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Zambia's Mining Sector:

Anticipated Regulatory and Institutional Reforms Following the Launch of New Mining Policy



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The Ministry of Mines and Minerals Development (the "Ministry of Mines") on 11 November 2022 unveiled the National Mineral Resources Development Policy (2022-2027) (the "Policy"), a comprehensive plan which among other things, aims to close regulatory gaps in the mining sector and stimulate domestic and foreign investment in response to the country's socio-economic demands.

The Policy also outlines the Government's proposed interventions to achieve 3 million tonnes of copper production annually within the next nine (9) years and to align Zambia's mining practices with global standards, as well as ensure that Zambia's mining sector is in line with global mining best practices. It also addresses the need to geologically map the country's mineral resources to fully understand the geological resources.

The Policy has been launched at a time when Zambia is positioning itself to capitalize on global opportunities created by developments such as the just energy transition to electric vehicles and batteries, as well as other green technologies used to harness solar and wind energy. This marks a new era for Zambia as it strives to secure its place as a leader in the industry.

The Policy addresses the following issues:

Mineral Resource Exploration

According to the Policy, a significant portion of the country's land mass is yet to be geologically mapped. To be exact, 45 percent of Zambia's landmass is still unmapped geologically. Most of the remaining 55 percent was mapped prior to 1998. This has hampered the discovery of new deposits and resulted in very few large-scale mines being developed in recent times. To encourage private sector participation in mineral exploration and other mining activities, the government proposes to strengthen the Public Private Partnership (PPP) framework so that the private sector is incentivised to participate in exploration and mining activities under PPPs, which is expected to revitalize the industry and lead to the

discovery of new resources.

Licensing

The Policy addresses the perceived lack of transparency in the licensing process at the mines cadastre department by introducing reforms aimed at improving efficiency, effectiveness, transparency, accountability, and integrity in license management and issuance.

These reforms include the use of ICTs and the development of integrated management information systems. Mines cadastre staff will also be trained on how to use various online platforms. In addition, the government will improve stakeholder collaboration in license management and issuance, as well as strengthen institutional capacity at the mining cadastre department.

Mining Taxation

Some commentators have taken the view that Zambia's mining tax system is seen as unstable, with four different tax regimes having been introduced since the 1990s. As a result, the government seeks to establish a stable taxation regime by striking a balance between the need to attract investment and maximizing government revenue from the mining sector. The government recognizes the need to strike a balance between the competing interests of collecting revenues, attracting investment, and administrative feasibility of the tax regime. To achieve these goals, the government will facilitate a consultative, competitive, and sustainable tax regime by engaging stakeholders and developing best practice benchmarking strategies.

Large-Scale Exploration and Mining

The Policy acknowledges that many large-scale mining rights have been issued but very few are active while the rest are held speculatively. This has led to the non-discovery of additional deposits. Third-party agreements reached by license holders without the Minister

of Mines and Mineral Development's approval have also resulted in a lack of transparency and accountability. To address these issues, the government intends to strengthen enforcement mechanisms and create frameworks for monitoring and evaluation. The government will also increase the use of information and communication technologies (ICTs) and remote sensing technologies in monitoring exploration and mining activities.

Artisanal and Small-Scale Mining ("ASM")

The government intends to formalize the ASM sector and encourage the formation of cooperatives in gold, manganese, copper, gemstone, and industrial mineral exploration in order to maximize its socio-economic benefits. Illegal, informal, and unsustainable operations characterize the ASM sector. To address this, the government will work to provide ASM stakeholders with access to geological data, markets, capital, and modern equipment, as well as partnerships with local and foreign investors. Sector-specific regulations for the sector will also be developed to promote formalization and sustainable growth.

Local Ownership and Participation

The Policy recognizes that the majority of large-scale mining rights are owned by foreign entities with limited participation by Zambian nationals. The low participation of Zambians in ownership is attributed to a number of factors, the most significant being a lack of access to affordable capital and modern technologies. To address this, the government proposes to develop mechanisms to promote local materials, products, contractors, suppliers, and service providers in the mining value chain, as well as measures to encourage partnerships between foreign investors and locals in the mineral value chain.

Value Addition to Minerals

Zambia lacks a robust regulatory framework to ensure that mineral products are thoroughly processed before export. Most mineral products are exported in their raw form or with minimal processing. As a result, the government has committed to developing frameworks for mineral value addition, facilitating access to modern value addition technologies, and providing opportunities for capacity development for local participation

in the mineral value-addition process.

Environmental Protection

The Policy acknowledges the potential negative effects of mining on the environment. To mitigate the negative impact of mining activities on the environment, the Policy emphasizes the need to strengthen the regulatory framework for health, safety, and environmental protection, as well as the use of appropriate technologies for enforcement and management of environmental resources. In addition, the government will put in place measures to strengthen the administration of the Environmental Protection Fund and to improve institutional capacity to deal with health, safety, and environmental protection.

Implementation Framework

To effectively implement the Policy, government will put in place the following measures:

1. Restructure and expand the Ministry of Mines' supervisory capacity by establishing a presence in all major exploration and mining districts throughout the country. This will allow for more in-depth monitoring, evaluation, and reporting on mineral resource development and management.
2. Create a Mining Commission to serve as an independent regulator for the mining industry, with the goal of improving monitoring, reporting, and enforcement of license conditions and regulatory requirements.
3. Collaborate with other relevant ministries and stakeholders, including the Ministry of Finance for financial resource mobilization; the Ministry of Energy for matters relating to mine energy provision; the Ministry responsible for environmental protection for matters relating to environmental protection; traditional leaders, the private sector and other interest groups.
4. Make legislative amendments to the various laws that govern the mining sector.

To keep abreast with the regulatory reforms that are to come and how they may affect your exploration and mining activities, contact Sharon Sakuwaha at Sharon.sakuwaha@moiramukuka.com or Mumbi Mulenga at mumbi.mulenga@moiramukuka.com

CONTACT



SHARON SAKUWAHA

Co-Managing Partner

M: +260 966 082 780

E: sharon.sakuwaha@moiramukuka.com



MUMBI MULENGA

Senior Associate

M: + 260 968 511 535

E: mumbi.mulenga@moiramukuka.com



business@moiramukuka.com | +260 211 410 055 | www.moiramukuka.com

Our Offices

Moira Mukuka Legal Practitioners
Block A, First Floor, LA Complex Plot 4987, Los Angeles Boulevard,
Longacres, Lusaka. P. O. Box 320152, Lusaka, Zambia.

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