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AHEAD OF THE 2021 GENERAL ELECTIONS: KEY ISSUES ON THE MINING SECTOR

As the country goes to the polls on 12th August 2021, it is expected that the political party that forms government will transform the mining sector into a tool of national development. The Centre for Trade Policy and Development (CTPD) wishes to note that this can only be attained if six critical issues facing the sector are resolved.

Firstly, there is a need to resolve the taxation gridlock of non-deductibility of mineral royalty between government and mining companies. This is an issue that has been going on for quite some time with little progress in attaining consensus. CTPD has dispensed a solution that is likely to instigate a win-win situation between the Government and Mining Companies by proposing that 50% of the mineral royalty payable should be allowed as a deductible expense to compute corporate income tax.

Secondly, there is a need to support the Artisanal and Small-scale Mining Sector through government-driven initiatives such as the creation of revolving funds, provision of mining equipment, skills training, etc. This sector continues to be seen as a source of hope for the many Zambians that cannot get formal employment. CTPD strongly believes that artisanal and Small-scale mining when properly exploited can attain poverty reduction and narrow the inequality gap in mining host communities and the country as a whole.

Thirdly, there is a need for government to resolve its disputes with mining companies. For instance, the Konkola Copper Mine (KCM) saga positions itself as a serious issue undermining Zambia as a favourable mining investment destination. We need to appreciate the fact that the relationship between government and investors is one of the crucial factors that mining companies look at before they can commit huge capital in any jurisdiction. A signal of expropriation of mining assets without compensation can potentially induce mining companies to shy away from committing capital to explore and develop mineral reserves.

Fourthly, there is a need to set up a state-based value addition strategy for Zambia. The African Mining Vision (AMV) recognizes that mining is a key sector for a growing, diversified, competitive, and industry-based economy in Africa. For Africa to harness these benefits, the enclave nature of mining will have to be extinguished. Achieving this goal means that mineral-rich countries like Zambia will need to go beyond optimizing revenues collected from the mining industry, but act strategically to increase the value of the resources extracted.

This can best be achieved by creating and strengthening the linkages between the mining sector and the rest of the economy. CTPD wishes to urge whoever forms government to design and implement policies that enhance mineral value addition strategies that can create linkages with other parts of the economy. Doing this will ensure cascaded benefits to the state in form of increased revenue generation, employment creation, and technology transfer.

Penultimately, there is a need to set up a gold refinery to build our international reserves. According to the recent Bank of Zambia Statement on the appreciation of the Kwacha, quoted as *“Besides supporting the market, the Bank has been able to build up international reserves, which stood at US\$1.4 billion at the end of May 2021 compared to US\$1.2 billion at end-March 2021. The Bank of Zambia has also continued with the local gold purchase programme, accumulating about US\$22.0 million in monetary gold as at July 23, 2021.”* The current status shows that gold only contributes 1.6% to the international reserves. The setting up of a gold refinery will give a comparative advantage and strategic platform for scaling up the contribution above the current 1.6%. All things being equal, this will lead to the continued appreciation of the Kwacha.

Lastly, investment in activities aimed at generating geological information should be treated as a priority. To achieve this there is a need to fund or capacitate the Geological Survey Department by apportioning a percentage of mineral royalty to aid discharge its functions.

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Editor's Note

The Centre for Trade Policy and Development (CTPD) is a not-for-profit, membership based trade policy and development think tank. The organization was established in 1999 and existed as the civil society trade network (CSTNZ), until 2009 when it was rebranded as the Centre for Trade Policy and Development (CTPD).

The mandate of CTPD is to influence pro-poor trade and investment reforms at national, regional and multilateral levels as well as facilitate the participation of various stakeholders including member organizations in ensuring that trade is used as a tool for poverty eradication.

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