CORPORATE SOCIAL RESPONSIBILITY PRACTICES IN THE EXTRACTIVE INDUSTRY IN ZAMBIA:

A REPORT FOR THE CATHOLIC COMMISSION FOR JUSTICE DEVELOPMENT AND PEACE (CCJDP), THE DEVELOPMENT EDUCATION COMMUNITY PROJECT (DECOP) AND THE ZAMBIA CONGRESS OF TRADE UNIONS (ZCTU)

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TABLE OF CONTENTS.

1. Introduction.

The relationship between the firm and society has been an issue of major concern the world over. The firm or business enterprise is a combination of people, physical assets and information. Information comes in the form of sales, technical as well as operations and coordinative information. The people directly involved in the operations and life of a firm or business enterprises include, shareholders, management, labor, suppliers and customers. In addition to these direct participants or actors, the society at large in which the firm is located, that constitutes the immediate environs is involved in the operations of the firm. In this relationship, conflicts between society and the business enterprise can arise. They may take the form of infringement in land rights of either the firm or individuals or they may also take the form of pollution which may destroy the values of other people's properties especially farm land and it can also take the form of expectations.

The firm or business enterprise however, is necessary to society. This is because businesses use resources, pay taxes to government when their operations are profitable, provide employment and also produce the output necessary for society's existence. Therefore, and in a way, firms do produce and do lead to maximization of welfare even though the measurement of the levels of this welfare, are hard to determine.

As firms deal with people, the relationship between the firms and people involves entering into contracts. These contracts can at times, include clauses that may be unfair or exploitative to the workers. To control this, collective bargaining has been developed to deter firms from unfair labor practices. These instruments however can at times, also work against the interests of the workers.

Firms can also impose costs on society through their production activities. They may do this by disposing wastes into the atmosphere or the water or by defacing the earth by dumping solid wastes. Pollution does impose higher costs of house maintenance (painting and repainting), on the health of individuals because of lung ailments and it also damages the environment affecting livelihoods of people depending on land for survival.

In this sense pollution may affect the growth of wild vegetables, mushrooms and fruits. The environment can be described as a sum total of all conditions (physical, chemical, biological and socio-economic). Through the development process, which involves the establishment of firms, humans interact with and affect the natural environment. This calls for sustainability in the development process. The concept of sustainability requires that the developments of today should be able to meet the needs of the current populations without destroying the resources that will be required in the future. This approach considers that long-term planning and the understanding of that, to maintain access to the resources that make the everyday human lives possible and the limits to the exploitation of such resources, need to be recognized. This understanding even becomes more important in the extractive industries. The extractive industries are those industries that remove or take out or obtain a natural resource from the earth for processing or outright sale. In the process of extracting, they may strip bare a piece of land and also affect other pieces of land through dumping of excess earth. They may also during the processing of the natural resources produce negative externalities in the form of solid waste, pollution of both the air and water, activities which require monitoring as total neglect can jeopardize the life support systems of the ecosphere on which humans depend.

In America and Western Europe, and increasingly now world wide, the approach to controlling or influencing the impact of industrial activity on the health of populations and the environment has undergone change. While in the olden days there was great emphasis on legislative and regulatory structures and the response of the industry was mainly reactive, now industry is mainly urged to develop effective environmental management systems. The Earth Summit of 1992, The united Nations Conference on Environment and Development (UNCED) in Rio de Janeiro created a global consensus on how governments and industry can cooperate in solving environmental problems that threaten the very life-support systems that mankind depends on for survival. For industries the impact of emissions and effluents on the environment are increasingly being regarded as unacceptable. In many parts of the world, industries are being subjected to environmental standards and disposal costs have been increasing. The thrust is to have enforcement taking place at industry level, local government and finally at the national level.

2. The Assignment

The Zambia Congress of Trade Unions (ZCTU), the Catholic Commission for Justice Development and Peace (CCJDP) and the Development Education Community Project (DECOP) are of the opinion that the current wave of globalization of the world economy in its multifaceted nature, has not brought about equal benefits for all participants in this phenomenon. Many people are still unable to meet even their most basic needs. They state that nearly half of Africa’s population of approximately 800 million people are still living under conditions of extreme poverty, surviving on incomes of less than $2.00 a day!

This level of poverty and human misery is paradoxical when one considers that Africa is endowed with abundant natural resources in the form of minerals such as gold, diamonds and other precious, high-value gemstones, oil, wildlife, timber and fisheries. They also state that Zambia, for instance, is said to produce 20% of the world supply of gemstones but nobody knows how much revenue is generated and where it goes! Very often these enormous endowments have proved a curse rather than a blessing. Instead of this great wealth being exploited to uplift the lives of the people, it is used to fuel wars and astronomical levels of corruption. (Nigeria, Angola, Liberia, Sierra Leone, Sudan and the Congo DR).

Such wealth and its exploitation by the multinational corporation (MNCs) has caused growth in social-economic inequality, deterioration of labor and employment standards, environmental degradation and the exclusion of the majority of the people from accessing essential social services such as education and health including infrastructure services such as water supply and sanitation – all in the name of privatization and globalization.

This relationship between socio-economic justice and natural resource exploitation raises urgent questions about the social and corporate responsibilities and obligations of both governments and the multinational corporations, which have now taken over the running of African economies, including the Zambian economy in the name of economic liberalization.

The three institutions have further stated that in the Copperbelt Region of Zambia, the socio-economic conditions have all deteriorated drastically following the privatization of the family silver, the ZCCM mining conglomerate in April 2000. The conglomerate was “unbundled” or dismembered into several smaller operations namely: KCM, Mopani, Luanshya Mine, FQ-Bwana Mkubwa, Chambishi Metals, Kansanshi, CEC. Other extracting companies that have been privatized include, Ndola Lime, Chilanga Cement and all Gem Stone mines. Apart from the new investors acquiring the mining assets, they have also laid off many workers thereby contributing to high levels of unemployment in the region and the country at large. They have also neglected the running of important social infrastructures such as schools, hospitals and clinics and recreational infrastructure claiming that their core business is Copper mining.

The three institutions have now decided that there is need for an active and effective stakeholder intervention by the civil society organizations (CSOs). Their fundamental role will be to monitor the activities of the investors and the government so that they are held accountable for what they do in their motivation to maximize profits from the exploitation of the country’s natural resources.

As a consequence of this understanding, the three institutions commissioned a baseline study on the corporate social responsibility in the extractive industries and service providers in the Copperbelt region. Among the study’s expected outputs, is the generation of baseline information about the corporate social responsibility (CSR) – practices of the new mining companies in the Copperbelt. The information in the study is expected to include, among others:

i. Employment and Labor market practices
ii. Environmental practices

iii. Land rights of local citizens and their traditional authority structures

iv. Transparency and accountability practices

The specific terms of reference (TOR) for the study were:-

Terms Of Reference for Employment and Labor Market Practices.

i. To determine the company's policy position on the employment of Zambian managers;

ii. To determine the application of this policy in practice by reference to how many Zambian managers vis avis expatriates in the management structure of the organization

iii. To determine the company's policy on workers' occupational health and safety and how the policy is implemented in practice

iv. To determine the company's policy on workers' welfare and that of their families by reference to company policy on the provision of education and health services including welfare services such as recreation and social security in general

v. To determine whether there is any written statement expressing company commitment to CSR and what is the company's understanding of corporate social responsibility?

vi. To determine whether the employees and their representatives know anything about CSR and what they understand by CSR

vii. To determine the company's policy on the welfare, livelihood of former employees once they have left employment

viii. To determine the extent to which casual labor is used

Terms Of Reference for Environmental Practices.

i. To determine the company's policy on the negative environmental consequences of their operations

ii. To determine whether there are any measures put in place to mitigate environmental degradation (what are they?)

iii. To determine what measures the company put in place to control pollution (Air, water, soil and landscape disfigurement)

iv. To establish commitment to environmental friendly production and waste disposal practices by determining cost incurred or budgets on impact mitigation, conservation, education and awareness creation etc.

v. To establish the extent to which workers and their unions are involved in these activities (e.g are they protected and how?)

vi. To determine the effects of new technology on the environment as opposed to old technology.

Terms Of Reference for Land Rights Infringement

i. To determine the company's policy on compensation or any form of restitution to local land owners (individuals and institutions).

ii. To establish whether the local residents and their leadership e.g traditional authority structures are consulted in matters of land expropriation

iii. To what extent do the local populations benefit from their land taken away? (construction of schools, hospitals, access roads etc).

Terms Of Reference for Transparency and Accountability.

i. To determine whether the Privatization program so far carried out met its intended goals vis avis the Privatization and Investment Act.

ii. To determine whether there have been any benefits arising from the Monitoring Committee – the Zambia Competitions Commission

iii. To determine how much was raised from the sell of companies and how the proceeds there off were used

iv. To determine the rate of re-capitalization

v. To investigate government policy towards New Investors in relation to taxation, tax rebates, tax holidays and tax exemption in general

vi. To investigate the awarding of contracts and selection of suppliers in relation to the indigenous entrepreneurs.

3. The Methodology of the Survey.

From the terms and conditions provided by the contractor, the study was to be conducted between the 7th February and 31st March 2005. This was however extended to the first week of April. Because of the limited time given, the researchers employed two methods of data collection: A literature search, administration of the questionnaire and personal interviews. The researchers also divided work between them having agreed to the questions to be administered. The persons interviewed are listed at Appendix 1.

The report is structured as follows: After these preliminary materials, the report presents the general economic situation on the Copperbelt. In the next section it discusses the concept of corporate social responsibility and the international best practices. After this it presents data from the field concerning corporate social responsibility practices during the ZCCM days and then in the privatized mines. The report ends with the issues that need to be attended to.

4. The Socio-Economic Situation on the Copperbelt.

The Copperbelt region covers an area of 31,328 square kilometers. Relative to Zambia, the region covers only 4.2 percent of the country's area. The province has now ten (10) districts after the re-demarcation of Ndola rural. The Ten districts are Chililabombwe, Chingola, Kalulushi, Kitwe, Luanshya, Lufwanyama, Masaiti and Mpongwe are what used to constitute Ndola rural. They remain basically rural provinces with agriculture as the major activity.

Despite being a small province in terms of land area, the province has the highest concentration of population. The population of the region rose from 800,000 in 1969 to 1.6 million in 2000. Despite this rise in population the annual growth rate has declined from 3.9 percent during the 1969 – 1980 intercensal period to 0.8 percent during the 1990 to 2000 intercensal period. While the province accounted for 20 percent of Zambia's population in 1969, it now only accounts for 16 percent of the country's population. The density of population however increased from 26.1 persons per square kilometer in 1969 to 50.5 persons per square kilometer in 2000. In terms of population distribution by district, Kitwe has the highest population and also the highest density. Table 1 shows this.

Table 1: Population Distribution And Density By District 1969, 1990 And 2000

PROVINCE	**1969 Population**	**1990 Population**	**2000 Population**	**Area (Sq Km)**	**1969 Density**	**1990 Density**	**2000 Density**
Chililabombwe	44,862	65,218	67,533	1,026	43.7	63.6	65.8
Chingola	103,292	168,999	172,026	1,678	61.6	100.7	102.6
Kalulushi	32272	69597	75806	725	44.5	96	104.6
Kitwe	199798	347024	376124	777	257.1	446.6	484.1
Luanshya	96,282	144815	147908	811	118.7	178.6	182.4
Lufwanyama	-	51745	63185	9849	-	-	77.9
Masaiti	-	84831	95581	5,383	-	-	9.7
Mpongwe	-	37718	64371	8,339	-	-	12
Mufulira	107,802	152,735	143,930	1,639	65.8	93.3	87.9
Ndola	159,786	334,777	374757	1103	144.9	303.5	339.8
Total Province	816,309	1,458,459	158,221	31,328	26.1	46.6	50.5
Zambia	4,056,999	7,759,117	9,885,591	752,612	5.4	10.3	13.1

Source: Central statistical office CSO. 2004. **Zambia 2000 Census of Population and Housing volume Two. Copperbelt Province Analytical Report**. CSO Lusaka

4.1 Economy

Relative to the rest of the country, the Copperbelt is the most developed region. The development is attributed to the Mining activities spanning over 70 years from the 1930’s. Copper mining has been the major economic activity and for a long time contributed over 50 percent to the foreign exchange earnings (CS0 2004). In years of high international copper prices, mining provided more than two thirds of the revenue to central government. Through out the modern history of the region, the mines have been the major producers of precious and non-precious stones and as by-products of copper gold and silver. Cobalt production has also risen.

The contribution of mining to GDP in monetary terms has been declining. In 1994 Mining and Quarrying contributed 373.6 billion Kwacha to GDP. This declined to 152 billion in 2000. Table 2 below shows this steady decline of the contribution of Mining and Quarrying to the Gross Domestic Product between 1994 and 2000.

Table 2: Mining Contribution to GDP 1994 – 2000 (In constant 1994 Prices-K'billion)

Mining	1994	1995	1996	1997	1998	1999	2000
Metal mining	369.0	256.3	224	269.8	208.5	155.7	147.6
Other Mining + Quarry	4.6	4.6	3.8	4.7	4.6	4.5	4.4
Total	373.6	260.9	226.8	274.5	213.1	160.2	152
Percentage of GDP	16.7	12.4	11.9	11.8	9	6.6	6.1
Percentage change	-	-265	-2.5	+2.4	-24.1	-24.8	-5.1

Source: CS0 (2004)

In trying to diversify the economy of the region, agriculture is picking up. Due to a dearth of statistics at regional level, the discussion can only be confined to the levels of potential. According to the Report on the Copperbelt Diversification Strategy (2002), agriculture offers the best prospects for economic diversification as the province has abundant arable land. Out of the 3,132,829 hectares, 1,577,000 hectares is arable. Of this arable land, only 307,000 hectares is under cultivation. Crop farming is the primary agricultural activity. Major crops grown include maize, tobacco, coffee, cotton and sunflower, sugarcane, oil seeds, cashew nuts, paprika, ginger, fruits and vegetables (CS0 2004). Most crop production however, is seasonal and dependent on rainfall as irrigation is undeveloped. We can however conjecture agriculture performance from what has been happening nationally in terms of agricultures contribution to GDP.

At national level agriculture contribution to GDP at constant (1994) prices is shown below.

Table 3: Contribution of Agriculture and Mining to GDP (constant 1994 prices) (K' billion)

YEAR	1994	1995	1996	1997	1998	1999	2000	2001	2002
GDP	2240	2176	2404	2360	2412	2499	2499	2621	2707
Agriculture	13.5	18.5	17.2	15.8	16.3	17.5	17.2	16.0	15.2
Mining	16.5	12.4	12.0	11.8	9.0	6.6	6.4	7.0	7.9
Manufacturing (%)	9.8	10.0	9.9	10.1	10.5	10.5	10.5	10.4	10.7

Source: CS0 November 2004. **Living conditions monitoring survey report 2002 – 2003**.

From this table it can be discerned that agriculture has taken over as the major economic activity in Zambia.

4.2 The Labor Force.

The labor force on the Copperbelt increased from 409,232 in 1990 to 492,644 in the year 2000. The labor force is defined as all persons aged between 12 years and above whose main economic status is supply of labor to the production of economic goods and services. It is composed of the employed and unemployed. It includes all those who are working, those who are unemployed but are seeking work and those not seeking work but are available for work. Included are those unpaid in family business (CSO, September 2004).

The growth rate of the labor force was 1.9 percent between 1990 and 2000 for the province. This was less than the country's natural average of 3.8 percent. This is shown in the table below.

Table 4: Growth of the Labor Force 1990 to 2000

District	1990	2000	Growth Rate (%)
Zambia	2,162,487	3,165,151	3.8
Copperbelt	409,237	492,644	1.9
Chililabombwe	16,075	36,962	8.7
Chingola	42,473	51,483	1.9
Kalulushi	18,600	20,770	1.1
Kitwe	96,919	104,132	0.7
Luanshya	40,982	39,905	-0.3
Lufwanyama	-	24,549	-
Masaiti	-	35,608	-
Mpongwe	-	23,014	-
Mufulira	39,184	37,604	-0.4
Ndola	155,004	118,618	-2.6

Source: CSO September 2004.

The data above brings out clear movements of the economically active populations from some of the areas of economic decline to areas of economic promise. From the same data, Chililabombwe recorded the highest growth rate having a mine with a longer economic life. Chingola, Kalulushi and Kitwe followed in that order, as these are some of the areas in which mining has not substantially been disturbed. Luanshya, Mufulira and Ndola have suffered a decline in the growth of the labor force. The disastrous privatization of the mine at Luanshya and the collapse of the manufacturing sector in Ndola explain the declines recorded in the two areas. However, for Ndola, the Central Statistical Office does surmise that the decline in Ndola could be due to the creation of the three new districts of Masaiti, Lufwanyama and Mpongwe (CSO, September 2004, 65). This conclusion is however assailable on grounds that these districts were parts of Ndola Rural

District and not Ndola unless it can be shown that the creation of these new districts involved massive transfers of people from Ndola to augment the labor that was in Ndola Rural.

4.3 Employment and Unemployment.

The number of people composing the labor force on the Copperbelt in 2000 was 492,644. Of this, 372,337 or 75.5% were employed by the year 2000. This constituted a rise of 7.8 percent from the 1990 figure of 345,440. The numbers of unemployed people also increased from 63,797 in 1990 to 120,307 in 2000. However, the numbers recorded as inactive declined from 476,490 in 1990 to 472, 626 in 2000. The table below shoes this.

Table 5: Economically Active Population: Employment and Unemployment, 1990 and 2000.

	1990	2000
Labor Force (a)	409,237	492,644
Employed	345,440	372,337
Unemployed	63,797	120,307
Inactive (b)	476,490	472,626
Not Stated (c)	22,923	0
Total Active Population (a+b+c)	908,650	965,270

Source CSO September 2004 (Format by Author)

To understand this data, it is important to analyze its composition. For this we use the information on the population, which is usually working. This stood at 323,338 in 1990 and 336,895 in the year 2000. In this data we observe a dramatic increase of people employed in agriculture and trade and a decline in people employed in mining and manufacturing. The number of people working in agriculture increased from 16.8 percent in 1990 to 37.5 percent in 2000. In the trade sector, the proportion of people more than doubled from 6.5 percent to 13.2 percent. On the other hand, the proportion of people employed in mining declined from 16.9 percent in 1990 to 9.7 percent in 2000. Manufacturing also suffered a decline from 10.3 percent in 1990 to 6.4 percent in 2000. The table below shows this.

Table 6: Proportion of Population Usually Working by Industry, 1990 and 2000.

Industry	1990	%	2000	%	(%) Change
Total Number	323,338	100	336,895	100	-
Agriculture	54,192	16.8	126,345	37.5	+20.7
Mining	54,697	16.9	57,722	9.7	-7.2
Manufacturing	33,269	10.3	23,688	6.4	-3.9
Electricity	3,200	1.0	3,425	1.0	0
Construction	8,022	2.5	10,612	2.1	-0.4
Trade	21,161	6.5	44,574	13.2	+6.7
Transport	16,437	5.1	15,350	4.6	-0.5
Finance	9,870	3.1	7,080	2.1	-1.0
Community	64,970	20.1	58,212	16.3	-3.8
Other	0	-	0	-	-
Not Stated	48001	14.8	13,911	7.0	-7.8

Source: CSO, September 2004.

From the table above, it is clear that there is a shift from the traditional employment sectors of mining and manufacturing on the Copperbelt to the agriculture and trade sectors. A further analysis of the data reveals that there is also a shift from people being employed in some establishment (formal employment) to self employment and the unpaid family workers category. This has shown a substantial rise of 6.5 percent as the table below shows.

Table 7: Employment Status of People in the Copperbelt Province.

	1990 (%)	2000 (%)	(%) Change
Self Employed	22.6	36.5	+13.9
Employee	57.9	44.0	-13.9
Employer	3.1	0.7	-2.4
Unpaid Family	12.3	18.8	+6.5
Not Stated	4.1	0.0	-4.1
Total	100	100	0

Source: CSO September 2004 , Other calculations by Author

From the data presented above, it can be concluded that the economic transformation on the Copperbelt province between 1990 and 2000 led to the shifts in employment from mining and manufacturing to agriculture and an increase in self employment and the unpaid family labor category. During this period, the government carried out an ambitious privatization program, which resulted into many state owned enterprises (SOE's) including the Zambia Consolidated Copper Mines (ZCCM) being privatized. In the process a number of poorly performing companies folded up. We now look at the concept of corporate social responsibility and the practices.

5. Corporate Social Responsibility: Defined.

The concept of corporate social responsibility has generated a lot of debate in economics and management science and their application the world over. It is mainly discussed from two major points of views. The first view based on economics, and normally considered as the traditional view, postulates that individuals in pursuing their own self interest, they also were pursuing the broad interest of society. The public interest according to this understanding was achieved as individuals tried to maximize short run profits. In trying to maximize profits, goods and services were supplied to society so that individual self-interest became synonymous with corporate social responsibility. The second view, which may be considered as the socio-economic model, emphasizes society's broader expectations from business. Society expects business to provide safe and meaningful jobs, safeguard the environment and provide charitable donations. In the socio-economic conception business is seen as a subsystem in a highly interdependent society. Following this view, businesses have come under pressure to improve their social development and environmental performance. Multinational corporations are being challenged to demonstrate compliance with these requirements to manage the social impacts of their operations and improve the contribution that their operations make to local and regional development. This is seen as good for business and can enhance the business sectors "social license to operate" because it reduces the risks to production posed by local disputes and tensions.

It is however safe to state that there is not one single agreed approach to the issues of corporate social responsibility. There are also great disagreements on the exact nature and scope of managements or a company's social responsibility. For our purposes we can define corporate social responsibility as " **the notion that corporations have an obligation to constituent groups in society other than stockholders and beyond that prescribed by law or union contract** (Kreitner, 1995). The central issues in corporate social responsibility are accountability, local economic development, community involvement, the environment, ethics, governance and human rights.

Principally, this definition helps us understand that corporate social responsibility is a set of decisions, actions and activities of the corporation beyond what the law states or any other form of contract demands. In essence corporate social responsibility actions are voluntary. They do not involve compulsion. The rules guiding corporate social responsibility can be summarized as:-

- Taking corrective action before it is required.
- Working with affected constituents to resolve mutual problems.

- Working to establish industry wide standards and self regulation
- Publicly admitting mistakes
- Getting involved in appropriate social programs
- Helping correcting environmental problems.
- Monitoring the changing social environment.
- Establishing and enforcing a corporate code of conduct.
- Taking needed public stands on social issues
- Striving to make profits on an on-going basis.

6. International Corporate Social Responsibility Best Practices.

The OECD recognizes that international investment is of major importance to the world economy at large and that multinational enterprises play an important role in the investment process. Countries of the Third World stand to benefit greatly from foreign direct investment and in particular from investment that is sensitive to the economic, social, and environmental development needs of local communities. The organization therefore encourages enterprises to contribute to economic, social and environmental progress with a view to achieving sustainable development. To that end, it has produced a set of guidelines for multinational enterprises whose aim is to encourage universal adherence to a set of business principles or standards of corporate governance that promote information disclosure, good employment and industrial relations and protection of the environment among other issues. The European Union has, since 1993 been promoting a fight against social exclusion by appealing to “companies’ sense of social responsibility” concerning “best practices for lifelong learning, work organization, equal opportunities, social inclusion and sustainable development”. As a result of these efforts, many international companies are beginning to promote ***corporate social responsibility*** practices in response to a variety of social, environmental and economic pressures. What are these general concepts principles and indeed standards of good, desirable corporate behavior and citizenship?

- Enterprises are expected to contribute to economic, social and environmental progress with a view to achieving sustainable development
- Enterprises must respect the Human rights of those affected by their activities including the employees and a host communities.
- They should encourage local capacity building through cooperation with the local communities, including local Businesses.
- They should encourage human capital formation (Human Resource Development) by creating employment opportunities and facilitating training opportunities for their employees.
- Enterprises must refrain from seeking or accepting exemptions not contemplated in the statutory or regulatory framework related to environmental, health, safety, labor, taxation, financial incentives or other issues.
- They must support and uphold good corporate governance principles and develop and apply good corporate governance principle practices.
- They must develop and apply effective self – regulatory practices and management systems that foster a relationship of confidence and mutual trust between enterprises and the communities in which they operate.
- They must promote employer-awareness of and compliance with company policies through appropriate dissemination of these policies including through training program.
- They must refrain from discrimination or disciplinary action against employees who make bona fide reports to management or as appropriate, to the competent public authorities, on practices that contravene the law (whistle blowers).
- Encourage, when practicable, Business partners, including suppliers and sub-contractors, to apply principles of corporate conduct compatible with good corporate governance and socially responsible citizenship.
- Lastly, they must strive to abstain from any improper involvement in local political activities

In this report, reference is made to the concepts, principles and standards adumbrated here that condition corporate behavior. We are particularly, interested in the following:

6.1 Disclosure.

Disclosure concerns issues of transparency in the activities that the enterprises is involved in as well as being accountable for the results of its activities to the employees, the government as well as the communities that are affected by the activities of the enterprise.

Specifically, Enterprises should ensure that timely, regular, reliable and relevant information is disclosed regarding their activities, structure, financial situation and performance.

Enterprises are expected to apply high quality standards for disclosure, accounting, and audit. These standards should be equally applicable to non-financial information including environmental and social reporting. It is a requirement that the standards or indeed, policies under which both financial and non-financial information are compiled and published.

The OECD encourages enterprises to disclose materials information on:

a) The financial and operating results of the company;
b) Company objectives;
c) Major share-ownership and voting rights;
d) Members of the board and key executives and their remunerations;
e) Material risk factors;
f) Material issues regarding employees and other stakeholders and;
g) Governance structures and policies.

Under these disclosure requirements, Enterprises are expected or encouraged to communicate any additional information that may include ; Information on systems for managing risks and complying with laws and on codes of business conduct, including any information on the relationships with employees and other important stakeholders.

6.2 Employment And Industrial Relations.

Under this principle, the expectation is that Enterprises will, within the framework of applicable laws, regulations, and prevailing labor relations and employment practices disclose information with respect to:

a) The right of their employees to be represented by trade unions and other bona fide representatives of employees, and engage in constructive negotiations, either individually or through employers associations, with such representatives with a view to reaching agreements on employment conditions;

b) Contribute to the effective abolition of child labor;

c) Contribute to the abolition of all forms of forced or compulsory labor;

d) discrimination against their employees with respect to employment or occupation on such grounds as race, color, sex, religion, political opinion, national extraction, or social origin, unless selectivity concerning employee-characteristics advances established governmental policies which specifically promote greater equality of employment opportunity or relates to the inherent requirements of the job;

e) Provide facilities to employee-representatives as may be necessary to assist in the development of collective agreements;

f) Provide information to employee representatives, which are needed to facilitate meaningful negotiations on conditions of employment;

g) Promote consultation and co-operation between employers and employees and their representatives on matters of mutual concern;

h) Provide information to employees and their representatives, which enable them to obtain a true and fair view of the performance of the enterprise.

i) Observe standards of employment and industrial relations not less favourable than those observed by comparable employers in the host country;

j) Take adequate steps to ensure occupational health, and safety in their operations;

k) To the greatest extent practicable, employ local personnel and provide training with a view to improving skill levels.

Lastly, in considering changes in their operations which would have major impacts upon the livelihoods of the workers, in particular, in the case of the closure of the organization or part thereof, and resulting in mass lay-offs, dismissals etc, provide reasonable notice

6.3 Environment

In as far as the environmental issues are concerned, the general expectation is that; Enterprises should, within the framework of laws, regulations and administrative practice in the countries in which they operate, take due account of the need to protect the environment, public health and safety, and generally to conduct their activateis in a manner contributing to the wider goal of sustainable development.

In particular, these enterprises are expected to;

a) Establish and maintain a system of environmental management appropriate to the enterprise, including the collection and evaluation of adequate information.
b) Establishment of measurable objectives and, where appropriate, targets for improved environmental performance, including periodically reviewing the continuing relevance of these objectives: and

c) Regular monitoring and verification of progress towards environmental, health, and safety objectives or targets.
c) Taking into account concerns about cost, business confidentiality, and the protection of Intellectual property rights:

d) Provide the public and employees with adequate and timely information on the Potential environmental, health and safety impacts of the activities of the enterprise, which could include reporting on progress in improving environmental performance and engage in adequate and timely communication and consultation with the communities directly affected by the environmental, health and safety policies of the enterprises and by their implementation.

e) Assess, and address in decision- making the foreseeable environmental health, and Safety-related impacts associated with the processes, goods and services of the enterprise over their full life cycle.
f) Where these proposed activities may have significant environmental, health, or safety impacts, and where they may be subject to a decision of a competent authority, prepare an appropriate environmental impact assessment.

g) Consistent with the scientific and technical understanding of the risks, where there threats of serious damage to the environment, taking also into account human health and safety, not use the lack of full scientific certainty as a reason for posting cost-effective measures to prevent or minimize such damage.

h) Maintain contingency plans for preventing, mitigating and controlling serious environmental and health damage from their operations, including accidents and emergencies: and mechanisms for immediate reporting to the competent authorities.

i) Continually seek to improve corporate environmental performance, by encouraging, where appropriate, such activities as:

- Adoption of technologies and operating procedures in all parts of the enterprise that reflect standards concerning environmental performance in the best performing part of the enterprise;
- Development and provision of products or services that have no undue environmental impacts; are safe in their intended use; are efficient in their consumption of energy and natural resources; can be reused, recycled, or disposed of safely;
- Promoting higher level of awareness among customers of the environmental implications of using the products and services of the enterprise; and
- Research on ways of improving the environmental performance of the enterprise over the longer term.

j) Provide adequate education and training to employees in environmental health and safety matters, including the handling of hazardous materials and the prevention of environmental accidents, as well as more general environmental impact assessment procedures, public relations, and environmental technologies.

k) Contribute to the development of environmentally meaningful and economically efficient public policy, for example, by means of partnerships or initiatives that will enhance environmental awareness and protection.

Having outlined the concepts, principles and standards of good corporate governance and corporate citizenship, we now proceed to discuss cases of examples of corporate social responsibility world-wide. Later we review actual corporate social responsibility practices of these mining companies and evaluate them against these internationally accepted benchmarks of responsible behavior, noting any major departures and proposing possible remedies and future action on the part of the various stakeholders. What follows are examples of corporate social responsibility practices in other countries.

Case I: Placer Dome Western Areas Joint Venture Care Project (South Africa)

In April 1999, Placer Dome Inc., of Canada purchased 50% of the South Deep Mine in South Africa's Witwatersrand Basin and formed the Placer Dome Western Areas Joint Venture (PDWAJV). This venture represented the first major international partnership in the SA gold mining industry. Along with expansion and modernization, South Deep has incorporated several key operational policy priorities into its operations, including:

- ***Safety*** **–** A 50% improvement in work-related accidents in just over a year.
- ***Sustainability*** **–** A commitment to integrate principles of social, environmental and economic responsibility into all aspects of its operations.

Ensuring the mines viability as a productive entity and vital employer required substantial technological modernization and other investments in efficiency. These changes necessitated reducing the workforce and a retrenchment of 2,560 workers occurred from July to October 1999. The conventional retrenchment practice in South Africa has been to provide a cash severance plus a 3-month training period. Few employees take advantage of such training and counseling, as it requires they stay at the mine site rather than return to their villages. PDWAJV provide its employees with this traditional package, **but decided** it was inadequate and developed the Care Project to provide a more effective program of support for retrenched employees and their families. The emphasis here is on doing more for the communities than the law or any agreement requires.

The Care Project was launched in 1999 as an innovative initiative further to the company's social plan and commitment to corporate social responsibility. The short term goal of the project is for at least 70% of the retrenched employees or their 'proxies' to become economically active. Other objectives include: utilizing the Care Project model as a basis for developing an HIV/AIDS impact mitigation program; encouraging other private sector firms to follow in Placer Dome's lead and become active in this or similar programs. The primary elements of the Care Project are:

Counseling retrenchees and/or their proxies

- A team of over 20 trained Care Project field workers working throughout 5 countries meet one-on-one with retrenches and families to counsel on project benefits;
- Retrenchees are counseled on skills training options and local economic and enterprise development opportunities
- After-care counseling and coaching to retrenches or proxies.

Skills and Entrepreneurial Training

- Skills and vocational training, tuition, travel and accommodation;
- Entrepreneurial skills, enterprise start-up and development training to assist those embarking on micro enterprises.

Institutional Strengthening: Training and Service Providers

- Enhancing the capacity of the Mineworkers Development Agency (more courses, improved training, more workers trained etc.);
- Developing the capacity of The Employment Bureau of Africa (TEBA) and TEBA Bank to develop and administer micro finance and other services to small and micro enterprises throughout the region.

Micro Finance and Micro Enterprise Development

- Facilitating the creation of a facility to provide start-up and working capital loans and other financial assistance to micro enterprises.

Support to families, Communities affected by HIV/AIDS

- Providing counseling, assistance and other support to families of retrenched mineworkers who are victims of HIV/AIDS.

Case II: ESKOM: HIV/AIDS management as a business strategy (South Africa)

ESKOM, a state owned power utility in South Africa, initiated a HIV/AIDS policy in 1988. By the early 1990s ESKOM realized that unless it was more comprehensive and effectively coordinated it would not be able to deal with the threat to its biggest asset, the workforce. An HIV/AIDS impact analysis projection of 26% infection rate by 2005, based on antenatal statistics prompted ESKOM to make HIV/AIDS a strategic priority.

The ESKOM strategy included formation of a strategic and operational committee as well as HIV/AIDS cost centre to monitor education, awareness, voluntary counseling and testing and care costs. Over the years ESKOM have developed a range of responses to HIV/AIDS within and beyond the workplace. An advanced risk assessment conducted in 1999 recognized the demographics of employees and highlighted the economic and financial impact, particularly in terms of productivity, loss of personnel, training needs and pension and medical costs.

Education and prevention programs have focused on peer-led education who are seen to have a greater understanding of the working and social environments of employees. On-going adaptation of the programs based on the experiences as well as the integration of campaigns into other corporate training and induction programs promotes best practice. Wider community initiatives include information sharing and dissemination with private, government and NGO sectors and developing partnerships for community action. Awareness programs have been extended to local communities and contractors and have established joint ventures with NGOs, local government, the mining sector and UNAIDS.

Case III: Normandy Mining Limited (Australia)

Normandy Mining Limited is an internationally recognized Australian-owned mining company active in gold mining and zinc concentrate production. Since its formation, Normandy has taken an active stance in incorporating indigenous concerns into its operations. It recognizes that the practice of entering a region uninvited, setting up operations without explanation and ignoring the concerns and heritage of indigenous communities is inappropriate and unjustifiable.

Normandy is committed to negotiations promoting joint decision making and the sharing of benefits derived from its activities as well as building relationships that include cultural awareness programs to develop basic cross-cultural skills among its employees.

Indigenous People Policy

Normandy’s principles in dealing with indigenous people are:

- The building of trust and respect;
- Respect for human and property rights, and sites of cultural or religious significance;
- A clear and concise approach to negotiations with landholders;
- Adherence to acceptable protocols and meeting procedures that are endorsed by indigenous people;
- Identification and implementation of commercial enterprises, employment and career development opportunities.

To achieve these objectives, Normandy operations are required to:

- Appoint a senior person responsible for coordinating all aspects of managing indigenous peoples issues;
- Develop, implement, and monitor Indigenous Affairs Management Plans;
- Monitor and respond to new developments in law and thinking on relevant matters impacting on the company;
- Provide culturally sensitive training to ensure employees recognize the potential impact of their activities.

Community support

Normandy supports community-level initiatives such as health and education programs as well as Aboriginal sporting and cultural activities. Within the wider Australian community Normandy sponsors the Australian Heritage Commission's National Indigenous Art Award and the Australian Aboriginal Cultures Gallery at the South Australian Museum.

Employment and training

Normandy's aim is to try to match the composition of its workforce with that of neighboring communities and regions. Aboriginal people are employed and trained through a variety of programs.

Case IV: PASMNCO Limited (Australia)

PASMICO is a global Australian business with an international customer and investor base. The company employs around 4,500 people throughout its operations in Australia and overseas and operates three major underground and two open- pit zinc-lead-silver mines in Australia and two underground mines in USA.

Indigenous Peoples Policy

PASMNCO's first corporate Indigenous Peoples Policy was released in April 1996. All business units, operating entities and joint-venture companies within the PASMINCO Group are required to implement the policy.

PASMNCO aims to foster an ethos of racial equality throughout its operations and amongst its contractors. It seeks to develop mutual understanding and respect between PASMNCO personnel and indigenous communities and organizations by:

- Building relationships with indigenous communities and organizations;
- Educating PASMNCO personnel in an awareness of indigenous culture and values;
- Explaining the benefits of the mining industry in general and PASMNCO in particular to the relevant indigenous communities.

The company adopts a pro-active approach to indigenous relations by:

- Consultation with groups that may be affected;
- Assessing the cultural impact of any program prior to commencement, with a commitment to minimize any effect;
- Provision of opportunities for employment, indigenous business and assistance to local indigenous communities.

Community Relations

PASMNCO Century Mine Limited is located in one of the most remote areas of Queensland. Mine operations work on a commute basis with the workforce commuting from various locations up to 250km away. Commute employees are accommodated on site.

The mine negotiated an agreement with the Queensland state government and three native title (Aboriginal landowning) groups under the right to negotiate enshrined in the Native Title Act 1993. The agreement comprises provisions for:

- Employment and training;
- Business development;
- Cultural and environmental protection;
- Transfer of pastoral properties.

The agreement is a strategic alliance that forms the basis for working together to achieve benefits for all parties. Through the agreement the **Aboriginal Development Benefits Trust (ADBT)** was established to manage Century mine’s contribution to business development over the life of the mine. The Trust is a legal company consisting primarily of local Aboriginal community members. The ADBT manages a fund of approximately $20m over 20 years for local business development contributed by Century Mine at a rate of $1m per annum. The Trust’s current strategy is to invest one third of the contributed funds in long-term investments with a focus on sustainability and growth. The remainder of the funds are available for business development loans.

Education and Training

Century Employment and Training Committee (CETC) was established to deliver a wide range of commitments from the agreement. These include: the development implementation and monitoring of the employment and Training Plan; skills auditing, provision of education, employment and training advice; employment of support personnel; and the establishment of regional infrastructure and communications with the communities about the progress of Century Mine. The CETC monitors and guides Century Mine’s annual expenditure of $1.5m on local Aboriginal employment and training. The Committee will manage $20m over 20 years for employment and training initiatives.

Case V: Rio Tinto Plc (United Kingdom)

Rio Tinto is an international mining house with headquarters in London. Principal products include aluminium, copper, diamonds, gold, iron ore, energy minerals (coal and uranium) and industrial minerals. Rio Tinto operates in more than 20 countries employing 34,000 people with operating assets of US$16 billion.

Social Policy

Rio Tinto seeks long term commitment to local communities so that social and economic well-being is safeguarded and, where possible enhanced through the mine's life and beyond. In this respect, every operation should understand and interact constructively with its local communities and assist their development in ways, which apply principles of mutual respect, active partnership and long term commitment.

The objectives of Rio Tinto's social engagement are threefold:

- Improve the human capital of people working at the operations and in the communities;
- Develop and maintain productive relationships between the community and the operation;
- Invest in community development to contribute to stronger regional economies.

Rio Tinto seeks to achieve these objectives through the following tools:

- Completion and updating of baseline surveys;
- Five year community plans developed by each business and updated each year;
- Support to research into shortcomings and benefits of community engagement;
- Providing third party facilitation of discussion;
- Assurance programs including audits and reviews reporting ultimately to the Rio Tinto boards;
- Publication of local social and environment reports.

The five cases reviewed here coming from Africa, Europe and Australia point to the importance being attached to corporate social responsibility practices the world over. Developing mutually beneficial relationships with communities and managing the interface between communities and exploration and mining projects is a challenge that must be met in order to operate effectively in this new era. As many firms have discovered to their cost, local issues can quickly have global impacts on corporate reputation, operations and finances. Corporate social responsibility practices need to extend beyond ad-hoc social problem-solving approaches to become ways of systematically and cost effectively managing the interface between local communities and mining and exploration projects.

7. Corporate Social Responsibility Practices in the Mining Industry in Zambia

The Copper Mines have until now gone through three major phases. In the first phase, from the time of 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 Copper Mines were merged to form the mining conglomerate, Zambia Consolidated Copper Mines (ZCCM). Although the ZCCM was a state enterprise, AAC through its Zambian subsidiary, Zambia Copper Investments (ZCI) held 27.3% of the shares and pre-emptive rights. In the First Republic (1964 – 1972), the program of nationalization was carried out to ensure that indigenous Zambians participated in the economy. In the early 1980's, the country embarked on its first Structural Adjustment Program (SAP) supported by both the International Monetary Fund (IMF) and the World Bank. The program was aimed at fiscal and budgetary reforms. The transition in the political set-up in Zambia from single party to plural politics in the early 1990's has also fostered liberalization of economic participation. However, it was not until 1992 that the privatization program was put into force with the enactment of the Privatization Act (1992). In the case of mining, a Germany Company, Kienbaum Development Services (GmbH), was contracted to assess the possibilities of privatizing ZCCM. The Company reported in April 1994. One of the major recommendations was to unbundled ZCCM into 5 separate units including ZCCM Holdings. Generally, the program of privatization in Zambia was conceived *inter alia* to:

- Scale down the Government's direct initiative in economic activities and correspondingly its administrative load.

- Reduce Government's budgetary costs arising from subsidies and capital expenditure.
- Stimulate both local and foreign investment.

- Promote new capital investments.

The privatization of the copper mines was devised within this framework. Unfortunately, the privatization of the mines was carried out at the time when the Zambian economy was very weak. This meant that the management of shocks that accompanied privatization would be very difficult. Different social groups were to be affected differently. Among those directly affected were mine employees who were to be retrenched as a result of the restructuring of the companies and various others outside the employ of the company. From the time of its establishment, ZCCM established a corporate culture, which extended past a work place involvement. As an employer, it provided for all an employees needs: shelter, hospitals and medical assistance, education for children, subsidized food, free electricity, water and transport and a number of subsidized items including burial arrangements for the dead. The mine areas also encouraged the mushrooming of various economic and social activities mainly dependent on the incomes of the miners. These included shopping facilities, agricultural establishments for the supply of foodstuffs to the mine areas and other industrial activities.

7.1 Welfare Policy During the Colonial Period

From the time of their establishment, the link between mining and other sectors of the economy had long been recognized. For example, it was anticipated that the 'native labor requirements of the railways, the farms, the department of public works and, in fact, every phase of industry in the country will increase as mining expands' (Rhodesian Anglo-American Ltd, 1929).

As early as 1929, the mines became responsible for the provision of housing and hygiene. This form of patronage also extended to wages and food and various other social services. It was the duty of the mine management to provide well-arranged sanitary and orderly compounds to house the employees. Adequate hospitals for black workers were provided along with European medical staff.

The mine managements also provided minimum scale ratios for their employees. They provided maize-meal, millet, rice, beans, meat, fresh vegetables, peanuts and salt on a weekly basis (Rhodesian Anglo-American). Cinema shows were also given periodically.

Similar conditions were also provided to European workers. Adequate and comfortable hospitals with competent medical personnel were provided in all mining settlements. However, European quarters had added facilities, such as electric light and water and generally they presented a very attractive appearance. The mining companies also provided recreation clubs for employees, cinema shows for, European workers were provided once or by-weekly. Tennis, golf, cricket and football were encouraged and sponsored by the mine managements. Inter-mine contests were encouraged and competitions were arranged between teams of the Northern Rhodesian side and those from Belgian Congo. During this phase, the mines provided many facilities to their employees. These facilities ranged from housing to other social amenities.

After independence in 1964, there was a change in political ideology to Humanism, a brand of African Socialism. As a consequence of this change in political thinking, there were changes instituted to the pattern of ownership of the copper mines. An announcement to nationalize the copper mines was made in 1969.

7.2 Nationalization of the Copper Mines

Before the mines were nationalized in 1969, the then President Kenneth Kaunda, had expressed in 1968 the virtual lack of mining development since independence. He stated that apart from very small developments at Kalengwa and Mimbula Fitula and some further development at existing mines there had been little investment worth talking about. The mining companies claimed that the royalty system was against new development. On the basis of lack of new development the mines were nationalized after clause 18 of the Constitution of Zambia was repealed. It should be realized that this clause could not be repealed by an Act of Parliament then, unless the Government was empowered so through a referendum. In the referendum the Government needed to get a 'YES' vote from at least 51% of all the registered voters on the Voters Roll. Having been given the mandate on the 17th June 1969, the President declared that all rights of ownership or partial ownership of minerals were to revert to the State. These included:

a) The North Charterland Concession, which covers almost the entire Eastern Province and which was owned by LONRHO.

b) The Rhodesian Katanga Concessions around the Mkushi area and which was partially owned by a British Company called Tanganyika Concessions.

c) The Big Concession, which was owned by the African Gold Base Metal Holdings, an affiliate of the Anglo-American Corporation.

d) Six ten-square mile areas, partially owned by Bechuanaland Exploration Company.

e) Three ten-square mile areas which were partially owned by the Kafue Development Company, Rhodesia Railway Farms, Kawimbe Farm and Nyamakolo Farms entirely owned by the London Missionary Society.

In the same speech, the President dealt with the Litunga's Rights, exclusive prospecting licenses, which conferred the right to prospect for the discovery of minerals in the specified areas of the country and special grants and mining locations. The latter were the rights, which were passed on the two mining groups in Zambia to enjoy in perpetuity. All these reverted to the State. Consequent to these mining economic reforms, the mining companies were asked to give 51% of the shares in all existing mines to the State.

7.3 ZCCM Corporate Social Responsibility Practices.

The Zambia Consolidated Copper Mines, operated a 'cradle to grave' corporate social responsibility welfare policy. It had a paternalistic approach to communities providing medical care services, schools and other social amenities, much wider in scope than those offered by the mines during the colonial period.

7.31 ZCCM Medical Institutions

In Zambia, three major organizations have been running health services. The Government through the Ministry of Health, the ZCCM and religious organizations. ZCCM managed mine hospitals in six of the eight Copperbelt towns. While the quality of infrastructure and medical equipment were deteriorating in the health sector, the mining industry maintained good facilities. Over the last 60 years these hospitals established themselves as reputable institutions. The responsibilities of the ZCCM Medical Institutions were :

i. to provide medical (preventive and curative) and educational services to benefit employees of ZCCM, their dependants, its subsidiaries and the paying public;

ii. to contribute to the national effort in providing medical and educational services aimed at promoting health and education in Zambia;

iii. to provide and foster research in medical and other related fields and to encourage the publication of the findings thereof;

iv. to operate for the benefit of patients as chemists and druggists and as salts, antibiotics, pharmaceutical, medicinal and chemical preparation articles and compounds;

v. to promote and foster the training of personnel in the medical and allied fields appropriate to the requirements of the trust from time to time; and to establish and administer training institutions;

vi. to ensure that high standards of patient care are maintained in its units.

By the time of privatization, the copper mining industry had at least one hospital or two at each operating division on the Copperbelt. Some of the mining towns like Nchanga and Konkola did not have government hospitals. Therefore, non-mine employees and their dependants relied on those mine hospitals for medical service. There were two hospitals each at Nkana, Nchanga, Mufulira and Roan and one at Konkola, Chibuluma and Kabwe. These hospitals had their own satellite clinics. The numbers of clinics depended on the size of the mining towns. Silavwe (1994) recorded that at each satellite clinic a sister was in charge of staff nurses. Most of the clinic's patients were the wives and dependants of employees, although the employees themselves could be treated there. He further observed that a doctor visited each clinic daily and decided which patients were to be referred to the hospital. As for ante-natal cases, these were attended to weekly. Nearly all clinics had maternity facilities and normal cases were attended to there. Table 8 below show the provision of medical facilities in the mining towns before privatization.

Table 8: Number of Hospitals and Clinics in each Copperbelt Mining Towns

Mining Town	**Number of Hospitals**	**Number of Clinics**
Nkana	2	10
Nchanga	2	5
Mufulira	2	9
Roan	2	6
Konkola	1	5
Chibuluma	1	2
Total	10	37

Source: Author's Field Study 1997. (NB: Number of clinics does not include plant site clinics)

Although medical services were at the centre of social services provided by ZCCM, the company realized that the policy was untenable in the long term. Consequently in June 1988, ZCCM established the Medical and Education Trust (MET) to run mine hospitals and schools as self-supporting units. That meant that the spare capacity available in mine hospitals and schools could be offered to non-miners willing to pay for the services provided in these establishments previously reserved for miners. MET's objective was to ensure the availability of medical and educational services in the mining towns even after the cessation of mining in these areas. However, the Trust experiment was abandoned in 1992, with the hospitals reverting back to each of the ZCCM's operating divisions.

7.32 Other Social Welfare Programs.

The copper mines also provided other services in the form of Youth Development Schemes, Women's Clubs and even social casework. The Youth Development Schemes helped the youths in the mine compounds to identify the skills they could pursue and formalize as careers. The youths learnt skills in carpentry, motor mechanics and welding just to mention but a few. These programs were removed from the direct supervision of the copper mines to an organization called COMET, which was also later merged with the Small Industry Development Organization. Women's clubs concentrated on home-craft. The social casework agencies were charged with the responsibility of investigating social conditions in the mine townships and kept a register on the composition of the community.

7.33 Recreation under ZCCM.

The ZCCM's operating divisions also managed social recreation clubs such as Golf, Football, cricket, rugby, bowling, squash, angling and boating and also sponsored the major football teams. The company also provided cafeteria facilities, bars and social clubs dotted over the mine townships and cinema halls. The company managed nearly every aspect of life in the mine townships.

7.34 Environmental Management, Water and Electricity Supply.

The Zambia Consolidated Copper Mines also provided electricity, water and housing for a token contribution. The company managed the environment in the mine townships, maintained the roads and collected garbage. In general the company kept the mine compounds alive.

8.0 The Structural Adjustment Program Period (1980 to the Present).

As can be discerned from the above account, the biggest problems with the mining industry in the 1970s and 1980s, especially after the creation of ZCCM in 1982, was that it was considered as a 'cash cow' which was milked but unfortunately without corresponding investment in machinery and prospecting ventures. Thus the mines suffered the fate of little or no investment as the case was before 1969. This negatively affected the Zambian economy. In an effort to stop the economic recession and invigorate the economy, the government in the early 1980s embarked on the structural adjustment program with the assistance of the World Bank and IMF.

The Structural Adjustment Program (SAP) aimed at fiscal and budgetary reforms as well as diversification of the economy to agriculture. The program ironically was to be implemented with copper revenues. The program encountered difficulties because of low copper revenues, limited donor support and the failure by the government to implement budgetary reductions on subsidies and staffing. The reduction of subsidies met domestic pressure, making implementation of the program impossible (Republic of Zambia, 1991).

This program also supported the auctioning of foreign exchange to improve allocation efficiency, market pricing and general liberalization. Attempts at liberalizing markets led to increases in food prices. The high food prices resulted in food riots on the Copperbelt in 1986. This made the government abandon the liberalization program in May 1987 to replace it with its own, called the New Economic Recovery Program (NERP). President Kaunda announced that the economic austerity measures advocated by the IMF were to be abandoned and be replaced by a government devised strategy involving greater state controls (Roberts, 1994). It should also be mentioned that the government resorted to dealings with the IMF for lack of an alternative. The conditions of the IMF involving liberalization of the economy and paving the way for private enterprise was clearly against the philosophy of Humanism (Van Buren, 1994)

The government program of 1987 introduced fixed exchange rates and administratively allocated foreign exchange and direct price controls. It also suspended interest payments to both IMF and the World Bank. Major maize-meal processing plants were nationalized to control the price of the staple food as a humanist deal. However, as stated earlier, chronic shortages of foreign exchange constrained capacity utilization in industry, manufacturing and transport. In 1989, further measures were taken including a 25% devaluation of the currency, increase in maize prices and the introduction of the coupon system for purchasing of maize meal to soften the impact of the Structural Adjustment Program on the poorer sections of the population. The same measures also increased interest rates and the reserve requirements of the banks. The measures were aimed at enabling the poorer sections of the community afford the staple food, maize meal; improve imports and arrest inflation. These measures satisfied the IMF and the World Bank leading to another adjustment designed together with these institutions (Republic of Zambia, 1991).

The strategy for this Structural Adjustment Program of 1989, was laid in the Policy Framework Paper (PFP) for 1989 – 93. It included deregulation of all price controls, with the exception of maize, maize meal and fertilizer. It further depreciated the currency by 50% and also established the dual exchange rate allocation system with two windows. At the first window, foreign exchange earnings from copper, were sold to copper related imports, oil and fertilizer. At the second window, all others could buy hard currency at depreciated rates. These measures reduced the funds available for lending by the commercial banking sector. With the interest rates raised from 18% to 42% borrowing was considerably discouraged.

The economic situation worsened for Zambia and in 1991 President Kaunda and his political party UNIP lost the election and were replaced by the Movement for Multiparty

Democracy (MMD) which advocated free enterprise capitalism (Roberts, 1994). The economic measures involved raising of interest rates and depreciation of the currency increased the economic hardship of the majority of the Zambian population. The situation became worse with the rigid enforcement of the SAP under President Chiluba's Government (Roberts, 1994). The Privatization program however, went ahead. In July 1992, the Zambian National Assembly promulgated the Privatization Act, which provided for the transfer of 130 state owned enterprises to the private sector over a period of five years.

In the mining sector, the Government decided to restructure the mining industry through the privatization of ZCCM and its ancillary activities (GRZ, 1997). The privatization of ZCCM was in accordance with the Government's policy of mines and minerals development, which called for the competitive management and development of the mining sector by private entrepreneurship. It was hoped that privatizing the industry was the most viable alternative to ending the steady decline in copper production (Table 9 below) raising production efficiency in ZCCM by injecting in new capital, new management and entrepreneurial skills. Most non-core ZCCM activities such as farms, lodges, dry cleaners, educational institutions were to be sold separately.

Table 9: Trends in Copper Production (Tons) in ZCCM 1992 - 1996

Year	**Production**
1991	421 590
1992	386 763
1993	432 206
1994	392 179
1995	350 476
1996	307 071

Source: **ZCCM Annual Reports 1991 - 1996**

In October 1995, Government appointed the financial and legal advisors, Rothschild and Clifford Chance, to advise on the modalities for privatizing core ZCCM mining operations. According to the Rothschild Report (NMR), ZCCM was to 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 to mining companies and other trade investors with the intention of leaving ZCCM as owner of minority interests in operating companies controlled and managed by the incoming investors.

In stage 2, the Government was to dispose of all, or a substantial part of its share holding in ZCCM. These shares were to be offered for sale to the Zambian public as well as financial institutions in Zambia and abroad. ZCCM's principal assets were to be offered in packages comprising of:

a) the Konkola Mine and Concentrator together with the Mufulira Mine, concentrator and smelter/refinery.

b) the Nchanga Mines tailings leach plant and concentrator together with Nkana Mines, concentrator, smelter and cobalt plant.

c) the Baluba and Luanshya Mines and concentrator, the Luanshya smelter and Ndola Refinery and the Chambishi cobalt plant, and;

d) ZCCM's electricity transmission, distribution and generation assets which were to be owned and operated by ZCCM over the years.

e) ZCCM's other assets and non-mining subsidiaries including BulkTransport, the PMP, Roan Air, Ndola Lime and Mpelembe Drilling were to be sold in accordance with ZPA and ZCCM's program on competitive tender basis.

The results of the tender process were somewhat different from the predetermined packages. In the main, Nchanga was paired with Konkola and purchased by Konkola Copper Mines (KCM). Nkana was bought together with Mufulira by Mopani Copper Mines (MCM). The Baluba and Luanshya mines were purchased by the Binani Group of Companies. The other smaller assets at Chambishi, Kalulushi and Bwana Mukubwa were sold as individual entities.

With regard to the social assets, the Government's view was that ZCCM's hospitals and the majority of its schools be transferred into private ownership along with the mining and processing operations, which they served. The intention was that the key appropriate facilities remain available to the mine employees and their families. When these subsidiaries are sold separately, the employees in question were bound to lose out. Furthermore, a gray cloud hanged on the question of health services.

9. Corporate Social Responsibility Practices in the Privatized mines

9.1 Konkola Copper Mines (KCM).

KCM includes Nchanga, Konkola and Nampundwe This is the largest producer of the country's copper, accounting for about 60% of the total output which now stands at approximately 400,000 tones with the coming of Kansanshi mine on stream.. It was formed in March 2000. The core assets comprising this mine were sold to a consortium of Zambia copper investments, (ZCI), International Finance Corporation (IFC), and the Commonwealth Development Corporation (CDC). At vesting, this new company, KCM, was owned by ZCI (65%), 7.5% by the IFC, 7.5% by the CDC and 20% by the ZCCM-IH, which is 87.6%, owned by the Zambian government.

The transaction involved, inter alias, a cash payment of US 30 Million, future cash payments of a further US 60 Million, which was to be spread over six equal annual installments starting in the sixth-year after the close of the sale. Perhaps, most importantly, the development agreement included investment commitments of US $208

Million and a US $523 Million investment commitment to develop the Konkola deep mining project (KDMP) , which was seen to hold the future for copper mining in Zambia.

There were also hefty fiscal concessions, which the Government extended to this newly vested KCM. For instance, the company was to be exempted from paying the rural electricity levy and tax on dividends, interest, royalties and management fees. The company income tax was to be reduced to 25% when all other companies were paying 30%. This reduced tax rate for KCM was even lower than that payable by companies registered at the Lusaka Stock Exchange (LUSE).

On the environmental side, this company also received tremendous reprieve and indemnification from all historical as well as future liabilities which were now to be assumed by the Government. The argument was that,
”Environmental liabilities in the mining industry could result into very large claims…and all the mining companies had expressed concern on this matter.”

In order to get all these concession, the new investors even prevailed on the Government to either change existing laws or enact new legislation in order to take care of their minority interests. We must mention that this was very much against the letter and spirit of the OECD General policies. In particular these demands were contrary to the policy, which states that,

”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.”

One can only assume that these investors were very much aware of these OECD requirements, but chose to capitalize on the desperation and, may be, ignorance of the people negotiating on behalf of the Zambian Government.

In 2002, however, Anglo-American Plc, the IFC and CDC, withdrew their shareholding in KCM citing unfavorable copper prices and the lack of third party co-financing as the reason for the pull- out. “At the time of acquiring the interest in the KCM operations, ZCI stated that the development of the Konkola deep mining project(KDMP) was the main rationale for the acquisition. In announcing the pullout, TONY TRAHAR, the Chief executive of Anglo-America at the time said*;*

“ This has been a difficult and deeply regrettable decision for all involved………However, against the background of losses, low real copper prices and the non-availability of the required project finance, it is not realistic to proceed with the development of the Konkola Deep Mining Project. Without the prospect of being able to develop the KDMP, Anglo-American and ZCI have concluded that further investment in the existing KCM operations, which are high cost and have a relatively short life, is not justified and would not be value-enhancing for their shareholders.”

Following this, rather, dishonorable , hasty, exit, there began a frantic search for a strategic partner. In August 2004, VEDANTA Resources Plc, an Indian company, bought 51% of KCM for a deferred cash consideration of US $ 25 Million. (Incidentally, we now told that this company has already been able to recover its money within the first three months of its operations, having made a profit of US $26 Million).

Employment And Industrial Relations.

When KCM was being formed, it was expected to take over 9,866 employees together with their associated accrued liabilities such as terminal benefits and those left were to be retrenched under a World Bank Retrenchment program. Today the number of employees has been estimated at around 16,000 made up of 10,000 permanent and fixed term employees and about 6,000workers engaged by contractors. It is instructive to note that the numbers of employees will be fluctuating depending on the level of activity. Of these permanent and fixed term employees, 83% are unionized, either belonging to MUZ or the newly established sister union the National Union of Miners and Allied Workers (NUMAW). In terms of the gender composition of the workforce, KCM has approximately 5% women employees at various levels in the organization.

The human resource policy of the company may be stated as ;

"Providing a framework within which opportunities exist for all through the employment and development of the most effective people available. We are an equal opportunity employer."

A discussion with one of the company vice presidents, revealed that, as far as KCM was concerned, in this era of globalization, with the free movement of factors of production, including human resources, it was in fact archaic thinking to be talking of preferential treatment of the local people in terms of giving them priority in employment. Accordingly, it was the company's policy to let the people compete so that in the end the best woman or man should get the job, subject only to cost considerations. This policy sounds perfectly well in the economic theory of perfect competition. The only problem is that this world has never been perfect. The OECD Guidelines recommend that;

"In their operations (these enterprises), to the greatest extent practicable, employ local personnel and provide training with a view to improving skill levels…"

Consequently, because of this philosophy on employment issues, there has been very marginal increase in the number of jobs created for the people. On the balance one could argue that the number of jobs that have been created following the vesting of KCM, is far much smaller than the number of jobs lost through the retrenchments.

Employee Remuneration

At the time of the research, KCM had streamlined its payroll administration compressing salary scales from (G1 – G8) under ZCCM to (KCM 1- KCM4) under the new management. The workers were also entitled to overtime subsistence allowance as well as housing allowance payable at 30% of the employee's salary. It is necessary to point out that the amount of money an employee received depended on whether one worked on the surface, hot metal (smelter) or underground. Those who worked in hot metal and underground were considered well paid because they were paid a risk-allowance which amounted to 14.5% of salary differential in their favor. This division applied in all the major mines. Table 10 below shows the range in the salary scales.

Table 10: Salary Range For Unionized Staff At KCM, 2005

SALARY SCALE	SURFACE (K)	HOT METAL (K)	UNDERGROUND (K)
ENTRY POINT (KCM1)	K773 712	K831 741	K885 901
EXIT POINT (KCM4)	K1177 982	K1266 331	K1348 789

SOURCE: Field survey, Authors, March 2005

Health, Education And Training.

KCM has continued the ZCCM policy of providing health, education and training facilities, albeit, at a much scaled down level. For instance, Although the company has continued to run the two mine trust schools, mainly for miners' children, it has, however, given up the running of some big mine hospitals as well as clinics, which have now been surrendered to the government. It is, however, common knowledge that the government has been severely constrained in the provision of quality health services to the people. Consequently this handing over of the hospitals and clinics to the government has reduced the welfare of the people as they are no longer able to get the kind of medical attention that they used to get from the same facilities when they were being run by ZCCM.

Some of these hospitals and clinics today have no medical supplies, medical personnel including Doctors and nurses .As regards the former employees, retired or discharged on medical grounds, they are now expected to pay 50% of the medical bills.

Although the company has continued to provide free medical care to its employees and their dependants, this facility is now almost beyond the reach of the people in the surrounding communities, in the name of privatization and cost-recovery!

Occupational Health And Safety.

The company could be said to be very concerned with occupational health and safety in its operations. The importance it attaches to this issue can be deduced from the fact that it has a very senior staff responsible for Environment, health and safety (EHS) at the level of Vice president. In one of its policy statements, the company has argued that

“In line with world best practices, KCM plc environment, health and safety policy and management systems embody the principles of sustainable development, as defined by the Brutland commission,” Development that meets the needs of the present without compromising the ability of future generations to meet their own needs.”

It further argues that this concept means that investment should be financially profitable, technically appropriate, environmentally sound, socially responsible and with effective corporate governance systems. It has gone further to give its own understanding of the concept of corporate governance. It states that,

”There is no doubt that the level of accountability and transparency expected by society has increased dramatically over the last few years, and that governments, local and world communities are far more interested in how corporations conduct themselves.”

It is, however, unfortunate that so far over 30 people have died in company operations including the 21 who died in 2001 and indeed the 2 people who died even as we were collecting data for this study.

Welfare Policy.

As already alluded to in the report, the ZCCM conglomerate operated a comprehensive employee social welfare policy that has been described by some people as a "cradle to grave" policy (see Lungu and Silengo 1997). The hallmark of this policy was that the mining companies looked after the employee and his/her children, proving literally, every thing including food.

The privatization of the mines has, however, led to a complete abandonment of this policy. This may clearly be seen in the case of Nchanga, which had some of the best social welfare infrastructure. Recreation clubs, playing fields, swimming pools, public libraries and community halls, public parks and gardens have all been neglected or simply abandoned by the new mine owners and some of these facilities have now fallen into disuse, with some being taken over by squatters. It was only a few weeks ago, that KCM management thought of reviving the sports in the community by sponsoring football league in the country at a cost of K3 billion over the next three years. It should be admitted however that the KCM has been sponsoring Nchanga Rangers Football Team.

It is probably important to observe that this sponsorship may not be out of genuine concern of the welfare of the surrounding community per se. It is a gesture probably calculated to blackmail the government into giving more concessions to the mining company as some of the terms in the development agreements come to an end. Indeed in a speech to officially launch the football league sponsorship, and in the presence of the Republican President the KCM Chief Executive Officer (CEO) could not hide the intentions of the company when he asked government to extend the tax holiday/exemptions the company has been enjoying ever since KCM was set up (2000).

Incidentally KCM is one company, which has been given more tax incentives than any other foreign investor in the mining sector.

Table 11: Number Of Hospitals And Clinics Run By KCM.

TOWN	**Number of Hospital At Privatization**	**Number Of Hospitals 2005**	**Number of Clinics At Privatization**	**Number Of Clinics 2005**
CHINGOLA	2	1	5	3
CHILILABOMBWE	1	1.	4	3
LUSAKA	1	1.	-	-

Source**: Field Survey March 2005**

From the data in the table above, it can be concluded that welfare losses have been incurred by both the workers and their families as well as the surrounding non-mining communities. As indicated above the closure and surrender of some hospitals and clinics has been compounded by the increase in fees and charges in the name of cost sharing. The people are simply not able to access these facilities and services. This is a major injustice to the people living in an area where the wealth of these companies comes from and yet they are now being excluded. The current guiding principle for the new mine companies is that

"Their core Business is to produce copper the rest are unnecessary and avoidable expenses"

Indeed on the basis of this thinking Metorex of Chibuluma (Kalulushi) have given up the running of the hospital because it is not their core responsibility to provide health services to the people (Metorex CEO).

Land Use And Settlement.

From its inception in 2000, KCM has carried out two major resettlement programs; The Mingomba and Kawama and the Nchanga Open pit resettlement.

As a result of the desire by KCM to develop the KDMP AT Konkola in Chililabombwe, it was realized that there was need to expand the Lubengele tailings leach dam in order to expand the absorption capacity to accommodate the anticipated increases in discharge from the Konkola mine. There was thus the need to resettle about 139 households. This resettlement program was to be implemented in accordance with the World Bank's guidelines on involuntary relocation. This relocation exercise involved building new houses as restitution to these forcibly resettled households. Accordingly, 66 houses were constructed at Mingomba and another 77 houses built at Kawama. It is important to observe that, although KCM has taken the credit for this program, available data seems to indicate that, actually it is the government and the Zambian tax-payer who should be thanked for this apparent generosity and concern for the poor households affected by the resettlement. This is because the whole program was funded by the ZCCM-IH, which is 87.6% owned by the Zambian government. KCM was only managing the program on behalf of the government.

In 2001, following the catastrophic failure of the sidewall on the south face of the Nchanga Open pit, which, as we have alluded to earlier, resulted into 30 fatalities, there was an urgent need to move about 20 families whose houses had been severely damaged in this accident. KCM then relocated these families and funded the costs involved in this exercise.

It must be reported that all has not been well with these resettlements. Discussions with the civil society organizations, particularly the Citizens for a Better Environment (CBE) revealed that there have been serious misunderstandings between KCM and the residents of Mingomba and Kawama over the failure by KCM to fulfill its end of the bargain in proving adequate compensation to the relocated families. This has in fact prompted the CBE to intervene on the side of the residents and contact the OECD contact point in the

European Union so that pressure could be brought to bear on the company to own-up and comply to the letter and spirit of the World bank directives on involuntary resettlement especially where it states that;

” Displaced persons should be compensated for their losses at full replacement cost, assisted with the move and supported during the transition period…..and once resettled, displaced persons should be assisted in their efforts to restore improve their former living standards, income earning capacity and production levels.”

KCM, however, argues that in order to alleviate poverty the communities have been assisted to apply for loans from the Micro-projects Unit of the Ministry of finance. Have these loans been approved and disbursed?. It is interesting to observe that in fact the micro-projects unit has been phased out. As for the relocation of the Nchanga open pit families the KCM says that:

“The resettlement process has not detrimentally impacted livelihoods as most heads of households are either KCM employees or are economically active in Chingola.”

The HIV/AIDS Programme.

In terms the HIV /AIDS policy, the study was able to establish that KCM has one of the most comprehensive policies in the country. The company’s policy may be paraphrased as ;

“ A policy on HIV /AIDS that protects the confidentiality of employees’ HIV status, employees’ rights to work and benefits and prohibits discrimination……..The policy clearly stipulates that no pre-employment HIV screening will occur and that KCM does not conduct compulsory testing. The policy provides for education, voluntary testing and counseling of HIV positive employees.”

It is commendable that MUZ, the workers' representatives confirmed having participated in the formulation of this policy whose formulation started in 2000.

9.2. Chambishi Acid And Cobalt Plant.

For the purpose of this study, this also includes the Nkana slag dumps. Chambishi Acid and Cobalt plant was sold to AVMIN Limited, a South African firm in September 1998 at a cash consideration of US $ 50 Million as well as provision to participate in future cobalt price increases up to US$45 Million. The investor also pledged to commit a total of US $120 Million. Of this, US 70 Million was to be spent on the modernization and expansion of the plants in the first five years from vesting. And the new company was going to provide employment to 500 people. Soon after putting up, what has now become, one of the largest and modern cobalt plants in the world, AVMIN decided to sell the plant to J &W, the new investors who had just acquired the former BINANI assets, the Luanshya Mine. Discussions with management and the MUZ, suggested that the decision to sell the plant to J&W was arrived at as a measure to assure the continued viability of this enormous investment by linking it not only to the slag dumps but also to mainstream mining activities, especially because the owners of the other slag dumps on which the plant depended, were showing some signs of being reluctant to continue supplying the slag to Avmin in Chambishi.

In the Production and Technical Plan: AVMIN undertook to do the following

- Investing in state of the art smelting technology to produce acid leachable matte, and
- Processing the matte through an adapted and expanded Chambishi Cobalt and Acid Plant.
- Production capacity to be increased from 2,500 to 4,200 tonnes of cobalt per annum and up to 20,000 tonnes of copper per annum while leaving that for acid at 60,000 tonnes per annum. Approximately 20,000 tonnes of acid per annum will be consumed internally while the balance was sold out;

Apart from treating materials from the slag dumps, the plant would and is available to treat cobalt concentrates from Nkana, Nchanga, Luanshya and other operations, including the Konkola North once it comes on stream;

- The new company would employ 500 people and committed itself to providing suitable and development program to it's employees;
- The company was also committed to supporting local Businesses and encouraging/facilitating the developments of downstream and allied industries in order to allow for out sourcing of certain functions
- Commitment to local Business development and human resources development programs;
- Recognition of the Mine workers Union of Zambia and commitment to provide social services of an acceptable standard;

It is difficult to make an objective assessment of the extent to which these commitments have been fulfilled because of the back of adequate data largely due to uncooperative behavior of the people approached and their tendency to pass on responsibility to higher authorities.

Employment And Industrial Relations.

The plant employs about 1,600 people, the majority of whom are, however, on casual basis. In view of the competition for membership between MUZ and NAMUW there is a tag of war to organize and unionize these workers. At the moment MUZ seem to be succeeding.

The salary levels for Chambeshi Metals is quite impressive in the mining and service industry circles. The lowest paid workers in G7 get K1,125,000 while the highest unionized employees get K2,045,000.

The company also supports a community based organization called Bakabomba. The company provides grants to the community based organization who then advance the grants to various women groups in Chambeshi. The Bakabomba concentrate on education ant training and capacity building and small scale enterprise promotion.

9.3. NFC-Africa Mining Plc - Chambishi.

This mine was sold to NFCA of China in July 1998. At the time of vesting, the owners, ZCCM, had put this mine on what was described as "care and maintenance". This implied that the mine was no longer operational. At the time, however, there were 112 workers who had been retained at the mine to take care of such equipment and operations as pumping and electricity generation to prevent mine flooding.

It was sold for $10 million cash payment with a further feasibility commitment of US$10million over a three year period and another conditional investment commitment of US$110million over five years. To re-establish the mine by bringing back into operation and achieve a production capacity of 3000 tons of ore per day and then increase production capacity of 9000 tons of ore per day depending on further exploration work on Chambishi west and south east ore bodies. Today Chambishi mine (NFC) employs 71 full time employees with about 1800 casuals.

Whereas, It undertook to recognize MUZ, it appears that to date NFC has no unionized workers because of its over dependency on casual labor except the very few workers who crossed over from the former ZCCM.

Employment And Industrial Relations

Interviews with the mine management revealed strange practices not seen anywhere in the mining industry. Some of the salient findings include the following

- The company has been phasing out permanent and fixed term employment such that when it bought the mine there were 112 permanent and unionized workers who were taking care of the mine assets and other equipment when the mine was put on “care and maintenance”. The new mine owners started reducing this number and using more casual workers such that today there are only 71 fixed term employees with 300 casual workers employed by the NFC-A and a further 600 workers employed by independent mine contractors.

- Because of the casualization of the workforce the union such as MUZ and the sister union in Chingola, NUMAW, have found it difficult to organize these people so that they can belong to the union. Consequently, NFC employees are casual workers without any union representation and are therefore at the complete mercy of the management.

- There is no recruitment policy because at any time the management can bring in their fellow countrymen without any clear Job description, interviews, etc.

We further learnt that there are now no meaningful management meetings where important issues can be discussed because the management rejects all ideas coming from their Zambian counterparts. As a consequence the Zambian staff have stopped attending meetings describing them as useless and a waste of time. This is a matter, which the government needs to look into.

Discussions with both Zambian and Chinese managers revealed that there was great secrecy surrounding the operations of the mine. For instance it was impossible to establish the production levels of the mine because the Chinese managers refused to disclose this information arguing that it was very difficult to know. Indeed this was confirmed by the Zambian managers who indicated that there was a conspiracy to hide production and sales figures so that these mine owners do not pay the correct taxes to government and do not pay the workers any bonuses since the most common bonus is based on production figures. This behavior borders on unethical conduct and may qualify for tax- evasion. It should be pointed out that this is contrary to internationally accepted good and responsible corporate conduct and citizenship. The OECD guidelines state that;

" It is important that enterprises contribute to public finances of host countries by making timely payment of their tax liabilities. In particular, enterprises should comply with the tax laws and regulations in all countries in which they operate and should exert every effort to act in accordance with both the letter and spirit of those laws and regulations. This would include providing to the relevant authorities the information necessary for the correct determination of taxes to be assessed in connection with their operations."

The company has no Human Resource policy on training, development and employee welfare. Apart from the wage the employee does not get anything except probably the company meeting funeral expenses upon the employee's death or that of the spouse or registered children/dependants. The mine does not operate a hospital or clinic of its own but uses the hospital owned by a sister company – SINOZAM, which bought one of the former ZCCM hospitals in Kitwe.

Discussions with the Zambian managers further revealed that there was nothing that could be called an OHS and environmental policy in the company. Although the company has Junior officers responsible for health, safety and environment, these officers are too small in the organization's hierarchy to have any impact on management decision making. It was, however, revealed *that*

"the environmental officer is now trying to come up with something but there is nothing serious so far"

9.4. Mopani Copper Mines (MCM) -NKana and Mufulira

At privatization, the ZCCM core assets were put to international tender in separate packages. In package A ("Aco"), the Nkana and Nchanga divisions mining, concentrating and treatment assets (excluding Kansanshi Mine, Chambishi mine, Chambishi Colbalt acid plant and the Chingola Refractory one dumps), were put together plus the associated employees and social assets. Mufulira was packaged as package C ("Cco"). It included Mufulira Mine and concentrator and the associated employees and social assets. However, in the final sale Nchanga division, Konkola division and Nampundwe mine were sold as one package while Nkana was sold together with Mufulira division.

The Nchanga and Konkola divisions and the Nampundwe Mine were sold to a Consortium comprising ZCI (Zambia Copper Investments), International Finance Company (IFC) and the Commonwealth Development Corporation (CDC). The Assets were vested into a new company called Konkola Copper Mines (KCM).

The Mufulira Division and the Nkana mines, concentrator and colbalt plant were sold to a consortium comprising First Quantum Minerals Ltd (FQM) a Company incorporated in Canada and listed on the Vancouver stock exchange and Glencore International AG; an International Metal processing and commodity trading company incorporated on Switzerland. ZCCM retained 20% interest in the new company in the name of Mopani Copper Mines. Mopani paid US $20M cash consideration and, made a commitment of US$23M future cash payments to be paid in five equal annual installments beginning January, 2003 and a US$4.4M per annum price participation to be paid in the first five years beginning 1st January, 2003.

The Company made further investment commitments of US$159M for the first three years, US$ 84M for Mufulira and US$75M for Nkana and conditional investment of US $343M for both Mines broken down as US$ 103M for Mufulira and US$240M for Nkana
.

The government of the Republic of Zambia also agreed to provide MCM with fiscal concessions for a period of 15 years. The government through the Secretary of the Treasury has disclosed that the mining companies do not pay various taxes on inputs except for company tax. This, the Secretary to the treasury argues is necessary because the development agreements with investors in the mining sector were meant to create an enabling environment for a return on investment. The treasury further presents a very weak rationale for this that, “It is not true that they completely don’t pay taxes because they do so indirectly through their workers who contribute Pay as you Earn (PAYE)”. It is a well-known fact that personal taxes can not substitute company taxes. This is what the secretary to the Treasury wants us to believe. While the information on the sales agreements is slowly filtering through, the major issue here is that these agreements were done in total secrecy. Not even the workers unions knew or know the contents of these agreements. Since what was sold are public assets it is important that there is full disclosure of these agreements.

Employment

From the development agreements Mopani Copper Mines (MCM) was to take over 10,850 employees at Mufulira and the Nkana Assets together with their associated accrued terminal benefits. Those left out were to be retrenched under the GRZ/World Bank retrenchment program for ZCCM. Currently Mopani Copper Mines has a workforce of 7,326 with 4,575 on contract employment. It has 32 Zambian Management staff and 81 expatriate staff. From these findings, MCM has shade off 3,524 permanent employees. Even though it has created 4,575 contract jobs, it can be argued in social responsibility terms that there has been a loss of welfare as the incomes of these contract staff are always paid less than those on full time basis. The salaries for employees at Mopani Copper mines depend on whether the person works underground or is at the surface or the smelter. The range is tabulated below.

Table 12: Salary Range for Unionized Staff at Mopani, January to December 2005.

	Surface (Kwacha)	HotMetal (Kwacha)	Underground (Kwacha)
Entry point M8	824,355	886,182	943,886
Exit Point M6	1,013,219	1,089,211	1,160,136

Source: **Collective Agreement For the Period 1 January 2005 to 31 December 2005**

From the figures above, and if we considered the highest paid unionized employees in the M6 category in dollar terms at a mid-rate exchange of K4680 to the US$, the salary per month will be US$288. If we extrapolate this scenario to a family of six in a household, each person will live on US$1.60; less than US$2 per day. On these wages, it is difficulty to eliminate poverty even among people in employment.

Health and Education.

Mopani Copper Mines (MCM) continues to provide health care for its workers and dependants in Mufulira and Nkana. The Company also continues to offer education and health services for its retirees and retrenches. Former employees whose ailments are job related will continue to receive medical attention but will be required to pay 50% of the fees for life. Those on medical discharge, early retirement and normal retirement will be required to pay 50% of the fees for five years after the discharge while former employees on redundancy or voluntary displacement and dependants would pay 50% of the fees for one year. It can easily be concluded that since many of the former miners will not be earning a steady income, they will fail to pay the 50% part of the fee and so will indirectly be excluded from the service.

For those still in the employment of the company regular health checks are provided at the Occupational Health Management Board and the two company hospitals – Malcom

Watson in Mufulira and Wusakile at Nkana. Employees and dependants also have access to health services at the Company's clinics. The Table below shows the numbers of hospitals, clinics and other facilities provided by MCM.

Table 13: Number of Hospitals and Clinics at Nkana and Mufulira

Town	**No. of Hospitals at Privatization**	**No. of Clinics at Privatization**	**No. of Hospitals 2004**	**No. of Clinics**
Nkana	2	10	1	12
Mufulira	2	9	1	(as above)
Total	4	19	2	12

Source: Field Survey by authors March 2005.

From the data above and comparing with what the situation was during the ZCCM days, it is clear that in terms of health, welfare losses have been recorded. Between Nkana and Mufulira, MCM is running two hospitals and seven clinics less than ZCCM did for the two areas. Besides almost one half of the two hospitals has been classified high cost and this impairs accessibility to many people. A visit to the male and female medical and surgical wards tells the story as most beds are empty while the low cost is perpetually full.

Education and Training

The company also does provide education facilities and training for its employees. Currently, MCM runs two basic Schools, one in Mufulira and the other in Kitwe (Nkana Trust School). The two schools are open to the communities in Mufulira and Kitwe even though the "outsiders" have to pay higher school fees. Employees pay up to 75% of the cost for education. The policy on training of employees is demand driven as the various departmental Managers plan and budget for their training needs which are then coordinated by the training and administrative department. Considering the salaries miners are paid, it is almost impossible to have unionized miners children attending these schools. The service is therefore a preserve of the senior and managerial staff's children.

Recreation

The company continues to provide infrastructure for recreation while the administration of the respective clubs is done by the clubs' own respective executive committees. The company also does support the clubs by way of monthly grants to selected clubs such as football, rugby, golf and swimming. The criteria for support is based on the popularity of the sport in question. The company is spending approximately US$12,000 per month for all the clubs in Mufulira and Kitwe.

Social security

The company does provide various social security options. Some employees are on Mukuba Pension Scheme defined benefit while others are on Saturn a Regna A life defined contribution. The company though is uncomfortable with the Mukuba Pension Scheme. They prefer a defined contribution scheme.

Environmental Practices

The Company's policy on the environment is in draft state even though in use. It is being developed around ISO 14000 and 0HS 18000 principles. It is also based on a cycle A continuous improvement. The company admits that there are negative environmental practices at the company as it still emits sulphur dioxide into the atmosphere and recognizes that it has underprovided dust capturing systems at the smelter and the cobalt plants. The company intends to install acid plants at both the Smelter and the Cobalt plants and continue with progressive re-vegetation of the tailings dumps.

In terms of water pollution, the company intends to implement an integrated water Management system and consolidate the discharge channels into the streams to effectively control and monitor pollution. The Health Safety and Environment (HSE) Department currently runs a budget of US$250 even though all the other departments of

Mining Metallurgy and Medical do allocate funds for environmental pollution and degradation controls.

The company also does collaborate with the Environmental Council of Zambia (ECZ) and does carry out awareness programmes through its monthly company newsletter and communication briefs. Employees are protected through the provision of footware and overalls depending on the task or the job.

The major weakness is that historic environmental liabilities have been assumed by GRZ through the ZCCM (IH) and the company has also been indemnified from on-going environmental liabilities while in compliance with its own Environment Management plans. It is important that the ZCCM (IH) puts in place policing mechanisms especially for tailing dams whose bases are being mined for stone weakening the bases of those dams. The tailing dams number 26 and 27 provide a good example. Secondly, it is important that the company speed up the production of their environmental policy so that the public can know what they are up to. Generally, the public is ignorant of the contents of 150 14000 and OHS 18000. These need to be communicated to people. Thirdly, it is important that stakeholders also agree to the company environmental standards in conformity with the OECD guidelines.

Land

The company is aware that some community members are using its land for agricultural purposes. Generally the community is provided access to safe areas on mine surface rights for seasonal farming in a controlled and sustainable manner. The permits do not allow charcoal burning. The company is involved in demarcating the plots and interested community members apply for them. The company though does not permit the erection of permanent structures. This is to avoid any claims of compensation. As these permits are of a seasonal nature, the company claims there are no conflicts in land use. This information was however verified and the relevant discussion is in section 10.10.

Accountability

The company sees corporate social responsibility as working in harmony with the natural and socio-economic environment. The company also does enforce a code of conduct which is communicated through employee briefings and published monthly communications posted on notice boards. As for suppliers and contractors contracts do specify what is expected of them. It will be important however to have this code done for public consumption.

9.5. Luanshya Copper Mines (LCM)

At privatization, the Luanshya Division of ZCCM was sold to the Binani Group an international company registered in both the United Kingdom and India. The transaction according to the GRZ/ZCCM Privatization Negotiating team was completed in October 1997.

The key commercial terms in which this package was sold included the following:
a) ZCCM retained 15% interest in the company.
b) Binani was to pay a cash consideration of US $35m at close of the negotiations.
c) Binani was to invest US $20m as new equity capital in the company.
d) Binani also committed to invest US $869m during the first five (5) years from the date of transaction with a contingent investment of US $103m subject to feasibility studies and other conditions. This was to be spent during the first five years from the date of the transaction.
To the terms above, the Binani group also offered a price participation mechanism whereby ZCCM would be receiving 20% of the incremental value when the copper price was above US $2,750 per tonne.

The Binani Group also was to provide employment to all the 6200 employees as at close to avoid redundancies. The group also promised to provide high caliber management and training opportunities to the employees. It also made a commitment to support local business development and devise a human resource development program.

The company further recognized the Mineworkers Union of Zambia (MUZ) and a commitment to provide social services at a standard no worse that that at the time of take over. The results of this privatization are now known history. The Binani Group failed to inject new capital in the mines. It eventually experienced problems with payment of electricity bills, of workers wages and could not maintain or provide the social services under mine management at the time. The result was that the Binani Group abandoned the mines which were then placed under receivership. Grant Thornton were appointed the receivers.

The Luanshya Copper Mines Plc (LCM) has now been resold to J and W Investments group of Switzerland. It was formerly handed over on the 24th January 2004. The assets sold included the Luanshya and Baluba Mines at a consideration of $7,250,000. J and W were selected from a list of five other bidders. J and W currently run the cobalt and acid plants and Chambeshi Metals. The group is said to have significant investments in Ikazakhstan and employs over 11,000 people specializing in bauxite ore. They also run an energy company in Aksu with a workforce of 6,300 employees. Further, the group runs an underground mine in Chrometau employing over 200 employees and a ferro-plant employing 3200 people (MUZ – Tuesday 22 Feb 2005)

The property that has been sold to J and W does not include the Greenfield property of Mulyashi, which is still a subject of negotiations. The property has been advertised. When this property is brought into production, it will significantly change the situation in Luanshya.

J and W is starting the operation of Baluba Mine on a clean slate. All the 3253 unionized and 1200 non-unionized employees were paid their terminal benefits totaling K165 billion. At beginning of operations, the company started with extensive rehabilitation of the property. It started with 600 employees and this number has risen to 1500 (early

2005). The number is expected to grow as operations are resuscitated and intensified. The unfortunate element of the labor at Luanshya is that a substantial part of it is on short-term contracts.

At the start, the group committed US$500,000 to ensure that the mine commenced operations. The whole rehabilitation programme is expected to consume more that US $20 million with an expected output of 5,000 tonnes of copper ore per day from the confirmed reserves of 24 million tones. The Mineworkers Union of Zambia has signed a recognition agreement with J and W. During the time of data collection, the workers were on strike demanding higher wages and better conditions of service.

Salaries.

The currently negotiated salaries at Luanshya Copper Mines range from K684000 to K1,346,625 for surface staff, while underground staff salaries are 12.5% higher. Some employees on contract were however receiving a monthly salary of as low as K400,000. The table below shows this.

Table 14: Salary Scales for Surface and Underground Staff at Luanshya

Salary Scale	Surface	Underground
SG 1	K1,346,625	K1,514,953
SG 7	K684,000	K786,500

Source: **Collective Agreement 2005**

These salary ranges translate to less than US$170 per month for the lowest paid underground workers and about US$325 for the highest paid. In addition, the workers are paid an allowance ranging from K115,000 for the lowest paid to K180,000 for the highest paid per month.

Social Services

With regard to the provision of social services, J and W has taken over some social services such as the Golf Club, some houses for senior staff, stadia, the cricket club, the Tennis Club, the Squash Club, the Rugby Club and Roan United Football Club.

Health Facilities.

In terms of Health facilities, Luanshya Division ran two hospitals, (Luanshya & Roan Hospitals) and six clinics. Thus far, Roan Antelope Hospital has been handed to government and it is being run as a general hospital while two other clinics have been handed to the District Health Management team. Thus it is clear, that for the size of the workforce, J and W does not intend to provide services to the same extent as Luanshya division of ZCCM. Some clinics have been handed over to Non-Governmental Organizations for home based care activities. Most other facilities such as schools, which were run by ZCCM had long been handed over to the government by the time of privatization. The table below shows this.

Table 15: Health Facilities management Before and After Privatization

	Hospitals before Privatization	Hospitals After Privatization	Clinics Before Privatization	Clinics After Privatization
With Mine Company	2	1	6	3
In Government Hands	0	1	0	3
Total	2	2	6	6

Source: **Field research** 2005

Housing

J and W also does not have an interest in the housing in the two townships of Mpatamatu and Roan as they were sold to sitting tenants. Having been sold to sitting tenants and the townships handed over to the Luanshya municipal council, a number of problems have emerged in the mining communities. The major ones being that, while ZCCM paid for all water and electricity and only made token deductions on the incomes of the miners, this time, the miners and other non-miners (retrenched former workers) have to pay for water and electricity directly to AHC Mine Municipal Services and ZESCO. The other emerging problem is the payment of rates to the Municipal Council so the council can provide services to the two townships. The two areas, Mpatamatu and Roan township will be declared statutory housing areas and so will be subjected to the Rating Act. The council does not expect a peaceful and harmonious relationship with its citizens. Already collection of electricity and water charges ignites riots in the two townships. From this point of view, the Luanshya municipal Council anticipates great difficulty in rates collection. The municipal Council also feels very constrained resource wise. Despite being given extra responsibility by government, it has not been allocated corresponding resources to improve service delivery in the two townships.

Land

With regard to land, some problems are still anticipated. As recalled, the collapse of the Luanshya Mine operations under the Binani group meant that miners had no steady source of income. The majority of them resorted to agriculture. The only land available, and near by for this activity was mine land. Thus during the period when the mine was not in operation, the miners and former miners invaded the Mulyashi and Muva hill forest around Baluba Mine. They have since carried out their agricultural activities in these areas. What was once a thick forest is now open agricultural land. The extent to which the area has been opened threatens the life of the Baluba and Mulyashi streams and has destroyed a lot of flora and fauna reducing the bio-diversity of the area. The social problem that has already emerged is the resistance to cease agricultural operations in the area. From our research, we heard that the Mine Police under Luanshya mines fought battles with the invaders and to date they have refused to move. Since the Mulyashi property is in the process of being sold, the problem we have recorded here is likely to affect the new property owners. It is prudent therefore, for the government to enter into an agreement with the invaders as to how they will be resettled to other areas when the mines opens.

The Environment

There is also the problem of managing the slimes dams at Luanshya, which threaten the life of the Fisansa-Kafubu stream. Dredging of the stream under the ZIH project has been going on. It needs however to be specified as to who will continue with this task after the privatization is incomplete. This is a tricky situation in that in other privatizations the new mine owners have been exempted from environmental liabilities. This means that pressure must be exerted on the government to make sure that it takes care of the problem at Luanshya. However, it should be said that from a social corporate responsibility point of view, it is expected that J and W should without coercion take a pro-active stand to conform to environmental laws and even do better.

9.6. Emerald Mining: The Case of the Emerald and Semi-Precious Mining Association of Zambia (ESMAZ).

There are many emerald miners on the Copperbelt. Many are located in chiefs Nkana and Lumpuma's areas. Most of the miners are organized under the Emerald and Semi-Precious Stones Mining Association of Zambia (ESMAZ). We choose to deal with this association because of its representativeness. Most emerald and semi-precious stone mine owners do not own land . All they have are mining rights and they mostly operate on traditional land. Currently the Emerald and Semi-Precious Mining sector employs between 2000 and 2500 employees. Some of the employees especially those working for the lager mines such as Kagem, Gemfields and Grizzily Mining are unionized and their conditions of service are regulated by collective agreements. At Kagem, the lowest paid employees get a salary of K641000 as Table 15 below shows.

Table 16: Salary Range of Employees at Kagem.

Salary Scale	Salary (Kwacha)
NK1	K641,000
NK6	K1,159,000

Source: **Collective Agreement** 2005

There is an initiative by the ESMAZ to persuade the mine workers to become members of the Mine Workers Union of Zambia.

The Emerald and Semi-Precious Mining sector can only be described as being in its infancy even though it produces high value products. The sector is in need of organization. Through ESMAZ, the mine owners have complained of a controversial levy, the land rates of K2.5 million per year which the Lufwanyama District Council wants to introduce. The ESMAZ have disputed this because they consider it as simply another unnecessary levy since they already pay area charges to the Ministry of Mines and Minerals Development at a rate of K68,000 per ha. per annum, Mining license fees and survey and demarcation and environmental rates for the environmental Impact assessment which is a legal requirement before any mining operation can start.

Since these are not very organized mining operations, their social responsibility activities are also at a very low level. The major activities have revolved around maintenance of chief's palaces, grading of the roads leading to the palaces and support to two community schools in chiefs Nkana and Lumpuma. The conditions in which these roads are though, do not appear to be ever graded. There are environmental issues which the emerald mine owners need to attend to. Many have had a tendency to leave their working areas open and have not backfilled the mines, as the law requires.

9.7 Bwana Mkubwa Mines Limited.-Ndola

Copper mineralization was discovered at Bwana Mkubwa in 1902. It was only in 1913 that a concentrator was commissioned to treated underground ore. Open pit mining started in 1926. the mine did not operate for long and was closed in 1931 because of operating at a loss. The operation was reopened by Nchanga Copper Mines in 1970 but again was closed in 1984. Following the lapse of the ZCCM mining license, the Western Mining Corporation limited was granted a small mining license over the area. The company changed the license to a large-scale mining license in the name of Bwana Mkubwa Mining Limited (BMML) in July 1996. In 1997, the BMML was granted permission to construct the BMML tailings leach and sulphuric Acid plants. Production at both plants started in 1998.

Bwana Mkubwa mine is owned entirely by First Quantum Minerals Ltd, a company listed on the Toronto Stock Exchange. The company is involved in mineral exploration, development and mining. As stated earlier, the company produces copper cathode and sulphuric acid. From 1999, the company has steadily increased the production of both copper and sulphuric acid as the table below shows.

Table 17: Copper and Sulphuric Acid Production at Bwana Mkubwa 1999 to 2003.

Year	Copper (tons)	Sulphuric Acid
1999	9,621	66,059
2000	10,025	61,889
2001	9,662	62,783
2002	11,828	88,198
2003	29,228	75,228

Source**: First Quantum Minerals Annual Report, 2003**.

One indicator of good management by the company is that from 1999, it has maintained total costs below price as the table below shows.

Table 18: Price and Cost Per Pound of Copper 1999 to 2003.

	1999	2000	2001	2002	2003
Realized Copper Price	0.71	0.80	0.82	0.65	0.75
Total Cost per Pound of Copper	0.68	0.66	0.77	0.52	0.62

Source: **First Quantum Minerals Annual Report 2003**.

From the prices and costs per pound of copper presented in the table above it is clear that Bwana Mkubwa has been operating at a profit. Following the price movements at the London Metal Market (LMM) to the current 320 cents per pound of copper, the company is expected to continue making profit even if it does not increase production. The very high current price is due to demand arising from the modernization and urbanization of the Chinese economy.

Bwana Mkubwa Mine has enhanced it production though the treatment of ore coming from Lonshi in the Democratic Republic of Congo. The Lonshi Open Pit is located about 33 kilometres from the Bwana Mkubwa plant and about a Kilometre from the border. Currently, Bwana Mkubwa employs 200 employees while another 300 are employed on contract. The numbers of employees in direct employment of the company has been kept low in order to keep the overheads low. The company does not offer any other conditions of service other than a salary. The only notable condition of service is the payment of one months salary for every year worked at the end of an employees contract of work. The company does not provide transport to work, it has no pension scheme and does not pay gratuity even to contract staff. Transport for workers has been organized by the local branch of the Union. The company does not provide medical services except for two in-plant clinics, one for senior staff and another for the other staff.

Corporate Social Responsibility Activities.

The company engages in various corporate responsibility activities. It is funding bee keeping activities in the forest reserve, a project aimed at mitigating the negative impacts of its operations. This project was born from the realization that after constructing the road to Lonshi Mine, people moved and settled along the roadside. Because of these mushrooming villages, people have invaded the forest reserve and have engaged in activities such as charcoal burning and agriculture, activities which have impacted negatively on the forest reserve. There are also unconfirmed reports of a rise in immorality in the area. This has arisen from the operations of truck drivers along the route. There are approximately eighty (80) truck trips per day between Bwana Mkubwa and Lonshi Mine. Another project that has been started to mitigate the negative impacts of the road construction is the support to farmers in the area. Those who have agreed to move out of the forest reserve were provided with 10kg of maize seed and 4 bags of fertilizer, both basal and top dressing. The project did not work well as some farmers just sold the maize seed and continued with charcoal burning in the forest reserve. The company as a consequence also does provide the Forestry Department with fuel of about 40 litres per week for inspection trips. Unfortunately the Forestry Department does not seam to use this facility properly and even the proceeds from confiscated charcoal bags are not utilized properly.

There are other corporate social responsibility activities BMML is involved in. They have drilled boreholes for some schools, they fund the Bwana Mkubwa basketball and football teams, They have maintained street lights and mended potholes in Ndola. They have also dredged the Kafubu Dam on a regular basis to free the dam from weeds and allow water to run swiftly. This prevents mosquitoes from breeding and also prevents the breeding of snails carrying bilharzia. The company also sprays the townships to prevent mosquitoes and reduce malaria infection. While all these are welcome activities, the company needs to do more in light of the fact that the price of copper has been rising on the London Metal Market providing the company with more resources. The workers should also be able to benefit from this price rise. It is advisable then for the company to raise salaries as well as undertake larger projects such as tarring some of the major roads in Ndola to show its concern for the state of roads and other infrastructure in the city. BMML has also renovated and painted a police post and have contributed towards revamping of the Dag Hammarskjold Memorial Site.

Land.

Bwana Mkubwa also has a land problem because of its history of closures. As stated earlier, the land on which the mine is, used to belong to ZCCM. When the lease expired however, people started settling in the area. Some have built permanent structures in the area. In fact government itself allocated plots to people and this has conflicted with the mining rights of BMML. The tailings dams are also extending to farming areas. Even though the current tailings dam was relocated to another area to avoid conflicts with other land users, there is still a conflict. The solution lies in compensating and relocating the farmers to new areas. There is also a question of environmental damage as the area will not be the same again. The state will require to renegotiate the indemnity given to the mining companies relative to environmental damage.

9.8 The Copperbelt Energy Corporation.

The Copperbelt Energy Corporation is the former Power Division of ZCCM. The division was sold to the National Grid Company and Midlands Power International, both of the United Kingdom and five ZCCM Senior Managers. The division was sold in 1997 for a cash consideration of US$5omillion and a conditional payment of US$7.5 million. The company also assumed debts unconditional debts of US$73million and conditional debts of US$61million. The company committed itself to invest US$25million over a period of five years and a further US$34million over a period of fifteen years. They also committed themselves to recognizing the Mine Workers Union of Zambia, develop a training program for redundant employees, a commitment to local business development and create an employee share ownership scheme. ZCCM also retained a share ownership of 20%.

The company does carry out some social responsibility activities such us support to recreation facilities such as tennis, cricket, golf and squash. It also supports an NGO called Children in Distress, in short CINDI. The company does experience problems of land invasion mostly caused by poor government land allocation. Government officers have allocated land along the high voltage pilons, which is extremely dangerous

10. The Issues.

10.1. Lack of Transparency

ZCCM was a national asset. The asset was the sole largest provider of employment as well as foreign exchange to the Zambian economy. Its influence extended well beyond the Copperbelt province. However in privatizing this property, it is now a nationally shared view that many stakeholders were not consulted. It is sad to note that to date many people and institutions do not even know what was contained in the development agreements. The Mine Workers Union of Zambia did point out in an interview with them that they never played any significant role in the process of privatizing the Copper Mines. They stated that during the bidding, analysis, negotiation and agreement stages, the Mine Workers Union of Zambia was kept out of the process. The only consultations the Unions had were with the Ministry of Mines and Minerals Development. The Union however, tried to use informal ways of influencing the outcomes of the negotiations through such consultations. It was not even very clear to many stakeholders as to who was responsible the negotiations. This has raised issues of transparency in this process. To date (2005) the Mine workers Union of Zambia has not been availed the contents of the development agreements. Each time some of the contents of the development agreements are divulged to the public they come as a shock. The recent sale of KCM to Vidanta Resources and the eventual profit the company made in three months is a case in point. Many Zambians feel its leadership in these negotiations betrayed the country. Sikota Wina has since commented that the KCM and Mopani Copper Mines agreements were the worst ever made. According to him "the government granted the two mining companies US$200million and US$180million respectively free customs duty." Arising from these agreements, the Finance Minister exempted the two companies from customs duty on a whole range of goods. These ranged from petroleum products, motor vehicles, engineering equipment, explosives and accessories, drilling equipment, metal products, conveyor belting and associated equipment, bearings accessories, coal, hydraulic hoses, electric motors and transformers, cables and wires, acids chemicals and reagents to furniture and fittings, office equipment and even equipment for refurbishing company houses. The request to government by the KCM Chief Executive to extend such concessions, fiscal and otherwise, can only be described as immoral especially when one considers the fact that the mining industry has been enjoying very favorable copper and cobalt prices for the last twelve and indeed that is how come Vedanta have managed to make a profit of over $25 million within three months of their buying 51% of KCM-shares. The information that has been gathered is only trickling in now and not even from government itself. This principally conflicts with the expectations of the OECD on disclosure and transparency. F

10. 2. Employment

In terms of employment, a World Bank Study of 1980's revealed that the Zambia Consolidated Copper Mines were excessively manned. As a consequence, the ZCCM started scaling down on employment from that period. The figures below show that employment rose from 52 613 in 1969 to 62 222 in 1976. 1976 was the peak in terms of employment in the mining industry. Thereafter, employment declined to 51 000 in 1986. There was a rise in employment up to 1991/92 when it peaked at 56 582. Thereafter, it declined to 31 033 by 1997/1998. Currently, the figures stand at about 22 000. From these figures, one can see that employment in the traditional Copper Mines has reduced to less than half of the 1969 figures and is only one third of the 1976 position. Table below shows this:

Table 19: Labor Numbers in the Copper Mines 1969 – 2004

Division	**Years**					
	1969	**1976**	**1986**	**1991**	**1997**	**2004***
Nchanga	10 193	11 341	15 649	11 102	8 710	16000
Mufulira	8 603	9 577	80 020	9 068	6 086	11902
Nkana	11 111	13 521	13 665	14 687	9 518	-
Luanshya	8 837	10 286	8 701	9 621	0	1500
Konkola	4 929	5 419	0	6 054	4 698	-
Chibuluma	4 074	5 656	0	0	0	460
Kabwe	2 277	2 937	2 324	2 249	108	-
Nampundwe	0	0	0	0	385	-
NCR	544	776	0	0	0	-
Power	173	412	502	1 080	0	-
OPC/CSD	1 158	2 297	1 925	2 224	1 327	-
CHO	0	0	213	497	201	-
TOTAL	**56 193**	**62 222**	**51 000**	**56 582**	**31 033**	**29868 (11,175 contract employees)**

Source: **Mine Workers Union of Zambia** 2005

* The 2004 figures include workers on contract.

From these figures, it is clear that there have been many redundancies and retrenchments in the privatized Copper Mines. After the completion of the privatization process in 2000, the ZCCM Privatization Negotiations Team reported that “as a result of the privatization of the core assets of ZCCM, a total of 7 337 employees were to be retrenched under the GRZ/World Bank funded ZCCM retrenchment program of US $65 million. Included in this amount was US $73 million for retraining and counseling of the retrenched employees” (ZCCM April 2000). Many more people than what the ZCCM privatization Negotiating Team expected have been retrenched or lost employment. Since then, we have seen Luanshya Mine under the Binani Group of Companies close. At close the Mine had more than 6000 people in its employment. At the resumption of production in 2004 by J and W only 600 people were employed the majority on short-term contracts. At the time of our field research, the number had increased to 1 500 with many on short-term contracts. The more than 5 000 former miners who could not be taken on after re-opening the Mine have added to the unemployment situation on the Copperbelt. Some of the retrenched labor, has found employment in the new Mine Development Companies. Again the majority of the people working in these companies are serving on short-term contracts which makes the workers insecure as they are used to permanent and long-term employment.

10. 3. Salaries

The downsizing, which the Mines have effectively implemented was aimed at reducing overheads as well as at improving the conditions of work and service for those remaining. However, this does not seem to have been achieved. Some miners interviewed in Luanshya reported that there were some miners who were getting a gross pay of as little as K400,000 (less than $100) per month. In fact the confirmed figures are K456,000. Overall, miners salaries range from K456,000 to K1,346,625. The average on the lower scale is about K691,832 while the highest scale in the unionized ranks averaged K1,209837. Other than Chambishi metals, all the other mining companies paid below the average wage on the lowest scale. The average salary of K691,832 is also much lower than the JCTR total for basic needs basket of February 2005 which stood at K1,013,530.

In dollar terms, and applying a mid rate exchange rate of K4680 to one US$, the average salary range for miners is between US$97 and US$288 per month. A just wage should be around US$300 if we strictly adhere to the JCTR food basket. There is need for most of the mining companies to adjust their salary scales to enable miners meet their basic needs. This is also justified by the fact that the mining companies are now making super profits arising from the unprecedented rise of the price of copper to 320 cents per pound on the London Metal Market. The survey revealed that there has been a tendency for the new mine owners to collude in setting salaries and other conditions of service of the employees in the mining industry. Consequently the salary/wages seem more or less the same from one employer to the other. One of the reasons why this has been done is in order for the mining companies to avoid undercutting one another by discouraging employees from resigning and moving to other mining companies. Whatever the case this does not justify the low salaries. The companies should therefore be compelled to publish what they pay.

10.4. Mine Safety

Safety is cardinal to any mining operation. However, while some Mines have implemented effective, safety measures such as at KCM other Mines such as Mopani seem still to have problems in this area. Lack of effective safety measures resulted in deaths of miners both at the Mindolo and Mufulira operations of Mopani. One of the measures taken was to disengage the Chief Executive Officer. However, it is important that measures are taken at the work place level. If taking safety measures does increase costs, these will be worthwhile costs because the value of human life cannot be quantified. Mine managements just need to be proactive in this area to prevent mine accidents. (What measures across the board)

10.5. Health

The problem of safety is also related to health provision in the mining industry. It can be recalled that ZCCM had a very comprehensive health delivery system starting with clinics in the residential areas to provision of hospital facilities. In nearly all the large mining towns of Kitwe, Chingola, Mufulira and Luanshya, ZCCM provided two hospitals in addition to the Clinics and First Aid Centres at or near any Mine. At privatization, most of this infrastructure was sold to private individuals and others retained to Government. It is now on record that Nchanga North Hospital, Ronald Ross Hospital and Roan Antelope Hospitals have been handed to Government. At health centre level, most of the clinics in Kitwe have been sold to private investors while in Luanshya, two clinics have been handed to the District Health Management Committee (DHMT). One clinic is still under court proceedings and in dispute as there is a private investor who believes the clinic should be sold to him.

While the move to privatize these facilities and even handing some over to Government is a better development than them lying idle, the process outcome has implications both for the new Mine owners and the Government. In the first place, Government has not demonstrated anywhere that it has capacity to run any more new hospitals and clinics. This will result in an inefficient delivery of health services in these areas. We heard for example in Luanshya that despite two clinics being handed over to the (DHMT), there is no corresponding budget allocation (in the 2005 Estimates of Revenue and Expenditure) to support these clinics. The staff have had to share out to these two new clinics drugs meant for those clinics that were already in Government hands. This means that the level of service delivery in the whole town will decline as a result of this measure. The hospitals and clinics still under Mine Management have become extremely expensive and so inaccessible to the average Zambian. This can as well be interpreted to be a loss of welfare on the part of the mining communities. It is important for the Government and the new Mines owners to come together and work out how they can share the burden of health delivery especially as the copper price rises.

10.6. Medical Care for the Retired on Medical Grounds

This is a special problem within the mine healthy delivery system. There were people who were retired on medical grounds from ZCCM and according to the collective agreements of the time, these former miners were to receive medical attention and check-ups at the ZCCM hospitals for mere medical attention and at the Mines Safety Pneumoconiosis centre in Kitwe for annual medical check ups. There is currently some confusion as to who has carried the liability for the former ZCCM employees who where retired on medical grounds. Extrapolating from the way government gave in all the development agreements, it is possible that they carry this liability. The Mine Workers Union of Zambia has made frantic efforts to the extent of petitioning the Republican President but to no avail. In the meantime those affected have to bravely face death looking at the buildings from where they used to be attended.

10. 7. Recreation Facilities.

The ZCCM Limited used to provide many facilities for recreation such as tennis courts in all the towns, swimming pools, cricket grounds, bowling to Golf courses. ZCCM also did sponsor nationally games in which teams from all over the country participated, including teams from the armed forces. Thus, in house ZCCM provided for all the Miner's needs in a very uniform manner in the different divisions. The configuration of welfare service provision has substantially changed with the new mine owners providing what they think they can best provide. As a result, some mines seem to be doing better than others in this respect. In some towns such as Luanshya the facilities are completely run down even though theoretically they belong to Luanshya mines. In Kitwe members are running the clubs and the dilapidation in some of them is evident even though Mopani are providing a grant of US$12,000. The collapse of football in the country as a whole is also linked to the lack of or inadequate support to these clubs by the new mine owners. Perhaps the sponsorship of the Football Association of Zambia League by KCM will help resuscitate football in the country. What will be appreciated is grassroots support of sport in the communities.

10.8.Other Corporate Social Responsibility Activities.

Many of the new investors do engage in corporate social responsibility activities. KCM for example, has been involved with the communities by supporting sport, the Role Back Malaria Project, the HIV/AIDS Project, Resettlement Schemes for those occupying mine land and Business Support Initiatives. The CEC also does support the Children in Distress (CINDI), sports as well as the Small Business Promotions. Chambishi Metals supports Bakabomba and other welfare services. While this is so, for these firms, it is not the same with Mopani where there has been a struggle even to support the two football teams, Nkana and Mufulira Wanderers and at Luanshya Mines where some facilities have been retained but no new investment in them is feasible. With the Chamber of Mines in place, it is necessary for the new mine owners to compare notes in their social welfare provisions so as not to create too wide disparities between the mines workers. Besides the companies need to do more as the copper price improves. People must see the benefits of an improvement both in production and the rise in the price of the resources extracted from their own soil.

10.9. Sanitation in the Townships.

ZCCM used to contract companies to take care of the sanitary conditions in the Mine compounds. After privatization, specialized companies have been providing these services in these townships. For example, water is now under the Mine Municipal Services (AHC), electricity supply has been taken over by ZESCO while cleanliness will be the concern of the Municipal and City Councils. These institutions are collecting water charges for water consumed, electricity charges as well as rates for the houses which are now in individual ownership. The history behind is that ZCCM used to take care of these charges and so people have not yet developed a culture of paying for these services. In the short history of the privatized mines, it is already clear the (AHC) Mine Municipal Services and ZESCO have been facing problems collecting charges for services consumed. The Municipal Councils anticipate similar difficulties. It is necessary to carry out education sensitization campaigns to let the people know that the past is gone. Even where the Mine owners are ready to pay for their employees and deduct through the pay roll, it should be understood that the majority of the house owners in the townships no longer work for the mines and so for the majority this method cannot work. The organizations involved must then sensitize the communities and back this with service so that people can appreciate the necessity of paying for these services. The major concern though is with sanitation. The former mine compounds are litred with sewer from blocked pipes and are normally overgrown with grass. It is important for the new mine owners to assist the municipal and city councils in maintaining the cleanliness of these compounds.

10.10. Land Issues.

From the accounts we have presented it is clear that a number of issues related to land need to be attended to. The first issue relates to the indemnification of the new miners from all future liabilities arising from environmental damage. This is contained in the development agreements. Even the OECD advises multinational companies operating in the third world countries to refrain from seeking or accepting exemptions not contemplated in the statutory framework related to environmental, health, safety, labor, taxation and financial incentives. We are here concerned with environmental exemptions. It is time these development agreements were renegotiated so that communities can be compensated for the damage to the environment and the pieces of land they will never utilize. The compensation can be in the form of road maintenance and cleaning the townships. Secondly, there is the issue of land resettlement and the way people assumed to occupy mine land are treated. MCM has been harassing the local communities in Mufulira, evicting them because, it claims, they have been squatting on its land. It must be mentioned that this was land, which ZCCM was using to settle its employees upon retirement. At times when it evicts these people, there is no compensation or any form of restitution. Instead, it confiscates their properties especially farming tools and implements. This kind of inhuman and very inconsiderate behavior on the part of MCM, compelled DECOP to intervene on behalf of these poor communities and confront MCM management and also, seek the intervention of the OECD contact point in Europe so as to bring pressure to bear on MCM since the owners of MCM are very much subject to these OECD guidelines where they come from. As a result of this intervention, DECOP managed with the financial assistance of OXFAM, to successfully settle about 74 families on alternative land, which was provided by the council. As if this was not enough MCM has gone further and “grabbed” over 500 ha of land, which was initially given to MUZ under ZCCM. It has now been learnt that the OECD contact point in the UK has even taken First Quantum and GLENCORE, the owners of MCM, to Court in the UK. Because many people are ignorant about their rights, the investors have taken advantage of this. DECOP has commented that: *" Mopani was surprised to find that DECOP had access to OECD guidelines."*

10.11. The State of the Environment in Some Copperbelt Towns.

While mining has been taking place in Zambia's Copperbelt for over 70 years now and still remains the mainstay of the economy, it has complex environment impacts which include water pollution, air pollution and dust, siltation and sedimentation and indeed**,** landscape disfigurement including the displacement of existing land uses particularly agriculture and human settlements. A clear example of this is the land degradation in Chingola due to open pit mining.

In the course of the survey, it was observed that nearly all the mining companies were causing some environmental damage of one form or the other. For instance KCM has admitted that there are present environmental challenges, which are a result of the cumulative effect of mining and smelting of over the past 70 years. It has for instance admitted that:

"the primary impact of it's mining activities on water is the discharge of high suspended solids into the Kafue river"

Apart from the problem of siltation and sedimentation in the Kafue river, this has also implied increased costs for the water supply and sanitation company because it now has to spend huge amounts of money on water treatment to control the turbidity and be able to supply clear, palatable water that conforms to the World Health Organisation specifications. It therefore becomes necessary for KCM to make a contribution towards the cost of water treatment incurred by the water utility company because of the extra costs it has imposed on the community..

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As regards sulphur dioxide pollution from its Smeltaco plant in Kitwe , the company has admitted that ;

"At the moment emission levels do not meet ECZ statutory standards"

KCM has undertaken to ensure that it reduces these emission levels by as much as 80% by installing converter modified technology. This technology enables increased sulphur dioxide capture. This sulphur dioxide is then used to manufacture sulphuric acid which the company uses in mineral processing. This is in line with the environmental concept of *cleaner production,* which promotes the continuous use of industrial processes and products in order to reduce pollution and thus minimize the risks to humans and the environment.

Discussions with the Citizens for a Better Environment (CBE) and DECOP, have also revealed serious cases of sulphur dioxide and copper sulphate pollution by Chambishi metals as well as Mopani, resulting in the contamination of rivers that the surrounding communities use for their domestic and agricultural water supply including a lot of discomfort to the people in terms of eye, nose, throat and related respiratory irritations. DECOP indicated that they were very much concerned with the conduct of Mopani Copper Mines (MCM) regarding pollution and land matters. It was discovered, for instance, that because of the pollution of the water supply sources by MCM, AHC-mining municipal services, which has been responsible for supplying water to some residential areas in Mufulira, has now found it extremely costly. Given its technical capacity, it has not been able to continue treating this contaminated water. Consequently, at a meeting of the District Development Coordinating Committee (DDCC), it was resolved that AHC- surrenders this responsibility to Mulonga Water and Sewerage company, a public water supply and sanitation utility company which receives government subventions. Once again this raises the issue of the mining companies contributing money towards meeting these additional costs, which they impose on the tax-payers and the community in general.

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Conclusions.

This report has presented information on the socio-economic situation on the Copperbelt and has also discussed the concept of corporate social responsibility. The report further discussed the best practices in corporate social responsibility by providing five cases representative of the global mining industry. The report later presented the corporate social responsibility practices in the Zambia Consolidated Copper Mines (ZCCM) and in the privatized mines. The report concludes that there has been a significant change in the approach to corporate social responsibility issues. Where as ZCCM followed a cradle to the grave policy, the newly privatized mines are concerned more with profit than with the welfare of their employees, families and the community at large. All of them have significantly reduced the levels of service provision. The report has also raised eleven issues that require the attention of the various stakeholders: In this case government, civil society, the church, the new mine owners and the communities in the various towns. Companies need to meet the OECD standards and also emulate international best practices. The cases we have cited are instructive in this respect. It is also incumbent on the government to publicize the OECD standards so that people can know them.

APPENDIX 1. LIST OF PERSONS INTERVIED.

Mr I Zandonda	**BMML**
Mr Muchimba	**MUZ**
Ms Kabaghe	**MCM**
Mr D Chisunka	**DA (Luanshya)**
Dr S Mulenga	**KCM**
DECOP Representatives.	
Mr Godfrey Musonda	**Luanshya Munucipal Council.**

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