****

**NATIONAL ASSEMBLY**

**WRITTEN REPLY**

**PARLIAMENTARY QUESTION: 3569**

**DATE OF PUBLICATION: 18 SEPTEMBER 2015**

**Dr MJ Cardo (DA) to ask the Minister of Economic Development:**

What (a) is his position on developmental pricing in order to stimulate the growth of the domestic manufacturing sector and (b) does the developmental pricing model entail? NW4236E

**REPLY**

Developmental pricing refers to arrangements to supply locally-produced inputs at lower than market prices to locally-based downstream producers, in order to stimulate value-add production in a country. It is one of the means that is used to promote beneficiation of minerals so as to expand the national value-chain, grow the number of jobs in manufacturing, deepen the economic development benefits in a country and help to reduce vulnerability of economies that are reliant principally on exports of minerals or agricultural products.

In South Africa, government has supported efforts to beneficiate a greater quantity of locally-mined iron ore through a developmental pricing regime that had been in place for many years.

It is government’s view that pricing of inputs is one element of a number of factors that need to be addressed to expand beneficiation significantly. Other key factors include availability of energy at competitive prices, local know-how or partnerships with international technology partners and availability of key skills. Pricing of raw material inputs remain a critical component in efforts to substantially expand beneficiation of minerals.

**-END-**