



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 2)



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IN LAST week's Monday Opinion, I delved into the policy and legal framework that governs economic diversification within the mining sector. In today's Monday Opinion, I take the discussion further to elaborate on the strengths, weaknesses, opportunities, and recommended strategic interventions that can promote diversification in the mining sector away from copper. In discussing part two of today's topic, I will begin with a brief background of some of the weaknesses and threats that the non-copper mining sub-sector currently possesses. This will be followed by a highlight of its strengths and opportunities. Lastly, a proposal of strategic interventions that can transform the diversification agenda into action will be advanced. The focus is on three economic mineral sub-sectors, namely, gold, manganese, and gemstones. This is so because these are low-hanging fruits that can be efficiently utilized to attain the diversification objective within the mining sector.

Before delving into the strengths and opportunities of the manganese, gold, and gemstone mining sub-sectors, it is logical, that illumination of their weaknesses and threats is provided within a context that is heavily skewed to the artisanal and small-scale players. This is so because they are the majority of mining license holders. Hence, any quest to grow the sub-sectors and use them to attain diversification has to be done through the lens of these players. Firstly, it is important to stress the fact that the artisanal and small-scale players in these sub-sectors are highly disorganized and financially strained. This has inhibited the opportunity to use them as a strategic tool in widening our mineral portfolio as a country. Artisanal and small-scale players in the manganese, gold, and gemstone sub-sectors face several challenges including lack of access to finance, lack of geological information, excessive fiscal rates, lack of available lucrative markets, lack of technical and financial knowledge, use of inefficient mining and processing techniques, price exploitation by buyers, and poor occupational health and safety. Additionally, the illegal trade and smuggling in these sub-sectors particularly in the gold and gemstone mining sectors are exacerbating the status quo. Exertion

of political influence is another element that dampens the opportunity of growing the small-scale players to an extent where they can effectively contribute to the mining value chain.

Despite the highlighted weaknesses and threats, the sub-sectors possess several strengths and opportunities that can be exploited to expedite the diversification agenda away from copper through critical strategic interventions. The gold mining sector for instance possesses the potential to induce macroeconomic growth and poverty reduction through the organizing of ASM players into cooperatives and buying of gold from them to be used as a strategic reserve at the Bank of Zambia. The political will of the government to cooperate with the large and small-scale gold mining players in the buying process is an opportunity worth to be exploited. To the back of this, the Ndola refinery presents an opportunity to add to the gold stock through the processing of anode slimes. Similarly, the manganese mining sector has smelters dotted around Serenje in Pensulo area which provides an opportunity to strengthen the attainment of forward linkages through value addition. The story is similar in the gemstone mining sector, thanks to the presence of the Ndola gemstone processing and lapidary centre, which can add value to gemstones by cutting and polishing them. To the back of this, the gold, manganese, and gemstone mining sub-sectors possess some fiscal incentives that provide a conducive environment that can see the growth of both big and small-scale players. It is also important to stress the fact that mining bureaus dotted in some regions of the country can strategically deliver technical extension services to ASM players. Additionally, the University of Zambia, School of Mines and Copperbelt University, School of Mines and Mineral Sciences boast of several technical experts that can train ASM players on efficient and environmentally benign techniques of mining.

Based on the highlighted strengths, weaknesses, opportunities, and threats, the following are some of the strategic interventions that government can undertake to enhance the contribution of the gold, manganese, and gemstone

mining sub-sectors to the economy and subsequently attain the objective of diversification:

- Government should facilitate the development of a gold refinery.
- Government should facilitate the skills development of lapidaries and create gemstone exchange centres.
- Government should join forces with cooperating partners to provide geological information to artisanal and small-scale miners.
- Government through regional bureaus should partner with Universities, and technical colleges to facilitate the training of artisanal and small-scale miners on efficient, effective, and environmentally benign methods of mining and processing minerals.
- Government should facilitate easy access to cheap finance for the Artisanal and Small-scale Mining (ASM) sector through some form of state financing and partnership with financial institutions.
- Government through the Ministry of Commerce Trade and Industry, Ministry of Mines and Minerals Development, and Ministry of Small Medium and Enterprise Development to develop market linkages for the manganese, gold and gemstone ASM sub-sectors.
- Government to facilitate the amalgamation of small and unviable gemstone areas to make them viable.
- Government should spearhead formalization of the ASM sector through the cooperatives model by providing access to finance, reduction of high fiscal rates, etc.
- Government should enhance monitoring at borders to prevent the smuggling of minerals.

As a clarion call, the highlighted strategic interventions must be translated into action by reviewing and revising the current legal and policy framework in the gold, manganese, and gemstone sub-sectors. This is it for this week. Look out for next week as we discuss another exciting topic.

About the Author

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