

Socio economic impacts of mine closure in Namibia

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INTRODUCTION

In many countries the mining industry plays an important role in socio economic development by providing employment, foreign direct investment, export income and raw materials to secondary industries. Similarly, the mining industry has been the backbone of the Namibian economy for several years. The industry made the highest contribution to national GDP (9.6%) in 2020 followed by agriculture, forestry and finishing industries¹. The industry also contributes immensely to national employment by creating employment and social development. It created a direct employment of 14, 951 and paid N\$6 billion in wages and salaries in 2019². The industry spent N\$ 122 million for skills development through training programmes and N\$ 181 million to support corporate social responsibility (CSR) activities.

Mining operations are finite economic activities with a limited life. Some mines are closed permanently due to exhaustion of mineral resources, while other suspend operations due to unfavourable commodity prices and political situations. However, communities that depend on mining operations are affected adversely in either situation. This was evident from the hardship experienced by the mineral industry across the globe during 2012-2017. Commodity producing nations GDP growth was reduced between 5% to 3.5% during 2010 to 2014 and further declined to 3% in 2016³. Namibia's GDP contracted by 1.3% in real terms during 2015⁴ and several mining operations were suspended. This included the suspension of Weatherly Mining Central operations (Matchless and Otjihase) and retrenchment of 215 workers. In addition to these mines Okorusu also closed its operations, and some mines restructured to survive the low commodity prices. This resulted in more than 1000 workers being made redundant. Recently Skorpion zinc mining operation was suspended due to depletion of zinc deposit and left more than 1000 workers without jobs.

Although support of these mining companies for the community development during active operations is indisputable, the sustainability of the communities beyond mine closure is uncertain. Moreover, development of sustainable cities and communities is one of the seventeen SDG (sustainable development goals) goals adopted by United Nations. This paper analysis the impact of mine closure on one of the mining towns in Namibia.

Methodology

The paper is based on the review of several documents such as annual reports from the Ministry of Mines and Energy, Chamber of Mines, and past socio-economic studies in the mining areas in Namibia. The study also includes fieldwork in one of the mining towns that has recently been affected by mine closure. The fieldwork consists of interviews with various stakeholders (community members, business partners, etc.) and a survey among workers.

¹ Namibia Statistics Agency (NSA). (2018), The Namibia Labour Force Survey 2018 Report - NLFS

² Chamber of Mines. (2021). Chamber of mines: Annual reviews. <https://chamberofmines.org.na/annual-reviews/>.

³ Bank for international Settlements, (2016), 87th Annual Report, 2016/17

⁴ Annual national account (2018), Namibia Statistics Agency

Description of the Study Area

Rosh Pinah is a mining town located in southern part of Namibia, close to the border with South Africa, about 20 km north of the Orange River, 165 km south of Aus and 260 km south of Keetmanshoop⁵ (Figure 1). The town is administered by RoshSkor, a joint venture of two mines - Rosh Pinah Zinc Corporation (Trevalli) and Skorpion Zinc (Vedanta) - operating near the town.



Figure 1. Location of the study area.

Summary of the Results

Mining actively contributes to the socio-economic development of the country with regards to revenue generation for the government, employment creation, health and safety, education, and infrastructure development, and it serves as the foundation of many other industries. Hence, the closure of mines has a ripple effect on the country's economy and the communities. Following are the main points derived from the results of the study.

- Most of the population in the town is directly and indirectly depended on mining activities. This was evident from the sudden drop in the town's population when one of the mines was under care and maintenance (Figure 2).

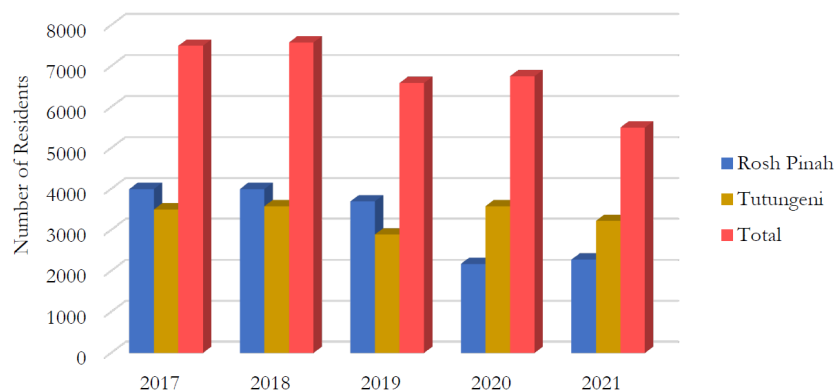


Figure 2. Population of the town.

- The most significant contribution of the mining industry to the local economy in terms of local content is employment creation. Both mines had on average of 2500 employees directly working in the mines. This generated much more indirect and induced employment at local and regional level.

⁵ Stankeviča, V, 2015. Development of mining settlements in Namibia: An investigation into prospects for Rosh Pinah, Klein Aub and Tsumeb. PhD dissertation, the University of Namibia.

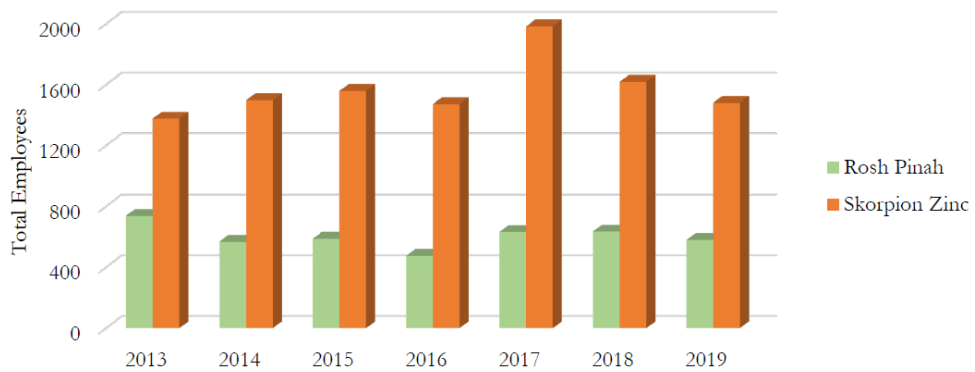


Figure 3. Total number of employees working in Rosh Pinah and Skorpion zinc mines.

- Anecdotal evidence suggests there is a general belief that on average each person directly employed at the mine provided income to or sustained at least six to eight other people, if not more. Hence, both had a crucial impact on approximately 20 000 lives across the value chain. The two mines together spent on average more than N\$ 550 million on wages and salaries in a year.

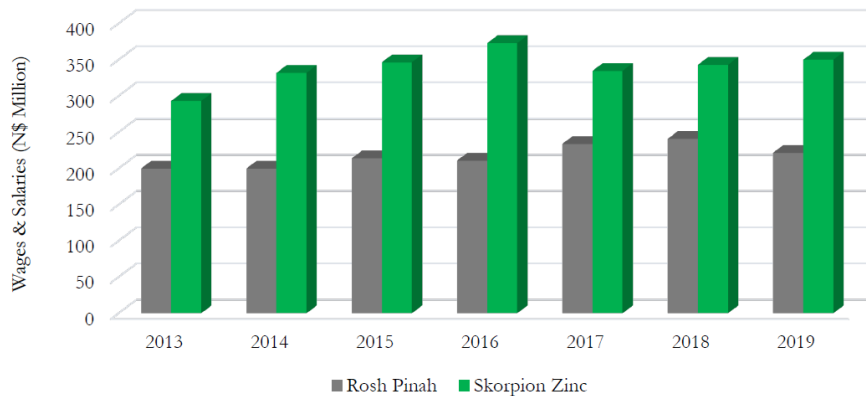


Figure 4. Total money spent on wages and salaries by both mines.

- Both mines accounted for a substantial amount of procurement of goods and services from local and regional suppliers such as security, office cleaning, catering, construction, some engineering, plant cleaning, transportation, and generating indirect employment by subcontracting companies. The two mines together spent on average N\$ 2.5 billion per year on local procurement.

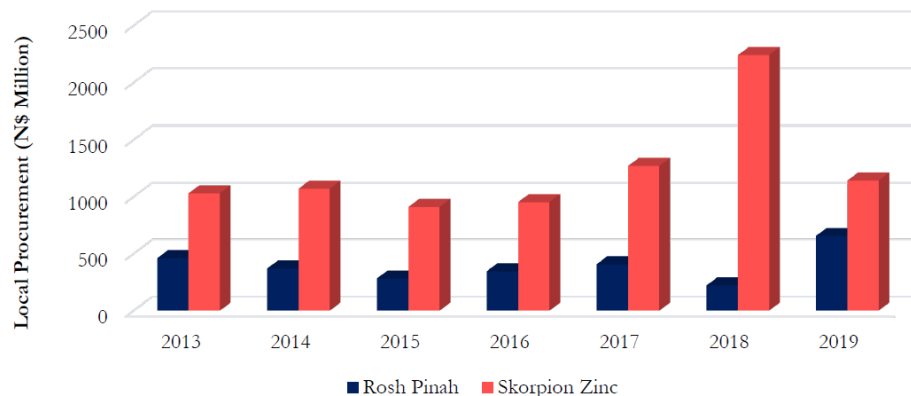


Figure 4. Total money spent on local procurement by both mines.

- Both mines were directly or indirectly supporting local schools, clinics, even police services to provide high quality services through CSR activities for several years. However, there are no alternate economic activities found in the area, which may affect livelihoods of the population and services in the area after mine closure.
- The town is currently not proclaimed and hence builders of houses and other properties have no title deeds, which may be one of the barriers for generation of alternate economic activities.

Concluding Remarks

This study's findings demonstrate a need for a proactive public-private partnership (PPP) pact during the mine closure stage. It is a well-known fact that countries where governments team up with the private sector to develop their economies always perform better. The following applied considerations towards amelioration include:

- Develop a PPP initiative with the communities so as to avoid them becoming ghost-towns, as is evident in many other countries.
- Implementation of alternative economic viability ideas, including tourism, can be moulded around the available assets in the area such as nature tourism and geo-tourism.
- A collaborative employment act where government ministries and departments, along with the private sector and the local communities, could help to ease the burden of unemployment and poverty in Rosh Pinah, and help them to engage in different forms of alternative livelihoods such as agricultural activities, fish farming, small scale mining, etc.



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