Copper mining in Zambia

The developmental legacy of privatisation

Neo Simutanyi

ISS Paper 165 • July 2008
Price: R15.00

The last four years have seen a surge in mining activities throughout sub-Saharan Africa, partly in response to policies of economic liberalisation, privatisation and favourable conditions for foreign investment. The renewed interest in mining activities comes as a result of a boom in commodity prices occasioned by increased demand from China and India. Thus, foreign investors have arrived on the scene to either buy former state mining companies, now privatised, or to start new mining companies, often protected by favourable mining policies and legislation (Campbell 2004). However, the impact of these large-scale mining activities on local communities has largely been negative. They have contributed to social conflict, to the destruction of livelihoods, to the dislocations and displacements of local communities and to environmental damage (Dansereau 2007).

> There are serious concerns about the need for Zambia to receive a fair share from the exploitation of its natural resources

Zambia is a good example of a country where improved resource prices, in this case for copper, and a favourable investment climate, have prompted an inflow of foreign capital into the mining industry to both revive closed mining companies and to open up new ventures. Since 2003, the once unprofitable copper mines have been recording huge profits, thanks to favourable tax concessions negotiated at the time of privatisation. However, there are serious concerns regarding not only the need for the nation to receive a fair share from the exploitation of its natural resources, but also because of the poor corporate social responsibility of the new mine owners and the appalling health, safety and environmental standards on the mines (Lungu and Mulenga 2005).

High levels of unemployment, poor working conditions in the new mining companies and the increased use of contract and casual labour has attracted indignation from opposition parties, civil activists and residents of the Copperbelt. There is now a growing demand for the re-negotiation of development agreements in order to increase minerals taxes and exert pressure on new mine owners to observe not only safety and environmental standards, but also the country's labour laws, which they seem to flout with impunity. Zambians have not seen a noticeable improvement in their living standards since the copper boom and they have begun to question whether the decision to privatise the mines was justified. In the elections held in 2006 Copperbelt residents overwhelmingly voted for the ruling party because of an apparent dissatisfaction with mine privatisation and a perception that they are benefiting little from the profits enjoyed by the new mine owners. It is now recognised that the government's lack of foresight and its inability to consolidate its agreements have contributed to the failure of the country to fully benefit from the copper boom.

This paper[1] discusses the impact of copper mining on local communities and the contestations over control of and access to mineral wealth. It first provides a background to mining in Zambia up to 2000. It then reviews the 'resource curse' theory in relation to Zambia and critically assesses the performance of the copper mining industry after privatisation. Finally, the paper discusses the impact of large-scale mining on local communities.

Background: Mining in Zambia

The copper industry has dominated the mining scene in Zambia for more than seven decades since the first commercial mine was opened in 1928. Despite the existence of other minerals, copper is likely to continue to play a major role for many years to come. At its peak in the late 1960s and early 1970s, copper mining accounted for more than 80% of the country's foreign exchange earnings, over 50% of government revenue and at least 20% of total formal sector employment.

However, its performance declined from the mid-1970s and by the end of the 1980s copper mining was no longer the 'golden cow' which had been the engine of the country's industrial and social development. Developments on the international stage, such as the collapse of commodity prices in the mid 1970s and the unprecedented increases in oil prices, coupled with poor political decisions, contributed to the industry's poor performance (Burdette 1984).

In 1969, the copper industry was nationalised to maximise the returns to the Zambian people. It was then envisaged that under state control, copper revenues would be used to benefit the nation. During the period 1969–1975 the country saw an unprecedented investment in the construction of new schools, hospitals and roads, using surpluses from copper revenues. However, the copper industry faced a number of challenges after 1975 as a result of under-capitalisation, over-manning, poor technology and low copper prices on the international market.

While the contribution of the copper mining sector to Zambia's gross domestic product (GDP) declined by more than 100% in the 1970s (from 36% in 1970 to just 13% in 1975), the importance of the industry to export revenue remained significant as it averaged 94% from 1970 to 1980. But the industry's contribution to government revenue saw a drastic decline from around 58% in 1970 to only 3% in 1976. It contributed nothing at all during most of the remainder of the 1970s and 1980s. Table 1 shows the contribution of the copper industry to GDP, government revenue and exports from 1970 to 1980.

Table 1: Contribution of copper to GDP, government revenue and exports, 1970–1980

Year	GDP %	Government revenue %	Exports %
1970	36	58	97
1975	13	13	93
1976	17	3	94
1977	11	–	94
1978	12	–	94
1979	18	–	96
1980	17	6	80

Source: Burdett 1984:209

As the Zambian economy experienced a prolonged recession in the 1980s, exacerbated by balance of payments deficits and reduced earnings from the copper industry, the government sought the assistance of the International Monetary Fund (IMF) and the World Bank. However, the loans it was granted were tied to specific conditions, including devaluation of the country's currency, trade liberalisation, reduction in the mine labour force and a general wage freeze. In 1984 the government implemented most of the recommendations proposed by the IMF and the World Bank. For the mining industry, the measures included a reduction in the labour force from an estimated 66,000 in 1976 to 51,000 in 1986. This was done by way of retrenchment, voluntary retirement and dismissals.

The crisis occasioned by the poor performance of the copper industry was felt in Zambia's inability to finance social welfare programmes, such as education and health. People's living standards deteriorated and real income dropped as hyperinflation reduced the purchasing power of wages. Shortages of essential commodities were the order of the day. As a result of these developments workers' protests, through strikes and demonstrations, were frequent. In particular, in December 1986 there were food riots on the Copperbelt and parts of Lusaka as a result of an increase in the price of maize meal. At least 28 people were killed by riot police, while unionised workers went on strike demanding increased pay and improved conditions.

The state's fiscal crisis coincided with the adoption of SAPs encouraged by the World Bank and IMF

The fiscal crisis of the Zambian state coincided with the adoption of structural adjustment programmes (SAPs) encouraged by the World Bank and IMF. These SAP measures included, among others, the removal of subsidies, trade liberalisation and reduced role of the state in the economy. As the state mining conglomerate Zambia Consolidated Copper Mines Limited (ZCCM) was loss making, the Zambian government provided it large subsidies. However, as it remained the major foreign exchange earner in the economy, the one-party state, under President Kenneth Kaunda, directed ZCCM to provide social services in mine areas that the government was no longer able to provide on a large scale. The ZCCM continued to provide social services to mine communities even when the economy was in crisis and the company was performing poorly. For example, towards the end of the 1980s ZCCM took up several responsibilities that the state was no longer able to fulfil effectively, such as the provision of health and educational services, tourism, transport and farming. The ZCCM not only performed these added responsibilities but also paid the salaries of some political appointees, purchased motor vehicles for government and was responsible for providing 'free' air transport to senior members of the Kaunda regime. The diversion from the core business of mining and the politicisation of the ZCCM board led some observers[2] to conclude that this may have been responsible for the poor performance of the mines in the 1980s and early 1990s. In addition, there was not only a reluctance by Zambian policy-makers to diversify from copper mining to other sectors, such as agriculture, but also lack of clear policy on the re-investment of copper revenues.[3]

The collapse of the Zambian economy in the 1980s was intimately related to the poor performance of the copper mining industry. Some unprofitable mines and shafts were shut down in Ndola, Mufulira, Luanshya and Chililabombwe. This went hand in hand with a retrenchment of mine labour and the scaling down of ZCCM's social responsibilities to the communities. As more and more miners lost their jobs there was a growing dissatisfaction with the UNIP government. UNIP's political legitimacy was thus severely undermined by an economic crisis that saw the copper industry no longer able to provide employment to the majority of the Zambian labour force or act as the engine of growth for the entire economy.

The privatisation of Zambia's copper mines

The Movement for Multiparty Democracy (MMD) government, which was ushered into office in November 1991 on a platform of greater transparency, good governance and economic liberalisation (Rakner 2003), inherited an economy that had virtually collapsed. It was characterised by an unsustainable balance of payments deficit, a runaway inflation rate of over 120%, acute foreign exchange shortages, shortages of basic commodities and a huge foreign debt.

In line with its policy of economic liberalisation, the MMD government was committed to privatisation. In 1992, the passage of the Privatisation Act saw the creation of the Zambia Privatisation Agency (ZPA), which oversaw the privatisation of 273 state-owned companies by 1996. The government also passed other laws to encourage private-sector development, including the Investment Act and the Mines and Minerals Act of 1995.

These pieces of legislation not only provided a framework for private sector investment but contained generous incentives to new investors. Both provided tax holidays of up to five years on income tax and customs and excise duty. In particular, the Mines and Minerals Act of 1995 provided for tax concessions to new mine owners, including reduced income taxes, a stability period of 20 years in which there would be no change to the existing agreements, a reduction in royalty taxes and exemptions from paying customs and excise duty for the first five years on a number of goods.

However, despite a policy commitment to a radical privatisation programme, the political elite procrastinated over the sale of the mines. According to a former deputy minister of finance, 'Letting go of the mines was like giving up sovereignty…Many of us resisted attempts to privatise the mines as doing so took away the only leverage government had over our important public resource and placed them in the hands of foreigners who would do as they pleased'.[4]

While conditions imposed by the international financial institutions gave the MMD government little room to manoeuvre over privatisation of the mines, there was a split within government as to the modalities. One group, supported by the World Bank and IMF, was for the unbundling of ZCCM assets to enable government to privatise individual units quickly and to encourage competition in the mining industry. The other group was for the sale of the mines as a single unit to use size as leverage to ensure that the weaknesses of some individual units were mitigated. However, the lobby for unbundling the mines and selling them as individual units prevailed and the privatisation of the mines began in 1997.

Privatisation was considered a response to under-performance of the mining sector

Privatisation was part of the overall economic reform of the economy and was seen to have been spearheaded by international financial institutions. It was considered a response to under-performance of the mining sector, which was pointed to by three symptoms: (a) the industry's decline, revealed by declining contribution of mining to GDP; (b) the decline of government revenue from mineral export receipts; and (c) the declining contribution of mining to overall formal employment.

Despite the poor performance of mining during the 1980s and 1990s, it was recognised that it had great potential to provide 'important benefits in terms of exports, foreign exchange earnings and tax receipts to support economic recovery' (World Bank 1992:x). (Not all these anticipated benefits have been realised, however, and they have even become contentious in the light of the copper boom since 2004, as shown later in this paper.)

The objectives of privatisation were to:

- Transfer control and responsibility to private sector mining companies as quickly as possible
- Mobilise substantial amounts of committed new capital for the ZCCM

- Ensure that ZCCM realised value for its assets and retained a significant minority interest it its principal operations
- Transfer or settle the ZCCM's liabilities, including third party debt
- Diversify ownership of Copperbelt assets
- Promote Zambian participation in the ownership and management of the mining assets; and
- Conduct privatisation quickly and transparently.

Though government claimed that one of the objectives of privatisation was to promote transparency, the privatisation of the mines was implemented in an extremely secretive fashion. There was little or no consultation with various stakeholders on the terms of the development agreements. This weakened checks on the state negotiators and allowed companies to brush away any concerns that the state might have expressed about public perceptions of, or resistance to, the deals (Fraser and Lungu 2006).

> As Kenneth Kaunda remarked, 'We were born, unfortunately, with a copper spoon in our mouths'

Nor have some of the other objectives of mine privatisation be said to have been fully met. In particular, there has been little Zambian participation in the ownership of the privatised mines. Further, as mentioned, the process of privatisation lacked transparency with some disastrous consequences for the government. For example, initial sale of the Luanshya mine to Indian-owned Binani Group, operating as Roan Antelope Mining Corporation of Zambia (RAMCOZ), lacked transparency and the buyer was ill qualified to operate a mine competently and efficiently.[5] The government was eventually forced to pay the mine's workers itself, repossess the mine and sell it to new investors (now J & W of Norway).

Privatisation of the mines was undertaken reluctantly by the Chiluba government, however. First, ownership of the copper mines symbolised sovereignty. The mines were a resource that gave the government its very legitimacy and had hitherto been used to placate various constituencies in terms of both employment creation and paying for social services. Second, privatisation was not a popular option with the Zambian people, who were accustomed to the mines being an extension of the Zambian state and performing functions such as social service provision. It was to be anticipated that privatisation of the mines would reduce mining companies' role in social service provision, scale down employment and re-orient development priorities.

It was also not clear at the time, given poor copper prices, a lack of capital and inappropriate technology, whether privatisation would in fact lead to economic growth and development. Due to prolonged recession, there was scepticism about whether the privatised mines would make any profits and whether the mines' new owners would make a fair contribution to the national treasury. Further, it was recognised that the main obstacle to diversification in the economy was not massive mineral wealth, but rather laxity and political indifference. As former Zambian president Kenneth Kaunda remarked in 1983, the major problem in Zambia was that 'We were born, unfortunately, with a copper spoon in our mouths'.[6]

In this respect, Zambia's experience seems to add weight to the concept of a 'resource curse'[7]. The country had abundant copper resources and yet the industry performed poorly and the country's population was one of the poorest in the world. Copper, like diamonds in Botswana, is a 'tremendous boost' for government revenues, but its utilisation for development purposes in the 1980s and early 1990s proved deficient.

However, others saw privatisation as a pragmatic policy that would ensure the development of a self-sustaining minerals-based industry, by steering the economy away from overall dependence on copper mining and moving towards exports with a high value-added content. Thus, privatisation involved contestation between those who feared it would make government lose its leverage in the mining industry and expose workers to joblessness and reduce the mine company's corporate social responsibility, on one hand, and those who felt the need for new capital and technology were crucial and far outweighed the short-term costs to jobs and social welfare, on the other. It was recognised that despite the importance of the industry, it did not make any sense for the government to continue subsidizing loss-making entities to a tune of US$1 million per day at a time when the government was itself facing serious financial difficulties and huge external debt in excess of US$7 billion. In fact, the Government had spent a massive K2 trillion to sustain the operations of ZCCM between 1991 and 2003.[8]

The performance of the mining industry, which was in a slump from the mid-1970s, has greatly improved since 2004. For example, the contribution of mining to gross domestic product (GDP) increased from 6.2% in 2000 to 11.8% in 2005. Zambia's copper production also increased by 7.1% in 2006 as a result of increased investment in the mining sector. Copper output increased from 459,324 tonnes in 2005 to 492,016 tonnes in 2006, with a target for 2007 of 600,000 tonnes (Bank of Zambia 2007). Production had previously declined from a high of 750,000 tonnes in 1976 to a low of 368,000 tonnes in the mid-1990s, hitting an all-time low of 257,000 tonnes in 2000. Table 2 gives trends in copper production since 1973. It is noteworthy that copper production drastically declined between 1994 and 2000 and only picked up after the completion of privatisation.

Table 2: Trends in copper production, 1973–2006 (in tonnes)

1973	750,000
1980	550,000
1991	400,000
1992	441,531
1993	402,950
1994	360,347
1995	275,000
1997	263,000
2000	200,000
2004	398,000
2005	467,000
2006	600,000

Source: Bank of Zambia, Quarterly Reports, various issues, 1975–2007.

It is now projected that with new mines coming on stream in 2008 (Lumwana and Muliashi) and the completion of the expansion programme at Konkola Deep Mining Project (KDMP), copper production will reach 800,000 tonnes in 2007 and 1,000,000 tonnes in 2009 (Bantubonse 2007). There is no doubt that these new developments will bring increased profits to mining companies given the high copper prices on the world market and the favourable investment environment in Zambia.

However, while the privatised mines have recorded large profits, the Zambian government acknowledges that revenue from copper as a proportion of government income has been very low. For the period 2002–2006, Zambia received about US$752 million in various taxes from foreign investors holding large-scale mining licences. It is believed that government earned about US$70 million from total copper sales of US$3 billion. The low revenues from copper sales are partly as a result of development agreements which prescribe tax concessions for mining companies, for periods ranging from 10 to 15 years, and a reduction in mineral royalty taxes from the statutory 3% to 0.6%, which is undoubtedly one of the lowest in the world.

Debt forgiveness, which saw Zambia's US$7.2 billion foreign debt reduced to around $500 million in 2005, combined with improved copper prices on the world market, raised a concern that the country should exact a fair share from the mining companies' profits by reviewing the development agreements. While the copper price was as low as $0.70 per pound at the time of privatisation, it increased to US$7.75 per pound in 2006. As a result, mining companies have recorded astronomical profits since 2004. For example, records of the performance of two of Zambia's largest copper mining companies, namely Konkola Copper Mines (KCM), which is owned by United Kingdom-based Vedanta, and First Quantum Minerals, reveals that KCM's profits increased from $52.7 million in 2005 to $206.3 million in 2006, while First Quantum's profits shot up from $4.6 million in 2003 to $152.8 million in 2005. Overall, mining companies made a total of $652 million in profits from copper sales between 2003 and 2006, while only $71 million flowed into the national treasury as taxes.

What has been the impact of copper mining, especially mine privatisation, on local communities in the Copperbelt? The next section looks at this question.

> The government acknowledges that revenue from copper as a proportion of government income has been very low

Impact of copper mining on local communities

Large-scale mining tends to have several impacts on local communities, including dislocations and displacements, effects on employment, health and safety, a reduction in corporate social responsibility and an increase in environmental degradation. Contestations over access to mineral wealth has implications for human security and how these issues are handled may affect the relationship between local communities and mining companies, on one hand, and the people and their government, on the other.

Consent

Mining operations require vast tracts of land for prospecting and for the development of new mines. When the early mines were established in most parts of Africa, there was often negotiation with local chiefs for land. If the area to be developed was inhabited, the consent of the local people for the project was solicited so as to persuade them to relocate to others areas. However, there were instances when the interests of the local people were at variance with those of investors. Sometimes the local chiefs entered into secret deals with investors and accepted bribes as an inducement to persuade their subjects to acquiesce to investors' demands.

In the case of Zambia, the early copper mines were established through a combination of negotiation and trickery. The British South Africa Company (BSA) entered the territory and signed concession treaties with King Lewanika of the Lozi people, who claimed ownership of land rights in the now Copperbelt and

North-Western Provinces. In negotiating the mining concessions in 1890, King Lewanika transferred the indigenous rights to land to mining companies that held them in perpetuity, while indigenous people were removed from those areas, often forcefully.

More recently, legislation compels investors in any new mining development to seek the consent of the local people. This consent is sought through environmental impact assessments (EIA). In other words, prospective mining companies are required to commission studies to assess the impact their operations would have on the local communities and then present the findings to the communities for their comment. Where EIAs indicate that the new investment would be detrimental to the local community, ideally such development should not take place. However, the results of the EIAs have been highly contested, with the state and traditional rulers in some instances siding with foreign investors against the wishes of the people.

In Zambia, consent of the local communities is expected to be sought at two stages in mining development, namely at the stage of prospecting and in developing new mines. The Mines and Minerals Development Act of 1995 provides for the award of licences to those individuals prospecting for minerals, and of large-scale or small-scale mining licences for the development of mines. A prospecting licence is held for up to 15 years, while a large-scale mining licence is held for up to 25 years. However, the procedure of awarding mining licences does not involve the local people. Sometimes not even the local chief is involved.

Once the prospecting or large-scale mining licence has been awarded, the investors will typically demand that local people relocate to other areas. The land occupied by the new mine may affect the local people's access to water, firewood and agricultural land for their crops and livestock. For example, in the case of the new mine that has developed in Lumwana in North-Western Province, the mining area has taken over the Lumwana stream which restricts the local people's access to water. However, the company has the consent of the two chiefs in the areas to carry out their operations on condition that they employ local people.[9]

There have been disputes between new investors and local communities in other areas. A new nickel mine in Mazabuka, owned by the Albidon Mining Company, went on a collision course with the local community over its suggestion to relocate them. The mine, which will also extract copper and aluminium, demanded and was granted an extra 500 hectares of land in April 2007 by the Mazabuka District Council in addition to 1,600 hectares that had already been approved. This measure meant the displacement of at least 57 families, who were to be moved to an area that was waterlogged and not fit for farming. Local people complained that they were never consulted on the additional land granted to the mine or on plans for their relocation. One resident, Joshua Ng'andu, said that they were 'surprised when their councillor, who they had a meeting with where they had refused to leave, turned around saying they had agreed to move'. Local people argued that they were forced to sign documents they did not understand. One resident said he was given one cow and 20kg of maize seed to encourage him to leave his farm. 'They forced us to sign', he said.[10]

There have been disputes between new investors and local communities in several areas

However, issues of consent tend to be mediated by political actors and powerful individuals. In the case of the 57 families in Mazabuka, the local chief, Chief Naluama, did not take kindly to the community's resistance to moving. He accused the chairperson of the Indigenous People's Rights Association, Robbie Chizhyuka, of 'sowing seeds of discontent' in the villagers who were earmarked for resettlement. Further, the Mazabuka District Council defended its decision to award the additional 500 hectares to Albidon as it was on the understanding that there would be adequate compensation for those who would be displaced. It argued that the mining development would be beneficial to the community as the company had made a commitment to building modern structures and cultivating fields for villagers earmarked for resettlement. However, the adequacy of compensation is another concern for the community. Those moved to pave way for the Albidon mine say that the compensation they received was inadequate compared with the losses they incurred.

In another case, the Chinese-owned Non-Ferrous Corporation Africa (NFCA) has embarked on a project to build a smelter in Chambishi. To do so it applied for and was awarded 1,000 hectares of land, which was previously inhabited. The company has since paid K500,000, or the equivalent of US$130, to each of the affected families as compensation, which many independent observers say was inadequate.[11] Compensation should take into account both the loss of livelihood and the costs of relocating, which include having to construct new housing.

Local economy and infrastructure

There is no doubt that mining has both a positive and negative impact on the local economy. New mining activities have the potential to stimulate economic activities through sub-contracting services and supplying goods. New mining developments, such as Lumwana and Albidon, provide employment opportunities to local people and could improve the livelihoods of the local community. These new mines, and some old ones, have also invested in infrastructure such as roads, dams, housing and schools.

However, the development agreements signed between the Zambian government and the new owners of the privatised mining companies also allow them to reduce costs. To do this and be profitable, mines have scaled down on employment. Simultaneously, working conditions in the privatised mines have deteriorated in the past ten years. Total employment in the mining industry has declined despite the sector's improved performance. From a high of 66,000 in 1976 employment figures dropped to 51,000 in 1986 and then plummeted to an all-time low of 22,280 in 2000. The number only slightly increased to 31,440 in 2006, after the completion of mine privatisation, which represented an increase of 8,160 jobs or an average of 1,360 jobs per annum in six years. Table 3 gives trends in mining employment between 1976 and 2006.

Table 3: Trends in mining employment 1976–2006

Year	No. of Employees
1972	52,090
1974	54,270
1976	66,000
1986	51,000
1991	56,582
2000	22,280
2004	31,440
2006	31,199

Source: Monthly digest of statistics, various issues. *Published by Central Statistics Office, Lusaka.*

Further, since privatisation there has been an increase in the employment of casual labour. For example, of the sector's 29,868 employees in 2004, 11,175 were contract employees, with most on short-term contracts (casual labour). Those on short-term contracts are exposed to job insecurity and are not entitled to pensions, nor are they represented by trade unions. Almost all privatised mining companies employ casual labour. Some employ much larger numbers than others. For example, NFCA Chambishi employs only 71 full-time employees and 1,800 casual workers. This is in contrast to KCM, which has 16,000 employees of whom 6,000 are on short-term contracts.

The widespread use of casual labour, sometimes referred to as 'casualisation', was such an important issue in the 2006 elections that many Copperbelt voters voted for the opposition Patriotic Front (PF). This party promised laws that would compel mine owners to respect Zambia's labour laws by engaging workers on a permanent basis, with full benefits. The government, for its part, recognised the negative practice of casualisation and undertook to address it. Addressing the nation in his inauguration speech after being re-elected, President Levy Mwanawasa recognised the problem of causalisation and promised that his government would respond to the people's demands.[12] However, little has been done to compel the new mine owners to engage more permanent employees other than talk about re-negotiating development agreements.

Associated with the problem of employment is the issue of mine safety. It would appear that standards of safety have declined since privatisation, which has contributed to an increase not only in mine accidents, but also in fatalities. For example, the number of fatalities as a result of mine accidents increased from nine in 2000 to 80 in 2005. Table 4 gives the number of mine accidents and fatalities between 2000 and 2006.

Table 4: Mine accidents and fatalities on the Copperbelt, 2000–2006

Year	Fatalities	No. of accidents
2000	9	399
2001	23	370
2002	17	284
2003	21	315
2004	19	350
2005	80	312
2006	18	270

Source: Mines Safety Department, Kitwe, 2006 (information sourced via interview).

The increase in mine accidents has been attributed to a reluctance on the part of mines to employ qualified people, their reliance on casual labour and the overworking of employees, who are allowed to do more than one consecutive shift, stretching to 14 hours in some cases.[13] NFCA Chambishi was identified by most informants as doing very badly in observing safety standards. It was also revealed that the blast at BGRIMM Explosives in 2005 was by a subsidiary of NFCA and all those who died were casual employees.[14]

Protest and the state

Mining activities affect power relationships between the state and mining companies, on one hand, and between local communities, the state and mining communities, on the other. Dansereau (2007) makes the point that mining activities contribute to social conflict, dislocations and the destruction of livelihoods, without contributing to poverty reduction. Ever since the discovery of copper in Zambia, mining companies have been protected by the state. The colonial government passed legislation that was favourable to mining companies and often intervened in their favour during popular protests. The state's overriding interest has been in the creation of a favourable environment for the extraction of rents.

At independence, the nationalist government continued the policy of providing favourable treatment to the mining companies through tax concessions. However, four years after independence it was felt that the companies were not retaining their profits for re-investment in the Zambian economy. Further, there was a perception that since the copper mines were privately owned they did not serve the interests of the Zambian people. The decision to nationalise the mines in 1969 was thus taken not only to localise the copper industry, but also to ensure that copper profits were re-invested in the interests of the Zambian people. However, the state mining company, ZCCM, was to acquire a favourable position within the political economy. The ZCCM board was full of political appointees who represented the interests of the ruling party, UNIP. Most importantly, the ZCCM received state subsidies even when it was supposed to operate as a commercial entity.

Whenever the interests of the mining conglomerate and those of the local communities clashed, government was quick to act in favour of ZCCM. During strike actions and other public protests by workers and Copperbelt residents in the 1980s, the UNIP government always came out in full force in support of the mining company. For example, the decision to lay off 5,000 mine employees in 1985 was met with organised action by the Mineworkers Union (MUZ), but government stood by ZCCM.

Following privatisation the state passed legislation and developed policies that have been largely favourable to *new* mine owners. For example, the new development agreements exempt mining companies from providing social services, such as education, and from maintaining social infrastructure (e.g. roads, water and electricity). Further, there are no guidelines regarding hiring policies, which means that mining companies have no obligation to increase the number of permanent employees or to discontinue the practice of hiring casual or contract labour. In addition, the enforcement of health and safety standards has been compromised by the desire to promote foreign investment. Thus government has tended to turn a blind eye to the mines' poor observance of safety standards, which has resulted in a number of accidents, including fatalities.

There is now a perception that the government is over-protecting mining companies.[15] When Luanshya mine was under the Binani Group of companies, a delegation of miners' wives staged demonstrations and confronted the then-Member of Parliament, Cameron Pwele, telling him: 'We never knew that people could go without eating, but this is happening to us and our families and we are now into prostitution. Though at first we cared about our dignity and morality, but no longer'.[16] There have also been a number of protests at Luanshya against conditions of service and safety concerns. For example, in 2006 workers protested against management's failure to effect a 21% wage increase. Irate workers blocked nearby roads and damaged two trucks on company premises. Workers said that they were unhappy and that they were not being treated as human beings.[17] One resident in Chambishi said: 'Government was to blame for the confusion in Chambishi in that workers had for a long time complained over their poor working conditions. If our government was serious, this problem would have been dealt with long time ago'.[18]

There is now a perception that the government is over-protecting mining companies

A trade unionist also accused owners of some privatised mining companies of using abusive and racist language, and of threatening trade unions with de-registration when workers go on strike.[19] Several trade union officials interviewed were of the view that the government is unresponsive to the plight of the workers and whenever there is a dispute between workers and mine companies, government has tended to side with the latter. A case in point has been the KCM's pollution of the Kafue River in 2006. The Environmental Council of Zambia (ECZ), a statutory body, suspended the KCM's mining licence and ordered it to remove the effluent from the Kafue stream but the government over-ruled it and argued that such an action would have gone against the development agreements.[20] There is now even suspicion that some mining companies may be offering bribes to government officials to offer them protection.[21]

There have been a number of protests against relocations, as already illustrated in the case of Albidon Mine in Mazabuka and in Chambishi. Local communities have also protested against the spate of mine accidents, especially in Chinese-owned mines. One Chinese-owned mine in Southern Province was found to operate with only rudimentary equipment, the shaft was dug with picks and shovels and ore was brought to the surface in buckets. Workers lacked safety equipment and clothes. Yet government has not acted to close it to ensure it complies with safety regulations.[22]

Corporate social responsibility

Before privatisation, the ZCCM operated a 'cradle to the grave' corporate social responsibility welfare policy (Lungu and Mulenga 2005). It provided social services to all the people residing in mine communities, which included medical services, schools, recreational facilities, water, electricity and other social amenities. However, all ended with the privatisation of the copper mines in the late 1990s. Under the terms of the privatisation, new mine owners were not obliged to continue providing social services. It was argued that the new privatised mines should concentrate on their core business, which was mining copper. However, though the mining companies withdrew from social service provision, government and local authorities did not fill in the vacuum, with the result that there has been a deterioration in social services in most mining towns on the Copperbelt.

Though mining companies withdrew from social service provision, government and local authorities did not fill in the vacuum

Some privatised mines did not abandon their social responsibility altogether but scaled down their social involvement, often surrendering some of the responsibilities either to the council or to government. For example, of the 10 hospitals and 37 clinics previously operated by ZCCM, less than half continue to be run by the new mine companies, while the others have been handed over to the government. The irony is that the facilities surrendered to government lack staff and medical supplies, which is not the situation in those under the mines' control. Access to the latter, however, is restricted to mine employees and their immediate families.

A survey of corporate social responsibility by mining companies reveals that on the whole, they are not doing as much as ZCCM did. KCM has continued the tradition of ZCCM's corporate social responsibility, providing health and educational facilities, including the sponsorship of the Football Association of Zambia's Premier League. KCM also promotes programmes on HIV/AIDS and malaria prevention. However, provision of social amenities has completely been abandoned. At Nchanga, for example, where the social welfare infrastructure was perhaps among the best in the country, recreation clubs, playing fields, swimming pools, public libraries, community halls, public parks and gardens have been neglected or simply abandoned (Lungu and Mulenga 2005:52). In many mining towns, streets lights are long forgotten, roads are potholed and in a state of disrepair and water is in short supply. The councils, which are supposed to provide these services, lack the capacity to do so, while residents are not used to a culture of paying for services as they are used to services being free, as they were in the ZCCM days.

Mining and the environment

Sound environmental policies were not seriously enforced during the ZCCM days. As a result, the early mining operations released hazardous materials either into the atmosphere or into streams and rivers. Mining has had serious environmental impacts with negative consequences for human health. Sulphur dioxide emissions from smelters, heavy metals effluents and silting of local rivers all compromise human health. Sulphur dioxide, for example, can cause respiratory diseases, while acid rain damages rivers and trees. In Zambia the majority of rural and poor people lack potable water and their most likely water sources are streams and rivers. Heavy metal effluents discharged into rivers on which people depend for drinking water are a risk to both human and animal health.

In Kitwe, Mufulira, Chingola and Ndola, where some smelting takes place, yellow fumes caused by sulphur oxide can be seen in the atmosphere and respiratory problems are not uncommon. Kabwe has a long-standing problem of lead poisoning and, despite the scaling down of lead and zinc mining in the area, environmentalists estimate that the amount of lead in the atmosphere is harmful to human health.

In terms of observing environmental standards, all mining companies are expected to follow environmental laws. However, in practice there are both lapses and outright irresponsibility on the part of mining companies. For example, in 2006 KCM released effluents into the Kafue River, which badly affected river life and also had health consequences for humans; a number of people complained of abdominal problems after drinking the river water and there are accounts of deaths resulting as well.[23] KCM, however, was not made to pay for this act of irresponsibility. The Ministry of Mines and Mineral Development over-ruled a decision by the Environmental Council of Zambia to suspend KCM's mining licence.

Environmental concerns about the new mines, such as Lumwana and Albidon, centre around their siting and the impacts this will have on people's access to water, agricultural and grazing land for their animals. Though these issues are contested, powerful political actors have tended to trivialise public demands and argued for the projects in the interests of attracting foreign investment. Environmental advocacy is still in its infancy in Zambia and it may take a long time before people fully realise the negative environmental impacts of large-scale mining.

Legacy

The question that is not often asked is: what happens when the mines close? It has always been known that copper and other minerals are finite resources. One day the mines will have to close. In fact, a number of Zambian mines have already been closed when they have been found to be unprofitable. Bwana Mkubwa mine was closed in the 1960s and Kansanshi mine in the 1930s. It is doubtful whether development agreements have addressed the issue of the legacy the mines will leave behind.

The question that is not often asked is: what happens when the mines close?

Zambia has learnt from its recent past that over-reliance on large-scale copper mining has devastating impacts when mining operations either become unprofitable or when mines close down. In the late 1980s and early 1990s, when the mines performed poorly due to low prices, lack of capital and technology, there were massive job losses and firms that were dependant on the mining industry collapsed. Ndola, which was the industrial hub of the Copperbelt in which various inputs for the mining industry were manufactured, became a ghost town as many firms relocated to other countries or simply closed down.

The new mining investments are of very short duration. For example, Lumwana has a mine life of 37 years, while Albidon mine only has 12 years. Investment in infrastructure and secondary industries has the potential of sustaining the local communities even after mining operations have long stopped. In Lumwana for example, Lumwana Mining Company is constructing a mini town with 10,000 housing units and a shopping complex. The company also wants to attract investors to a multi-facility investment zone. A road to Solwezi is being rehabilitated and schools and a health facility are being constructed. The government plans to make Lumwana into a district and provide government services.

The Fifth National Development Plan makes elaborate provision for the after-life of mining operations and envisages that mining companies would plan for their withdrawal, either because of economic recession or when the minerals get depleted. However, there is little or no serious discussion in Zambia on what really happens after the closure of mining operations. Political parties and civil society organisations tend to be unconcerned with the future. The preoccupation is with the here and now. Lip service is paid to this issue in the same way that the UNIP and MMD government paid lip-service to a commitment to diversification from copper mining to industrial development.

Conclusion

This paper demonstrates that Zambia has succeeded in keeping the new mining companies happy but, in seeking to meet their every whim, the state has been unable to collect a sensible share of revenue or to perform its role as a regulator and protector of the rights of workers and local communities and as a provider of social services (Fraser and Lungu, 2006:2). The privatisation of the mines has not contributed to poverty reduction. If anything, it has exacerbated social conflict and contributed to the destruction of livelihoods and the dislocations and displacements of local communities.

Following the 'resource curse' thesis, it has been shown that an abundance of mineral wealth does not necessarily lead to economic prosperity. The boom in copper prices has not been translated to national wealth and there seem to be no serious plans to re-invest the surpluses. Popular demands for a re-negotiation of development agreements may force government to seek new concessions with mining companies, but there is no vision on the part of the government on what to do with the rents so extracted. Political discourse in Zambia is devoid of a social welfarist programme and a notion of redistribution of wealth. Thus it is not difficult to predict that should the royalty tax be increased, most of the money will go to pay for the conspicuous consumption of the political elite and the concentration of development resources in urban areas at the expense of rural areas, where the majority of the poor reside.

Based on the electoral behaviour exhibited in the 2006 elections where urban voters, especially those on the Copperbelt, rejected the ruling party, it is clear that mining poses serious human security concerns. We have shown in this paper how copper mining, especially after privatisation, tends to have negative impacts on the local communities, including unemployment and environmental degradation.

Residents of the Copperbelt, and Zambians generally, are dissatisfied with the manner in which the country's mineral wealth is being managed. It would appear that the state has failed to extract a fair share from the proceeds of copper exports for the Zambian populace, who now blame the state for their poverty. Clearly, a government that fails to provide for the health, security and general well-being of its people deserves to be removed from office. While the PF's campaign was based on re-nationalisation of the mines and on compelling private mine owners to respect Zambian laws and pay higher taxes, the party was defeated in the polls as rural people did not experience the same problems as urban residents. If the question of access to mineral wealth is not properly handled and political solutions fail, it is not unthinkable that people may resort to violent actions. Already the undercurrents of a xenophobia against the Indian and Chinese owners of privatised mines suggests that some people hold those nationalities responsible for their current plight and if government does not act, they may resort to other means of struggle.

Notes

1 The paper is the based on a study carried out on behalf of the Institute for Security Studies, Cape Town, South Africa. The author is based at the Centre for Policy Dialogue, P O Box 31061, Lusaka, Zambia. email: neosimutanyi@yahoo.co.uk
2 Interview with former cabinet minister in the UNIP government, February 2007.
3 Interview with a key informant, February 2007.
4 Interview with former deputy minister in the Chiluba government, 16 March 2007, cited in Simutanyi 2007.
5 There are some suggestions that government ministers may have benefited from secret deals in the sale of the Luanshya mine to the Binani Group. This may explain why the government was so reluctant to terminate the agreement and continued paying salaries to RAMCOZ employees even when it was not government's responsibility to do so, as the company was privately-owned.
6 *Zambia Daily Mail*, 22 June 1983.
7 Statement to Parliament by Finance and National Planning Deputy Minister, Jonas Shakafuswa, on 7 August 2007. See *Times of Zambia*, 9 August 2007.
8 Interviews with two key informants, Kitwe, October 2007.
9 *The Post*, 10 and 11 April 2007.
10 Interview with two key informants, Kitwe, October, 2007.
11 *The Post*, 3 October 2007.
12 Interviews with three key informants, Kitwe, October 2007. Also see Lungu and Mulenga 2005 and Fraser and Lungu 2007.
13 Interview with key informant, Kitwe, October 2007.
14 Interview with key informant, Kitwe, October 2007. See also ACTSA, Christian Aid and SCIAF 2007.
15 *The Post*, 11 July 2005.
16 *The Post*, 26 July 2006.
17 *The Post*, 26 July 2006.
18 *The Post, 3 August 2006.*
19 Interview with key informant, Kitwe, October 2007.
20 Interview with two key informants, Kitwe, October 2007.
21 Interview with key informant, October 2007.
22 Interview with key informant, September 2007.

References

Action for Southern Africa (ACTSA), Christian Aid and Scottish Catholic International Aid Fund (SCIAF) 2007. *Undermining development? Copper mining in Zambia*. London, Cardiff and Glasgow: ACTSA, Christian Aid and SCIAF

Auty, RM 1998. Resource abundance and economic development: Improving the performance of resource-rich countries. UNU/WIDNER, *Research for Action*, no.44.

Bank of Zambia, 2007. *Quarterly report*, April.

Bantubonse, F 2007. Taxation of Zambia's mining sector'. *ZIPPA Journal*, October– December.

Burdette, M 1984. Was the copper nationalisation worthwhile? in Woldring K (ed), *Beyond political independence: Zambia's development predicament in the 1980s*. Berlin, New York and Amsterdam: Mouton Publishers.

Bush, R 2007. *Poverty and neoliberalism: Persistence and reproduction in the global south*. London: Pluto Press.

Campbell, B (ed.) 2004. *Regulating mining in Africa: For whose benefit?* Uppsala: Nordiska Afrikainstitutet.

Dansereau, S 2007. Beyond governance and sustainability in South African mining: Resource curse, green PR or development? Paper presented to the University of Leeds Centre for African Studies and Review of African Political Economy Conference on State, Mining and Development in Africa, 13–14 September.

Feeney, P 1999. The human rights implications of Zambia's privatisation programme, in Addo, M K (ed.), *Human rights standards and the responsibility of transnational corporations*. London: Kluwer Law International.

Fraser, A and Lungu, J 2006. *For whom the windfall? Winners and losers in the privatisation of Zambia's copper mines*. Lusaka: Civil Society Trade Network of Zambia and Catholic Centre for Justice, Peace and Development.

Kaunda, F 2002. *Selling the family silver: The Zambian copper mines story*. KwaZulu-Natal: Interpak Books.

McPhail, K 2000. How oil, gas, and mining projects can contribute to development. *Finance and Development*, (37:4), pp. 45–46.

Mkandawire, T and Soludo, C C 1999. *Our continent, our future: African perspectives on structural adjustment*. Dakar, Ottawa: CODESRIA and IDRC.

Mwitwa, C and Kabemba, C 2007. Copper boom in Zambia: Boom for whom? *Resource Insight*, 3.

Power, T M 2002. Digging to development? A historical look at mining and economic development. Report prepared for Oxfam America, Boston, MA: Oxfam America.

Rakner, L 2003. *Political and economic liberalisation in Zambia, 1991–2001*. Uppsala: Nordic Africa Institute.

Ross, M 2001. *Extractive sectors and the poor*. Oxford America report, Boston, MA: Oxfam America.

Ross, M 2003 'The natural resource curse; how wealth can make you poor' in Bannon, I. & Collier, P. (eds.) *Natural resources and violent conflict*, World Bank: Washington DC.

Rosser, A 2006 *The Political Economy of the Resource Curse: A Literature Survey*, IDS Working Paper 268, Institute of Development Studies, Sussex University: U.K.

Sachs, J and Warner A M 2001. The curse of natural resources, *European Economic Review* (45), pp.827–838.

Sachs, J and Warner A M 1997. Natural resource abundance and economic growth. NBRER working paper, Cambridge, MA: Harvard University, Harvard Institute for International Development.

Sachs, J and Warner A M 1999. The big push, natural resource booms and growth, *Journal of Development Economics*, (59), pp.43–76.

Simutanyi, N 2007. State, mining and development in Zambia's Third Republic. Paper presented to the University of Leeds Centre for African Studies and Review of African Political Economy Conference on State, Mining and Development in Africa, 13–14 September, 2007.

Simutanyi, N 2005. The politics of plunder: Grand corruption in Zambia, in Jotham C. Momba (ed.), *State of corruption report 2004*. Lusaka: Transparency International Zambia.

World Bank 2002. *Treasure or trouble? Mining in developing countries*. Washington, DC: Mining Department, World Bank and International Finance Corporation.

World Bank 1992. *Strategy for African mining*. World Bank Technical Working Paper No. 181, Africa Technical Department Series, Industry and Energy Division, Washington, D.C.: World Bank.

Interviews

1.	Mr. Frederick Bantubonse	Chamber of Mines, Kalulushi
2.	Mr. Wilford Besa	Department of Mine Safety, Kitwe
3.	Mr. Rabbison Chongo	Former finance minister in the UNIP government
4.	Mr. Victor Kalesha	Emerald and Semi-Precious Stones Mining Association of Zambia, Kitwe
5.	Prof. John Lungu	Copperbelt University, Kitwe
6.	Mr. Darlington Maambo	Department of Mine Safety, Kitwe
7.	Mr. Rayford Mbulu	Mineworkers Union of Zambia, Kitwe
8.	Mr. Ian Mkandawire	Zambia Congress of Trade Unions, Kitwe
9.	Mr. Alfred Mudenda	Zambia Congress of Trade Unions, Kitwe
10.	Hon. Maxwell Mwale	Deputy Minister, Ministry of Mines and Minerals Development, Lusaka
11.	Mr. Alfred Ndhlovu	Former deputy minister in Chiluba's government
12.	Mr. Mundia Sikufele	National Union of Mine and Allied Workers of Zambia, Kitwe

Subscription to ISS Papers

If you would like to subscribe to ISS Paper series, please complete the form below and return it to the ISS with a cheque, or a postal/money order for the correct amount, made payable to the **Institute for Security Studies** (marked not transferable).

Please note that credit card payments are also welcome. You can also deposit your payment into the following bank account, quoting the invoice number and the following reference: PUBSPAY.

ISS bank details: ABSA, Brooklyn Court, Branch Code: 634156, Account number: 405 749 8921

Please mail or fax:
ISS Publication Subscriptions, PO Box 1787, Brooklyn Square, 0075, Pretoria, South Africa
ISS contact details: (Tel) +27 12 346 9500, (Fax) +27 12 460 0998; Email: pubs@issafrica.org
Website: www.issafrica.org

Title		Surname		Initials	
Organisation					
Position					
Postal address					
				Postal Code	
Country					
Tel		Fax		E-mail	

ISS PAPERS SUBSCRIPTION 2007 – MIN 8 PER YEAR		
South Africa	African countries*	International
R150.00	US$ 30.00	US$ 40.00

* Angola, Botswana, Burundi, Comores, Congo-Brazzaville, Democratic Republic of the Congo, Gabon, Kenya, Lesotho, Madagascar, Malawi, Mauritius, Mozambique, Namibia, Reunion, Rwanda, Seychelles, Swaziland, Tanzania, Uganda, Zambia, Zimbabwe (formerly African Postal Union countries)

Details of subscription rates for the African Security Review, ISS Monographs, SA Crime Quarterly or other ISS publications are available from:

ISS Publication Subscriptions, PO Box 1787, Brooklyn Square, 0075, Pretoria, South Africa
Tel: +27-12-346-9500/2 • Fax: +27-12-460-0998 • Email: pubs@issafrica.org • www.issafrica.org

The ISS mission

The vision of the Institute for Security Studies is one of a stable and peaceful Africa characterised by human rights, the rule of law, democracy and collaborative security. As an applied policy research institute with a mission to conceptualise, inform and enhance the security debate in Africa, the Institute supports this vision statement by undertaking independent applied research and analysis, facilitating and supporting policy formulation; raising the awareness of decision makers and the public; monitoring trends and policy implementation; collecting, interpreting and disseminating information; networking on national, regional and international levels; and capacity-building.

About this paper

This paper discusses the impact of copper mining on local communities in Zambia and the explores the competition for control and access to mineral wealth in the country. The paper begins by providing a background to mining in Zambia up to 2000. It then reviews the 'resource curse' theory in relation to Zambia and critically assesses the performance of the copper mining industry after privatisation.

It was commissioned by the Institute for Security Studies' Corruption and Governance Programme as part of ongoing work into natural resource exploitation in Africa. For further information on this work, visit the programme's website: www.ipocafrica.org.

About the author

Dr Neo Simutanyi currently lives and works in Lusaka, Zambia as a private consultant.

Funder

This paper was made possible by the support of the Royal Norwegian Embassy in South Africa.

ISSN 1026-0404
9 771026 040004

Published by the Institute for Security Studies • P O Box 1787 • Brooklyn Square • 0075 • Pretoria • SOUTH AFRICA
Tel: +27-12-346-9500/2 • Fax: +27-12-460-0998
Email: iss@issafrica.org • http://www.issafrica.org
67 Roeland Square • Drury Lane • Gardens • Cape Town • 8001 • SOUTH AFRICA
Tel: +27-21-461-7211 • Fax: +27-21-461-7213
Email: issct@issafrica.org