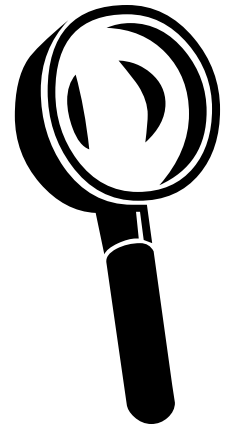


# First North Western Mining Watch



# Mining Watch 2008

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Published by:  
Extractive Industry Program  
Catholic Diocese of Solwezi

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## ACRONYMS

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CSOs	Civil Society Organisations
CSPR	Civil Society for Poverty Reduction
CSR	Corporate Social Responsibility
EITI	Executive Industries Transparency Initiative
GTZ	German Technical Assistance to Zambia
HIPC	Highly Indebted Poor Countries
HM	Hetro Mines
IFI	International Financing Institutions
KMP	Kansanshi Mining Plc
MINDECO	Mining Industry Development Corporation
NCC	National Constitution Conference
PSRP	Poverty Reduction Strategic Paper
ZAMSIF	Zambia Social Investment Fund
ZCCM	Zambia Consolidated Copper Mines

# INTRODUCTION

Solwezi has become synonymous with the new Copper boom in Zambia. Kansanshi and Lumwana mines have poured billions of investment dollars into the district, resulting in far-reaching social, economic, and environmental impacts in an area in which such impacts were minimal just three years ago. As a seemingly endless influx of investors and job seekers arrives in Solwezi, economic growth is evident. There is, however, little sign of the pro-poor development that such growth has the potential to create.

Within this context, civil society and scholarly researchers have turned their attention to the impacts of the mining sector in the Northwestern Province. Relevant findings and recommendations including a pilot assessment by CSPR and an academic study by CK Haanyembe have recently become available. Caritas Solwezi has initiated a multi-year project aimed at strengthening the voice of impacted communities.

A one-day workshop “Mining Watch”, organized by CSPR, GTZ and Caritas Solwezi, gathered key actors (39 participants) from the angles of civil society, research, government, traditional leadership, the private sector, and the media in order to meet the following three objectives:

- To facilitate the dissemination of available research findings (by CSPR, C.K. Haanyembe and Prof. J. Lungu)
- To strengthen the network and synergies between key CSOs pro-active in “mining watch”
- To enrich ongoing and future mine watch work (research and pro-poor advocacy) through dialogue, feedback and inputs by all speakers and participants

## How the situation has meanwhile changed

Facing the effects of the global economic meltdown, it is absolutely clear that our situation has changed since mid-2008 when the prevailing topic was still the copper boom in Zambia. Latterly, copper prices dropped from 8.000 \$ (April 2008) to 3.800 (November 2008) per tone, consequently investments dropped likewise, miners lost their job, etc.

Yet, despite government and others are intending to withdraw the just recently introduced Windfall Tax - which nobody at all questioned at our conference -, and even though hardly anybody has foreseen the turmoil in the global market putting the extractive and commodity industries under pressure, nothing changed regarding the principle conclusions by the Mining Watch conference. On the contrary, in crisis days like ours it appears even more relevant how to cut and distribute the cake than in times of seemingly abundance. And the plea for diversification has gained in relevancy since the Round Table took place.

However, some mining companies are already preparing for the period after the crisis. Thus, “Lumwana” has just announced its intention to profit from the current weakness of competitors and low prices: Equinox Mineral’s Chief Executive, Craig Williams said his company is on the lookout to buy copper properties made cheap by the global economic downturn (REUTERS, 02.03.2009, [www.mineweb.com](http://www.mineweb.com)).

## Results

The main concern uttered was that the most affected communities needed to see an impact of the research and its findings, beyond just the presented report; it was suggested to refer intensively to available lessons learnt from the “OLD Copperbelt” to sensitize and empower the “NEW Copperbelt” of Solwezi.

The significance of future community empowerment was also emphasized through the case of the criminal practises of a medium scale mine in Kasempa (presentation by CSPR).

With the issue of outreach, we find clear entrance points for the “Zambian Extractive Industries Project” by CARITAS. But the demand also points out the way forward for CSPR`s upcoming work regarding Mining Watch, for instance in connection with its ongoing study on the relationship of mining and food security.

Another result comprises the insight that CSOs have to address the challenge of environmental concerns - supplementing the Environmental Council of Zambia - but also challenging the latter itself (even more urgently now, as the uranium exploitation is about to be started).

Finally, the stakeholders dialogue underlined the importance to achieve quick progress when it comes to access to data and freedom of information. The lack of transparency is just too widespread, especially regarding the mining sector.

But only after all relevant data is disclosed by the state and private sector, stakeholders are able to assess the appropriateness of any revenues or public (fiscal) benefits and to debate for instance how to channel taxes back to where it is most needed.

### How the Round Table proceeded

Looking at the response the gathering experienced in terms of attention as well as media coverage but also looking at its results the first Northwestern “Mining Watch” conference proceeded successfully well. Though, the Round Table lacked appropriate attendance by governmental or administrative actors and from the angle of the traditional leaders.

However, the private mining sector was sufficiently represented, despite the reluctance by the Kansanshi representative to attend the entire session. And members of CSOs as well as cooperating partners came not only from within North-western Province but also from many other places of Zambia - making the first Solwezi Mining Watch a kind of National event.

Hopefully, this booklet makes some interesting reading and reflects the features which secured the high quality of our deliberations and the various sophisticated inputs of never solely academic yet always also practical engaged nature. All participants present were witnessing a balanced dialogue demonstrating how it is possible to act against some otherwise dominating fragmentation of the relevant stakeholders.

The Mining Watch organizers are grateful for any comment or feed back in preparing the next Round Table. Updates might always be found on their respective websites (see appendix).

This booklet is a compilation of discussions and inputs given during the workshop.

Solwezi, March 2009

CARITAS Solwezi

CSPR, North-western-Provincial-Programme-  
Management Team

## 1.0 BISHOP ALICK BANDA'S SPEECH

Right Reverend Dr. Alick Banda, the Bishop of the Catholic Diocese of Solwezi, officiated at this gathering. In his opening and welcoming remarks he expressed joy at the initiative the three organizations had taken to bring stakeholders together. The following was his speech:

Ladies and Gentleman,

1. It is an honor and privilege for me to have been requested to come and officiate at this important workshop, which has been jointly organized by CSPR, GTZ, and Caritas Solwezi.
2. I wish to welcome you all and thank you for finding time to come, leaving your busy schedules of work. In this regard, the importance of your presence and participation cannot be over emphasized.

3. The Moderator, Sir, let me hasten to acknowledge th

e gift of our natural resources, given by God for the sustenance of mankind. God has bestowed upon us in this country at large and in Northern Western Province in particular: *fertile land, perennial rivers, wild life, forests and mineral resources*. We are stewards and custodians of these gifts for own sustenance and development.

4. The investment into the mineral resources in the areas surrounding Solwezi, including the opening of Kansanshi and Lumwana mines, is a welcome development. It is well-known and well-documented that these and the subsequent investments in the area, from banking and communications to the start of numerous small businesses, bring a great deal of potential to our district and the surrounding areas. We can already see that the district is growing.



▲ Bishop Dr Alick

5. While it is true that we are here to discuss these developments in the mining sector in the Northwestern Province, we are here, more specifically and more importantly, to discuss the situation facing the people of the province, one of dire poverty and lack of opportunity.
6. When discussing the recent growth in the Mining Sector in Zambia and the opportunities it presents to local communities, there is a ready source for

comparison in the example of the Corporate Social Responsibility Policies of the former Zambia Consolidated Copper Mines hereinafter referred to as ZCCM. I wish to caution against relying too heavily on this comparison, which may yield ambivalent results.

7. However, on the positive side, ZCCM demonstrated an unwavering commitment to people. ZCCM promoted people through tireless efforts to ensure *safe working environments, to maintain good roads and well-lit streets, to provide of adequate medical, educational, sporting and other recreational facilities* within the communities. The example of ZCCM ought to remind us of something that we appear to have forgotten: that *economic success and development are to be measured in terms of how people, especially the most vulnerable, are affected.*
8. But the comparison of ZCCM may also be inadequate. It may lead us to develop expectations that are not only unrealistic but may even undermine our ultimate goals of integral development.
  - First, it may not be financially feasible for the mining industry to sustain the roads and education and healthcare systems in their surrounding areas; although I would not hesitate to state that their current contributions are unsatisfactory especially for Kansanshi Mine considering their annual turnover (of over US\$ 704Million) as compared to what they give to Kansanshi Foundation (less than US\$ 1.0 Million) as investment for their Corporate Social Responsibility.
  - Second, and perhaps more importantly, we may be ill advised to develop the habit of turning to the mines for our every need, develop an attitude of dependency and lose sight of the fact that we ourselves must be the first to invest in our own future.
9. Distinguished guests, ladies and gentlemen. We have seen the effects of placing undue burden of the wellbeing of communities solely on the mining industry. Let us remember that without the commitment, dedication, and contribution of the government, civil-society, and local communities, any efforts on the part of the mines to develop the area will fail.
10. How will we ask the question of the relationship between the mines and development? Do we ask, "How am I benefiting from the mines?" Better we ask, "How are we working toward improving life in this area, and how can the mines be a part of those efforts?"
11. But let us not speak only of the potential opportunities that the mines bring. Let us not focus our attention solely on benefit. Without malice, of its very nature, we are seeing that the sudden boost in activity at the mines has a variety impacts on our communities:
  - increased migration,



- increased population,
  - increased strain on acute public services, as well as
  - labor and safety issues,
  - displacement, and
  - pollution and environmental concerns
12. These impacts, if not monitored and mitigated, will damage the already fragile health and livelihoods prospects of local people.
13. It is in these areas that the communities have every right to demand the highest vigilance and action on the part of its government and the private sector.
14. The improvements we desire, distinguished guests, ladies and gentlemen; are improvements in the lives of our people, that help not only through the power of the alms-box, but rather by stirring in them that sense of self-dignity which well intended charity has often turned into dependence. It is for this reason that the voice of the people, and of the Civil Society organizations which speak on their behalf, must be strengthened.
15. Currently, due largely to the recent and sudden development in the industry here, this voice is most often disjointed, under-informed, and therefore weak. Only recently is specific information becoming available from academic and Civil Society research. The key contributions of today's discussions therefore, will broaden the strengthening of Civil Society, will result into dissemination of this information and the sharing of visions that these organizations (CSPR, GTZ and Caritas Solwezi) have for the future of our province in particular and the nation at large.
16. We cannot overstate the distinct situation of the mining sector and of local communities in Northwestern Province as compared to the Copperbelt. As we gather today, let us maintain a focus on the unique circumstances of the Northwestern Province, and yet not fail to keep one ear attuned to those lessons learned from the experience of the Copperbelt that may be of assistance.
17. But most importantly, let us keep in mind that the ultimate goal we serve, above and beyond that which seeks to influence the behavior of the mines, is to see that such subsequent influence truly bears improvement of the situation of the people of the Province. May all of our observations and efforts be rooted in this reality, and may these in turn bear fruit for our people. It is for this reason that God has given us natural resources.

## *2.0 Caritas Solwezi*

### *Zambia Extractive Industries Project (ZEIP)*

Mr. Philin N. Phiri - Director

Caritas Solwezi is one of three implementing partners in the Zambia Extractive Industry Project (ZEIP), alongside of Caritas Ndola and Caritas Zambia.

This project, supported by Catholic Relief Services Zambia (CRS), Catholic Campaign for Development Canada (CCD), and Caritas Norway, which is now entering its startup phases, will run until September 20 10.

#### *Goals and Objectives*

The project's goal is that:

**The extraction of copper in Zambia contributes to poverty alleviation and sustainable development in Zambia.**

This goal will be achieved through the promotion of the following Strategic Objectives:

SO 1: People affected by copper mining in Zambia have greater influence on the management of their natural resources, and

SO2: The impacts of copper mining on the people of Zambia are improved through better public and private government.

#### *Strategies and Activities*

Project activities will strengthen the position and voice of locally impacted communities, local, national, and international Civil Society, and international shareholder advocacy groups through capacity building and the facilitation of linkages between these groups.

For Example:

- Caritas Solwezi will form and train community monitoring groups, which will prioritize areas of concern, conduct action-oriented research, and develop accessible materials detailing research results.
- These results will be published and shared with local communities as well as national and international stakeholders, strengthening their positions by giving them access to information about "on the ground" realities.
- In turn, international shareholder advocacy groups will pressure corporations to increased responsiveness to local community groups and their expressed concerns.

## *Roles*

Caritas Zambia - will work to strengthen national Civil Society as it works to address issues of public and private governance in what has proven to be a rapidly changing national context.

Caritas Ndola and Caritas Solwezi - will form, train, and support local community groups in monitoring the impacts of the sector on their communities, and in giving voice to those concerns.

### *The Specific Role of Caritas Solwezi*

Baseline Survey - Recognizing the unique situation of the Northwestern Province as compared with that of the Copperbelt, Caritas Solwezi is in the process of designing a baseline survey to establish relevant information about, but not limited to, the following areas:

- The communities impacted and the relevant challenges they face.
- The relevant policies of the mines.
- The plans of local government agencies and NGOs for responding to the rapidly changing social environment formed as a result of increased mining activity.

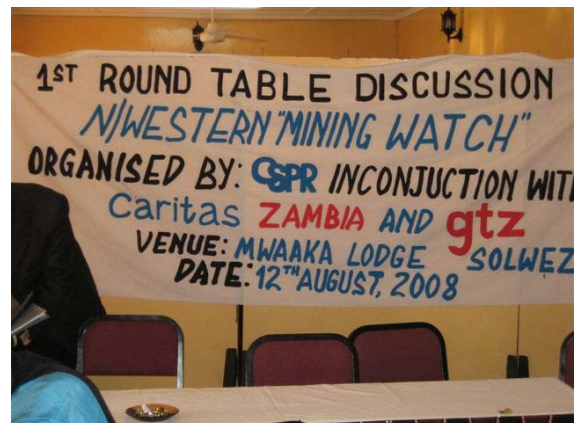
Community Capacity Building - As funds for project activities have recently become available, Caritas Solwezi will immediately recruit, hire, and train a project officer to begin the process of community mobilization toward monitoring and advocacy.

### *3.0 Pilot assessment on the impact of mining on living conditions and livelihoods of the poor in Solwezi & Kasempa Districts, North-Western*

CSPR- North-western PPMT - Mr. John Kinuna

#### **Point of Departure**

When an investment of this huge nature takes place it is always assumed that also economic development will automatically take place for the good or for the worse and that this development will entail a change in the livelihood of the people living in the area. There has been such a lot of investments in particular in North - Western province, in Solwezi and Kasempa districts, that the Provincial administration of NWP utters concern about their capacity to keeping up to date with the rapid ongoing change: "Sometimes even us (...) fail to catch up with some of these developments taking place", said former PS Richard Salivaji. It is in this context that a pilot assessment study was undertaken to assess the real impact of the mining activities in two districts of Northwestern province on the lives of the disadvantaged. A research team from CSPR, Provincial Programme Management Team, undertook a first assessment project between June and September 2007. Looking at the findings, in general we regard them as still being valid.



▲ Caritas with GTZ and CSPR organized the Mining Watch workshop

#### **Guiding Questions**

- How does the private investment in the mining sector trickle down to the general public and in particular to the disadvantaged in North-Western Province?
- What are the benefits that these private investments would accrue to the public in rural, peri-urban and urban areas?
- To what level does the corporate social responsibility (CSR) exist so that the local people, who are the "natural owners of the resources", benefit?

#### **Project Sites**

1. Solwezi (Areas affected by Large-scale Mining): Mushitala - peri-urban, Kyafukuma - rural, Solwezi Town - urban.

2. Kasempa (Area affected by small or medium-scale Mining): Jifumpa - rural, Kasempa BOMA - urban

### **Findings: Mushitala and Kyafukuma**

The communities show a strong sense of ownership or attachment to the resources. Hence they feel reliable for any impacts from the extraction of the resources. For this reason the communities should benefit from the revenues from these resources. But the two communities feel that this has not worked out for them. Instead of benefiting they were losing out even the little that they had (land).

Furthermore even the school that is built in Mushitala is not for the poor. They feel that Kansanshi has the ability to help the two communities, but does not do so. Almost all correspondents in the sites around the mine areas could not point out to any clear benefit from Kansanshi Mine. Many people remained unemployed despite living near or next to the mines. Most households remain with low income levels due to increase in prices of commodities as a result of the emergence of mines. (The land delivery system by the Solwezi municipal council was criticized as not sound e.g. land acquisition fees stood at K7.5m payable in three weeks with an additional K300, 000 non refundable fee, and total coming to K7.8m. This simply means that disadvantaged people will be unable to access land due to hiking of plot fees).

Residents of Mushitala said that the people have not even been compensated with a single kwacha after the mine had taken over their land, for instance in order to set up their golf course. The scenario was unfortunate because these people rely on farming through out their lives. Promises of compensation were now taking three years. Coupled with this problem, was the lack of safe and clean drinking water. Most of the wells had dried up due to heavy mining activities. No boreholes had been sunk in Mushitala to mitigate this impact. The villagers were, therefore, left unattended to.

No deliberate plan had been there, Mushitala and Kyafukuma people argue, to empower rural or peri-urban dwellers with unskilled and semi skilled jobs in order for them to have a regular income. The rural schools namely; Kabulobe and Mushitala where most of the children of poor people go had not received any attention despite endless appeals by the community. The village children have also been at high risk of death from accidents as a result of uncontrolled traffic to and from the mines. Many lives have already been claimed in the past few years. The situation has left the people in a more complex poor situation where it was only survival of the fittest.

Kyafukuma residents complained about the distance to town because of the diversion of the new road, making it very long to reach town. They argued that under ZCCM Kansanshi mine was more beneficial to the surrounding communities than the new one; “Kansanshi wakala wawamine, Kechi waluno ne mambo wituletela buyanji” (The old Kansanshi was good, this new one has just brought suffering on us) said an old woman in Mushitala.

## Position of Kansanshi Mine

KMP claims “to be a responsible member of the Zambian community and implementing a mining policy that has had its central theme ‘the sustainable user of natural resources’. In so doing KMP will conduct its operations in a manner that respects and responds to the environment, social and economic needs of present generations and anticipates the needs of future generations” (Image brochure, 2).

KMP asserts to “place a lot of effort in interacting with local communities and has therefore played a leading role in supporting cultural activities in and around Solwezi. Some of the cultural activities that had died have since been revived and are thriving. Around the Kansanshi Mine site, significant heritage sites have been identified and these are being preserved and looked after with the assistance of the Heritage Commission of Zambia” (image brochure, 8).



▲ Stakeholders at the Mining Watch Workshop. Kansanshi were invited but did not attend the gathering.

Most relevant for Kansanshi’s CSR activities is the Kansanshi Foundation Trust which began operating in June 2006. The recent status report (Kansanshi Foundation, Sept, 2007) states its local commitment as follows: “Our priority was to register and identify ourselves with the community on behalf of Kansanshi Mining Plc, our sole financier to date and to demonstrate what the mine is capable of doing from its own resources as way of ploughing back some of its profits into the local community” (l.c., p. 2). The foundation carries out projects in the fields of education, health, infrastructure including roads and water and social welfare, mostly in terms of setting up buildings or construction works. Its annual budget is one Million US Dollar.

## Findings: Jifumpa

Mining has been going on for about four years in the area and a lot was expected by the community especially in Jifumpa which is the nearest to the mine. Poverty levels were expected to come down through employment creation and creation of business opportunities thereby improving the local economy. Hetro Mines (HM) situated 108km south of Kasempa town was formerly under the Mining Industrial Development Corporation (MINDECO). However, during the last couple of years,

mining did not make any meaningful impact on people's lives instead brought more misery. The employment conditions were very bad and people worked like slaves such as going into the mine without protective clothes and ferrying copper ore on their heads and shoulders from the pit to the top. As most men migrated and shifted focus from their traditional agriculture to mining, only women could go for cultivation there by reducing the cultivated hectareage. There nearest clinic is about 31 km and the mine decided to abandon the clinic which was under construction. No roads were done. Even the one leading to the mine was in a terrible state, and support to vulnerable groups was nowhere near mention. Although the place had no market facility, there was no plan to help the rural people trade properly. With mining activity at its peak, the mine did not even provide accommodation for its people preferring them to continue sleeping in grass thatched huts. Worse of all was the lack of paying people's salaries for as far as nine and ten months. Instead workers were forced to get credits of biscuits, Fanta, cooking oil etc from the shop introduced by the mine owner at the end of the day. They got as little as ZMK 20,000 after deductions, the mine workers indicated that if they refused to get credits from the shop they would be dismissed. In comparison between Hetro mining and MINDECO, the villagers of Jifumpa indicated that MINDECO built houses for the mine workers and was also pumping water from the Lunga river to the mine area through pipes. They also said that HETRO mining was just vandalizing property that MINDECO left. E.g. the pipes that were used to transport water from Lunga River to the mine site were being uprooted and taken to the Copperbelt by the owner of HETRO mining. The wives of mine workers complained of lack of funds or money because their husbands or relatives were forced to get goods from the mine shop. They indicated that it was difficult for them to pay school fees for their children because there was no money. The mine workers indicated that the Hetro mining company was not a genuine investor because it did not have any programme to benefit the workers and the community as a whole. They also added that it did not invest anything in the mine because initially those employed were told to bring picks, shovels, hoes, and so on that they could use to dig the copper ore. It was discovered at the time the focal group discussion was being conducted that mining activities were not in place. The watchmen that were guarding the property at the mine said they did not know anything about the operations. They also complained that they were not paid for over 10 months but they were being supervised by some one from Kitwe who was promising them of their payments. Asked if they made any reports to the government authorities in Kasempa such as the District Commissioner, the workers stated that the authorities knew but could not do anything because their authority was limited. The people of Jifumpa community stated that they would have rather continued with other activities like farming and game ranching where they would have got some good income than being subjected to the slavery conditions by the Hetro Mining Company, if they would have known before how bad conditions would be.

Key informants stated the situation in Jifumpa has been caused by many factors; Lack of regular inspections by both the licensing unit and mines safety department who are empowered by law. This has also caused a lot of illegal mining activities in the district. There is no cooperation between the Ministry of Mines and Mineral Development with local authorities e.g. Council and District Administration. Local authorities do not know who is operating in the district as the mine owners go straight to sites without passing through the local authorities. This also affects taxation for revenue generation at local level. Double issuance of licenses by the

Ministry of Mines causing confusion among mining companies. Centralization of the mining Act. It needs a review in order to empower local authorities. Corruption in



the administrative and governmental system, evident when mine transporters sneak at night in order to evade mineral levies imposed by the local council. Other transporters move with fire arms, even shooting. However no culprit has been brought to book due to high levels of corruption in the law enforcement system.

## Conclusion

We found out the mining-affected reality of the rural and peri-urban poor is very different from public pronouncements made by the government and mining companies.

he findings from the Jifumpa focus group discussion indicate the following as some of problems failing; lack of markets for agriculture produce, no clinic/non-operational health facilities, bad roads, inadequate transport, lack of safe and clean water, no electrification and unemployment. The issue of Hetro in Jifumpa community is a sad one. This has been - and most likely: is still the case also with other small or medium scale mines in North-Western which purposely fail to conduct in a responsible manner, worsening the livelihoods of the poor living in their operation areas or even working for them. Moreover, Jifumpa is a synonym for failing supervision and control by government, police, unions and Zambian society in general. Interviews confirmed that all relevant institutions were aware of the misery in Jifumpa, but ignored it. One might consider this public ignorance as the gravest scandal in the case of Jifumpa, Kasempa. Considering the fast entering of medium- and in particular large-scale mines in Solwezi and Kasempa, in particular risks to socio-cultural and economic stability of the local communities can be stressed, following findings. For sure, the rapid influx of opportunity-searching men and women changes “the economic and social fabric of society”. Since the population has increased pressure is expected on the few social and economic services. This can lead to expansion or run down of the services being provided in the area. Incoming groups compete with indigenous groups for access to public goods and social services, leading to new tensions in the communities. Especially by the questionnaire targeting the general Solwezi public, this atmosphere of uncertainty is captured, when people state their ambivalent feelings about the mine activities.



When it comes to the specific communities of Mushitala and Kyafukuma, a certain picture of “winner and losers” is evoked, produced by the coming of the large scale mine in Solwezi. Here, the majority of the community members witness the loss of formal resources. Indeed, new types of poverty are created, with a mixture of ‘original residents’ who have been unable to share in employment opportunities, and ‘newcomers’ who have migrated in with the hope of finding employment, but have been unsuccessful in doing so. Social ills such as alcohol abuse, prostitution and others increase. Of course, “social ills” were most striking in the - criminal - case of Jifumpa, where incoming mine owners simply exploited resources the local people without any respect to common rules or regulations of labour and without being sued by public instances leaving miners and their families largely on their own. Not enough in terms of development has been done by the mines. This very much relates to the disadvantaged people. The locals anticipated for tremendous notable change to occur on their way of life. Unfortunately, the results have not been as anticipated. Though the mine owners claim to have contributed to the well being of the local communities, not much has “trickled down” to the disadvantaged. Therefore, the activities by the mines among the disadvantaged leave much to be desired. For instance, Kansanshi’s new exclusive “Golf Estate” (golf course, Club house, gim, tennis court etc.) in Solwezi’s Mushitala, will not benefit the disadvantaged in any way.

From the angle of civil society the issue of empowerment has to be addressed as a priority: In contrast to the powerful foreign mining companies the participatory rights of local communities need particular attention, since they often find themselves disempowered.

### **CSPR Recommendations**

1. To use the additional revenues from the new windfall taxation in favour of pro-poor development. I.e. to provide extra funding for infrastructure especially in rural areas and areas most affected by the negative impacts of mining; to use the revenues separately from the annual budget in addressing the mining-related issues.
2. Zambia to join the Extractive Industries Transparency Initiative. The difficulties the research team experienced in requesting for information from governmental as well as private entities confirmed the urgency and importance for Zambia to join this initiative.
3. Looking at the current centralization of the enforcement of the mining Act, there is urgent need for a review in order to empower local authorities in their capacities of law enforcement and need to decentralize supervision of mines so that the local authorities will be able to have a say on how the local mines are run.
4. Mine owners should be able to sensitize the local people /community on their operations unlike what is happening at Jifumpa Mine.
5. Government should sensitize the community on the contributions they are supposed to make towards the support of mining activities as well as set up

deliberate policies that will protect the community from exploitation by the mine owners.

6. Civil society to take keen interest in the issue of mining and poverty, from planning to the full operational of the mines.
7. It must not only be alert to voice out against worst cases like conditions that mine owners subject their workers to, but carry out monitoring on a regular basis.
8. Where investors do not show appropriate accountability, Civil Society should follow the principle of “naming and blaming.”
9. To empower mining-affected communities, since in contrast to the powerful foreign mining companies, the participatory rights of local communities need particular attention.
10. The mining Act should be made available to the people and government should sensitize the communities so that they will be able to cooperate with this law.
11. Kansanshi Mine should scale up its CSR contribution.
12. Review of the Mines and Minerals Act which is no longer up to date in order for it to provide linkages on how mining companies are supposed to reduce rural poverty.
13. Strengthening of labour laws: since there has been a lot casualization in the mining industry in the province, the labor laws must be strengthened in order to help the indigenous people access meaningful employment. Some of the labor that is coming in the name of expatriates is not better than local labor.
14. Deliberate mechanism to curb corruption in the law enforcement agencies must be tightened. This will ensure that illegal miners stealing copper ore and making people poorer by using them is brought to a halt.
15. To empower small-scale miners, competing against foreign large-scale investors,
16. MUZ shall be pro-active so that all mining workers are represented, no matter in which area or mining size, how rural or small.

*4.0 Behind the economic figures: large-scale mining and rural poverty reduction in Zambia. The case of Kansanshi mine in Solwezi*

MR. KINGSLEY H. CHEELO

With the advent of the poverty reduction agenda under the HIPC initiative, the need for sustained economic growth in mineral-rich countries led to the development of linkages between the promotion of mining as a lead-economic sector and its potential contribution towards poverty reduction. The potential contributions are in the four areas identified below:

- a) economic opportunities will be created for both the state and the rural poor,
- b) improved capabilities of the poor,
- c) enhanced security of the poor through reduced exposure to vulnerable and risk conditions, and
- d) empowerment of rural people thus enabling them to participate in decision making around issues that affect their lives (Pegg, 2006; Weber-Fahr et al., 2002; World Bank, 2001).

This research sought to consider what the experiences of local communities in Solwezi have following the development of Kansanshi mine, which was reopened within Zambia's poverty reduction and strategy paper (PRSP) macroeconomic policies covering the period from 2002 to 2005. The study specifically targeted local people who had been affected by the development of Kansanshi mine through either displacement or loss of productive systems, utilizing the Sustainable Livelihoods Framework (SLF). The aim of the study was to validate the causal linkages between large-scale mining and rural poverty reduction, especially in new mining areas like Solwezi. This aim would be achieved through answering the following central research question: What are the micro effects of large-scale mining on local people's economic opportunities, capabilities, security, and empowerment in the case of Kansanshi copper mine in Solwezi?

#### **Distributional System for Revenue**

Revenue generated from the mining sector could be used to fund poverty reduction programmes. It was therefore expected that the funds collected by the national government in taxes and royalties would be channelled back to mining communities to finance their priority poverty reduction programmes. However, the findings of this study cause this linkage to be questionable. Firstly, it appears, from the sources interviewed both at the Ministry of Finance and National Planning and the North-Western Provincial Administration, that the government does not have a distributional system where revenue generated in taxes and royalties from the mines is shared between the central government and hosting communities. All the money received goes to the national Treasury and is allocated by Parliament

according to the budgetary ceilings reflected in the Green Paper. Though the ceilings are determined according to the developmental needs of a region, those needs are a factor of the region's population size. It can therefore be argued that ceilings are calculated based on the population of the region regardless of its needs and contribution to the national Treasury.

A review of Zambia's 2007 budget revealed that of all the PRSP-funded programmes in Solwezi through the Provincial Administration, there was no poverty reduction programme undertaken in the communities studied. A thorough check of the programmes implemented under the HIPC initiative at the Provincial Planning Office revealed that no Poverty Reduction Programme (PRP) had been undertaken in the communities of concern since 2002. The only programmes verified on the ground through field observations were the expansion of Mushitala School through sector-pool funding and a completed Zambia Social Investment Fund (ZAMSIF) funded project at Kyafukuma rural health centre. The other two communities, State Ranch and Kabwela did not have any trace of programmes being implemented.

One could argue that local communities benefit from investors' presence through their social corporate responsibilities, but the fact that investors are not welfare organizations and are not experts in service delivery implies that even under this initiative the locals still lose out.

Closer scrutiny of the programmes supported by the Kansanshi Foundation shows that these projects actually are located outside the communities that surround the mining area. Of all the projects implemented by the Kansanshi Foundation in the study areas, it is only water projects that were executed in communities surrounding the mining area.

### **Job Creation**

Investment in large-scale mining is by and large promoted because of the potential it has in job creation, especially for locals and other people in the wider spectrum of society (Weber-Fahr et al., 2002). Nonetheless, due to the low education and skills levels of local people, "most of the jobs sub-contracted to them fell in the unskilled category such as excavation and construction related" (Acting Chief Kapijimpanga). The jobs created were also highly insecure. And most of the people employed in the mine have come from outside Solwezi.

### **Income Generation through Agriculture**

Agriculture-based activities are one other significant source of income. According to field findings 69 per cent of the participants revealed that agriculture-based activities such as the sale of crops and livestock are the main source of income on a regular basis.

However, exploitation of opportunities in terms of agricultural-based income generation was not to its full scale. And as the District Commissioner for Solwezi observed, it is the farmers on the Copperbelt, which is 180 kilometres away, instead, who are feeding the growing population in Solwezi (Mulaliki, 2008).

This was due to a number of factors such as loss of fields to mining activities, the basic nature of farm implements that farmers use, and obsession with finding formal jobs in the mines. All the communities surrounding the mining area, save for Kyafukuma, lost their fields to mining activities and are not able to supply the ready market for food in town.

The agricultural sector, which supports a big population in Zambia and over 90 per cent in Solwezi, has declined in the recent past owing to the revived mining sector (Thurlow and Wobst, 2006).

### **Physical infrastructure development**

Theoretically, the linkages between large-scale mining, infrastructure development and rural poverty reduction are insinuated. In practice, the causal linkages promulgated are difficult to realize as observed in the case of Kansanshi mine. Field findings revealed that infrastructure development in the communities studied is either missing or is not relevant to the needs of local people.

For instance, the community of State Ranch does not have an access road which can link them to the outside world. Even the bridge constructed across the Kifubwa River is a misfit as it does not serve the interests of the community. Kansanshi Foundation contracted a company to erect a foot-bridge of 2 metres wide and 6 metres long, which cannot accommodate the smallest vehicle, let alone an ambulance. The community does not have easy access to markets, health centres, and education facilities in the rainy season.

Despite having a lot of people engaging in market-based activities as a way of coping with the transforming local economies, neither the mining company nor the government supported the initiatives of local people by constructing standard market shelters. Instead, the mining company under Kansanshi Foundation refurbished the town centre market and constructed a new market shelter in Kyawama Township, which are beyond the reach of rural people.

### **Supporting social service provision**

The mining company has supported government efforts in providing both health and education services. Despite the direct and indirect positive contribution of Kansanshi mine to the provision of health services in Solwezi, there are shortfalls that can be identified. Firstly, most - if not all - of the programmes undertaken are biased towards the urban set up and no attention is paid to the rural communities, especially those living close to the mining area. Almost all the participants revealed that they are given only paracetamol and malaria drugs when they visit clinics. Consequently, a staggering 76 per cent revealed that they resort to using herbal medicine or do not take anything at all in the event that they failed to buy the prescribed drugs.

Investment in the health-related infrastructure by both the government and the mining company is minimal. There has been an influx of people into Solwezi, who have been pulled by the perceived opportunities created. These people have to rely on the infrastructure base that was developed to cater for a small population, so much that now the facilities are overstretched, causing congestion. As one respondent highlighted, people resort to waking up at dawn to queue up only to be seen by a Clinician after 2 o'clock in the afternoon.

The observations made in the pattern of support for health services are similar for those under the education sector. The Kansanshi Foundation has spent over ZMK1 billion on schools that are located in communities that had not been directly affected by the mines' operations. Meanwhile, the mining company moved people to State Ranch and 'dumped' them there without constructing even a simple school structure to cater for the school-going children.

## Increased Vulnerability and Exposure to Risks

Mining activities have also great potential for the local communities living near mining areas to expose them to higher vulnerability and risks through displacement and seizure of natural assets.

Michael Cernea's Impoverishment, Risk and Rehabilitation (IRR) Model identifies Landlessness, Homelessness, Marginalization, Food insecurity, and Loss of access to common property resources as some of the risks that communities suffer at the hands of development (Cernea, 1997, pp. 1572-1576, 2000, p. 14). The opening of Kansanshi mine is no exception to exposing the local communities to some - if not all - of the risks identified above.



▲ The poor local residents are exposed to higher vulnerability and risks.

The other potential risk that has come with the opening of Kansanshi mine is increased exposure of local people to communicable diseases such as sexually transmitted diseases (STDs) and HIV/AIDS.

## Policy implications

It is evident that the development of the Kansanshi mine opened up numerous economic opportunities, which had the potential to impact on the livelihoods of local people. However, a further analysis revealed that most of the opportunities are concentrated in categories that are beyond the scope of local people.

The following recommendations are made bearing in mind that Zambia's mineral resource will always be exploited and that there is need to mitigate the "dirty work" of development.

Firstly, there is the need for the country to revise its investment regulations so that prospective investors conduct a thorough consultative process, which will ensure that the voices of the local people are captured within their investment plans.

Secondly, the government could develop a framework for guiding the compensation process for affected local communities in mining areas.

Thirdly, the government could review its fiscal system to ensure that a certain percentage of the revenue generated from mineral royalties and taxes is channeled back to the mining region. This will ensure that the communities that are directly affected by the mining operations get a fair share of the benefits accruing to the state.

Fourthly, it would be better if the government did not just finance the development of infrastructural base that supports the development of mines such as trunk roads and airports, which facilitate the movement of mining equipment. Instead, deliberate investment in infrastructure that supports the livelihoods of local communities such as feeder roads and market shelters should occur. The government could further increase the capacities of local people by helping them

adapt to the transforming local economies. Initiatives such as providing microcredit and agricultural input packs would be a start.

Fifthly, the government should adapt the models that have worked well in tourism-oriented community-based natural resource management initiatives to allow for the local communities to be shareholders in the mines

## *5.0 The New and Old Copperbelt: Some points for reflection*

PROF. JOHN LUNGU

The old Copperbelt can be defined as the traditional area where copper has been mined commercially since the late 1920's. The new Copperbelt refers to the North-Western Province more especially the Solwezi area where it is expected copper mining will dominate the economy of the area for some time to come.

Copper mining is expected to induce development in the New Copperbelt as it did in the Old Copperbelt. Development was led by developmentalist corporations. The RST and AAC obtained licenses to mine copper in the whole area. The situation was helped by the fact that the companies had a long term perspective of copper mining. Guided by this view, they invested in both the social and economic sectors. The corporations invested in the social sectors, education, health centres, hospitals, recreation centres and housing for miners. They provided food rations and maintained road and water infrastructures in the townships. They provided training for the miners recognizing that skilled people were "rare-apprentice". They transformed an area of bush to modern towns. The companies also paid taxes to the state. They sponsored sports: football, rugby, tennis, swimming etc.

ZCCM followed a similar model. It pursued a 'cradle to the grave welfare policy'. It provided nappies to the newly born and also burial arrangements for the dead. Unlike its predecessor companies, it extended some of its welfare activities to whole communities e.g. sport, health and education. Communities were given access to mine facilities. The model failed because of increases in the price of oil making it difficult to run the copper mine and falling prices of copper on the international markets leading to lower revenues not only for ZCCM but for Zambia as a whole. This led the country into heavy borrowing and entangling itself in the debt trap. Because of low foreign exchange earnings - borrowing led to debt crisis of 1980s. Debt led to borrowing from the IFI. These provided funds on condition of implementing Structural Adjustment Programmes.

Principle conditions of liberalisation and privatisation for Zambia, ZCCM was critical, therefore the need to sign development agreements.

Government has entered into development agreements with each of the seven companies. These Agreements have been accorded special status. They are protected from alteration for periods ranging from 15 to 20 years from the time



▲ Prof. John Lungu stressing a point during the Workshop



they were signed. They established the terms under which mines were sold notably royalty rates at 0.6% instead of 3% as per Mines and Minerals Act, no Change of terms for between 15-20 years ("Stability Periods), 100% Capital Allowances, Corporation tax at 25% (All others 35%), exemption from Value Added Tax and no responsibility for municipal services.

Price of both copper and cobalt has been rising. Copper is over \$8000 per tonne Copper and cobalt production has increased to over 500,000 tonnes for copper in 2006 and from 2,900 tonnes to over 4,900 tonnes for cobalt in 2006. Companies have been making very high profits.

Civil Society has pressured Government to renegotiate the Agreements because the price of both Copper and Cobalt has risen but no benefits accruing to the country. Government reformed the law in April 2008. The following were raised:

- Royalties to 3%,
- Corporate tax to 30%
- 25% Capital Allowances
- Variable tax of 15%
- Windfall Tax-graduated \$2.50-\$3.0-25%
- \$3.0-\$3.5-50%; Above \$3.5-75%
- GRZ expected \$415 Million in 2008.

The following concerns were brought forward

1. How does GRZ handle the additional Rev?
2. What does it do for the new Copperbelt especially Solwezi were Kansanshi has no obligation for social service provision.
3. Should Government handle Lumwana the same way as other companies?
4. Should the Government end at reforming the tax regime?
5. What of other aspects of DA's?
6. May be the Government should adopt a differentiated approach to the mining companies depending on the companies CSR policies. For instance, reward companies that are socially responsible.
7. The new Copperbelt must avoid some pitfalls of the Old Copperbelt by diversifying the economy of the North Western Province

## 6.0 Notes from Plenary discussions on Presentations

1. Following the Cheelo and CSPR pilot assessment presentations, the main concern uttered was the way forward, i.e. how to conduct the necessary advocacy work after the research has been done: “What advocacy plan has CSPR put in place to address the issues arising from the research?” Participants felt that the affected communities needed to see an impact of the research and its findings, beyond just the presented report.
2. A representative from CSPR responded that CSPR Civic Engagement and Advocacy (CEA) “Task Force” Group would have to deal with the required advocacy work. This working group would come up with an advocacy strategy on how to tackle issues arising.
3. Concerning the implications of being involved in any assessment or research project, one crucial question referred to the security or autonomy of research participants like communities or stakeholders: Investigations in mining practices might be very risky, bearing in mind for instance the aggressive character of illegal miners, was pointed out. Thus, it became critical not only to sensitize affected communities but also to ensure their protection.
4. Pointing at a similar direction, taking up the case of “HETRO” presented by CSPR, a participant wanted to find out how citizens who become victims of mining activities might be better empowered. She wondered whether such incidents with helpless citizens suffering from slavery acts occurred especially in rural areas and small-scale mines.
5. Drawing consequences from the CSPR research in Solwezi as well as other experiences by CSOs at the Copperbelt, a laconic polemic question read: “Do we get information only for money?”
6. The reluctance of different institutions and groups to give information appeared as a threat to independent monitoring of mining activities. On the one hand, even in communities it might happen that informants expect compensation, money, for being interviewed. On the other hand, the problem has to do with the widespread lack of transparency when it comes to critical information regarding the implications of mining in Zambia.
7. A general comment pointed out that the matter of how to channel revenues back to the affected regions and communities had to be taken up by CS as a “high-policy issue”.

8. Taking up Mr. Cheelo`s findings regarding the “Israelites” - i.e. communities which have been disadvantaged in Solwezi through resettlement due to mine operation - one person wondered whether there was anything like “Social Impact Assessments” when it comes to new mining projects. Prof. Lungu explained that social impacts are supposed to be taken into account by the “Environmental Impact Assessments” as communities living in mining areas were considered as environment to the mines. Correspondingly, mining companies were supposed to manage social impacts through their Environmental Management Plans. Even though, it was ascertained and emphasized that the assessment routines by the Environmental Council of Zambia (ECZ) do not sufficiently cover such social effects or side effects.



▲ One of the representatives from Lumwana mine

9. Responding to the current absence of any member of “Kansanshi” (the only representative, a coordinator from the “Kansanshi Foundation”, had left the house before the discussion session started), contributors were questioning the behaviour of the company and how it came that it was not represented in contrast to “Lumwana”. One of the two present representatives from “Lumwana” confirmed the relevance of discussion in this sort of round table (“Mining Watch”). But she also stressed the importance of having representatives from the Zambian government or administration around for the sake of a “balanced discussion”.
10. A participant from outside asked how “Kansanshi” could employ the Solwezi Mayor as their coordinator instead of letting the Mayor being an independent councillor. She emphasized the need for CSOs to define and issue what kind of leadership citizens really wanted. The participant wondered why citizens did not complain.
11. Following the Lungu presentation, a number of participants wanted to learn which consequences to draw from the new commodity boom and the new mining tax regime in Zambia, in particular when it comes to North-western Province, Solwezi: “What does it present for the New Copperbelt? How to handle the additional revenues?”
12. It remained an open question what implication the new tax regime, introduced in April 2008, had for the existing mining Act or the status of the “Development Agreements”.
13. A key reference made in identifying areas of advocacy work for CSOs was the ECZ. One speaker questioned its capacity and power.
14. Taking up the issue of transparency requirements in matters of assessment research as well as the emergence of the Extractive Industries Transparency Initiative (EITI) in Zambia, it was felt that now the “local battle” would begin where “EITI ends”.

15. From the side of Caritas Solwezi, emphasis was laid on the observation that investors had a “moral obligation” to improve people`s livelihoods.
16. A suggestion read to make use of the ongoing NCC process to achieve progress with the renegotiations between mining companies and the Government.
17. A second suggestion read that CSOs should also specifically track budget expenditures resulting from mining revenues or mining Corporate Social Responsibility programmes.
18. In the final plenary discussion session, again, the way forward was focused. It was consensus that CSOs should scale up their efforts to share information with local communities and to improve their advocacy strategies in the Province.
19. Regarding future advocacy or research activities by CSOs, one pending complex seemed to be environmental aspects of mining and its impacts.
20. Other issues to be stressed were mentioned as follows: the alarming poverty as well as illiteracy levels, behaviour and attitudes in the communities, mining companies CSR responses (“Do they offer any night school for the adult illiterate population?”)
21. Participants felt that today`s kind of a “Round Table” should be held more frequently so as to create continuity with discussions among stakeholders.
22. Tackling the challenge of fragmentation, for future public forums it should be tried to include more comprehensively also government officials, municipal council, various groups - in the sense of a new initiative of collaboration. Since the disintegration would mainly affect the vulnerable.

***For further information and contact:***

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