

Zambia Considering Tax Reforms to Diversify Copper-Based Economy, Says New Report

Addis Ababa, Mar. 25, 2013 – Zambia could improve its taxation system to generate more revenue from its copper-dominated economy which would be ploughed into growing other industries, says a new report on Africa.

Sectors likely to benefit from the reforms include agriculture, agro-processing, manufacturing, tourism, industrial minerals and precious stones, according to the 2013 Economic Report on Africa (ERA 2013) co-authored by the Economic Commission for Africa (ECA) and the African Union (AU).

Copper has been the mainstay of Zambia's economy since the 1930s, contributing around 10% to the GDP and about 80% of export earnings. Export proceeds have also jumped because of increased production following privatization and higher prices paid for the commodity.

These gains, however, have not been matched by increases in employment, mainly due to capital-intensive technologies used in the mines, the report says.

This has prompted calls for the country to ban exporting raw copper in the hope that local value addition would help revive manufacturing industries. Challenges in the areas of logistics, financing, tax and education have for long crippled manufacturing, according to ERA 2013.

The theme of the report is "Making the Most of Africa's Commodities: Industrializing for Growth, Jobs and Economic Transformation." One of the key messages of the report is that the continent should capitalize on current high prices of commodities to create industries and break away from poverty and underdevelopment.

It also argues that African nations should disregard calls for them to abandon commodity-based industrialization, pointing out that some European and South American nations had in the past used the model to successfully grow their economy.

By 2015, Zambia's copper production is expected to reach 1.5 million metric tons, or almost double the peak achieved during the last boom in the 1970s. The main exports are blister copper (90% purity) and electrolytic copper (99.9% purity). Open pit and underground mining processes produce copper concentrate (5%–25% purity) that can be exported in its raw form.

ZAMBIA

