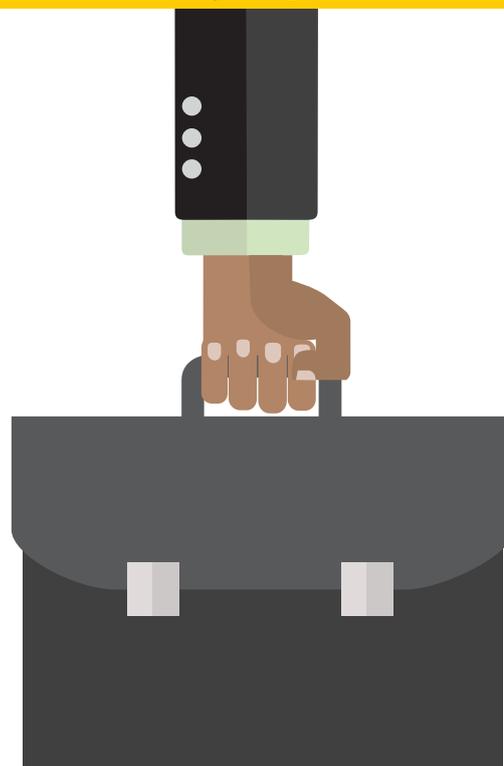
their policies and procedures for mineral extraction, cooperating on improving technical capacity and sharing knowledge. The SADC Mining Protocol came into force in February 2000 after ratification by member States (SADC, 2000, in UNECA, 2004). The objective of the protocol is to create a thriving mining sector that can contribute to economic development, alleviate poverty and improve the standard and quality of life in the region (UNECA, 2004). This is in line with the SADC Common Agenda articulated in the SADC Treaty. It specifies the following areas of cooperation:

- Harmonization of national and regional policies, strategies and programmes;
- Development of human and technological capacities;
- Promotion of private sector exploitation of mineral resources;
- Improvement in availability of information to the private sector;
- Promotion of small-scale mining;
- Developing and observing internationally accepted standards of health, mining safety and environmental protection; and,
- Promotion of economic empowerment of the historically disadvantaged in the sector.

This mining protocol aims to develop the region's mineral resources through international collaboration thereby guaranteeing improved living standards of the people engaged with the mining industry. Thus national mining policies and laws should be harmonised with the rest of the region in order to ensure that benefits from the mining sector are also felt by the host communities. The multinational mining companies which have their head quarters in South Africa for instance have not been able to

comply with some regulations in the host countries because it is alleged there has not been harmonisation of the mining policies in the region.

## 5. Policy Implications



For mining to induce sustainable social and economic benefits to communities there should be deliberate policy and legal reform that incorporate the AMV and the SADC Protocol on mining. The thrust should be on beneficiation and value addition to the region's minerals resources. Beneficiation will create employment in the region as well as building the capacity of member countries to address challenges caused by global mineral price fluctuations.

The member countries should craft policies and laws that ensure the success of beneficiation processes. This also involves creating an enabling environment for all the key stakeholders who include the private sector, government, civil

society and communities and academics to contribute to the beneficiation drive. Critical enablers like energy, transport infrastructure, research and educational institutions as well as policy and legal frameworks should be in place. While countries like Zimbabwe have already incorporated their beneficiation programmes into some national economic policies (Zimbabwe Agenda for Sustainable Socio-Economic Transformation), legal frameworks to support such are needed. Peer review mechanisms should also be established to guarantee compliance by member states on agreed frameworks in the regions.

## 6. Conclusion

The research has established that despite available opportunities, very little value is added to SADC's mineral products. Instead, the increased commodity demand has led to an increase in exports of ores and concentrates to other regions. This has led to increased calls for development-oriented mineral policies which include instruments to increase beneficiation and value addition. It has also emerged that there is increased awareness that value addition encompasses more than mineral processing, as it includes all aspects of the mineral value chain, such as local inputs and services into the mineral sector. Value addition in turn creates more employment for the SADC population.

The SADC region has to craft mineral policy and legislative framework that is holistic and consider the benefits (revenues, taxes, export earnings, jobs among others) and costs (environmental and social costs). Minerals should benefit the local communities that are directly affected by mining projects both socially and environmentally. This can be guaranteed by facilitating economic linkages between the mining sector and the rest of the economic activities in the region. This framework should be well supported by adequate institutional, human and legal capacity. Youth participation in the full mineral value chain is key for sustainability of the mining sector.

## 7. Recommendations

- ➔ SADC countries to fully domesticate the AMV and SADC Mining Protocol through policy and legislative reforms.
- ➔ The SADC Governments to facilitate through policy and legislative frameworks, the participation of the youths in the full mineral value chains.
- ➔ There is need for deliberate beneficiation policies and legislations that ensure linkages of mining to the rest of the economies in the region.
- ➔ There is need for a geological survey in the SADC member states to ascertain the actual quantity, locations and capital value of the mineral deposits.

## 6. Conclusion

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## About ZIMCODD

The Zimbabwe Coalition on Debt and Development (ZIMCODD), is a non-profit socio-economic justice coalition established in February 2000 to facilitate citizens' involvement in making public policy and practice pro-people and sustainable. ZIMCODD views Zimbabwe's indebtedness, the unfair global trade regime and lack of democratic people-centered economic governance as root causes of the socio-economic crises in Zimbabwe and the world at large. Drawing from community-based livelihood experiences of its membership, ZIMCODD implements programmes targeted at

- Educating the citizen
- Facilitating policy dialogue among stakeholders
- Engaging and acting on socio economic governance at local, regional and global levels

ZIMCODD's headquarters are in Harare with a regional office in Bulawayo.

### Our Vision:

Sustainable socio-economic justice in Zimbabwe through a vibrant people based movement.

### Our Mission:

To take action in redressing the Debt burden and Social and Economic Injustices through formulation and promotion of alternative policies to the neo-liberal agenda.

## Objectives

- To raise the level of economic literacy among ZIMCODD members to include views and participation of grassroots and marginalized communities;
- To facilitate research, lobbying and advocacy in order to raise the level of economic literacy on issues of debt, trade and sustainable development;
- To formulate credible and sustainable economic and social policy alternatives;
- To develop a national coalition, and facilitate the building of a vibrant movement for social and economic justice.

ZIMCODD is a member of regional and international networks working on Social and Economic Justice. In the SADC region, it is a member of the Southern African People's Solidarity Network (SAPSN), whose focus is to support the development of alternatives to neoliberal corporate led globalization, with a negative impact on national and regional policies. ZIMCODD hosted this vibrant regional network from 2003-2011 and continues to be a member of the SAPSN coordinating committee and the SAPSN Focal Point for Zimbabwe. Currently it is host to the Zimbabwe Social Forum (ZSF) and through this platform, ZIMCODD aims to develop a vibrant space for reflective thinking, democratic debate, formulation and exchange of alternative ideas to the neoliberal agenda in Zimbabwe and beyond.



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