



PRODUCTIVE LINKAGES IN THE MINING SECTOR

Tanzania, Zambia, Zimbabwe

KEY MESSAGES

- ◇ Debates over promoting productive linkages figure prominently in national politics in the region.
- ◇ Numerous institutional and structural challenges and barriers have weakened developmental outcomes.
- ◇ Promoting productive linkages and local content policies can benefit from a gender sensitive approach focused on more inclusive strategies for economic empowerment.

INTRODUCTION

One of the most popular mechanisms for increasing the local accrual of benefits from oil, gas and minerals extraction in recent decades has been to encourage the domestication of ‘productive linkages’ within mining sector value chains through the enactment of local content policies (LCPs). This approach, explicitly endorsed by the African Union’s *African Mining Vision* (2009), has been a key pillar of resource nationalism strategies in Southern Africa in the 21st century.

LCPs are typically designed to increase the utilisation of national human and material resources in the extractive sector and domicile in-country extractive industry-related economic activity that was previously located abroad (Ovadia 2014). Their focal point, productive linkages, include backward linkages (supplying the goods and services required for extractive activities) and forward linkages (processing, refining and beneficiation activities) (Hirschman 1958). Recent LCPs in Tanzania, Zambia and Zimbabwe have targeted both kinds of linkages, with varying intensity and levels of success.

KEY ISSUES

LCPs have involved competing interests and motivations in both the public and private sectors, and have met with a number of institutional and structural challenges and barriers. Together, these factors have heavily shaped the direction of LCPs’ developmental outcomes. Our research on productive linkages in the region included a study of the politics of LCPs, which asked how and by whom policies were enacted. In a second investigation we researched the links between LCPs, gender and empowerment in mining. The gender-focused study revealed the ways in which local content and the promotion of productive linkages are

tied to policies, common throughout southern Africa, to promote economic empowerment through skills development and support to small and medium-sized enterprises (SMEs).

KEY FINDINGS

While LCPs have been in evidence across the region, their origins, coherence and impacts have been diverse. In all three countries a variety of legislative and policy instruments have sought to foster productive linkages, albeit with considerable unevenness among them.

Tanzania is the only country among those surveyed with specific local content legislation and enforcement regulations. LCPs that were previously ‘soft’ or voluntary were ‘hardened’ under President Magufuli’s resource nationalist approach with the introduction of stipulated mandates for local sourcing. Our research indicates that this shift led to measurable and positive impacts on local content and value addition in the local mining sector. To date there has been no significant change under President Hassan, although our research suggested she is perceived to be more sympathetic to large scale mining and may seek to weaken LCPs going forward.

Zambia pursued LCP legislation but did not enact it before the change in government in 2021. Large scale miners resisted those LCP initiatives, and fragmented support from local mine suppliers weakened support for the proposed policy shift. LCP reforms are reportedly being considered by President Hichilema’s government, though the socio-economic terrain of LCP policy-making remains largely unchanged.

Zimbabwe’s local content strategy, announced in 2019, currently consists of just a few paragraphs on mining

within a larger national development plan. In the preceding decade under the Mugabe government, local content was primarily focused on local mine ownership enforced under a contested and ultimately abandoned indigenization programme. More recently, while government-industry consultations around local linkages to the mining sector have increased, actual strategies have typically been narrowly framed. State support for the entry of new players including SMEs has been poorly coordinated and weakly resourced.

Across the region, challenges and barriers to local content promotion include outdated legislation (in Zambia and Zimbabwe especially) and infrastructure deficits. A lack of critical skill, managerial and technical capacities among local firms have led to poor outcomes. Financing challenges, including inadequate access to funding for local firms and high financial outlays required for beneficiation like smelting and refining, continue to pose critical structural obstacles. In many cases, domestic mining output is insufficient to feed large-scale local beneficiation projects.

There is strong evidence suggesting that LCPs remain popular and can figure importantly in electoral politics, especially in mining-dominated areas. However, changes in governments or party leadership have resulted in policy inconsistencies and unpredictability in all three countries. At the same time, there are risks that LCPs can serve as mechanisms of elite accumulation through ‘linkage patronage’ and can be deployed to assist in regime consolidation. Research suggests that LCPs should prioritize the nurturing of value addition in local supply chains, rather than the channeling of benefits to politically-linked actors.

Our gender study found that LCPs encompass more than simply creating new industries or linkages. They also include the strengthening of human capacity through skills development. By these means, SMEs are enabled to link to existing extractive industry value chains. This approach perhaps represents the most direct and achievable form of local content enhancement, especially in the fostering of upstream

SMEs linkages. In comparison, the development of competitive downstream linkages in local supply chains has proven to be more challenging and costly. Overall, our research found that LCPs could be strengthened through their synchronization with existing economic empowerment programs.

Evidence indicates that gender is often absent from discussions of local content, even though women-led firms are active in different locations along local supply chains. Women face specific institutional and structural barriers to their participation in the mining sector and linked economic activities. In response, informants recommended that governments should mainstream gender not only in economic empowerment but also in LCPs.

RECOMMENDATIONS

- ◇ LCPs must be fit for purpose, updated regularly, and enacted by all of government.
- ◇ ‘Hard’ LCPs can encourage industrialization and structural transformation. However this approach risks causing conflict with large scale miners and therefore will require robust support from domestic interests.
- ◇ LCPs risk being co-opted into mechanisms for elite accumulation or ‘linkage patronage’. Therefore LCPs should be designed to encourage value creation, rather than benefits for designated individuals or groups.
- ◇ Economic empowerment, and specifically women’s economic empowerment should be connected to and feed into LCPs to maximize positive developmental outcomes.

REFERENCES

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