

# **Deepening of Upstream Linkages through the Namibian Mining Industry**

Mining Conference, Windhoek Show Grounds

9<sup>th</sup> May, 2019

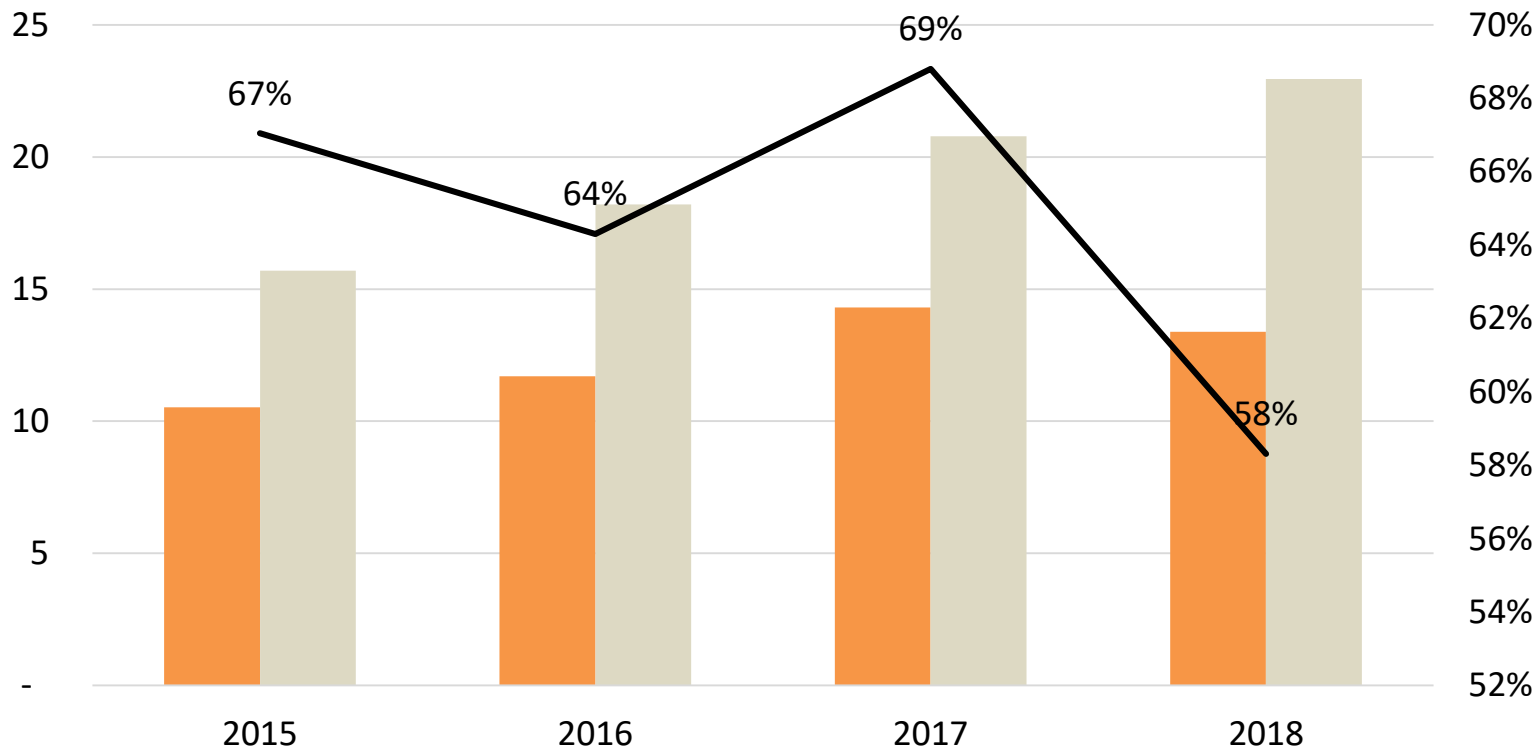
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**THE CHAMBER OF MINES  
OF NAMIBIA**

# Significance of local spend/procurement by mining



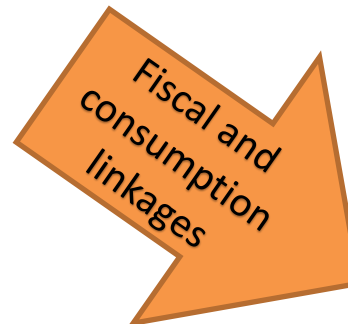
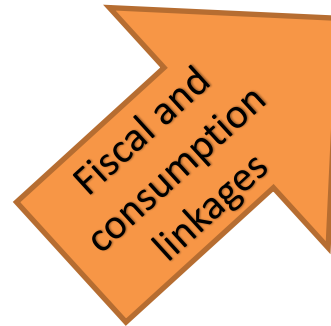
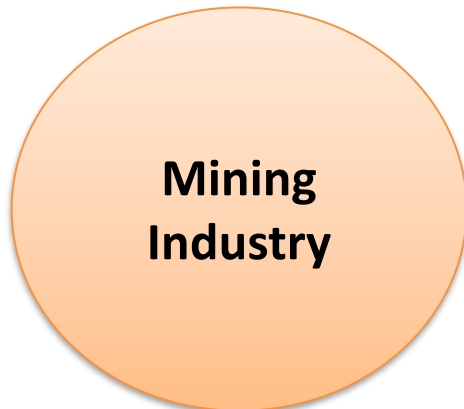
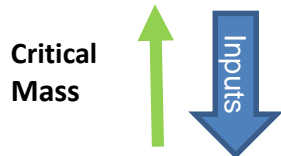
Local procurement    Total procurement    Local procurement as % of total



# Upstream/backward linkages in the mining industry

## Upstream/backward Linkages

Mining Inputs and Services



## Down Stream Linkages

- Beneficiation
- Manufacturing
- Chemical
- Pharmaceutical
- Agriculture (agro – minerals)
- Construction (Cement)

## Side Stream Linkages

(Government/PPP responsibility)

- Infrastructure
  - Rail/Road
  - Ports
- Power
- Water
- Skills
- R & D
- Logistics
- Communications
- Financial Services



# Importance of upstream linkages

- Direct benefits to surrounding communities, existence of mines creates business opportunities for local suppliers
- Employment creation - (indirect employment creation through multipliers)
- Wealth creation
- Skills and technology transfer
- Integration of mining industry with other sectors of the economy, through technology and skills transfer
- Catalyst to develop Namibia's manufacturing base through linkage deepening



# Linkage breadth and depth

- **Linkage breadth** – Range of inputs associated with a particular value chain and number of suppliers
- **Linkage depth** – value added component in the linkage/supply chain

In Namibia's mining industry, the supplier profile is evident of a broad supply base, however, there appears to be limited local production of mining inputs (shallow linkage depth)

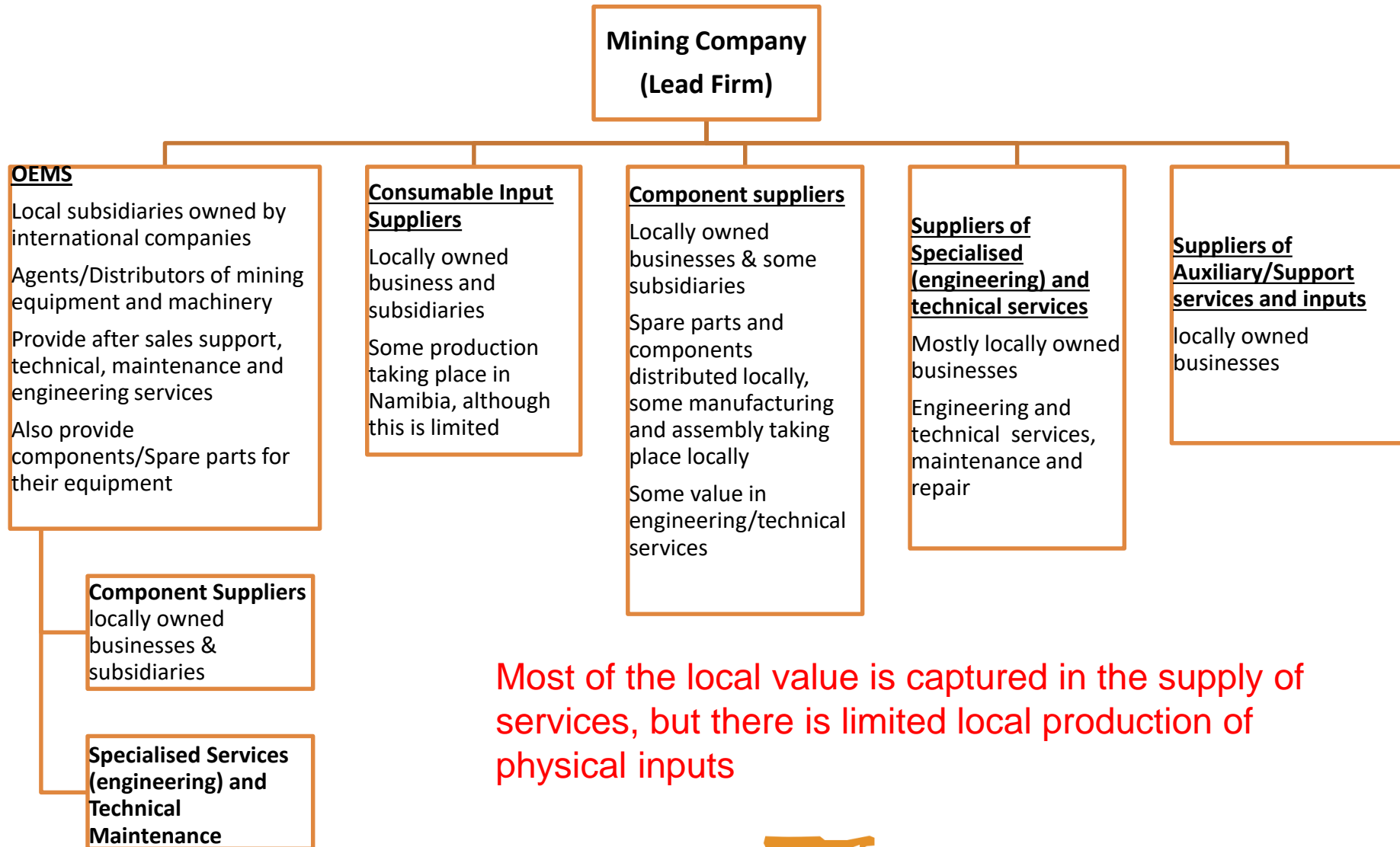


# Classification of suppliers in the mining industry

- **Original Equipment Manufacturers (OEMs):** Design and manufacture of capital goods (e.g. mining equipment and machinery, as well as heavy vehicles) These companies also provide specialized after-sales services and maintenance. Such companies are typically large, established international corporations.
- **Consumables Input Suppliers:** Consumable input suppliers provide inputs consumed in mining and processing operations on a regular basis.
- **Agents and Distributors:** distribute various mining supply inputs, especially equipment for OEMs and corresponding spares and components
- **Suppliers of Auxiliary/Support Services:** provide important auxiliary services and inputs to mines such as catering and cleaning
- **Specialised Engineering Services:** This group of firms provides specialized engineering and technical services.
- **Component Manufacturers:** These firms provide and produce parts and components of equipment.



# The mining supply chain in Namibia



# Possibilities for deepening in the local mining supply chain?

## Heavy Equipment, machinery and vehicles (capital goods)

- Unique requirements by mines – necessary to source from reputable suppliers
- Cost of switching suppliers is high
- Economies of scale challenge
- Limited scope for local suppliers to enter this segment of the supply chain, let alone produce capital goods.

## Components and spares

- OEMS have set specifications components, and these are very often sourced from within the OEM.
- South Africa's competitive advantage in production of components
- However, feasibility studies show that establishing a foundry in Namibia would be viable.

## Consumables

**(Opportunity to increase local production of these goods)**

- Demand is existent for consumables, mines require these on a day-to-day basis eg. Chemical reagents.
- There is definite scope for the production of consumables locally
- What is required to unlock this opportunity?





# Unlocking Opportunities?

- **Supply selection processes** not a major constraint – these are transparent and equitable
- **Supplier development programmes** have proved instrumental in cultivating local supply chains (especially for consumables). These, however, very often form part of CSR programmes rather than procurement functions, and not aligned to procurement needs.
- The need for **local content policies**? – case studies have largely shown that local ownership requirements have not been successful in promoting local content.
- Namibia's historical context taken for granted in efforts to deepen and cultivate local supply chains.



# Namibia's own success stories



## Ohorongo Cement

- Cement made from 100% Namibian ingredients
- Fuels to fire kilns are from locally recycled and de-bushed material, gypsum and iron ore to produce cement are sourced in Namibia and packaging bags are manufactured locally



## Sulphuric Acid

- Dundee Precious Metals Tsumeb recently started producing sulphuric acid from harmful sulphur emissions at the smelter.
- This is a major input in the processing of minerals for Rössing and Tschudi, which was previously being imported



# Conclusions/way forward

- Upstream linkages through mining in Namibia are shallow – limited local production of capital goods, consumables and components.
- A large portion of local value lies in the provision of services. In this regard, Namibia has become an exporter of mining related services.
- Opportunity to further develop (deepen) local supply chain in the production of consumables.
- Align supplier development programmes to procurement needs.
- Further research needed for local content policies, however, these should steer away from restrictive local ownership requirements.
- Further research should also look to include an analysis of suppliers to capture the real economic value of linkages and to provide perspective of challenges experienced on the ground which would give better guidance for industry and policy directives.
- The specific input requirements (goods and services) of the mining sector as a whole need to be understood for suppliers to assess potential business opportunities.



