



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 & Investments Law, Public Finance Management, Extractives and Human Development.

TODAYS TOPIC

ECONOMIC DIVERSIFICATION IN THE MINING SECTOR (PART 1)



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In this Monday Opinion, I draw your attention to economic diversification in the Zambian mining industry. The discussion of this topic is in two parts. The first part, which is the focus of this Monday Opinion, will look at the policy and legal framework that governs economic diversification in the mining sector. Part two of the topic will be covered in the next Monday Opinion and will focus on some strengths, weaknesses, opportunities, and recommended strategic interventions that can promote diversification within the sector. In discussing Part I of today's topic, I will begin with a brief background of economic diversification and cascade to the policy and legal framework governing it, particularly focusing on the mining sector.

In addition to copper, Zambia boasts of other mineral resources including base metals, precious, industrial, gemstones, and energy minerals. It is important to mention that the country's overdependence on copper has dwarfed the exploitation of these minerals making it susceptible to fiscal risks emanating from production and price volatility. Therefore, the government must create systems that support the diversification agenda within and outside the mining sector. In doing so, there is a need to exploit a multi-sectoral approach by creating a symbiotic relationship between mining and other sectors of the economy such as agriculture and tourism. Overall, it is worth noting that the country has made some notable progress in overcoming the heavy reliance on the copper mining sector, which has been reflected by the political will to craft a policy framework that deliberately grows non-traditional exports. There has been generally aggression to exploit other resources such as gold, manganese, gemstones, industrial, and energy minerals.

Several pieces of policy and legal documents speak to the economic diversification within Zambia's mining sector. Key among these include the Mineral Resources Development Policy (MRDP) of 2013, Zambia's export diversification strategy for gold and gemstones (2020), the Mines and Minerals Development (MMD) Act No.11 of 2015, and the National Export Strategy (NEST) (2017). The subsequent paragraphs briefly explicate these policy documents.

The MRDP of 2013 is the principal document that governs policy direction in the sector whilst the rest are auxiliary. This policy is heavily reliant on Vision 2030. It promotes economic diversification within the mining sector through the geological mapping of mineral resources. Additionally, it promotes the exploitation of the non-traditional mining subsectors, namely, industrial and energy minerals (e.g., oil, gas, and uranium). However, it is quite disappointing that the policy does not have an explicit objective to diversify the mining sector from copper. Additionally, there is too much emphasis to exploit energy and industrial minerals at the neglect of other strategic minerals such as gemstones, manganese, and gold.

The Ministry of Mines and Minerals Development (MMD) and the Ministry of Commerce Trade and Industry (MCTI) created Zambia's export diversification strategy for gold and gemstones in 2020. The strategy aims to achieve diversification through the lens of Artisanal and Small-scale Mining (ASM). This strategy is robust in its own right because it explicates the strategic objectives, and the proposed interventions on a sector-by-sector basis.

The MMD Act No.11 of 2015 is the principal Act that governs the mining sector in Zambia. It outlines the rules and regulations of how to effectively

and efficiently explore, develop, and exploit ore deposits to the benefit of the citizenry. It is important to point out that any agenda put forward to diversify the mining sector must strictly conform and be compliant with the provisions of this piece of legislation. However, it is quite disappointing that the Act does not explicitly contain any principal statement on diversification.

NEST was crafted by the MCTI in 2017 to enhance the export sector's contribution to socio-economic development. It gravitates around promoting a structurally transformed diversified and competitive export sector. The NEST makes sector-specific demands on the mining sector to annually increase the exports of gemstones and non-metallic minerals by 10 and 25 percent, respectively. The NEST is mainly focused on facilitating diversification from the copper sub-sector to non-metallic minerals and gemstones.

The explicated legal and policy framework governing the diversification agenda in the mining sector away from copper is somewhat adequate. What needs attention is the strengthening and harmonization of these policies and legal documents so that they send out one unifying message. It is also important that the legal, regulatory, and policy framework should not be limited to gold, gemstones, industrial, and energy minerals as seen in a majority of policy documents but must extend to encapsulate other strategic minerals such as manganese. This is it for this week. Look out for next week as we discuss part two of this exciting topic.

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