



CTPD'S MONDAY OPINION

This is a weekly column aimed at sharing CTPD's perspective and steering public debate on various issues pertaining to Trade & Investment Law, Public Finance Management, Extractives and Human Development.

TODAYS TOPIC:

Strategies for enhancing the contribution of the Gemstone Mining Sector to Zambia's economy with Mr. Webby Banda



In last week's Monday Opinion, I undertook a review of Zambia's Gemstone mining sector particularly drawing your attention to its historical background and technical status. In this Monday Opinion I escalate the conversation further by explicating how the gemstone mining sector can meaningfully contribute to Zambia's economy. Before delving into this, I will highlight some of the constraints that the sector faces and how policy can be employed to resolve them.

1.0 Preamble

In Zambia's mining context, most of the gemstones are exploited by artisanal and small-scale mining players. Therefore, erecting strategies that aim at growing the sub-sector needs to be undertaken through the lens of these miners. There is still an international definitional confusion of what constitutes artisanal and small-scale mining. Promulgated definitions have been centered on several attributes including production volume, capital intensity, the quantity of mineral reserves, labour productivity, number of mine workers, and operational reliability and continuity. However, in the context of Zambia, ASM is defined based on the area of land on which mining is undertaken. 1 to 3 cadastre units for artisanal mining and 3 to 120 units for small-scale mining. By this definition, it means a mine that is highly mechanised but operates on an area of land covering 1 to 3 cadastre units is classified as an artisanal license. Conversely, a mine that is worked by rudimentary techniques but is being undertaken on an area of land covering 120 cadastre units is classified as a small-scale mining license.

2.0 Major Constraints of Zambia's Gemstone Mining Sector

Gemstone mining sub-sector constraints can be segmented

into two categories, namely, (i) structurally inherent constraints, that exist at the project level; and (ii) External constraints, that influence the environment in which the sub-sector operates, mainly comprising of economic and mineral resource policies.

One of the biggest structural constraints is the geological challenge of defining the extent and amount of gemstone reserves. This constraint can be attributed to the fact that gemstone mineralisation is variable and discontinuous. This further culminates into high geological risk and problems of generating resource/reserve statements which can feed into feasibility studies to generate bankable documents that can be used to secure funding from money lending institutions. This constraint is exacerbated by a lack of technical skills and diamond core drilling machines by ASM operators to probe the underlying rock formations. The high geological risk has prevented potential investors from committing capital to the sector because there is no guaranteed return on investment. Another structural constraint is the lack of start-up and working capital. Due to this constraint, it is difficult for mining license owners to undertake any exploration and mining development activities on the deposits. The geological constraint has a transmission effect of creating other challenges which include the use of inefficient and unsafe mining methods, and problems attributed to occupational health. Additionally, the lack of start-up and working capital constraint has a transmission effect of creating other challenges such as the lack of technology to exploit the deposits and the inability to hire a skilled labour force.

In terms of external constraints, the government lacks the institutional capacity to monitor and enforce regulations in the gemstone mining

sector. Part of this state of affairs is attributed to the fact that the government has a limited operational budget to support the mining sector. Lack of institutional capacity generates other problems which include the presence of illegal miners, inadequate road infrastructure such as roads, and power to mine sites. Other external constraints prevalent in the gemstone mining sector include lack of promotional strategy for gemstones in Zambia, lack of a conspicuous value addition strategy, and smuggling of gemstones.

3.0 Strategic Policy Response

To ensure the gemstone mining sector meaningfully contributes to the Zambian economy, policy must be crafted to address the many constraints it faces. An effective promotional policy can be structured into four stages. The first stage aims at creating an enabling environment, including a supportive legal framework. This is followed by institutional building and strengthening measures to effectively support and monitor the sector. Given the large numbers of small miners that tend to characterize the sector, the third stage involves the formal organization of sector activities to create organizational mechanisms suitable for channelling assistance and facilitating monitoring and control. With a formally organized sector, the last stage involves the provision of technical and financial assistance aimed at improving labour productivity and gemstone recovery.

This is it for this week. Look out for next Monday Opinion as we discuss another exciting topic.

About the Author

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