



1. Project Data :			
OEDID:	C2269		
Project ID:	P003238		
Project Name :	Mining Sector Technical Assistance Project		
Country:	Zambia		
Sector:	Mining & Other Extractive		
L/C Number:	C2269		
Partners involved :	None		
Prepared by :	David Greene (Consultant), OEDCR		
Reviewed by :	Roger Robinson		
Group Manager :	Ruben Lamdany		
Date Posted :	08/18/1998		

2. Project Objectives, Financing, Costs and Components :

The mining sector, largely production of copper and cobalt, is the backbone of the Zambian economy, providing 85 percent of foreign exchange earnings, 15 percent of GDP, and 30 percent of government revenues. The sector has considerable room for improved technical efficiency, increased profitability and improved environmental performance. Increased private investment in exploration and development is needed to ensure growth of the sector. Potential foreign exchange earnings from small gemstone mining operations are substantial, but the fiscal and regulatory regime encourages smuggling of output. The Mining TA project, approved in 1991, provided US\$21 million for technical assistance to the state mining company ZCCM, the Ministry of Mines and Maamba Collieries. Technical assistance to ZCCM would cover preparation of information necessary for divestiture of its undeveloped assets, preparation of a corporate plan including technical, financial and staffing strategies, hiring technical specialists in key areas, and carrying out a training program for technical specialists. TA provided to the Ministry of Mines would prepare a new Mines and Minerals Act, design a new tax and incentives system, reorganize and improve the staff of the ministry. TA to Maamba Collieries would focus on cost saving measures, environment, and marketing. The TA credit was an integral part of Bank/IDA to the reinvigorated stabilization and structural adjustment effort launched by the new government elected in 1991.

3. Achievement of Relevant Objectives :

The project supported development of a new mining code and fiscal regime that has contributed to an upsurge in private exploration. The studies undertaken for Maamba Collieries revealed that the company was not viable, a decision was made to privatize it and a bid has been accepted.

4. Significant Achievements :

The most crucial project objectives, improving the efficiency and reducing the costs of ZCCM were not accomplished. ZCCM's productive efficiency, production levels, and profitability continued to deteriorate, bringing the company to the verge of insolvency. An emergency plan was prepared based on findings of a World Bank Review team that enabled the company to survive two more years. But, by 1996, it was clear that there was no alternative but to privatize the company. The process has begun, but as of the time the ICR was issued, the major package of ZCCM assets had not yet been sold.

5. Significant Shortcomings :

The project demonstrated that improved mining legislation and regulation can produce a significant increase in investor interest in Zambian mining potential. However, completion of the privatization of ZCCM would be an essential green light for new investment.

6. Ratings:	ICR	OED Review	Reason for Disagreement /Comments
Outcome:	Unsatisfactory	Unsatisfactory	
Institutional Dev.:	Substantial	Substantial	
Sustainability:	Uncertain	Uncertain	

Bank Performance :	Satisfactory	Satisfactory	
Borrower Perf .:	Satisfactory	Satisfactory	
Quality of ICR :		Satisfactory	

7. Lessons of Broad Applicability :

The project demonstrates the usefulness and the limitations of technical assistance . When beneficiary is committed to the purposes of the TA, as it was in the case of the Ministry of Mines, the results can be highly satisfactory . When the beneficiary is not committed, as in the case of ZCCM, the outcome is likely to be unsatisfactory . he project also demonstrates that improvements in the legal and regulatory framework and the tax regime affecting mineral resource extraction can quickly restore the interest of the private sector in exploration and development .

8. Audit Recommended? ☐ Yes ☒ No

9. Comments on Quality of ICR :

The ICR is highly satisfactory.