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*Revvng Up Revenues For  
Development: The Role Of  
Domestic Resource Mobilization*

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ZAMBIA -  
ENHANCING MINING  
REVENUES:  
OPTIONS FOR A SUSTAINABLE FISCAL  
REGIME FOR RESOURCE  
MOBILIZATION

# OUTLINE

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- ▶ What are the Key issues?
- ▶ Global Developments in the markets
- ▶ Zambia Trends in output and prices
- ▶ Mineral revenues issues
- ▶ Options to expand revenues
- ▶ Main Recommendations

# WHAT ARE THE KEY ISSUES?

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- ▶ Zambia's minerals have provided significant resource inflows into the country's economy for over 100 years.
- ▶ Mineral tax policy remains contentious for many stakeholders who feel that the country does not benefit from its resources to its potential.
- ▶ Many point to the paradox of rising copper prices and outputs without a corresponding boost in revenues and foreign reserves.
- ▶ One international civil society network puts it simply as "Zambia is notorious for earning very little from its minerals."
- ▶ Zambia has changed its mineral tax regime repeatedly during the past decades in a bid to redress this, but only with modest success.
- ▶ The 2015 Mines and Minerals Development Act have been reviewed through broad consultation.

# GLOBAL DEVELOPMENTS IN THE MARKETS

- World copper consumption is projected to grow steadily at an **average 2.5% a year** over the next ten years.
- Expected to reach **28 million tonnes in 2026** and **31 million tonnes by 2030**.
- Higher mineral prices and green energy demand **have presented new opportunities** for Zambia.
- Investors are lining up again for new ventures.

“global mining companies are looking to invest in countries they previously considered too risky, **including DRC and Zambia**, propelled by a dwindling pipeline of big copper mines elsewhere and record-high prices”

– *South Africa Business Live Online of October 15, 2021*

# ZAMBIA:TRENDS IN OUTPUT AND PRICES

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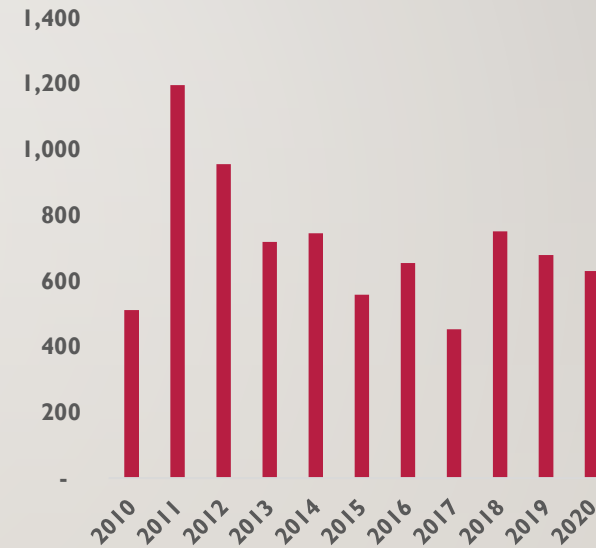
- After steep declines owing to collapsing output from low investment in mining in the 1990-2000s, copper staged a rebound.
- Production increased from 711,000 tonnes in 2015 to close to 900,000 in 2021.

- ▶ Mineral prices have also risen rapidly from 2015 in response to sustained demand.
- ▶ Prices exceeded \$10,000 per tonne in 2021, earning it the tag of “New Oil”

# MINING REVENUE ISSUES

- Zambia's revenues from copper and other minerals have not marched the trend in rising production and prices.
- The country accumulated little reserves in the face of higher prices.
- Zambian Kwacha depreciated to record lows against major currencies during the same period.
- This was contrary to the expectation that prices and output should be positively related to revenues and reserves.

Mineral Revenues 2010-2020  
(USD million)



# OPTIONS TO EXPAND REVENUES

## A competitive tax regime:

A mineral tax regime that enhances revenues and sustains production and investments

Botswana's mineral tax regime has maintained the interest of existing firms and developers.

Botswana receives large mining proceeds through a mix of royalties, dividends, and corporate taxes.

Zambia should adopt best practices from such and other mining jurisdictions

A 2022 Mines and Minerals Amendment Act mainly targeted mineral royalties.

# OPTIONS TO EXPAND REVENUES

**Broader asset ownership by local interests:**

**Increase local ownership of assets by Government or other actors**

**Strategic acquisition** and ownership of such a stake would be by mutual consent.

The **50-50 JV** between the **Botswana Government and DeBeers** is credited for a stable flow of revenues

**ZCCM-IH** already holds on average **20%** share in mining assets, which provide a base to **build strong JVs**

Acquire at least **50%** of the assets would be by **leveraging reserves.**



# OPTIONS TO EXPAND REVENUES

## Capacity for mineral flow analysis and taxation:

Revamp capacity for monitoring the flow of mining resources .

Adopt policy reforms to ensure effective and fare taxation.

Invest in capacity across the relevant agencies covering the mining sector

Acquire expertise in analyzing critical issues of base erosion and profit shifting

Build technical capacity to ascertain quantity and quality at exit of exports.

# OPTIONS TO EXPAND REVENUES

**Mineral and green energy value chains:**

Enter the minerals value chain created by the ongoing shift to green energy and EV.

Expand alternative uses of metals locally, with the goal of boosting role in industrialization

Botswana uses negotiation cycles to get commitments of firms to invest in value addition

ZAMEFA and others to diversify beyond cables to produce complex products and EV components.

Take joint measures with DRC and other neighbours to build a mineral-industrial complex

# MAIN RECOMMENDATIONS

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- ▶ Adopt a mineral tax regime which enhances revenues by encouraging investment to sustain and grow production
- ▶ Expand local ownership of mineral assets through broader local participation and, hence, assuage resource nationalism
- ▶ Revamp institutions to monitor and ensure effective and stable taxation and consider creating a dedicated and high-level unit for mining within ZRA
- ▶ Deepen participation in global minerals value chains adding value to Zambia's copper and cobalt that are key to renewable energy technologies and EVs

**END.**

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