

CORPORATE SOCIAL RESPONSIBILITY PRACTICES IN SMALL-SCALE MINING ON THE COPPERBELT



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ABBREVIATIONS AND ACRONYMS

AIM	Alternative Investment Market
CEO	Chief Executive Officer
CSR	Corporate Social Responsibility
EC	European Commission
ESMAZ	Emerald and Semi Precious Stones Mining Association of Zambia
GEMEX	Gemstones Exchange
ICESCR	International Covenant on Economic, Social and Cultural Rights
HIV/AIDS	Human Immune Virus/ Acquired Immune Deficiency Syndrome
ILO	International Labour Organisation
MOFEP	Ministry of Finance and Economic Planning
MSDP	Mining Sector Diversification Programme
MMMD	Ministry of Mines and Mineral Development
MUZ	Mineworkers Union of Zambia
NAPSA	National Pensions Scheme Authority
NRERA	Ndola Rural Emerald Restricted Area
OECD	Organisation for Economic Cooperation and Development
PAYE	Pay As You Earn
POP	Persistent Organic Pollutants
PRSP	Poverty Reduction Strategy Paper
SEED	Support for Economic Expansion and Diversification
UN	United Nations

ZCCM	Zambia Consolidated Copper Mines
ZCCM-IH	Zambia Consolidated Copper Mines – Investment Holdings
ZRA	Zambia Revenue Authority

CHAPTER 1: INTRODUCTION

1.1 Background to the Study

Zambia is known world-wide for its production of Copper and Cobalt. The country has been exporting these commodities to the rest of the world since the 1930s for copper and the 1970s for cobalt. Mineral products contribute about 70% of the total foreign exchange earnings. Although copper production was on the increase in the late 1970s, production declined in the last twenty years largely due to declining copper ores, poor re-investment in new and existing mines and unsupportive management practices (PRSP, 2002). In the last 5 years after the privatisation of ZCCM, the country has experienced some growth in the production of copper. In 2003, the country produced 359884 tones of copper. This rose to 426000 in 2004 and 466799 tones in 2005. In terms of cobalt production however, there has been a decline in production over the years. While the country produced 6491 tones in 2003, this declined to 6390 in 2004 and to 5638 tones in 2005 (Republic of Zambia: Economic Report 2005). The increase in the production of copper is accounted for largely by the re-investment into new equipment, the opening up of new and disused mines and better management practices.

While there are a variety of mineral deposits such as gold, diamonds, zinc, gemstones and coal, the country has developed a comparative advantage in the production of copper. Mining has also been large-scale, concentrating on copper, cobalt and coal, while small-scale mining is concentrated in a variety of gemstones such as emeralds in Ndola Rural, amethyst in Southern Province and aquamarine, tourmaline and garnets in Eastern Province and many other parts of Zambia. Emerald mining is however the most dominant form of small-scale mining.

The variety of minerals available offers a great potential for providing resources for national development. However, the mining deposits are located in remote parts of the country which, are poorly linked. Consequently, there is need for development of access roads, telecommunication and other social infrastructure to mine these precious resources. There is also need to service the gemstone areas with social infrastructure such as clinics or health centres and recreation facilities.

Mining, especially when diversified to small-scale mining is critical to poverty reduction as well as to economic development of the country. Currently, mining contributes between 6 – 9 % of GDP and contributes about 40,000 jobs to the 470,000 in formal employment. The mining

sector also provides forward and backward linkages to other sectors of the economy. The gemstone sector if fully developed, can also contribute to generation of employment both in the mines as well as the factories established to process these gems. Value addition and technology transfer and other attributes the mining sector possesses if fully developed. Mining also does link effectively to the agricultural sector. It can provide essential agricultural in-puts such as lime which, is essential in neutralising soil acidity. It also has the potential to support cottage industries that are related to pottery making, brick making and increase the demand for skills and essential mining equipment and machinery.

This baseline study concentrates on small-scale mining with a bias to the gemstone sector. The main objectives of the study are to investigate the operations, profitability and Corporate Social Responsibility Practices of small-scale mines in existence with a particular focus to the following thematic areas:

- i. Employment and Labour market practices
- ii. Environmental practices
- iii. Land rights of local citizens and their traditional authority structures
- iv. Transparency and accountability practices; and
- v. The role of traditional leaders

1.2 The Specific Objectives of the Study

The specific objectives of the research are:

- i. To determine employment and labour market practices in small-scale mining;
- ii. To determine the company's policy on workers' occupational health and safety and how the policy is implemented in practice
- iii. 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
- iv. To determine whether there is any written statement expressing company commitment to CSR and the company's understanding of corporate social responsibility.
- v. To determine the company's policy on the negative environmental consequences of their operations and measures put in place to mitigate the negative impacts.

- vi. To determine the company's policy on compensation or any form of restitution to local land owners (individuals and institutions).
- vii. To establish whether the local residents and their leadership e.g. traditional authority structures are consulted in matters of land expropriation, and the extent to which local populations benefit from their land taken away.
- viii. To determine whether the Privatization Programme so far carried out met its intended goals.

1.3 The Methodology

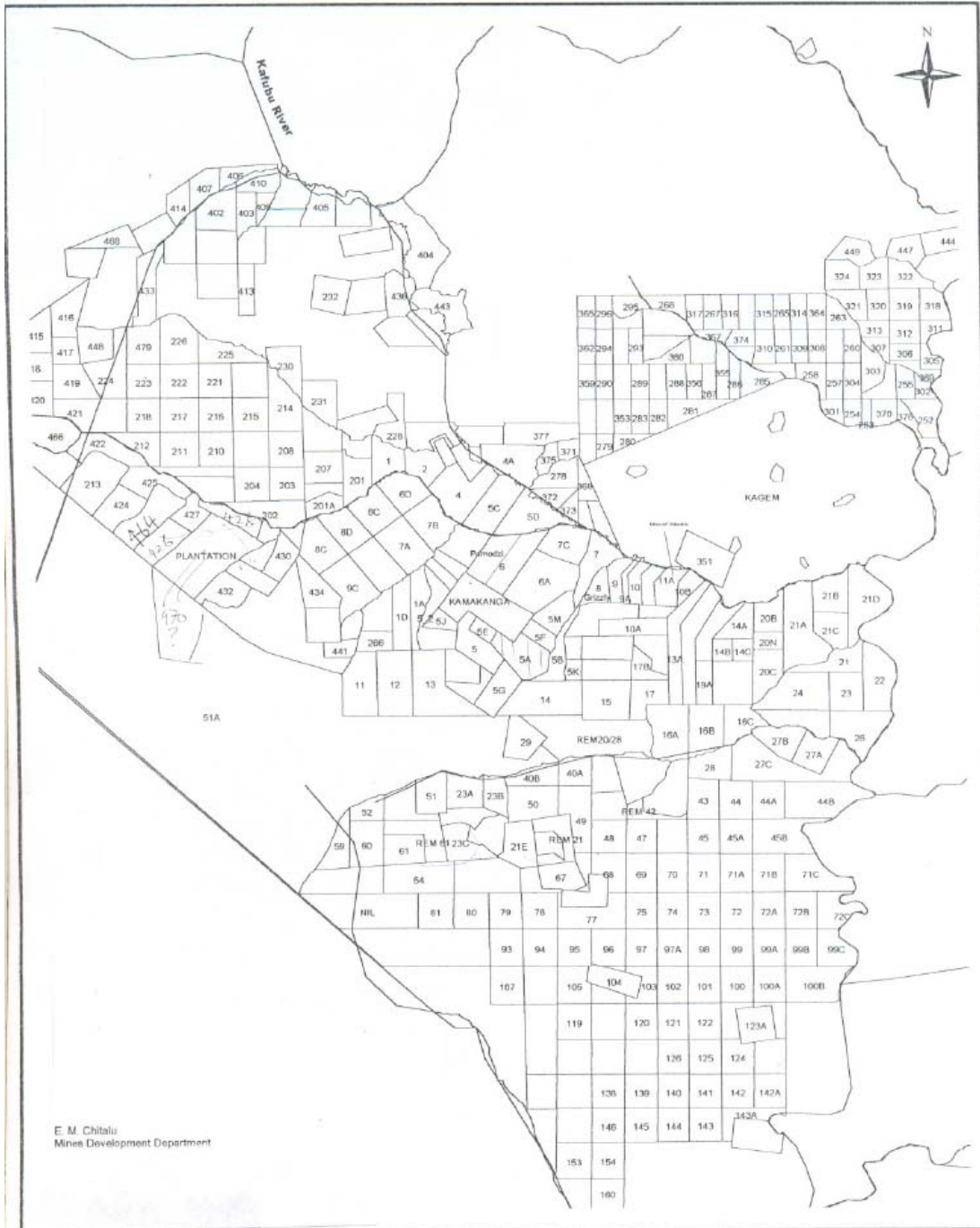
This study covers the emerald protected mining area of Ndola Rural. This is the most organised area of Ndola Rural in terms of gemstone mining. The protected area is demarcated into more than five hundred plots of land on the basis of which mining licences are issued. Before the demarcation in 1984, the area was mined illegally by thousands of artisanal miners using small implements.

A major gravel road through Chief Nkana's village to the protected area from which sub-roads branch to the various mining sites traverses the area. Entry into the protected area is by permit obtained from the Ministry of Mines and Minerals Development. There is however, need to obtain permission to enter particular mine sites from particular operators.

Since not all parcels of land are actively being mined and since some parcels have undergone consolidation to make them economic to mine, the researchers visited an operating mine and some mine owners at their offices. Being a protected area, the period given to the area was restricted. The distances between the mines and mine owner offices also dictated the number of respondents that could be visited. Figure 1 below shows the map of the emerald protected area. The map shows that some that plots are larger than others. Indeed, they range from 1.5 ha to 45 sq kilometres. Others have undergone subdivision while others have been consolidated. Thus the number of plots cannot be precisely estimated because of these processes.

Figure 1: Map of the Ndola Rural Emerald Protected Area
 REPUBLIC OF ZAMBIA
 THE EMERALD PROTECTED AREA
 MINERALIZATION ORDER 1979

Scale 1: 100000



Source: Ministry of Mines and Minerals Development.

The Researchers utilised a structure questionnaire attached as Appendix 1, although this could only be used discretely. This was the instrument used for primary data collection

supplemented by interviews with the various stakeholders. The questionnaire was based on the CSR framework discussed below.

Secondary data was obtained by reviewing existing literature. Information was obtained from published sources, government documents, the various websites for the major operators and from unpublished sources. It must be mentioned that secrecy surrounds the operations of the gemstone mines and therefore data is difficult to obtain. Fieldwork took place between April 2006 and July 2006.

1.4 Lay-Out of the Report

This report is structured as follows: Having presented the objectives and the methodology in the first section, the second chapter presents the concept of small-scale-mining taking into consideration the fact that different countries define and view small-scale-mining differently. The second chapter also presents the structure of small-scale mining. In the third chapter is discussed the framework for corporate social responsibility. The chapter specifically outlines the international standards in force, concerning labour, health, environment and accountability. The fourth chapter brings out the corporate social responsibility practices in the small-scale mining sector in Zambia and specifically the Copperbelt province. It highlights some case studies of the major mining operators and their corporate social responsibility practices. Emphasis has been placed on the activities of these very few companies. This is because the lack of economies of scale have impeded other operators from carrying out noticeable CRS activities. The fifth chapter then raises issues that may be of interest to the various stakeholders including the government. In presenting the issues, the study adopts Ferrells et al (2004) conceptualisation of the different dimensions of corporate social responsibility. The last chapter concludes the study.

CHAPTER 2 THE DEFINITION AND STRUCTURE OF SMALL-SCALE MINING

2.1. The Definition of Small-Scale Mining.

Defining small-scale mining has proved a very difficult venture. For many years, policy makers have struggled to devise universally accepted interpretations of “artisanal” and “small-scale” mining. The efforts to define these terms intensified with the publication of the United Nations Department of Economic and Social Affairs report on small-scale mining in developing countries in 1972. Many other conferences followed but it was eventually determined that there was no single group of characteristics that would be appropriate for classifying either group of mining given that employment, technological and production varied from country to country and these characteristics also depended on the size of the economy. Thus the term small-scale mining includes both “artisanal” and “small-scale” mining.

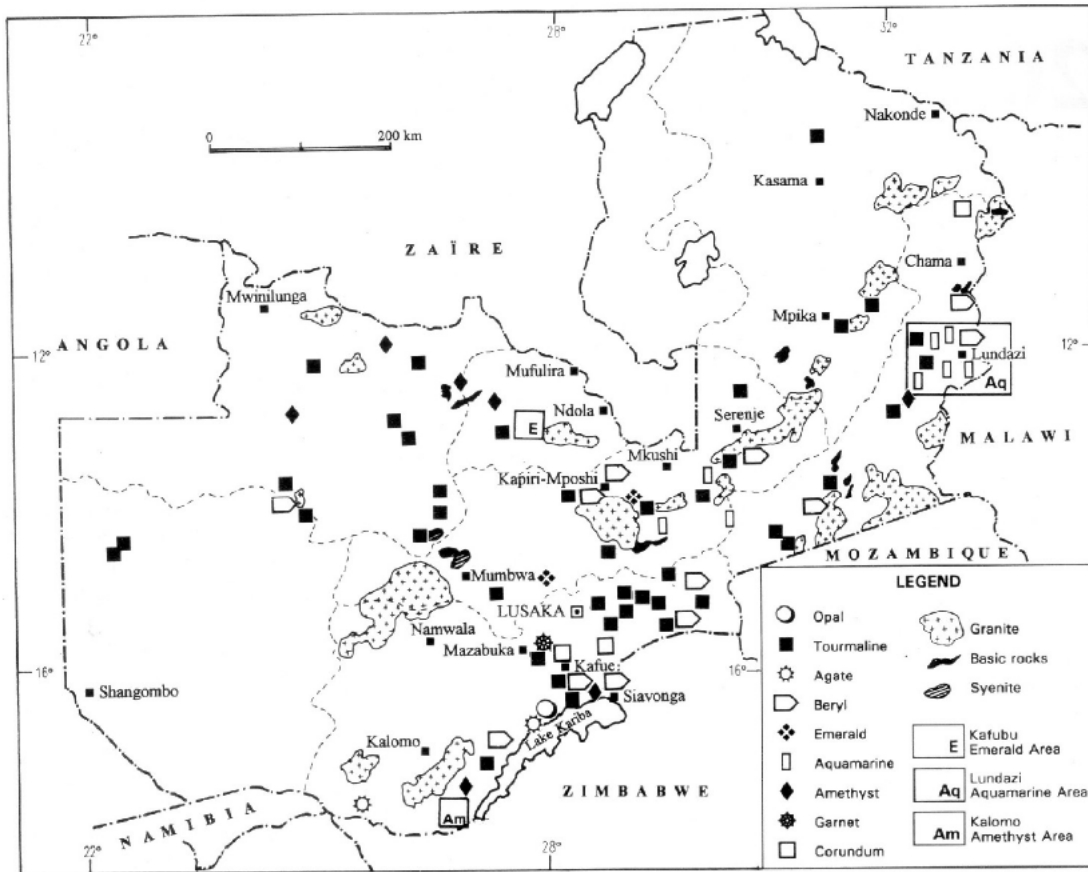
Small-scale mining is commonly associated with informal, unregulated, undercapitalised and under-equipped operations where technical and management skills are lacking. They are also believed to erratically produce limited amounts of minerals from uncertain reserves. Small-scale mining is particularly labour intensive and thus provides employment and incomes to large numbers of people who are generally uneducated, poor and live in remote areas where no opportunities exist for formal employment.

While this may be true, the Zambian authorities define small-scale mining differently. In the Zambian context, small-scale mining includes operations carried out under prospecting permits, small-scale, artisanal mining rights and gemstone licences. It is specified in mining legislation and defined according to the area of mining rights and requirements of mine safety regulations. As can be seen, in Zambia there is a concentration on formal small-scale mining. It is however an undeniable fact that informal mining, though discouraged does take place.

2.2 The Structure of Small-Scale mining

This sector is dominated by the mining of gemstones namely emeralds, amethysts, aquamarines, beryls and garnets. Gemstones are mainly produced in rural areas from three provinces: emeralds from Ndola Rural (or Kafubu) area, aquamarine from the Lundazi and Nyimba areas and amethyst from Siavonga, Kariba area. Figure 2 below shows the areas where particular minerals occur in the country.

Figure 2: Occurrence of the Various Gemstone Deposits in Zambia



Source: SANTEN 2001

Zambian emeralds are estimated to account for approximately 20 percent of the world production; and are the most important contributor to the gemstones industry and the Zambian economy. Aquamarines and amethysts play less significant roles.

Most mineral policies in sub-Saharan Africa have focused mainly on large-scale mining projects. This is because large-scale mining projects date back to colonial times. Secondly, the predominance of multinational corporations whose interest was in large-scale mining in order to achieve economies of scale has since dominated the thinking. Small-scale mining has as a consequence remained relatively unexplored until recently. Venturing into small-scale mining has been precipitated by the poor performance of large state dominated mines and the rising mining costs as mines get older. Further, it has been discovered that mineral deposits, which may not be exploited economically using large-scale mining methods can only be exploited using small-scale mining methods.

Small-scale mines however, have the potential for destruction as well as being constructive. The constructive potential arises from employment, income as well as foreign

exchange earning it generates if properly organised. The destructive effects relate to poor health and health standards, poor environmental practices, wastage of resources as well as illegal marketing, which leads to loss of foreign exchange revenue.

The world over, small-scale mining can be divided into three basic types:

- a). artisanal mining
- b). traditional small-scale mining
- c). advanced small-scale mining.

The artisanal mining is the smallest and simplest mining operations. It involves the use of simple tools and the absence of a formal enterprise. Many times this is conducted as informal operations on registered claims (Kambani M. S. 1997). Kambani further states that artisanal miners prospect for gold, diamonds and coloured gemstones. Because of the informal nature of these operations, even subsistence farmers get involved on a seasonal basis.

The traditional small-scale mining includes licensed and registered non-mechanised or semi-mechanised mining operations. These may be run by individual or organised cooperative societies. They hire labour and apply basic management principles in their operations. The third group involves the legally constituted small-scale mining companies that are highly organised and utilise advanced equipment and mining methods.

In the case of Zambia, it is estimated that about 500 firms hold gemstone licences of which 345 firms are holders of emerald mining licences (World Bank 2004). Production in most of these mines is by “pick and shovel” method. There are about 10 mechanised mines country wide of licensed plots of between 1.5 ha to 45 sq kilometres. The size of the individual mining enterprises varies from one to some 300 persons. Mining plots vary in size, they are rarely fenced and remote, and the owners of the licences are rarely at the mine.

The few mechanised mines use the open pit system of mining, and the majority of the miners have comparatively small pits from which they extract gemstones. Although the Ministry of Mines and Mineral Development (MMMD) estimates that there are 4,000 persons employed in the gemstone mining, there are in addition many illegal miners. The World Bank has recorded that one medium sized firm which employs no more than 100 workers noted that soon after the mine was started, a trader came and resided outside the mine perimeter to buy stolen stones. Within a few years, a village of 2,000 persons had developed there where there was none before. The World Bank therefore postulates that if informal and illegal miners are included, the number in employment would substantially exceed that of the Ministry of Mines.

The annual value of the world market for gemstones is estimated at over US \$ 7 billion per year. Zambia's share of the market is estimated at about US \$ 170 million (World Bank, 2004). The annual recorded figures however reveal the following pattern:

Table 1: Value of Gemstones Marketed, 1998 - 2001

Year	Value (US \$ m)
1998	11.5
1999	13.8
2000	15.4
2001	20.3

Source: **Republic of Zambia 2006.**

Despite the fact that the market seems to be growing, the value of gemstones so far exported does not come anywhere near the estimate of US \$ 170 million per year. The major market for Zambian gemstones is India.

2.3 Legislative Framework for Small-scale-Mining in Zambia.

There are many Acts of Parliament which deal with mining and mining related work. The primary Act is the Mines and Minerals Act No. 31 of 1995, Cap 213 of the Laws of Zambia. This is supplemented by the Medical Examinations of Young Persons (Underground Work) Act,(Cap 216) and the Pneumoconiosis Act, (Cap 217).

The Mines and Minerals Act makes provision with respect to prospecting for and mining minerals. In the Act, a Mine supply means any place, pit, shaft, drive level or other excavation and any drift, gutter, lead vein, lude, reef, salt pan working in or on by means of which any operation connected with mining is carried on, together with all buildings, premises, erections and appliances, whether above or below ground and are used in connection with any such operation or for the extraction, treatment or preparation of any mineral or for a purpose of dressing mineral ores.

It should be mentioned however, that though mining rights permit the holders of such licences to mine the minerals, the rights to minerals are vested in the Republican President on behalf of the Republic (Part 1 Section 3). A person can therefore not carry out any mining

operation except with the authority granted under CAP 213 of the Laws of Zambia. The Act provides various mining rights. These include:

- a) a prospecting licence
- b) a retention licence
- c) a large scale mining licence
- d) a prospecting permit
- e) a small-scale mining licence
- f) a gemstone licence
- g) an artisanal mining right

It is important to understand that in the Zambian context, a small-scale mining licence confers on the holder exclusive rights to carry on mining in the mining area for minerals other than gemstones. While the gemstones licence confers the holder some exclusive rights as a prospecting permit, a small-scale mining licence and it is only issued in relation to gemstones. In the case of artisanal mining rights, these are conferred on the person or persons where mining operations are being carried on, on a community basis in accordance with customary practices. These are normally valid for a period of two years (Section 64 Sub-section 4).

The Act (CAP 213) also provides for environmental protection of the areas under various mining rights. It protects the air, water, soil, flora, fauna, fish, fisheries and scenic attractions and also features of cultural, architectural, archaeological, historical or geological interests. The Act also requires that areas that are abandoned be rehabilitated, levelled, regressed or reforested while in some instances the pits may require to be filled in, sealed in the case of shafts or fenced off.

Chapter 216 of the Laws of Zambia deals with the medical examination of young persons for fitness for employment underground in mines. A mine under the ILO Convention simply means any undertaking whether private or public, for extraction of any substance from under the surface of the earth. This includes employment or work underground in quarries. CAP 216 is supplemented by CAP 217 (Pneumoconiosis Act) which provides for the assessment and payment of compensation in connection with pneumoconiosis and to provide for the medical examination and standards of physical fitness to be required of persons exposed or likely to be exposed to the risk of pneumoconiosis. Under this Act, it is mandatory that persons employed in a mine undergo periodical examination and be certified fit to work. The persons will also undergo periodical examination to ascertain the presence or absence of pneumoconiosis. The employer is obliged under the law to present their employees to the Board for medical examination. This is one of

such standards required to be followed by all employees in the mining industry whether large scale or small-scale.

Having defined the concept of small-scale mining and discussed the studies of small-scale mining and the legislative framework, the next Chapter provides the framework for corporate social responsibility. It defines the concept of CSR and summarises the internationally accepted standards and conventions in use worldwide.

CHAPTER 3: THE CORPORATE SOCIAL RESPONSIBILITY FRAMEWORK

3.1 The Definition of Corporate Social Responsibility

Ferrell et al (2004) define social responsibility as “an organisation’s obligation to maximise its impact on stakeholders and minimise its negative impact” (Ferrell et al. 2004. P4.) The Stakeholders are defined as customers, owners, employers, community, suppliers and the government. Ferrell et al (2004) also make four classifications of social responsibility. These are legal, ethical, economic and philanthropic.

The legal dimension of social responsibility refers to obeying laws and regulations established by government. Government may refer to local, national and international governments. These laws try to set the minimum standards for responsible behaviour. The laws are set because society does not believe that business or corporation can be trusted to do what is right especially in areas such as safety and environmental protection. Business or corporations may take these as costs, which in some cases maybe deemed to facilitate profit maximisation. This forms a legal point of view. Laws are made to regulate the behaviour of corporations. This is society’s codification of what is right or wrong.

The ethical dimension of social responsibility refers to behaviours and activities expected of or prohibited by organisational members, the community and society. These behaviours and activities may not be codified as law. Ethical issues have to do with what is fair or just. For example in a labour abundant economy, it is unjust to import unskilled labour from abroad or

export jobs that ordinarily can be done by local people. Further, if a corporation is making huge profits it is unjust to pay very low wages.

The philanthropic dimension refers to a corporation's contribution to society as business, are expected to contribute to the quality of life and to the welfare of society. Society expects corporations to contribute to high standards of living and to protect the general quality of life enjoyed by its members. Business is expected to contribute to local communities. This can be done through donations to local and national charitable organisations. It must however be pointed out that corporate social responsibility does not end at philanthropy.

The economic dimension of social responsibility relates to how resources for the production of goods and services are distributed within the social system (Farrell et al 2004). For example, forcing small business out of business or sustaining an unfair remuneration system is not acceptable. Rather large businesses are expected to help or harness small ones or enter into less repressive partnerships.

In a nutshell, corporate social responsibility concerns the legal, ethical, philanthropic and economic dimensions, which a corporation must consider in maximising its positive impact and in minimising its negative effects. What ever, the circumstances, sustainability of these activities over a long period is what is paramount.

The Dutch civil society organisations have developed what is commonly known as the "CSR platform". This platform or frame of reference lists relevant standards, agreements and operational aspects involved in CSR internationally (Coalition of Dutch Trade Unions 2004). The framework is based on treaties, guidelines and instruments that enjoy international support.

The CSR platform emphasises that CSR should be a core concern for all companies and should be part and parcel of the company. According to this understanding, CSR should focus on three main dimensions of value creation; profit, people and planet (PPP). As such, CSR is more than mere involvement in social affairs such as neighbourhood improvement or charity. CSR calls for responsible economic, social and ecological behaviour. Accordingly, CSR is a process in which corporations take responsibility for the social, ecological and economic consequences of their actions, throughout their product and service delivery chains, making themselves accountable and engaging in a dialogue with all stakeholders.

3.2 The Corporate Social Responsibility Standards¹

The CSR standards hinge on many aspects of life such as human rights, treatment of labour, the environment, consumer protection, health, fighting corruption and transparency in reporting.

3.2.1. *Human Rights*

Companies are under obligation to respect and promote human rights in their operations. The Universal Declaration of Human Rights of 1948 recognises the dignity and equality of all persons as members of the global community. This also forms the basis for freedom, justice and peace across the world. The Universal declaration of Human Rights calls on every organ of society to guarantee, by progressive measure, that human rights be recognised and complied with. Corporations, as organs of society are under obligation to comply wherever they may be operating in the world. Corporations are required to:

- promote human rights in those countries where they operate
- investigate how human rights might be affected by the various types of business operations
- ensure that all security personnel, whether or not part of national authority, respect Human Rights and comply with the principles of the UN Code of Conduct for Law Enforcement Officials and the Basic Principles on the Use of Force and Firearms by Law Enforcement Officials.
- include in their code of conduct, the aspect of respect for human rights

3.2.2. *Labour*

The International Labour Organisation (ILO) has set up a legal and policy framework for Labour issues. The ILO has since 1919 issued almost 200 conventions on working conditions. Eight of the ILO conventions specify the four fundamental labour rights. The four fundamental labour standards are:

- Freedom of association and the right to collective bargaining (C 87, C 98, complemented by C 135)
- A ban on forced labour (C 29 and C105)
- A ban on child labour (C 138 and C182)

¹ <http://mvo-platform.tuxic.nl/files/Publicaties/MVO%20Normen/CSR%20frame%20of%20reference.pdf>

- A ban on discrimination in the workplace and in professions (C 100 and C 111)

There are other standards which the ILO has passed such as the right to security of employment (Tripartite Declaration, Art. 24-28), the right to a living wage (C 26 and C131), the right to safe and sound working conditions (C155) and compliance with the maximum number of working hours (48+12) (C 1). These are expected to be enforced by national governments. There are also other ILO Conventions and Recommendations that relate to employment policy such as the handling of grievances, the obligation to give notice in cases where companies change operations, lay-offs, discrimination etc. Others include the prohibition of double standard practices and the employment and training of local staff.

3.2.3. Environment

At the Earth Summit in Rio de Janeiro in 1992, the United Nations adopted the Rio Declaration on the environment and development, and Agenda 21. This dealt partly with the responsibilities of corporations with regard to the effects of their processes, products and services on the quality of air, water, soil, climate, biodiversity and bio-safety and health.

After the Rio Declaration, various protocols have been signed such as the Cartagena Protocol on Bio-safety (2000), the Kyoto Protocol and the Stockholm Convention on Persistent Organic Pollutants (POPs; 2001). The OECD has also passed Guidelines for Multinational Enterprises. A number of principles have emerged from these protocols, such as:

- The principle of preventive action (Art. 174 (130 R, section 2) EC Treaty)
- The precautionary principle (Rio Declaration, Art.15 and Art. 174 (130 R, section 2) EC Treaty)
- Tackling environmental damage at the source (Art. 174 (130 R, section 2) EC Treaty)
- The polluter pays' principle (Rio Declaration, Art. 16, Art. 174 (130 R, section 2) EC Treaty)

3.2.4. Consumer protection

Under Consumer Protection, the UN provides guidelines under which corporations are expected to respect consumer values, to comply with legal standards, and to take the initiative in making themselves accountable for their actions in the light of these standards. The standards

include: the right to access to necessary goods and services (III.D.); the right to safety (III.A, C, H.); the right to information (III.B.), the right to choose (III.B.); the right to be heard (III.E.); the right to appeal and lodge a complaint (III.E.); the right to consumer education (III.F.) and the right to sustainability (III.G.).

3.2.5. Health

In terms of health, every human being has the right to health, which implies the right to the highest possible standard of health. Even though signatories to international treaties on health are member states, corporations have an obligation to enforce the right to health. Similarly, corporations' obligations include:

- Ensuring access to a minimum of food, a basic level of shelter and sanitation and an adequate supply of safe drinking water
- Non discrimination in ensuring the right to access to health facilities, goods and services,
- Providing education and access to information on the community's main health issues, including methods for preventing ill health and checking whether appropriate measures are taken.

Additionally, corporations have an obligation to provide a sound work environment as part of their employees' right to health (Art. 12.2b of the ICESCR). This obliges corporations to prevent work-related accidents and illness; to minimise the causes of health risks inherent in the work environment and to create safe and hygienic working conditions.

3.2.6. Fighting corruption and Other CSR Standards

The OECD provides guidelines that cover corporate responsibility in the area of corruption, stakeholder involvement and transparency and reporting. Basically this involves disclosure. Disclosure concerns issues of transparency in the activities that the enterprise is involved in as well as being accountable for the results of its activities to the employees, the government as well as communities that are affected by the activities of the enterprise. 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.

Using these standards, a methodology has been designed to study CSR practices in the small-scale mining sector on the Copperbelt Province of Zambia. As can be seen these protocols and conventions are not contradictory to the national laws. In fact some national laws stem from these conventions and protocols. The next Chapter discusses the CSR practices in small-scale mines on the Copperbelt.

CHAPTER 4: CORPORATE SOCIAL RESPONSIBILITY PRACTICES IN SMALL-SCALE MINING: SOME CASE STUDIES.

4.0 Introduction.

In this chapter, three major case studies are presented. They include the case of Grizzly Mining Ltd, Gemfields Resources Plc. and Kagem Mining Ltd. These are some of the most significant mining operators in the Ndola Rural Emerald Restricted Area. The fourth case is that of the Emerald and Semi-precious Stones Mining Association of Zambia. As can be seen, this is not a specific case study. It is a case of an organisation that represents many small-scale operators. We adopted this approach to reduce the number of visits to the numerous small-scale mines.

4.1 Grizzly Mining

Grizzly Mining Limited was incorporated in 1997 but started full-scale operations in 1999. The mine is located in Lufwanyama District and is involved in mining and exporting of gemstones. The major markets for the Grizzly emeralds are Asia, Europe, and Israel. The Company has invested more than US \$ 8 million in machinery and other mining equipment.

According to the interview pasted on the internet², the Company is solely owned by a Mr. Ndiaye Abdulaye who is Chairman and Chief Executive. Currently the Company employs about 350 full time employees and occasionally employs up to 70 casual workers per year. The Company also claims that 60% of it's workforce come from Lufwanyama District; which in a sense contributes to employment creation and poverty alleviation in the area.

In terms of investment, the company reports to be using excavation equipment i.e. five Bell HD 1430 excavators. A Hyundai 320 machine supplements the fleet. Ground Haulage is done by four Bell B25C and two CAT 730 dump trucks. The Company has also invested in two CAT D9 dozers, One Bell 850c dozer and one Bell L2208c front-end loader³. Drilling is done by hand jack-hammers. The Company acquired in 2004 one Tamrock Commmando 110 drilling unit and two B 30D dump trucks. Like all gemstone mines, the mine is fully operational from April to December. The recess is necessary because of the muddy conditions during the rainy season.

4.1.1 Grizzly Mining's Corporate Social Responsibility Activities

Grizzly Mining Limited is involved in some community projects as social responsibility practice. In 2003, the Company donated blankets and mattresses to Kitwe Central Hospital, Mufulira Home for the Aged and Luanshya Hospital. The Company spent about US \$ 30,000 on these activities. The Company has also built a community school in Lufwanyama at the cost of US \$ 14,000. The school has about 200 pupils and runs from grades 1 to 7. The Company also claims to have built houses for the headmaster, the deputy and a senior teacher although an on the spot check revealed that this is not the case. The Company has sunk boreholes at a cost of US \$ 17,200 and has also built a clinic for its employees. It is also involved in a joint project to build a road from Pirala area to Kalulushi road a distance of about 30 kilometres.

In 2000, Grizzly Mining also sent five heavy-duty operators to South Africa for training. While their Corporate Social Investment (CSI) activities are important, the Company should

² www.trade.com

³ www.tradeafrica.com/articles.asp

address the question of sustainability after the mine operations cease. CSR is development oriented. Philanthropy ceases immediately the company shuts down. In an interview with the Mineworkers Union of Zambia (MUZ), it came out that Grizzly Mining Ltd has not signed any recognition agreement with the Union. This is a matter Grizzly Mining Ltd needs to work on if they have to be good corporate citizens.

4.2 Gemfields Resources Plc

Gemfields Resources Plc is a company incorporated and operating gemstones and amethyst mines in Zambia. In November 2005 Gemfields Resources plc started trading on AIM (Alternative Investment Market) in London; after placing its shares on the stock exchange by Canaccord Capital (Europe) Ltd and raised £ 12.5 billion before expenses. The Company currently owns many Zambian emerald mines namely Kamakanga (100%), Mbuva (100%), Chibolele (100%) and ARNUS (100% but subject to deferred payment).

The Company obtained the contiguous Chibolele and Mbuva licences of the fwaya-fwaya Pirala belt. This belt contains about 950m of strike length and three small pits reported to have produced emeralds. In May 2004 Gemfields acquired Mbuva Mining Limited with an option to purchase the remaining 49% of the shares which was executed in May 2005.

Chibolele was acquired in a similar way by paying 70% of the Gemchib Minerals Ltd and an option to purchase the remaining 30% for the US \$ 1.25 million by January 2005. This has been paid and now Gemfields owns 100% stake in Chibolele mine. Kamakanga is one of the earliest mines in the mining of emeralds. The mine began production in the early 1970s. However, the company did not have a washing facility and security used to be a serious problem. The mine is located about 6 Kilometres west of the Mbuva/Chibolele properties and 2 Kilometres West of Grizzly Mines. In July 2005, Gemfield signed an agreement with Kuber Minerals and Metal Mining Company Ltd and Haree Enterprises for the acquisition of the various licences along with infrastructure, plant and offices for a total consideration of US \$ 2,451,000. By December 2005, Gemfields had completed the payment of the deferred payment of US \$ 1,351,000 gaining 100% control of Kamakanga Mine.

The company has since the last quarter of 2005 been negotiating for Arinus Limited. It has already paid US \$ 160,000 and will pay a further US \$ 540,000 at the completion of the agreement. This agreement however is conditional upon the Ministry of Mines granting a separate licence for the area.

It is also important to mention that the Gemfield group is involved in the Kariba Amethyst as a 50/50 joint venture with the government of Zambia operating a mine in Southern Province near Lake Kariba. Gemfield Resources Plc is expanding and is currently in negotiations with many parties over various sites in the Ndola Rural Emerald Restricted Area (NRERA). Thus, as can be seen, there are developments towards consolidation in the NRERA. Consolidation in this area is good in that it increases the economies of scale. Further, it resolves the inherent planning problem which still haunts the area as some plots are too small to carry-out profitable mining. As Jeremy Clarke, CEO of Gemfields puts it “Gemfields can significantly improve profitability through the operational consolidation of these projects and the application of modern open pit mining techniques already in use in the wider mining industry”. It should however be pointed out that consolidation might mean wiping-out the presence of the small-scale entrepreneurs in the area. For the operations to be sustainable, it is desirable that there are Zambian entrepreneurs in the company. It is therefore desirable to offer some of the shares locally.

Gemfields also intends to link forward by developing the gemstone cutting, polishing and distribution. This will help in creating employment locally as well as add value to the rough emeralds. However, it is sad to note that the gemstone cutting and polishing will be based in Jaipur, India while the balance will be sold as rough emeralds. This implies that value addition will be done on Indian soil and so Zambian emeralds will be creating employment elsewhere. Government needs to intervene in this process.

Gemfields is a new company. Its corporate social responsibility policy is not yet well known. The company is however building a clinic in chief Nkana’s area. The company is in talks with the Mineworkers Union of Zambia to have its employees unionised. Currently, MUZ is optimistic that a recognition agreement can be signed. This needs to be speeded up as the conditions of service for mine workers can only be safeguarded and improved once the process is formalised.

4.3 Kagem Mining Limited

Kagem Mining Limited is currently the largest gemstone mining operation in Zambia. It is owned by Hagura an Israeli-Indian consortium and the government of the Republic of Zambia. This is a London based company with plans to list at the London or Toronto Stock Exchange. In the long run the company has plans to list at the Lusaka Stock Exchange. A verification check of companies listed at the London stock exchange however revealed that the company has not listed

yet whether under the name of Hagura or Kagem Mining Limited. The only Zambian company listed at the London Stock Exchange was ZCCM-IH listed in 1970. (The assumption here is that ZCCM – IH is the successor company of ZCCM Ltd).

Kagem Mining Limited was launched in 1984 and since then Hagura has invested close to US \$ 20 million in operations. The company employs about 350 people and has an annual turnover of US \$ 10 million. The company was initially in private hands but was taken over by the Zambian government in 1990. However, between 1996 and 1997, it was handed over to Hagura. Hagura awaits a further privatisation as the government has signed an agreement to sell 42% of its shareholding in Kagem to Hagura.

Kagem has plans to establish downstream industries which will involve cutting and polishing of rough stones in order to add value. Kagem also has plans to mine other gemstones including Amethyst, aquamarine and tourmaline⁴.

The company exports its emeralds to the United States of America, Israel, and Switzerland. The company forecasts its turnover to rise to US \$13 million in the 2005-6 financial year and mines about 300 kg of emeralds per month⁵.

The company has an onsite clinic and ambulance and does transport workers to work. Some of its workers are unionised even though the salaries for the lower ranked worker are still very poor.

4.4 Emerald and Semi Precious Stones Mining Association of Zambia (ESMAZ)

As stated earlier, the ESMAZ was chosen as a case study in its capacity as a representative of many small-scale operators. The Emerald and Semi Precious Stones Mining Association of Zambia (ESMAZ) has a membership base of 400 owners of emerald mines. ESMAZ estimates that there are about 828 plots in Ndola Rural. Only about 22 members of ESMAZ have fully operational mines and only about 5 have reported actual production. The structure of the companies involved in gemstone mining range from the highly formal such as Grizzly Mining, Kagem and Gemfields to the highly informal whose owners can hardly be found at the mine sites. The formal companies, except for Kagem are pure private entities. The government of the Republic of Zambia still retains shares in Kagem Mining. One of the more formal emerald mines is listed at the Alternative Investment Market (AIM) in London, United Kingdom.

⁴ www.summitreports.com/tanzania2004/kagem.htm Retrieved: July 2006

⁵ www.miningweekly.co.za Retrieved: July 2006

This development, however, where large private companies are becoming permanent and influential players in gemstone mining has unsettled some local entrepreneurs who believe that the foreign companies may eventually take over their operations. These companies have been buying mining licences from existing Zambian entrepreneurs who have no capital to work their plots. This, the local entrepreneurs thought is a possibility because of the influences these companies have on government and the perception that legislation favours them. This impression is supported by the praises which the larger companies have showered on the current mining legislation⁶. Consequently the local operators suggested a two tier legal system to protect the interests of the local mine operators. They further suggested that foreign companies should be compelled to have local participation in their shareholding. There are however many progressive small mines owned by Zambians. A visit to Santos Mine revealed great progress as the mine was now using machinery in their operations.

4.4.1 Employment and Housing

Employment levels in small-scale emerald mines fluctuate seasonally. There are more workers in the mines between April and November than there are between December and March. This is because of the rains, which make operations difficult during those months, as the mine pits usually get flooded. There are approximately 2,000 workers in small-scale mines in the gemstone restricted mining area of Ndola Rural. This figure is said to have slightly increased due to new operations that are being set-up. Most workers in emerald mines are not on long term employment contracts because of the seasonal nature of emerald mining. Most operators claim to have not set up structures for accommodating workers at their mines due to the extra tax that this would attract in property tax from local authorities. Workers therefore live in nearby villages and

⁶ "I do not think there are serious challenges affecting mining in Zambia. The Zambian business environment is one of the best in the world. The government has put up very good policies that protect investors" Mr Ba Abdul, Director Finance for Grizzly Mining.

<http://www.tradersafrica.com/articles.asp?articleid=%7B1AA5839E-B297-4C47-82E5-43DE398533BD%7D>

This is a shared view with Gemfields:

"A number of financial incentives have been created specifically to encourage investment in the Zambian mining industry. Zambian mining legislation contains incentives which include an exemption, on application by mining rights holders, from paying duty and VAT on importation and purchase of eligible machinery, equipment and supplies, a 100 per cent. Deduction of pre-production exploration costs within the first year of production and a five-year carry forward period for losses. The fields at NRERA are believed to potentially represent the single largest source of easily mined, high quality emeralds in the world and have been known to produce approximately US\$100 million worth of emeralds annually".

have to walk to the mining sites on a daily basis. The picture below shows the type of housing workers are using in the emerald protected area.

Figure 3: Typical Housing for Miners in NRERA



In some instances workers have to be ferried to the work places because they stay in distant places. As stated earlier, most mine operators are afraid that should they build permanent structures for their workers quarters, they will be compelled to pay higher rates to the Lufwanyama District Council. This is a challenge that needs to be discussed between the mine operators and the local district council. Our interview with Mr. Pwele and Mr. kalaluka of Lufwanyama District Council (Monday, 31st July 2006) revealed that in fact ESMAZ had taken the Council to Court over the levying of flat rates, which the Council has since won. It was also clarified that the District Council was not levying rates on social infrastructure such as schools or health centres, contrary to the ESMAZ understanding. The issue however still needs discussion between the two parties to avoid unnecessary litigation. In The Post newspaper of 8th August 2006, it was reported that Lufwanyama District Council was demanding K2 billion from ESMAZ in unpaid land rates by mine owners in the area. ESMAZ just needs to rise to the challenge if their members have to be good corporate citizens (See Text Box below).

Box 1. Lufwanyama Council seeks K2billion from ESMAZ in unpaid land rates

By Zumani Katasefa

Lufwanyama District Council is demanding K 2 billion from Emeralds and Small-Scale Miners Association of Zambia (ESMAZ) in unpaid land rates by mine owners in the area.

Lufwanyama Council Secretary Tyson Chunga said mine owners had taken a long time to settle the amount, which back dated to 2002. Chunga said the non-payment of funds had greatly affected operations of the Lufwanyama Council. "we have been trying to talk to our colleagues about the matter but nothing has been done since 2002," he said.

Chunga said several meetings were held to discuss the matter and that ESMAZ president George Shaba had assured the local authority that payments would be made. He said it was very sad that many small-scale miners in the area had deliberately ignored the paying of land rates. "There are a lot of small-scale miners who are not paying the land rates in the area," he said.

But Shaba said it was unfortunate that the council wanted small-scale miners to make payments without working out proper modalities of how the funds should be paid. However, he said ESMAZ would pay the money.

4.4.2 Health and Safety

In the interview with the President of ESMAZ, it was also reported that workers are usually given protective workplace clothing. This was confirmed during the field visit. There are also fewer accidents though due to the open pit mining method that is used in most of the mines as emeralds are found close to the surface. However, some accidents still occur due to the small size of the mine plots which do not allow owners of these mines to follow the requirements for open pit mining; hence there are incidents of ground walls collapsing on workers, with fatal consequences. There were no figures given of these fatalities.

There are no hospitals in the emerald protected mining area. It was reported that Gemfields has a clinic in Chief Nkana's area which other mine operators use when they have emergencies. The field survey however revealed that the clinic is under construction and it is not operational yet. Figure 4 below shows the clinic under construction in Chief Nkana's area.

Figure 4: Clinic Under Construction



Kagem Mining has a clinic and an ambulance used to transport the sick or injured to the nearest hospitals: St. Joseph's Mission Hospital, the Mine and government hospitals in Kalulushi. The latter are approximately 30 kilometres from the protected gemstone mining area. Mine operators, under the World Bank SEED Project, are in the process of setting up a mobile clinic which will not only be used by miners but by members of communities near the mines.

To be employed in a mine, the law requires that a worker has to undergo a pneuconomiosis examination and to produce a pneuconomiosis certificate (CAP 217). Ordinarily, the would be employer used to organise this exercise on behalf of would be employees. Currently however, mine operators do not take potential employees for pneuconomiosis examinations for fear of picking the cost of the examination. The major complication is that when mine owners assume the responsibility of taking would-be employees for pneuconiomosis tests, would be employees still had the liberty to get employed elsewhere after the examination. To avoid such financial losses, the mine owners prefer that a person gets employed after having paid for their own medical examination. For those already in employment our interviewees reported that they took responsibility for the yearly pneuconomiosis examination.

4.4.3 Road Rehabilitation

The protected emerald mining area falls under two chiefdoms: Chief Nkana and Chief Lumpuma of the Lamba tribe on the Copperbelt. Mine owners in these areas have been working

on improving the road networks to their mines, which is likely to benefit the communities. It is expected that the mine operators will spend up to K1.2 billion on the road rehabilitation project. The field trip revealed that most of the re-construction is taking place in the restricted area. Figure 5 shows this:

Figure 5: Road Construction in the Protected Area



The portion of the road in Chief Nkana's area, however, requires to be worked on. Figure 6 shows the state of the road. Good corporate social responsibility practice would demand that this portion be maintained as a way of ploughing back into the community. Infact, this portion of the road requires to be tarred as the dust causes many ailments in the area.

Figure 6: Part of the Road in Chief Nkana's Village



4.4.4 Education Provision

Some mine operators have also contributed towards the building of primary schools in communities near the mines. The schools built are one in Pilala and two in Chamtete areas. The schools will offer places from grade one to grade seven. Kamakanga Mine now Grizzly Mining also set up the SATIYA-Sai School in the area. Grizzly Mining has built a new school replacing an old one. Figure 7 and 8 shows the contrast between the old and the new school.

Figure 7: Old School



The new school has better facilities with a proper office for the headmaster and a book storage facility. In the interview with the headmaster (in Jacket and tie), he bemoaned the failure

to fulfil the promise of building teachers' houses by Grizzly Mining. Otherwise he was satisfied with the modern building.

Figure 8: New School



4.4.5 Other Corporate Social Responsibility Activities

There are other corporate social investment activities the mine operators have been involved in. Through the Emerald and Semi-Precious Stones Association of Zambia (ESMAZ), workshops have been conducted for its members on accountability, basic geology and accounts and book-keeping. The Association has also conducted workshops on HIV/AIDS and it is now training the trainers to strengthen the sensitisation program. The members of ESMAZ need to go a step further. They need to devise a policy on HIV and AIDS. This will ensure consistency in their activities. The policy should stipulate the pre-employment view of the company and the in-employment views on testing and counselling. ESMAZ members should inform the community what their stand is on HIV/AIDS.

4.5 Problems facing small-scale miners

There are many problems facing small-scale miners in the protected area. These problems range from taxation, information, planning, marketing and land ownership. We discuss these in a little more detail:

4.5.1 Taxation

While the larger companies in the small-scale-mining sector have welcomed the country's legislation on mining, the very small companies are not. They have bemoaned the numerous taxes and levies that they have to pay to either the central government or the local government. They pay area charges that are charged per hectare of land, property taxes, mineral royalty tax, deemed turnover tax (ZRA), company tax as well as the Value-Added Tax (VAT) for most of their purchases when most of the large copper mining companies as well as some of the larger emerald mine operators are exempted from some of these. Although they did not complain against taxes on their employees such as Pay As You Earn (PAYE), pensions (NAPSA) and contributions to the workers' compensation, they however bemoaned the complications in calculating all these for a work force that is unstable, and keeps changing employers at will. The issue of land taxation has already caused a rift between the members of ESMAZ and the Lufwanyama District Council.

4.5.2 Information

The other challenge that emerald mine operators face is that there is little geological information on the occurrence of the minerals underground. As such people's decisions to start mining emeralds are based on speculation. Some of the operators end up poorer after spending everything they had in the hope of finding the emeralds but they didn't. This is one of the reasons why some mine plots are dormant as operators have spent everything they had and can not give or sell the plot to other people for fear that those others would benefit from the investment which went into sinking the pit. There are many stories of people who gave up the hope of finding emeralds and sold their mines, but the buyers came to find emeralds just after some little excavation. ZCCM-IH now intends to carry-out geological surveys for the area. This will greatly reduce the risk of emerald mining (see Text Box below). The proposal by ZCCM-IH to enter into agreement with other operators may also improve government revenue in the long-run as this may improve accountability by reducing the number of companies ZRA will deal with.

Box 2: ZCCM Investment Holdings approves K 800m budget for emerald, gemstone exploration – by Mwila Nkonge

ZCCM Investment Holdings has approved an K 800 million budget for an emerald and gemstone exploration programme on the Copperbelt. According to the procurement officer for ZCCM-IH's Copperbelt Environment Project (CEP) Changa Tembo, the exploration and prospecting for emerald and gemstone was part of the company's initiatives to play a part in the development of the mining sector, especially in exploration other than for base metals.

"The geographic area that the company will be prospecting is within the Emerald Restricted Area and is to the south of the Kafue River of approximately 10,000 hectares as demarcated in the prospecting licence issued by the Ministry of Mines and Minerals Development," Tembo told the Business Post.

"Initially the Company has approved an expenditure of approximately K 800 million for the first stage of the project involving exploration and prospecting only. Once the results of the exploration stage have been assessed, ZCCM-IH will consider the potential for a trial mining phase possibly on a joint venture basis with suitable partners. The Company anticipates part ownership through a share holding interest with a joint venture or other suitable corporate arrangements with a partner that may undertake responsibility for operations," said Tembo.

ZCCM-IH has since invited bids from suitable companies to undertake the emerald and gemstone prospecting and exploration works, the results of which should establish mineralization and possible trial mining.

ZCCM-IH is the government's investment holding company mandated to monitor mining investments and identify and facilitate new

4.5.3 Planning

The allocation of mining plots by the Ministry of Mines is another issue that has posed a great challenge to mine operators. Most of the plots are too small for mining of emeralds that are located deeper in the ground. This has also contributed to conflicts between emerald mine operators as some encroach on the neighbouring plots in trying to mine the emeralds. Other plots are not directly accessible thus the miners need to pass through other people's plots. Sometimes access through their neighbours' plots is denied for various reasons.

4.5.4 Marketing

Gemstone mining and marketing, like other sectors and industries, in Zambia has since the 1990s been liberalised following the implementation of the Structural Adjustment Programme. Each of the operators has the freedom to sell their gemstones wherever they want. The major markets, though, have been India, USA, Canada and Hong Kong. Because of the fragmented nature of the market, it is a buyers market. In some instances, it has been discovered that buyers form cartels to offer a uniform price. As a result, mine operators fail to obtain value for their products. The operators suggested that the auction of gemstones should be done under the umbrella of one large company and the marketing should be done locally. If this was done the producers will also form a cartel and this will most likely lead to an improvement in the price of Zambian gemstones. The operators warned that the Gemstones Exchange (GEMEX) will not operate properly and effectively if such measures were not taken.

4.5.5 Land Ownership

All land in Zambia is vested in the Republican President. There is however a two-tier land tenure system in existence: the leasehold and customary tenure. Leaseholds vary in length depending on who holds what land and for what purpose and apply to all State Land. Customary tenure applies to all using land in Chief's areas. The gemstone areas used to fall under Chief's Nkana and Lumpuma in the then Ndola Rural now Lufwanyama district. Since the area is now gazetted as a protected area, it automatically has become State Land; hence the two chiefs have no power over the allocation of land in this area. The allocation of land in the protected area is now being done by the Ministry of Mines and Minerals Development (MMMD). Most of the operators have licences to engage in mining operations but they have no leases for the plots of land they are operating on. As a consequence, the mine operators consider themselves tenants and not land lords because they suspect that the lease for the area is with the Ministry of Mines and Minerals Development. There is urgent need to clarify this position as mine operators feel it will be time wasting to improve and develop properties that were not theirs.

4.5.6 Finance

Most of the small-scale mine operators in the Ndola Rural Emerald Restricted Area suffer from lack of finance. As is the case with most Zambian businesses, the small-scale mine operators cannot access bank loans for lack of collateral. The cost of borrowing capital and working capital requirement in Zambia is also still very high. Interest rates hover around 25% to 30%. This makes

it impractical for many small-scale mine operators to borrow. Access to finance is also made worse by the reputation the gemstone mining sector has, especially emeralds. Banks generally consider emeralds as pure luck. The World Bank (2004) has put this aptly, “that emeralds are luck”, meaning that while emeralds might be available on a plot, their quality and therefore the commercial success of the mine is dependent on chance rather than investment or know how. This has increased the perceived risk of lending to gemstone mining companies further impeding access to credit. Secondly, as stated earlier, gemstone mines operate at full capacity for only eight months of the year. This results in higher effective costs of borrowing as there is a loss of four months production. Production for those months would improve loan repayment considerably.

There have been attempts to increase access to loans through the European Union Loanable funds. These loans are managed by the Mining Sector Diversification Programme (MSDP). However, even these funds continue to be inaccessible to the small-scale miners because of the conditionalities. According to the Ministry of Finance (2006) only 3 million euros have been accessed out of the 16.5 million euros that have been set aside - an access rate of under 20%. The number of firms accessing these funds are tabulated in Table 2 below.

Table 2: Number of Firms Accessing Loans form the European Funds under MSDP

Year	Number of firms
2003	2
2004	5
2005	2

Source: MoFEP (2006) Economic Report 2006

In an effort to increase accessibility, One million Euros has been transferred from the MSDP to be managed by a microfinance institution. Under the new arrangement, it is expected that accessibility will improve.

This Chapter has presented the case studies in small-scale mining, ending with the problems small-scale miners face in their operations. It must be appreciated that some of these problems do impinge on corporate social responsibilities of these mining companies. The next chapter raises the issues of corporate social responsibility requiring the attention of various stakeholders.

CHAPTER 5: ISSUES OF CSR IN SMALL-SCALE MINING ON THE COPPERBELT

5.0 Introduction

The issues arising from the study can be summarised under the different dimensions of corporate social responsibility as discussed in Chapter 3. These are legal, ethical, philanthropic and economic dimensions.

5.1 The Legal Dimension

Mining has complex negative environmental impacts which include water, air and dust pollution, siltation and sedimentation of river beds and landscape disfigurement. In this survey, nearly all mining operations were causing some environmental damage of one form or the other. Since most of the mines use the open pit mining method, landscape disfigurement is common and this appears to be the most visible problem in the dry season. However, in the rainy season, most of the rocks and minerals dissolve in water and contaminate streams in nearby areas. The waste which is carried by run-off, also sediments in the streams especially the Kafubu River which in the near future could be fatal if the River broke its banks. In the 2005-6 rain season, the bridge over the Kafubu River was washed away resulting in the loss of human life. Investigations are required to ascertain the cause of the flooding. This could have been due to sedimentation. Even though the bridge is now usable, it is important that mining companies in the area combine resources to build a better bridge as well as help the Environmental Council of Zambia (ECZ) to monitor the siltation and sedimentation levels in the river.

There are also many pits that are currently not in use or have been abandoned by owners due to lack of financial resources. By law, it is a requirement that these disused pits be refilled and the areas landscaped (CAP 213). The disused pits are not only a danger to humans but also to animals. During the rainy season, the pits also become breeding grounds for mosquitoes and also contaminate ground water. It is important that the Ministry of Mines and ECZ combine efforts to monitor and police the area so that those infringing the law are brought to book.

5.1.1 Unionisation

Belonging to a union is not only a legal requirement for organised labour but a human right. Labour rights are summed up in the eight ILO Conventions and these include the freedom of association and the right to collective bargaining and to a living wage. Many employers in Zambia do not respect the rights of employees to trade union membership. Many employees hold the view that casual employees including those serving on probation and fixed term contracts are not unionisable. Under section 5(1) of the Industrial and labour relations Act, CAP 269 of the laws of Zambia, every employee has the right to take part in the formation of a trade union and be a member of the trade union of their choice. It is then hoped that as the Mineworkers Union of Zambia move from company to company to sensitize the workers in the small-scale mines to join

unions they will be left freely to carry-out this function. Only through unionisation will the right to a living wage be realised.

5.2 The Ethical Dimension

5.2.1 The Road Condition

It is important to note that corporations are expected to behave in a particular way. In this respect, it is up to corporations or companies to see to it that negative impacts are ameliorated before they affect society. What comes to issue is the road from Kalulushi turn-off to the protected area. The road passes through Chief Nkana's village. Because this is a gravel road, maintenance must be regular. Indeed, the major users of this road are trucks and *four-wheel-drive* vehicles going to and from the mines in the protected area. It is expected that this road be tarred especially between the junction with Kalengwa Road to Chantete. This will reduce the dust emissions, which are a major health hazard to residents in that area. As was seen in figure 4, the grass now looks brown because of the dust. It must be remembered that it is the same dusty air that the people in the villages along the road breathe.

5.2.2 Sensitisation on HIV/AIDS

The mine operators must also consider another ethical problem; that is the problem of HIV/AIDS in the villages near the mines. The number of vectors responsible for the spread of HIV/AIDS is related to the concentration of men working in the mines, who in some cases have travelled long distances from their homes; leaving wives and children. This is the most vulnerable group requiring sensitisation. The workshops on HIV/AIDS must also be extended to the people living in the villages near the mining areas. The companies acting together through ESMASZ must make a clear impression to their workers as to what is expected of them. It is also fair to expose all sides (workers and the population in the villages) to information on HIV/AIDS. The companies can also start addressing the problem of orphaned children.

5.2.3 Export of Jobs

Small-scale mining can generate many jobs in the Province. Gemfields Resources Plc intends to create forward linkages by developing the gemstone cutting, polishing and distribution operations. As pointed out earlier they intend to establish these facilities in Jaipur in India. Much

as it may be appreciated that expertise in gem cutting and polishing would be found in India, this is tantamount to exporting the greatly needed jobs. While it is true that Gemfields has invested and needs to enjoy economies of scale when it comes to cutting and polishing, it will be desirable that these facilities be established in Zambia and preferably on the Copperbelt. We advocate for the creation of jobs locally. It should also be understood that the Copperbelt Province lost many jobs through privatisation and liberalisation (see Lungu and Mulenga. 2005. Pg. 79). It is therefore logical that the new investments should be able to help reduce the unemployment levels in the province. We therefore call on the government to discuss this issue with Gemfields Resources Plc. Besides, security of employment is an important ILO Standard (Tripartite Declaration, Art. 24-28).

5.2.4 Issues of Low Pay

In an earlier study, Lungu and Mulenga (2005) observed that some of the employees working for the larger small-scale mines such as those in Kagem are unionised. It was however, realised from the collective agreements that Kagem was one of the mining companies paying salaries in the range of K641,000 (for those in NK1) to K1,159,000 (for those in NK 6); per month (Collective Agreement 2005). It is not expected that salaries have doubled at Kagem. Further, it is not expected that other companies are paying better than Kagem. However, when we subject this pay range to the JCTR Basic Needs Basket of May 2006 which stands at K 1,421,850 we found that Kagem pays well below what is necessary to meet the basic food basket although they meet the government monthly minimum wage of K 265,000 (See Appendix 2). Being proactive in reviewing workers' salaries is an ethical issue. Developing the argument further, and forecasting a turnover of US \$ 13 million in 2005-6 financial year and a workforce of 300 while producing about 300 kg of emeralds per month, it is possible that Kagem can increase their pay substantially. Even if Kagem paid K2 million to each of its employees, this will constitute about 16% of their turn-over⁷ which is insignificant.

⁷ Calculation:

Turn over US \$ 13 million

Assuming US \$ 1 = K3500

Turnover in Kwacha K45, 500,000,000

If 300 people where paid K 2 million each Monthly Wage bill would be K 600,000,000

The ratio of the annual turn over K 7,200,000,000 to K45,500,000,000 is = 0.16 or 16 %

5.2.5 Housing

The Conditions of housing for miners in the Emerald Protected Area is appalling. The workers live in village conditions. Much as it is appreciated that emerald mining is risky and uncertain, it is still important to recognise that people need to stay in decent accommodation. Even prefabricated buildings would have improved the situation. The larger mines need to consider this. The UN guidelines on health ensure workers access to a basic level of shelter. Even though the signatories to international treaties are member states, corporations have an obligation to enforce these rights.

5.3 The Philanthropic Dimension

Under the philanthropic activities, it should be mentioned that there are few companies involved in this. These are Grizzly Mining Limited, Gemfields Resources Plc and Kagem Mining Limited. The activities of the other mine operators are still very insignificant. The small-scale mine operators however can help the communities by pooling resources together and investing in the various social sectors. Already, there are no teachers' houses at Grizzly Mining Community School and Satiya-Sai. Even though Grizzly Mining promised to build the teachers' houses this cannot only be the burden of one company. It is recommended that through ESMAZ funds can be pooled to carry-out projects of this nature. Gemfields are also urged to speed up the construction of the clinic in Chief Nkana's village. They however need to work closely together with the Ministry of Health who should provide the necessary health personnel and drug supplies. This will ensure sustainability even though the company would donate medical supplies to the clinic from time to time. The supply of school uniforms to children in the schools can also be a joint project of all operators through ESMAZ.

5.4 The Economic Dimension

5.4.1 Buying of Mining Licences by Larger Operating Companies

There was an issue of worries expressed by some small-scale mine operators that the buying of licences from the small-scale operators would rid the presence of Zambian entrepreneurs in the area. From the economic point of view, creating economies of scale is an important development. However, it would be desirable if instead of being paid off completely, the various plots were valued so that these small operators can start holding shares in the larger companies. This will ensure that long-term benefits of emerald mining are internalised within the

country. As pointed out earlier, the proposal by ZCCM-IH Plc to invest K 800 million in prospecting and later entering into agreements with other operators to go into joint production will improve the revenue base for government. Dealing with fewer operators will also lead to improvements in security and accountability. The gap between what is marketed (Table 1) and the estimated market value of Zambian gemstones (US \$ 170 million) is too large. With improved security, this gap can be narrowed and the government can in the long-run improve its revenue base by collecting the correct level of taxes. The Ministry of Mines and Minerals Development and ZRA need to take an interest in the way small-scale mines operate.

5.4.2 Marketing of Gemstones

The marketing of gemstones in Zambia has been liberalised. This means that the various mines can sell their gemstones anywhere they want. The market is fragmented and as a result, the very small companies cannot get value for their products because they cannot negotiate effectively with the buyers who appear to have formed cartels. As a corporate social responsibility activity, it would help if the large companies marketed the gemstones for the smaller operators. It is required to form a cartel of producers to improve on the price. Unless this is done, even the GEMEX will not operate properly. The Ministry of Mines and Minerals Development can take the lead in this kind of organisation.

CHAPTER 6: EPILOGUE

6.1 Conclusions and Recommendations

In concluding this study, it is important first to take note of the problems of small-scale mine operators relative to corporate social responsibility activities. Generally, the small-scale mining companies operate in very uncertain conditions and circumstances. Many of them operate in areas where geological surveys have not been done and so they are not sure of what to find underground. They operate by sheer luck. This is compounded by the problem of lack of access to finances leading to lack of appropriate equipment to carry-out mining operations. As a consequence, very few are successful. From this perspective, this study on Corporate Social Responsibility in the small-scale mining sector also concludes that there are few companies who are involved in making visible and tangible corporate social investments. It also concludes that some other companies may not be involved because they are operating at a scale so small that even if they were involved in making corporate social investments, these would be negligible.

The corporate social investment so far made by the sector are in the areas of health, the clinic being built in Chief Nkana's area by Gemfields Resources Plc and the one being operated by Kagem Mining Limited and the transport service. The schools that have been built by Grizzly Mining in Chief Nkana's area; that is Grizzly Mining School and Satiya-Sai school. Pupils to these schools have also been provided with uniforms. It is hoped that this latter activity will be continued and also supplemented with the provision of other requisites such as books. There is also the unfulfilled promise of building teachers' houses. The small-scale mine operators can pool resources to fulfil this promise.

Another activity so far undertaken has been the road maintenance and rehabilitation of the road leading to the protected area. This is a gravel road which requires attention between the Kalengwa Road Junction and Chantete because of the high dust levels which affect the health of the people living along the road. It is recommended that this stretch of the road be tarred. This will reduce the dust levels and improve the health of the population and will be in line with CSR expectations of reducing the impact of negative externalities.

There is also need for the Ministry of Mines and Minerals Development to carry-out sensitisation programmes to educate the mine operators on the need to work harmoniously with the local district council to reduce unnecessary litigation. This education can centre on understanding the rights and obligations of mine owners.

ESMAZ can also respond effectively to the problem of HIV/AIDS not only in the area adjacent to the Protected Area, but by supporting institutions that are looking after the sick and also orphans. This will be in line with the general expectations of society regarding provision of education and access to information on the community's main health issues, including methods for preventing ill-health.

The study also sees the need to strengthen the Environmental Council of Zambia and the Ministry of Mines and Minerals Development so that they can carry-out regular inspections to ensure that standards on the environment and mine safety are adhered to. Overall, it is concluded that there are very few corporate social responsibility activities taking place and these are being carried out by very few operators. There is need to bring on board the other operators through ESMAZ.

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APPENDICES

Appendix 1: Questionnaire

Copperbelt University

Small-Scale Mining Corporate and Social Responsibility Research

1.0 General Information

- 1.1 Name _____ of _____ company:
.....
- 1.2 Location of the company:
- 1.3 Year incorporated/ registered:
- 1.4 Shareholders / owner.....
- 1.5 Has there been any changes in ownership of the company?
- 1.6 What does the company mine?
- 1.7 What are your views on the company’s operating environment (vis-à-vis government, suppliers, _____ employers)
.....
.....
.....

2.0 Employment and Social Welfare

- 2.1 How many employees were employed in the company during the following _____ years?

	1990		1995		2000		2005	
	<i>M</i>	<i>F</i>	<i>M</i>	<i>F</i>	<i>M</i>	<i>F</i>	<i>M</i>	<i>F</i>
Managers								
Senior Staff								
General Workforce								

Total								
--------------	--	--	--	--	--	--	--	--

2.2 What are the main benefits that the company concedes to workers? Are there specific benefits for workers? Are they defined by agreement or collective bargaining?

.....

2.3 What is the duration of a workday and the business hours (by occupation/function)?

.....

2.4 Does the company employ women?

.....

a). If the answer is yes to question 2.4, in which areas are women employed?

.....

b). If the answer is no to question 2.4, has the company any plans to make adjustments to the staffing structure?.....

2.5 Is the workplace open to unions?

.....

2.6 Are conditions of service for staff negotiated for through Collective Bargaining?

.....

2.7 Is the company affiliated with any employer associations?

.....

2.8 Does the company have or participate in a program to combat child labour for its suppliers or sub-contractors?

.....

2.9 What responsibility does the company take when an employee has been retired/retrenched?

.....

2.10 Do you use Labour on a short-term?.....

.....

3.0 Health

3.1 What is the company's current policy on Occupational health and safety?

3.2 Are staff provided with regular health checks?

a). If yes to question 3.2 above, where?

3.3 What is the company's policy on provision of health services?

3.4 How many institutions does the company run?

	1990	2004
Hospital		
Clinics		
Others		

3.5 How many medical personnel does the company employ?

	1990	2004
Doctors		
Nurses		
Clinical Officers		
Dentists		

4.0 Education and Training

4.1 What is the company's policy on education and training of workers?

4.2 What is the company's policy on education and training of workers' families?

4.3 Do you run Primary and secondary schools?

- a) If yes, How many

- b) Is the enrollment restricted to children of staff members?

5.0 Recreation

5.1 Does the company provide recreation facilities?

- a) If yes, what type?

5.2 How much is allocated to recreation in the company's annual budget?

6.0 Social Security

6.1 Does the company provide any social security?

6.2 If the answer to Question 6.1 is yes, What type?

- Mukuba pension Scheme
- NAPSA
- Any Other in-house Pension Scheme (State)

6.3 Are you satisfied with the current social security arrangement?

7.0 Environmental Practices

7.1 What is the company's policy on the environment?

7.2 What negative environmental practices has the company identified through its Operations list them).

7.3 What measures has the company devised to mitigate environmental degradation.

7.4 What measures has the company devised to mitigate pollution

a) Measure for Air pollution.

b) Measures for water pollution

c) Measure for soil and landscape disfigurement

7.5 What proportion of the company's budget is spent on Environment Management?

7.6 What educational awareness programs has the company devised?

7.7 To whom are these educational programs targeted?

- 7.8 Does the company include all stakeholders in its environmental activities in the around it?
- 7.9 What protective clothing does the company provide?
- 7.10 Has the company installed any new technologies in pollution control?
- 7.11 Are there collaborative mechanisms between the company and the Environmental Council of Zambia (ECZ)?

8.0 Land

- 8.1 What is the policy of the company regarding land use and management?
- 8.2 Has there been any conflict so far with people using land or former land owners belonging to your company?
- 8.3 Do the current land laws and policies affect your operations?
- 8.4 Large areas of land have been given to the company for exploration. Was this done with the consultation of the traditional chiefs and the local people?

9.0 Social Responsibility and Accountability

- 9.1 Is there an official statement on Corporate, Social responsibility (Provide evidence)

Yes

No

- 9.2 Does the company assist communities in the district?

Appendix 2: JCTR Basic Needs Basket for Lusaka May 2006-08-10

JCTR BASIC NEEDS BASKET: LUSAKA

May 2006

(A) COST OF BASIC FOOD ITEMS FOR A FAMILY OF SIX IN LUSAKA

Commodity	Kwacha	Quantity	Total
Mealie meal (breakfast)	38,700	3 x 25 Kg bags	116,100
Beans	6,300	2 Kgs	12,600
Kapenta (Siavonga)	36,700	2 Kgs	73,400
Dry Fish	49,000	1 Kg	49,000
Meat (mixed cut)	13,400	4 Kgs	53,600
Eggs	4,800	2 Units	9,600
Vegetables (greens)	1,700	7.5 Kgs	12,750
Tomato	3,400	4 Kgs	13,600
Onion	3,500	4 Kgs	14,000
Milk (fresh)	9,300	1 x 2 litres	9,300
Cooking oil	14,400	2 x 2 litres	28,800
Bread	2,400	1 loaf/day	72,000
Sugar	4,500	8 Kgs	36,000
Salt	2,100	1 Kg	2,100
Tea (leaves)	8,700	1 x 500 g	8,700
Sub-total			K511,550

(B) COST OF ESSENTIAL NON-FOOD ITEMS

Charcoal	43,000	2 x 90 Kg bags	86,000
Soap (Lifebuoy)	1,200	10 tablets	12,000
Wash soap (Boom)	2,500	4 x 400 g	10,000
Jelly (e.g., Vaseline)	5,300	1 x 500 ml	5,300
Electricity (medium density)	113,000		113,000
Water (medium density)	34,000		34,000
Housing (medium density)	650,000		650,000
Sub-total			K910,300

Total for Basic Needs Basket

K1,421,850

Totals from previous months	May 05	Jun 05	July 05	Aug 05	Sept 05	Oct 05	Nov 05	Dec 05	Jan 06	Feb 06	Mar 06	Apr 06
Amount	1,352,130	1,349,650	1,361,770	1,358,990	1,353,790	1,348,860	1,345,550	1,368,700	1,415,650	1,413,150	1,408,050	1,408,700

(D) SOME COMPARATIVE FIGURES OF WAGES--"TAKE HOME PAY"

	Teacher	Nurse	Guard with Security Firm	Secretary in Civil Service	Police Officer (Constable-Chief Inspector)	Pieceworker on a Farm
Pay Slip	K407,000 to K913,000	K577,000 to K1,861,000	K120,000 to K715,000	K493,000 to K989,000	K375,000 to K679,000	K3,000 to K15,000 per day

*This survey was conducted on 29th – 31st May 2006 by the Social Conditions Research Project of the Jesuit Centre for Theological Reflection. Average prices were calculated on the basis of prices gathered from retail outlets at Northmead, Town Centre (Shoprite), City Market, Chawama, Chainda, Kabwata, Matero and schools, clinics/hospitals around Lusaka. The May Basic Needs Basket is approximately **US\$410** based upon an average middle exchange rate of 3,470 Kwacha per US\$ at the end of May.*

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