FOR WHOM THE WINDFALLS?

Winners & losers in the privatisation of Zambia's copper mines

Alastair Fraser & John Lungu

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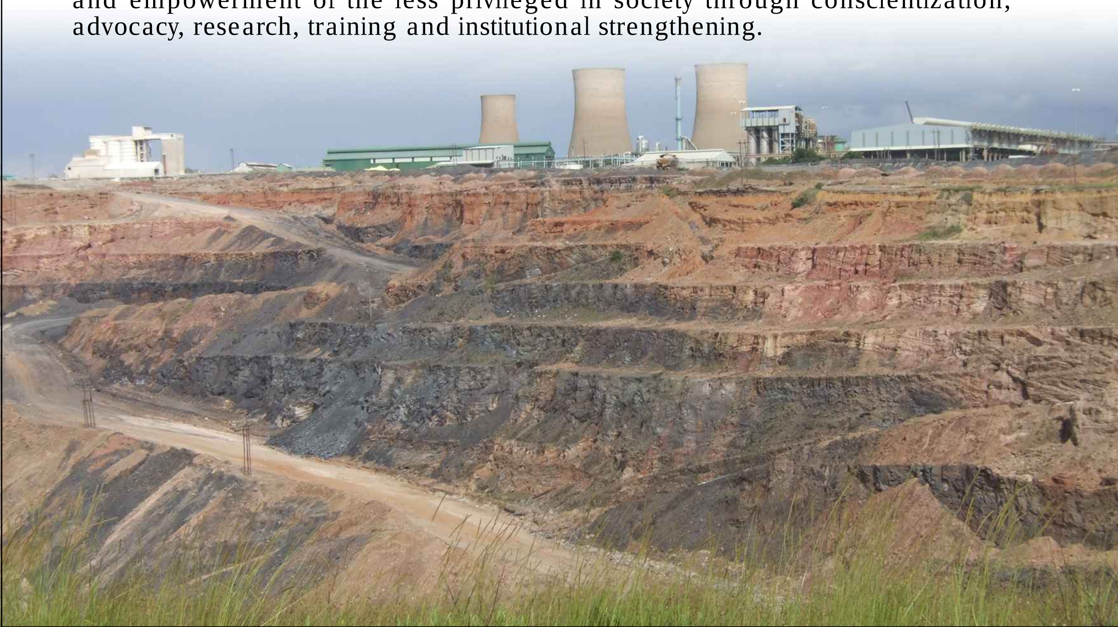
The mission of CCJDP is to promote economic justice, social justice, human dignity and empowerment of the less privileged in society through conscientization, advocacy, research, training and institutional strengthening.



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"You must never forget that, anywhere in the world, the wealth in the ground belongs to every citizen. Now that's a bit mushy for a hard-nosed businessman, but that's the reality and that's where the expectations arise." Derek Webbstock, CEO, Luanshya Mining Plc (1).

"After tomorrow, you must say no to poverty. After tomorrow you must say no to unemployment. What we want is Zambia for Zambians. People are making money over our heads." Michael Sata, Patriotic Front Presidential candidate (2).

"As the prices of copper and other metals continue to boom on the world market, the country needs to benefit as well." Ng'andu Magande, Zambian Minister of Finance and National Planning (3).

Differing expectations about who should get what benefits from digging the wealth out of the ground are causing serious tensions in the Copperbelt region of Northern Zambia. Multinational copper-mining companies, the Zambian Government, workers and local communities all desperately want recently privatised copper mines to succeed, and for the region to return to its golden age as one of the most developed parts of Africa. Yet all have different beliefs about how to make it happen, and what rights and responsibilities should attach to private companies, the state and citizens.

After decades of decline, the price of copper has been rising at unprecedented levels since 2003. The value of Zambia's copper exports more than doubled between 2005 and 2006, reaching US$2.78 billion (4). Government and the mining companies claim that all are benefiting from this boom on the Copperbelt. And yet in September 2006 Copperbelt voters roundly rejected current policies, electing to every urban seat in the region MPs representing the Patriotic Front (PF), a party that ran on a platform of deporting foreign investors that exploit the workforce, increasing corporate taxes and limiting foreign ownership of mines. Although the ruling Movement for Multiparty Democracy (MMD) won the election nationally, in his first speech in Parliament afterwards the President recognised, "Zambians spoke clearly and loudly and we will reflect seriously on their concerns…Whilst we have made important macroeconomic gains, admittedly the standard of living of the majority of Zambians remains poor." (5). This report aims to contribute to the discussion about the costs and benefits of privatisation and what might be done by Government, companies and donors to secure greater benefits for Zambia, and especially for those working in and living near the mines.

The companies and the Zambian Government both argue that, since 1991, under the supervision of the World Bank and IMF, Zambia has been transformed from a socialist economy dominated by the state-owned Zambia Consolidated Copper Mines (ZCCM) into a free-market system. The division of ZCCM into several smaller companies and their sale to private investors between 1997 and 2000 marked the completion of one of the most comprehensive and rapid privatisation processes seen anywhere in the world (6). The process was thus seen as a major success by the World Bank and IMF, and Zambia is now a favoured recipient country for many rich-country aid donors. Privatisation has certainly brought more money into mining. Pits that were threatened with closure have stayed open. New mines have opened up. Production and profits have significantly increased.

However, privatisation, the Government, the companies and aid donors now face a crisis of legitimacy as communities on the Copperbelt express their frustration, through strikes, protests and the ballot box, that they are not seeing the development gains they were promised and expected. Their bitterness is fuelled by the perception that massive wealth is being generated by mining as world prices for copper hit record highs but that, because of privatisation, it is leaving the country before Zambians see significant benefits.

Part of the problem is that simply stating that Zambia is a model free market economy in which companies and Government work together to deliver poverty reduction does not make it so. In the ideal model of what Zambia has become, the principal responsibility of the new mine owners is to invest much-needed capital. By doing so, they should revitalise the regional economy, generating employment for workers and a market for local producers. At the same time, they should respect the labour, health and safety and environmental laws of the country to ensure that their operations do not negatively affect local populations. Investors, workers and local communities should then be able to demand from Government that it uses the taxes they pay to regulate companies' behaviour, to secure an 'enabling environment' for business, and to provide social services – health and education, and infrastructure such as roads. Within that arrangement, the companies might also be encouraged to make voluntary and charitable contributions to support local initiatives, in programmes that reflect their belief in 'corporate social responsibility'. The system sounds fine in theory.

However, in the real world, since ZCCM was privatised, a social crisis already affecting the Copperbelt has deepened. Despite nostalgia on the Copperbelt for the days of ZCCM, for at least the last ten years of its existence the company was disintegrating as historically low prices for copper on the world market, and the bankruptcy of the Zambian state, prevented any re-investment in plant and infrastructure. This report does not attempt to suggest that everything was better in the old days of ZCCM. It does suggest, however, that given the massive surge in world copper prices that occurred soon after privatisation – a development well beyond the expectations or control of the Zambian state or the mining companies - things should now be significantly better than they are. With a one-eyed focus on 'securing the investment environment'. Zambia has succeeded in keeping the new 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 own roles as an effective regulator, protecting the rights of workers and local communities, or as a provider of social services. This report therefore highlights at least six problems with the privatisation and its aftermath.

1) One-sided deals

Companies took advantage of the fact that the Zambian state was desperate to secure new investment to negotiate their purchase of ZCCM assets under 'Development Agreements' that exempt them from covering most of ZCCM's liabilities, including pensions for its employees, from paying most taxes, and from many national laws, for example on environmental pollution. These agreements have a highly unusual legal status, only otherwise accorded the Zambian Constitution. They cannot be contradicted by future legislation as 'Stability Periods' ensure the policies in place when agreements were made cannot be changed for between 15 and 20 years. In some cases, by the end of these periods, all of the copper ore remaining in the mines will have been removed. Given their massive implications, what is amazing about the Development Agreements is that they have been kept secret. Almost a decade after the first of them were struck, trade unions, MPs, local government, even the regulating authorities that are supposed to keep the companies to the promises they made in the agreements have not been allowed to see them. Perhaps the most significant contribution of this report is that we have managed to access some of the agreements and they are published online at as appendices to this document. As far as we know, this is the first time that they have been available for inspection by Zambians.

2) Inadequate regulation, Illegal operations and Impunity

The Zambian Government was advised by the World Bank and IMF ahead of privatisation that, in order to bring in investment, the country would have to make itself more attractive than its neighbours and competitors by developing an 'investor-friendly' regulatory regime. The Bank and Fund then used Zambia's dependence on them for aid and debt relief to ensure that laws were passed – principally the Investment Act and the Mining and Minerals Act, withdrawing many of the controls the state had previously established on the behaviour of companies. While significant investments have poured in since, it is far from clear that all investors have chosen to take note of those of the country's laws that do still apply to them – or indeed to honour the commitments they made in the Development Agreements. Some investors have taken advantage of the fact that Zambian state institutions are too weak to effectively regulate their behaviour. The state itself also seems to have developed political relationships with certain mining houses that mean health and safety, labour, immigration and environmental regulations can be ignored with impunity, causing significant resentment.

3) Casualisation of the workforce

Although investments have created some new jobs, there has been a collapse in the quality of employment, with around 45% of those working in the mines now unable to access permanent, pensionable contracts (7). Most mining companies have shifted workers onto rolling, fixed-term contracts on significantly less beneficial terms and conditions, or the jobs have been 'contracted-out' to companies that pay in many cases less than half the monthly wage offered permanent workers for the same work in the same mine (8), and in some cases, just one tenth of this figure (9). Given the dangerous and arduous nature of their work, Zambian miners have been used to, and believe they deserve, decent terms and conditions. The current situation is creating for the first time amongst mineworkers a category of the 'working poor'.

4) Deepening pensioner poverty

Before privatisation, there was already a crisis of pensioner poverty on the Copperbelt as ZCCM's pension provision slowly worsened. This was exacerbated when the new investors refused to take on the company's liabilities to workers who had given a lifetime of service to develop the mining industry, insisting that the Government pay. However, the Zambian state faced tight budget constraints and struggled to finance the payments. Privatisation thus got off to a very bad start as thousands saw no pension payments. Some of these cases have still not been settled. Thousands more workers were immediately made redundant. In the five years from 1995 employment in the mines halved from 45,000 to 22,000. This has now rebounded a little to 31,000 by 2004 (10), but unemployment on the Copperbelt still sits at 22% as compared to 6% nationally (11). The current casualisation of the mining workforce will significantly deepen this crisis as the next generation of miners are refused the security of income in retirement that their fathers and they had expected from giving their working lives to mining. An absence of pensions is a particularly severe problem on the Copperbelt because of the social structure of the region. Over the past eighty years, more and more people have been drawn to the region, giving up rural lifestyles to live in the cities and work in the mines. At the end of formal employment, and without a pension, many now find themselves unable to afford food and unable to fall back on subsistence farming and the extended family networks that many retirees in rural areas would depend on. An increasing number are living and farming on squatted land, owned by the mines, and on which they face risks from eviction, subsidence, explosions and pollution.

5) Lack of linkages to local business

Many expected benefits for the local economy from privatisation have not materialised as the linkages made by new mine owners are to suppliers, manufacturers and markets outside Zambia. Many local suppliers have lost the business they used to conduct with ZCCM. For a range of reasons they are unable to compete on quality and price with foreign suppliers. Although the Zambian Government frequently raises this issue, it seems either unwilling or unable to enforce on the mining companies a system of constraints and incentives that would make up not just a mining policy, or an investment policy, but an industrial policy designed to support local suppliers and to build a local manufacturing base processing copper in Zambia. At present most but not all Zambian copper ore is concentrated and smelted in Zambia. A number of new smelters are also being built. However, an industrial policy for the country might aim to attract and support not just smelting but manufacturing of copper-based electrical products. Zambia has a comparative advantage over other countries for such operations due to the presence of the mines. The failure to develop an industrial policy is partly explained by the fact that the country is tied into a range of regional and global free trade deals that prevent Zambia from using tariffs and quotas to manage the flows of goods, services and capital across the country's borders. It is partly explained by the country's dependence on aid and debt relief which has enabled the World Bank and IMF to establish strict control over Zambia's economic policies. It is also partly explained by the Development Agreements that commit the Government to allow companies to move goods in and out of the country with minimal controls and payments of duty.

6) Failure to protect the social infrastructure

ZCCM provided almost everything that held society together in the Copperbelt: jobs, hospitals, schools, housing, and a wide range of social services including HIV-AIDS and malaria awareness and prevention programmes. Towards the end of the ZCCM era, much of this effort was collapsing. The new investors have made little effort to pick up these responsibilities. They are clear that their 'core business' is mining, and that the provision of social infrastructure goes beyond this remit. According to free-market ideology, and the Development Agreements, these goods and services should now be provided either by the local authorities or by market forces. But assuming on the basis of ideology that this transition can be achieved without significant welfare losses for the population completely ignores the context of Zambia's society, state and economy. At privatisation, beyond the mining company, neither the state nor the private sector existed in many places on the Copperbelt. Since a huge share of the state's meagre resources have been going to the World Bank and IMF as loan repayments and debt service, and since the Development Agreements, brokered by the Bank and Fund, direct very little new revenue from the companies towards state coffers, this outcome should have been predictable, not least by the Bank and Fund themselves. The Zambian state is amongst the smallest and weakest state structures in the world, with the country's doctor-patient ratio standing at 1:14,000 compared to 1:600 in Britain. It cannot just expand to cover liabilities and responsibilities as the companies shed them(12). Local people cannot afford to pay for services and if charged for them will simply not attend schools and hospitals. Increasing numbers are being cut off from electricity and water supply. The mining companies are starting to recognise that, in this context, in an industry that makes profits over the long term, investments in the human fabric of the surrounding community are also important. For example, after privatisation, cuts in the preventative health systems that ZCCM ran quickly led to significant increases in absenteeism as a result of increased malarial prevalence. By 2004 a quarter of recorded deaths of the Copperbelt were a result of malaria (13) and over 30% of the population were suffering from malaria in any year (14). The HIV-AIDS epidemic is also ravaging the workforce in Zambia.

The HIV prevalence rate for the Copperbelt is 22.1%, as compared to 17.8% nationally (15). Many of the companies have recognised that it is in their own interest to re-start anti-malarial spraying programmes in the areas where their workers and the wider community live and to develop comprehensive HIV-AIDS policies. Others are making slower progress.

Securing a social license to operate

To build a business in the long term, multinational companies need the consent and support not only of host Governments, but of their employees and the communities where they work. The current political rebellion on the Copperbelt is a reaction against an attempt by Government, mining companies and aid donors to impose a particular model of economic and social relations on workers and communities who do not perceive themselves as having benefited from privatisation.

People on the Copperbelt remember the sacrifices they made to build up the mining industry and the gains that are possible for all when the industry is running successfully. They remember the days when an underground workers' wage was sufficient that many could afford to support their family and to buy a car and a suit imported from the UK, when they could plan for the small business they would develop with their pension upon retirement. Now, many of those who still have jobs are living in poverty, unable to afford to feed and clothe their families, and fearful of how they will survive their retirement without a pension (16). Their expectations of how the wealth that they dig out of the ground should be distributed have been repeatedly disappointed, not only as ZCCM declined as the price of copper plummeted, but also as the industry has recovered under private ownership as the price has sky-rocketed.

For the moment, Government and the mining companies appear to be in denial. The Permanent Secretary of the Ministry of Mines suggests, "The people of Zambia are enlightened on the fact that in this current dispensation, where we say that the private sector should be the engine of growth, that the private sector is there to make a profit. The paternalistic approach to business that the ZCCM days had was of a socialist nature and belong to a different realm of the world altogether. So the Zambian people are not unreasonably expecting the old ZCCM approach. I think they have discarded that but nevertheless they want to see that the new companies, within the expectations of a private sector economy, will plough back something to the local communities." (17).

The Government seems to believe that the local population will come on board if the companies pay a little more tax and engage in a few more charitable activities. No doubt both of these things should happen, and probably will as government and companies attempt to respond to the 2006 election. However, evidence gathered for this report suggests that well-founded popular complaints about the mining industry are based on bread and butter issues: poverty wages, insecure terms and conditions, resistance to the legal right of trade unions to organise, inadequate support for retrenched and retired workers and a failure of attention to safety measures and environmental protection by the mining companies. The companies have shown little interest in solving these problems since each of them results from purposeful cost-cutting policies undertaken to maximise profits and dividends to shareholders. This implies that, alongside collecting more tax and encouraging more corporate social responsibility, the Government may need to break free of an obsession with 'investor-friendly policies' and use their regulatory and legal powers to prioritise the need and rights of workers and communities.

Policy Recommendations

This report therefore concludes with a series of policy recommendations to Government, companies and donors.

It suggests that the Zambian Government:

- Increases the tax take from mining companies.
- Develops the political will and institutional capacity to effectively enforce existing labour, safety and environmental legislation .
- Urgently reforms labour legislation to overcome the culture of casualisation, union-bashing and poverty wages.
- Ends the culture of secrecy that surrounds the mining industry, publishing all of the Development Agreements as well as companies' annual reports.
- Use subsidy, tax and tariff policies to develop manufacturing industries that maximise value added to copper goods in Zambia rather than exporting primary commodities with unstable prices.
- Adopts, as a Constitutional commitment, a transparent and democratic process of Parliamentary approval for contraction of future loans in order to prevent a return to debt dependency or a mortgaging of Zambian democracy.

It suggests that Mining Companies

- Make public commitments to respect Zambian legal frameworks and to co-operate with regulatory bodies.
- Open their books and operational records for public inspection.
- Establish purchasing policies to benefit local companies.
- Increase technology transfer of clean technologies that can reduce water and air pollution around mines.
- Work with local authorities to support health, education and other social programmes to local communities.
- Develop comprehensive company-specific malaria and HIV-AIDS policies.
- Develop plans to manage the foreseeable closure of the mines as copper ore deposits are exhausted.
- Strengthen the Chamber of Mines as a representative body.

The international community should consider the following policy proposals:

- WTO members should secure a fairer global trade regime to raise and stabilise primary commodity prices.
- Rich countries should stop using the WTO, bilateral free trade deals, aid and debt relief to limit policy space for industrial policies.
- Where Zambia does require aid financing to achieve its own plans and ambitions, such funding must be provided in sufficient quantities, and without onerous administrative and policy conditions.
- Rather than constantly pushing deregulation international aid donors should allow their support to be used to support an industrial policy that aims to create maximum quality employment.

The Historical Role of Copper Mining in the Zambian Economy and Society

From colonialism to nationalisation

One of world's largest sources of copper ore is found on the border of Zambia and the Democratic Republic of Congo, in a region known as the Copperbelt. Since the first commercial mine was opened at Roan Antelope (now Luanshya) in 1928 copper mining has dominated Zambia's economy. Under British colonial rule Northern Rhodesia (now Zambia) was understood by the authorities principally as a source of mineral wealth to support much more significant industrial, social, educational and governmental infrastructure in Southern Rhodesia (now Zimbabwe). The mines were owned and managed by two private companies, the Roan Selection Trust and the Anglo-American Corporation

When Zambia won its political independence in 1964 first President, Kenneth Kaunda, and his United National Independence Party (UNIP) set up great hopes for development. Central to these hopes was the rapid growth of the copper industry, driven by favourable world prices through the late 1960s and early 1970s. Mining had transformed the Copperbelt from an area of bush to a dynamic urban and industrial region, and with independence and the growth of the sector, Zambia was seen as the model for a continent moving rapidly towards political and economic independence, industrialisation and an end to poverty. In 1969, Zambia was classified a middle-income country, with one of the highest GDPs in Africa, three times that of Kenya, twice that of Egypt, and higher than Brazil, Malaysia, Turkey and South Korea (18). By 1973, Zambia had an urban population of 1 million out of a total population of 4 million. 750,000 were in waged employment (19).

In 1968 President Kenneth Kaunda raised concerns that, from independence, the two companies that owned the mines had put in little new money. The companies claimed that the royalty system by which they were taxed dissuaded investment. The Government responded in 1969 by announcing the nationalisation of the mines. The Constitution was amended through a referendum. All rights of ownership of minerals as well as exclusive prospecting and mining licenses reverted to the state. The mining companies were forced to give 51% of shares in all existing mines to the State. The two nationalised companies were combined in 1982 to form Zambia Consolidated Copper Mines (ZCCM)

Kaunda's philosophy, of 'Zambian humanism' focused on developing the potential of the indigenous population and a series of ambitious five-year National Development Plans aimed to direct the profits of newly nationalised copper mines towards building hospitals, schools and universities and providing subsidies to state-owned manufacturing companies and consumers. The colonial authorities had made little effort to develop educational and health infrastructures and at independence less than 0.5% of the Zambian population were estimated to have complete primary education. The country had just 107 graduates (20). Since independence, during the years of good international copper prices, mining contributed over 50% of the country's foreign exchange and two-thirds of the central government revenue (21).

The economic role and social functions of ZCCM

The mines also made a direct contribution to making the Copperbelt the most developed area of Zambia. As early as 1929, the private mining companies had become responsible for the provision of sanitary and orderly compounds to house employees (although European quarters had added facilities, such as electric light and water). The mine managements also supplied food rations for their employees, providing maize-meal, millet, rice, beans, meat, fresh vegetables, peanuts and salt on a weekly basis. Hospitals with competent medical personnel were provided in all mining settlements. The companies also provided recreation clubs for employees with many sporting and entertainment activities.

ZCCM was seen as a reflection of the state's developmental philosophy and supplied amenities much wider in scope than those offered during the colonial period, including free education for miners' children, alongside subsidised housing and food, electricity, water and transport. ZCCM literally operated "a cradle to grave" welfare policy, even subsidising burial arrangements for the dead. Although the system is often referred to as 'paternalistic', it should be remembered that these services were not all initiatives from the top-down. In many cases improvements in terms and conditions and in the condition of living quarters were demanded by the powerful Mineworkers Union of Zambia (MUZ) (22).

The mines did not just look after their workers, they provided services to the whole community. The company managed the environment in the mine townships, maintained the roads and collected refuse as well as providing cafeterias, bars and social clubs dotted over the mine townships. They encouraged the growth of economic and social activities dependent on miners' incomes, such as shops, farms to supply food to the mine areas and other industrial activities. Youth Development Schemes helped youths in the compounds identify the skills they could pursue and formalise as careers. Women's clubs concentrated on home-craft. Social casework agencies were charged with investigating social conditions in the townships. By the time of privatisation, ZCCM had one or two hospitals at each of its operating division. In towns like Nchanga and Konkola there were no government hospitals and non-mine employees and their dependants relied on mine hospitals for access to medical services.

The crisis of the ZCCM model

Although major progress was made in the first decade of independence, developments slowed when the price of copper collapsed after the first oil crisis in 1974, forcing Zambia to borrow in order to maintain social provision. After the second oil crisis in 1979, interest rates shot up and Zambia was thrown into a severe debt crisis. For twenty years the economy collapsed at an internationally unprecedented rate as copper prices continued to fall relative to the price of imports. Between 1974 and 1994, per capita income declined by 50%, leaving Zambia the 25th poorest country in the world (23).

Throughout the economic crisis, ZCCM was treated as a 'cash cow', milked without corresponding investment in machinery and prospecting ventures, and the mines suffered from little investment, as had been the case before 1969. With little investment in exploration and drilling, and a lack of spares in equipment and machinery, no new mines were opened after 1979. The ore bodies within the existing mines were found deeper and deeper and the cost of production went up. ZCCM production collapsed from a high of 750,000 tonnes in 1973 to 257,000 tonnes in 2000 (24).

The Privatisation Process

The move to liberalisation

In the 1980s the World Bank and the IMF started to use the leverage that came with Zambia's massive debts to them, and its inability to fund government revenues from mining income, to push the country to adopt economic liberalisation policies. Zambia accepted its first conditioned loan from the IMF in 1973/4 and entered its first World Bank structural adjustment programme in 1983. From that moment on, the IFIs have tightly policed Zambia's economic policies. Zambia learned the hard way not to try and resist. In July 1987, facing protests against the austerity measures in its adjustment programme the Government rejected the conditions of its loan and instituted a 'New Economic Recovery Programme' that limited debt-service payments to 10% of net export earnings. By September, Zambia's refusal to pay at the IMF's preferred rate resulted in almost all of Zambia's donors deciding collectively to starve the country of assistance (25). Arrears to the IMF continued to stack up, and no new money arrived. Within eighteen months the donors had made their point: the price of future support would be compliance with donor priorities. The Government decided that it had little choice but to accept, re-engaging the Bank and Fund, devaluing the currency, decontrolling prices and cutting food subsidies (26).

When Zambia accepted a new adjustment programme in 1989 donors started to come back in. Nonetheless, it was too late for UNIP. Repeated urban food riots, industrial unrest, and eventually the loss of support for the ruling party from the Zambian Congress of Trade Unions (ZCTU) saw the unions form an opposition Movement for Multiparty Democracy (MMD), headed by ZCTU leader Frederick Chiluba. They swept the board in elections in 1991(27).

Privatisation under the MMD and the role of external aid donors

The MMD owed its original momentum to trade union led resistance to structural adjustment. However, by the time of the elections, the unions had made a wide range of alliances within the business community, human rights groups and in civil society and the MMD ran on a manifesto that promised to liberalise the economy and secure a new democratic political dispensation. The Mineworkers Union endorsed privatisation partly because trade unionists had suffered as badly as anyone else from the decline of nationalised companies, and saw the need for new investment. They also wanted to be supportive of the MMD and saw dismantling the state-owned industries as a way of challenging UNIP's previous power base. Finally, both unions and the MMD believed that the only way to get the country's shattered economy back on track was to win the trust of international banks and investors, and that the only way to do that was to accept the donors' demands.

Donors hoped that an energetic reforming government could lead the first popular privatisation process in Africa. They aimed to support Zambia to become a 'success story' by 'buying' the MMD an extended political honeymoon with aid designed to cushion the social (and political) impact as they pushed through a massive programme of economic shock therapy. Over the first few years, aid money poured in (28), and the budget became more than 40% donor dependent (29).

A huge range of economic conditions attached to the loans contracted as part of Zambia's aid boom. Many of these related to the privatisation programme started from 1992, designed to sell 280 parastatal companies. By June 1996, 137 had been sold, in a process that the World Bank would recommend as a model for other countries because of its speed and thoroughness (30) and that others would condemn for the 'looting' (31), de-industrialisation, deepening debt and increasing poverty that came with it. The non-emergence of a vibrant private sector to step into the economic vacuum left by privatisation saw employment and growth go into reverse, where they stayed throughout the 1990s. Foreign companies bought up the largest and most viable firms with very little profit staying in Zambia. In 2002, the World Bank also eventually accepted that despite massive lending and a massive adjustment programme, "The supply response from the extensive privatisation of small and medium enterprises was limited… outcomes could have been significantly better —in terms of faster and stronger resumption of economic growth and reversal in per capita income and poverty trends— if the relevance and efficacy of Bank strategy had been higher. Outcomes of many Bank operations, and of the overall Bank program, were unsatisfactory." (32).

Right from the start, the crown jewels of the privatisation process were understood to be the copper mines. As early as 1993, Zambia's second Privatisation and Industrial Reform Credit (PIRC II) from the World Bank required that the Government study options for privatising ZCCM. A Germany Company, Kienbaum Development Services (GmbH), was contracted to assess the options and reported in April 1994, recommending that ZCCM be unbundled into 5 separate units. By 1995 the Bank (Economic Recovery and Investment Project (ERIP)) and IMF (Enhanced Structural Adjustment Facility (ESAF)) both extended loans that demanded Zambia adopt and implement plans within this framework. The Bank repeated the demand in 1996 (Economic and Structural Adjustment Credit (ESAC II)) and 1999 (Structural Adjustment Fund (SAF)), as did the IMF in 1999 (Enhanced SAF) (33). Throughout the process, the Government sought delays for technical and political reasons and the issue became a sticking point in relations with donors, with repeated accusations of bad faith on either side. Concerns were expressed by the Mineworkers Union of Zambia that unbundling of ZCCM into a number of companies would leave the least attractive assets either with insecure futures, or would leave the Government with significant assets on its hands. Better, they concluded, to encourage one serious investor to take on all of the liabilities and all of the facilities. The union was also concerned that introducing intra-company competition that would drive down conditions of service for their members (34).

What broke the deadlock was Zambia's qualification in 1996 for the World Bank's Heavily Indebted Poor Countries (HIPC) initiative. This process for relief of un-payable poor country debt established frequent hurdles (most importantly HIPC decision point and completion point) for the country to clear, each of which involved an assessment of performance by IFI staff before debt relief could be delivered. As each hurdle approached Zambia came under pressure to push through more controversial privatisations. In most cases, the state stalled, tried to appease domestic interests, and then eventually went ahead anyway, choosing debt relief over domestic politics.

Once it was clear that sale of the mines was to go ahead, three key questions remained:

- How should the companies be regulated after privatisation?
- Which of the mines would be sold to whom?
- Under what terms would Development Agreements be signed with new owners?

How should the companies be regulated?

Throughout the privatisation period the Government was being encouraged by donors to establish an 'investor friendly' policy regime. The most significant policy changes were enshrined in the 1995 Investment Act (reform of the Act was a condition of the World Bank's 1993 PIRC II loan) and the 1995 Mines and Minerals Development Acts. The Investment Act established the Zambian Investment Centre (ZIC) to assist companies through the process of buying into the Zambian economy. It provides the general incentives that apply to all investors as well as special incentives for investors in particular industries. It provides assurances against forced acquisition of companies by the state, preventing a repeat of Kaunda's nationalisations. The Act does away with foreign exchange controls, allowing companies to take out of Zambia, without interference, all funds in respect of dividends, principle and interest on foreign loans, management fees and other charges.

The Mines and Minerals Act of 1972 which regulated the nationalised industry was repealed to give way to The Mines and Minerals Act of 1995. This provides for the particular incentives for investors in mining. Under the Act tax paid for copper removed from Zambia – called a 'mineral royalty' is charged at the rate of 3% of the net back value of the minerals produced (35). The Act permits companies to minimise their income tax returns by allowing deductions for investment in mining. It also provides relief from paying customs duties on imported machinery and equipment. The Act does not specify the amounts of these forms of relief. Rather, it permits the government to enter into 'Development Agreements' with specific companies, under which they may extend more incentives than the Act grants, including reductions in royalty rates.

It was not simply the World Bank and IMF that were pressing for these policies. The Permanent Secretary of the Ministry of Mines reports prospective investors made specific requests. "The private sector wanted concessions so that when they take over these assets they would be able to recapitalise and at the end of the day, make these mines profitable. So in the Mining Act you find provision for these concessions. The companies wanted to drive certain taxes down. And this is how we came up with very low mineral royalties. Today I think we are the lowest in the whole of Africa at 0.6% of gross turnover for mineral royalties. This is how, over the period, we have pegged the company tax at 25% for the mining sector, compared to manufacturing companies which are at 35%. And then on imports of capital equipment, these things are brought in duty free if they are brought in for mining operations and for exploration work in mining. Not only that we have made many items tax deductible when you come to income tax calculations. Capital investment is tax deductible and the interest that you pay on loans is also tax deductible. So the whole package is very, very attractive." (36)

Which of the ZCCM mines went to whom?

Two international consultants Rothschild, and Clifford Chance, advised on the practical modalities of privatizing ZCCM (37). They suggested that the company should be privatized in two stages. In stage 1, substantial majority interests in all ZCCM assets were to be offered in a number of separate packages that would leave the Zambian state – in the form of a company called ZCCM Investment Holdings (ZCCM-IH) - as an owner of minority interests in companies controlled and managed by the incoming investors. In stage 2, the Government would then dispose of all, or a substantial part of, its share holding. These shares were to be offered for sale to the Zambian public as well as financial institutions in Zambia and abroad.

The outcome of the tender process was that:

1. The Nkana mine and assets were packaged with the Mufulira mine and concentrating and treating assets, to form the largest company - Mopani Copper Mines Plc (MCM).
2. The second largest grouping included the mines and other assets at Nchanga which were paired with those at Konkola and Nampundwe to form a company called Konkola Copper Mines Plc (KCM).
3. The smaller facilities at Baluba and Luanshya mines were put together with a concentrator and the Mulyashi greenfield site. These were known as the Roan Antelope Mining Corporation of Zambia (RAMCOZ).
4. The mining assets at Chambishi were split off from the other assets to form a company called Chambishi Mines Plc.
5. The smelter at Chambishi was sold together with the acid and cobalt plants and the Nkana slag dumps to form a company called Chambishi Metals Plc.
6. An acid plant, and the Kansanshi copper deposit were put together to form Bwana Mkubwa Mines Ltd.
7. The mine at Kalulushi was sold as a firm called Chibuluma Mines Plc.

The mines have thus undergone three major phases. From their establishment to 1969, the Mines were in private hands under the control of the Roan Selection Trust (RST) and the Anglo-American Corporation (AAC). In the period after 1969, the mines were first nationalised and then in 1982 merged to form ZCCM. Although ZCCM was a state enterprise, Anglo-American, through its subsidiary, Zambia Copper Investments (ZCI) continued to hold 27.3% of the shares and pre-emptive rights to buy back shares that the Government offered in ZCCM at a later date before they were offered to anyone else.

Between 1997 and 2000, ZCCM was split up into seven different units and sold off. The units were initially bought up by seven multinational mining companies, including Anglo-American which chose to exercise its per-emptive rights, taking on 65% of KCM, a package which included the right and expectation to develop the massive new Konkola Deep Mining Project (KDMP). However, Anglo only waited until 2002 for the copper price to rebound, before deciding that it wasn't going to, and that there was not as much money to be made in the short term from KDMP as they had hoped. Anglo, along with other minority investors in KCM – the Commonwealth Development Corporation (CDC) and the World Bank's International Financing Corporation (IFC) completely pulled out of Zambia, handing the mine back to state ownership and, in the process, threatening to bring a halt to production at the country's biggest asset.

The situation created a major panic for the Government, which was eventually relieved to sell 51% of interests in KCM, in 2004 to a British/Indian company, Vedanta, at a knockdown price. Anglo must have regretted their decision as much as the Zambian Government and local workers. Within a year, the copper price rebounded spectacularly and Vedanta immediately recouped their $25 million investment. Both Chambishi Metals and RAMCOZ went through similar processes. They were initially bought by a South African firm Anglo-Vaal and the Indian-led Binani Group respectively. Both quickly abandoned their investments and the mines sat idle for three years before being acquired in 2004 by a little known Swiss investor, J&W. J&W was a subsidiary of the Swiss company Enya, and the assets are now held under that name. As the world copper price fluctuates, as it inevitably will under the current global tading rules, investors make short-term decisions to maximise profit. Shares and share-holding companies change hands rapidly and the ownership structure of all the companies is still fairly fluid. This is particularly true of the biggest company, Mopani Copper Mines, which continues to be run by a board whose membership reflects the shifting balance between share-owners, including the Zambian state which still holds a minority interest via ZCCM-Investment Holdings (ZCCM-IH). Fig. 1, below, shows the assets held by the different blocs of private and then nationalised mines and then the percentage shareholdings of the various private companies as ZCCM was privatised.

Shifting Ownership Patterns for Large-Scale Copper Mining Assets on the Zambian Copperbelt from Colonialism to the Present Day

KEY
Company,
Owner,
shareholding %,
(Country of origin),
Assets held

Roan Selection Trust (RST)
Luanshya,
Chambishi,
Kalulushi, Nkana,
Mufulira

1931 – 1969

Roan Copper Mines (RCM)

1969 –1982

Nchanga Copper Mines (NCM)

1969 –1982

Anglo-American Corporation (AAC)
Nchanga, Konkola,
Chingola,
Nampundwe,
Chililabombwe

1931 – 1969

Zambia Consolidated Copper Mines (ZCCM)
AAC/ZCI (US)
27.3% minority stake

1982 – 1997/2000

1997/2000 - 2006 Sept 2006 owners in black boxes

RAMCOZ
Binani, 85%, (India),
ZCCM-IH 15%
Luanshya, Mulyashi

Luanshya Mines Plc
J&W/Enya
(Switzerland)

Chambishi Metals.
Anglo-Vaal (South Africa)
Chambishi smelter,
Nkana slag dumps

Chambishi Metals
J&W/Enya
(Switzerland)

Chambishi Mines Plc.
Non-Ferrous Metals Co. - Africa, (China)
Chambishi mine

Chibuluma Mines Plc.
Metorex, (South Africa)
Kalulushi

Mopani Copper Mines (MCM).
Glencore, 73.1%,
First Quantum,
16.9%, (both Canada), ZCCM-IH.
10%. Nkana,
Mufulira

1997/2000 - 2006 Sept 2006 owners in black boxes

Konkola Copper Mines
AAC/ZCI (US) 65%
IFC 7.5 %
CDC 7.5%
ZCCM-IH 20%.

Konkola Copper Mines (KCM)
Vedanta, 51% (UK / India), ZCCM-IH
49% Nchanga,
Konkola, Chingola,
Nampundwe,
Chililabombwe,

Bwana Mkubwa Mines Ltd.
First Quantum,
(Canada)
Kansanshi

Under what terms were Development Agreements signed with new owners?

The final and most important stage of privatisation was the negotiation and signing of Development Agreements with each of the companies. These secret documents established the terms under which the mines were sold, and the rights and responsibilities of the Zambian state and the new mining companies. The original agreements were negotiated between 1997 and 2000, and a number of these are published online as annexes to this document at www.minewatchzambia.com. Appendix 1 provides a comparison of the different agreements. We do not have access to all of the original agreements or to those signed by subsequent investors after the original investors exited, some of which involved amendments to the originals. However, it is possible to identify key trends because much of the content of the agreements has been cut and pasted between the different documents.

The Development Agreements and Tax

Despite the Mines and Minerals Act specifying that mineral royalties should be set at 3% for those holding large-scale mining licences, the rate negotiated by most mining companies is 0.6% of the gross revenue of minerals produced in the mining areas. The agreements also allow companies to avoid paying a good deal of corporate tax by carrying forward losses for periods of between 15 and 20 years on a ‘first-in, first-out’ basis, meaning that losses made in year 1 of operations could be subtracted in subsequent years from taxable profits. The companies were also granted deductions of 100 percent of capital expenditure in the year in which it is incurred and were exempted from paying customs and excise duties or any other duty or import tax levied on machinery and equipment. This exemption was extended to other contracting firms importing machinery for mines development.

The government undertook not to amend any of these tax regimes after the agreement was struck, for as much as 20 years. These ‘stability periods’ are a particularly important provision because until they expire the terms of the Development Agreement are legally binding and overrule any existing or future national legislation. If at any time during the stability period either party feels that the other is not holding up their side of the bargain, they can refer the dispute to an international arbitration process.

One financial measure is in place in the Development Agreements that aims to claw benefits back to Zambia in cases where the global copper price increases significantly and the companies start to earn major windfall benefits. These ‘price participation’ clauses state that if the price of copper at the London Metal Exchange exceeds a specific benchmark (US$2700 per tonne), then the Government starts to claim back a percentage of each sale made. However, the impact of price participation clauses is minimal because the payment to the government is again deductible by the companies for income tax purposes. This implies that as government starts enjoying income from price participation, the income tax payable by the companies will be reduced.

The Development Agreements and the Environment

Copper ore is separated from the rocks in which it is found by being crushed to a powder and floated in acids to separate out. This process produces a powdery substance called ‘concentrate’ which is dried out and then heated in furnaces called smelters to produce molten copper which can be shaped into sheets known as ‘cathodes’. By-products of the process include liquid effluents made toxic by heavy metals and smoke from smelting which includes SO_2, sulphur dioxide, which if released into the atmosphere in high concentrations causes human respiratory illnesses and combines with water to form acid rain which corrodes metal roofs, kills trees and lakes and prevents many plants from growing.

Through the ZCCM era Government targets were set limiting the amount of pollution from the mines going into the rivers and atmosphere. If ZCCM overran these targets, fines were paid by the company to the Environmental Council of Zambia (ECZ), both as an incentive not to pollute, and to help to pay for clean-up. However, the Development Agreements contain significant exemptions to these laws. During their stability periods, so long as the companies do not discharge pollution in excess of what ZCCM was discharging, they will not be held responsible, even though ZCCM would have been fined for the same behavior, and even though it may constitute a criminal offence.

The companies also used the negotiations to ensure that they took on only ZCCM assets, and not its liabilities. So, where the ZCCM Division being purchased had created, for example, a dam to store toxic 'leachings' or a slag heap that the new company did not think they could make use of, they refused to take on the dam or heap, leaving long-term environmental management with the Government. These dams and heaps are both damaged by the seasonal tropical rains of the Copperbelt region and need to be stabilized, through planting of trees on heaps and maintenance of dam walls to ensure that they are not eroded such that toxic waste floods local homes and fields. The companies also negotiated that, for those assets that they did take on, they should only have responsibility for clean-ups caused by 'current pollution'. Where for example a river is silted or polluted with heavy metal deposits, the companies are now able to deny responsibility for their own pollution, claiming that it is historic, and to refuse assistance to much-needed dredging and clean-up projects.

These exemptions under the Development Agreements were granted to companies on two conditions. They had to agree to prepare an Environmental Management Plan that would be accepted by ECZ, and then to report regularly on their implementation. As will be discussed, this system has not operated effectively to replace the previous systems of regulation, not least because at least one company has simply not submitted a plan for approval, leaving ECZ with nothing to police.

The Development Agreements and responsibility to workers, communities and local economies

As discussed throughout this report, since privatisation, there has been widespread disappointment at:

- the performance of the new companies and municipal authorities in providing social infrastructure that was previously the responsibility of ZCCM,
- the lack of opportunities for local staff to step into management positions and to receive training,
- the collapse of ZCCM procurement and sales procedures designed to increase linkages to the local economy.

Because the Development Agreements were secret, it is widely assumed on the Copperbelt that the privatisation process did not impose any responsibilities on the companies to continue with ZCCM policies in these areas. However, on inspection of the Agreements we have found that the situation is not so straightforward. The introduction to each of the Development Agreements suggests that the aim of the agreements should be to ensure that the country benefits from mining. For example, MCM's Development Agreement reads: "GRZ wishes to ensure that the continued development and exploitation of the commercial deposits of copper and cobalt ore at the Facilities' mines, together with the development and operation of the smelter, refinery, concentrators and cobalt plant will secure the maximum benefit for, and adequately contribute to the advancement and the social and economic welfare of, the people of Zambia, including the people in the vicinity of the Contract Area in a manner consistent with their needs and the protection of the environment and, at the same time, secure an appropriate return on investment for the company, commensurate with the risks involved for the company." (38)

In cases where the ZCCM Division being taken on was associated with particular schools and hospitals, even women's groups and sports clubs that were being sponsored, or stretches of road for which the companies are responsible, the Agreements tend to either transfer these responsibilities to the new companies, including monitoring mechanisms to ensure prices and standards are maintained, or to assert how labour and costs for maintaining the systems will be divided between the company, the local authority and service users. Detailed charts of the number of school places and hospital beds available at the moment of transition, the budgets of the institutions and the number of professionals employed in them are provided in annexes to the Agreements. The Agreements often include requirements that the companies guarantee free provision to retirees and workers' dependents, although they usually allow the company to charge the wider population for what may previously have been free services. It may therefore be that some of the problems now seen relate to failures of implementation and regulation. Others may have been caused by the Development Agreements failing to specify all of the services previously provided by ZCCM – for example preventative health services, rather than making no attempt to transfer responsibilities for social aspects of ZCCM's work.

Similarly, disappointment over lost contracts for local companies has sometimes been blamed on the government allowing new investors to give up on marketing and sales, licensing, tendering and contracting systems established under ZCCM and designed to favour local businesses. In fact, in many of the agreements, complex arrangements are put in place whereby the companies have responsibility for maintaining these systems. These include the establishment of committees to monitor the implementation of local sourcing policies, with the ability to challenge mines to explain cases where local suppliers are failing to win contracts. In some cases, the Agreements establish benchmarks and targets, for example, supplying a certain percentages of copper cathode produced by the mines to local manufacturers that need copper inputs. Again, rather than being the case that the privatisation process ignored these concerns, it seems that few of these committees have been established, let alone functioned effectively.

It appears that those companies that concluded their agreements later have secured more beneficial terms than those that signed earlier, for example paying just 25% corporate tax, rather than 35%, and winning stability periods of 20 years rather than 15 (39).

The Development Agreements and Official Secrecy

Underpinning many of the problems discussed in this report is a culture of official secrecy which makes it difficult for citizens to access data and documentation and thus to put pressure on the companies or Government to deliver greater benefits. Most serious is the lack of access to the Development Agreements. Almost a decade after the first of them were struck, trade unions, MPs, local government, even the regulating authorities that are supposed to keep the companies to the promises they made in the agreements have not been allowed to see them. Although throughout the research for this report most government departments and companies have been very willing to talk openly on a range of non-statistical issues, documents and hard data are much thinner on the ground. Investment, production, employment and profit figures for some of the firms are not recorded clearly in annual reports. We have been unable to provide data on contributions to national tax take from each of the companies. Although the mines make annual or periodic reports to, amongst others, Mines Safety Department, the Ministry of Mines, the Zambia Revenue Authority, the Bank of Zambia and the Environmental Council of Zambia these reports are not publicly accessible. The ECZ consultation process on Environmental Management Plans appears to be one honourable exception to this general rule, although this is also not well publicised.

An inability to access the contents of the agreements presents genuine problems for trade unions in performing their basic task of negotiating on behalf of workers. As early as 1999 MUZ wrote to the Minister of Labour, concerned about casualisation of the workforce at Chambishi Mines. They wrote, "We hereby want to bring to your attention some strange labour practices at some of our newly privatised entities which practices, if left unchecked, will reduce this country's labour forces to a level of pauperisation. As a union, our job to confront these issues and monitor the practices of the new investors with regard to the interests of our members has been impaired by our inability to access the sacred sale and development agreements… As a result we are in no position to monitor what was pledged…Our members at Chambishi through the branch have brought these concerns to the attention of the new management, whose response is that whatever they are doing was agreed in the Sale and Development Agreements… As a union we are beginning to see the early seeds and genesis of intractable industrial disharmony if some of the investors are allowed to transplant in this country apartheid-like labour practices." (40).

Problems in the negotiating process

All of the mining companies interviewed recognise that the Development Agreements they secured are extremely favourable, and that the 'investment climate' in the country is exceptionally generous. With global commodity prices as high as they are now, all firms are set to make handsome profits. As the new CEO of Luanshya Mining Plc put it, "Going though the Development Agreements for the two companies which we own, Luanshya Copper Mines and Chambishi Metals, I would say they are very fair, very reasonable… It must be one of the more attractive places to invest in globally in terms of new mining ventures." (41). The question for this report is whether the new situation is also attractive for mine-workers, Copperbelt communities and the Zambian economy.

The tax and environmental concessions in the Development Agreements partly reflect the fact that the principal aim of privatisation – establishing an attractive investment environment to bring in new money - was prioritised above ensuring that new investors accepted responsibilities to share in the wealth that would flow from their operations. However, the concessions also result from the fact that Zambian negotiators found themselves in a weak position in the discussions.

- The mines were sold when the price of copper was so low that ZCCM was making year-on-year losses. This made it a buyer's market, and the assets were given away cheaply with few strings attached.
- The Government was being pushed by the World Bank to sell. Potential purchasers knew this, and although the state did delay for several years, companies did not need to bargain in fear of Government refusing altogether.
- Although the Government stated that one of its objectives for the privatisation was that it should be a transparent process, consistent with good order in the industry, and the World Bank and IMF, who oversaw the talks, claim to be in favour of good governance and transparency, the process was extremely secretive. There was no consultation with stakeholders or public discussion of the terms of the agreements. This weakened checks on the state negotiators, and allowed the companies to brush away any concerns the state might express about public perception of or resistance to the deals. MUZ did have brief discussions with the Ministry of Mines, but the Ministry was not leading the process (42).

Whatever the weaknesses of Zambia's negotiators, there is no excuse for massive multinational investors to blackmail one of the world's poorest countries to provide special concessions from its national laws. Many companies are signed up to the Organisation for Economic Co-operation and Development (OECD) guidelines on investment, which are designed to promote good corporate citizenship. These state clearly, "Enterprises should refrain from seeking or accepting exemptions not contemplated in the statutory or regulatory framework related to environmental, health, safety, labour, taxation, financial incentives or other issues." (43). However, the Chamber of Mines of Zambia is quite brazen about the companies' lobbying effort, stating, "The investment climate that prevailed in the country at the time was not attractive to Foreign Direct Investment (FDI) and since by necessity mining operations are long-term the new investors demanded, as a matter of prudence, for special conditions in the purchase conditions." (44).

Successes of privatisation

The Zambian Government is clear that the privatisation strategy has worked. The Permanent Secretary of the Ministry of Mines argues, "It has been very, very successful. Closed mines have opened up, new mines are coming up, and the existing mines were limping and they are all doing very well." (45).

New money

This is a fair description of the current 'boom' in Zambia. Under ZCCM, facing historically low global copper prices, the industry was desperately short of investment and was dying on its feet. Significant investment has now been delivered, re-invigorating the industry and increasing production. Despite criticisms of the privatisation, even the Mineworkers Union of Zambia (MUZ) recognises that, "Since 1998 we have close to $1.4 billion which has gone into the mining industry, into refurbishment of plants, and purchases of spares and machinery. So one sees that privatisation addressed capitalisation, the issue of refurbishing and the issue of exploration and drilling. It has shown in increased copper production." (46).

The companies themselves are also keen to point up that they are delivering their most significant responsibility: providing the finance to rehabilitate the industry and create employment opportunities and income for the country. The mining industry's representative body, the Chamber of Mines, claims that, by 2005 the companies were putting in over US$350 million a year. See Appendix 2.

Higher production

Reflecting the new investments, production has rebounded, although available figures suggest that this rebound was only to 400,000 tons by 2004, which is certainly higher than the figure in the last few years of ZCCM, but is not unusually high in the history of the Zambian industry. Production in 1982 was 591,853, and dropped gradually throughout the 1980s to 415,645 tons in 1989. From then on, production fell steadily through the 1990s to just over 250,000 tons before starting a revival in 2000. Appendix 3 suggests that 2005 production was slightly above trends in 1990.

However, several companies have significant plans for future investment, which will increase production and result in employment creation. The Chamber of Mines predicts production may be as high as 600,000 tons in 2006, a figure never bettered in ZCCM's lifespan from 1982-1997, and that by 2009, it may even reach 800,000 tons (47).

New mines

These figures are partly possible because the investment will lead to the opening of new mines for the first time in twenty-five years. Lumwana, which will be the biggest mine in Africa, is currently under construction in a green-field site in North-western Province. As the Permanent Secretary at the Ministry of Mines notes: “It was a rural area, in the bush. Now the standard of living is becoming comparable to what is on the Copperbelt. That's the nature of large-scale mining - it just transforms a rural area into a high standard of living. The Copperbelt was rural at one time. It's there like that now because of mines." (48).

The other prestige project underway is the Konkola Deep Mining Project (KDMP), owned by Vedanta at KCM. KDMP is sensitive because of high hopes for the project, and the bitter experience with Anglo pulling out. However, management are adamant that the project is now going ahead. The Resident Director claims, “Vedanta has been here one year and has committed $750m, placing orders for $400m. Major future projects include KDMP, a concentrator aligned to that and a smelter at Chingola. Nowhere else in the world in one year would someone commit this much. In our Development Agreement, we commit to preparing a feasibility report on KDMP by December 2006. But we bypassed that option and straight away went for the investment. We have already selected the technology, and placed orders.” (49). Vedanta are emphatic that they will not be making the same short-term miscalculation as Anglo and dropping KDPM half-way through: “There is no possibility. Everyone knows the current price bubble will burst one day, but there’s no danger that the project will run away. Even at 90c [per lb of copper – the current realised price is approximately $4 per lb], the project is viable. The success will be huge once the project is done.”(50). However, recognising that more money is going in, more copper is coming out, and more mines are on the way, does not tell us whether privatisation alone provided this boost to the industry or whether price increases were equally or more important.

Although many of the new mining companies have made major investments ahead of returns, investing sums that were not likely to have been available to ZCCM, other have not, preferring to keep previous operations running on old plant and old systems, and extracting maximum profit as quickly as possible. This was particularly true during the years when the copper price was relatively low, suggesting that the companies deserve less credit than they sometimes suggest for the ‘risks’ they have taken. As shown in Appendix 2 the Chamber of Mines own figures show that, in its last seven years, 1990-1996, ZCCM’s investment in the copper mines was running at around US $125 million a year. Following privatisation, for the next seven years, 1997-2003, under the new investors, this average figure crept up to around $135m. As discussed above, during this period, three of the seven initial investors pulled out of the country without making any significant investments, in the process threatening to bring the industry to a complete halt. The investment boom thus only really started in 2004, after the world copper price explosion started. In the period 2000-2003, the average copper price on the London Metal Exchange languished between $1,558 per tonne and $1,815. As shown in Appendix 10, over the next two years, this price doubled to $3,684 per tonne. Unfortunately, both free-market ideology and the companies’ Development Agreements give companies the perfect right to make such calculations based on short-term profitability rather than taking a long term perspective. The Development Agreements do include commitments on the companies to invest certain sums. However, they also contain clauses that allow the companies to withhold finance, or to pull out of the mines entirely, as some of them have, without any penalty, entirely on the basis of the companies’ own calculations about the commercial viability of the mine in the short term.

New profits

It is perhaps unsurprising then that the new investors are themselves now making significant sums. Although MCM claim that they are still investing, rather than taking out profits, First Quantum's net earnings exploded from $4.6 Million in 2003 to $152.8 Million in 2005. First Quantum returned approximately 10% of the 2005 after tax profit to shareholders, who were also rewarded with exceptional share price performance. Since 2000, First Quantum's shares have returned more than 1,000%, or an average annual rate of 200% (51). As the company's 2005 Annual Report notes, "As good as 2005 was, 2006 is shaping up to be a better year for the Company. Copper production is expected to climb to approximately 200,000 tonnes (441 million pounds), a 68% increase over 2005. To date in 2006, copper prices have risen well above $2.00 per pound and this will provide a further increase to our already healthy profit margins." (52). By November, the company was reporting that profits in the third quarter of 2006 were triple those in the same period in 2005. First Quantum was selling copper at an average of $3.17 per pound, more than double the price it was achieving a year earlier (53). Similarly, KCM's operating profit increased from $52.7 Million in the year to 2005 to $206.3 Million in 2006 (54).

Having recognised the success of privatisation in re-capitalising the industry, a MUZ representative thus went on to note that investment, "occurred at a time when copper prices rebounded and rose. These price levels were almost inconceivable, almost unimaginable. We didn't predict that the copper price would ever reach that. So when it did, we found ourselves with a mountain to climb in terms of us taking advantage of the new market and the new copper price." (55).

The Impact of Privatisation on Mine Workers

Mass redundancies

Perhaps the greatest impact of privatisation on the Copperbelt is the mass unemployment that it generated. The historic peak of employment was 1976 when 62,222 worked in the mines. Although the industry declined over the next fifteen years, employment stayed at similar levels, and in 1991 stood at 56,582 (56). From this moment, the Government declared the workforce bloated and, as part of the process of preparing the mines for privatisation, implemented a significant retrenchment programme. Employment levels had fallen to 31,000 by the sale of the first mine in 1997. (57) However, after privatisation, the workforce was cut by another third almost immediately and total employment dropped to 19,145 in 2001 (58). According to the Chamber of Mines the numbers of people in direct employment by the mining houses has since increased slightly, to 19,900 in 2004 (59).

Unpaid Pensions

Asked whether state negotiators would adopt the same approach to negotiation of the Development Agreements if they could go through the process again, the Permanent Secretary (PS) of the Ministry of Mines and Minerals Development commented: "We would do it differently. There were a large number of people who were being laid off in the process of privatisation to the extent that the general public felt like, what was in it for them in the privatisation? It was like foreigners were just coming over to take over and run and get fat cheques while the local people were thrown into unemployment and they were not seeing anything coming on." (60). However, it was not simply the unemployment created by privatisation that was unpopular; it was the manner in which redundant workers were dealt with. The PS continues, "The companies in general did not want to take on the labour liabilities that were under ZCCM, to provide terminal benefits after someone has worked for years. They prefer the situation where the cut-off date would be when they move in. From that date, the people they have as their employees, they will take care of them. But for those who worked in ZCCM and whom the companies did not want to take over because they felt it was a bloated labour force, Government had to take care of that." (61)

Handing responsibility for ZCCM liabilities to Government may have seemed like a logical step, encouraging new investors that they would not have to taken on additional costs. However, he also notes that the strategy was not appropriate to the Zambian situation: “That was a time when government coffers were not that good. We had a heavy external debt and the IMF and World Bank and co-operating partners at that time agreed with us that when we framed the budget, priority was to be given to debt service. So to address some of these concerns it was very difficult, because we did not have money. So if we were to go back to the period before privatisation and we had this knowledge we would have done it differently. As things stand up to now we are getting complaints from the mining sector that the pensions that you gave us are too little, and we want more, that we have not been paid and we would like to be paid." (62). It was not simply the treatment of financial issues that created so much resentment about the redundancies, it was also the manner in which it was dealt with. As the General Secretary of NUMAUW explained, “Retrenchment some years back was not a common word. It was retirement. Then, about a year before I was going to leave, the company would come. I would be asked where I was going to stay and what I was planning to do. If I wanted to go into fishing, I would be maybe sent to a class with a renowned fisherman, so that, when I got to my village, I am not going to struggle or starve in that place, old as I am, with energy exhausted, I am going to be able to make a life. Retrenchment today: Bring the keys. Part company. Come next week and collect the cheque. Inhuman.” (63).

Casualisation and poverty wages

As discussed, at the moment of privatisation, most of the new investors started by stripping-back the labour force to the bare bones, and although they have since very slightly increased their total employment levels, rather than taking on permanent workers they have tended to either offer fixed-term contracts with no job security and no pension, or to sub-contract much of the work out. Since privatisation, almost all of the growth in employment in the mines has been for those employed by contracting firms. This number increased from 2,628 in 2000 to 11,536 in 2004 (64). Because of the variations in types of contracts offered, it is difficult to calculate exact numbers of people working in the industry under different terms and conditions. However, based on interviews with mine management in the five firms that make up the lion’s share of employment, we believe that for these five companies, as of September 2006, there at least 21,000 workers on pensionable contracts at the mining houses, another 16,000 employed indirectly via contracting firms and at least 1,900 employed by the mining companies on either fixed-term contracts or as seasonal/casual labour. While on average just over half of all those working in these mines are on permanent contracts with the mining houses, Chambishi Mines (owned by the Chinese state-enterprise NFCA) operates a highly unusual system in which of 2,200 workers, only 52 have permanent contracts. The shares of workers under different terms are shown in Appendix 4.

In most companies, jobs such as ‘development’ (digging new seams) have been passed on to sub-contracting firms. This has meant that many ex-miners have been hired to work on the same site as they previously worked, but this time indirectly employed via sub-contracting firms. As MUZ officials note, these workers are “doing almost the same development jobs or the same mining jobs. But this time on fixed term contracts - three months. Without the union. On a lower wage. No patient cover. No housing, but they are given a housing allowance. Basically none of the fringe benefits that would have accrued.” (65).

As shown in Appendix 5, wages at the various mining houses differ. However, at only one of the mining houses – Chambishi Metals - were wages of the lowest paid unionised workers in January 2006 above poverty levels established by the Basic Needs Basket (BNB). The BNB is a figure generated by monthly research by the Jesuit Centre for Theological Reflection (JCTR) into the cost for an average Zambian family of six of basic food items and non-food items such as charcoal and soap, and costs of housing, water and electricity, education, health and transport to work (66). At the worst paying of the major mining companies, again that owned by NFCA, only the very highest paid of the unionised work force will be able to cover these expenses from their wages, and the poorest paid are earning only just above the costs of the Basic Food Basket (BFB), a figure which covers food items alone. This suggests the levels of hardship that mineworkers are now suffering.

However, as shown in Appendix 6, wages at two of the most significant of these sub-contracting firms, Pro-Sec and Mpelembe Drilling, are approximately half of those offered at the biggest mining company, Mopani, for the same task. The terms and conditions of full-time workers at these sub-contracted firms are also significantly less favourable than those at the mining houses.

Furthermore, even those staff working for the sub-contracting firms are not all accepted onto these terms and conditions. At Mpelembe Drilling, the permanent workforce has been hovering at around 600-800. Over and above that there are over 1,000 fixed-term contractors who, according to MUZ, are shifted across short contracts working in many cases more than a year at a time without job security or pension provision. Employers have resisted the right of unions to organise workers, and recognition of the rights of those on rolling short-term contracts to representation and job security. MUZ report, “We went to them and said, ‘from our perspective, these are people who are with you, for as long as these permanents are’. And management up to today is still consulting.” MUZ has, however, been more successful in unionising the staff at Pro-Sec (67)

An extremely hierarchal system of employment has developed with terms and conditions of workers performing the same tasks, often in the same mines, varying wildly. While the total wage and the pension scheme are probably the most significant differences, most contract workers will not have access to medical insurance or free treatment for their dependents, while most permanent workers will. The range of allowances on offer from each employer is different but certainly workers on fixed-term contracts and those working for sub-contracting firms see fewer perks, if any.

Casualisation and safety problems

Unequal terms and conditions for workers doing similar jobs are almost certain to generate significant resentments. It also has negative effects on safety within the mines. Officials within Mines Safety Department suggest that although overall, the safety record in mines has improved since privatisation, the exception is in the use of sub-contracted staff. For example, many contractors work in 'development', the process of preparing new tunnels for mining. Development is carried out under 'support compliance' regulations that require that as they dig into a new tunnel, miners should not be asked to work in an unsupported roof-span of more than 2 metres, in order to avoid rock-falls. However, Mines Safety inspectors report, "you will find that somebody has gone mad and developed 20 metres, because you know most of the development is now done by contractors who are paid by the metre, so they go mad developing and they leave people exposed without support in the roof sheets. That is the most common accident - rock-fall. Sure enough you go there and you find someone is just scratching their heads - and they say, 'sorry, I was under pressure.' So, my biggest worry is the use of contractors. When I joined the mines, all the work used to be done by the mining companies themselves. Development, timbering. etc. But with the coming of the new investors, they believe in out-sourcing. To me some of it has got to ridiculous lengths. It was all done for the sake of reducing the labour costs and overheads. The mines come to an arrangement with the contractors that they pay them so much for the work done. But we have got greedy contractors who will not pass on the salaries to the workers - they pay them the minimum wage. But to me a worker who goes to work hungry, he is an unsafe worker. Half the time he is distracted." (68).

Casualisation and problems organising and representing workers

In a situation where the formal regulatory bodies, such as Mines Safety Department, are severely under-funded, unions should be able play a key role in exposing abuses and in pressuring for safer working places and better terms and conditions. However, privatisation has also decimated the unions themselves, affecting the total number of organised members and creating financial crises for the institutions. Current membership of the Mineworkers Union is 16,000 while a new union, NUMAUW has emerged since privatisation and now claims 4-5,000 members.

Both unions have faced significant difficulties in organising workers employed by the sub-contracting companies. As MUZ report, "Our members went into ProSec, went into Mpelembe Drilling. Well, we thought, no, these are the same members who are now bringing down the average wage, former MUZ members. We had no choice but to go into new areas that we never used to consider for unionisation. What has happened, we have met stiff challenges." (69). Zambia's weak labour legislation makes organising workers, particularly setting up union branches in new workplaces, difficult. Unions cannot simply go into a company and announce that they want to recruit. Rather, before recognition can be considered, the union must identify a 'shadow committee' of employees. However, the experience of MUZ organisers is that once such a committee is established, firms have simply sacked those staff that constitute the committee, sending a clear message to the workforce that unionism will not be tolerated. MUZ representatives report that they are having to adopt underhand tactics, "The moment they are publicly known we have ended up finding that the whole shoot are dismissed. So, when you go there, once you have identified a shadow committee they have to clandestinely organise." (70).

Even once a workplace is organised, taking collective action remains a significant challenge. Where unions and employers are negotiating and there is a dispute, both parties have to agree on the next course of action to take. As MUZ representatives have it, “It is a process co-managed by the victor and a victim.” (71). Even if the union decides to strike, and secures a 2/3 majority of members, they must still wait 10 days before the strike. Within the 10 days the Minister has the power to go to court and declare that that strike is not in the public interest. Although most employers recognise the Zambian trade unions as extremely professional and reasonable, industrial relations on the Copperbelt have been extremely conflictual. This has occurred in part because, in the absence of labour laws that enable unions to effectively represent their members, members take things into their own hands, frequently downing tools in wildcat strikes.

Company approaches to casualisation

The Chamber of Mines claims that offering fewer and fewer workers living wages, job security and a pension is ‘international best practice’. They argue “the world has been reduced to a global village where multinational companies’ practices are being replicated in all countries of investment and Zambia is no exception. It is recognised that for the mining companies to remain competitive at the international level, they have to adopt internationally accepted best practices. One such practice being that of engaging the best placed companies in terms of technological competence to perform certain jobs e.g. to use suppliers of LHD loaders to operate and maintain them, use of manufacturers of explosives to do underground development. The nature of employment is gravitating towards contractual engagements to facilitate a situation where companies are left to perform only those functions in which they have a comparative advantage. This is, however, not being done at the expense of formalised recruitment procedures as all companies are expected to abide by the labour laws.” (72).

The mining houses differ as to whether they have any responsibility to regulate the contractors that they use.

· KCM take the view that the labour conditions amongst sub-contracted labour forces on their site are none of their business. The Resident Director claims, “I can’t tell these contractors what they should pay these people. I will choose the one that submits the best quote, and then they must be paying according to the laws of the country. If they don’t follow the law, then I can take action against them.” (73).

· Similarly Luanshya Mining suggest that as long as their contractors are operating within the law, the company has no further responsibilities, and that keeping the employment legislation flexible maximises the number of workers employed in total: “When one talks about basic benefits like medical etc. I am very strong that that should never be neglected. In other words, we should not ever be in a situation where we are talking about slave labour. The normal labour laws should and do apply and the labour laws are pretty clear as well. But I would caution that it's probably not appropriate at this time to actively pursue formalising that sector.” (74).

· Chambishi Mining, on the other hand, suggest that the legislation is not clear. This is perhaps unsurprising since Chambishi have repeatedly pushed the legislation to its limits and, as discussed above, make massive use of fixed-term contracts and external contractors.

· Mopani CEO Tim Henderson, claims to have adopted a completely different attitude. “The casualisation came about where there used to be what you call labour hire companies and you would go out and guys would just hire anybody and give them to Mopani. And we got rid of that. They either have to be working for that person or they have to be working for us. The other thing we brought in about 18 months ago, we turned around and said contractors have to pay 85% of Mopani's average wage.

So we are not accepting workers coming in at 40-50% of Mopani's wages. We don't want to have people out here complaining and we don't want the Government coming out here and saying it's slave labour." (75). Despite this policy, it should be noted that on 15th November 2006, contract workers at Mopani, hired via Prosec, went on strike in protest at low wages. The figures workers quoted were significantly below the levels Mopani claims to guarantee (76).

Government approaches to regulation of safety and labour issues

As described above, in a relatively wide range of areas, both Zambian legislation and the Development Agreements signed with the mining companies should provide leverage for the state in improving the behaviour of the mining companies. However, the state has appeared to lack both the political will and the technical capacity to do so.

The Chief Operating Officer at Luanshya Mining noted that the companies have to submit annual reports to the Mines Department on how they are meeting their commitments under the Development Agreements: "Mines Department used to come back with detailed comments, but now they don't." (77). For example, the Mines Safety Department is supposed to take part in the formulation of new regulations and manage an inspections regime that secures effective implementation to mining regulations, the Explosives Act and mines and minerals environmental regulations. However, the Department is woefully under-funded and performs an almost exclusively reactive function, inspecting the site of accidents after the event. None of the companies interviewed felt that the Department performed an effective function in terms of pro-active inspections or advice to companies. The Department is not even managing to play its role in formulating regulations. Mines Safety and Explosives Regulations were revised in 1996, but the legislation has never been implemented due to a shortage of legal draftsmen in the Department of Mining. While this may not have directly affected the fatal accidents occurring within the mining sector since privatisation, because the changes can be issued to the mines on a non-legislative basis, through 'Safety Letters', the failure to incorporate these letters into legislation reflects the moribund state of the institutions. This can also be seen in the weakness of its staffing, infrastructure and hardware (78). The Department has recently been provided with four new vehicles by Government, which has made a significant difference to their ability to inspect. Sadly, it appears that this development was prompted by the outcry in the country about the inadequately funded Mines Safety Department which has been seen as contributing to the high number of fatal accidents in 2005 rather than by a long-term strategy for building up the Department.

Health and safety practice across the mining industry is extremely uneven, and high fatality rates in the privatised mines, as well as incidents of lax safety implementation are constantly raised by workers and residents as one of the litany of complaints against mining companies. Failures for example to provide straightforward safety equipment, such as work boots and hard hats are widely reported, although we have not gathered independent evidence of such claims. In 2005 there were 78 fatal accidents to October (79).

Labour issues should also be regulated by the Department of Labour Affairs and by the Labour Commissioner. However, significant problems persist. The IMF may have misread the legislative situation, but its perception probably reflects the common views of mining sector employers. "Because the law no longer makes it an obligation for employers to recognise trade unions, there has been a growing anti-union tendency among new investors, some of whom have abandoned workers without paying them severance allowances." (80)

Historically, as the Permanent Secretary at the Ministry of Mines describes, the state has not used its regulatory powers to enforce legislation, attempting instead polite dialogue with the companies: "What we have observed is that some of the mining companies are flouting our labour laws. We could go with an iron hand and just do what is legal. But we have opted to talk to them first, to educate them so that they understand our labour laws, and understand that in whatever country they go to they will find the same demand that you have to respect the labour laws of that country." (81. In some cases, it may be that this dialogue approach works. Mopani's Chief Executive says, "The Government have been here on a couple of occasions and brought up this casualisation of labour with us but there is no law or anything they can say you've broken this and you've got to do that. We occasionally have these meetings, these things get brought up and because those things have been brought up then something might happen - so we decide whether we're going to change things anyway. So we've gone and changed certain conditions and certain rules and regs irrespective of what might come out."(82)

However, frustration at the refusal of all mining companies to end casualisation and respect worker's rights is increasing. At the moment, even in cases where unions have succeeded in establishing new branches, in many cases the employers have refused to recognise them or allow contract labour to be represented, although this is clearly a breach of the Zambian Labour Relations Act. In the face of ongoing company resistance, the Labour Commissioner was forced in 2005 to issue a memorandum clarifying that such employees have a clear right to representation.

The circular read in part: "There appears to be a great deal of uncertainty among the labour market parties with regard to the rights of employees in respect of Trade Union membership. Many employers and employees' representative organizations hold the view that casual employees including those serving on probation and fixed term contracts are not unionisable. It has come to my notice that this belief has reigned for a very long time indeed and I feel duty bound to clarify the matter. Under Section 5(1) of the Industrial and Labour Relations Act… every employee shall have the following rights:- (a) the right to take part in the formation of a trade union; (b) the right to be a member of a trade union of that employee's choice…"Employee" is defined as meaning any person who has entered into works under a contract of employment with an employer whether such a contract is express or implied, oral or written, or serving on a probationary period of employment, a casual employee, an employee specifically engaged on temporary basis for work of an intermittent or seasonal nature… The issue of casualisation of labour should not prohibit the unionization of any category of employees because as already explained above even casual employees can be and should out of necessity be unionized" (83).

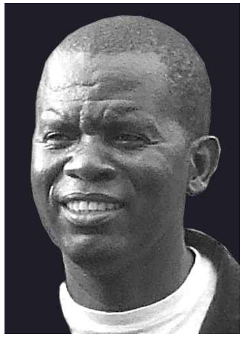
However, some companies have questioned the interpretation of the law contained in the memorandum. Companies' determination to continue using casual and expatriate labour and to refuse the right to organise unions appears, especially following the mileage made on the issues by opposition candidates during the election, to be leading towards a change of tactics from the Government.

In his first speech to Parliament after the elections, President Mwanawasa said, "In January this year, I pleaded with mining companies to adopt labour policies that should promote and safeguard the dignity of Zambian workers. I said then that any departure from this would attract corrective action from Government. I regret to note that most mining companies in Zambia have not changed their attitudes towards their Zambian employees. In most cases mining companies have preferred to employ expatriates instead of Zambians and have overlooked the principle of equal pay for equal work. Consequently, qualified Zambians have opted to resign their positions in frustration. In the area of procurement, similar discriminatory practices have been applied by the new mining investors. Many Zambian companies, despite their capability, have been denied contracts which have instead been given to foreign traders. Let me take this opportunity to remind our development partners in the mining industry to desist from these practices. Zambian labour laws must be observed at all times. Government is embarking on the 'Buy Zambia Campaign' and this applies to all business transactions, be they goods, services or indeed labour. I hope that this is the last time I will talk about this subject." (84).

In November 2006, Government then called a stakeholders' meeting to discuss casualisation, at which the Mines Minister Dr Kalombo Mwansa picked up particularly on the problem within the mining sector. He noted, "A number of accidents that have occurred in the mines have been attributed to the use of casual labour. Comparatively more casual or contract labour personnel are accident victims compared with regular and permanent employees… The employment Act Cap 268 defines a casual employee as one whose employment provides for his or her payment at the end of the day and who is employed for a period of not more than six months. However, the tendency by most employers has been to employ people on casual basis for more than six months."(85). It is unclear then whether the Government intends to enforce current laws more stringently, or to make legislative or regulatory changes. In 2005, the Ministry of Labour was apparently considering the introduction of a statutory instrument to tighten up the rules on casualisation. It is not clear whether this proposal is still under consideration.

PROFILE:

Reuben Mondoka, former mineworker, Kalulushi Township (86).



I got a job in 1981 at Chibuluma mine to work underground as a plant fitter, looking after pumps and locomotives. Well, I found that I was inclined to think about people and I got involved in trade unionism. In 1983 I became the shop steward, and they elected me in 1985 as the vice-chairperson of the Chibuluma Mines branch. In 1987 I became chairman.

My interest was really not to quarrel too much with the expatriates, although people thought I quarrelled because my English was better than most and I was able to communicate with the expatriates without fear. At that time a lot of people were scared to talk to expatriates and express themselves.

Well, we complained to say the money wasn't enough. But instead of improving the salaries, they gave all these things for free. ZCCM provided housing for its workers and paid the land rates, electricity and water bills. They maintained the roads. ZCCM even provided blankets and a pack of baby nappies when the child was born. They gave mealie. The President had preached socialism and in general people wanted the company to do a lot more for them. So you can see, we had benefits, yes, they did quite a lot, but it wasn't felt by the people. The maintenance was not good, especially here in Kalulushi, and they tended to concentrate more on providing for the senior staff.

ZCCM provided education, but not education for all. The trust schools were run by the mine and were very good, with very good teachers. You can't compare them with Government schools. But only a few people could get their children in - of course it had to be someone senior – a foreman or above. Here where we are now was called town centre and this was where expatriates lived and the foremen and above. And attention was paid more to this elite group than the lower grades. There wasn't enough force pushing ideas for them.

Rather than just talk about money I felt the need to discuss the social facilities. My main concern was the way we were living in the community. For me I felt it was difficult - I had come from a decent place before so it was hard to live in a place like that. The housing, particularly the sewage system in Kalulushi was very bad – there was sewer overflow everywhere in the streets. So I pressed hard to convince my Head of Department who was an expatriate, to say, 'listen, the way we are living in the township is not right. At least improve the sewers.' And one man challenged me. He said, 'the way you present the problem and the way the human resources have written about the problem is not the same'. So I challenged him. I said, 'let's go to the township and see for ourselves'. These were areas that the expatriates didn't bother to visit. But he came and he found that the living conditions around the township were very bad. There were sewerage and water problems, and the maintenance of the houses was poor.

So in the end I won the support of the Mining Department. And they asked me how was I going to deal with the problem? Well I noted there were a lot of second hand pipes at the mine. Without a big budget they could use these to control the flow of the sewage to reduce the smell and disease. So they said, 'can you do it?' Well they allowed me to construct that and I did it. So from that I got involved in the water situation because for the pipe to work the toilet has to flush, and most of the toilets didn't have water. So I also worked with the council to get the water pipeline.

There wasn't specifically a job description for what I had got into via the trade union role – building up the township. They were paying me for underground work while I was seconded to these communities. I had got a gang of guys doing up the houses, painting things. But they realised at the mine they had to replace the work I had been doing underground. So I was interviewed by the mine management and they recommended that I should go on to do adult education in civil engineering – and I agreed that I had a lot of interest in this area.

Well, my time was never to come because in the 1990s Frederick Chiluba came with the idea of privatisation. Privatisation meant that people forgot to implement the promises they had made to some people – to go to school. So that idea died.

They privatised in 1997, but from 1995, they put the mines under different management to prepare for the privatisation. They said the privatised mines will have nothing to do with social amenities provided to workers – so something like township maintenance would not be of interest to the new company who would be here for the core business of mining copper. So I had to find something else to do. That's how they put me as a monitor for copper being delivered from Chibuluma mine. I did that for a while but when Nkana was also privatised they decided between the two privatised mines that this job of monitoring would no longer be there. So again they called me and asked me, 'what was I going to do?' I showed them my papers and they agreed that I was already a foreman. So I went back underground to do fitting of the pumps again. I went back there. But already there had been so many changes, I was still thinking what am I going to do to support the education of my children? With so many changes in ZCCM it was apparent that I wouldn't be going anymore for further education to advance myself – I was going to remain static in a job underground.

So, I stayed with it until 2003, when I left the mine and started concentrating on a school project through the Church under the Marist Brothers, in the township. My Church friends did support me to do that. I still continue doing that project up to the present, organising the fellows working there and helping making the building blocks. But I don't see anything changing for the better for me to be able to support the children. Education is so expensive, let alone college education. What I get from this work is nothing that sees us through the month – just on food we can't see ourselves through the month – so what about this education? It's something very difficult to get satisfaction from. But I will continue until something else comes through at some point.

There should have been money from a pension. What ZCCM did was when they started retrenchments, anybody retrenched was promised to have 28 months pay plus one month for each year they served. That means at the end, in 2003, if Metorex had honoured that agreement, I was going to be paid 28 months, plus 22 months more for the 22 years I worked. So 50 months pay was what I was supposed to be paid. I was on average around 800,000 Kwacha a month, so I should have received around 40 million Kwacha.

But when ZCCM were preparing privatisation, one of the things they did, through a Presidential decision, was to sell the houses in the mine township to the miners. This house we are in now, it was sold to me. Now the sale was actually done by subtracting what you had worked for, for a number of years, your pension, into the value of your house – which they said was worth 32 million Kwacha.

So they said you are going to get the money leftover as a cheque – about 8 million Kwacha, and that would have been my pension. But what happened is that when they privatised, Metorex said that they had nothing to do with the agreement with ZCCM. They claimed that ZCCM should not have agreed to pay the tax on the house sales, and that we would have to cover it – so in fact, they claimed, I was owing them! In the end they backed off from that one, but they refused to pay us what we were owed.

So, when I was going out on retrenchment, Metorex paid me a pension only for the years 1997-2003, when I was working for them. That was just 3 million Kwacha – the equivalent of less than three years salary, to last the rest of my life. We have tried as miners to use lawyers to get the rest of our money. These things have been going on for years but nothing has been won. We have ended up wasting money on lawyers. Many people have given up. In fact, I suppose I have given up. So I have come out after 22 years without my pension. Yes, I've come out with this house, but this house is a house that needs money to do the maintenance. But we have it, it's our asset and it's the only thing that I can point to that I got out from 22 years of service in the mines. I might be able to use it to raise money, or maybe by working in the garden. I mean, they should pay me, of course, but I can't quote any law that could help me.

Unfortunately I didn't have many savings. So we have found ourselves now in a hand-to-mouth situation. There hasn't been a pension. Why? So these are some of the things I started panicking about. My son had to go to school. In fact the kind of money I was getting couldn't pay for that. I had to turn to others at Church to ask for help. At least, the education of my children, it's something I would wish them to have, because if they have education then there will be jobs. But the pension for me does not exist.

They cheated and I think whoever the board of Metorex are, they have benefited from it, but they are not even interested in the people. If you look around the township you can see they have done nothing. That's the saddest story. That's why people in Kalulushi would be very much against the Government because they feel that privatisation hasn't benefited them.

The Impacts of Privatisation on Copperbelt Communities

Social impacts of privatisation

15% of Zambia's 10.9 million people live on the Copperbelt, and of those, 79% live in urban areas (87). The region is the most urban and the most industrial in the country, with the highest share of its population in formal employment. As a result it is unsurprising that, as in other African countries, the urban region has suffered under structural adjustment, a policy specifically designed to weaken the power and interests of urban groups, such as civil servants and industrial workers that were thought to be unduly favoured in relation to rural agricultural producers. Towns such as Ndola are now widely described as 'ghost towns' not only because of the loss of the mining industry, but also the collapse of construction and engineering firms, and the downsizing of civil service and financial jobs previously based in a town designed to service the country's industrial heartland.

The collapse of formal employment in the region is particularly serious for two reasons. Firstly, most families in Zambia are dependent on one cash income – typically the father. If that individual dies or is laid off by the employer, it changes the whole family structure. As Father Mishek Kaunda of the Catholic Commission for Justice, Development and Peace explains, "in Zambia, when you are poor you are poor. There is no support from the Government, there are no social benefits so it will affect the education of the children, the electricity and water bills." (88).

Secondly, in rural areas, the impact of having lower shares of the population in waged formal employment is softened by the more self-sufficient nature of families and communities that grow their own food. In the Copperbelt the relationship between urban and rural areas and between formal and informal employment is complex and evolving. Where families have typically been housed in company compounds, they do not have easy access to farm land. Miners originally arrived to work in the mines from a rural area and, refusing to accept that the African population could exist in modern, urban conditions, colonial authorities and mining houses insisted they 'returned' to these areas upon retirement or retrenchment, and for a period of 'rest' each year. This maintained relations between those who had moved to cities – mainly men of working ages, and the rural areas. Those in formal employment were expected by those who hosted them during holidays, and who expected to help them re-integrate to the village upon retirement, to regularly remit money to the village, to be available as a source of financial support in an emergency, and to return at the end of employment with a financial legacy in the form of savings and a pension. However, as more and more people became settled in the longer term in the cities, these relationships became more difficult to manage and urban dwellers became both more nervous of and more disdainful of rural life. Retirees in particular often came to dread retirement as a loss of urban status and a moment when the prodigal son might disappoint expectations by returning home with less than expected to share out. As employment, wages and pensions dropped relative to the cost of living, urban workers had less to offer, and were more inclined to try and find ways to avoid extended networks in rural areas, and to stay in the cities after their working life ended (89).

As they did so, informal settlements sprung up, often on squatted land, less well served by public amenities such as water and electricity, and provision of amenities for health and education fell more and more to local government, rather than being supplied by the mines.

As described in Section 2, state employers, and particularly ZCCM, also provided much more than just employment and a wage. This section therefore considers the impacts of mass unemployment as the mines shed jobs, and of social policies adopted by the private mining companies on the provision of schooling and health facilities in the region, as well as looking at the impact of mining on the environment in which local communities live, and on their access to land and housing.

Impacts on the environment

The privatised companies have been involved in serious incidents of environmental mismanagement that have compromised the health of local people. The three most common and serious problems are sulphur dioxide emissions from smelters, heavy-metal effluents being released into drinking water and silting of local rivers.

1) Excess sulphur dioxide emissions from smelting create human respiratory diseases as well as acid rain that damages rivers and trees. This is not purely an environmental problem – it creates immediate problems for local communities in securing a livelihood. As a local environmentalist noted, “The only crops that survive are mangos, avocados and cactus. With low salaries, people can't buy food. But they can’t grow their own vegetables either.” (90). This is a problem particularly for communities downwind of the Nkana, Mufulira and Kitwe smelters. KCM recognise that they have a problem in this area, and have undertaken to reduce emission by up to 80% by installing technology which captures sulphur dioxide and converts it into sulphuric acid which the company then uses in mineral processing. MCM have also committed to developing acid plants at both of their smelters.

2) Heavy metal effluents being discharged into rivers that supply drinking water are a serious risk to human health. Where poor communities have no access to piped water, they draw their drinking and washing water directly from rivers. They may also use polluted water to water crops, in which the toxicity of chemical pollutants are concentrated. The problem also creates increased costs for the water supply and sanitation companies that provide to more formal settlements. They are forced to spend huge amounts on treatment in order to provide clear, palatable water. Since Copperbelt residents now face being cut-off if they don’t pay higher charges to water companies, including through pre-paid metering, they are effectively subsidizing the mining companies. Where the companies in question are supported by state subsidies, the Government is also paying to clear up after the companies. This is a problem for most of the companies, but particularly MCM and KCM. MCM’s spills have created significant problems in Mufulira, where the costs of clean-up were handed on to the private water company AHC-mining municipal services until the company found it so costly to continually treat contaminated water that it gave up and passed the responsibility to Nkana Water and Sewerage Company (MWSC), a public water supply and sanitation utility company which receives government funding.

3) Silting of local rivers, killing off plant-life and fish stocks is a problem at Luanshya Mining, and around KCM's plant where siltation of rivers and streams around Chingola town were so severe to threaten flooding that could wash away bridges on the only roads linking Chililabombwe to the rest of the country.

Many of these problems were there during the ZCCM era, a time when concerns about the environment were not co closely monitored, either locally or internationally. It is not therefore suggested that they can be directly traced to privatisation. However, it is clear that the Development Agreements have weakened the hand of regulatory authorities in policing such incidents and it may be that companies are making less effort to minimise the impacts of their operations – such as by ensuring that lime is added to acidic effluents to neutralise its Ph value.

There are other reasons why environmental degradation may be getting worse. In negotiating their Development Agreements, the companies refused to take on what they saw as 'liabilities' within their plants, and thus avoided responsibility for cleaning up pollution problems resulting from facilities that they own, but which were created by ZCCM operations. For example, Luanshya Mining was exempted in their Development Agreement from dredging of the Fisana-Kafubu stream resulting from sediments from the companies' slime dams. The task now falls to an ill-equipped and under-resourced local Government. This is also a problem in relation to the long-term management of the massive tailings dumps and leachings dams that mark the landscape of the Copperbelt. The by-products of decades of mining are piled up and dammed in all across the region. These structures are eroded by heavy seasonal rains, creating two problems – toxic run-off that floods local farmland, and weakening of the bases of dumps and dam walls. Should any of these structures fail catastrophically, leading to a collapse or flooding, there is potential for a very high death toll. This is both a contemporary and a future problem. In the present day, old dams and dumps need to be vegetated in order to stabilise the structures and run-off streams need to be regularly dredged to ensure that pollutants do not overflow. In the medium term, the companies need to be given clear responsibility for safe and clean long-term storage facilities that will last well beyond the day when the last of the copper has been removed from the ground and the investors are long gone. The Chief Operating Officer at Luanshya Mines raised this issue: 'what will happen when the mines close?' as the biggest single challenge facing state regulators: "Unless Government insists on and enforces all of the closure and environmental costs in the Development Agreements, they are going to need huge assistance to deal with these liabilities. Mining is a temporary use of land, so when you close a mine, you should take it back to the situation it was in before you arrived. But that will cost money." (91).

Secondly, one of the key concessions in the Development Agreements was the exemption of the new investors from environmental laws as long as they a) stayed with the levels of pollution released by ZCCM facilities, even where these were punished by ECZ and were illegal, and b) submitted acceptable Environmental Management Plans to the ECZ and agreed to be policed on their performance in relation to objectives established in these plans. However, the agreements are not being effectively policed. For example, although its Development Agreement commits NFCA to the development and implementation of an Environmental Management Plan by 30 December 1998, the company has thus far avoided effective environmental control by simply failing to adopt such a policy. The process is still in the phase of consultation. Although local environmental groups complain that NFCA are playing politics and have intentionally dragged the process out by submitting plans in Chinese, a draft of a comprehensive EMP, in English, is now available, almost eight years after it should have been adopted, on the ECZ website for public consultation. Given the variance between the policies proposed in the EMP and those currently operated by NFCA, and the fact that the draft EMP appears to have been written almost entirely by a team of external consultants, with just one of the team of being a NFCA employee, it is hard not to wonder whether the policy is there to appease Government and critics, and whether implementation will be less thorough. For the period since privatisation, the Government of Zambia should have been imposing normal environmental laws on NFCA, since the Development Agreement states that it is only once the plan is in place that the company is exempted from the laws of the land that apply to everyone else. It is far from clear that the regulatory authorities have been imposing these laws – given the secret nature of the Development Agreements, it may be that ECZ do not know that they have the right to do so!

There are also questions about the ability of the regulatory authorities to effectively police the mining companies, even where there are clear laws in place and clear commitments made in the Development Agreements. There are particular complaints about the performance of the KCM mine since Vedanta took over its ownership. A local environmental activist claims, “Anglo was like a leading company in terms of environmental performance, but now KCM is one of the worst culprits. There are a number of programmes that were put in place, in terms of environmental clean-up. If you look at the EMP (Environmental Management Plan) you will find that much of the programmes were initiated and operated by Anglo and after Anglo left, they have been abandoned.” (92). Campaigners complain for example that although permission for KCM’s new smelter in Chingola has not yet been granted by ECZ, and local communities have expressed concerns about its location close to residences, construction has been going on.

PROFILE:
KCM and the pollution of the Kafue River

On November 6 2006, the entire Chingola district was faced with a water supply crisis following pollution of the Kafue River by a spillage of mining effluents from the KCM plant. The two water companies that supply around 75,000 people in Chingola residential areas, Nkana Water and Sewage Company (NWSC) and Mulonga Water and Sewage Company (MWSC), were forced to shutdown their plants when the Kafue River turned blue when a pipe delivering slurry from the tailings leach plant at KCM burst, releasing into the water effluents that raised chemical concentrations to 1,000% of acceptable levels of copper, 77,000% of manganese and 10,000% of cobalt (93). The result was that residents of Chingola Township were cut off from supplies of freshwater for six days. Some residents of more informal settlements in the area, such as Hippo Pool Township, who do not have access to piped water, have always drawn their drinking water from the Kafue. In cases where piped water had been cut off, others were forced to go direct to the river. Although the Government has attempted to provide water tankers and to discourage people from going direct to the Kafue, residents have complained that there is insufficient water, and newspapers report that some families continued going to the Kafue. One resident told a newspaper reporter, “We are scared. In fact even this water they are bringing in tanks is not enough. Now we are dead because of KCM. We may have problems in the future. We do not know what is in our bodies. We drank because we were thirsty. But the taste was bitter. It was like chloroquine. Most people are sick. Most people can’t even stand up. If we try to put chlorine, the water becomes black. If we boil it, it becomes brown.” (94).

Consuming water as polluted as that in the Kafue, eating fish from the river, or plants watered with polluted water is likely to have wide-ranging short-term and long-term health implications. Between them the chemicals spilled into the river cause lung and heart problems, respiratory diseases and liver and kidney damage. In the short term, a large number of residents are suffering from diarrhoea, eye infections and skin irritations. These are likely to be only the early signs of poisoning that will have long-term impacts. Exposure to manganese can cause ‘manganism’ a disease of the central nervous system affecting psychic and neurological functions. Brain damage effects in the local population may only show up in future generations.

Both the local council and the water companies have protested that the problems at KCM are long-running, and that the regulatory authorities (in the form of the Environmental Council of Zambia (ECZ)) have been utterly ineffective in policing the situation. Chingola Municipal town clerk Charles Sambondu argues that although the council repeatedly expressed its concerns to KCM, "they seem to have an idea that since they are the largest producer of copper, it's not easy to make them comply… We have credible information that KCM operated for one week without adding lime to Mutimpa Slurry dam, discharging effluent of 1.5 Ph. That was almost pure acid. Even then, the pipes could not withstand, and it burst… The compelling factor is that this pollution was done wilfully, knowingly. Pumping slurry without lime, that's irresponsible… If ECZ ensured that the pollution control dam was effective, then these things might not have happened. We are asking them to enforce the law." (95). The company denies that it is consistently operating outside of limits set by ECZ. A spokesperson claims that KCM monitors the quality of water on a daily basis and that its normal parameters are within limits set by ECZ, and that on that basis, the ECZ and Mines Safety Department had restored to the company various licenses at the Tailings Leaching Plant (96). Nonetheless, the water company NWSC, frustrated at the long-term failure of the ECZ to effectively regulate KCM, has threatened to sue the company for K5.6 billion, protesting that the problem was a long-term one and that NWSC had been spending an additional K350 million a month since 2004 to purify the water to acceptable levels(97).

Whether or not the regulatory authorities have been passive in the past, it may be that widespread criticism of the companies around the 2006 elections may bolster the regulators' confidence. Environment and Natural Resources Minister Kabinga Pande argued that a crack-down on KCM will be the first step in a wider move to bring the companies into compliance with environmental and labour laws, "Much as we have gone out of our way to accommodate new mine owners, we are not going to condone complacence on their part and the deliberate flouting of our laws…The situation experienced recently was not accidental but is a result of failure by the current mine owners to implement the KCM Nchanga mine Environmental Management Plan (EMP), that was inherited from the Anglo-American Corporation, the previous owner of the mine. This plan was developed in 2001, and was the basis on which the mining project was approved by the Environmental Council of Zambia." (98). The EMP requires that discharge from the dam should be mainly storm water, and that, in the event of an acidic spill, provisions would be in place to neutralise the effluent – by adding lime to the mix to neutralise the Ph balance. As the Minister noted, "Regrettably, at the time of this incident, the company had no lime in stock yet it was pumping highly acidic tailings, which corroded the rubber pipe lining." (99). Failures of management and implementation of the conditions of KCM's EMP had been picked up by ECZ in June 2006 and the company was required to correct the failings by the end of the year. The Minister claimed that if the company had failed to implement the measures at the end of the year, KCM's licenses would have been withdrawn.

Immediately following the spill, ECZ suspended all pollution control licenses to KCM to discharge effluent into the aquatic environment until the body was satisfied with remedial action taken by the company to solve the problem, including de-silting the dam and replacing the pipes.

The ECZ pointed out that this was not an isolated incident of environmental neglect by KCM, which had seen several tailings pipe bursts resulting in some communities facing polluted water for over a year. An ECZ spokesman complained, “this is a clear indication of poor corporate social responsibility by KCM management in their environmental management.” ECZ also announced that it “reserved the right to prosecute KCM management or Directors in their individual capacity if upon investigations, they are deemed to have been negligent in carrying out their duties to prevent pollution thereby threatening human life and the environment.” (100).

Access to land and housing

Another of the ‘liabilities’ that the private mining houses made it clear to the Government that they did not want to take on was the housing of employees in subsidised rental accommodation in mining townships. This coincided with the difficulties facing ZCCM in providing terminal benefits to the large number of workers being laid off in preparation for privatisation. As a result, just prior to privatisation, in most of the major mining townships, the ZCCM houses, which workers were previously renting at a subsidised amount, and which were maintained by ZCCM, were sold to the workers, usually at a markedly reduced rate. The subsidised sales were subtracted from pensions payments due to workers. Workers were typically keen to take the houses on because firstly, they were good assets, but secondly, in a situation where many feared losing their jobs, and with them their houses, and were reluctant to return to rural areas, they presented a means by which workers could afford to stay on the Copperbelt, perhaps to look for alternative paid employment. In many cases, these hopes were also disappointed and, unable to afford to renovate the properties, many ex-miners have either sold the houses on in order to raise capital, or started to rent out the front of the house to another family and to live in one room. Job losses and wage cuts in the Copperbelt over the past twenty years have seen a shift in coping strategies on the part of families, with many attempting to grow their own food on small plots of land either by moving away entirely from the mining townships, or by seeking land in the area on which to farm. In many cases this land belongs to the mining companies who hold ‘exploration rights’ in areas where communities live. As a result, livelihoods in the area are very precarious. People are attempting to build houses and to farm in areas subject to subsidence, flooding with toxic waste from mining operations and evictions by the mining companies if they decide to re-allocate their use of particular chunks of land. In some cases, as mining operations expand, communities will need to be moved to alternative accommodation. The most positive solution for local communities is that they should be relocated to high quality housing in well-serviced settlements with which the community is satisfied. However, land conflicts have been handled in different ways by different companies.

· When Binani pulled out of Luanshya and closed down the mine, ex-miners started to farm on company land, invading Mulyashi and Muva hill forests around Baluba Mine. When the mine was re-opened by J&W, mine police fought battles with residents to clear them, and have so far failed to do so (101). Management at the company are aware of a range of further land conflicts looming in the future (102).

· MCM allows some land-use on the surface of its plot, but this is seasonal and agricultural as they will not allow settlement in case they want to exercise future rights.

· Chibuluma Mining attempted to throw a chief and his people off their land without compensation. Campaign group Citizens for a Better Environment intervened on behalf of the community.

· At KCM, expansion of the Lubengele tailings leach dam led to resettlement of 139 households. Although KCM took credit for the programme in its publicity materials, it appears ZCCM-IH paid for 87% of the project while KCM managed it (103). Citizens for A Better Environment have supported a complaint on behalf of residents to the EU's 'OECD focal point' about the quality of the resettlement programme. Remaining arguments are over the access that communities have been able to secure to micro-credit programmes. KCM have also relocated, this time at their own cost, a set of employees whose housing was disrupted by the 2001 pit collapse (104).

Impacts on the upkeep of the mining townships

Along with off-loading responsibility for the mine houses themselves, the Development Agreements typically pass responsibility for the upkeep of mining townships from the companies to the local municipal authorities. However, some write in a commitment on the part of the companies to support this process, and in some cases leave the responsibility with the company for the first five years. In townships such as in Luanshya, the transition has been extremely difficult, particularly since income for the local authority would have come predominantly from the mining company, and during the years after the original investor pulled out, there was no funding.

The local authority has not been able to adequately cover for the services previously provided by the mine. Particularly the charging of rents for electricity and water supplies has led to serious hardship for residents, and to resistance against fees. There have been riots in Luanshya against payment of bills. Luanshya Municipal Council is also planning to try and collect rates but expects major difficulties in doing so (105).

All of the companies interviewed were keen to discuss their support for the concept of corporate social responsibility (CSR) and to list worthwhile projects that the companies are supporting in the townships. CSR was thus typically understood not to relate to employment, procurement or environmental practices of the companies, but instead is conceived of in terms of support to local community sports and development projects. Given the expansive role of ZCCM in supporting the social fabric of the Copperbelt, and the acknowledgement on the part of Government, companies and unions that it is unlikely private firms would ever make an equivalent investment in their surrounding communities, there is a significant tension between the companies and their surrounding communities over how much the companies should be expected to deliver.

Of course, more good works are always welcome. However, they should not be conceived of as compensation for the maintenance of damaging practices in other fields. Charitable giving will always be a short-term solution in the sense that companies' bottom lines determine how much funding will be available in any period for 'good causes'. The CEO of Luanshya Mining presents the issue starkly, suggesting that spending too much on community support will undermine the profitability of the companies and their long-term ability to deliver economic development in the region: "Sometimes we lose track of sustainable economic development before we start looking at the softer issues of health education and all the rest. It's no good having healthier, well-educated kids ten years down the pike and there isn't an economy to employ them." (106)

Impacts on the provision of health-care

As discussed in the previous section, access to curative health care provision for permanent pensioned workers and their dependents in ZCCM successor companies is unchanged and, in most cases, is guaranteed by the Development Agreements. However, the wider community has suffered a decline in standards of care and an increase in prices, placing services beyond the budget of many local residents. At privatisation a number of the mine hospitals and clinics managed by the mines were closed down. Others were passed over to the Government sector, either via the District Health Management Boards (DHMBs) or to NGOs. However, typically these facilities are now running on significantly lower budgets and are somewhat hand to mouth, depending on charitable and aid donor handouts. All three clinics handed over to DHMBs by Chibuluma Mining in Kalulushi Township closed down. Partly because the housing areas previously served by the clinics were no longer exclusively properties occupied by ZCCM employees, the companies no longer felt the same responsibility to maintain them. Casualisation has also seen mine workers spread physically from the mines in which they work.

Thus trade unions have protested to Chambishi Mines that, although its employment contracts still provides some medical cover for dependents and those living in Chambishi Township access services at the clinic there and at the mine site itself, many of these dependents, for instance those living in Kalulushi and Mufulira cannot practically access clinics owned by the company. A particularly severe problem faces those retired from ZCCM on medical grounds. ZCCM accepted a special responsibility to such workers and provided medical check ups annually at the mine hospitals for the rest of their lives. However, since privatisation, the Mineworkers Union has been unable to discover from the Government what the Development Agreements said on this matter. Lungu and Mulenga suggested in 2005 that many assumed Government had accepted this responsibility, but were failing to deliver it such that, "in the meantime, those affected have to bravely face death looking helplessly at the buildings from where they used to receive medical attention." (107). However, it appears from the Development Agreements that in fact the companies did accept a commitment to provide for these people – many have simply not pursued their responsibilities or admitted them to the workers. The clause below from the MCM Development Agreement is reproduced almost word for word in most of the agreements, "the Company shall: ensure that the Medical Services are accessible to all employees of the Company…and Registered Dependents of such employees or persons (including for the avoidance of doubt, such of those persons to whom access to the Medical Services is granted by virtue of relevant redundancy or retirement provisions)… ensure that the Medical Services are provided to such persons… at least to the same standard (as to range and quality of service) as that currently available at the date of this Agreement." (108). At MCM now, former employees whose problems are work-related pay 50% of public fees for life. Those on medical discharge, early or normal retirement get 50% for five years. Those made redundant get 50% for one year. Under ZCCM all those retired on medical grounds should have been given free medical support for life, while those retired from the company would get free access for 5 years.

Perhaps the most significant deterioration of health services, however, was the spectacular collapse in preventative services. Many of the successor companies, feeling no responsibility for the townships, since they did not own the houses, closed down the public health departments that maintained hygiene standards, public awareness efforts and other preventative health services such as anti-malarial spraying in the areas surrounding the mines. This led to a rapid increase in the malarial infection rate. Facing increased absenteeism, most of the companies have now re-instated their programmes. In some cases, these programmes only cater for the area directly adjacent to the mine site and the major mineworkers' township. In others, such as Mopani, the company recognises that malaria spreads between communities, and covers the wider population. Mopani now actively participate in the 'Roll-Back Malaria' campaign. CEO Tim Henderson explained why the business-case for malaria-spraying is so strong, "We had five years ago incidences of about 300 in 1,000, that's down to thirty. It's gone drastically down because of the spraying we do." (109).

HIV-AIDS policies

Southern African countries face the highest HIV infection rates anywhere in the world, partly because of the central role of mining in the economies of the region. In Zambia, around 1 million of the country's almost 11 million people are estimated to be HIV-positive – amongst 15-49 year olds that equates to between 13.5% and 20% of the population. The rate in urban areas is significantly higher, with between a quarter and a third of all adults infected. (110) Although, there has been a lot of change in the social structure of the Copperbelt, the traditional model of employment has involved young men from rural areas migrating to live in towns and work in the mines, leaving wives and family behind, and then returning to tl rural areas during the holidays and upon retirement. In many cas workers would take on a 'wife' in the city as well as at home. T combination of high levels of migration and transitory populatior particularly truck drivers taking copper to ports in South Afric Mozambique and Tanzania, have helped the disease to spread. Truc drivers, young women and sex workers in 'transit areas' are amongs those most at risk of infection. Mining is thus, at least in part, 'responsi for the pandemic.

Obviously the companies do not take on responsibility for solutions alone. From the early 1990s when the extent of the disease started to become obvious, the Zambian Government and ZCCM's first response was to encourage awareness and condom distribution programmes. It was widely assumed that it was not 'appropriate' to try and provide in poor African countries the 'antiretroviral' (ARV) drugs that were transforming the lives of those with the disease in Western countries, because health delivery systems were underdeveloped, and the drugs themselves were expensive. For many years mining houses were accused of allowing their workers to die, aware that in countries with very high unemployment, they were replaceable. However, more companies now recognise that it is in their own interest to have a healthy workforce and to retain the skills of those they train. This has been particularly true since the price of the drugs has now been brought down significantly and in countries such as South Africa, mining houses have started to play a major role in the development of best practice in workplace HIV-AIDS policies.

One of the greatest worries of private mining companies in Zambia, as they felt increasing pressure to adopt AIDS policies, was that they associated such policies with ARVs, and they did not think that they could afford to treat their workforce. In most cases, in the absence of research or a testing regime, they had little idea of what share of their workforce was infected. However, in 2002, with the assistance of international donors, the Zambian Government launched a policy of trying to get access to anti-retroviral medicines for everyone who needs them. Initially the programme involved subsidised rates for drugs. This development, and pressure in some cases from investors with roots in countries in which mining companies had moved faster to develop AIDS policies, saw some of the Zambian mining companies developing new policies.

In June 2005, the Government then announced that all AIDS drugs would be made free in the public sector. The programme has been relatively successful by international standards, and by November 2005 just under a quarter of 0-49 year olds that need anti-retroviral therapy were on the life-saving drugs (111) . Since 2002, the two biggest private companies, KCM and MCM have both adopted comprehensive HIV-AIDS policies and programmes. Most other companies lag behind.

The scale of the challenge is obviously enormous and an effective nationwide response to the disease requires that Government, donors, NGOs and companies all play key roles. Public health professionals suggest that companies should adopt five key elements for an effective workplace response to HIV-AIDS:

1) education: Raising awareness of the seriousness of the disease, modes of transmission and how to avoid becoming infected is key. Education programmes also focus on encouraging people to be tested in order to know their own status and in order to access care and treatment if they are positive.

2) prevention: Making people aware of the symptoms, risks and modes of prevention is of little use if they cannot then get hold of condoms. Free condom distribution is therefore a first step.

3) voluntary counselling and testing (VCT): VCT programmes are essential in order to enable individuals to know their own HIV-status, and if positive, to take steps to manage the disease.

4) treatment: If people do not believe that they will be able to access treatment, there is no incentive for them to be tested. Without being able to do anything about it, a positive test would simply be a death sentence. In the absence of people knowing their status, infection and death rates are likely to continue to rise – treatment is therefore the key incentive that allows other aspects of an HIV-strategy to be effective. While the Government is supplying ARVs for free, the companies will find it easy to adopt policies supportive of treatment. However, Government budgets are extremely tight and there is no guarantee that donor money will keep flowing so it is important that companies make contributions now to the purchase of drugs, and develop policies that guarantee the continuation of treatment irrespective of Government policy.

5) non-discrimination: Central to all of the previous strategies is the very complex and sensitive question of creating an environment in which it is possible to talk about HIV, so that education and awareness raising go on openly and are led by local peer and work colleagues rather than professionals from outside, where it is seen as natural and normal to request a sexual partner to use a condom, where individuals do not avoid testing or going to the clinic for fear of the stigma that attaches even to those who go to test.

MCM's AIDS policies

In contrast to many of the other privatised companies, at privatisation, MCM kept on ZCCM's public health programme. This gave the company a significant head-start. Following work with a local NGO Copperbelt Health Education Programme (CHEP) and a participatory policy development process, including Copperbelt University (CBU), ZCTU and Mopani hospitals, in 2002 the company then adopted the first comprehensive HIV-AIDS policy of any of the Copperbelt mining companies.

- Mopani has not only trained peer-educators and counsellors but has also started a project to train future peer-education trainers and secure the long-term future of the process.

- The company provides VCT to both employees and dependents and has been working to establish a database of prevalence, incidence and intervention activities not only amongst its own workers but in its catchment area.

- The company also has an effective non-discrimination policy, and the lead comes from the top - the policy has the clear backing of senior management. The routine medical examination at recruitment does not include HIV testing although "HIV testing with specific and informed consent of the candidate may be required if HIV-AIDS is clinically suspected." (112).

- There were tensions in discussions within the group that developed Mopani's policy over the costs of ARV. The company policy says that MCM: "shall only provide anti-retroviral drugs for employees who by nature of their jobs get infected in job-related circumstances… [MCM] will not provide anti-retro viral drugs to employees infected with HIV until the cost of drugs is within reasonable affordable limits of the company." (113). Mopani initially decided to go 50:50 with workers on the cost of ARVs (which at the time were approximately K40,000 p/month) for both workers and dependents. This policy lasted until Government made ARVs free.

Local AIDS activists note, "Mopani has demonstrated real commitment to address the HIV-AIDS problem within the company and also within communities where the employees live. It's not just that they are here to mine for copper. They also realise that healthy employees are good for business." (114) The company has also attempted to show leadership, using its policy to pressure the wider mining community. At the policy's launch in 2002 all of the other mining companies were invited to attend and the programme was launched by the Deputy Minister for Health. The company have now joined up with a USAID programme involving other major companies in the region to co-ordinate efforts. Nonetheless, Chief Executive Tim Henderson recognises that there are further challenges ahead: "Medical discharges and deaths have come down. The ARVs have stabilised this. But we haven't got to grips with the problem because of the voluntary nature of testing. In order to find how far are we, you need to have a comprehensive testing regime. The biggest challenge is then trying to get the stigma out." (115)

Local HIV activists also suggest that Mopani could consider scaling up support to community-based awareness programmes and partnering with local NGOs for condom distribution to the wider community. In particular there is a lack of awareness of the benefits of ARVs which is limiting the number of people coming forward to test and delaying the point at which people start treatment until they are already extremely ill.

KCM's AIDS policies

Since KCM came under the ownership of Vedanta it has also put in place a comprehensive HIV policy. However, the programme got off to a shaky start. In 2001, KCM carried out an 'involuntary' testing procedure. The company did a saliva test of all employees to work out how many of its employees were HIV positive. The point of the exercise was not communicated to the workers and, although the test was anonymous, there were no promises of benefits to individuals who agreed to be tested, such as treatment, and thus serious concerns about what the company was doing: assessing whether to invest in the future? Planning to downsize the workforce and trying to work out if they could start with those who were HIV positive? The result of the tests was widely reported as suggesting 32% prevalence amongst workers. As a local NGO worker commented: "The concern from employees was, 'why test us if we are fit to do the job, if we can contribute to the wealth of the company.' Many of the employees were left very concerned after the tests. They did not know if it was them who were in that 32%" (116).

KCM have since developed a good policy, in consultation with many NGOs, which includes education, prevention, VCT, treatment and non-discrimination elements. The KCM approach includes several worthwhile additional features. After adopting their own policy, with World Bank support, KCM targeted 23 of the small and medium-sized companies that provide its goods and services to try and help them structure HIV-AIDS programmes of their own. Thus, for example, drivers delivering copper from Chingola to Durban in South Africa undergo education and awareness programmes.

KCM also has a spill-over of the awareness programme from the workplace to the communities. Working with CHEP they have trained 199 community health educators to provide information in the communities where employees reside. The company is clear that people won't come for VCT if they think either that they might be identified, or that there is no treatment for them anyway. They therefore provide universal health checks for all workers, done by nurses who come to people's houses. The nurses are trained in peer support and counselling. They carry out tests in the home and KCM also provide free ARV treatment, using drugs donated by the EU. To secure the project in the long-term, whether or not there is a Government programme or donor support, with the agreement of the union, the company takes about $1 a month from each worker's, to develop a 'corpus fund', match funded by the company. The fund is available not only for accessing ARVs – but also for nutritional support for children (117). Chambishi Metals has a good programme in place, developed in consultation with Christian Aid and CHEP, and Metorex at Chibuluma is in the process of implementing a policy.

However, three of the companies appear to be performing very poorly. At NFCA's Chambishi Mining, there is no AIDS policy. Some peer educators were trained at NFCA's subsidiary BGRIMM Explosives, but they were all killed in an industrial accident. At Luanshya Mining, although peer educators have been stationed underground in the mines since 1996 (before privatisation), and this was the first project of its kind in the world, there has been no AIDS policy since the plant was bought and then sold by RAMCOZ. Local NGO CHEP started negotiations with the new owners J&W in 2002. However, progress appears to have been slowed by rapid staff turnover. Bwana Mkubwa appears to be in a similar situation, with a peer education programme but little else.

PROFILE:

Isaac Mumba, former ZCCM Health Officer, current AIDS campaigner

Based on an interview with Isaac Mumba, HIV-AIDS Policies Co-ordinator, CHEP, Kitwe, October 10 2006

I worked for ZCCM Ltd for 22 years. I was the Assistant to the Chief Health Officer for Chibuluma Mines Plc, which was a division of ZCCM based where I live, about 15 kilometres from Kitwe in a town called Kalulushi.
The function of the Public Health Department I worked in was prevention and control of communicable diseases and maintaining a clean and healthy environment. The company put a lot of emphasis on the control of malaria within the communities, like Kalulushi and Chambishi, where their employees were coming from. But we were also charged with the responsibility of carrying out both bacteriological and chemical testing of water supplies, environmental sanitation, refuse collection, inspections of food premises and local shops, and finally health education to make sure that communities knew how they could prevent the spread communicable diseases and maintain a clean and healthy environment.

Malaria control was one of our key responsibilities to ensure that adult mosquitoes were reduced to a level that was no longer a public health problem. We mainly tried to kill mosquitoes in the aquatic stages. Those that survived larval control, we were following them up by residual spraying in all of the houses. Within other communities, malaria and diarrhoeal diseases were the major cause of mortality. It was different in the mining townships. We had more deaths from mining accidents than preventable diseases. A positive malaria case was rare enough that the Chief Laboratory Technician notified the Chief Health Officer of ZCCM who must then learn whether that individual had been to a rural area while on leave, or whether it had happened in the mining townships. My Department would then take immediate remedial action.

The first HIV-AIDS case in Zambia was diagnosed in 1984. There was lots of misunderstanding about the illness. Our first priority was to communicate the causes to the public so they could protect themselves. We started by using what we now refer to as shock messages: “HIV-AIDS kills!” We were correcting misunderstandings and telling people the modes of transmission, the symptoms and signs, and what can be done. We started by providing information in the workplace and in the communities through mass rallies and use of mega phones, and distributed leaflets and pamphlet door-to-door.

In the early 1990s, the cases of HIV started rising. The Government came up with a National Prevention and Control Program and started providing funding for district HIV-AIDS co-ordinators. In Kalulushi, I became the district co-ordinator, meaning that I was not just working for the company, I was across the district. We started training peer educators who could communicate HIV-AIDS prevention messages across the community and within the workplaces. Heads of Department held focus group discussions on HIV/AIDS through the company including briefings from the Chief Medical Officer. ZCCM also started including training on HIV-AIDS in their course to prepare people for retirement, in safety meetings and first aid training and ante-natal clinics. Employees retiring were educated on the dangers as they get to the rural areas with a good package. So we were saying to them “Be careful. HIV-AIDS is real not simply here in towns, it is also in the rural areas.”

When ZCCM was privatised, Chibuluma Division was sold to the Metorex Group, based in South Africa. That was the beginning of trouble. They took over in 1996. I worked for Metorex for 18 months and I was declared redundant in August 1998. Later the Chief Health Officer, Crew Boss and Spray Operators were laid off. Then they closed the whole Public Health Department. The new investors didn't see the need to maintain the public health functions. They said, "We are here for copper, we are not here for malaria, we are not here for HIV. Local Municipal Councils should take over public health."

I really got concerned when I got a letter saying I had been made redundant. I saw my job still needed to be done. I was living then in a company house in Kalulushi, where I am living up to today, because ZCCM sold the houses to workers at privatisation. The concern that I had was: who is going to take over my functions? Who is going help us with malaria? With collecting refuse? Who is going to do meat inspections? Who will look after the shops? Who will conduct health education?

The most visible change in Kalulushi Township was that there were heaps and heaps of refuse. Nobody was collecting it. People started digging pits to throw their rubbish within the housing areas, which brought a big increase in flies and with them a big increase in diarrhoeal diseases. We had been doing a regular analysis of water to see whether the chemicals and bacteria are seeping into drinking water. But again that service came to a standstill, so we didn't know whether the water we were drinking was chlorinated and treated or not. The clean township maintained by the mine since the early 50s started going down and hence the increase of communicable diseases such as water borne diseases unsanitary environment.

The statistics were showing a sharp increase of malaria upon the closure of the department. You would go in to the hospital with another problem and pick up malaria from the hospital itself, which was full of mosquitoes. Nobody was doing the spraying and larval control. Since I left my job I cannot tell how many have died of malaria, but I am saddened when a relative or neighbours dies of this preventable disease. I knew how to stop the death of innocent ones, but my services were cut short. Although the local council was contributing labour in malaria control activities, there was no strategic plan. The Government did then get wind of the appalling standards of health in the mining townships. But the investors were saying, “We are paying tax, the tax should go into refuse collection, malaria control etc.” So the Government took it that it is now their responsibility to provide all health services, and they tried to establish District Health Management Boards.

Metorex did maintain Chibuluma Mine Hospital for employees and their families only and for major accidents underground. But they now had a smaller number of employees. We were a division of about 2,000 but the labour force has been reduced to 500. So the hospital also started an income-generating approach, taking on fee-paying members of the general public. The rates were reasonable and there were also fees in Government hospitals, but people who had been involved in mining were not used to paying to go to hospital. Retired employees had difficulties accessing medical attention, because at the end of the grace period in their conditions of service, they had to pay.

Well, I was retired and had nothing to do the next day, but I had a skill in Environmental Health and Hygiene. I saw the problems wherever I went, but I had no framework to raise the concern or take action. Luckily in my role as the District HIV-AIDS co-ordinator in Kalulushi I was already working with the NGO Copperbelt Health Education Project (CHEP) as a part-time Health education coordinator. In the same year I was made redundant, I was offered a full-time job by CHEP to work with companies to initiate HIV/AIDS awareness activities. Later, I started training peer educators and developing non discriminatory HIV/AIDS policies.

After so many years, eight years later, I think the company has now realised that our public health functions in ZCCM were actually contributing to profits. There has been high mortality amongst their employees due to malaria, HIV, TB and many other diseases, which also bring about absenteeism. Without an HIV/AIDS policy, Metorex had difficulties firstly in terms of how to deal with an employee who is chronically sick. Then there are those who are HIV positive, but they can continue to contribute to the profits of the company. So management realised that prevention is better than cure, and it's cheap. And last year they approached us and they said, "We would like you CHEP to provide technical support on the development of an HIV policy that would clearly state the company's stand on several issues ranging from care and support of the infected and the affected, information, communication and education, and policy implementation." They came to us under pressure from their head office in South Africa because there most of the companies have HIV-AIDS policies. The employee's representative at the Mineworkers Union of Zambia, was also trying to revisit conditions of service, and raised their concern on the number of employees getting infected with HIV/AIDS, and the need for the company to develop a policy.

We have now helped them to train peer educators and a draft policy has been done for Metorex. It is waiting for top company manager's approval. The policy document addresses issues such as employment and terms of appointment, continuity of service, counselling testing and care, networking with other like-minded NGOs involved in the field of HIV/AIDS prevention. There is also a need for information, education and communication programmes for employees and their families. We have suggested that they need to train adequate number of peer educators both at the workplace and in the community and also they need to print some information materials for the employees on AIDS/HIV, Malaria and TB to further reinforce the verbal messages on prevention by the peer educators groups. We have also looked at the provision of anti-retroviral treatment that the company should provide through the Mine Hospital. In 2003 Government announced it would provide universal ARV treatment programme. Before that, the company would provide nothing. At the moment, the company states that it will endeavour to link all of its employees to ART clinics to access treatment.

In fact, most of the companies think an HIV –AIDS policy is just about ARV provision. It's not. You must provide a non-discriminatory environment where people who are HIV positive can add a human face, where one stands up and says, "Here I am, I got HIV five years ago, and I am still living." Others will hear that testimony and they might start to follow through counselling testing and care.

I think things are changing, thanks to the committed managers at Metorex who want to address HIV/AIDS at the workplace and beyond the company gates. When the policy is launched we will hopefully see positive effects and the creation of a non discriminatory environment. The struggle before was that you could provide information on prevention and testing, but practically you could do nothing in terms of treatment. Under ZCCM for each mining unit we had hospitals with fully-fledged laboratory facilities. Anyone who wanted to know his status could just walk in. But when there were no ARVs, there was nothing you could do for those who test positive. Now people can get ARVs there is light at the end of the tunnel.

I am saddened by the fact that most of my colleagues, we went to school together, many of them were very senior managers, they died of AIDS. And they died so early, before the ARVs. If it had been now they wouldn't have become so sick, they would have been helped to live on. With Metorex we have now made some progress and thanks to the General Manager we are now working in partnership to implement cost effective HIV/AIDS prevention programs. We are further refining a new AIDS the policy, which is about to be launched.

Chambishi Mines/NFC-Africa

Are the Chinese the worst investors?

In conversations about mines privatisation all around the Copperbelt, residents, workers, commuters, Government officials, trade unionists, even the other mining companies all raise the same complaint - 'the Chinese'. In fact, although there are a number of Chinese employers in Zambia, of the major mining houses, only one is owned by a Chinese company: Chambishi Mines is owned by Non-Ferrous Company-Africa (NFCA), a Chinese state-owned enterprise. However, partly because they are all state-owned, the Chinese companies in the mining sector are commonly seen as part of one entity. In the 'Chambishi Investment Zone', this includes BGRIMM Explosives, Sino-Metals and a number of other contractors at which there are also a wide range of complaints against management. NFCA are commonly claimed to be 'the worst investors', usually one step ahead of 'the Indians' (meaning Binani who took over Luanshya, and then left, and Vedanta, who took on KCM in 2004) on a ladder of shame of abusing the workforce, ignoring local businesses and labour, and showing little interest in environmental protection. Swiss, British, South African, Canadian and other Western investors are typically labeled 'white' and (despite plenty of poor practice, particularly at Metorex, as described above) are assumed to have a more sympathetic style of management.

The debate is clearly heavily informed by racist assumptions, and mixed in with critique of the employment practices and health and safety failings of particular investors, there are usually plenty of comments on the personal attitudes or habits of Indian and Chinese businessmen, levels of social integration of workers and management in communities on the Copperbelt, and a fair sprinkling of frequently repeated urban myths. The 2006 Presidential campaign reached a fever pitch when Presidential candidate Michael Sata was seen to be mobilising popular sentiments by vehemently criticising Chinese investors, and promising diplomatic confrontation with the Chinese state. Even senior civil servants and Zambian staff working constructively with Chinese management assume that there is something uniquely Chinese about the operations of NFCA and plead for lenience and understanding on the basis of 'cultural differences'.

Two major incidents have done the reputation of 'Chinese investors' no good. Most famously, in April 2005 in the single biggest disaster in the history of Zambian mining, there was an explosion at the BGRIMM plant that killed 52 Zambian workers. None of the management or Chinese staff at the plant was injured. Secondly, in 2006, during a two-day wildcat strike over delays in payments to workers at NFCA, workers from the mine protested near to the living quarters of Chinese managers. Two of the protestors were shot. Whether the shooting was carried out by NFCA managers, security guards or indeed Zambian police has never been cleared up, and no prosecutions have followed. The incident confirmed in the popular imagination the idea that Chinese bosses were uniquely brutal and exploitative, and that the Zambian state's relationship to them was too close. So, is the reputation of NFCA as the worst of the privatised companies deserved?

Investment

Before NFCA bought the mine, Chambishi Mine had ceased operations, laid off a majority of its workforces and maintained a skeleton staff of just over 100. NFCA put up an initial financial investment amounting to $US 132 million to refurbish the mine and the concentrator. This extended the mine's life and offered hope of jobs to former miners living in the already-depressed Chambishi Township. The mine now employs over 2,100 people.

Employment

The quality of this employment is in question. As already discussed, Chambishi Mines pays the lowest wages of all the mining companies, and employs a tiny share of its workforce on permanent pensionable contracts.

· At the time of writing there were just 52 Zambian unionized employees on permanent contracts. These are former ZCCM employees who were taken on to work at NFCA on the same terms as their old jobs, including representation by MUZ and eligibility for pensions. While their terms and conditions are easily the best available outside of management at NFCA, they are the lowest paid of all the major mining houses. Their numbers are also constantly dwindling as NFCA attempts to move all workers onto fixed-term contracts.

· Of others employed directly by NFCA, 687 are on contracts which vary in duration from 1 to 5 years. The company has attempted to impose on these workers its extremely unpopular, 'scientific encouragement scheme' whereby half of a worker's salary is delivered in a fixed amount and another chunk 'floats' according to management's assessment of the performance of the company overall, the worker's division, and the individual.

· The remaining 100 or so employees taken on directly by NFCA are classified as casual workers. They have no job security and generally poor conditions of employment in comparison with other employees.

· NFCA makes extensive use of subcontracting firms. 1,093 workers are employed indirectly, and come to NFCA via two Chinese subcontracting firms. The draft Environmental Impact Assessment for NFCA claims that "it has been reported that the majority of those working in the underground mine are employed on either temporary contracts or a casual basis, and many receive minimal wages whilst working in difficult conditions. Some casual workers at the underground mine are reported to earn between K120, 000 to K150, 000 per month." (119). This claim is almost beyond belief as it is significantly below the legal minimum wage, and represents just 10% of the Basic Need Basket (120)

· At the other end of the scale, NFCA employs 180 Chinese employees on permanent contracts. Of the senior management team, 11 are Chinese and just one is Zambian.

Clearly a number of these practices are at odds with commitments made by the company in its Development Agreement. For example, NFCA commits in the agreement to, "take all reasonable efforts in its recruitment and employment of employees in its professional, managerial, engineering and scientific grades… to bring to the attention of such qualified Zambians, positions available within NFCA." (121).

Social impacts of privatisation around Chambishi

The communities around the mine include very high shares of retrenched former miners, with almost zero formal sector employment in many locations, and the population surviving almost exclusively through subsistence agriculture. Given the wages on offer, many of those working in the mines will also be looking for other means of supporting themselves and their families. The large numbers of people attempting to farm has led to communities being driven to living on and farming land owned by the mines, to which they have no secure tenure. As a result of the overwhelming poverty of the Chambishi area, the company's draft Environmental Impact Assessment reports that, "All the clinics in Chambishi Township have reported an increase in nutritional defects and incidents of preventable diseases, including sexually transmitted infections since privatisation. This has been attributed to the increasing poverty levels in the township, one consequence of which has been an increase in prostitution." (122).

Health provision

Since privatisation. retrenched ZCCM mine workers and their families, who would also previously have had access to mine hospitals, have found it difficult to access health care, facing higher fees. For the 52 unionised employees on old ZCCM terms of service, hospital provision is, as it was previously and is for unionised workers in all of the other mines, free to all dependents. However workers on fixed-term contracts are allowed to nominate just one family member for health care, which, until this year, was automatically a registered wife – the worker may now nominate one person of their choice. NFCA is the only mining company that denies all dependents health care. Zambian average family size is 6. In other words, NFCA will provide no free healthcare to the children of their employees. It is far from clear that in this situation NFCA is operating within the terms of its Development Agreement. This states that: "NFCA shall: provide the Social Services to all employees of NFCA and the Registered Dependents of such employees entitled to benefit therefrom... NFCA agrees to continue to employ the same registration practice for determining the eligibility of dependents to qualify as Registered Dependents as the practice for determining the same which was in place at the date of this Agreement." (123) As discussed further below, if NFCA is attempting to justify this practice, it is likely to be on the (legally false) basis that it's contracted workers are not 'employees'.

Preventative health care

ZCCM had a complex preventative health system, focused on malaria, TB and AIDS. NFCA has made little effort to reproduce this system. The company did not engage in anti-malarial spraying until 2006, relying on the neighbouring company, Chambishi Metals Plc, to spray many of the relevant areas for NFCA employees, covering the area within a 10km radius of the Chambishi Mine Township as part of the nationwide "Roll Back Malaria" program. NFCA has also singularly failed to develop an HIV-AIDS policy. The companies' Human Resources Manager claims that there may be such a policy on the way. "The HIV-AIDS pandemic. Now that is the talk of the day but we have had no policy here. Right now we are building up a policy and beginning with some activities towards that because that affects not only the workers but the community from where these guys are coming from. So, we are building up something and really by the end of the year we should have a lot of activities going on in as far as HIV-AIDS is concerned. A lot of organisations have come in. The union. CHEP was involved at some time. Currently there isn't a specific budget, but currently what we are doing is looking at activities and looking at what it would cost." (124) NFCA has now owned the mine for eight years and the same has been true for much of that time: policies are 'in development' on a wide range of issues, including those legally mandated in the Development Agreement.

State of the townships

At privatisation ZCCM sold the mine houses that it used to look after and rent to its employees to the people who lived in them – often as part of their retrenchment package. However, without a livelihood, many of these unemployed former miners have been unable to maintain the houses, and have decided that the only way to secure an income is either to move into one room of the house and rent the rest, or to move out entirely and to rent the house while living in a shanty town or squatter camp. This has led to the growth of informal settlements and great crowding of accommodation in Chambishi Township. ZCCM provided treated water to Chambishi Township. Sewage and domestic waste from the township was dealt with by Kalulushi Municipal Council. However, the Council was 75% dependent on ZCCM for finance. At privatisation, this revenue was withdrawn and, with mainly unemployed and very poor residents in the town, the company struggles to collect user fees. Services are frequently suspended and the private company running the system has no finances for investment in mending infrastructure.

Corporate resistance to regulation and inappropriate relations with Government

One of the major concerns about NFCA expressed by local people, in bars and on buses across the Copperbelt, is the idea that the company is able to operate with impunity because of the closeness of its relationship, or at least the Chinese state's relationship, with the Zambian Government. This relationship was alluded to openly by a number of informants, both representing the Government and the company.

For example, staff at Mines Safety Department revealed that early in the life of the mine they proposed to suspend operations at the mine on safety grounds. Our informant reported that his boss replied, "Don't. I will fire you. What you should do is work with these people. They have got a different culture." (125). The same informant accepted that, following a lot of problems in the early years, including over lack of safety clothing and the use of shift bosses without English language skills, the situation has improved somewhat.

Similarly, NFC staff report that, despite having had some difficulties with immigration regulations due to their overuse of expatriate staff, the company had found ways around the system. "Sometimes immigration have accused us of interfering with their operations where for example you are denied a work permit, and instead of pursuing it with them, you go around a bit and ask a top Government official. And you find that the person you are dealing with is not directly in that Ministry, but it works. So it is just identifying who can help us. Most likely we go down to the PS, even the Minister, within the same Department. But sometimes, there has been a diversion where you can even go to the Vice-President for example. They might see, this investor, this is a serious investor, and perhaps we need to assist them."

Union busting

NFCA's draft Environmental Impact Assessment report claims that a condition of the massive number of temporary contracts at NFCA is that the employee is not a union member (127). This represents a clear breach of the Industrial and Labour Relations Act and ILO conventions to which Zambia is a signatory. The two unions that operate in the mine have made repeated efforts to secure wider union membership and to represent contract workers at the mines. The company has repeatedly refused the request for what should be the non-negotiable legal rights of employees. In the negotiations for 2004 to 2005 collective agreement, MUZ proposed to management that employees on contract be engaged on a permanent and pensionable basis. This idea was resisted by the management who have always wanted all employees to be engaged on contract. When MUZ suggested an improvement to the severance package from 1 month pay to 3 months pay for each year worked for the employees on permanent and pensionable conditions, the management position was that: "Management would accept the union's proposal on condition that all employees signed fixed term contracts." (128). This attitude amounts to blackmail – to win an improvement in terms and conditions, you must give up your pension and employment security.

Attempts at Government regulation of the situation have thus far proved ineffective. However, reacting to union complaints about the difficulties faced in organising at Chambishi and other sites the Labour Commissioner Mr Siasimuna issued a circular on 26th May 2005 entitled "Rights of Employees in Respect of Trade Union Membership". Months later, as if the circular did not exist, the management of NFCA refused to allow MUZ to represent the fixed term employees in the negotiations for the collective agreement for the period 2006 to 2007.

NFCA Management are clear that part of the reason they bend the rules is that they are not enforced and the company believes that it can get away with challenging Government policies: "Really there is no price to pay, it is true. Let me give you an example, the Government has been talking about casualisation for a long time – 'don't do it, no casualisation'. We have had even visits here and Government official comes and says, 'no you are not supposed to engage casual workers'.

We have had letters being written from the Labour Ministry to say, 'you can't do this, you are not supposed to be doing such things'. But at the same time, the law is there that you can do it. So this person says, ‘No. After all, we are not breaking the law because, there it is. That is one way. Then the other way is perception and interpretation of the law’. So the laws must be clear so where we have labour laws we must all be able to read them and understand them.’ (129).

Perhaps unsurprisingly, the Zambian Government seems to be tiring of the embarrassments caused by NFCA. Without mentioning NFCA by name, the Permanent Secretary of the Ministry of Mines noted, “We have very good rapport with mining companies. They are very understanding. We work with them, and there is an excellent relationship. But there are one or two who tend to step outside the normal and we notice that we call them and talk to them. I won't mention this one particular company. The Head of State has called them and talked to them. And we believe that a new chapter has been created - the problems that people were seeing will be a thing of the past. But if they deliberately continue to put the Government in ridicule, then they will be sorry for themselves. They won't say that we didn't talk to them. No Government on earth would wish to have such a situation where it is put into ridicule by the behavior of one particular company.” (130).

Solutions to most of the problems discussed are proposed as elements of the NFCA Environmental Management Plan, currently in draft form, and available for public comment on the ECZ website. The document is brutally honest about the wide range of problems at NFCA, identifying a crisis in the companies’ working practices on environment, employment and provision of social services, listing the problems the company is causing, giving detail of their negative impacts on local communities and proposing a timetable, lasting to July 2008, for the implementation of explicit policies and monitoring mechanisms in every one of the fields described above. The baseline commitment in the plan is that the company will at least come into compliance with the national legal framework and the commitments made within the Development Plan on employment and health and safety law. However, in other areas, the remedial action proposed will provide scant excitement for local communities hoping to see an end to years of delay and obfuscation. The Plan proposes a series of exercises in the preparation of paper policies, an area in which the company has excelled in delay and failure. On employment, for example, the plan notes that, “Casualisation of workforce” is creating “Job insecurity. Lack of worker representation. Low wages and poor conditions of service. Reduced opportunities for local economy to benefit from increased buying power of mine employees.” However, its hazy proposed solution is, “Review employment policy and practices” by July 2007 and “Conduct salary review for permanent, contract and casual labour to ensure that salaries and wages comply with accepted national standards” (131). How effective the process of implementing the EMP and making it bite will be seems likely to depend on political and social factors.

The Government does have levers that it can pull to increase pressure on the company. It does not seem to have used many of them yet, but since the election, things may have changed. At the same time, President Mwanawasa returned from the November 2006 China-Africa Summit in Beijing, to announce a new package of aid and development assistance to Zambia from China. Included was the possibility that, of the three to five new ‘economic co-operation zones’ that China plans to establish in Africa in the next three years, one of them may be the area around Chambishi Mine (132).

The Impact of Privatisation on the Zambian economy

From 1975 Zambia's economy underwent a world record breaking decline. Between the periods 1970-1975, 1976-1990 and 1991-1999, per capita GDP fell by -0.8, -3.1 and -7.2% respectively. A large share of the blame for this disaster can be put at the feet of the collapse of the world price of copper. Mining's contribution to national GDP fell from 16.5% in 1994 to 11.8% in 1997, the year privatisation started. In the next five years it fell further, to just 7.9% in 2002 (133). This figure was at least rebounding a little, and though more up to date figures are not available, we can assume that the rebound has continued, on the basis that production and profits have done.

Mines privatisation was claimed to hold the key to turning the economy around in the medium term. Firstly, it was said, taking responsibility for what had become a loss-making industry out of Government hands would reduce the burden on the Zambian state. Secondly, if reinvestment could make the industry profitable again, it was hoped that new taxes would flow into state coffers, that the companies would train the Zambian workforce up to international standards, and new linkages would be made to local firms.

However, it was always possible that new companies would 'revive' the profitability of the copper industry without reviving the national economy. If the companies made themselves profitable principally by cutting back the workforce, reducing wages and stripping the assets of the mines, before leaving the country with their profits, without re-investing, Zambia would benefit not at all. Something similar had already occurred in the Zambian steel and textile industries, in which most privatisations had involved asset stripping and then companies quickly selling up and leaving. The Development Agreements for the copper mines were therefore designed in part to counter this risk. They committed the companies to making investments in the first few years of their ownership.

However, one of the first problems with Zambian privatisation to show up was the absence of constraints on companies to encourage them to adopt a longer-term perspective rather than making a quick buck and getting out. Anglo-American and Binani pulled out completely, early in the process, without suffering any significant regulatory penalties. Nonetheless, as we have already seen, overall the privatisation did bring in new investments

Foreign ownership

The clearest impact of privatisation is that it places ownership of the copper mines in private hands, rather than being in the control of Government, and in Zambia's case, because there are few if any Zambian companies with enough wealth to buy a copper mine, it places ownership in the hands of foreign firms rather than Zambian nationals. This makes it likely that profits from mining leave the country without having any positive impact on the Zambian economy, and, rather than being re-invested in building up the national economy, will be placed in banks or re-invested in companies outside the country. As the Permanent Secretary notes, "Today the public is saying that these large-scale mines are now with foreigners. Mining is the backbone of the Zambian economy, so the backbone is in foreign hands. What about us nationals - can't we participate in ownership? Government should have put in place measures to allow Zambian private individuals to participate in the ownership of these mines." (134).

There is one obvious problem. There are not very many individual Zambian nationals or nationally-based companies with sufficient capital to make a go of taking over and investing in the rehabilitation of a major mining company. The original privatisation model did attempt to provide some wider ‘participation’ of Zambians in the process. The idea was that ZCCM-Investment Holdings (ZCCM-IH), would be set up as a state-equity company, holding minority interests in each company. The company would therefore make some money for the state as the mines became profitable. At a later date, the aim was somehow to widen the share-owning base of ZCCM-IH. This has not yet happened, and asked how to increase local participation in the mining sector, the Permanent Secretary recognised that ideas about how to proceed are thin on the ground. “It's a challenge. How can one do it? Provide loan facilities or do what? Well the feelings of the population at large is that they would wish they had participated and that Government should have come up with measures to make that possible. Of course they don't explain how Government would have done it. They just want the Government to have thought of something. I think it's possible to use ZCCM-IH as a vehicle for individual Zambians to own shares in those mines. So something creative could have been worked out. There are opportunities. It's not impossible to come up with measures to let nationals participate in large scale mines. It just takes some exercise of the mind.” (135).

The tax take from Zambian mining

Placing the mines in private hands means that any income to the state is not directly from sales and profits from the mines, but rather from any taxes that can be levied on the companies – in the form of income tax for employees, VAT paid on services purchased by the mines, border taxes paid on imports and exports, corporate taxes on profits, and mineral royalties on sales of copper. However, as we have seen, in their Development Agreements, the mining companies managed to negotiate exemptions from paying most of these taxes.

The World Bank argues that “The main feature of the mining sector is that most of the incentives are negotiated on a case-by-case basis by companies which have purchased privatized entities from ZCCM. This feature makes it difficult to analyse the sector as a whole. However, in general, mining contributions to total tax revenues are extremely small.” (136). Nonetheless, the Bank calculates an aggregate figure, called the ‘Marginal Effective Tax Rate’ (METR) to describe how much each industrial sector is taxed and concludes that, “Because of the relatively low tax rates and significant incentives, the mining sector enjoys an METR of around 0%. In particular, the expensing of many equipment purchases and moderately accelerated depreciation deductions for the rest, the METR on machinery reflects the largest subsidy (-18.3 percent) received in any sector for any asset.” (137) Mining is the most favoured sector in the Zambian economy, a source of significant resentment as the Government is thus favouring international investors over local business owners.

Fig. 2: Comparative Marginal Effective Tax Rates for different industrial sectors in Zambia

Mining	0%
Tourism	0-10%
Manufacturing	0-10%
Small Businesses	20-25%
Financial	25-35%

Source: World Bank

As shown in Appendix 8, even the Chamber of Mines own statistics, presented to make the case that tax on the mines should not be increased, demonstrate that, while the revenue generated for Government from mining has increased since ZCCM’s nadir in the second half of the 1990s, the 2005 contribution, of around $75 million, is less than one third of the contribution made to the national treasury by ZCCM in 1991.

The mining industry does contribute to government revenue through the taxes paid by its employees in form of income tax. However, in their Development Agreements, companies negotiated to pay lower corporate tax rates than apply to other industries. Because they are also able to roll losses from previous years forward and to write off profits that would have been taxable, the mining sector barely contributes at all. As shown in Appendix 8, mining contributes less corporation tax than smaller sectors such as the financial services and telecoms sector. The mining sector also claims back from the Zambian Government all of the VAT that it pays on goods that it buys locally. Since the company from which these good were initially bought will have paid the VAT aspect of the price charged to the Government, and the Government then pays that back to the purchaser, VAT contributions show up as a minus figure – a subsidy from Government to the mines.

In 2006, one company, First Quantum, which is still well within the period of the tax holiday provided by its development agreement, decided that the situation was embarrassing and decided to start paying tax, contributing $19million to the Zambia Revenue Authority. The companies also argue that, although the tax income so far has been very low, their ability to write off investments against profits will soon come to an end, and the Zambian state will benefit more. They also point out that there are a number of other ways in which the Zambian state benefits. Written into the Development Agreements are 'price participation' clauses, under which, as the world price increases beyond a certain point, a larger share of income is paid to the state. Finally, through their minority interest in the companies, held by ZCCM-IH, the Zambian state has a stake in the companies. As and when the companies start to reap major profits, dividends will also be paid to ZCCM-IH. The Chief Financial Officer at Mopani argues, "GRZ are going to benefit substantially from the various investments that the mining houses have made, and particularly Mopani. They are not going to benefit from it now in 2006, but 2008 onwards they are going to see significant benefit. That's when the capital allowances have been used for tax purposes, so then the tax is 25% and that is a significant amount of money to any regime…You're going to see a dramatic jump in 2-3 years time.

Bwana Mkubwa is already paying tax. I think they are forcecasting about US$150million next year and Mopani will join suit 2007 - 2008 so we've got to be very careful that GRZ aren't rushing to strangle the goose again before it lays its golden egg… The GRZ through the ZCCM-IH have had a free carry for the last five year. They've invested no capital but their 10% holding in the various companies has gone up. So when the dividends do get paid, which will be happening in the next year to two years, and they'll be reaping benefits far outweighing any attempt at a 2.5% royalty they're looking at. Now that doesn't happen anywhere else in the world." (138)

Training of the local workforce
Mining companies can contribute to the Zambian economy by providing experience and training for their own management and workforce. However these benefits will only occur if the companies develop good human resources and training programmes and commit to building up the skills of Zambians, rather than employing expatriate workers in all of the senior and technical roles. As the CEO at Luanshya Mining argues, for many companies it may seem easier to bring in expatriate workers. He suggests however," There has got to be a conscience that says, those skills we accept - those ones no. And that I don't think is happening very effectively at the moment. There definitely is an inclination to employ expats where you actually have the skills in Zambia." (139)

Foreign investors tended to bring in entirely new management teams at the moment of their purchase of the mines. They seem to have been able to do so because Zambian labour laws are antiquated. While the IMF suggests that Zambia simply doesn't have a labour market law, one ex-miner noted, "The labour laws date from the 1960s. We have had two new Republican Constitutions since then. How can we not have changed the labour law?" (140). The IMF goes on, "The current labour laws are also weak on the engagement of expatriate staff by new investors and the differences between their incomes and those of local staff. Many new investors take advantage of the situation by recruiting their managers in management positions and paying them heftily, compared to local experts of similar qualifications and experience."(141).

This situation has created significant resentment, as much of the most educated and skilled workforce from ZCCM was laid off. Many of those Zambians have left the country and taken their skills and knowledge with them. As already noted, this is still the situation at firms such as NFCA that employ just one Zambian manager and even bring in shift bosses from China. However, other companies clearly are making an effort to redress the situation. Vedanta brought in Indian management wholesale after they bought KCM. However, they are now altering the balance, and have identified 40-50 Zambian 'young business leaders' who they are fast-tracking on a management training scheme. KCM claims to be the only company that has taken Zambian staff out of the country to work on its other international programmes, to gain international experience. KCM has also re-established something similar to the old ZCCM training scheme for the main workforce, recruiting 1,200 school-leavers from all around the country to be trained and to work at KCM. Many of the company executives interviewed expressed similar views on the issue – arguing that total numbers of expats were low and dropping, blaming a lack of trained Zambian workers on the country's educational and training systems, and arguing that they have no desire to hire from outside Zambia. As the resident Director at KCM put it, "I have absolutely no interest in bringing in Chinese labour if it's not necessary. The contractor has absolutely no interest in bringing in expensive expat labour if a local could do it." (142)

Linkages from the mines to other industries

There are a range of wider expected impacts of privatisation to the Zambian economy other than the tax paid to Government. Firstly, if new investment revitalises the mining industry, the mines should need to buy more goods and services from local firms. This should multiply the effects on employment and wages. Secondly, by lowering costs of production and introducing new technologies, the new companies might be able to make new linkages to manufacturing industries, set up around the mines to process the copper into basic electrical goods.

One of the reasons that the collapse of employment in ZCCM had such a devastating impact on the Copperbelt region, with many of the main urban centres becoming ghost towns, is that the mines sit at the centre of trading networks with a huge number of other local businesses. The mines themselves buy in food, cleaning, security, building materials, petrol etc. from outside suppliers.

There is a widespread belief amongst local firms on the Copperbelt that the management of the new companies distribute contracts on a less-than transparent basis to companies in which they themselves already have an interest. It was not possible to confirm this theory, and a range of alternative explanations also present themselves:
- Problems of supply and stock-holding for local companies make it difficult to meet the short notice demand of multinational companies. The situation is cyclical. Once local companies lose confidence that they might be approached for a particular good, they will stop stocking it. As a result, as the Chairman of the local Chamber of Business notes, "they will come to you, and say we want this, like yesterday, and when you fail to supply, they will say you are not efficient." (144)

- Finally, once a machine has been purchased from a foreign company, servicing and repairs will also typically come from the same source, at least for the first five years where a guarantee is in place.

There have been some efforts to resolve these problems. For example, there is now a mining liaison committee in the Chamber of Commerce and the group is running an exercise with KCM to try and match KCM's needs to local manufacturers of goods such as foundry, fabrication and machinery products which have been produced locally for many years. However, there is a huge lack of trust between even the Chamber of Business and the mine owners. This results on the part of the owners in part from corrupt practices that emerged in the chaos of deregulation and the rush by a huge number of 'briefcase businessman' that competed in the early years of privatisation for contracts from the mines.

As the Chairman of the Chamber of Mines notes, "In the past we had a system where every year, all the registered companies were given a questionnaire and were registered here and that questionnaire would ask you what you supplied and many other things. They would ask you for your address and bankers and they could counter-check that information. But now they have destroyed that system and lots of crooks have come on board." (145).

While much of the focus in national debates has been on suppliers to the mines, it is also useful to think about the 'forward linkages that the copper mining industry could be developing in order to build up the Zambian economy. The most basic tasks of processing copper ore do mostly take place in the country. The rock is crushed and concentrated next to the mines. It is also usually smelted into flat sheets of copper, called cathodes, which are convenient for transporting and exporting copper. As new ore bodies are discovered and mined, both in Zambia and in the DRC, Zambia is trying to position itself as the place to smelt these ores and to manufacture them. However, this is not true of all the mines. For example, Chambishi Mines do not have a smelter, and having encountered difficulty getting other local smelters to process their concentrates, are exporting the concentrates to Namibia. As NFCA management recognise, they are literally exporting jobs. As an MUZ representative noted, "despite our proximity to the ore body, our tax structure and the treatment charges appear not to have been very competitive." (146)

An industrial strategy might chose to shift the incentives currently offered to copper mines towards processing industries. For example, placing higher export duties on copper concentrate would create a clear economic incentive to do the smelting in Zambia. It could also be possible to offer incentives to companies that could further process the copper, manufacturing wires, electrical plugs, pipes and other light-industrial goods. Suppliers could similarly be encouraged to manufacture their products in Zambia. For example, for the past fifty years, a Swedish company, Alvinius, has provided all of the piping required by Zambian copper mines, shipping in pipes manufactured in Sweden. Since privatisation their product has been imported by the mining companies under no/low tariff arrangements established under the Development Agreements. However, with the opening up of sourcing systems, the company has been considering its response to lower-quality, lower-price competition from South African firms. One strategy that would lower costs for Alvinius and secure its position as the most competitive manufacturer would be to finish semi-manufactured pipes at a new facility that it is considering building on the Copperbelt. However, the current system provides very limited incentives for the building of such facilities – because mining companies can import equipment from overseas without paying duty, there is little incentive to attempt to source locally. If supplying companies did set up locally, it is not clear what incentives they might be given. (147)

Could renegotiating the Development Agreements provide funds for development and to overcome aid dependence?

The relationship between copper revenues and aid dependence
From independence until the first oil crisis, Zambia received relatively little aid. From 1978 there was a steady increase until 1990. The arrival of the new MMD Government in 1991 saw huge increases, reaching a high point in 1995, before dipping in the period to 2001. Aid has again recently picked up, with 2004 seeing the second highest flows in the country's history. Aid as a share of Zambia's GNI has been as high as 63% in 1995, but by 2004 was back to 21% (148).

While Zambia's aid statistics are high, they are not unique amongst low-income countries. What marks the country out, rather, has been its spectacular debt burden. By 2004, debt service was US $ 424 million a year, 8.1% of GNI. Around 60% of this debt was owed to the IFIs (150). This debt emerged in the late 1970s when the Government (encouraged by the World Bank) believed that the collapse of copper prices would be temporary and borrowed to soften the blow to health and education services and food and industrial subsidies. However, as government spending continued to grow, and copper prices did not recover, the debt ballooned. As early as 1984, Zambia was the most indebted country in the world relative to its GDP (151). Since 1996, a number of debt relief initiatives slowed growth of the debt, making faltering inroads into its overall size and the size of annual debt service until the point in 2006 when a massive new deal was struck. When Zambia finally attained HIPC 'Completion Point' in April 2005, debt stock reduced significantly from US$7.1 billion to $4.5 billion. The best news was still to come. Under the Multilateral Debt Relief Initiative (MDRI) arrangement, announced by the Bank and Fund in 2006, those countries that had already reached HIPC Completion Point won a massive additional write off with debt stock reduced to $500 million, less than 1/10th of its previous level.

Because foreign donors attach policy conditions to new loans and debt relief, Zambia's massive debt weakened the government's ability to set its own policies over the past twenty years. The country has been described as a 'disciplined democracy' (152), in which aid conditions have been used by the International Financial Institutions (IFIs) to such an extent that, no matter who gets elected, liberalisation and privatisation will inevitably follow.

A country's aid dependence is directly influenced by the absence or presence of alternative sources of funding that the country can turn to instead of relying on donors. In Zambia's case, the obvious alternative to aid is copper revenues, whether in the form of profits during the state-owned era, or royalties and corporate taxes once the mines had been privatised. Zambia's need for aid has related closely to shifts in the country's terms of trade, themselves driven by secular declines in the world market price of Zambia's principle export, copper, starting in 1975. External receipts from copper dropped 23% between 1974 and 1988 (153), severely restricting access to foreign exchange.

How much more money does Zambia need now?
Given the massive increase in copper prices, and its coincidental timing alongside a huge debt relief package that reduces the need for Zambia to borrow further to cover interest payments, the possibility arises of making a fresh start. Could Zambia again use revenues copper, as it did in the 1960s and 1970s, to drive major investments in the country's economy and people and to break the country's aid dependence?

The Government has recently completed a major five year national development planning exercise, the 'Fifth National Development Plan'. The Government estimates that the cost of implementation will be K65.2 trillion. Most of this funding should be available from normal expenditure and funds previously budgeted for debt servicing but released by the MDRI deal. Secretary to the Treasury Evans Chibiliti announced in July 2006, "The resources available, though not entirely confirmed, have been estimated at 49.9 trillion Kwacha over a five-year period." (154). This leaves a financing gap equivalent to around US $1.5 billion between projected costs and projected domestic resources. Ministry of Finance representatives argue that aid would have to contribute to filling this gap, and that, despite debt relief, Zambia would still need to see a 66% hike in aid, from an average of US $550 million per year in the last three years to an average of at least US $800 million for the five years of the FNDP (155). This figure would cover only just over half of the expected gap. The Ministry of Finance accepts that, in order to finance the FNDP, Zambia will have to start borrowing again, from both the domestic and external sources, risking a situation where, having just got rid of the country's debilitating debt burden, it immediately starts to rack up loans again.

Does copper present an alternative to aid dependence and a new debt trap?
A recent report by the UNDP argues that in order to fund the programmes necessary to halve poverty and meet the Millennium Development Goals, Zambia should spend an extra 5.5% on health spending, 1.9% on water and sanitation and 2.7% on social safety nets over and above existing budgets (156). The authors argue that, in order to avoid the unpredictability of aid and debt relief flows and the biting political conditionality attached to them, the country should raise these funds from its own resources, partly by increasing tax revenues equivalent to 3% of GDP.

They argue against increasing 'non-tax' revenues, such as 'user fees' for health and education services or utilities bills because these tend to have the effect of decreasing public access to these services, and thus work against poverty reduction. So how could these taxes be raised?

- Currently Zambian personal income taxes generate an unusually high share of the total tax take. The authors suggest a reduction in income tax rates for the poorest.

- They also propose that the Government should increase tariff rates, although this would be difficult given the WTO restrictions that apply to the country.

- VAT has generated relatively little revenue, and increasing it would adversely affect poor consumers who already pay unusually high prices for food and other basic goods.

Their main conclusion is therefore that, “There could be considerable scope for increasing the corporate tax, which in 1990 brought in over six per cent of total income… the rejuvenation of the copper sector and the growth of agribusiness provide ample scope for expanding this tax base, especially if various forms of tax exemption were removed. Zambia’s earlier legal commitment to an ill-conceived tax-holiday arrangement with the copper companies should not pose and insurmountable obstacle to re-imposing levies on the sector. One can find many international examples of the alteration of tax rules by government when circumstances change significantly. The dramatic increase in the copper price since privatisation and the subsequent questionable behaviour of some of the copper companies combine to justify a change in government policy. Since the world market for copper is experiencing excess demand, a change in policy would be unlikely to deter production or even new investment.” (157).

As shown by figures presented in Appendix 8, these policies would represent something of a rebalancing of the tax structure in Zambia which, since 1991 has seen massive increases in personal taxes and massive cuts in company tax. Extraction royalties brought in just 0.2% of Central Government revenues in 2003 and company tax a further 5.5% while personal income tax contributed just under one third of the total.

How might such a renegotiation occur?
Over the past few years the Zambian Government has started to discuss renegotiating the terms of its relationship with investors. This appears to be a response to:

- increasingly obvious and politicised disenchantment with mine privatisation,
- massive rises in world copper prices, and thus the profitability of the new companies,
- a wave of bad publicity following major fatal accidents on the Copperbelt.

Since mid 2004 the Finance Minister has repeatedly suggested that mineral royalty rates will be raised. Mineral royalties are a tax on the revenue from sales. In comparison to income tax, which is levied on profits and can thus be avoided if a company is re-investing heavily or carrying over losses, royalties can be understood as compensation simply for the fact that a private company has removed from the ground and sold an asset which is recognised to belong ultimately to every Zambian citizen.

The royalty rate, fixed for between 15 and 20 years in most of the existing Development Agreements, is 0.6% of total revenues. The Finance Minister has repeatedly mooted in media interviews raising the rate. In the run up to the 2006 elections, he claimed, “We are seriously working out a programme to urgently review all our development agreements with mining investors and increase the royalty tax to an average of 2.5% for copper.” (158). The rationale is clear, “when we signed these agreements almost four years ago, the copper price was at its lowest at about $2,000/ton. Five years on the price has risen sharply by 400% to $8,000/ton. For the national treasury to reap maximum benefits from the higher metal prices, we didn’t have other options but to view the legislation.” (159).

This figure of 2.5% is still at the lower end of international averages, and represents significantly less radical approach than that adopted for example by the Chilean Government in its ‘pro-poor’ mining policy. It is also very low by the standards of Zambia’s neighbours – an IMF survey of tax and royalty rates in developing country found no other African country charging royalties with royalty rates below two per cent, and some with royalties as high as 20 per cent (160).

As the Permanent Secretary of the Ministry of Mines explains, this is because, for Zambia, raising royalties would not reflect a change in the strategy represented by the Mining and Investment Acts, in which investors' concerns come first: "Both local and foreign investors want very attractive incentives in order to come in. So we would wish to see an adjustment of this mineral royalty, but to a level which is at the bottom of the average in the region or the world at large so that we still are competitive, and when we leave other incentives that are there, in place, the overall picture should be of Zambia remaining a highly attractive investment destination." (161).

Whatever rate the Zambian Government wants to set, it is far from clear how they might actually establish it. The Finance Minister's media statements suggest that there will be new legislation, which would represent a unilateral action by Zambia as a sovereign Government. However, the Development Agreements establish a contractual commitment on the part of Government not to change the tax take from companies for between 15 and 20 years, a commitment underpinned by the right for either party to take the other to international arbitration in any dispute over implementation of the Development Agreements. The stability periods thus negate the sovereign right of the democratically elected Government to legislate.

Since the discussion has started in the media, the primary concern of companies and international donors has been to establish the absolute primacy and legal status of the Development Agreements over and above Zambian sovereignty. Their message to the Government is clearly: 'don't try to do anything without getting our agreement first.' In other words, the Government should open a discussion with the companies first. KCM argue, "If they try to change the Development Agreements, it becomes a legal question. It becomes one of arbitration." (162). MCM agree: "There is no way that a Development Agreement renegotiation is going to be bullied, it's going to be negotiated. Because if it's going to take the bully route then we do have courts to resolve the issue." (163).

Although there are examples of Governments around the world overruling contracts in the case of massive privatisation windfalls, the Permanent Secretary of the Ministry of Mines suggests Zambia will constrain itself: "We believe in the rule of Law. We have signed these Agreements and they have the force of law behind them, so Government cannot unilaterally start changing things. If they feel something has to be changed then they have to go back and re-negotiate." (164).

However, this leaves unanswered the question of how any discussion should start. In the absence of a direct initiative from the Government, there will be no change in the rate. As the Chief Executive of Mopani Tim Henderson notes, "We have had no direct communication saying 'this is going to be an issue - we're going to talk about it'. You know we see it in the paper, where the Minister says, 'well we're going to do this and that', and we say, 'well, it's a legal thing, so we'll see you in court.' As far as we're concerned we don't need to arrange a meeting because we're not here saying, 'we'd love to give you some more money.'" However, as with most of the companies, he also accepts that the repeated press announcements represent some sort of softening up of the companies by Government, that an eventual move from the Government move is inevitable, and that the companies will have to engage, "They've got to come to us company by company and say, this is what we'd like to try to do. What's your feeling? Where are you going to go? And once they've done all the companies they'll have a general idea what the feeling is. Then they might have to say, now we'll have a general meeting along these kind of lines… There should be dialogue and discussions and all that and I think there needs to be more of it, and yes, I am sure they'd like a different number that 0.6. And yes, maybe there is one between there and 2.5, but let's talk about it." (165).

What negotiating capital would the Government and companies bring to the talks? The question then is, if the Government does start discussions with the companies, and given the companies hold contracts that the Government is committed to respecting, what negotiating capital can the Government deliver in this situation to ensure that 'the number' is as high as the Government would like?

The answer, initially, appears to be very little. The PS at the Ministry of Mines suggests that the Government will have to rely on its 'good relationship' with the mining companies: "Fortunately, we have a very good rapport with all mining companies in the country. They recognise that Zambia has the best incentives in the region and maybe in the entire world, but we would like to go back to them and appeal to their conscience that at the time of privatisation certain parameters were different from what they are today. Nobody thought the copper price would be at these levels. At that time they were below $1 and in fact their feasibility studies, when you check all of them, you find that the long-term price that they have assumed to make the mines profitable is about $1 or slightly above, but not $2, $3 and beyond, which we have. So there is a lot of windfall gain that has come. We believe that they should help us to get more benefits from the windfall gains." (166).

However, worrying about the threat of court action, and relying on the good will of the companies may underestimate the strength of the Government's position. The companies' greatest weakness is that any threat that they would pull out their investment if pushed too hard lacks credibility. Although, for example, KCM claim, "KCM is the highest cost producer in the world. So if copper prices fall below a particular price, I'll stop mining," (167), they also recognise, "If you start charging me more right now, it's alright. I am making a profit." (168). This is also true for Bwana Mkubwa and First Quantum. The other major mines, Chambishi Mines and Mopani both recognise that, although they are not yet making huge profits, that is why they are not in any position to pull out. Having only recently made significant investments in the mining sector, they will have to stay put in Zambia until they are able to recoup their financial inputs.

In the current political climate, the Government also clearly has significant political leverage in such a negotiation. With the MMD totally routed on the Copperbelt and in Lusaka in the September 2006 elections, and with everyone understanding that mining was the decisive factor in that process, the social and political situation on the Copperbelt is tense. With strikes already launched at Mopani over pay to contracted workers, and KCM under pressure over their environmental record, the Government would enjoy significant popular support if it put more pressure on the companies through its regulatory arms. One tactic in such a discussion that the companies may adopt would be to question the degree to which the election was directly a protest against them, attempting to put as much focus as possible on the failure of Government services in urban areas, in other words, on the failure of the government to use the mining boom to benefit a broad spread of the population. As KCM's Resident Director argues, "If we raise from 0.6% to 2.5% is the Copperbelt going to vote MMD? No, not unless they bring the money back to the Copperbelt."(169).

For Government, maximising negotiating capital by suggesting to the companies that their social license to operate is under threat might imply raising a wider range of issues (health and safety, wages, terms and conditions, environmental protection for example), that the Government feels are of public concern, and on which theycould act – making the companies' lives extremely difficult. Widening the range of issues under discussion could be a tactical move designed to force the hand of the companies in one key area - tax. However, it does not appear to be a tactic under consideration for the Government. The PS of the Ministry of Mines reports that beyond the royalties, "We don't think there are other issues to be re-visited. The cry now from the general public... is that they want to benefit more from the copper industry, given the higher prices that are now obtaining. So, we can't bring into the agenda things outside that cry." (170).

The companies, however, could also attempt something similar – accepting a discussion about royalty rates, but only on the basis that the entire content of the Development Agreement is also put on the table. The Chief Executive of Mopani argues that, contrary to common perceptions, investors in Zambia are working in difficult circumstances, don't have a particularly good deal and might like to raise a number of other issues about the Government's implementation of their side of the Development Agreements: "We are a specific case in Zambia. 2.5% might be a global average but you name me copper mines that are 2,000 miles from the nearest port. You name me export companies in other countries that can't get duty off on their imports. You name me copper producing companies that have price participation - they don't exist. So there's already special things that apply to us that don't apply to the 2.5% guys out there. So if you're going to change one thing, you're going to change everything. So it might be a discussion but it's going to be a lengthy one and that's not going to be the only thing we're talking about." (171).

The role of the IMF in the negotiations

There is one further complicating factor in this negotiation. The Government appears to be attempting to use the IMF as an intermediary with the companies. KCM's Resident Director notes, "In this negotiation, the IMF is Big Brother." (172). In 2005, the IMF prepared a report for the Government on the overall Zambian tax policy, including recommendations for reform. The Government claims that this report is the source of their desire to increase mineral royalties. Immediately after the election, an IMF staff mission arrived from Washington to Zambia. Part of their schedule was to call the mining companies in for a discussion. Nervous of the meeting, and in the absence of an agenda, the companies responded tentatively to the proposal, and the IMF withdrew the proposed meeting. However, Mopani senior management claim that, as Chair of the Chamber of Mines, they insisted that an agenda was agreed, and that the meeting went ahead. It did, on October 19 2006, and involved the major mining companies, the Ministry of Finance and the IMF.

The Government's strategy has certainly caused a degree of annoyance amongst the companies, who feel that the press and the IMF are being used by the Government as a part of their 'softening up' strategy, rather than the Government opening direct discussions with the companies. However, the companies also felt that they were able to use the meeting to get their point across. Mopani's CEO claims that companies took a firm line. "telling the IMF very strongly, you were the guys advising the government, now don't come in and change the rules just because things have swung around slightly differently." (173). The companies also feel that they have made some progress. Although it flatly contradicts media statements by the Finance Minister, that clearly refer to the existing development agreements, the investors greatest hope is that increased royalty rates will not apply to them. The Resident Director of KCM wonders, "I think there is a question of whether any re-negotiation will apply only to future investors, not to current ones." (174). Mopani's Financial Officer is also hopeful that the mining companies were able to convince the IMF of this position. "The IMF said they were looking at the tax base in general in Zambia. In a meeting with the Chamber of Mines this week, they specifically said they will not be addressing the mining industry. In particular, they will not be addressing the existing Development Agreements. And they are not stupid enough, to quote their own words, to advise the Government to challenge legally binding documents." (175).

This raises the possibility that the message being given by Government to the media – that they are aiming to renegotiate the existing Development Agreements, is not quite what it appears. It may be that what they will eventually do is to adopt a different figure from the 0.6% percent that applies to existing investors for any future agreements it might make with new investors. Mopani's Financial Officer claims, "The IMF said, 'don't pay much attention to what you're seeing in the papers. We've had an election. People say what they need to say'." (176).

The Zambian election of 2006 is likely to mark some sort of watershed in relations between workers, communities, the Government of Zambia and mining companies on the Copperbelt. For the moment, much of the attention of the media and the mining companies is on the question of the revision of mineral royalty rates. How this renegotiation will work out remains unclear. This report has argued that the Government ought to maximise its income from mining companies, and that the amounts it is able to secure will have an important impact on its future ability to avoid constantly relying on foreign aid donors. This presents Government with a difficult choice. From 1991, a key element of the Zambia's strategy has been to do everything it feels might be necessary to keep international donors and investors sweet. In the process, the Government has strained its relationship with the Zambian people. Negotiating a change of strategy will require not only that the Government is decisive and confident, but that donors and investors understand the importance of Zambia and Zambians being allowed and encouraged to define their own future democratically.

Policy recommendations

The Government of Zambia should consider the following policy proposals:

- Increasing, through reform of the tax system, the financial benefits flowing to the country from the mining sector. Levelling up the tax take on foreign investors would allow local companies to compete for business.
- Increase the capacity of the Mines Safety Department by reconstituting it as a commercial entity. At the moment, blasting licenses cost companies K3,600 (about 50p), which is roughly the cost of the paper that it is printed on. In some countries, mining companies have to pay 0.5% of their wage bill to the Mines Safety Department. Some form of cost recovery should be developed that allows Mines Safety to cover core costs and that Government subsidy is used to develop pro-active relations with mining companies and a regime of unannounced mine inspections.
- End the culture of secrecy that surrounds the mining industry, publishing all of the Development Agreements, as well as companies' annual reports to the Department of Mines, ECZ, Mines Safety Department, Bank of Zambia and Zambian Revenue Authority. It is in the interests of Government that social pressure should come to bear on the mining companies to comply with the laws of Zambia. This is only possible through transparency.
- Carry out and publish an audit of compliance of the companies with the commitments made in their Development Agreements on issues such as local sourcing and marketing, maintenance of social infrastructure and services and environmental protection.
- Revise the Employment Act and Industrial Relations Act to end the culture of sub-contracting and casualisation in the mining industry, securing quality jobs and equal treatment of local workers with expatriates. This reform should secure more clearly the freedoms of association of workers and the requirement on employers to recognise collective bargaining rights of unions.
- Develop an industrial policy that allows for the use of subsidy, tax and tariff regimes to develop manufacturing industries that maximise value added to copper goods in Zambia rather than exporting concentrates and cathodes.
- Adopt, as a Constitutional commitment, a transparent and democratic process of Parliamentary approval for contraction of future loans in order to prevent a return to debt dependency or a mortgaging of Zambian democracy.

The Mining Companies should consider the following policy proposals:

- Make public commitments to respect the labour, environmental, employment, immigration and health and safety laws of the land, and to co-operate with regulatory bodies.
- Commit to transparent processes for 'publishing what you pay' in tax revenues and to 'publishing what you earn' in sales. Provide as standard in annual reports published in Zambia, detail on health and safety records, wage levels compared to the Basic Needs Basket, terms and conditions of employment and labour and environmental practices.
- Establish purchasing policies to benefit local companies, and establish committees (as promised in many of the Development Agreements) to monitor tendering processes and relations with local businesses. Engage with local suppliers' organisations to try and broker purchasing arrangements that support the local economy.
- Increase technology transfer of clean technologies that can reduce water and air pollution around mines.
- Develop comprehensive social management plans that reflect a realistic assessment of the capacities of local authorities, and develop relationships with them to ensure the supply of high quality health, education, sanitation, hygiene, housing and preventative health programmes in the local communities around the mines. In particular, contribute to anti-malarial spraying programmes that target the entire Copperbelt region with the aim of eradicating malaria in the region within five years.

- In partnership with trade unions and local NGOs develop company-specific HIV-AIDS policies that support: HIV-AIDS prevention and awareness programmes in the workplace and in communities, including through free condom distribution and through the training of peer-educators. Ensure that all employees, dependents and communities have access to a comprehensive voluntary counselling and testing regime, and that universal provision of anti-retroviral treatment and care is available for workers and dependents and that it is securely funded to protect against any change in the current government policy of free universal treatment. Develop and implement anti-discrimination policies and support activities within the workplace to demonstrate senior management commitment to the policy.
- Develop, well ahead of time, clean-up procedures and environmental and social management plans to manage the foreseeable closure of the mines in 15-30 years time as copper ore deposits are exhausted at the current mines. These should pay particular attention to the establishment of equitable and effective redundancy and pensions arrangements in order to avoid a repeat of the debacle that so soured popular perceptions of privatisation at its inception.
- Strengthen the Chamber of Mines as a representative body. This implies that those mines that are not yet full members should join the body. The Chamber could be used to identify and secure production synergies across the operations of mining companies, to establish industry standards on various policies such as HIV-AIDS, and to co-ordinate some negotiations with Government. The Chamber could play a constructive role in likely forthcoming negotiations on revision of Mining Royalties.

The international community should consider the following policy proposals:

- In the medium term, Zambia's best hope of sustaining economic growth is to ensure that world copper prices remain high. Deregulated global commodity markets have never created the stability that gives commodity-producing poor countries any economic security. The WTO should urgently address this question to prevent a repeat of the economic and debt crises that destroyed hopes for African development in the 1980s.
- Reform of the world trade system through the WTO, and of bilateral agreements between rich and poor countries, such as the EU's proposed Economic Partnership Agreements (EPAs) should maximise the policy space available for countries like Zambia to develop industrial policies, supporting manufacturing sectors that can increase the value added to commodities like copper inside the country, rather than constantly exporting raw materials and watching manufacturers in other countries reap higher incomes from finished products.
- Aid donors and the IFIs should stop using the country's poverty and aid dependence to enforce economic, political and spending conditions on Zambia. They should allow Zambia's democratic decision-making processes to establish policies based on the country's social, political and economic realities, rather than on abstract economic models.
- Ensure that where Zambia does require aid financing to achieve its own plans and ambitions, such funding is available in sufficient quantities, and without onerous administrative and policy conditions. For example, ensure long-term funding of the Global Fund to Fight AIDS, TB and Malaria so that Zambia can secures a sustainable supply of anti-retroviral drugs and other health programmes that can help reverse the AIDS and malaria pandemics.

International aid donors have shown very little interest in supporting productive investment in the Zambian economy, except through the creation of a completely deregulated tax, labour and environmental systems. Their belief is that, once a free-market is established, growth will follow, and all that is left for the state (with donor support) to do is to provide for the 'human capital' investments that allow a larger number of people to participate in the market economy. However, the history of economic development does not necessarily support this approach. Rather, investment in building up the industrial base of a country should also be considered as this has proved a very rapid means of transforming people's lives. The Copperbelt itself is a region that developed incredibly rapidly in the early 20th Century as copper mining companies and the state collaborated to create significant urban and industrial centres in what was previously bush. With international support, an industrial policy that aimed to create maximum quality employment and to secure capital and investment within Zambia, and favourable international conditions, the same feat might again be possible, as new copper, precious metal and even oil deposits are discovered in Zambia. However few international aid donors have such ambitious objectives for the country as a transformation of its productive mode. As the Permanent Secretary at the Ministry of Mines noted, "The donors are more interested in education, and in health, and agriculture, tourism, but not mining. We keep talking to them. We hope that one day we will have a donors focused on mining. But for now, we haven't succeeded." (177)

Appendix 1:

Incentives Given to the Various Mining Companies in their Respective Development Agreements

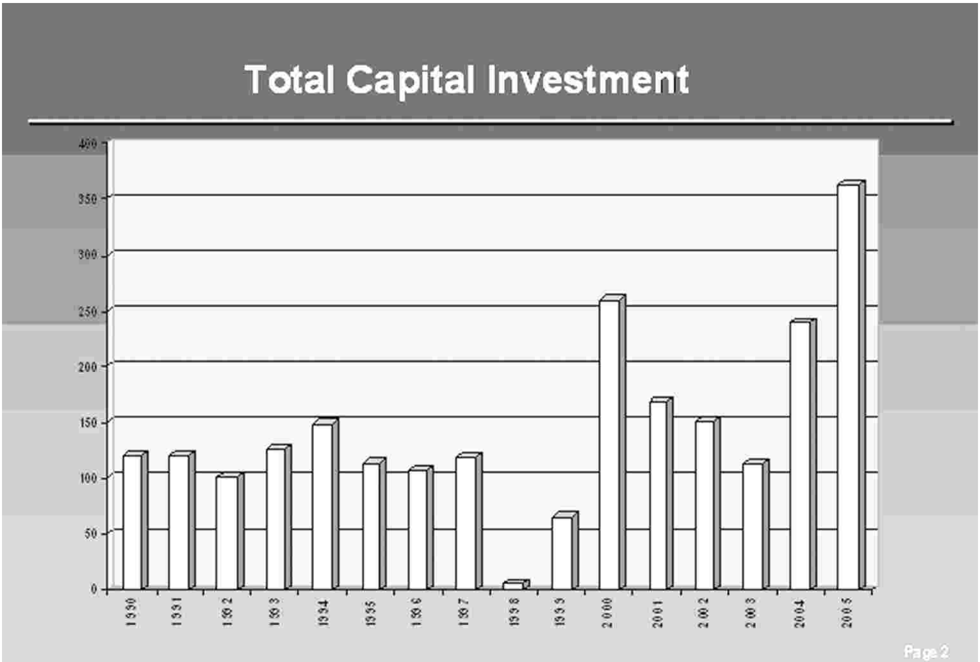
Name of company / year of agreement	Royalty Tax Rate	Provision for Capital Investment Deductions	Corporate Tax Rate	Provision of Carry-Over Losses	Customs Duty	VAT	Foreign Currency Retention	Withholding Tax	Stability Period
Konkola Copper Mines 2000	0.6	100%	25%	Can Carry forward Losses	Exempt (Excise duty on power (0%)	Refund on Net input VAT (0%)	100%	On Dividends (0%)	20 years
Mopani Copper Mines 2000	0.6	100%	25%	Can Carry forward Losses	Exempt (Excise duty on power (0%)	Refund on Net input VAT (0%)	100%	On Dividends (0%). After stability period (10%)	20 years
NFC (Africa Ltd) 1998	*	100%	35%	Can Carry forward Losses	As above including no customs duties on personal effects	Refund on Net input VAT (0%)	100%	0%	15 years
Chambishi Metals 1998	2.0	100%	35%	Can Carry forward Losses	Exempt on Machinery and Equipment. Excise duty on power (10%)	Refund on Net input VAT (0%)	100%	0%	15 years

* The NFCA Development Agreement states that the company will pay royalties at the ‘rate prevailing’. This is not further clarified, but might imply the company has no concession in this area and pays at the rate in the Mining Act: 3%, or at the rate paid by most other companies: 0.6%

Source: Various Development Agreements

Appendix 2

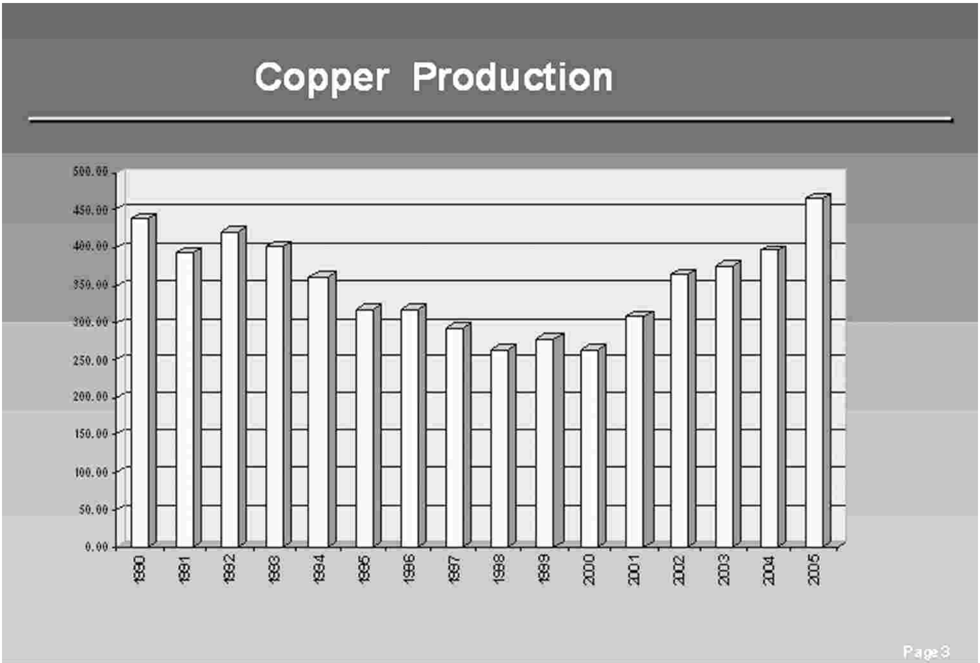
Total Capital Investment in US$ millions, in the Zambian Mining Industry, 1990-2005



Source: Chamber of Mines 2006

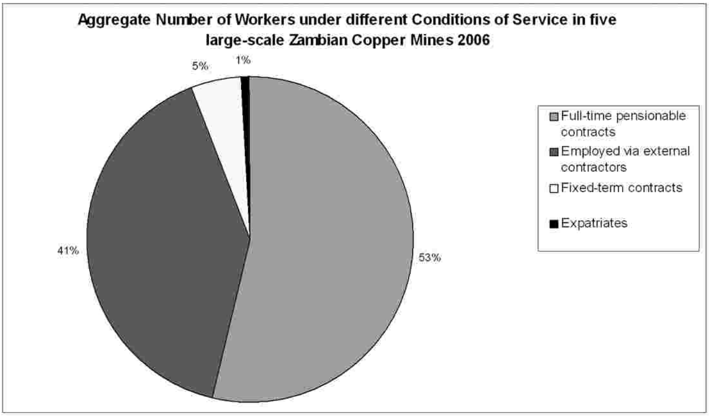
Appendix 3

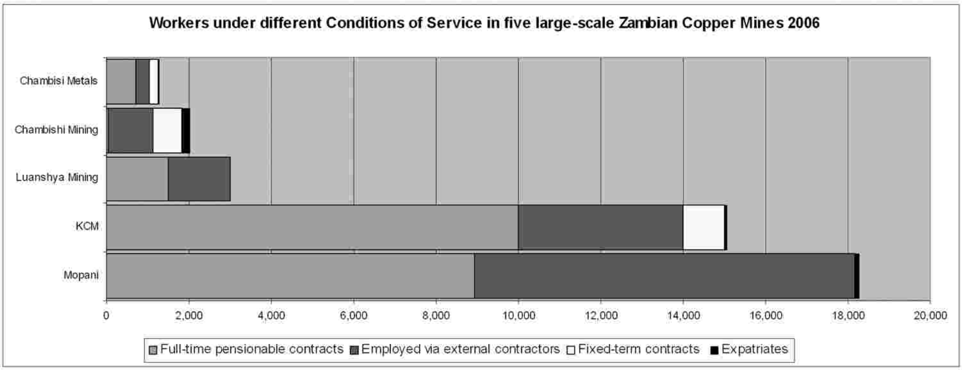
Zambian copper production (MTs), 1990-2005



Source: Chamber of Mines 2006

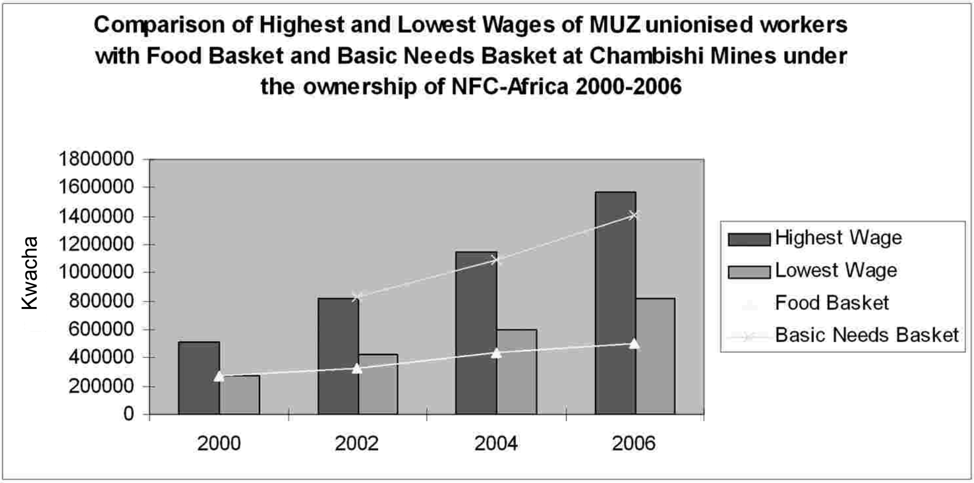
Appendix 4

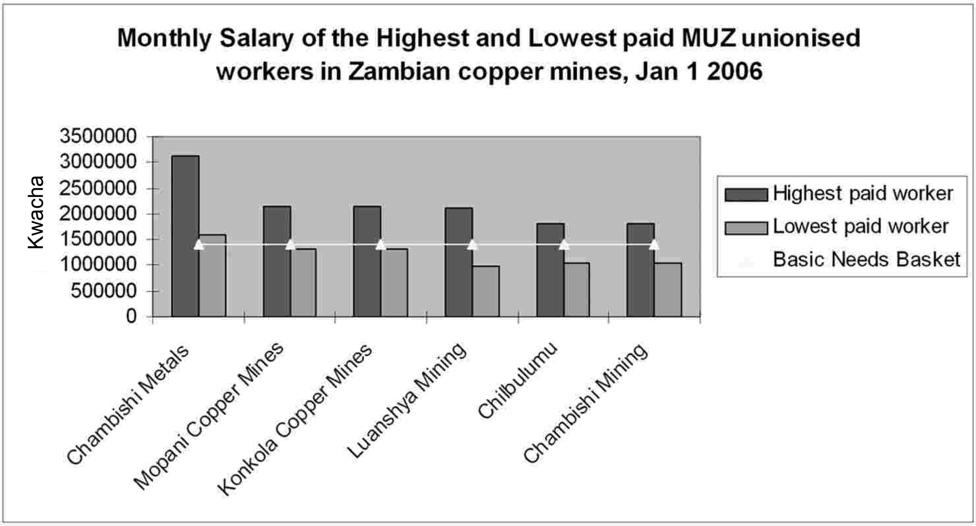




Source: Interviews with management at the five companies. For Chambishi, Godfrey Mutale, Ruth Prout, Lilias Makashini, Joseph Ngwira and Lazarus Sinyinza, NFC Africa Mining Plc, Draft Environmental Impact Statement – Appendix Q: Socio – Economic Report, Downloaded from ECZ website, October 2006

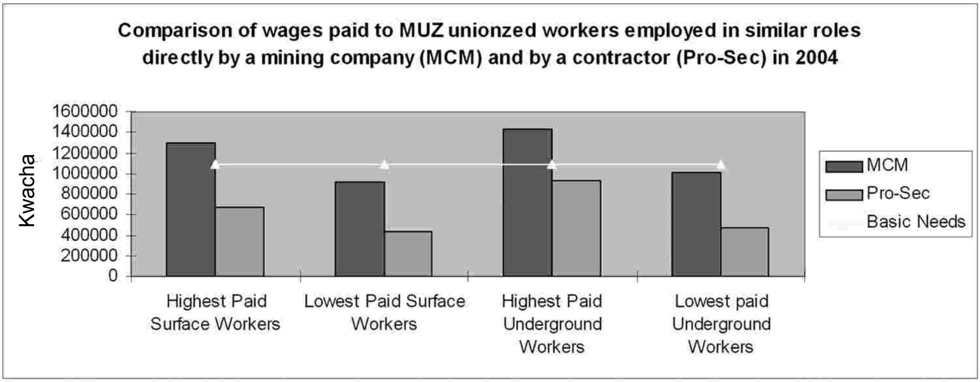
Appendix 5

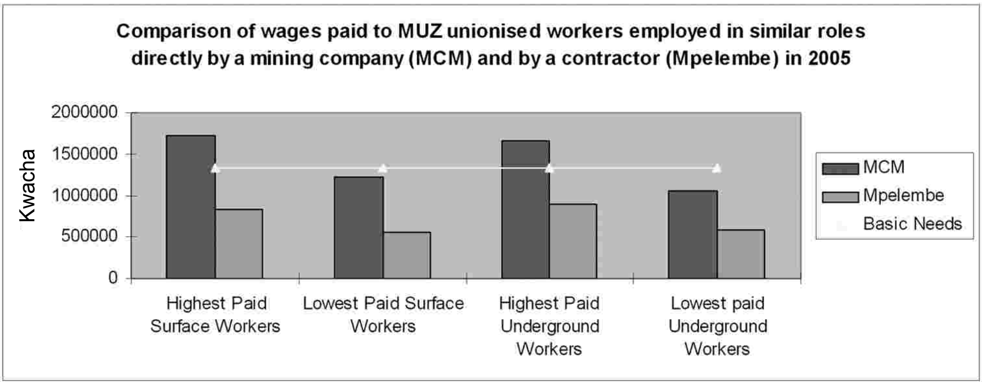




Source: Collective Agreements accessed in the MUZ information and research centre

Appendix 6 Contractors Wages





Source: Collective Agreements accessed in the MUZ information and research centre

Appendix 7 Zambia: Sectoral Contribution to GDP 1998 to 2003

Sector	1998	1999	2000	2001	2002	2003
Agriculture	18.7	21.6	19.9	19.7	20.0	20.8
Mining and Quarrying	6.3	3.8	4.1	4.0	3.5	2.8
Manufacturing	11.5	10.8	10.2	9.8	10.4	10.9
Financial Institutions	9.1	9.0	9.8	9.4	9.2	9.1
Tourism	2.2	1.9	2.1	2.4	2.5	2.6
Sub-Total	47.8	47.7	46.1	45.3	45.6	46.2

Source: IMF, Zambia: Selected Issues and Statistical Appendix 2004.

Appendix 8

Corporate Tax Revenues 2003.

Sector	K'Millions	Percentage
Financial Services	51,355	20.9
Telecoms	29,187	11.9
Mining	29,612	11.6
Other	136,460	55.6
Total	245,614	100

Source: Zambia Revenue Authority.

Net VAT Receipts by Sector

Sector	Kwacha (Millions)	Percentage
Financial Services	11,764	3
Telecommunications	44,722	11.4
Mining	(653,838)	-166.5
Manufacturing	70,067	17.8
Tourism	(400)	-0.1
Agriculture	(27,394)	-7.0
Other	947,750	241.4
Total	393,671	100

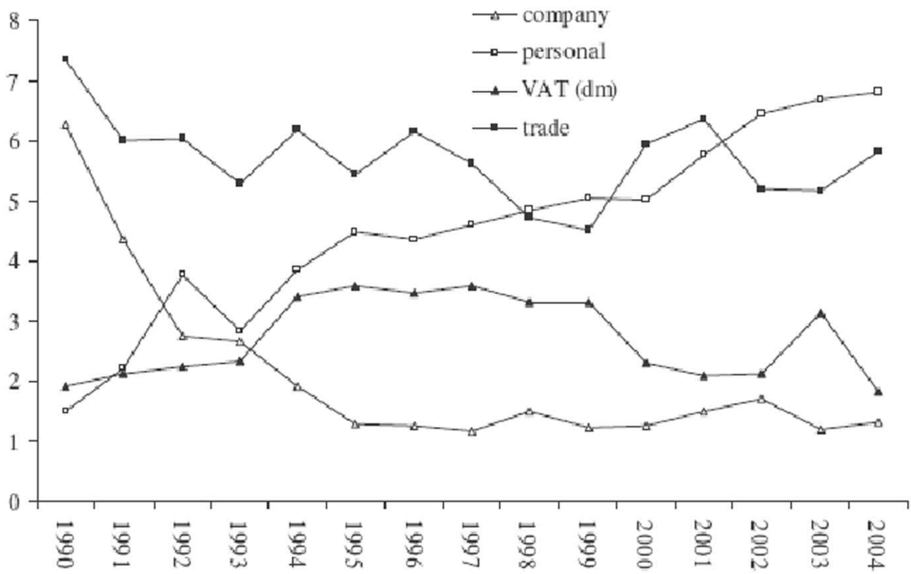
Source: Foreign Investment Advisory Service, Zambia: Sectoral Study Of The Effective Tax Burden, a joint service of the International Finance Corporation and The World Bank, December 2004

Contribution of Mining to the GRZ Treasury

Source: Chamber of Mines, The Zambian Mining Industry Post-Privatisation, Unpublished, Presentation given by Chairman of the Chamber to the IMF Visiting Mission to Zambia, October 2006

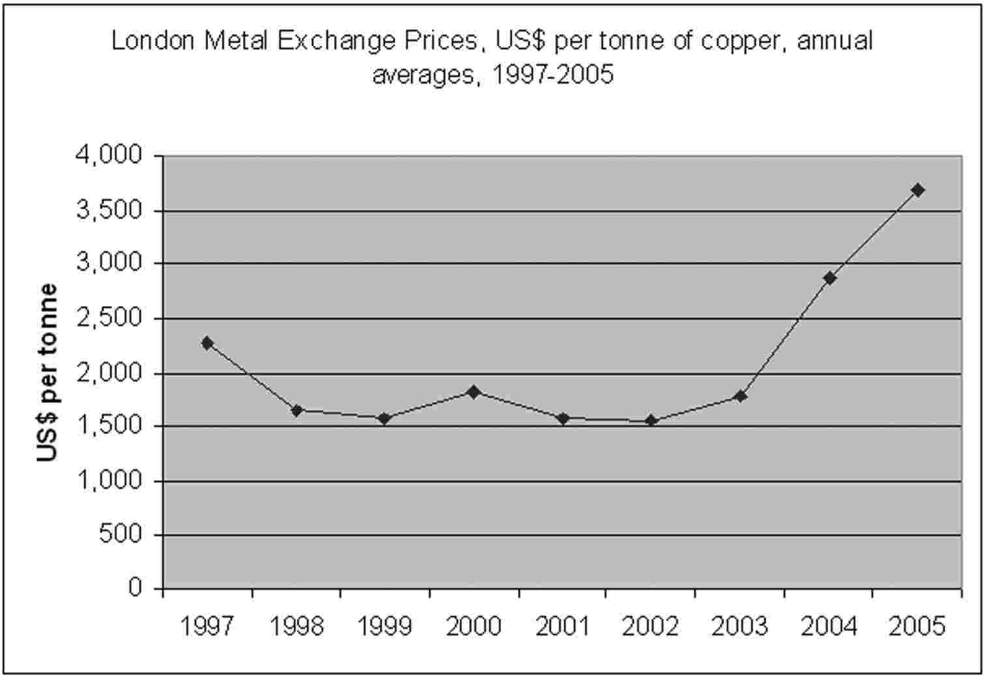
Appendix 9

Types of Taxes as a Percentage of GDP, 1990-2004



Source: Weeks and McKinley, 2005, Page 15

Appendix 10



Source: London Metal Exchange/International Copper Studies Group

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62 Interview with Lennard Nkhata
63 Interview with Sikufele Mundia, President, NUMAUW
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65 Interview with Charles B Muchimba
66 JCTR, 2006. The figures used in this report are all those for Lusaka because JCTR has been collecting these statistics across the time period that we are looking at. However, they do also now collect data in a number of locations on the Copperbelt, which differ somewhat from the Lusaka figures.
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69 Interview with Charles B Muchimba
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Frederick Bantubonse General Manager, Chamber of Mines of Zambia, Kalulushi, October 9 2006
Charles B Muchimba, Director Research and Information, Mineworkers Union of Zambia, Kitwe, October 9 2006
Peter Sinkamba, Executive Director, Citizens for a Better Environment, Kitwe, October 9 2006
Eddie Kapungulya, Chairman, Chamber of Business, Kitwe, October 10 2006
Ian Mkandiwire, Deputy General Secretary, Zambian Congress of Trade Unions, Kitwe, October 10 2006
Father Misheck Kaunda, Catholic Commission for Justice, Development and Peace, Ndola, October 10 2006
Isaac Mumba, Former Health Officer, Chibuluma Mines and Metorex, currently HIV-AIDS Policies Co-ordinator, Copperbelt Health Education Programme, Kitwe, October 10 2006 and again October 20 2006
Lennard Nkhata, Permanent Secretary, Ministry of Mines and Mineral Development, Lusaka, October 12 2006
Wigan F Mumba, Manager Human Resources, NFC-Africa Mining Plc, Chambishi, Zambia, October 13 2006
Sylvester Kasonde, Manager Human Resources, Chambishi Metals, October 13 2006
Sikufele Mundia, President, NUMAUW, Kitwe, October 16 2006
Derek Webbstock, CEO, Luanshya Mining plc, October 16 2006
Dr Bishu Misra, Chief Mining Officer Technical, Luanshya Mining plc, October 16 2006
Deb Bandyopadhyay, Resident Director, Konkola Copper Mines, Chingola, October 18 2006
Tim Henderson, Chief Executive Officer, Passmore H Hamukoma, Chief Services Officer and Gavin Heale, Chief Financial Officer, Mopani Copper Mines, Kitwe, October 20 2006
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