

New Eunomix Research report examines Zimbabwe's beneficiation push: The objectives, upsides and risks of intervention in the mining sector

JOHANNESBURG: What are the drivers behind state-led intervention to increase the domestic benefits of mining, and how? This is the question Eunomix Research's new report on Zimbabwe's beneficiation policies seeks to answer.

"Zimbabwe's dependence on mineral exports has deepened in the last ten years and this, together with the extreme fiscal pressure they're under at the moment, means the government is urgently trying to identify new ways to stimulate economic activity," says Claude Baissac, Group Chief Executive of Eunomix. "The government believes that beneficiation is the solution, and this report examines the potential benefits – as well as the potential costs – of that approach."

Eunomix Research is a specialised division of Eunomix with a focus on public policy in resource rich countries. Their latest report, analysing the drivers and objectives of Zimbabwe's beneficiation policy, was released today. This study is part of a comprehensive research agenda on beneficiation in Africa.

More and more African governments are adopting beneficiation as a policy tool in an effort to boost domestic manufacturing and accelerate industrialisation. Encouraging local value addition to minerals, rather than simply exporting them raw or unprocessed at a lower value, is often viewed as an integral part of governments' development strategies.

The objectives of Zimbabwe's beneficiation policy is to create jobs, increase government revenue increase government revenue, and build local smelting capability, according to the study, which closely analysed a wide range of policy documents.

Eunomix finds that, to date, Zimbabwe's beneficiation policy has preferred the interventionist ('stick') approach), as opposed to the incentivisation ('carrot') approach to implement this policy. The government has elected to increase state regulation of the mining sector in recent years. By banning the export of raw minerals such as chrome and introducing an export tax on platinum group metals, the government had hoped to improve local beneficiation. It has, at present, suspended these measures due to a lack of success.

The policy stance adopted results from a need to hedge against sudden loss due to plummeting commodity prices, domestic economic challenges, and a trust deficit between the government and the private sector, the study explains.

However, Zimbabwe's strategy of using bans and legislation to drive beneficiation, as opposed to incentive schemes, is not without risk, the study finds. Both the international trade context and Zimbabwe's business environment are not conducive to attracting investment in mining beneficiation capabilities at present. Ongoing direct state intervention and frequent changes to the mineral taxation landscape have rather contributed to investor uncertainty in the mining sector.

"The stakes for the Zimbabwean approach to beneficiation are very high," explains Baissac. "The stated objectives of the strategy are extremely ambitious, while the economic context remains extremely fragile. With so much riding on the extractive sector, getting the implementation right will be essential for Zimbabwe's economy."

On the other hand, the report also finds that policymakers are open for dialogue. There is a basis from which to find a common ground to grow the economic benefits from mining for all stakeholders involved.

There is thus considerable room for the private sector to support the government in improving local beneficiation by sharing knowledge, skills and expertise. The Eunomix study represents an initial effort to provide an objective common understanding of the current situation in Zimbabwe as it relates to beneficiation, in order to facilitate future dialogue between government and the private sector on this issue.

The report is available on <http://www.eunomix.com/research.php>