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South African Institute of Race Relations
The power of ideas

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Boosting mining, and industries that feed it, will deliver greater gains than beneficiation – IRR

Beneficiating South Africa's rich mineral resources has long been a dominant feature of the country's industrial policy ambitions – but far greater gains are available to the economy by boosting mining itself, and the myriad industries that feed into it.

This is the thrust of '*Multipliers from Mining: Upstream Development as an Alternative to Beneficiation Policy in South Africa*', the latest @Liberty report from the Institute of Race Relations (IRR).

The report makes the case for a decisive shift in policy emphasis, in line with international research, and expert advice given to South Africa's policy makers.

For this to succeed, and for mining itself to flourish, will require the far-reaching revision or abandonment of restrictive regulations on racial ownership, local content and procurement which inhibit the growth of the sector, along with the growth of industries that support it.

The report argues that beneficiation 'has been pursued at the cost of two other important, more viable growth vectors: maximising minerals production; and the development of upstream industries, including the manufacture of mining supplies and services'.

While acknowledging that targeted beneficiation projects which are 'realistic and market-friendly' – such as hydrogen-cell technologies, and fuel technologies such as some of those used by Sasol – have a place in the 'national development mosaic', the report finds that South Africa stands to achieve far greater economic gains by stimulating mining and, in turn, the many industries on which it depends.

Author of the report, Terence Corrigan, writes: 'In 2017, according to the Minerals Council of South Africa, the total value of minerals mined in South Africa was R630 billion. In the same year, the value of the sector's spending on goods and services was R300 billion. So for every R2.1 earned on the core activity of mining and selling minerals, R1 was spent on upstream activities. It is in this area that gains are to be had if mining activity were to increase strongly in South Africa.'

The benefits would include increased investment, higher job creation, and greater foreign earnings.

Upstream activities, the report notes, are diverse and extensive, and include manufacturing, chemicals, supply of consumables, such as diesel and timber, rail and port services, electricity, capital goods including equipment and machinery, services in the geological, engineering, health and safety and educational fields, as well as related services such as banking, the stock market, auditing and consulting, and business services. It encompasses activities ranging from civil engineering to catering, iron and steel products for use in mines, plastics, underground vehicles and machinery, explosives, hydraulic drills, safety equipment and many more.

Significantly, upstream activities also include 'mining specialist services' which are 'highly mobile and therefore able to be exported', particularly into growing mining sectors elsewhere in Africa.

The report suggests that South Africa

- Shift its focus from downstream beneficiation to upstream value addition;
- Unshackle the mining sector from restrictive regulations, including the Mining Charter's provisions for racial ownership, local content and procurement, and allow more cost-effective market mechanisms to shape this space;

- Remove regulations which have the unintended consequence of restricting mining production, exploration and development and thus allow an increase in mining activity to boost domestic demand; and
- Allow mining companies to concentrate on mining activities rather than having to worry about industrial development using their products.

Read the full report at **https://irr.org.za/reports/atLiberty/liberty-multipliers-from-mining-upstream-development-as-an-alternative-to-beneficiation-policy-in-south-africa.**

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