

Address from The Honourable Phumzile Mlambo-Ngcuka, Minister of Minerals and Energy of South Africa on the occasion of the Dinner of the MMSD Global Assurance Group, 7 May 2001

Opening Statement

Good evening Ladies and Gentlemen and special welcome to the Global Assurance Group of the Mining, Minerals and Sustainable Development (MMSD) Project. I note that this is your fourth meeting and I am delighted that you chose South Africa for the venue. I hope you enjoy your short stay. I would also like to thank Marie Hoadley of the Steering Committee of the MMSD Southern Africa group for inviting me to address you on issues which affect our sub-region.

Information on the Sub-Region

The economies of most Southern African countries are either dependant on mining and the minerals sector or are strengthened by the sector's input to downstream beneficiation and manufacturing activities. Also, the players in the sector have realised their critical role in job creation, rural upliftment and, more broadly, that mining provides an economic foundation to the vision of an African renaissance.

Within the SADC there are 14 states covering an area of about 30 million square kilometers (30.6% of Africa) and it has a population of 149 million with an annual GDP of some US\$188 billion per annum or \$1,264 per capita. This is some 3.4 times less than the per capita poverty threshold in the developed world. The region is a world famous mining region, and although mining activities have declined during the past decades, it still remains an important sector to the economy of the sub-region contributing about 60% of foreign exchange earnings and 10% of GDP. In South Africa it contributes about 7% of GDP. However, I believe the sub-region's mineral resource wealth is still under-utilised as a catalyst for sustainable development.

In terms of mineral resources, States of the sub-region boast world-class reserves of copper, diamonds, platinum, cobalt and nickel to name but a few. One of the objectives of the SADC Treaty is that the sub-region must achieve sustainable usage of natural resources and effective protection of the environment.

Issues of Sustainability

Therefore, the first issue, which will promote economic equity and stability, is the establishment of a competitive world class mining industry in the SADC with downstream beneficiation to derive added economic value.

This is particularly important because in the past 20 years, African economies have repeatedly been pushed into dependence on multilateral aid. This was as a result of the governments' inability to generate tax revenues and, with limited exports, too little foreign exchange to drive export-led growth.

The second important set of issues in the sub-region concerns the increased need for skills and competency development of the peoples to enable them to participate in the minerals and mining sector, and reduced risk to human health with access to meaningful social and health services.

The third set of issues relates to minerals as a non-renewable resource and our responsibility to exploit them in an orderly fashion limiting mining and associated activities' impacts on the environment. Mining must therefore take place within the framework of good environmental management requirements and best practice which are committed to prevent and/or reduce environmental impacts of mining while effectively and efficiently protecting the environment. In this regard, mining is regarded as a temporary land use for the creation of wealth, leading to an optimum future land use in the post-mining stage as a consequence of dedicated environmental management programmes and progressive mine rehabilitation throughout the mining cycle. Therefore, after mining has been conducted and completed, it must be ensured that the land be put to productive use.

So, in general if one looks at the issues facing the sub-region, there would be a balanced emphasis on economic and social development and environmental protection – the so-called three pillars of sustainable development. At the SADC Mining Protocol Conference held at the Council for Geoscience during 24 to 26 April 2001, it became evident that common environmental principles, a regulatory framework and standards for SADC are *inter alia* necessary for the implementation of Article 8 of the SADC Protocol for Mining, pertaining to environmental protection.

South African Issues

What holds true for the sub-region, in many respects, also holds true for South Africa. South Africa's mineral resource industry is still the backbone of the economy. The government has a well declared intention to encourage investment, support development and strengthen the competitive capacity of South Africa's mining industry. The new Mineral Development Draft Bill, which was recently released for public comment is aimed at achieving this and had to be revised for three main reasons.

- Firstly, the majority of the population was excluded from participating in and directing the mining industry before democracy was realised in 1994.
- Secondly, it was important for government to make use of this opportunity to revise and formulate a new mineral and mining policy that is in line with global trends and practices.
- Finally, the policy had to be realigned with new policy developments in other sectors, for example environmental management, labour and water-related aspects, as well as government's new macro-economic strategy that has the objective of promoting new economic growth. Without going into much detail, it is anticipated that there will be economic benefits when the Bill is promulgated into an Act, which will not only benefit the mining industry, but the whole country.

The new Bill, to name a few, will:

- Alter the permission to prospect or mine, which will attract foreign and local investment as the entry barrier that currently exists will fall away. Information at my disposal indicates that South Africa only attracted about 6% of the current \$55 billion global mining investment and the creation of an enabling environment will lead to heightened interest in our mineral resources;
- Give access to geoscientific information, as the current restrictions on disclosure will fall away. In addition there is often a lack of readily available accessible geological, geochemical and geophysical information to attract the attention of the investor. Our goal is to develop a system where all necessary information on any piece of land in South Africa may be accessed by means of the touch of a button;
- Alter the practice of locking up or hoarding of mineral rights, as it will fall away. In some instances this was used to keep out competition. Also, the extension of prospecting rights will be subject to performance requirements, which include the submission of drilling or resource information.
- Address the issue of sustainable development and the Social Plan. Exploration and mining operations will be required to internalise their environmental and social costs because mining deals with depletable resources. The process of depleting a mineral resource must add value to
 - The developer
 - The human resource base
 - The local economy and ensure sustainable development after depletion of the ore body. The environment (physical, social and economic) cannot be neglected. We cannot allow the costs to these environments to be deferred and become a debt to be paid by future generations.
- Increase value adding as beneficiation incentives has been provided for in the Draft Bill.
- Result in more opportunities for medium and small-scale mining operators. Notwithstanding constraints, which excludes gold, coal, diamonds, platinum group metals from this sub-sector, it still turns over 16 billion Rand per annum and employs over 100,000 people. This sector has traditionally remained under-capitalised and under-utilised.
- Give preference to previously disadvantaged persons with entitlement to prospect, mine and to dispose of minerals. This means if there are two competing applications with equally sound business plans in terms of sustainability, the decision will be made to grant the right in favour of the previously disadvantaged applicant. This provision is another vehicle for attracting new foreign investment by way of joint partnership, which will result in the facilitation of black economic empowerment.

South Africa's unemployment rate is estimated at 35-37% and the government sees the new Draft Bill as a way to attract renewed interest in our mineral resources and simultaneously to create employment and stimulate economic growth.

I want to conclude with the following:

The sub-region is rich in mineral resources, which can be used to increase GDP growth, address unemployment and increase exports but in reality most of the sub-region remains unexplored. Even in countries where there are exploitations, very little or no processing is done. One of our primary goals should be to devise a strategic plan for the sub-region, which should concentrate on policies and actions that are necessary to attract investment in mining. We should highlight resources that have already been identified but are not being exploited either because of policy constraints or political conflicts and use best practice in Africa or elsewhere as models to accelerate investment in mining in the sub-region.

Thank you for your attention.