

**REPUBLIC OF ZAMBIA**

**REPORT**

**OF THE**

**COMMITTEE ON NATIONAL ECONOMY, TRADE AND LABOUR MATTERS**

**FOR THE**

**FIRST SESSION OF THE THIRTEENTH NATIONAL ASSEMBLY**

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# **REPORT OF THE COMMITTEE ON NATIONAL ECONOMY, TRADE AND LABOUR MATTERS FOR THE FIRST SESSION OF THE THIRTEENTH NATIONAL ASSEMBLY**

## **1.0 MEMBERSHIP OF THE COMMITTEE**

The Committee consists of Mr Binwell Mpundu, MP (Chairperson); Ms Sibeso K Sefulo, MP (Vice Chairperson); Mr Elliot Kamondo, MP; Mr Davies Chisopa, MP; Mr Mubika Mubika MP; Mr Ronald K Chitotela, MP; Mr Mutotwe Kafwaya, MP; Mr David Mabumba, MP; Mr Gift S Sialubalo, MP; and Mr Njavwa Simutowe, MP.

The Honourable Madam Speaker  
National Assembly  
Parliament Buildings  
**LUSAKA**

Madam,

The Committee has the honour to present its Report for the First Session of the Thirteenth National Assembly.

## **2.0 FUNCTIONS OF THE COMMITTEE**

The Committee was mandated under Standing Order No 197(j) of the National Assembly Standing Orders, 2021 to oversee the operations of the ministries responsible for commerce; trade; industry; finance; mines and minerals development; national development and planning; labour and social security; and co-operatives; and departments and agencies under their portfolios. The functions of the Committee were provided under Standing Order No 198.

## **3.0 MEETINGS OF THE COMMITTEE**

The Committee held ten (10) meetings during the year under review to consider the topical issue '*Economic Diversification: The Case of the Zambian Mining Sector.*' The Committee also considered the Action-Taken Report on the Report of the Committee for the Fifth Session of the Twelfth National Assembly.

## **4.0 ARRANGEMENT OF THE REPORT**

The Report is organised in two parts: Part I presents the findings from the Committee's deliberations and tours on the topical issue; and Part II deals with the Committee's consideration of Action-Taken Report.

## **5.0 PROCEDURE ADOPTED BY THE COMMITTEE**

The Committee requested detailed memoranda on the topic under consideration from relevant stakeholders. Thereafter, in order to fully appreciate the topical issue under its consideration, the Committee invited stakeholders to provide oral submissions and clarifications on issues contained in their written memoranda. The Committee further toured various facilities in line with its topical issue in order to gain further insight into the topic under consideration.

### **PART I**

## **ECONOMIC DIVERSIFICATION: THE CASE OF THE ZAMBIAN MINING SECTOR**

### **6.0 BACKGROUND**

Zambia is endowed with mineral wealth, some of which include copper, cobalt, gold, nickel, lead, silver, uranium, zinc, and numerous precious and semi-precious stones. All these unique and wide-ranging natural assets, if properly harnessed, are a prerequisite for economic development. The country has a long history of mining and a large mineral resource base whose extraction has been key to the country's revenue, foreign exchange earnings, employment and economic growth. The country also has strong potential for further mining.

However, in spite of having a vast mineral resource base, copper has been the main mineral mined in Zambia since the country attained her independence. While the country has for a number of years been making pronouncements on the need to exploit the country's vast mineral wealth and consequently diversify away from the heavy dependence on copper, very little has been done to actualise these pronouncements. In view of the above, the Committee resolved to undertake a study titled *Economic Diversification: the Case of the Zambian Mining Sector*.

The objectives of the study were to:

- i) appreciate the adequacy of the legal framework governing diversification of the Zambian mining sector;
- ii) ascertain whether the Government had any deliberate policies to reduce the dependency on copper and consequently diversify the mining sector;
- iii) ascertain whether there were any incentives aimed at enhancing the operations of non copper producing operations;
- iv) learn what challenges (if any) were faced by non-copper producing mining operations; and

- v) make recommendations on the way forward with regard to the diversifying the mining sector.

## **7.0 SUMMARY OF SUBMISSIONS BY STAKEHOLDERS**

### **7.1 Economic Diversification in Zambia**

The Committee was informed that economic diversification was the process of shifting an economy away from a single income source towards multiple sources from a growing range of sectors and markets. Traditionally, it had been applied as a strategy to encourage positive economic growth and development. Economic diversification was a major driver of economic development. It offered opportunities for Zambia to realise additional benefits such as jobs from the vast endowment of natural resources. It also provided an opportunity for Zambia to benefit from a stronger and more diversified economy which could in turn support a strong manufacturing base. Specifically, diversification in the mining sector could offer opportunities for value addition through forward linkages to manufacturing and agro processing, and increased production and sale of non-traditional exports to both domestic and international markets.

The Committee was informed that Zambia had recorded minimal economic diversification over the years. This was evidenced from the concentration on copper which continued to dominate traditional primary commodities. This meant that the production, processing and export of other minerals remained underdeveloped.

The Committee was further informed that the mining value chain, which included the delivering of finished products to customers, should be the backbone of the mining sector. Countries that had developed their value chain had a significant competitive advantage and the value creation had spurred diversification and employment creation, among other benefits. However, Zambia had a highly underdeveloped mining value chain.

### **7.2 Mineral Resources Found in Zambia**

The Committee learnt that Zambia was endowed with a vast amount of mineral resources. Within its geographical confines, the country had base metals, precious metals, industrial minerals, gemstones, and energy minerals. Discussed below are some of the minerals that the country was endowed with.

- a) *Gold* - The Committee was informed that gold deposits were mostly found in the Mwembeshi Zone and also in the zones near the base of the Katanga region. More than 300 gold deposits had been recorded in the county. Gold was being mined in Solwezi; Mwinilunga; Kasempa; Mumbwa; Kabwe; Chisamba; Senga Hills; Mpika; Chilanga; Chadiza; Chirundu; Kazungula; Lundazi; Chongwe; Petauke; Lusangazi; Vubwi; Luano; Rufunsa; Chipata;

and Mkushi, among others. Gold was also mined at Kansanshi Mine in the North-Western province as a by-product.

- b) *Lead and Zinc* - Stakeholders submitted that lead and zinc were mined in Kabwe. Zinc had also been discovered in some parts of the Copperbelt Province and the western and eastern parts of Zambia.
- c) *Iron Ore* - The Committee was informed that deposits of iron ore had been discovered in central and western parts of Zambia. Iron was also mined in Nampundwe's Sanje Hill area. More deposits were found in Mumbwa, Pamba Hill and in almost every province in Zambia.
- d) *Diamonds* - Some occurrences of diamonds were found in the Bangweulu area and possibly around Kabompo in of North-Western Province. These environments were favourable for alluvial diamonds.
- e) *Manganese* - The Committee was informed that manganese small scale mining was done in Mansa. Manganese was also mined in the Munali Hills area in Southern Province. Deposits had been found around the Northern Province and central parts of Zambia. Several small deposits had also been found in various other parts of the country.
- f) *Nickel and Platinum* - Nickel occurred in the areas south and east of Lusaka. Nickel deposits were also found in the north-western region of Zambia. Further, minor platinum group elements were produced as a by-product of copper refining in the major copper mines. Nickel deposits had also been found in the Munali Hills area.
- g) *Uranium* - Stakeholders submitted that different substantial types of uranium deposits had been recorded in Zambia. Exploration activities were taking place in southern Zambia.
- h) *Coal* - Zambia had extensive coal deposits and had been producing coal since 1967 in Maamba in the Southern Province. Other coal deposits had been identified in the Luangwa and Luano-Lukusashi valleys and also in the Western Province of Zambia.
- i) *Hydrocarbons* - The Committee was informed that occurrences of hydrocarbons with oil generating potential were present in both the Luangwa and Zambezi valleys. Exploration works for petroleum covering parts of North Western, Western and Eastern Provinces using the microbial prospecting for oil and gas technique indicated that the North Luangwa basin had potential for oil and gas.
- j) *Gemstones* - Stakeholders submitted that there was an increasing mindfulness of the value of Zambia's gemstones. Zambia's emeralds were



sought after due to their deep green colour. The country's emerald deposits were among the world's largest. The gem was mined on the Copperbelt Province in Lufwanyama and near Luanshya and Ndola. Amethyst was abundant in Southern Province, while aquamarine and tourmaline were also gemstones that were mined in Zambia.

- k) *Apatite* - Apatite, which was used in the manufacture of fertiliser, was found in the eastern part of Zambia.
- l) *Limestone and dolomite* - Limestone and dolomite were abundant in and around Lusaka. Deposits were also found in the Southern, North Western, Northern and Luapula Provinces. Limestone and dolomite were used in cement manufacturing and in production of agro chemicals.
- m) *Clay* - A large number of ball clay and brick clay deposits had been found in Shiwang'andu in Mpika town in northern Zambia and Masuku in southern Zambia.

### **7.3 The Adequacy of the Policy and Legal Framework Governing the Diversification of the Zambian Mining Sector**

Stakeholders submitted that Zambia's mining industry was regulated principally by the Government through the *Mines and Minerals Development Act No 11 of 2015*. The Act provided for the administration of the mining sector and for the establishment of the office of the Director of Mines, who was the chief administrator responsible for securing proper development of mines and conduct of mining operations in accordance with the provisions of the *Mines and Minerals Development Act*. The Act also provided for the office of the Director of Geological Survey, who was responsible for undertaking the geological mapping of Zambia and the exploration operations on behalf of the Republic. The Director of Geological Survey was also responsible for advising the Minister of Mines and Minerals Development on geological matters and providing data concerning the geology and mineral resources of Zambia. The Director of Mines Safety supervised matters relating to the environment, public health and safety in exploration, mineral processing and mining operations. The Director of Mining Cadastre was responsible for the administration of mining rights and mineral processing licenses. These directorates were housed under the Ministry of Mines and Minerals Development which was the primary regulatory body for the mining sector. The *Mines and Minerals Development Act* also established a Mining Licensing Committee, which considered applications for mining and non-mining rights and all matters related to the administration of mining and non-mining rights such as suspension, termination or amendment of the licenses.

Apart from the Ministry of Mines and Minerals Development, there were several other Government institutions that played different roles in the mining sector according to their varying mandates. These included the Zambia Development Agency (ZDA), the Zambia Consolidated Copper Mines Investment Holdings

(ZCCM-IH) and Industrial Development Corporation (IDC). In terms of the institutional architecture, the *Mines and Minerals Development Act* of 2015 provided for a comprehensive list of institutions to govern the sector.

The Committee was informed that there were a number of challenges arising from capacity constraints in the institutions mandated to regulate the mining sector in general and the non-copper mining sector in Zambia. For instance, there was poor handling of environmental and social impacts of mining; problems with human rights associated with the sector; ineffective development planning as it related to mining; issues concerning land access compensation and resettlement as well as the absence of revenue sharing between national and local Government.

Stakeholders submitted that there were certain inadequacies with respect to the legal framework governing the non-copper mining subsector as enshrined in the *Mines and Mineral Development Act* of 2015. For example, the Committee was informed that the Act did not give surface rights holders the priority to apply for exploration rights on the land they held. Further, the Act was not exhaustive as regards exploration rights on their land. Stakeholders stated that this was against the Government's intention of citizen participation. The Committee was also informed that from the perspective of the investor community, some of the challenges arising from the regulatory framework with respect to mining included the unstable fiscal and tax regime; poor management of licenses; and lack of coordination among various Government ministries and departments.

### **7.3.1 Mining Tax Regime**

The Committee was informed that Zambia's mining tax regime had undergone several changes over the years, with the most notable changes coming after privatisation in the early 1990s. While these changes had largely affected copper mining, they also had an impact on the non-copper mining subsector. Some of the most notable changes to the country's mining fiscal regime from the year 2000 as submitted to the Committee are discussed briefly below.

- a) *Post-Privatisation Regime: 2000-2008 (The Development Agreements negotiated with individual mines at privatisation)*

After privatisation, agreements were entered into between the Zambian Government and each company that had bought the assets of Zambia Consolidated Copper Mines (ZCCM). While these agreements had never been made public by the Government it appeared that tax rates and other details differed to some extent from one company to the next.

- b) *The 2008 Regime*

In the year 2008, the Government imposed a new tax regime for the mines through the enactment of the *Mines and Minerals Development Act No 7*

of 2008 which increased the company income tax rate from 25 per cent to 30 per cent. Some of the changes effected by the Act included the reduction of depreciation allowance was cut from 100 per cent to 25 percent; hedging operations were to be taxed separately from mining operations; losses could be carried forward for a maximum of 10 years instead of 10 to 20 years; the mineral royalty rate for copper and cobalt was increased from 0.6 per cent to 3 per cent; and windfall tax was introduced.

c) *The 2009 Regime*

Under the 2009 reforms, windfall tax was abolished; tax depreciation reverted to 100 per cent; and mines were again allowed to combine hedging and operating income for income tax purposes.

d) *The 2012 Regime*

The two main changes for the mining industry tax regime were the doubling of mineral royalty rate for copper and cobalt from 3 per cent to 6 per cent; and hedging and operating income were again to be treated separately for income tax purposes.

e) *The 2015 and 2016 Mineral Royalty Regime*

In the 2015 Budget, the Zambian Government revised its tax regime structure by replacing the 2012 regime that combined mineral royalty tax (at 6 per cent) and corporate tax (at 35 per cent) with a single system of the mineral royalty tax at 20 per cent as the final tax. The structure of this regime was similar to the 2012 regime. The difference was that it responded to low market prices.

f) *2019 to 2022 Tax Regime*

In September 2018 Zambia was faced with large fiscal deficits and external borrowing that led the International Monetary Fund to caution that Zambia was at high risk of debt distress. The Government once again turned to the mining sector to boost revenue. When presenting the 2019 National Budget, the Government introduced the latest policy changes to the mining fiscal regime. Until then, the mineral royalty rates ranged from 4 per cent to 6 per cent depending on the copper price. The new tax changes effective 2019 included the following:

- i) an increase in mineral royalty rates by 1.5 percentage points at all levels of the sliding scale;

- ii) introduction of a fourth tier rate at 10 per cent on the sliding scale mineral royalty regime which would apply when copper prices rose beyond US\$7,500 per metric tonne;
- iii) making mineral royalty tax non-deductible for income tax purposes;
- iv) introduction of an import duty at the rate of 5 per cent on copper and cobalt concentrates;
- v) introduction of an export duty on precious metals, which included gold, precious stones and gemstones, at the rate of 15 per cent; and
- vi) lifting the suspension of the export duty on manganese ores and concentrates which was put in place in 2012 and increasing this duty from 10 to 15 per cent.

For 2022, mining royalties were made deductible from income taxes. Mineral royalty determination was amended to reflect a measure of both incremental and aggregate norm value.

### **7.3.2 Mining Policy Regime**

The Committee was informed that since independence, Zambia had formulated and reviewed the Mineral Resources Development Policy a number of times. Some of the policy regimes are outlined below.

#### *a) The 1995 Mining Policy Regime*

Under this regime, the private sector was to become the principal producer and exporter of mineral products. The Policy was aimed at promoting the development of small-scale mining industry in order to contribute to the country's economy. It was also intended to:

- i) promote the development of the gemstone industry and facilitate liberalised marketing arrangements;
- ii) promote exploration, exploitation and processing of industrial, energy, and ferrous minerals;
- iii) reduce environmental damage and health hazards of the workers and neighbouring inhabitants; and
- iv) promote local processing of and value addition to mineral raw materials.

#### *b) 2013 Mineral Development Policy*

The Committee was informed that the 2013 Mineral Development Policy was a revision of 1995 Mining Policy and was based on the Vision 2030. The impetus of the Policy was to:

- i) encourage the use of appropriate, affordable and safe technology;
- ii) build capacity in the regional offices to enhance service delivery;
- iii) collaborate with small-scale miners' associations;
- iv) enhance information dissemination on safety, health, and environmental risks;
- v) provide occupational health, and safety guidelines for small scale mining;
- vi) improve information flow on the opportunities and regulations; and
- vii) facilitate access to finance for small-scale miners in order to develop the subsector.

The Committee was informed that the overall taxation structure for minerals in Zambia did not differ much between copper and the non-copper minerals. However, there were some differences with respect to the fixed rate of mineral royalty. For instance copper had a sliding scale while the non-copper minerals had a fixed rate. Stakeholders submitted that the tax regime for the non-copper minerals was stable relative to that of copper. This scenario should have attracted more investment in the non-copper subsector and also driven diversification. However, this has not been the case.

#### **7.4 Contribution of Mining to Zambia's Economy**

The Committee was informed that the mining sector in Zambia could be segmented into two broad categories, that is, the copper mining sector which was dominated by multinational corporations; and the non-copper mining sector which had a mixture of big companies and artisanal and small-scale mining players.

While the mining sector was predominantly known for copper mining, the non-copper mining; artisanal and small-scale mining subsector had increasingly become a significant contributor to Zambia's economy. In 2020, the mining sector as a whole contributed around 79.5 per cent to Zambia's exports and 31.4 per cent towards the nation's total budget. This made mining a significant sector of the Zambian economy. The Committee was further informed that it was, therefore, imperative to understand the nuances of the sector, especially the non-copper mining subsector which had for a long time, been subjected to informal operations and as a result had been left out of the tax system.

##### **7.4.1 Extent of Exploitation of Non-Copper Mineral Resources**

As highlighted above, Zambia has abundant mineral resources some of which remain unexploited. Data from the Ministry of Mines and Minerals Development indicate that only 55 per cent of the country had been geologically mapped. Stakeholders lamented that this was an impediment to the prospects for mining diversification in the country.

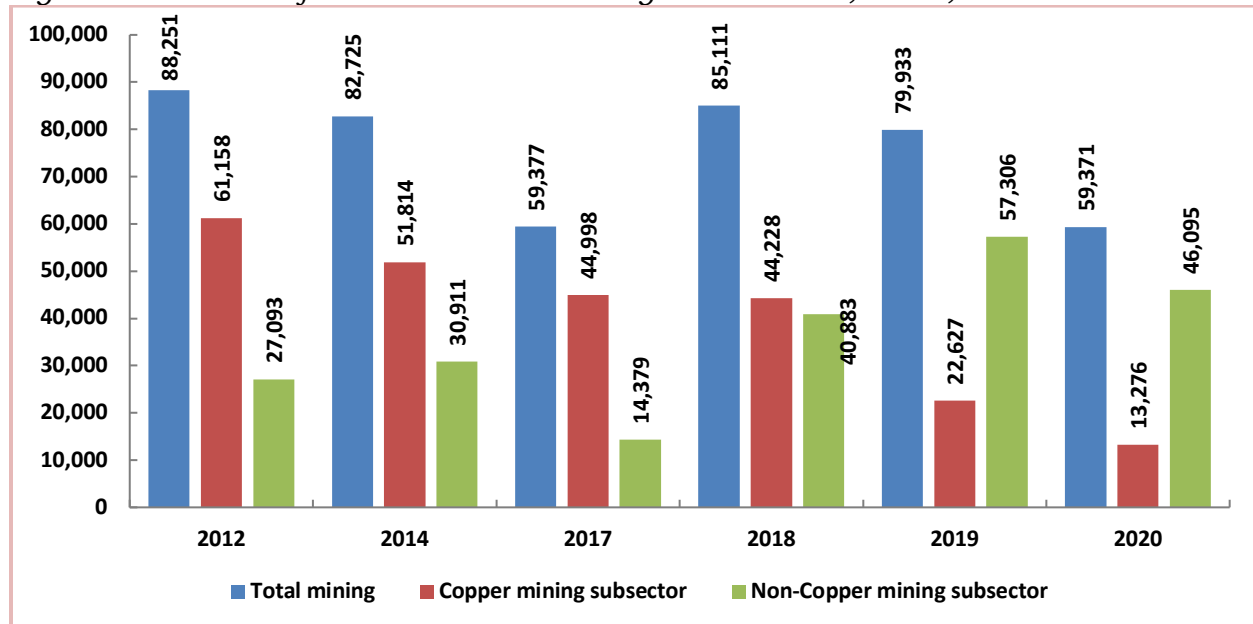
## 7.4.2 Contribution to National Economy

### i) Contribution to Employment

The Committee was informed that the contribution of the copper mining subsector to total mining employment had been declining over the period 2012 to 2020. Employment in the copper mining sub-sector declined from 61,158 workers in 2012 to 13,276 workers in 2020. In 2012, the copper mining sub-sector contributed the highest rate at 69.3 per cent to total mining employment while the lowest contribution was recorded in 2020 at 22.4 per cent.

In contrast to the copper mining sub-sector employment, the non-copper mining sub-sector employment had steadily increased over the period 2012 to 2020. Non-copper mining employment increased from 27,093 workers in 2012 to 46,095 workers in 2020 as shown in Figure 1 below.

Figure 1: Number of Workers in the Mining Sector 2012, 2014, 2017-2020



Source: Zambia Statistics Agency, 2021

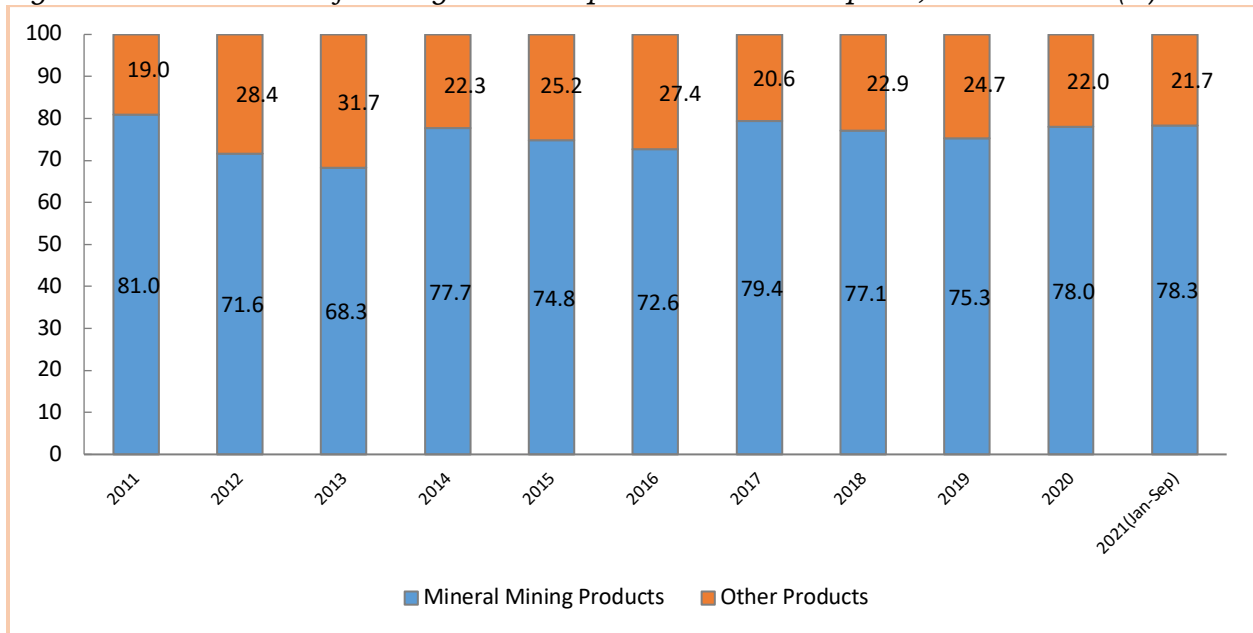
### 7.4.3 Contribution of Mining to Total Exports

The Committee was informed that in addition to providing employment, the non-copper mining sector was a contributor to the country's foreign exchange basket. On average, the contribution of mining exports to total exports was 75.8 per cent, while that of non-mining exports was 24.2 per cent of total exports for the period 2011 to September, 2021.

In 2011, the contribution of mining exports was highest recorded with 81 per cent, while the contribution of non-mining exports was the lowest at 19 per cent

within the same year. The lowest contribution from mining to total exports was in 2013, at 68.3 per cent.

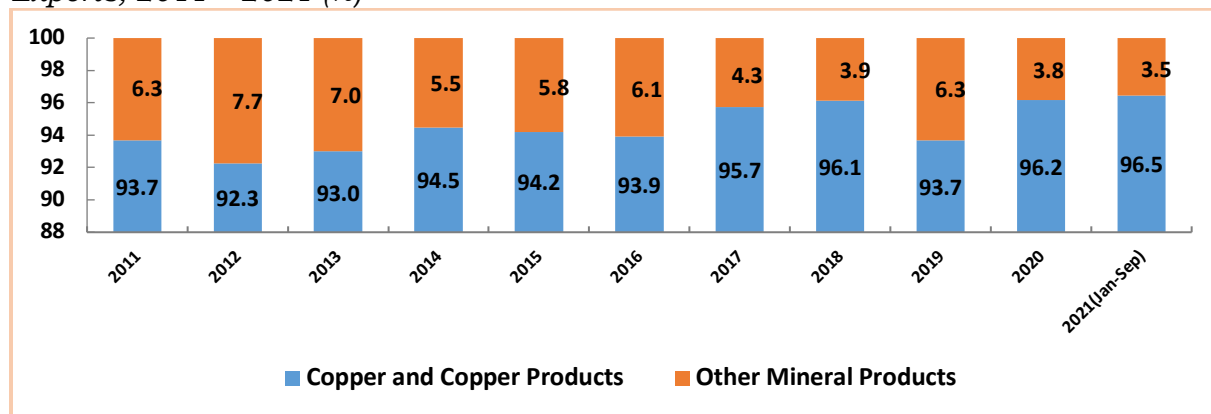
Figure 2: Contribution of Mining Sector Exports to Overall Exports, 2011 - 2021 (%)



Source: Zambia Statistics Agency Trade Statistics, 2021

The Committee was informed that on average, the contribution of copper exports to total mining exports was 95 per cent, while the balance was accounted for by non-copper exports for the period 2011 to September, 2021. In 2021, the contribution of copper mining exports to total mining exports was recorded at 96.5 per cent, the highest contribution in the period under review. The balance was non-copper exports as per Figure 3 below.

Figure 3: Contribution of Copper and Non-Copper Mining Sub-Sectors to Overall Mining Exports, 2011 - 2021 (%)

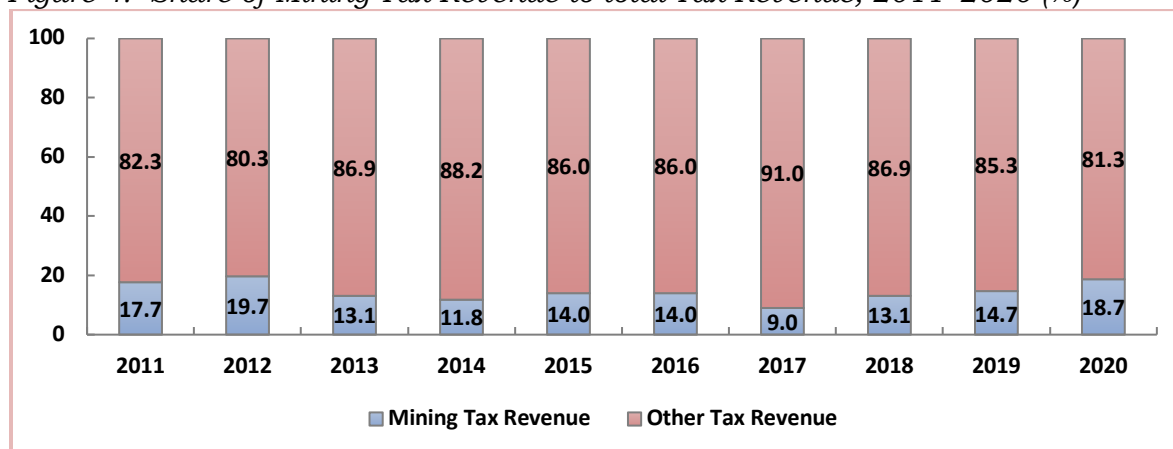


Source: Zambia Statistics Agency Trade Statistics, 2021

#### 7.4.4 Contribution of Mining to Total Tax Revenue

The Committee was informed that on average, the contribution of mining tax revenue to total tax revenue was 14.6 per cent over the period 2011-2020. The highest percentage contribution to tax revenue was recorded in 2012 at 19.7 per cent while the lowest was in 2017 at 9 per cent as per Figure 4 below.

Figure 4: Share of Mining Tax Revenue to total Tax Revenue, 2011–2020 (%)



Source: Zambia Revenue Authority, 2021

The Committee was further informed that since 2011, copper producers accounted for the larger share of revenues from the mining sector at an average of 90 per cent while non-copper producers accounted for the 10 per cent as per Table 1 below.

Table 1: Copper v Non-Copper Mining Sector Tax Revenues, 2011 to Oct 2021 (K'million)

Years	Copper Mining	Non-Copper	Total Annual Mining Revenues*	% Share of copper mining	% Share of non-copper mining
2011	4,500.37	595.89	<b>5,096.27<sup>1</sup></b>	88.3%	11.7%
2012	3,558.14	514.26	<b>4,072.42</b>	87.4%	12.6%
2013	2,634.21	223.39	<b>2,857.60</b>	92.2%	7.8%
2014	2,970.05	296.35	<b>3,262.78</b>	91.0%	9.1%
2015	3,832.01	362.79	<b>4,194.83</b>	91.4%	8.6%
2016	4,038.28	337.92	<b>4,376.34</b>	92.3%	7.7%
2017	3,064.34	445.06	<b>3,509.20</b>	87.3%	12.7%
2018	5,200.25	1,102.35	<b>6,302.05</b>	82.5%	17.5%
2019	6,773.54	991.46	<b>7,664.59</b>	88.4%	12.9%
2020	9,791.63	917.07	<b>10,780.55</b>	90.8%	8.5%
<b>Jan to Oct 2021</b>	<b>20,818.21</b>	<b>1,519.33</b>	<b>22,337.54</b>	<b>93.2%</b>	<b>6.8%</b>

Source: Zambia Revenue Authority, 2021

<sup>1</sup> Included mining tax arrears of K1,752.6 million accounted for as windfall tax; K444.6 million, company income tax K701.2 million and mineral royalty; K606.8 million



In terms of tax types, company income tax had been the largest contributor followed by mineral royalty and export duty in the period under review. The Tables below show the various tax types.

*Table 2: Company Tax Revenue by Copper v Non-Copper Subsectors, 2011 to Oct 2021 (K' million)*

Year	Copper Mining	Non-Copper	Total Company Tax	% Share of copper mining	% Share of non-copper mining
2011	2,121.05	352.85	<b>2,473.90<sup>2</sup></b>	85.7%	14.3%
2012	2,175.90	434.43	<b>2,610.32</b>	83.4%	16.6%
2013	929.99	154.71	<b>1,084.70</b>	85.7%	14.3%
2014	1,228.28	245.22	<b>1,473.50</b>	83.4%	16.6%
2015	204.19	214.05	<b>418.24</b>	48.8%	51.2%
2016	1,077.15	212.39	<b>1,289.54</b>	83.5%	16.5%
2017	744.83	322.72	<b>1,067.56</b>	69.8%	30.2%
2018	1,464.73	892.03	<b>2,356.76</b>	62.2%	37.8%
2019	2,488.93	743.77	<b>3,232.70</b>	77.0%	23.0%
2020	4,583.73	716.13	<b>5,299.85</b>	86.5%	13.5%
<b>Jan to Oct 2021</b>	10,777.0	1,157.89	<b>11,934.88</b>	90.3%	9.7%

**Source:** Zambia Revenue Authority, 2021

*Table 3: Mineral Royalty Tax by Copper v Non-Copper Mining Subsectors, 2011 to Oct 2021 (K' million)*

Year	Copper Mining	Non-Copper	Total MRT	% Share of copper mining	% Share of non-copper mining
2011	1,396.64	78.16	<b>1,474.80<sup>3</sup></b>	94.7%	5.3%
2012	1,378.89	79.71	<b>1,458.60</b>	94.5%	5.5%
2013	1,692.49	68.21	<b>1,760.70</b>	96.1%	3.9%
2014	1,720.00	46.88	<b>1,766.88</b>	97.3%	2.7%
2015	3,601.40	147.69	<b>3,749.09</b>	96.1%	3.9%
2016	2,928.80	124.29	<b>3,053.09</b>	95.9%	4.1%
2017	2,313.43	121.82	<b>2,435.24</b>	95.0%	5.0%
2018	3,727.37	209.32	<b>3,936.69</b>	94.7%	5.3%
2019	3,974.26	133.79	<b>4,108.05</b>	96.7%	3.3%
2020	5,080.32	267.84	<b>5,348.16</b>	95.0%	5.0%
<b>Jan to Oct 2021</b>	9,952.02	358.23	<b>10,310.25</b>	96.5%	3.5%

**Source:** Zambia Revenue Authority, 2021

<sup>2</sup> Included company income tax and windfall tax arrears of K701.2 million and K444.6 million respectively

<sup>3</sup> Included mineral royalty tax arrears of K606.8 million

Table 4: Pay As You Earn by Copper v Non-Copper Mining Subsectors, 2011 to Oct 2021 (K' million)

Year	Copper Mining	Non-Copper	Total PAYE	% Share of copper mining	% share of non-copper mining
2011	837.29	161.91	999.20	83.8%	16.2%
2012	988.72	173.88	1,162.60	85.0%	15.0%
2013	1,206.66	233.34	1,440.00	83.8%	16.2%
2014	1,393.79	245.11	1,638.90	85.0%	15.0%
2015	1,541.95	271.05	1,813.00	85.0%	15.0%
2016	1,560.26	346.74	1,907.00	81.8%	18.2%
2017	1,439.59	366.41	1,806.00	79.7%	20.3%
2018	2,121.61	464.39	2,586.00	82.0%	18.0%
2019	1,802.31	410.19	2,212.50	81.5%	18.5%
2020	1,918.90	32.20	1,951.10	98.3%	1.7%
<b>Jan to Oct 2021</b>	2,342.47	357.57	2,700.04	86.8%	13.2%

Source: Zambia Revenue Authority, 2021

Table 5: Withholding Tax by Copper v Non-Copper Mining Subsectors, 2011 to Oct 2021 (K' million)

Year	Copper Mining	Non-Copper	Withholding tax	% Share of copper mining	% share of non-copper mining
<b>2011</b>	20.92	4.51	25.43	82.3%	17.7%
<b>2012</b>	228.10	49.12	277.23	82.3%	17.7%
<b>2013</b>	36.36	7.83	44.19	82.3%	17.7%
<b>2014</b>	306.96	148.80	455.76	67.4%	32.6%
<b>2015</b>	360.01	153.46	513.48	70.1%	29.9%
<b>2016</b>	476.03	199.99	676.01	70.4%	29.6%
<b>2017</b>	367.64	175.97	543.61	67.6%	32.4%
<b>2018</b>	457.91	175.02	632.94	72.3%	27.7%
<b>2019</b>	477.23	173.43	650.66	73.3%	26.7%
<b>2020</b>	552.66	159.28	711.94	77.6%	22.4%
<b>Jan to Oct 2021</b>	618.21	248.90	867.10	71.3%	28.7%

Source: Zambia Revenue Authority, 2021

Table 6: Export Duty by Copper v Non-Copper Mining Subsectors, 2011 to Oct 2021 (K' Million)

Year	Copper Mining	Non-Copper	Export Duty	% Share of copper mining	% Share of non-copper mining
2011	1.82	0.14	1.97	92.8%	7.2%
2012	3.36	0.14	3.5	96.0%	4.0%

Year	Copper Mining	Non-Copper	Export Duty	% Share of copper mining	% Share of non-copper mining
2013	11.73	0.47	12.2	96.1%	3.9%
2014	21.76	0.64	22.4	97.1%	2.9%
2015	26.42	1.08	27.5	96.1%	3.9%
2016	32.33	1.37	33.7	95.9%	4.1%
2017	6.08	0.32	6.4	95.0%	5.0%
2018	8.14	0.46	8.6	94.7%	5.3%
2019	310.36	13.48	323.84	95.8%	4.2%
2020	127.58	4.95	132.53	96.3%	3.7%
<b>Jan to Oct 2021</b>	89.20	3.21	92.41	96.5%	3.5%

Source: Zambia Revenue Authority, 2021

Table 7: Customs Duty by Copper v Non-Copper Mining Subsectors, 2011 to Oct 2021 (K' Million)

Year	Copper Mining	Non-Copper	Customs Duty	% Share of copper mining	% Share of non-copper mining
<b>2011</b>	187.97	88.02	275.99	68.1%	31.9%
<b>2012</b>	293.98	66.03	360.01	81.7%	18.3%
<b>2013</b>	417.29	39.80	457.09	91.3%	8.7%
<b>2014</b>	56.60	13.09	69.69	81.2%	18.8%
<b>2015</b>	5.93	9.27	15.20	39.0%	61.0%
<b>2016</b>	0.92	10.89	11.81	7.8%	92.2%
<b>2017</b>	1.13	36.91	38.04	3.0%	97.0%
<b>2018</b>	0.21	181.91	182.12	0.1%	99.9%
<b>2019</b>	3.39	17.01	20.39	16.6%	83.4%
<b>2020</b>	17.27	32.99	50.26	34.4%	65.6%
<b>Jan to Oct 2021</b>	7.47	15.80	23.27	32.1%	67.9%

Source: Zambia Revenue Authority, 2021

Table 8: Import Excise Duty by Copper v Non-Copper Mining Subsectors, 2011 to Oct 2021 (K' Million)

Year	Copper Mining	Non-Copper	Import Excise	% Share of copper mining	% Share of non-copper mining
<b>2011</b>	9.32	2.39	11.71	79.6%	20.4%
<b>2012</b>	20.83	2.29	23.13	90.1%	9.9%
<b>2013</b>	21.77	1.73	23.50	92.6%	7.4%
<b>2014</b>	0.12	0.49	0.61	20.4%	79.6%
<b>2015</b>	0.01	1.45	1.46	0.6%	99.4%
<b>2016</b>	0.05	2.13	2.17	2.1%	97.9%
<b>2017</b>	0.02	0.69	0.72	3.2%	96.8%
<b>2018</b>	0.20	1.94	2.15	9.4%	90.6%
<b>2019</b>	0.08	3.17	3.26	2.6%	97.4%

<b>2020</b>	19.02	49.23	68.25	27.9%	72.1%
<b>Jan to Oct 2021</b>	0.25	0.83	1.07	23.0%	77.0%

**Source:** Zambia Revenue Authority, 2021

The statistics presented above amplify the importance of the mining sector and present an opportunity for the country to diversify its mining investments to non-copper minerals. Given the informality that existed in the sector, formalising it and empowering small scale miners would enhance mining diversification and improve revenues for the Government.

*i) Mining Revenues as a Share of GDP and Total Revenue*

The Committee was informed that the revenue contribution from the mining sector had nearly doubled since 2019. As at October 2021, mining revenue accounted for 30.8 per cent of total revenue and 4.9 per cent of Zambia’s projected Gross Domestic Product (GDP). On the whole, favourable copper prices on the international market, the depreciation of the Kwacha against major convertible currencies and enhanced compliance management efforts had boosted the revenue contribution from the mining sector in recent years.

**7.5 Suitability of the Investment Climate for the Non-Copper Mining Subsector**

The Committee was informed that from a regulatory perspective, the *Zambia Development Agency Act No 11 of 2006* provided incentives for companies investing substantial amounts in the mining sector in the country. The mining sector was identified as one of the priority sectors in the country. The *Zambia Development Agency Act* offered a wide range of incentives in the form of allowances, exemptions and concessions for companies. The Act provided for investment thresholds to qualify for fiscal and non-fiscal incentives. Investors who invested more than US\$500, 000 in a Multi Facility Economic Zone (MFEZ), an industrial Park, a priority sector or in a rural enterprise were entitled to the incentives below.

- i) Zero per cent import duty rate on capital equipment and machinery including trucks and specialised motor vehicles for five years.
- ii) Accelerated depreciation on capital equipment and machinery including trucks and specialised motor vehicles for five years.

The Committee was further informed that for investments that were of not less than US\$250,000 in an MFEZ, industrial park, a priority sector and investment in a rural enterprise, the *Zambia Development Agency Act* provided for the following non-fiscal incentives:

- i) investment guarantees and protection against state nationalisation; and

- ii) free facilitation for application of immigration permits, secondary licenses, land acquisition and utilities.

The investment threshold for local investors was US\$50, 000.

Stakeholders submitted that these incentives were meant to provide some form of relief for investors in the non-copper mining sector. The differentiated threshold for local investors could enable small scale and artisanal miners, most of who were engaged in non-copper mining to make investments in the sector. The Committee was also informed that the Government was cognisant of the challenges relating to diversification of the mining sector in the country. The Seventh National Development Plan (7NDP) which ran from 2017 to 2021 placed emphasis on broadening the range of minerals to cover non-traditional mining of gemstones, gold and industrial minerals, as well as promotion of value addition to mining products. The plan indicated activities such as scaling up of mining of iron ore and also supporting the growth of the newly declared Kafue Iron and Steel Multi-Facility Economic Zone. The plan also highlighted a focus on formalising and empowering small-scale miners to make them more productive, supporting development of lapidaries and local auction sales of gemstones; and enhancing the capacity of local businesses to participate in the mining value chains and boost export revenue.

Stakeholders submitted that the investment fluctuations recorded in the mining sector were indicative of inherent challenges with respect to the investment climate in the sector. By nature, mining was a long-term investment that thrived on the availability of detailed information. As such, investors always sought to protect their investments by having as much information as possible, which information was usually obtained through exploration and mapping. Geological mapping and exploration was, therefore, important in providing valuable information regarding the return on investment. For the non-copper mining sector in Zambia, one of the challenges affecting investment was the limited amount of information resulting from inadequate exploration and mapping. As highlighted earlier, only 55 per cent of the country had been mapped.

The Committee was informed that investment was also affected by the projected price of minerals. Generally, the price of some non-copper minerals was not as high as that of copper. Further, due to the occurrence in scanty quantities, investment in exploration remained unattractive. This lack of detailed exploration led to less investment.

On the positive side, however, the non-copper mining subsector had a much simpler tax regime compared to copper and used a fixed rate for mineral royalty. Ordinarily, this was supposed to attract more investment given that it had a more stable and predictable fiscal regime than the copper subsector.

Stakeholders lamented that although the Government had put in place some measures to promote investment in value addition activities in the non-copper

subsector, a lot more was needed. In terms of encouraging investment, there were some deliberate policies such as the levy on the export of unprocessed minerals such as manganese. This was meant to discourage mining firms from exporting raw mineral, spur the setting up of processing plants and increase beneficiation<sup>4</sup>. However, value addition required holistic efforts that went beyond levies on the export of unprocessed minerals. The general cost of doing business, reliable energy supply, adequate infrastructure and financing all needed to be addressed.

While the investment climate for the non-mining subsector was broadly within the realm of the *Zambia Development Agency Act*, there were some challenges that continued to discourage investment.

## **7.6 Opportunities Available in the Non-Copper Mining Subsector**

The Committee was informed that the non-copper mining subsector in Zambia was wrought with vast opportunities that if exploited, could lead to a positive impact on the country's economy through job creation, increased tax revenue and exports, among others. Some of the notable opportunities are highlighted below.

### *i) Increased demand for minerals in clean energy technologies*

The negative effects of climate change had brought about the need to transition to cleaner sources of energy. Cleaner energy technologies such as electric vehicles, battery storage, and solar panels, required a wide range of minerals and metals in varying quantities. This growing demand for minerals such as cobalt, lead, nickel and zinc gave Zambia an opportunity to increase mining of these minerals.

### *ii) Increased demand for gemstones*

There was an opportunity for Zambia to grow its gemstone mining industry. A report written in 2020 by the Expert Market Research (EMR)<sup>5</sup> indicated that the global gemstone market was expected to grow at a compound annual growth rate of 4.8 per cent for the forecast period 2022 to 2027. The major markets were Africa, North America, Latin America, the Middle East, Asia Pacific and Europe. The report also highlighted that the growing demand for gemstones was driven by rising consumer incomes and standards of living especially in emerging nations. This presented Zambia with an opportunity to increase gemstone mining as

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<sup>4</sup> Beneficiation is the process where ore is reduced in size and separated from the ore.

<sup>5</sup><https://www.expertmarketresearch.com/reports/gemstones-market>

well as gemstone cutting and polishing. There was, therefore, need for more exploration for gemstones to be carried out throughout the country.

*iii) Relatively low operation costs for gold panning*

Another opportunity for Zambia in the non-copper mining subsector was gold panning which was mainly undertaken on riverbeds. The equipment used in gold panning, some of which included gold detectors, shaking tables and sluice boxes, was not too costly. The relatively cheaper equipment made it possible for artisanal mining participation. Stakeholders submitted that cooperatives had been set up in Vubwi, Lusangazi and Lumezi, among other places and had been given panning certificates or artisanal mining rights.

*iv) Refining of manganese*

The Committee learnt that manganese was being sold as silicon manganese or ferromanganese. This was not a finished product and this created an opportunity to build manganese refineries so that manganese could be sold and exported as pure manganese.

*v) Increased demand for dimension stones in the construction industry*

The Committee was informed that there was an increase in the mining of dimension stones<sup>6</sup> due to the boom in the construction industry. An example of dimension stones were Zambezi stones which were found in Siavonga.

*vi) Exploration potential for diamonds*

There was need to conduct exploration for diamonds as indications were that Zambia had potential for an abundance of diamonds.

*vii) Creation of economic zones*

Stakeholders suggested that rural areas that had non copper minerals should be designated as special economic zones with tax incentives for mine developers and manufacturers in order to incentivise job creation and spur growth of small scale industry.

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<sup>6</sup> A dimension stone is natural stone or rock that has been picked and completed (for example trimmed, cut, drilled, ground, or otherwise) to precise sizes or forms.

## 7.7 Challenges Faced by the Non-Copper Mining Operators

The Committee was informed that despite the efforts that had been put in place to realise the non-copper mining subsector as a potential contributor to economic diversification, it faced a number of challenges as outlined below.

i) *Lack of geological information*

The lack of geological information continued to undermine the growth of the non-copper mining sector. Only about 55 per cent of the country had been mapped, a situation which stakeholders attributed to the lack of adequate funding to the Ministry of Mines and Minerals Development. The lack of geological information inhibited efforts to diversify the mining sector to other mineral commodities such as gemstones, industrial minerals, manganese, and gold. Stakeholders stressed that geological information did not only help with the planning process, it also encouraged long term investment in the mining sector.

ii) *Lack of transparency on national geological survey and in the award of exploration licenses*

The Committee was informed that there was not enough information about Zambia's mineral potential to engender citizen participation in artisanal mineral exploration and mining. The *Mines and Minerals Development Act* appeared to give excessive power to holders of exploration and mining rights took away economic freedom from citizens holding surface rights who, ideally, should be shareholders or be given the first priority to undertake exploration and mining. Stakeholders submitted that foreign interest should only be considered when locals were unable to use their rights. Apart from empowering Zambians, this would also help with accountability and curbing of illegal mining.

iii) *Illegal mining activities*

Illegal mining activities continued to pose a challenge to the growth of the non-copper mining subsector. The Committee was informed that people who conducted illegal mining activities did so with no regard for who owned a mining or exploration license in the area. This posed a challenge to people engaged in legal mining activities. In some cases places where illegal mining was done, the community would move into legal mine areas and victimise owners of mining and exploration licenses.

iv) *Lack of domestic market for unprocessed minerals*

The Committee was informed that the Government had put in place deliberate policies aimed at promoting value addition locally. One such measure was the levy on the export of unprocessed minerals to try and



discourage their export. While this move was progressive as it promoted beneficiation, it did not fully benefit local miners as there was not much investment in processing facilities.

v) *Centralised nature of licensing procedures*

Licensing procedures were not decentralised thereby making it very difficult for people to formalise their illegal mining activities as most ASM had to travel long distances to Lusaka for formalisation of their mining sites.

vi) *High cost of licenses charged for exploration*

While the Ministry of Mines and Minerals Development issued underground mining rights, surface rights were vested in chiefs; and in the Ministry of Lands and Natural Resources. As such, mining firms had to apply for surface rights from the Ministry of Lands and Natural Resources; and the traditional authorities. In the process, some local authorities tended to charge mining firms huge sums of money from exploration licenses. In addition, the Zambia Environmental Management Agency (ZEMA) Environmental Project Brief approval process was too expensive, very complicated and delayed the issuance of the licenses. Further ZEMA fees pegged at K12,990; Department of Mine Safety logistics fees at K10,000; engagement of an environmental engineer fees at K20,000; and other related costs discouraged people from licensing their mining activities.

vii) *Conflicts between local communities and mining firms*

The Committee was informed that a major challenge faced by operators in the non-copper mining subsector was that of conflicts with local communities. This happened where local communities did not accept the license owner as they felt entitled to the land and minerals therein. Communities often felt that they were unfairly treated even in cases where the normal procedure in accessing mining rights had been followed by a mining firm. This often posed a security challenge in the operations of the firms.

viii) *Lack of capacity among artisanal miners*

Another challenge related to the underdeveloped Artisanal and Small-scale Mining (ASM) sector. The sector faced several challenges including lack of access to finance, lack of geological information, lack of basic technology used in the mining process and high tax rates, among others. These challenges had inhibited growth of this important sector, which continued to be perceived as an alternative livelihood for those that could

not get jobs in the formal sector. Stakeholders pointed out that most artisanal miners were engaged in non-copper mining.

*ix) Low tax revenue from the subsector*

Very few ASM firms paid taxes on the mineral sales. In addition, smuggling precious metals and gemstones was prevalent and this led to loss of tax revenues.

*x) Lack of appropriate mining and processing equipment*

As a result of poor access to finance in the subsector, most small scale miners used inappropriate mining techniques and outdated equipment. This resulted in poor mineral recovery and led to loss of income.

*xi) Poor health, safety and environmental records*

A number of ASM firms did not comply with environmental and mining regulations resulting into environmental degradation. Further, they did not comply with occupational health and safety regulations for their employees.

## **7.8 Impediments to Growing the Non-Copper Mining Subsector**

The Committee was informed that despite the potential of the non-copper mining subsector it faced a number of impediments including the ones discussed below.

*i) Information barrier*

Stakeholders lamented about the lack of information on non-copper mining resources and reserves. This was attributed to the inability by the Ministry of Mines and Minerals Development to undertake mapping. There had also not been enough exploration which could entice investors.

*ii) High investment costs*

Generally, mining involved heavy investment outlays. This posed a challenge especially in the absence of adequate information on exploration and mapping.

*iii) Presence of speculative license holders*

The non-copper mining subsector was wrought with holders of speculative licenses arising from the provisions in *the Ministry of Mines and Minerals Development Act* which allowed license holders to only cede 50 per cent of their license when getting a renewal. These licensees merely procured exploration and mining licenses for speculative purposes yet

they did not undertake any exploration or mining activities. This inhibited the growth of the subsector.

*iv) Limited intermediate mining courses*

The limited availability of courses such as geology, surveying and mining engineering created a significant skills shortage. Most mining courses were offered at degree level, excluding most artisanal miners from receiving specialised training in mining.

*v) Poor infrastructure development in the mining areas*

Stakeholders lamented that there was little to no infrastructure development in form of roads, electricity and telecommunication networks, among others, in areas where ASM firms operated.

*vi) Gap in the value chain between mining and manufacturing*

The Committee was informed that a value chain helped to identify the various steps that firms could take to bring a product or a service from its conception to its end use by final consumers. At each step – design, production, marketing and distribution - value was added in some form or another. The mineral value chain and its associated linkages that were required for efficient and competitive production of goods had been undermined due to the exceptionally high prices of raw materials. In addition, there was lack of downstream mining value applications such as value addition and sale of finished products that created more valuable goods and enhanced export potential.

*viii) Lack of incentives and appropriate tax regime*

Stakeholders lamented that there was no tax regime specifically meant for artisanal and small-scale miners. In addition, there was no regulatory and incentive structure specifically tailored for artisanal and small-scale miners and non-copper mining activities. Thus, artisanal and small-scale miners were treated the same as large scale miners. This was due to the fact that the focus for the country had been large scale copper mining, which provided a steady flow of revenue and foreign exchange.

## **7.9 Strategies that should be Put in Place to Enhance the Contribution of the Non-Copper Mining Subsector to the Economy**

In order to enhance the contribution of the non-copper mining subsector to the economy, stakeholders submitted that the measures outlined hereunder should be put in place.

i) *Increase funding to support geological mapping*

The Committee was informed that there need for the Government to increase funding to the Ministry of Mines and Minerals Development to support mapping activities. If mapping could be carried out in the whole country, the extent of available mineral resources could be determined. This would help attract investors and ramp up exploration activities. Stakeholders suggested that the Government could partner with institutions in developed countries to undertake mapping.

ii) *Formalise the artisanal small scale mining sector*

There was need for the Government to support the ASM sector which formed a large component of the non-copper mining subsector. This could be done through the provision of an enabling environment for basic services and facilities such as finance, technology and geological information, among others. Proper market development activities could help link artisanal miners to financial markets.

iii) *Address the high prevalence of speculative licenses*

There was need for a deliberate move to revoke speculative licenses as provided for in the *Mines and Minerals Development Act*, which gave duration for holding of licenses.

iv) *Curb illegal mining*

There was need for the Government to enhance security operations and monitoring in areas that were rife with illegal mining. While the onus to protect mining areas was on the license holders, most of these companies appeared to be overwhelmed with illegal mining activities. As such, the Government needed to step in and help enhance security in order to curb illegal mining. The Government could also undertake sensitisation programmes to educate local communities on the dangers of illegal mining and the losses that country incurred in terms of forgone revenues.

## **7.10 Ensuring the Protection of the Environment**

The Committee was informed that the while the vast mineral sources that Zambia was endowed were a prerequisite for economic development and human wellbeing, their exploitation had presented serious environmental challenges. The main environmental problems associated with mines in Zambia were pollution of air, soil and water; geotechnical issues; and environmental degradation.

The Ministry of Green Economy and Environment was responsible for overall environmental management issues in the country. The Ministry performed this

function through the Department of Environmental Management and ZEMA, which was an independent environmental regulator and coordinating agency, established under the *Environmental Management Act No 12 of 2011*. The Ministry was mandated to do everything necessary to protect the environment.

The move to diversify had brought about the need to upscale the monitoring of opening up of new non-copper mining operations in order to ensure that mining activities conformed to prescribed environmental standards and norms provided for in the *Environmental Management Act* and other pieces of legislation. However, the Ministry of Green Economy and Environment; and ZEMA were to a large extent unable to meet the additional responsibility of regulating non-copper mining operations due to insufficient staffing levels at ZEMA to license approved facilities; inadequate funding to ZEMA; inadequate collaborative mechanisms among relevant Government Ministries; lack of laboratories for analysis of samples collected from contaminated areas or pollution sources caused non copper mines operations; and absence of a central information system to provide real time information on the operations of most mining operations in Zambia.

### **7.11 Opportunities Available in the Non-Copper Mining Subsector**

The Committee was informed that Zambia was a stable investment destination offering vast investment opportunities in the non-copper mining subsector ranging from exploration to value addition, as discussed below.

#### *i) Exploration*

Investment opportunities existed for the exploration of non-traditional minerals such as gypsum and limestone which if produced in good quantities would help reduce the cost of cement and ultimately reduce the cost of construction. Limestone and gypsum could easily be exploited by small scale miners who were mostly local people. In addition, there were opportunities for the exploration of gemstones; gold; and oil and gas.

#### *ii) Value addition to minerals*

There were opportunities for businesses to be set up within Zambia to manufacture of finished products from minerals. These opportunities included cutting and polishing of gemstones; and manufacturing of steel and other iron products.

#### *iii) Promotion of local and foreign participation in mining value chains and industrialisation*

The Committee was informed that based on the realisation that value chains were useful in creating opportunities for more integrated economic development, the Government had made headway in developing a legal

framework aimed at enhancing the participation of Zambians in the mining value chain.

*iv) Promotion of petroleum and gas exploration*

There were opportunities to strengthen the legal framework on petroleum and gas exploration and for developing and implementing programmes for oil and gas exploration.

*v) Growth of artisanal and small-scale mining*

This was through the development of programmes to empower artisanal and small-scale miners. The Ministry of Mines and Mineral Development was already promoting the growth of artisanal and small-scale mining by addressing illegal mining and formalising operations of artisanal miners through formation of cooperatives particularly for the youth and women.

*vi) Provision of geological and geophysical information*

There was an opportunity to for Ministry of Lands and Natural Resources to ramp up its geological and geophysical mapping programme so as to provide readily available geological and geophysical information for potential investors as well as having a defined mineral resource data base for the country.

*vii) Setting up processing plants*

Processing plants could be set up in various parts of the country which had mining activities in order to add, to mineral resources which had for a long time been exported in raw form. The processing of minerals locally provided enormous benefits such as job creation for the youths and increased economic growth for the country.

*viii) Production of lithium batteries*

The Committee was informed that the rise in demand for electric cars in the West had led to a rise in the demand for manganese, a key component in the production of lithium batteries that were used to power electric cars. An opportunity existed for increased explorations for manganese and consequently for setting up of factories to produce lithium batteries.

## **8.0 LOCAL TOUR**

The Committee undertook a local tour to Lusaka and Copperbelt Provinces in line with its programme of work. The main objective of the tour was to have a practical understanding of the operations of the non-copper mining operations,

arising out of issues raised with interactions with various stakeholders during the Committee's meetings. The Committee visited the following places:

- i. Rufunsa Gold Project;
- ii. Gerntina Mine;
- iii. Chumwe Mine;
- iv. Grizzly Mine;
- v. Kagem Mine;
- vi. Dabwisa Mine; and
- vii. Sub-Sahara Gemstone Exchange Industrial Park.

The Committee also paid courtesy calls on the Provincial Minister for the Copperbelt Province; the District Commissioner for Rufunsa; and on their Royal Highnesses Chieftainess Mumpanshya; Chief Nkana VII and Chief Lumpuma.

The findings of the Committee during the site visits are summarised below.

### **1. Rufunsa Gold Project**

During its tour of Rufunsa Gold Project the committee was accompanied by senior officials from the Zambia Gold Company Limited (ZGCL) and ZCCM-Investment Holdings (ZCCM-IH). The Committee was informed that ZGCL was established in 2020, with the main objective of formalising and developing the gold sub-sector in the country. The shareholders of the company were the ZCCM-IH with 51 per cent shareholding and the Government of the Republic of Zambia through the Ministry of Finance and National Planning with 49 per cent. The Company had been working towards turning the gold sub-sector into a commercially viable one, which would not only benefit the investors but also all other relevant stakeholders.

The Committee learnt that the mining explorations in Rufunsa under ZGCL commenced in August 2021 after it obtained an exploration license in June 2021. Before commencement of the operations, the Company obtained consent from Chieftainess Mumpanshya. The Committee was further informed that the gold exploration was in its first phase of drilling and had earmarked to drill up to a depth of 2,500 metres. The second phase of drilling was expected to occur between June and August 2022 targeting to drill up to about 5,000 metres.

The Committee was informed that the exploration activities were fully compliant with ZEMA requirements.

The general findings of the Committee regarding the gold mining operations in Rufunsa are as set out hereunder.

- i) Rufunsa Gold mine sat on 575 hectares of land and apart from gold, the area also had deposits of copper, iron ore and manganese.
- ii) The potential for gold mining extended to land beyond the ZGCL licensed area. The land beyond was idle although one exploration licence was held by a Chinese firm. The Committee learnt that the idle land covered an area of about 2300 hectares.
- iii) The Committee was informed that ZGCL employed 32 local people at its exploration site and was up to date with all its tax obligations.
- iv) ZGCL had with the assistance of ZCCM-IH generated its own funds for the exploration and had the potential to become a strategic entity for all gold explorations in Zambia. The Committee was informed that in order to actualise this, it should be backed by an appropriate legal framework. This would also help in ensuring that the wealth from gold mining sector trickled down to the local people through a Zambian owned investment.
- v) The Corporate Social Responsibility (CSR) activities undertaken by the ZGCL included 3 community boreholes; road maintenance and creation of feeder roads. The Committee had an opportunity to visit Manenekela community borehole.

Whilst in Rufunsa, the Committee also paid a courtesy call on Chieftainess Mumpanshya and the District Commissioner. During the interaction with Chieftainess the following issues outlined below emerged.

- i) The community in the area had not benefited from the mineral wealth but were ready to partner with ZCCM-IH and Zambia Gold Mining Company once full mining operations commenced. The Chieftainess pointed out that local people had in the past lost their lives in their attempts to mine gold. She was, however, happy that a mining company was conducting exploration with a view to starting formalised mining operations. She had hope that the local people will be offered jobs once mining began.
- ii) The Chieftainess stated that there was need to enact legislation which would safeguard the interest of locals when the investors undertook large scale mining operations.
- iii) There was need for the Government to provide a formal geological exploration report indicate the location of minerals within the mining areas in Rufunsa.
- iv) The Committee was informed that both the Chieftainess and the District Commissioner were not aware that a mining license had been issued to an investor of chinese origin. The Chieftainess pointed out that the said



investor did not get any consent from her and was, therefore, exploring in the area without her knowledge.

## **2. Courtesy Call on the Provincial Minister - Copperbelt Province**

The Committee paid a courtesy call on the Provincial Minister for Copperbelt Province who explained that one sector which was not fully exploited in the country was the emerald sector whose mining operations were predominantly domiciled in Lufwanyama District on the Copperbelt Province. He urged the Committee to interrogate the issuance of mining licenses on huge chunks of land which were owned by companies that were not utilising the land. He also urged the Committee to look at what benefits, if any, were accruing to local people in mining areas that the Committee would visit.

## **3. Courtesy Call on His Royal Highness, Chief Lumpuma**

Chief Lumpuma of Lufwanyama District briefed the Committee on issues set out hereunder.

- i) Despite the presence of many mines in the Chieftom, very few of them carried out any Corporate Social Responsibility (CSR) activities, especially with regard to maintenance of roads. This had left the roads in a deplorable state.
- ii) There was need for mine owners to observe the set minimum wages and safety standards for the mine employees.
- iii) The Government was encouraged to consider releasing emerald dump sites to the local people as a way of economically empowering them. The Chief lamented that despite many years of emerald mining in his chieftom, the people had remained poor.
- iv) The Chief stated that there was need for the Government to consider facilitating the setting up of an economic zone in his chieftom where value addition, sorting, grading and auctioning of emeralds could be done. This would lead to the creation of jobs for his people and increase the chieftom's contribution to national development.

## **4. Courtesy Call on His Royal Highness Chief Nkana VII**

Chief Nkana VII informed the Committee that the mining activities in his area commenced around 1973. He, however, lamented that in spite of this, his people had benefitted very little from the mineral wealth in the chieftom. He cited the deplorable state of the roads as an example of so much money coming from the mining activities and yet nothing was showing as benefit to the local people.

The Chief informed the Committee that vast tracts of land remained unexploited. He pointed out that investors in his area were holding on to idle land which could be reallocated to other investors who had the ability to participate in the mining of emeralds. This would enhance production and create jobs for people in his chieftdom and beyond.

Chief Nkana expressed concern that under declarations of production continued to plague the emerald mining sector in his chieftdom and hoped that the Government would take more interest in the activities of the emerald mines.

## **5. Site Visits to Small Scale Emerald Mines in Lufwanyama District**

The Committee toured Gerntina, Chumwe and Dabwisa Mines and learnt that they faced similar experiences in their operations. The findings of the Committee arising from the interactions with the officers from the three mines are as summarised below.

- i) The Committee was informed that emerald mining was a costly venture which was capital intensive and small scale miners did not have adequate financing to meet operational needs. The mine owners expressed the view that the Government had neglected the sector which could be a game changer in terms of revenue collection if well managed. The Committee was also informed that in order to be able to kick start viable operations, a small scale miner would require a capital injection of between US\$5 million and US \$7 million. The mine owners explained that successive governments had failed to help small scale miners with affordable capital as banks were unable to give them loans due to lack of tangible assets to use as collateral.
- ii) The Committee was informed that exploration was very costly and the ideal situation would be for the Government, through the Ministry of Mines and Minerals Development, to provide small scale emerald miners with updated mapping and geological data so that they could avoid blind mining, which usually resulted in high failure rate. The Committee was further informed that the Government last updated the geological maps in 2009. The maps were on a regional scale which made them inaccurate for use by individual small scale miners due to their generality in terms of mineralisation of the mining fields. Further, there was need to enact legislation to regulate geologists in order to protect small scale miners from inaccurate geological data which usually resulted in blind mining.
- iii) The small scale mines lamented that they were vulnerable to unfair agreements in which wealthier potential investors attempted to take over their operations as opposed to partnering with them. A case in point was where Gerntina Mine partnered with an investor who, after mining about 48 kilograms of top grade emerald vanished without the mine owners

benefitting anything from that transaction. The Committee was informed that the whereabouts of that foreign investor had never been traced since 1995.

- iv) The small scale miners stated that there was need for the Government to create a local revolving fund for the small scale emerald miners through the Industrial Development Corporation (IDC) and ZCCM-IH partnerships. They proposed that the formation of cooperatives to which the fund could be dispersed would make the work of small scale miners was viable.
- v) The Committee was informed that a major hindrance was the absence of marketing mechanisms for products of small scale miners. The mine owners called for the Government to create marketing structures for the sale of emeralds, aside from the auction through which large scale emerald mines sold their products. The Committee was informed that the auctions were usually conducted in exotic destinations outside the country.
- vi) To incentivise small scale emerald miners, there was need to vary the regulatory requirements and tax laws for small scale miners from those applicable to large scale emerald mines as large scale ones had administrative and financial capacity to abide by the existing frameworks.
- vii) The small scale mine owners lamented that ZEMA fees were too high for their struggling operations. They called for the revision of all statutory fees and for the need to speed up processing of documentation. For example; the Committee was informed that Dabwisa Emerald Mine was struggling to renew one of its licenses which expired in 2018.

## **6. Site Visits to Large Scale Emerald Mines in Lufwanyama District**

The Committee interacted with two large scale emerald mining companies and the findings of the Committee are as summarised below.

### ***Visit to Grizzly Mine***

The Deputy Chairperson for Grizzly Mine submitted that the mine was the second largest emerald mines in Zambia and the second in Africa, after Kagem Mine. The total size of Grizzly area was around 349 hectares. Further interactions and site visit to the mine revealed the issues as summarised below.

- i) Grizzly Mine had a workforce of about 1000 employees which was predominantly made up of Zambians, and 20 per cent of the workforce were local people from Lufwanyama District. The mining company was also planning to increase its washing plant, which would create employment for 17 more people.

- ii) The Committee was informed that operational costs for the mine were very high with a stripping ratio of 1600 tonnes of waste mined rubble in order to produce one kilogram of saleable emeralds. This was coupled with high cost of equipment.
- iii) The mine's contribution in form of taxes to the Treasury from 2017 to 2021 was about US\$ 45 million. The company welcomed the move to make mineral royalty tax deductible as this had given relief for recapitalisation.
- iv) The Committee was informed that the mining company had attempted to acquire overdrafts from banks but this had not materialised because of uncertainties in the emerald industry and lack of bankable proper geological data. The mine, therefore, depended on its own reinvestments to boost its mine operations.
- v) The Committee was also informed that the mine had failed to get itself listed on any stock exchange market as it could not meet the minimum requirements. This made it difficult to get external funds to sustain mining operations.
- vi) Exploration was very important for Grizzly Mine as it ensured that there was assured production and certainty on the life of the mine. Grizzly mine had invested a lot of capital in core drilling. The company used geological mapping, geochemical analysis and core drill rigs to investigate the underlying rock formation and possible emerald/beryl mineralisation before mining.
- vii) The high geological risk associated with gemstone mining was the biggest challenge affecting the mine. The complexity of the rock structures and mineralisation within the emerald belt was extremely difficult to project and calculate.
- viii) There is very high fluctuation of price of Gemstone (emeralds/beryl) as they were sold through auction. Therefore, in most cases, buyers determined the price which made it difficult to project future incomes or sales with precision.
- ix) A major challenge for the mine was illegal mining and trading activities by unlicensed miners and dealers who flooded the market with emeralds. This encouraged buyers to purchase from the black market. This practice defrauded Government of revenue through unpaid taxes.

### ***Visit to Kagem Emerald Mine***

The Committee was informed that Kagem Emerald Mine was the largest gemstone mine in the world and it covered an area of about 4300 hectares. It

was owned by Gemfields who held 75 per cent shares and the Zambian Government through the IDC who held 25 per cent shares. Kagem was listed on the London and Johannesburg Stock Exchanges.

The Committee was informed that Kagem also had a labour force of 1144 permanent employees. Its mining operations were done in three pits, namely Chama, Fibolele and Chibolele whose combined mineral net present values were estimated at around US \$600 million. Mining activities were expected to continue until 2042. Mining at Kagem was highly dependent on geochemistry explorations due to the highly erratic manner of emerald belts. In terms of its geometric and explorative activities, Kagem had done 95,000 metres of diamond drilling at a cost of US\$ 120 per metre. This was one of the most important and expensive undertakings in emerald mining as it prevents blind mining.

With regard to its mining strip ratio, the Committee was informed that in order to extract one tonne of ore with an expected yield of 50 grams of emerald and beryl mix and a further yield of about 0.3 grams of premium emerald, there was need to mine 100 tonnes of waste.

The Committee learnt that the auction price of premium emerald oscillated around US\$40,000 per gram while low grade was around US\$ 0.2 per gram. 70 per cent of the revenue came from the small percentage of the extracted weight of emeralds. The Committee was informed that all the money received from auctions of emeralds was always repatriated to Zambia. In terms of taxes paid to the state, the Committee was informed that the Company had paid about US\$ 8 million by December 2022 and was expecting to pay further US\$ 3 million by July 2022, which was a balance for 2021 taxes. Kagem also paid dividends of US\$ 1.5 million to IDC in 2022.

Further findings of the Committee's tour are as summarised as follows:

- i) Kagem appreciated the non deductibility of mineral royalty tax and hoped that this tax could further be reduced from 6 per cent to about 3 per cent similar to taxes paid by their competitors in Brazil and Colombia. The company also proposed that mining taxation for emerald mines should be varied from those mining base metals because of uncertainties and complexity of the gemstone mining sector. There was equally a need to have consistency and stability in the mining tax regimes.
- ii) There was lack of transparency in the selling and marketing of gemstones. Therefore, the Government needed to speed up the establishment of the marketing structures for the purpose of transparency and taxation. The online auctions still had some pending gaps and required Government presence at all stages, that is, mining, bidding and final sale.

- iii) Security and trust concerns were among the priority issues for Kagem. In view of this, the mine pointed out that in addition to police presence and security cameras, there was need for the Government to approve the use of safe security scanners so as to further tighten security measures and reduce pilferage. There was also need to provide tax rebates for security equipment.
- iv) Kagem Mine lamented the rampant illegal mining that was thriving because of black market prices which were quoted below operational costs. This resulted in legitimate mines failing to sell profitably.
- v) The Committee was informed that Kagem spent about US\$400,000 per year on CSR in the areas of health and education. The company had also spent US\$70,000 on wildlife support for rhino preservation in North Luangwa National Park.

## **7. Tour of the Sub Sahara Gemstone Exchange Industrial Park**

The Committee visited Sub Sahara Gemstone Exchange Industrial Park in Ndola and was informed that it was established with a view to creating a trading and value addition hub for emeralds and other gemstones. The President of the Sub Sahara Gemstone Exchange Industrial Park informed the Committee that it was created under the African Growth Opportunity Act (AGOA) to support value addition gemstones through making of artefacts for local and export markets. This was because the gemstone sector was highly fragmented and high risk. Therefore, there was need for risk free trade placed. The entity was an independent one targeted at securing the best prices in a stable environment for gemstone and was set to provide a ready market for small scale gemstone miners who had challenges in finding a ready market through foreign based auctions, as it was meant to connect sellers to buyers. The Committee learnt that the practice of the gemstone miners sourcing their own buyers during the auctions could compromise floor prices through connivance and ultimately avert payment of taxes.

The President of the Sub Sahara Gemstone Exchange Industrial Park informed the Committee that the Government had provided incentives for value addition through the Park in the form of a lapidary to train about 500 entrepreneurs in cutting and polishing low grade gems to make decorative adornments, mostly for export. He explained that in countries such as India, value addition of gemstones was done by people without any formal qualifications. If that could be done through the Industrial Park, it could create more jobs for the youth.

The facility was designed with enough safes to hold any gemstone. A small scale miner or any individual who was far from the facility could deposit their gemstones with a bank which gemstones would be couriered to the facility and subsequently traded from there.

The Committee was informed that during auctions in the past, Sub Sahara Gemstone Exchange Industrial Park would invite between forty and fifty investors. Unfortunately after 2011, auctions were shifted to the Intercontinental Hotel in Lusaka where independent participants were not allowed to participate. This resulted in an undisclosed amount of gemstones and precious metals being traded without full disclosure of how much had been realised in those auctions.

The Committee was further informed that trading in gemstone should not be criminalised but formalised and enhanced through formal structures in order to encourage trade in high value precious stones. Without any formalised place from which small scale miners could trade, it was difficult for them to access loan facilities. If such a formalised market existed, Sub Sahara Gemstone Exchange Industrial Park could guarantee loan facilities as they would provide a formalised stable market.

The President of the Sub Sahara Gemstone Exchange Industrial Park stated that Kagem and Grizzly Mines kept a large quantity of mined low grade gemstones such as tourmaline, quartz, and amethyst which had very low selling prices. These gemstones could fetch a much higher value after value was added through polishing and shaping. He explained that this value addition was attainable through the Industrial Park if it was fully operational. This could also open up shaping and polishing of other gemstones from other parts of the country such as yellow citrine found in Mpika.

The Committee was informed that there was need to stop the export of alluvial gold. Instead, the country needed to establish refineries so that gold bullion could be made. This would enhance the Bank of Zambia's reserves as gold bullion and emeralds could be used to create reserves.

The Committee was further informed that because the Ministry of Mines and Minerals Development was underfunded, monitoring the activities of emerald mines was compromised as Ministry officials sometimes depended on the emerald mines they were monitoring for fuel or transport. This has raised suspicions of connivance between investors and those charged with the mandate of monitoring activities in the emerald mining sector.

The President of the Sub Sahara Gemstone Exchange Industrial Park stated that the emerald mines on the Copperbelt Province were located in traditional land and therefore, there was need for the mine owners to take care of the traditional leaders and local people through enhanced CSR activities. He called for the enactment of legislation to compel mines to give back to the locals in order to attune for the negative effects caused by the mining activities, as opposed to having only policy pronouncements which had no punitive measures for defiant behaviour or action.

## 9.0 COMMITTEE'S OBSERVATIONS AND RECOMMENDATIONS

After having carefully reviewed the submissions from various stakeholders, the Committee wishes to point out that Zambia has historically been a copper and cobalt producing country, a fact that has contributed to the slow rate of investment in other minerals. A perusal of production and export figures from the mining sector shows that the dominance of copper has remained the same for many years. Compared to copper, other minerals have not been prioritised due to inadequate exploration; insufficient marketing of reserves and products of other minerals; and failure to effectively integrate the mining sector in development plans through forward and backward linkages with other sectors of the economy. The Committee observes that greater incentives continue to accrue to the copper mining subsector, with much more investment in copper mining as compared to non-copper mining. The Committee wonders why, despite the many pronouncements over the years that the country will diversify away from the dependence on copper, the status quo remains the same. It is the Committee's considered view that this is indicative of the need for more concerted efforts with regard to diversifying the mining sector.

The Committee, therefore, makes the observations and recommendations set out below. These are made from the overriding premise that the Executive will step up strategies to diversify away from copper mining and put more concerted efforts into growing the non-copper mining subsector so that Zambia can begin to reap increased benefits from the vast mineral wealth that it is endowed with.

### *i) Coordination among Relevant Government Ministries*

The Committee observes that while various Government agencies submitted that they have put in place a number of policies and strategies that are aimed at growing the non-copper mining subsector, there appears to be limited coordination among these agencies in the implementation of the said strategies.

In light of this, the Committee urges the ministries that are mandated to ensure that the country exploits the full potential of the non-copper mining sector to work in a well coordinated system as opposed to the fragmented manner in which they are currently operating. These include but are not limited to the Ministry of Mines and Minerals Development; Ministry of Commerce, Trade and Industry; Ministry of Small and Medium Enterprise Development; and Ministry of Green Economy.

### *ii) Streamlining the Legal and Regulatory Framework*

The Committee further observes that the legal frameworks, policies, strategies and institutions for growth of and investment in the non-copper mining subsector that are currently in place are generally inadequate and in need of various revisions and reforms.



In this regard, the Committee strongly urges the Government to urgently conduct a broad based and comprehensive review of the policy, legal and institutional framework guiding the non-copper mining subsector so that the country can reap greater benefits from investment in the subsector. These strategies should include the identification of the most strategic minerals and put into place separate measures tailored to each mineral.

*iii) Mining Sector Development Plans*

While the Committee acknowledges the consistency in renewal of the country's National Development Plans, it observes that there is no specific mining sector development plan to guide the development of the mining sector as a whole and also to guide the development the various subsectors within the sector.

In light of the above and given the strategic role of the mining sector to the country's development, the Committee urges the Government should formulate a mining sector development plan that will specifically guide the development of mining sector and in which the non-copper mining subsector should be given prominence. With so many different expectations from mining, a sector development strategy should be a high priority for the Government.

*iv) Geological Exploration and Mapping*

The Committee notes with disappointment that 58 years after independence only about 50 per cent of the country has been geologically mapped and surveyed. The importance of geological mapping cannot be overemphasised to the growth of the non-copper mining subsector as it spurs investment in exploration and consequently in mining. The Committee observes that one of the challenges affecting and impeding diversification of the mining sector is the limited information resulting from inadequate mapping and exploration.

In light of this, the Committee strongly urges the Government to urgently put in place measures that will to ensure that the rest of the country is surveyed. One such measure is the provision of adequate resources to the Geological Survey Department in the Ministry of Mines and Minerals Development. Further, the Committee recommends that exploration services should be ramped up through providing well structured incentives to private sector players. The Government needs to actively incentivise exploration with policies that acknowledge that exploration is a loss-making research and development activity that generates no income, but whose success is in the national interest.

v) *Issuance of Mining Licenses*

The Committee notes with concern that there a number of licensing issues plaguing the mining sector, including the high number of speculative license holders, the lack of decentralisation of license issuance and the costs related to the issuance of licenses.

In this regard, the Committee urges the Government to ensure that all issues pertaining to the issuance of licenses in the non-copper mining subsector are made transparent and affordable.

vi) *Mining Tax Regime*

The Committee observes that Zambia's mining tax regime has been characterised by frequent policy changes and reversals. The Committee is concerned that this unstable regime makes it difficult for investors to make accurate projections on their return on investments, which may prove detrimental to the growth of the non-copper mining subsector.

In light of this, the Committee urges the Government to ensure that at the very minimum a stable fiscal regime should be designed with in-built flexibility to both automatically capture increased government revenue when mineral prices rise and automatically reduce the tax burden for mining firms during periods of low prices without requiring frequent legislative changes.

vii) *Illegal Mining Activities*

The Committee is disheartened to note that the non-copper mining subsector is mostly informal and rife with illegal mining activities. The Committee also notes that the subsector comprises mostly small scale miners, an indication that it provides opportunities for local people to participate in the development of the economy. However, given the little to no capacity for these small scale miners to formalise and grow their operations, the Committee is concerned that this has opened up the subsector to exploitation by certain unscrupulous investors and to the influx of illegal mining operations.

In light of this, the Committee strongly urges the Government to step up efforts to formalise the non-copper mining subsector and to curb illegal mining activities. The Committee further urges the Government to ensure that the institutions charged with the responsibility of monitoring the small scale mining activities step up their efforts.

viii) *Incentives for Artisanal and Small Scale Miners*

The Committee is cognisant of the fact that small scale miners are in dire need of tailor made incentives as they do not have access to affordable financing, basic technology used in the mining process and formal capacity building programmes, among others. This subtracts from the growth of the subsector and the growth of the country's tax base.

In light of this, the Committee recommends that some of the incentives that should be provided to the non-copper mining subsector include, but are not limited to, provision of access to affordable financing, provision of tailor made training programmes in various aspects of the subsector and access to affordable technology through tax rebates.

ix) *Employment in the Non-Copper Mining Subsector*

The Committee observes that generally, employment in the mining sector has been declining over the past decade. Despite the drop in mining sector employment, statistics indicate that the non-copper mining subsector employed more people than the copper mining sub- in 2019 and 2020. The Committee, however, expresses concern that due to the informal nature of the non-copper mining subsector the employment is also highly informal and highly unskilled.

The Committee reiterates its recommendation on the need to formalise the activities of the non copper-mining subsector and provide training opportunities. This will result in more formal employment opportunities and help to mitigate against the country's high unemployment levels.

x) *Working Conditions in the Non-Copper Mining Subsector*

The Committee observes that given the highly informal nature of the non-copper mining sector, there is little or no regard for the provision of suitable working environments for employees working in this subsector.

The Committee, therefore, recommends that occupational health and safety standards should be adhered to by all employers in the subsector, failure to which sanctions as provided for in the *Occupational Health and Safety Act No 36 of 2010* should be applied against erring employers.

xi) *Mining Value Chain*

The Committee notes that the importance of a well developed mining value chain to the diversification agenda cannot be overemphasised. This creates a significant competitive advantage for the non copper mining subsector and contributes to economic development. The Committee

observes that there is a lot more that the Government needs to do to encourage investment in the mining value chain so as to spur value addition and discourage the export of raw minerals.

Arising out of the above observation, the Committee strongly recommends that the Government should take a holistic approach to developing the mining value chain. This includes strategies such as imposing levies on the export of unprocessed minerals; reducing the general cost of doing business; ensuring a reliable supply of energy; setting up of adequate infrastructure; providing suitable incentives for the setting up of processing plants so as to ensure value addition; and facilitating access to markets, among others. Additionally, the Government should provide a suitable regulatory framework that emphasises on local content and increased participation by local investors.

*xii) Harnessing Opportunities for Growth*

The Committee observes that there are numerous opportunities that lie from the diversification from copper. This is as a result of the numerous benefits that can be derived from the country's vast mineral wealth. These benefits include the use of cobalt, lead, nickel and zinc in the production of cleaner energy technologies such as batteries for electric vehicles and solar panels; and the international demand for rich gemstones by the jewellery industry. The Committee further observes that the highly fragmented nature of the country's gemstone market has created an inconsistent flow of products to the market. This has led to jewellery manufacturers at times seeking other regions, overlooking Zambia's gemstones.

In this regard, the Committee recommends that as the Government continues to enhance strategies to diversify away from copper, attention should be paid to the many opportunities that can accrue from taking advantage of the advancements and trends in the international community such as setting up of industries to manufacture batteries for electric cars, among others. The Committee further recommends that more concerted efforts should be put into the marketing of the country's gemstones, for example through regular marketing expos that display products of both small and large scale miners.

*xiii) Managing the Environment*

The Committee notes that there is a delicate balance between conservation needs and economic development. The Committee is aware of the potential harm to the environment that can be caused by poorly managed mining activities. Given the mainly informal nature of the

country's non-copper mining subsector, the Committee is concerned that there is poor monitoring of the activities of the subsector.

The Committee, therefore, recommends that adequate resources should be allocated to Government ministries and agencies that are charged with the responsibility of monitoring the activities of operators in the non-copper mining subsector. These ministries and agencies should ensure that they step up their efforts.

*xiv) Value of Gemstones*

The Committee notes that Zambia is highly endowed with minerals and has the potential to become one of the highest contributors to domestic resource mobilisation. The Committee also notes that the subsector is not properly monitored, especially with regard to assessing the net worth of high value gemstones which are highly susceptible to pilferage and under declarations.

In view of this, the Committee urges the Government to step up its monitoring work on the gemstone sector, starting from the production to sale, to avoid under valuation and connivance in the sector. This will enable the government to collect the right taxes from the mines through the properly valued and validated quantities and grades of the minerals.

*xv) Gold Exploration and Mining*

The Committee observes that the recent gold rush in some parts of the country shows that the country has widespread gold deposits. However, gold mining is in most cases being done by illegal miners without proper skills, tools and equipment. This has in some cases resulted in untimely deaths.

In order for the country to benefit from the presence of gold in Zambia, the Committee recommends that ZCCM-IH should take a leading role in the exploration and mining of gold in Zambia on behalf of the Government. The Committee further recommends that Zambian investors in the gold mining subsector should partner with ZCCM-IH as opposed to letting foreigners reap the benefits. This requirement should be backed by a legal framework.

*xvi) Observing Labour Laws*

The Committee notes that the welfare of employees in the non-copper mining subsector is not given the attention it deserves as mine operators are mostly focused on profit maximisation, thereby, neglecting the employee welfare.

In view of this, the Committee urges the Executive, through the Ministry of Labour and Social Security, to closely monitor the activities in all mining operations to ensue adherence to labour laws.

*xvii) Role of Traditional Leaders*

The Committee observes that the importance of the role of traditional leaders in the growth of the non-copper mining subsector cannot be overlooked as they are the custodians of the land on which these mines sit.

In view of this, the Committee recommends that all investors clearly understand the important role of traditional leaders as soon as they show any intention to invest in a particular area, so that areas of mutual interest are addressed before the mining operations commence. The tendency by some investors to attempt to circumvent this important role is highly unacceptable and should not be condoned.

*xviii) Corporate Social Responsibility*

The Committee bemoans the low employment levels of the local people in areas where the mining activities and explorations are taking place. The Committee also bemoans the poor record of CSR by the large scale non-copper mining entities. This practice of taking from, and not giving back to the community, is highly regrettable and unacceptable.

In view of this, the Committee recommends that local people be prioritised for jobs which they qualify to do. The Committee also strongly recommends that, as initial discussions for investment are being conducted with potential investors, emphasis should be placed on the need for CSR to be part of the operations of mining companies in the communities that they operate from. In addition, the Government should continuously engage these mining companies throughout their operations to ensure that they are providing the communities with beneficial and appropriate CSR. This will boost the economic status of the mining areas and contribute to national development.

*xix) Marketing of Gemstones*

The Committee notes that commercial marketing and sale of emeralds is usually through auctions which in most cases are conducted outside the country as is the practice with Kagem and Grizzly, the two biggest emerald mines in Africa.

To assist small scale miners in marketing and selling of emeralds, the Committee recommends that the Government revives and fully utilises the

Sub Sahara Gemstone Exchange Industrial Park in Ndola for the trading of gemstones and other precious minerals. This will enhance transparency in the sale of high value gemstones and boost value addition and job creation.

## **PART II**

### **10.0 CONSIDERATION OF THE ACTION-TAKEN REPORT**

The Committee considered the Action-Taken Report on the Committee's Report for the Fifth Session of the Twelfth National Assembly as outlined below.

#### **Consideration of the Action Taken Report on the Report of the Committee on National Economy, Trade and Labour Matters for the Fifth Session of the Twelfth National Assembly**

##### *i) Economic Recovery Programme*

The previous Committee noted that although the economy had been weakening over the years, the COVID-19 Pandemic had exacerbated the weak economic performance and economic growth was estimated to have contracted by about 4.2 per cent in 2020. The previous Committee was of the view that due to the prevailing economic situation, more efforts needed to be directed towards ensuring that the Zambian economy rebounded.

Therefore, the previous Committee strongly recommended that the Government, in collaboration with other stakeholders, should effectively implement the Economic Recovery Programme (ERP) 2020-2023 in order to achieve economic resilience and realise economic stabilisation as envisaged through the pillars in the programme.

In response the Executive explained that in order to ensure effective implementation of the ERP, a robust monitoring mechanism had been set up for the implementation of the ERP through quarterly reports. Implementation with accountability was at the core of the ERP. In order to support economic recovery, the Government was also putting in place appropriate structural and legal reforms. The reforms were being undertaken mainly in the area of fiscal and debt sustainability and dismantling of domestic arrears. Further, finalisation of the amendment of the *Zambia Development Agency Act* and the development of the Investment, Trade and Enterprise Bill had reached an advanced stage. The Government was in the process of finalising the Bill and it was expected that the Bill would be enacted into law before the end of 2021

#### **Committee's Observation and Recommendation**

The Committee will monitor the implementation of the ERP and await a progress report on the matter.

*ii) Revision of the Requirements for the Targeted Medium-term Refinancing Facility*

The previous Committee observed with extreme concern the slow pace of disbursing the K10 billion Targeted Medium Term Refinancing Facility (TMTRF), by the Bank of Zambia, to financial service providers amidst serious liquidity challenges and other economic effects brought by the COVID-19 Pandemic. Notably, the low uptake of this facility was as a result of the stringent qualification requirements.

In light of this, the previous Committee strongly recommended that the Bank of Zambia should review the criteria for qualification in order to, inter alia, broaden the scope of the facility, and improve accessibility by loosening the qualification criteria while at the same time managing the financial risk.

The Executive responded that based on the overall performance of the Targeted Medium Term Refinancing Facility (TMTRF) and consultations with key stakeholders, the Bank of Zambia would continue to respond to some of the challenges that had been encountered in administering the TMTRF. The Bank of Zambia was actively pursuing risk sharing arrangements between the Financial Service Providers (FSPs) and the Bank of Zambia, through a credit guarantee scheme, aimed at addressing some of the factors that had so far constrained SMEs from accessing credit from FSPs.

***Committee's Observation and Recommendation***

The Committee requests a progress report on the disbursing of the TMTRF.

*iii) Extend Economic Relief to the Informal Sector*

The previous Committee was dismayed that while financial relief mechanisms were meaningful to businesses operating in the formal sector, they had excluded many informal micro businesses and informal cross border traders, when most economic activities took place in the informal sector. The Committee noted that micro businesses and informal cross border trade were a large source of income for many households and thus, their exclusion from relief measures was likely to result in increased poverty levels in the country.

Therefore, the Committee strongly urged the Government to devise mechanisms to ensure that the informal sector, including informal cross boarder traders, also benefit from economic stimulus packages as they were key enablers of transformative economic growth.

The Executive responded that as part of the second phase of implementation of the TMTRF, the Bank of Zambia together with some key stakeholders were in a process of developing and implementing a credit guarantee scheme that was



aimed at addressing deficiencies noted in accessing the TMTRF by the Micro, Small and Medium-Sized Enterprises (MSMEs). The Bank of Zambia was in the process of strengthening the existing regulations to encourage the development of the community banking model. To this end, the Bank of Zambia had drafted agent banking directives to support the Agent Banking model which once rolled out would encourage the FSPs to reach as many informal businesses and households as possible.

***Committee's Observation and Recommendation***

The Committee requests a progress report on the roll out of financial relief mechanisms to the in the formal sector.

*iv) Facilitation of Trade for Small Scale Cross Border Traders*

Further, the previous Committee urged the Zambia Revenue Authority to facilitate trade for small scale cross border traders so as to prevent them from incurring additional costs as a result of delayed customs procedures and other border formalities.

The Executive responded that Zambia Revenue Authority was putting systems in place to have all manual processes automated to facilitate expedited clearance. In addition, the Authority was collaborating with other agencies through the single window system and a data exchange with some local agencies and neighbouring customs administrations, to mitigate illicit financial flows and reduce the additional costs as a result of other procedures relating to other agencies.

***Committee's Observation and Recommendation***

The Committee requests for a progress report on the measures to facilitate trade for small scale cross border traders.

*v) Need for Investment in Information, Communication and Technology Equipment in the Education Sector*

The previous Committee noted that some measures to contain the corona virus such as the Government directive to close all institutions of learning largely disrupted the education system and affected employment of lecturers and teachers, especially those from private institutions, including auxiliary support services such as suppliers of stationary, books, school uniforms, and transporters. To avoid an education gap in the future generation, the Government introduced and promoted e-learning services for all learners. The previous Committee observed that this measure exposed the vulnerability of the education sector with regard to ICT equipment, computer illiteracy levels among learners and teachers and lack of reliable internet connectivity. In addition, the previous Committee noted that the COVID pandemic amplified the digital gap between rural and urban areas.

In this regard, the previous Committee strongly recommended that in addition to the provision of traditional education services, the Government should prioritise the education sector through appropriate sector budget allocation which should be targeted towards procurement of ICT equipment in learning institutions.

The Executive responded that the budget provisions for all programmes including the activities in the education sector were based on the availability of resources. Notwithstanding this, priority would be given in the 2022 to 2024 medium term to the education sector to help the procure ICT equipment as the revenue position improved.

### ***Committee's Observation and Recommendation***

The Committee resolves to request for a progress report on the improved investment in ICTs in the education sector.

#### *vi) Reduce Public Debt Obligations to Sustainable Levels*

The previous Committee observed that COVID-19 arrived in Zambia amidst multiple existing economic challenges, prominent among which was the public debt burden. In addition, the rising exchange rate as a result of supply shocks, among other factors, had increased the debt service obligation, which had ultimately limited the response to the effects of the pandemic.

The previous Committee further noted that the high stock of debt had led the Government to request for debt relief through different channels. Subsequently, concerns by creditors about the apparent discriminatory treatment of different creditors by the Zambian Government had arisen, leading to creditors opting to hold back on granting Zambia debt relief as they were concerned that the freed resources would be channelled to servicing other debt portfolios and not for COVID-19 related expenditures.

The previous Committee acknowledged the fact that the Government had enacted key fiscal legislation such as the *Public and Financial Management Act, No. 1 of 2018*, the *Planning and Budgeting Act, No. 1 of 2020* and the *Public Procurement Act, No. 8 of 2020*. However, the Committee expressed great concern that relevant amendments to the piece of legislation which was envisaged to govern debt contraction, the *Loans and Guarantees (Authorisation) Act, Chapter 366 of the Laws of Zambia* had still not been presented to the National Assembly for enactment.

In this regard, the Committee strongly urged the Government to undertake the following:

- a) critically examine the debt situation and devise realistic measures that would restore debt sustainability and ultimately reduce the debt burden;
- b) simultaneously engage all its creditors when negotiating for debt relief and treat them equally, with transparency and accountability in order to avoid the appearance of discrimination in the treatment of creditors;
- c) as a matter of urgency, present relevant amendments to the *Loans and Guarantees (Authorisation), Chapter 366 of the Laws of Zambia* Bill for enactment in order to provide for transparency in debt accumulation and accountability in debt management; and
- d) be transparent and accountable in disseminating debt information. This would help to demystify the narrative around Zambia's debt levels, the apparent risk of further debt default, and to provide creditors and policymakers with regular and reliable debt information.

The Executive responded that the Government had, in collaboration with its appointed financial advisors, examined the country's debt situation through a Debt Sustainability Analysis which indicated that Zambia's debt is unsustainable. In this regard, the Government was undertaking the following measures to address the debt situation.

*a) Loan cancellation and re-scoping*

In order to reduce the debt burden, the Government in 2020 embarked on the cancellation, re-scoping and postponement of some of the loan financed projects. Arising from this exercise, the Government cancelled loans amounting to US \$1.1 billion in 2020 and rescoped loans amounting to US\$280 million. The Government had made the review of its debt portfolio an ongoing process and was continually looking at the debt financed projects to identify potential areas of savings.

*b) Liability management exercise*

In 2020, the Government embarked on a liability management exercise in order to restore public debt sustainability.

*c) Engagement of financial and legal advisor*

The Government had engaged the services of financial experts, Lazard Freres; and legal advisor, White and Case, to provide advisory services to assist with the debt restructuring exercise and ensure that the Government implemented this process in line with international best practices. Debt restructuring was a complex exercise which required adherence to certain international best practices if it was to deliver the desired outcome. This explained why the Government, like many other countries did, had to hire international experts with experience in debt restructuring negotiations.

*d) Suspension of creditor payments*

In light of Government's constrained liquidity position, the need for a transparent debt restructuring process and to ensure equality across creditors, the Government in October 2020 announced its decision to suspend servicing of all non-concessional external debts, with the exception of a few selected loans that were financing near completed projects with high economic and social impact so as to secure continuing disbursements under such loan facilities. The decision to suspend debt service was made after engaging all the non-multilateral creditors on Zambia's macroeconomic situation and the challenges that the Government was facing which had resulted in debt servicing difficulties.

*e) Application for debt treatment under the G20 and Paris Club "Common Framework"*

Fortunately, due to debt vulnerabilities faced by many developing countries which had been worsened by the COVID-19 pandemic, the G20 and Paris Club Group of Creditors had agreed to extend debt treatment arrangements beyond what was agreed under the Debt Service Suspension Initiative, under what was called the "Common Framework". The Common Framework was a platform that had been designed to address a wide range of sovereign debt challenges of eligible countries in a manner that allowed for greater participation of creditors in addressing the debt situation of affected countries. Zambia being one of the beneficiary countries applied for debt treatment under this framework in February 2021 ahead of the planned debt restructuring exercise with fair burden sharing across Zambia's creditors.

*f) Request for an International Monetary Fund programme*

Since June 2020, Zambia had been engaging with the International Monetary Fund (IMF) for a possible IMF funded programme to restore debt sustainability and anchor the country's Economic Recovery Programme. In this regard, a formal request to the IMF for an Extended Credit Facility was made in November 2020. Subsequently, two (2) virtual IMF missions took place between February and April 2021. While the programme has not been granted yet, the Government and the Fund had made significant progress by reaching broad agreement on the macroeconomic parameters, fiscal targets and policy objectives. Progress had also been made regarding policy reform agenda to restore public finance and debt sustainability. Discussions would continue at the appropriate time to finalise the timeline for implementation of the agreed reform package for the adoption of the ECF supported programme. Once the overall macroeconomic framework was agreed upon with the Fund (i.e. Staff Level Agreement); the Government would be able to collaboratively engage all its non-multilateral external

creditors in actual debt restructuring negotiations under the Common Framework.

***Committee's Observation and Recommendation***

The Committee resolves to request for an update on the reduction of the country's debt to sustainable levels.

*vii) Increase Allocation for Dismantling of Domestic Debt and Arrears*

The previous Committee noted that the severity of the impact of COVID-19 was more pronounced on businesses and household incomes. While acknowledging the measures that the Government had implemented to unlock liquidity, the Committee was still concerned about the level of debt owed to businesses that had supplied goods and provided services to the Government, as well as outstanding VAT refunds.

The previous Committee, therefore, strongly urged the Government to prioritise the payment of arrears in all sectors, especially key sectors, as this would support the survival of firms, safeguard employment, support the recovery and growth of these sectors and ensure that the aspirations for economic diversification and inclusive sustainable growth were met.

The Executive responded that it had taken note of the recommendation to prioritise the dismantling of domestic arrears and was fully supporting the recommendation. This could be seen by the increase of the 2021 domestic arrears budgetary allocation to K2.9 billion from K400 million in 2020. The Government had so far released almost K1.8 billion in the first quarter and going forward, the Government would in the medium-term continue to increase allocations towards the dismantling of arrears.

***Committee's Observation and Recommendation***

The Committee resolves to request for a progress report on the dismantling of domestic debt and arrears.

*viii) Revamp the Manufacturing Sector*

The previous Committee urged the Government to expedite the finalisation of the draft Investment, Trade and Enterprise Development Bill, and draft Local Content Bill in order to help rationalise incentives to encourage increased investments and to protect local industries, respectively.

The Executive responded that the finalisation of the amendment of the Zambia Development Agency Act and the development of the Investment, Trade and Enterprise Bill had reached an advanced stage. The Government was finalising the Bill through the Ministry of Justice for onward transmission to Parliament

for enactment. It was expected that the Bill would be enacted into law before the end of 2021.

With regard to the Local Content Bill, the Ministry of Commerce, Trade and Industry was granted approval to proceed with facilitating with the development of the Local Content Bill in December, 2020 by Cabinet. A lay man's draft Bill was being developed in readiness for submission to Ministry of Justice for legal drafting. Once that was finalised, the Bill would be submitted to Parliament for enactment into law.

### ***Committee's Observation and Recommendation***

The Committee resolves to request for an update on the status of the Investment, Trade and Enterprise Development Bill and the Local Content Bill.

#### *ix) Strengthen and Broaden the Operations of the Zambia Export Development Fund*

The previous Committee urged the Government to strengthen and broaden the operations of the Zambia Export Development Fund to support export-oriented firms. This would enhance the country's export base and help to increase non-traditional exports.

The Government took note of the Committee's recommendation and responded that the Zambia Export Development Fund was indeed of paramount importance in enhancing Zambia's exports. One of the ways of strengthening this fund was that the Government had developed the National Export Strategy and the National Trade Policy to ensure proper direction exports to the available markets under the Southern African Development Community; Common Market for Eastern and Southern Africa; African Continental Free Trade Area; and other markets for Zambia's firms. It was the hope of the Government that other cooperating partners would come and board and assist in replenishing the fund so that it was broadened and accessed by many firms.

### ***Committee's Observation and Recommendation***

The Committee resolves to request for an update on the measures employed to broaden the Zambia Export Development Fund.

#### *x) Provision of Incentives for the Manufacture of Inputs Locally*

The previous Committee urged the Government to provide incentives to the industry to support local manufacturing of production inputs in order to reduce the importation of inputs that could readily be produced locally.

In response, the Executive stated that as observed by the Committee, the Government, in consultation with relevant stakeholders, was in a process of reviewing the entire incentives structure through the review of the Zambia

Development Act. In order to support the local manufacturing using locally available inputs, the Government had put in place the National Local Content Strategy to encourage the use of locally available resources as inputs. Further, the Government was processing a Local Content Bill. It was expected that this bill would be enacted in the last quarter of 2021.

***Committee’s Observation and Recommendation***

The Committee resolves to request for an update on the measures to provide incentives to support local manufacturing production of inputs.

*xi) Measures to Improve Supply of Energy*

The previous Committee urged the Government to put in place measures to improve the supply and also reduce the cost of energy to ensure reduced business costs for manufacturers and in the economy at large.

The Executive responded that the Ministry of Energy had continued to invest in generation, transmission and distribution projects that would enhance the security of supply and access to electricity for the manufacturing sector. In addition, the Ministry was awaiting the findings of the cost of service study which would inform the various customer categories cost reflective tariffs.

***Committee’s Observation and Recommendation***

The Committee resolves to request for an update on the measures to reduce the cost of energy to ensure reduced business costs among manufacturers and in the economy at large.

*xii) Revamp the Tourism Sector*

The previous Committee observed that in order to make the tourism sector more competitive, the previous Committee recommended that the Government should reduce or suspend tourism levy to stimulate demand for tourism services, as well as to align visa costs with competitive countries in the region to attract more foreign tourists.

The Executive took note of the Committee’s recommendation regarding reduction or suspension of the tourism levy. The reduction or suspension of the tourism levy would be considered during the amendment of the *Tourism and Hospitality Act No. 13 of 2014* as required by law.

***Committee’s Observation and Recommendation***

The Committee resolves to request for a progress report on the reduction or suspension of the tourism levy.

## **Action-Taken Report on the Committee's Reports for the Fourth Session of the Twelfth National Assembly**

### *i) Amendment of the National Payment Systems Act, No. 1 of 2007*

The previous Committee requested a status update on the amendment of the *National Payment Systems Act, No 1 of 2007*.

The Executive responded that the Bank of Zambia held stakeholder consultations in 2020 and various submissions from various partners were received and had since been incorporated in the Bill. The layman's draft Bill was yet to be submitted to Ministry of Finance and National Planning for onward submission to Ministry of Justice since the Bank of Zambia Supervisory Policy Committee was yet to approve the layman's draft Bill.

### **Committee's Observation and Recommendation**

The Committee resolves to request for an update on the amendment of the *National Payment Systems Act*.

### *ii) Lack of Mobile Money Specific Regulations*

The previous Committee awaited a progress report on the formulation of regulations on agency banking, and regulations specific to mobile money in order to address the gaps in the digital financial landscape.

With regard to agent banking regulations, the Executive responded that the Bank of Zambia had drafted one regulation that included agency banking and mobile money services, known as the Bank of Zambia Agent Banking Directives 2021. The Directives were in the last process of approval by the Supervisory Policy Committee (SPC). The issuance of the Bank of Zambia Agent Banking Directives 2021 would be done by the Bank to facilitate quick implementation of the provisions under the Banking and Financial Services Act and the National Payment Systems Act.

The Bank, however, incorporated the findings of the study by the University of Zambia into the Bank of Zambia Agency Banking Directives 2021 and subjected the draft directives to a regulatory impact assessment, involving all regulated entities, under the above stated two pieces of legislation. After the regulatory impact assessment, the directives were presented to the Technical SPC. The comments and inputs from the Technical SPC had been incorporated into the final draft, which the Bank Supervision Department (BSD), shall be presenting to the main SPC for approval. The Bank expected to implement the Directives by end of June 2021.

### **Committee's Observation and Recommendation**

The Committee resolves to request an update on the agent banking regulations.



*iii) Creation of Casual Jobs*

The previous Committee requested a progress report on the minimum wage for mobile money operators.

The Executive responded that the Ministry of Labour and Social Security was committed to the promulgation of statutory instruments aimed at introducing minimum wages for sectors considered to be vulnerable and whose casualisation of employment had no justifiable reason as provided by the *Employment Code Act, No. 3 of 2019*. As was reported last time, the minimum wages and conditions of employment for the transport sector were issued through the Minimum Wages and Conditions of Employment (Truck and Bus Drivers) Order, Statutory Instrument No. 106 of 2020. However, the draft statutory instrument on minimum wages and conditions of employment for the agriculture sector which was with the Ministry of Justice was withdrawn after the Tripartite Consultative Labour Council resolved to engage further the stakeholders on the salient issues concerning the proposed statutory instrument. On the other hand, the minimum wages for the mobile operators was yet to be formulated as the specific minimum wages for information, communication and technology related sectors which included the mobile money operators was still awaiting submissions from the stakeholders. In short, the Ministry would expedite the process of promulgating a statutory instrument for mobile operators once stakeholders made submissions and consultations with tripartite partners were concluded.

***Committee's Observation and Recommendation***

The Committee resolves to request an update on the minimum wage for mobile money operators.

*iv) Paying of Salaries for Rural Civil Servants through Mobile Money*

The previous Committee requested an update on the payment of civil servant salaries through mobile money networks.

The Executive responded that it would be important for civil servants to take advantage of the products that banks had to offer. It had become possible to transfer money from a bank account to mobile money account and vice versa. This notwithstanding, the Government was in discussion with some mobile operators to see how this could be done without interfering with the audit trail.

***Committee's Observation and Recommendation***

The Committee requests a progress report on the discussion with mobile operators on the payment of civil servant salaries through mobile money networks.

v) *Absence of a Centralised Know Your Customer*

The previous Committee requested an update on the development of a centralised KYC database.

The Executive responded that it recognised that the banking sector in Zambia had more than 2 million bank accounts and over 17 million registered mobile money accounts. All financial service providers were required to manually collect, store and maintain data for each customer. The existing manual process of managing KYC documentation was a huge administrative burden for all financial service providers. Therefore, there was need to ensure effectiveness in the handling and processing of KYC documentation so that the process was largely standardised and more thorough, timely and accurate.

The Executive had also recognised that the establishment of a centralised KYC platform would significantly address these challenges resulting in reduced costs, time of on-boarding customers and managing of KYC data. The digital on-boarding was expected to make it faster and easier for people to be identified and verified in order to among others, open accounts and access financial services. The KYC system would also provide the financial service providers with additional information on their customers thereby paving way for them to provide better service and manage risk more prudently. Digital on-boarding had in many countries contributed positively to the financial inclusion agenda through reduced costs and increased efficiencies/quicker access to customer data.

The system would also assist with deterring money laundering and terrorist financing activities through more robust identification and verification of customers. This project was expected to kick off in 2022. In the meantime, the preliminary work had commenced.

***Committee's Observation and Recommendation***

The Committee takes note of the response and resolves to request a progress report on the development of a centralised KYC database.

vi) *Social Protection Programmes*

The previous Committee requested an update on the implementation of the Zambia Integrated Social Protection Information System.

The Executive responded that to mitigate the lack of ICT innovation in disbursing funds to social protection programmes, the Government through Ministry of Community Development and Social Services, had piloted the use of ICT in 17 districts which included among others Nyimba, Namwala, Kalulushi, Zambezi, Shangombo and Kaputa covering a span of six provinces. This involved the use of electronic channels to transfer funds and generate electronic reports as well as the use of mobile network operators. In addition, the Government was working

with cooperating partners such as the World Bank to upgrade the system being used to counter some of the challenges observed so far.

***Committee's Observation and Recommendation***

The Committee takes note of the response and requests a progress report on the implementation of the Zambia Integrated Social Protection Information System.

**Action Taken Report on the Report of the Committee on the Report of the Auditor General on the Compliance Audit on the Awarding and Monitoring of the Mining Rights for 2017 Accounts for the Fourth Session of the Twelfth National Assembly**

*i) Lack Of Representation By Some Stakeholders On The Mining License Committee*

The previous Committee urged the Minister to send correspondence relating to appointment of members on the Mineral Licensing Committee (MLC) from Ministries to the Permanent Secretary and not directly to the officers. The Committee resolved to keep the matter outstanding until recommendation was implemented.

The Executive responded that it had taken note of the recommendation and would ensure to effect it in the next appointments. However, the Mining Licensing Committee did not approve mining licensing applications without the attachment of the Environmental Protection Plan from Zambia Environmental Management Agency (ZEMA).

***Committee's Observation and Recommendation***

The Committee takes note of the response and resolves to request a progress report on the implementation of the recommendation to send correspondence relating to appointment of members on the MLC from Ministries to the Permanent Secretary and not directly to the officers.

*ii) Standard Consent Form*

The previous Committee recommended that the Ministry of Mines and Minerals Development should generate a standard consent form which should be signed by all chiefs when giving consent for any mining activities in their respective chiefdoms. While noting the response by the Executive and the coordination between the Ministry of Mines and Minerals Development; and ZEMA thereof, the Committee resolved to leave the matter outstanding until a standard format of the consent form was developed.

The Executive responded that the recommendation had been noted and specific steps had been initiated by the Ministry of Mines and Minerals Development through its departments, the Mines Safety Department, the Mines Development

Department and the Mining Cadastre Department to engage the Zambia Environmental Management Agency on the possibility of having a standard format for consents while cognisance of the fact that situations may have their own peculiarities and the prescribed format may not suffice in this regard.

***Committee's Observation and Recommendation***

The Committee takes note of the response and resolves to request a progress report on the development of a standard consent form which should be signed by all chiefs when giving consent for any mining activities in their respective chiefdoms.

*iii) Inspections and Monitoring to Ensure Compliance by Mining Rights Holders: Non-Submission of Quarterly Reports*

The previous Committee awaited a progress report on the upward revision of penalty fees for mining rights holders that were for non-compliant as regards submission of quarterly reports in order to deter non-compliance.

The Executive responded that it was in the process of amending the *Mines and Minerals Development Act of 2015* and the upward revision of the penalties was one of the areas of amendment. This would improve the compliance by the mining companies with regards submission of quarterly reports.

***Committee's Observation and Recommendation***

The Committee takes note of the response and resolves to request a progress report on the amendment of the *Mines and Minerals Development Act of 2015* to revise the penalties for non-compliant mining rights holder as regards submission of quarterly reports.

*iv) Export of Minerals by Mining Rights Holders with Exploration Licenses*

The previous Committee had recommended that the Government should urgently provide for regulation on the limit in terms of quantity and frequency of sample exports to ensure that the country did not continue to lose mineral resources through exports of large volumes of samples purportedly for mineral analysis. The Executive responded that Zambia Revenue Authority (ZRA) had a provision of US\$ 10,000 while the Ministry of Mines and Minerals Development had a threshold of US\$ 100 for quantities of mineral samples to be removed from an exploration area for the purpose of mineral analysis or conducting tests on the mineral. The Ministry would endeavour to develop the Statutory Instrument in liaison with ZRA to ensure that the pieces of legislation are in harmony. While noting the response, the previous Committee urged the Ministry, in collaboration with ZRA, to expedite the process of developing a statutory instrument to harmonise the various pieces of legislation involved.

The Executive responded that section 26 (1) of the *Mines and Minerals Development Act No 11 of 2015* allowed holders of exploration licenses to export mineral samples for analysis or for purposes of conducting tests on the mineral. On the matter of limits on quantity the Government was still consulting with ZRA and would expedite this process.

### ***Committee's Observation and Recommendation***

The Committee takes note of the response and resolves await a progress report on the consultation process with ZRA.

#### *v) No Fine Paid for Operating a Mineral Processing Plant Without a License*

The previous Committee recommended that the Ministry should urgently follow up on the fine owed by Mineral Junction and Transport Limited with the Attorney General and ensure that all outstanding fines were paid without any further delay. The previous Committee urged the Office of the Auditor General to scale up efforts in ensuring that the fine was paid by Mineral Junction and Transport Limited. Failure to which, the license should be revoked until the fine was paid.

The Executive responded that according to the letter, Ref MOJ/102/38/DC/14/19, dated 25<sup>th</sup> September, 2020, the Attorney General's Office had issued final demand letters to nine companies, including Mineral Junction and Transport (Z) Limited, to liquidate their fines within fourteen (14) days, which period had since lapsed. The Ministry of Mines and Minerals Development was currently putting together the relevant documents to help the Attorney General's Office to commence court processes to pursue the matter. The *Mines and Minerals Development Act* was being amended and the issue of reviewing penalties as recommended by the Committee would be dealt with. The Executive further responded that the matter was still outstanding as the Attorney General's office had taken court action against nine erring companies which included Mineral Junction and Transport Limited.

### ***Committee's Observation and Recommendation***

The Committee takes note of the response and resolves to await a status update on the fine owed by Mineral Junction and Transport Limited and on the outcome of the court action against the company.

### **Action-Taken Report on the Report of the Committee for the Third Session of the Twelfth National Assembly**

#### *i) Comprehensive Review of the Policy, Legal and Institutional Framework Guiding Foreign Trade and Investment*

The previous Committee urged the Government to expedite finalisation and presentation of the Investment, Trade and Enterprise Bill to Parliament and awaited an update on the matter.

The Executive responded that the finalisation of the amendment of the *Zambia Development Agency Act* and the development of the Investment, Trade and Enterprise Bill had reached an advanced stage. The Government was finalising the Bill through the Ministry of Justice for onward transmission to Parliament for enactment. It was expected that the Bill would be enacted into law before the end of 2021.

### ***Committee's Observation and Recommendation***

The Committee takes note of the response and reiterates the recommendation that the Government should expedite finalisation and presentation of the Investment, Trade and Enterprise Bill to Parliament. The Committee further recommends that this matter should be treated as a matter of extreme urgency.

#### *ii) Citizens Economic Empowerment (Reservation Scheme) Regulations, Statutory Instrument No. 1 of 2017*

The previous Committee noted the formulation of the National Compliance and Monitoring Committee and urged the Government to provide funding to facilitate the decentralisation of the enforcement of Statutory Instrument No. 1 of 2017 (The Citizens Economic Empowerment (Reservation Scheme) Regulations), without any further delay. The Committee awaited a progress report on the matter.

The Executive responded that the concern raised by the Committee in relation to the Citizen Company was being addressed. Government through Cabinet, at its 27<sup>th</sup> Special Meeting held on 15<sup>th</sup> December, 2020 approved the recommendation to amend the Citizens Economic Empowerment Act. One of the issues to be dealt with was the inclusion of a company where 100% of its equity was owned by citizens. As per Cabinet directive, Government had since engaged the Zambia Law Development Commission (ZLDC) to undertake a review of the *Citizen Economic Empowerment Act* and make recommendations for the amendment of the said act.

### ***Committee's Observation and Recommendation***

The Committee takes note of the response and will await an update on the matter.

#### *iii) Stepping up of Value Addition Measures*

The previous Committee requested an update on the study on the effectiveness of the existing incentives to spur value addition to minerals.

The Executive responded that it was in the process of mobilising the resources to conduct the said study. However, for purposes of information, the Ministry of Finance and National Planning then, conducted a study on incentives in 2013

titled: *Assessment of the Impact of Tax Incentives in Zambia*. The overall objective of that study was to assess the extent to which investors benefitting from incentives had fulfilled their pledges and then determine the costs and benefits of the existing incentives with a view to proposing strategies for ensuring that these were consistent with Zambia's broad development objectives.

The findings of the study showed that in considering whether to invest, tax incentives were not the most important factor considered by most of the firms and most firms would have still invested even without tax incentives. The findings indicated that the revenue foregone by the Government coupled with the administrative costs of tax incentives was much higher than the measured benefits of tax incentives. However, a study which would cover all the firms receiving tax incentives would provide a more comprehensive measure of the benefits.

The findings also indicated that the majority of firms accessing tax incentives were foreign owned and the participation of locally owned firms was limited to selected sectors. The findings also showed that the majority of investment licenses granted were for companies based in Lusaka. There was need for the Government to come up with deliberate policies which would encourage local firms to invest in all the sectors and other provinces. Unless this was done, the other provinces of Zambia would continue lagging behind in development.

### ***Committee's Observation and Recommendation***

The Committee takes note of the response reiterates the request for an update on the study on the effectiveness of the existing incentives to spur value addition to minerals.

### **Action-Taken Report on the Report of the Committee for the Second Session of the Twelfth National Assembly**

- i) *Review and Operationalisation of the Micro, Small and Medium Enterprises Policy and the Investment, Trade and Enterprise Development Bill*

The previous Committee requested an update on the status of the Micro, Small and Medium Enterprises (MSME) Policy and on the Investment, Trade and Enterprise Development Bill.

The Executive responded that the Micro, Small and Medium Enterprise Development Policy was not finalised in 2020 due to COVID-19. The Ministry of Commerce, Trade and Industry was targeting to conclude the review before the end of 2021 once the COVID-19 situation normalised to allow the Ministry to finalise the document.

### ***Committee's Observation and Recommendation***

The Committee takes note of the response and resolves to await a progress report on the finalisation of the Micro, Small and Medium Enterprise Development Policy.

#### *ii) Promoting Linkages with the Mining Sector*

The previous Committee requested an update on the Local Content Bill.

The Executive responded that the Ministry of Commerce, Trade and Industry was granted approval to proceed with facilitating with the development of the Local Content Bill in December, 2020 by Cabinet. A lay man's draft Bill was being developed in readiness for submission to Ministry of Justice for legal drafting. Once that was finalised, the Bill would be submitted to Parliament for enactment into law.

### ***Committee's Observation and Recommendation***

The Committee takes note of the response and resolves request a progress report on the Local Content Bill.

#### *iii) Amendment of the Loans and Guarantees (Authorisation) Act, Chapter 366 of the Laws of Zambia*

The previous Committee requested a progress report on the status of the Loans and Guarantees (Authorisation) Bill.

The Executive responded that the Minister of Justice had returned the Loans, Grants and Guarantees (Authorisation) Bill, 2021 to Ministry of Finance for re-submission to Cabinet. However, before the Bill could be re-submitted to Cabinet, there was need to further review it in view of the passage of time since it was initially drafted in 2017.

Further review of the Bill aimed at, among others, strengthening debt reporting systems, to be mandated by law in order to promote public debt transparency; and strengthening the management of contingent liabilities such as sovereign guarantees. However, the Ministry of Finance held a two week stakeholder consultation workshop, from 26th April, 2021, to facilitate the repealing and replacing of the draft Loans, Grants and Guarantees (Authorisation Amendment) Bill.

### ***Committee's Observation and Recommendation***

The Committee takes note of the response and urges the Government to, as a matter of extreme urgency, present the Loans, Grants and Guarantees (Authorisation) Bill to Parliament.



*iv) Poor Road Network*

The previous Committee was dismayed at the failure by the Government to construct the road from Shangombo to Sioma after so many years and resolved to continue awaiting an update on the matter.

The Executive responded that the status on the 50km Nangweshi to Shangombo Road was that the contractor was mobilising equipment in readiness for commencement of works. However, the status was still the same for the 30 km Nangweshi to Sioma road.

***Committee's Observation and Recommendation***

The Committee takes note of the response and resolves to await a progress report on the completion of the road from Shangombo to Sioma.

**Action-Taken Report on the Report of the Committee for the First Session of the Twelfth National Assembly**

*i) Cost of Service Study*

The previous Committee reiterated its dismay at the length of time it had taken for the cost of study to be undertaken and completed, especially in view of the fact that electricity tariffs had been increased a number of times since the Committee started following up on the matter. The Committee would keep the matter open until the study was conducted and results availed to the Committee.

The Executive responded that the Cost of Service Study was expected to be completed in March 2021, however, due to the continued business disruptions from the COVID-19 pandemic, the completion date of the study had been extended further to August 2021. In addition, deliverable number four (4), the Lead Cost Electricity Generation, Transmission and Distribution plan had been submitted by the Consultant (EMRC) to the Energy Regulation Board (ERB) for review.

***Committee's Observation and Recommendation***

The Committee takes note of the response and expresses disappointment at the length of time it has taken for the Cost of Service Study to be completed. The Committee resolves to keep the matter open until the study is conducted and results availed to the Committee.

*ii) Standardised Public Private Partnership Bidding Document and Manuals*

The previous Committee resolved to await a progress report on the development of Public Private Partnership (PPP) customised standardised bidding documents.

The Executive responded that the Public Private Partnership Department had planned to procure customised standard bidding documents and manuals in the year 2021 and was in consultation with the International Senior Lawyers (ISLP) on the development of the solicitation documents. The department was still using the Southern Africa Development Community (SADC) standardised bidding document which had also been further adapted to Zambia's specific requirements.

### ***Committee's Observation and Recommendation***

The Committee takes note of the response and resolves to await a progress report on the development of local Public Private Partnership (PPP) customised standardised bidding documents.

#### *iii) Public Private Partnership Guidelines and Procurement Standards*

The previous Committee urged the Government to expedite the process of formulating guidelines and procurement standards for implementation of PPP projects as well as best practice guidelines by project type as recommended by the Committee.

The Executive responded that the department had with the support of the local consultant developed the draft PPP Regulations which were awaiting stakeholder engagement. In addition, the process of formulating PPP guidelines and procurement standards for implementation of PPP would be planned and budgeted for in 2022. The PPP Department was collaborating with Ministry of Agriculture; and the Food Agriculture Organisation (FAO) to develop PPP Guidelines specifically for the agriculture sector.

### ***Committee's Observation and Recommendation***

The Committee takes note of the response and resolves to await a progress report on the development of local PPP guidelines and procurement standards.

## **Action Taken Report on the Report of the Committee for the Fourth Session of the Eleventh National Assembly**

#### *i) Unbundling of ZESCO Limited*

The previous Committee awaited a progress report on the roadmap and reforms on the matter of unbundling of ZESCO Limited.

The Executive responded that the completion date of the cost of service study had been extended further to August 2021 which is key for in concluding the roadmap. In addition, all matters relating to reforms awaited Cabinet to be constituted.

## **Committee's Observation and Recommendation**

The Committee takes note of the response and resolved to await a progress report on the matter.

### *ii) National Social Protection Bill*

The previous Committee took note of the response and resolved to await a progress report on the presentation of the National Social Protection Bill to the National Assembly. The Executive responded that in 2019, the Attorney General rendered an opinion and indicated that the Social Protection Bill was in conflict with Constitutional provisions and the provisions of the other social security legislation. This state of affairs meant that the Social Protection Bill could not be enacted. It was, therefore, decided that a phased approach be adopted where the first phase entails legal reforms to the standalone pieces of legislation. The second phase would then undertake harmonisation and rationalisation of all the social security law. So far, using the phased approach, the Ministry of Labour and Social Security in collaboration with key stakeholders and partners had made some progress as follows:

- a) facilitated actuarial analysis of the leadership contributory pension scheme;
- b) drafted the pension rules on the leadership contributory pension scheme;
- c) preliminary actuarial analysis conducted on new entrants to Public Service Pension Fund;
- d) drafted amendment to the *National Pension Scheme Act Chapter 256 of the Laws of Zambia* on penalty rate; and
- e) amendment to the *Workers' Compensation Act, Chapter 271 of the Laws of Zambia*.

Therefore, the Ministry of Labour and Social Security still awaited Cabinet's decision on the proposed recommendations on social protection.

Following the Executive's response, the previous Committee expressed disappointment at the decision to reverse the decision to enact legislation on social protection. The Committee awaited a progress report on the proposed amendments to other pieces of legislation hinging on social protection.

The Executive responded that the Cabinet memorandum on the amendment to the *National Pension Scheme Act* and the *Workers Compensation Act* were submitted to Cabinet in 2021. However, Cabinet deferred the decision pending consultation on some aspects of the law.

For example on the revision of the penalty rate, there were concerns on compliance levels by private sector to the *National Pension Scheme Act* as well as the introduction of the injury protection law to the informal sector in the amendment to the *Workers' Compensation Act*.

Therefore, once consultations were concluded on these aspects, the Bill would be finalised and presented to Parliament.

### ***Committee's Observation and Recommendation***

The Committee takes note of the response and expresses its disappointment at the length of time it had taken to address legislation hinging on social protection. The Committee urges the Executive to expedite this matter and as resolves to await a progress report.

#### *iii) Tour to the Copperbelt Energy Corporation - Kabompo Hydro Electric Power Project*

The previous Committee reiterated its previous recommendation and requested a progress report on the issuance of the Certificate of Title.

The Executive responded that the proposed land parcels on the site plan were confirmed available. However, the process took longer due to the fact that the site plans had no coordinates defining each land parcel. However, numbering and processing of ITTs was done and the following was underway:

- a) acceptance/payment of ITTs and payment of survey fees by the client;
- b) issuance of offer letter and preparation of lease by Commissioner of Lands to be done immediately payments were made and survey diagrams were availed by the client;
- c) signing of leases by the client and the Commissioner of Lands;
- d) lodgement of leases to the Chief Registrar by the Commissioner of Lands; and
- e) processing of Certificate of Titles by the Chief Registrar and handing them over to the client.

### ***Committee's Observation and Recommendation***

The Committee takes note of the response and resolves to request a progress report on the issuance of the Certificates of Title.

## **11.0 CONCLUSION**

The importance of economic diversification to Zambia's development cannot be overemphasised. While the Committee acknowledges that the Government has for a number of years made pronouncements regarding the diversifying the mining sector away from the dominance of copper, it cannot stress enough that without coordinated and practical solutions, the growth of the non-copper mining subsector will not be actualised. In this regard, the Committee is hopeful that the Executive will take into consideration all the submissions made by stakeholders. Further, the Committee is confident that the Executive will

favourably address all its observations and recommendations and expeditiously take appropriate action.

The Committee also notes that there are a number of outstanding issues that the Executive has not satisfactorily addressed in the Action-Taken Report and in this regard calls upon the Executive to expeditiously address these outstanding issues.

The Committee wishes to pay tribute to all the stakeholders who appeared before it and tendered both oral and written submissions. The Committee wishes to thank you, Madam Speaker, for the guidance rendered throughout the Session and also appreciates the services rendered by the office of the Clerk of the National Assembly.



Mr Binwell Mpundu, MP  
**(CHAIRPERSON)**

June 2022  
**LUSAKA**

**APPENDIX I: List of National Assembly Officials**

Mr Charles Haambote, Acting Principal Clerk of Committees (FC)  
Mr Francis Nabulyato, Acting Principal Clerk of Committees (SC)  
Mr Doreen N C Mukwanka, Acting Deputy Principal Clerk of Committees (FC)  
Mr Darius Kunda, Committee Clerk  
Mrs Grace Chikwenya, Typist  
Mr Morgan Chikome, Committee Assistant  
Mr Daniel Lupiya, Committee Assistant  
Mr Muyembi S Kantumoya, Parliamentary Messenger

**APPENDIX II: List of Witness**

Ministry of Mines and Minerals Development  
Ministry of Finance and National Planning  
Zambia Statistics Agency  
Zambia Revenue Authority  
ZCCM Investments Holdings  
Centre for Trade Policy and Development  
Zambia Institute of Policy Analysis and Research  
Policy Monitoring and Research Centre  
National Economic Advisory Council  
Federation of Small Scale Mining Associations of Zambia  
Association of Zambian Women in Mining  
Zambia Chamber of Mines