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**Mining Minerals Sustainable Development
Southern Africa**

Research Topic 3: Mining and Society
PRIVATISATION AND SOCIAL MANAGEMENT

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Executive Summary

The relationship between privatisation and social management in the context of the mining and minerals sector in southern Africa stems from the fact that countries in the region have been going through a reversal of the post-independence nationalisation phase and have been returning mining operations to the private sector. This is regarded as the most viable way of injecting fresh capital and innovative management into the sector. However, privatisation leads to rationalisation of staffing and operations due to the need to make companies more effective and competitive. This frequently leads to redundancies which leave communities dislocated from what in some cases may be their only means of livelihood. The resulting social problems need management interventions which can only be effectively designed and implemented with the cooperation of all the stakeholders involved.

In Zambia, a structured privatization program began when the Privatization Act of 1992 was enacted. This Act provided the legal basis for the privatization program by way of establishing the Zambia Privatization Agency (ZPA) with responsibility for all government privatization issues. At the same time, the Government liberalized trade and industry, eliminated subsidies and price controls, foreign exchange controls, controls on the quantity of imports allowed into the country and reduced customs duties and tariffs.

One of the main objectives of the Zambian privatization program was the development of the economy to ensure that income distribution patterns are changed, poverty is alleviated, Zambia's human capital is developed, and Zambia becomes self sufficient in food production.

The sale of ZCCM attracted much international interest and after a period of prevarication ZCCM was finally unbundled and units sold to different mining companies. In the run up to the final sale of ZCCM, more than 8,000 employees were made redundant. The number of persons affected by these redundancies is roughly equivalent to the population of Kitwe, the largest town on the Copperbelt. The retrenched miners have not found alternative employment as there are no viable non-mining economic sectors. The majority are surviving on subsistence agriculture which is having a secondary

impact on the state forests which are under pressure for de-gazetting. While a miner was in employment, they were entitled, together with their registered dependants to access company provided medical and education services, recreational facilities, sports clubs and essential municipal infrastructure including electricity, water supply and sewerage services. The consequent loss of these social services benefits has had a negative impact on the health, education and general well-being of the mine communities. Although many of the retrenched miners bought their houses from ZCCM, the loss of income has meant that the majority now have difficulties paying for services. In an environment where many have no incomes, the possibility of serious health problems as a result of withdrawal of services cannot be ruled out. The local authorities intend to begin levying rates on the former mine houses as they are now eligible for rating. However, this is not without its own complications since local government capacity is severely limited.

The mining companies on the Copperbelt recognise the importance of adding value to the communities in which they operate. However, there is also a clear recognition that private enterprise cannot usurp the role of government. In this respect there is almost a sense of backlash on the Copperbelt with respect to the recent history of ZCCM's social provision. Most of the companies are willing to help the communities but they do not wish to be seen as a replacement for ZCCM. The companies have taken on a number of social roles that include the provision of medical services at nominal cost recovery levels for non-employees, investment in community education activities and a program of malaria control which is expected to cover the whole Copperbelt region.

It has not been possible to determine the nature of social commitments entered into at the point of sale of the various mining units on the Zambian Copperbelt between government and the new owners. Neither is it clear what *social* means for the different companies within the context of the sale agreements. However, the mining companies recognise their social responsibility to put back some of their profits into the communities from which their wealth is derived.

A clear need exists for more effective monitoring of the impacts of privatisation in Zambia but the lack of openness surrounding the Development Agreements does not assist the public and civil society to be able to lobby effectively.

The management of the social problems raised by the Zambian privatisation could have been better handled had the government paid more attention to issues of social protection. There is therefore a clear need for further studies focusing on the social impacts arising from this privatisation. With respect to the region as a whole, privatisation is a means by which new capital and innovative management can be brought to the sector. However, the resulting social problems need to be tackled with wisdom, tact and selflessness on the part of the political machinery otherwise the region will continue to see more poverty in spite of its mineral wealth.

Authorship

This report was planned, researched and written by John Kangwa of The Copperbelt University, School of the Built Environment, in Kitwe, Zambia on behalf of the African Institute of Corporate Citizenship for the Mining Minerals and Sustainable Development southern Africa initiative.

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Glossary

UNIP	United National Independence Party
MMD	Movement for Multi Party Democracy
ZCCM	Zambia Consolidated Copper Mines Limited
RAMCOZ	Roan Antelope Mining Company of Zambia
MUZ	Mineworkers Union of Zambia
MCM	Mopani Copper Mines
KCM	Konkola Copper Mines
ZPA	Zambia Privatisation Agency
GDP	Gross Domestic Product
AHC-MMS	Asset Holding Company-Mining Municipal Services
ZESCO	Zambia Electricity Supply Corporation
SHE	Safety, Health and Environment
NGO	Non-Governmental Organisation
CBO	Community Based Organisation
DDCC	District Development Co-ordinating Committee
PDCC	Provincial Development Co-ordinating Committee
NDCC	National Development Co-ordinating Committee
NSSN	National Social Safety Net
CHEP	Copperbelt Health Education Project
SFH	Society for Family Health
DHMT	District Health Management Team
SOE	State Owned Enterprise

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1 INTRODUCTION

“Sustainable development involves meeting the needs of the present without compromising the ability of future generations to meet their own needs. Economic growth provides the conditions in which protection of the environment can best be achieved, and environmental protection, in balance with other human goals, is necessary to achieve growth that is sustainable” (Introduction to the ICC Business Charter for Sustainable Development, 1991) This statement embodies the widely accepted definition of sustainable development as postulated by the Brundtland Report (1987), but encapsulated within it are the goals of sustainable development which revolve around a harmonisation of the economic imperative to create wealth while protecting the environment for posterity as well as taking care of the social needs of the current generation. Evidence from much of the western world shows that economic growth is achievable under conditions that promote free market ideals and within the structures and institutions that support the free enterprise system. Environmental protection is a necessary adjunct to economic growth because without the natural resource base, the means for wealth creation and thereby the enhancement of social well-being are severely hampered if not curtailed altogether.

Privatisation aims at giving control of economic enterprise to the private sector because it is better able to run businesses for profit and therefore the creation of wealth. The creation of wealth in an environmentally sound manner promotes the ability of governments to earn tax revenues which contribute to sustainable development in the social sphere through the provision of education, infrastructure and public services. Sustainable development should therefore be seen as an interlocking system within which governments provide the sound administration of environmental protection while the economic system focuses on wealth creation part of which enhances the quality of life of the present generation without compromising future generations’ ability to look after their own needs.

This section of the report on Mining and Society aims at examining the relationship between privatisation and social management within the broader context of the relationship that exists between society and the mining and minerals sector in southern Africa. Mining as an industrial and commercial activity plays an important socio-economic role in the societies within which it is based in southern Africa. These interactions give rise to physical, social and economic problems which, with the rise in global concern over matters of environmental protection and sustainability need to be managed according to rules that not only satisfy national requirements but international standards as well. The relationship between privatisation and social management in this report is examined within the context of the southern Africa mining and minerals sector and a case study based on a socio-economic assessment of the Zambian Copperbelt is presented.

The relationship between privatisation and social management stems from the fact that many developing countries have been going through a reversal of the nationalisation phase of the late 1970's and early 1980's and have been returning mining operations to the private sector. This is seen as the most viable way of injecting fresh capital and innovative management practices into the sector. However, privatisation leads to rationalisation of staffing and operations due to the need to make companies more effective and competitive. This frequently leads to redundancies which leave communities dislocated from what in some cases may be their only means of livelihood. The resulting social problems need management interventions which can only be effectively designed and implemented if all the major stakeholders are involved. Since privatisation has a destabilising effect upon communities and the individuals within those communities, sustainable development under the privatisation scenario should aim at helping to replace lost employment opportunities with activities that are able to sustain livelihoods away from total dependence upon, in this context, formal employment based on activities that relate exclusively to the mining and minerals sector. The sustainable livelihoods framework (UNDP,2001) defines sustainable livelihoods as those that are:

- Able to cope with and recover from short-term shocks and stresses through adaptive and coping strategies;
- Economically effective or able to use minimal inputs to generate a given amount of outputs;
- Ecologically sound, ensuring that livelihood activities do not irreversibly degrade natural resources within a given ecosystem; and
- Socially equitable, which suggests that promotion of livelihood opportunities for one group do not foreclose options for other groups, either now or in the future.

Privatisation Objectives

Privatisation as an economic strategy is intended to enhance developmental, financial, distributional, and political objectives (Guislain, Pierre, undated). These objectives require the creation of a macro-legal framework that covers legislation, institutions and systems needed for the successful design and implementation of a program of divestiture. This includes the reform of existing legal and other statutory provisions to facilitate the process of divestiture as well as the creation of regulatory mechanisms to ensure that the divestiture process does not become a way of concentrating power in (a few) private hands.

According to Guislain, the definition of divestiture objectives is essentially a political process which must take place up-front. Without a clear set of political objectives, or if the process simultaneously pursues conflicting objectives, the resulting confusion will cause the process to drift without achieving the necessary objectives. In the Zambian case, privatisation and the establishment of a free market system are tenets that were espoused before the Movement for Multi Party Democracy (MMD) came to power. The MMD manifesto included a section on law reform that indicated that when elected into office, the new government would embark upon the process of updating statute laws in order to meet the changing conditions.

Box 1. List of Divestiture Objectives (after Guislain, undated)**Developmental**

- Creation of a market economy
- Promotion of macroeconomic or sectoral efficiency and competitiveness
- Promotion of enterprise level performance, efficiency and competitiveness, including introduction of market discipline, upgrading of plant and equipment, improvement in the level and/or quality of goods and services produced etc.,
- Promotion of competition, including elimination of monopolies
- Development of entrepreneurship and of the private sector in general
- Development of efficient capital markets
- Access to new technologies and promotion of innovation
- Improving access of domestic products to international markets
- Attraction of foreign capital (including for renovation and development of divested enterprises), promotion of foreign investment and/or repatriation of flight capital
- Employment maintenance or creation

Financial

- Maximising net proceeds of divestiture to generate public revenue needed to fund government expenditures, reduce taxation, reduce the public sector deficit or repay outstanding public debt
- Reduce the financial drain of state-owned enterprises (SOE's) on the state (from subsidies, unpaid taxes, arrears etc.)
- Limiting the commercial risk inherent in the ownership of a business, including the need to provide capital for expansion or to rescue an SOE in financial difficulty.

Distributional

- Broader, widespread capital ownership; promotion of "popular capitalism"; development of a national middle class;
- Economic development of a particular group in society
- Employee ownership (also for efficiency reasons);
- Restoring full property rights of former owners expropriated by previous regimes

Political

- Reduction in the size and scope of the public sector or in its share of economic activity
- Redeployment of public administration efforts from productive to enabling and regulatory activities
- Reducing or eliminating the possibility for a successor government to reverse the divestiture process;
- Reducing opportunities for corruption and exploitation of public assets by government officials and SOE managers;
- Reducing the grip of a party or group on the economy.

1.1 Perspectives on southern Africa

After the polarisation of the Cold War era, many southern African countries have been grappling with the need to revive their economies and improve the social and economic welfare of their citizens. While many of these countries are blessed with an abundance of mineral wealth, its exploitation has not always brought the kind of economic benefits that will reduce the poverty levels that are currently being experienced. Towards the close of the last century, the trend towards globalisation and liberalisation has given rise to changes in attitudes towards multinational corporations particularly in the mining sector. For the development of many Third World countries and indeed the southern African region as a whole, the introduction of a viable mining industry is a fundamental point because it initiates a shift from agrarian weakness to industrial strength, encourages a more formal element to the economy and prompts the extension of physical, financial, administrative and legal infrastructures (Poggiolini, 2000). But while this is an important part of the growth process in terms of integration into the global economy, mineral exploitation typically introduces new cultures, including unfamiliar interpersonal styles which as a result lead to conflicts between mine operators and host communities (Macfarlane and Akabzaa, 1999). Mining as an industrial activity, is unique in that mineral resources can only be exploited where they occur. They cannot be moved to less sensitive locations (Khanna, 1999) although the processing of the raw material can be located elsewhere. It is therefore imperative that the social, cultural and economic conditions of communities where mining occurs are taken into account. Until recently, a major focus of corporate concern has been on the natural environment. However, the social and ethical dimensions of business are increasingly on the agenda of major corporations (Macfarlane and Akabzaa, 1999). Within the region the major issues of social management can be narrowed down to labour and employment systems, downscaling and retrenchment, and local economic development among many others. The issue of local economic development is the subject of a separate section in this report.

1.1.1 Labour and Employment systems

South Africa is the industrial centre of a regional economy which has entwined neighbouring states in a web of relations for more than a hundred years. Crucial among these relationships has been a demand for, and supply of, migrant labour (Davies and Head, 1995). Since the discovery of gold on the Rand, a migrant labour system has supplied labour for the mines, agriculture and service industry. In the new South Africa, the issue of migration is generally regarded as relevant to any discussion about future regional economic cooperation in Southern Africa. This is because of the new South African governments attitude to legal migration and the real or potential threat of clandestine migration which underscores the need for an equitable and mutually beneficial programme of regional economic cooperation. Since 1994, the overall drift of immigration and migration policy has been towards greater control and restriction (Crush, 1999). In March, 1988, the South African mining industry stopped the tradition of recruiting migrant workers from Malawi. The official reason given was that over the previous two years a considerable number of Malawian recruits had tested positive for HIV/AIDS. The Malawi government was asked to screen all potential recruits at home before leaving for employment in South Africa. The request was turned down on moral and legal grounds. The South African Chamber of Mines responded by banning further recruitment and repatriating over 13,000 of those already at work in the country. As a result of the incomes lost, levels of poverty are likely to increase in families and communities that once specialised in the exportation of male labour. Social stress will also increase in the rural households as they struggle to accommodate the repatriated workers (Chirwa, 1997). This state of affairs is unlikely to contribute to the sustainability of livelihoods in the Malawian communities affected by these changes. However, while there may be reductions in the level of unskilled manpower migrating to the South African mines, it is also possible to foresee large scale movements across the region of skilled and professional workers. While mining has attracted large numbers of skilled and supervisory staff to the Copperbelt, Zambia is at present witnessing a large scale exodus of professional staff in the academic and medical spheres into South Africa, Botswana, Namibia, Swaziland and

Lesotho. These movements have been prompted largely by unfavourable conditions in the home country.

On the Zambian Copperbelt, migrant labour has traditionally consisted of expatriate (white) supervisory level staff. After nationalisation and the deliberate policy of labour localisation carried out by the United National Independence Party (UNIP) government, expatriate labour figures dropped from 2161 in 1982 to 213 in 1996 (Kapika, Nyirenda and Mumba, 1996). This trend is reversing and there are increased numbers of expatriates coming to the Copperbelt once again. However, there is a new twist to this trend. Some of the mining companies are using contractors based in South Africa to undertake some construction contracts. These contractors generally bring in foreign labour (black and white) together with the equipment and supplies needed for the contract duration. This practice appears to be connected to short term contracts where a quick turn-around is crucial. This may be acceptable in the short term but in an environment of high unemployment, such practices will tend to alienate the locals by making them feel that their skills are looked down upon. In addition, the practice of paying the imported labour in their home currencies or dollar denominated wages tends to fuel inflation. The practice is also likely to have an effect upon the spread of HIV/AIDS as contract workers are relocated from their homes and families.

In terms of sustainable development, the privatisation of the Zambian copper mines is going to have a significant impact upon the culture and economy of the Copperbelt region. In the short term it is possible to foresee an increase in the level of in-migration particularly of skilled and managerial/supervisory level staff on the mines. This needs to be coupled with local capacity building and growth in other sectors of the economy particularly agriculture and other small and medium scale enterprises (SME's). President Mbeki has gone on record asking South African companies doing business on the continent to "work in other African countries as equal with the African people in whose countries mining is conducted without arrogance and committed to the vision of African development and shared prosperity" (Mining Weekly, November 24-30, 2000). Working together for the common good is a vision that is not entirely lost on the industry itself. Rick Menell, president of the South African Chamber of

Mines has estimated that R13 billion is set to flow into South Africa over the 30 years project life of Anglo-American's Konkola Copper Mine with nearly half of the company's investment being spent in South Africa for goods and services while Zambia is expected to receive financial benefits of the same magnitude.

If President Mbeki's vision for sustainable development is implemented widely it will have the far reaching effect of sustaining employment levels and producing a knock-on effect for local industry as long as efforts are made to develop industrial ventures that are not entirely dependent upon mining.

Box 2. Measures for Sustainable Employment in southern Africa's mining and minerals sector

- An industry promotion strategy to attract potential investment;
- A mineral beneficiation strategy to add value to exports and increase employment levels in the process;
- An employment and human resources development strategy for sustaining and enhancing existing jobs, and protecting vulnerable workers;
- A strategy to manage the impacts of cyclical volatility in the mining industry to reduce job losses and alleviate the social impacts of mine down-scaling when this occurs;
- A co-ordinated rural development strategy to enhance the potential for alternative forms of employment, particularly in labour sending-areas.

Source: Enterprise, July 2000

1.1.2 Downscaling and Retrenchments

In South Africa, mining capital's demand for labour began to change in the 1980's (Ngonini, 2001). Up until this time, various sectors of the South African

economy depended upon migrant male workers (Chirwa, 1997). Gold mines affiliated to the South African Chamber of Mines employed about 500,000 workers in 1987. By 1997 this figure had dropped to 300,000 and fell to 240,000 in 1998 (Ngonini, 2001). Solomon, 1997 states that the attention given to retrenchments focuses on the jobs lost as opposed to the attendant livelihoods lost as a result. He estimates that there are between seven and eleven dependants per worker arriving at a conservative estimate of five dependants per worker. At this level, for every 100 workers retrenched, 500 livelihoods are lost. The impact of these job losses is the focus of a paper by Ngonini (2001) who lists a catalogue of problems experienced by retrenchees including loss of dignity, family break-ups, violence, prostitution, substance abuse and other forms of crime. On the Zambian Copperbelt, mining communities that once contained fully employed miners are now home to hundreds of unemployed men. This has led to changes in inter and intra family relationships with consequent breakdowns in the traditional support structures of the extended family. Relationships between rural and urban families have begun to weaken due to lack of capacity to support rural based relatives. The effects of HIV/AIDS on families has seen an increase in the number of orphaned children leading to increased numbers of street kids. It is estimated that there are over 45,000 orphans in Kitwe alone. An increase in alcoholism, substance abuse, crime and other social pathologies cannot be ruled out in this scenario.

The completion of the Zambia Consolidated Copper Mines (ZCCM Ltd.) privatisation has not brought to a conclusion the retrenchment saga on the Zambian Copperbelt. As the new mine owners begin settling down, there are evidences that further restructuring and rationalisation will affect significant numbers of the remaining employees. The failure of some operations as is evident in the RAMCOZ (August, 2000) and Minerva (May, 2001) receiverships is another pointer in this direction. The Minerva closure resulted in the redundancies of all 150 employees while the RAMCOZ failure has resulted in redundancies affecting more than 4000 employees. As at 31st March 2001, Konkola Copper Mines plc shed a complement of 222 employees at Konkola and Nchanga covering all mine departments while

Mopani Copper Mines plc shed 200 jobs (Times of Zambia, 4th April and 19th May, 2001; communication to MUZ from MCM plc).

The political uncertainty in Zimbabwe has not only put at risk significant new investment into the mining sector but also threatens 90% of existing mines with closure (www.businessmap.co.za, March 14, 2001; Mining Weekly, December 1-7, 2000). Mining contributes about 10% to GDP and consumes 20% of all electricity used in Zimbabwe. The scale of retrenchments in this scenario is not only huge for the sector itself but could have very serious ripple effects on associated industries supplying the sector.

Downscaling and retrenchments are not likely to go away as companies strive to be more competitive particularly in view of the structural decline in the industry. As a result of resolutions passed by the 1998 Presidential Jobs Summit, the South African Ministry of Minerals and Energy meeting with business and labour in February, 2000 developed a sector strategy in terms of job creation, job quality and a vision to bring about positive change in the industry as a whole. The summit reached consensus on five sector strategies (Enterprise, July, 2000):

- An industry promotion strategy to disseminate reliable information about the industry that attracts potential investment;
- A mineral beneficiation strategy to add value to exports and increase employment levels in the process;
- An employment and human resources development strategy for sustaining and enhancing existing jobs, and protecting vulnerable workers;
- A strategy to manage the impacts of cyclical volatility in the mining industry to reduce job losses and alleviate the social impacts of mine down-scaling when this occurs;
- A co-ordinated rural development strategy to enhance the potential for alternative forms of employment, particularly in labour sending-areas.

1.1.3 Local economic development

Local economic development is a means of diversifying local economies by encouraging the growth of small business enterprises some of whose activities are not directly related to mining. This is one way of advancing the cause of sustainable development so that communities do not disintegrate when mine closures occur. In this respect most mining companies together with mineworkers unions are evolving systems for empowering former miners so that they can continue in productive activities once retrenched. In South Africa, the National Union of Mineworkers has recognised the need to assist former miners settle into income generating activities by way of establishing producer cooperatives as a job creation strategy. This issue is dealt with in more detail in the relevant section. In Zambia, the new mine owners are currently setting up systems in which local entrepreneurs, many of whom are former mine employees can set up companies with a view to contracting for services such as materials supply and servicing contracts, horticultural services, catering etc. It is nevertheless anticipated that some of these businesses will be deliberately focused away from the mining industry so as to encourage growth that is not entirely dependent upon mining.

2 CASE STUDY OF THE ZAMBIAN COPPERBELT

2.1 Introduction

The privatisation of the mining sector in Zambia has been billed as one of the major privatisations in the copper mining industry in Africa. According to one commentator the Zambian “privatisation has seen a Who’s Who of mining players and their advisers participate in the transaction” (Swann, 2000:23). But not only has this privatisation been a major cause of anxiety in the international boardrooms of the major mining houses. It has generated a lot of heated debate locally because copper is the mainstay of Zambia’s economy and getting this right has meant that the country can look forward to increased prosperity. The lessons to be learned from this privatisation will be significant for many other privatisations particularly within the southern Africa region.

In 1991 when the Movement for Multi-Party Democracy (MMD) government came to power, one of the centre pieces of economic reform in the party's manifesto was the idea of privatisation. The idea was prompted mainly by the fact that the state run economy of the Kaunda era was consuming a lot of resources from the state in terms of investment requirements and subsidies whilst achieving a negative return to government (zpa.org.zm, 2001). At independence in 1964, the country had only 14 parastatal companies. Under the Second Republic of Kenneth Kaunda, Zambia became one of the most heavily nationalised economies in Africa. By 1986 the number of parastatals had grown to more than 150 companies employing around 140,000 staff. The state controlled about 80% of the economy and the 20% that was in private hands was not allowed to function in a private sector manner. The objective of the MMD government's economic policy was to stimulate, direct and control private economic activity to ensure a harmonious relationship between the desires of private businessmen and the social objectives that were the government's responsibility (MMD Manifesto, undated; Ndumingu, 2000).

2.2 The Zambian Privatisation Program

A structured privatisation program begun when the Privatisation Act of 1992 was enacted. This Act provided the legal basis for the privatisation program by way of establishing the Zambia Privatisation Agency (ZPA) with responsibility for all government privatisation issues. The Act also outlined the procedure of privatisation and commercialisation and provided for the way in which financial proceeds from sales would be handled. At the same time, the Government liberalized trade and industry, eliminated subsidies and price controls, foreign exchange controls, controls on the quantity of imports allowed into the country and reduced customs duties and tariffs.

Box 3. Zambian Government's Objectives in ZCCM Privatisation

- ❖ Transfer control of and operating responsibility for ZCCM's operations to private sector mining companies as quickly as practicable.
- ❖ Mobilise substantial amounts of committed new capital for ZCCM's operations
- ❖ Ensure that ZCCM realises value for its assets and retains a significant minority interest in its principal operations
- ❖ Transfer or extinguish ZCCM's liabilities, including its third party debt
- ❖ Diversify ownership of the mining assets
- ❖ Promote Zambian participation in the ownership and management of the mining assets; and
- ❖ Conduct the privatisation as quickly and transparently as is consistent with good order, respecting the other objectives and observing ZCCM's contractual obligations.

Source: Zambia Privatisation Agency, 2000

One of the main objectives of the Zambian Privatisation program was the development of the economy to ensure that income distribution patterns are changed, poverty is alleviated, Zambia's human capital is developed, and Zambia becomes self sufficient in food production (Penza, 1992). The discussion below highlights the conditions in which the privatisation of the mining sector has been implemented.

A review of the program indicates that economic development in the terms envisaged has not materialized and for the majority of Zambians, the program has contributed to high levels of poverty and stress. Between 1992 and 1998, Zambia's GDP recorded negative growth at -0.2%. In the formal sector some 81,000 jobs were lost and the ZPA recorded the liquidation of 11 state owned enterprises (SOE's) between 1994 and 1997 and another 28 as under liquidation or in process of being wound up after sale of their assets. Although investment pledges of US\$922million were made between 1994 and 1997,

actual investment only accrued to US\$379million. At least 85% of economically active Zambians are now employed in the informal sector (Kenny, 2000).

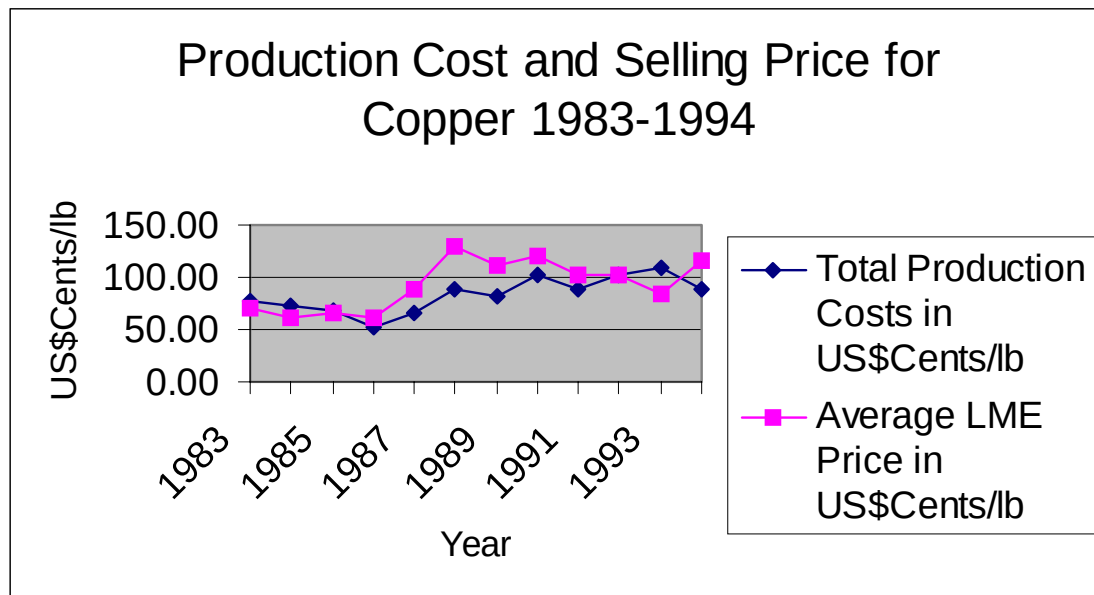
In the agricultural sector, crop marketing was liberalised and subsidies removed as government withdrew from the sector and leased its storage facilities to the private sector. A credit scheme was initiated for crop marketing but this proved a failure as most of the loan applicants were people with social standing who bought maize from peasant farmers at very low prices but did not pay back the loans.

As part of the resettlement policy under the privatisation programme, a number of farming areas have opened up on the Copperbelt since the programme started. These areas cater for both retrenched miners and others who wish to settle on the land. The success of farming ventures among retrenched miners in particular has been varied partly due to a lack of preparedness to live a life away from mining. Other institutional factors include lack of extension services, credit facilities and access to inputs. The availability of credit is tied in to the issue of security of tenure. Without a 99 year lease that indicates full title, access to credit is almost impossible. The Copperbelt has the potential for increased agricultural output once the institutional problems are attended to.

2.3 The ZCCM Privatisation

In the decade following independence in 1964, copper earnings accounted for 95% of export earnings and contributed 45% of government revenue (Lungu and Silengo, 1997). Following the collapse of copper prices in 1975 and rising oil prices, the government resorted to heavy foreign borrowing to stave off the effects of the recession (Penza, 1992). At the same time, ZCCM was treated as a 'cash cow' but without corresponding re-investment in the mining side (Lungu and Silengo, 1997). From the time of its creation in 1981, ZCCM was encouraged to diversify from its mining functions to embrace non-core activities such as farming, transportation, maintenance of elevators and dry

cleaning apart from its other social welfare roles. Fig 1: Production Cost and Selling Price for Copper 1983-1994 Source: Kapika, Nyirenda, and Mumba,



1996

As at 1st April, 1993 ZCCM's external debt burden stood at US\$518m with an internal debt of K164.5bn (Kienbaum, 1994). The company had incurred losses for the first half of the year to the tune of US\$135m. In the same year, a decision was made to develop the Konkola Deep shaft at a cost of over US\$600m. This action was to effectively double ZCCM's debt while copper production for the year to March '94 had fallen by 9%. Cobalt production had also fallen by 20% representing a loss in revenue of some US\$30m to US\$50m (Bull, 1994). The production cost per pound of copper had risen and was much higher than the selling price. Sources within the mining industry

Box 4. ZCCM's route to Privatisation

- ❖ Huge external and internal debt burden
- ❖ Falling production levels
- ❖ High production cost per tonne of finished copper
- ❖ Government imposed burden of social services
- ❖ Diversification into non-core business ventures
- ❖ Lack of capitalisation for infrastructure refurbishment

overseas were said to be of the opinion that the needed finance for ZCCM's re-capitalisation could only come by way of Privatisation (Simpson, 1994).

Kienbaum Development Services (GmbH), a German consulting firm was contracted to assess the options for privatizing ZCCM. The company reported in April 1994 (Lungu and Silengo, 1997). However, it would appear that due to the fact that the report became the subject of public comment before government had made its decision on the options contained in it (Times of Zambia, 14th September, 1994) the report was rejected and the merchant bankers N.M. Rothschilds were commissioned to prepare another report. The latter report has never been made public. Some commentators indicate that the Kienbaum Report was rejected on the basis of objections by Anglo-American, the principal minority shareholders who wanted to have exclusive development rights for Konkola Deep. Whatever the truth is, the secrecy surrounding the release of the Rothschilds report when it concerned the sale of public assets casts shadows over the transparency of the process.

2.4 Social impacts of the ZCCM privatisation

In the run up to the final sale of ZCCM, a total of 8,329 employees were made redundant as of 31st December 1999 (Table 2). If it is assumed that each employee affected was responsible for the livelihoods of at least five other family members, this represents a total of 41,645 people that have been impacted by the retrenchments. This figure is roughly equivalent to the population of Kitwe, the largest town on the Copperbelt. The retrenched miners have not found alternative employment as there are no viable non-mining economic sectors. The majority are surviving on subsistence agriculture. This is having a secondary impact on the state forests which are under pressure for de-gazetting. While a miner was in employment, they were entitled, together with their registered dependants to access company provided medical and education services, recreational facilities, sports clubs and essential municipal infrastructure including electricity, water supply and sewerage services. The consequent loss of these social services benefits has had a negative impact on the health, education and general well-being of the

Box 5. Social Impacts of ZCCM Privatisation

- ❖ More than 8,000 made redundant
- ❖ Majority surviving on subsistence agriculture and trading activity
- ❖ Secondary impact on state forest areas which are under pressure for de-gazetting
- ❖ Loss of access to health, education, recreational facilities and essential municipal infrastructure
- ❖ Breakdown in former mine township management system
- ❖ Insufficient local authority capacity to extend administrative services to former mine townships

Source: KCM Social Assessment, 2000

mine communities. Although many of the retrenched miners bought their houses from ZCCM, the loss of income has meant that the majority now have difficulties paying for services. The company that has taken over the water and sanitation services in the former mine townships has been running public awareness campaigns to inform the residents concerning their responsibilities as consumers. According to the utility Manager, they will have no alternative apart from withdrawing services for consumers who do not pay. In an environment where many have no incomes, the possibility of serious health problems as a result of loss of services cannot be ruled out. The local authorities also intend to begin levying rates on the former mine houses as they are now eligible for rating. However, this is not without its own complications. The Kitwe City Council has indicated that it has no capacity at the moment to revise the city's valuation roll taking account of the mine townships.

2.5 Separation of ZCCM's social and commercial roles

The decision to sale ZCCM assets by unbundling entailed the separation of ZCCM's commercial and social roles. At the time of the ZCCM privatisation, water and sewerage services could not be handed over to the local authorities because they were in the process of commercialising their utilities. In addition, the institutional capacity to cope with current responsibilities was inadequate and it was therefore considered unwise to add on to these responsibilities. The best way forward was to set up a wholly separate operation to oversee the water and sewerage systems in the mine townships. With World Bank assistance, ZCCM set up the AHC-MMS (Asset Holding Company-Mining Municipal Services) with responsibility to oversee the supply of water and removal of solid and liquid waste. The local authorities have assumed responsibility for drainage, roads, street lighting and markets, while the Zambia Electricity Supply Corporation (ZESCO) is responsible for the supply of electricity. It is anticipated that this system of dual utilities in the water supply and sanitation sector will run for four years on the Copperbelt after which a decision will be made concerning a merger of the two services.

Table 1- ZCCM Redundancies – 1992 to 1999

Division	91/92	92/93	93/94	94/95	95/96	96/97	97/98	98/99	Total
Nchanga	4	0	0	152	569	0	0	638	1363
Mufulira	0	0	6	183	357	0	28	869	1443
Nkana	0	4	7	600	135	2	0	457	1205
Luanshya	3	8	0	457	228	0	0	0	696
Konkola	0	0	1	133	494	0	0	639	1267
Chibuluma	0	0	0	0	0	0	0	0	0
Kabwe	0	0	0	813	101	31	36	0	981
Nampundwe	0	0	0	138	52	0	0	0	190
NCR	0	0	0	0	0	0	0	108	108
Power	1	1	0	26	0	0	0	0	28
OPC/CSD	0	0	7	142	162	0	2	566	879
CHO	0	1	0	25	84	0	26	33	169
TOTAL	8	14	21	2669	2182	33	92	3310	8329

Source: MUZ, 2000.

When the retrenchments started, little or no lifeskills training was available for the retrenched to enable them adopt alternative lifestyles. Stories abound of former miners who had been paid their packages squandering them on frivolous items or moving away from family homes until they had emptied their

purses. The decision to sell mine houses was made later in the process and consequently those who were among the early retrenchees did not benefit from this scheme. As a result many ended up in the informal townships surrounding the major towns on the Copperbelt.

2.5.1 Township Management

Under ZCCM, a system of township management operated by township managers was responsible for the maintenance of the housing stock under the company. Since the houses were sold, some beneficiaries mainly those who were in the higher income categories have begun to add value to their properties by way of making extensions and other additions. However, many who cannot afford to do this have moved out of the houses and put them on the rental market. In the townships housing the lower ranks of former ZCCM employees, the houses have begun to show the classic signs of neglect due to lack of maintenance as well as the addition of unauthorised extensions. Some of the local authorities have issued notices with respect to the obtaining of planning permission before carrying out any extensions.

With the influx of expatriate personnel working on the privatised mines and those providing associated services, the demand for suitable housing has led to many homeowners putting their houses on the market. Consequently there has been a corresponding increase in the level of rentals demanded with many homeowners denominating their rentals in dollar terms.

2.6 Information dissemination

In a privatisation process of this magnitude, it is vital that the process is not only seen to be open and transparent but is so in actuality. The law governing the privatisation of state owned enterprises in Zambia requires the Agency responsible to report and inform the public concerning its activities. The Agency is required to publish in the Government Gazette:

- The names of the approved state-owned enterprises to be privatised;

- The registered consultants, valuers, lawyers, public accountants, and merchant banks dealing with the privatisation process;
 - The bidders and bid prices;
 - The price of shares and any other special conditions of the sale of shares; and any other matters deemed appropriate.
1. The Agency is required to submit a six monthly report on its activities to the Minister of Finance who must table the report before Parliament prior to its public release.
 2. The Agency must, at the end of June and December each year submit a report to the Minister giving details of bids received and reasons for preferring the successful bid; and
 3. The Agency must hold press briefings and public fora at which members of the public and interested persons can be advised on various matters regarding the privatisation programme.

One of the criticisms levelled at the process has been in connection with the manner in which the independent valuers, consultants and lawyers have been chosen. It is argued that looking at the listings of experts in the Gazette or the ZPA progress reports does not give any indication of the extent to which any one firm or individual is being used. There have been suspicions that the engagements with the ZPA have been circulating among a clique privileged by their social positioning.

Further, details of how much an enterprise sold was originally valued at are not published. This makes it impossible for the general public to judge whether the enterprise in question was sold at a fair price. There have also been delays in revealing the details of certain deals. For example, Sales Agreements for Luanshya and Baluba mines to the Binani Group were signed on 30th June 1997; for the sale of Power Division to the Copperbelt Energy Consortium on 6th October, 1997; for the sale of Chibuluma Mine to the Metorex Group on 31st July, 1997. However, by the end of that year no full details of the value of the bids received or the reason for the award of the sale to any of the companies concerned had been made public.

2.7 Corporate Social Responsibility on the Zambian Copperbelt.

Box 6. Drivers of Corporate Social Responsibility

- ❖ new concerns and expectations from citizens, consumers, public authorities and investors.
- ❖ social criteria increasingly influencing investment decisions of individuals and institutions both as consumers and investors,
- ❖ increased concern about damage caused by economic activity to the environment,
- ❖ transparency of business activities brought about by media and modern information and communication technologies.

Source: Commission of European Communities, 2001

Corporate social responsibility is essentially a concept whereby companies decide voluntarily to contribute to a better society and a cleaner environment. This responsibility is expressed towards employees and more generally towards all the stakeholders affected by business and which in turn can influence its success. These developments reflect the growing expectations that in the long-term, economic growth, social cohesion and environmental protection go hand in hand.

Many factors are driving this move towards corporate social responsibility:

- new concerns and expectations from citizens, consumers, public authorities and investors in the context of globalisation and large scale industrial change,
- social criteria are increasingly influencing the investment decisions of individuals and institutions both as consumers and as investors,
- increased concern about the damage caused by economic activity to the environment,
- transparency of business activities brought about by the media and modern information and communication technologies.

As companies themselves face the challenges of a changing environment in the context of globalisation and in particular the Internal Market, they are increasingly aware that corporate social responsibility can be of direct economic value. Although the prime responsibility of a company is generating profits, companies can at the same time contribute to social and environmental objectives, through integrating corporate social responsibility as a strategic investment into their core business strategy, their management instruments and their operations.

Where corporate social responsibility is a process by which companies manage their relationships with a variety of stakeholders who can have a real influence on their licence to operate, the business case becomes apparent. Thus, it should be treated as an investment, not a cost, much like quality management. They can thereby have an inclusive financial, commercial and social approach, leading to a long-term strategy minimizing risks linked to uncertainty. Companies should pursue social responsibility internationally as well as locally, including through their whole supply chain.

By stating their social responsibility and voluntarily taking on commitments which go beyond common regulatory and conventional requirements, which they would have to respect in any case, companies endeavour to raise the standards of social development, environmental protection and respect of fundamental rights and embrace an open governance, reconciling interests of various stakeholders in an overall approach of quality and sustainability. While recognising the importance of all these aspects, this paper focuses mainly on companies' responsibilities in the social field.

This action leads to the development of new partnerships and new spheres for existing relationships within the company regarding social dialogue, skills acquisition, equal opportunities, anticipation and management of change, at the local or national level with reference to the reinforcement of economic and social cohesion and health protection, and more generally on a global level, concerning environmental protection and respect of fundamental rights (COM, 2001).

All the mining companies operating on the Copperbelt are committed to the principles of corporate social responsibility as reflected in the published information available on their websites. The interviews undertaken gave further indication of how the companies are translating their commitments to reality.

One feature that dominates their approach to business is a recognition of the importance of adding value to the communities in which they operate. There is an across the board appreciation of the need to invest in the communities in order to make the impact of mining visible in the well being of the communities from which the companies draw their productive labour. However, there is also a clear recognition that private enterprise cannot usurp the role of government. In this respect there is almost a sense of backlash on the Copperbelt with respect to the recent history of ZCCM's social provision. Most of the companies are willing to help the communities but they do not wish to be seen in the same light as ZCCM.

The companies reviewed in this case study, indicated that in order to assist the process of social management and transformation on the Copperbelt, they have initiated programmes to enable the transfer of skills to community based organisations. This is viewed as a necessary step to avoid the dependency syndrome that developed under ZCCM. At Chambishi Metals, Chibuluma Mines plc, Ndola Lime Company, Konkola and Mopani Copper Mines plc, management level staff are assisting with the management of community based organisations and sports facilities.

All the companies gave indications that their organisational structure is geared towards the management of environmental and social issues at a level where

senior management input is considered crucial. The benchmarking of operations against international standards as well as appropriate local legislation is a common feature among all the companies. Line management are kept up to date with current developments in the industry by way of regular briefings. KCM plc has a Vice President (SHE) whose portfolio deals with both environmental and social issues. The social policy under KCM plc is well articulated with plans and projections and budgetary allocation for different aspects of the social policy. Chambishi Metals plc, Mopani and Metorex did not provide any detailed information with respect to their social policies.

2.8 Partnerships and Stakeholder Engagement

All the companies are clearly committed to working with government, NGO's and communities to ensure the sustainable provision of social services. To this end, all the companies have taken on a number of social roles that have a clearly demonstrable impact on the communities either by way of direct provision or subcontracting. This includes the provision of medical services at nominal cost recovery levels, investment in community education activities and a program of malaria control which is expected to cover the whole Copperbelt region. A plan to ensure long term control of malaria in the Zambian Copperbelt region is being pursued jointly between the mining companies, national authorities and international health agencies.

Other programs include promotion of primary health care through education, neo-natal health and nutrition including immunisation, monitoring and demonstrations, initiatives that have a direct impact on income generation opportunities for the unemployed, youth development programmes that target the out of school and out of work, programmes that combat crime, and home care programmes.

Many of these programs are undertaken in conjunction with the relevant NGO's or government agencies. There are over 40 NGO's operating on the Copperbelt covering activities that range from agriculture and food security through to women's empowerment. In the health sector there are important

linkages with the Copperbelt Health Education Project (HIV/AIDS counselling/peer education) and Society for Family Health (HIV/AIDS, Malaria prevention). The District Health Management Teams play an important role in the co-ordination of the delivery of health services in all districts.

2.9 External Social and Institutional Environment

The structures at local level that contribute to sustainable development include local authorities, sector ministries/departments, donor agencies, non-governmental organisations (NGO's) and community based organisations (CBO's). Prior to 1995, development programmes at District and Provincial levels were initiated and implemented without adequate consultation and co-ordination among the various key organisations operating at these levels. Due to lack of effective co-ordination, monitoring and reporting systems and the absence of mechanisms for ensuring government's responsiveness to local developmental and service delivery needs, technical committees to manage and report on development programmes at both District and Provincial levels were established as follows:

- A District Development Coordinating Committee (DDCC) in each District
- A Provincial Development Coordinating Committee (PDCC) in each Province
- A National Development Coordinating Committee (NDCC) at the National Level

Local Authorities are established and regulated through the Local Government Act (1991) which specifies the functions that Councils are supposed to perform. Since the withdrawal of government grants to local authorities in 1993, most councils on the Copperbelt have been experiencing financial difficulties to the extent that they cannot pay salaries and are unable to contribute effectively to sustainable development within their jurisdictions. The

policy to sell Council houses to sitting tenants and the hiving off of water and sewerage services in the new commercial utilities has further accentuated an already poor liquidity situation making it even worse. Less than 10% of council income comes from central government, and some sources of revenue have been removed (such as vehicle licence commission). Rates collection is below 25%, and while they have received a big increase in responsibilities from the transfer of mine townships, they are not yet receiving income to deliver this, and while previously they were receiving payments directly from the mines for rates, they now have to collect from individual owners, which they are not equipped to do. Prior to 1997, mines (and Zesco) were exempt but this is no longer the case. While Council resources are so stretched they will be unable to carry out the new responsibilities they have been assigned.

3 INSTITUTIONAL FRAMEWORK FOR MONITORING SOCIAL MANAGEMENT

In a privatisation programme of this size, the government is under obligation to ensure that the rights of its citizens are safeguarded. This must include the provision of an institutional framework within which social management can be monitored. The international Covenant on Economic, Social and Cultural Rights provides a framework within which these rights can be monitored. The Zambian government is a signatory to the Covenant.

The institutional structures for monitoring social management in the Zambian privatisation programme includes the Social Impact Department of the Zambia Privatisation Agency and the National Social Safety Net. Other arms of government charged with the protection and safeguarding of workers interests include the Ministry of Labour and Social Security, the Ministry of Community Development and Social Services and the Ministry of Commerce, Trade and Industry. The labour movement, specifically the Mineworkers Union of Zambia and its motherbody the Zambia Congress of Trade Unions are also part of the institutional framework for monitoring social management.

3.1 ZPA Social Impact Department

The Department's primary responsibility is to ensure that legitimate retrenchments are managed in the most acceptable and sympathetic manner and that employees are paid promptly and in accordance with their approved conditions of service. The main way in which this has been done is through seminars and workshops to educate the public, unions, employees, managers and parastatal holding companies about the social aspects of privatisation. However, it is difficult to judge the effectiveness of this aspect of the Agency's operations since little in the way of information has been published on the workings of the Social Impact Department. A published report covering activities for the period July to December 1993 indicated that seminars had been held with personnel in the first and second tranches of companies being privatised, but it was unclear whether participation had extended to all employees or to management staff only. ZPA has a responsibility to ensure that investors live up to their investment pledges and it is doing this by undertaking a comprehensive post privatisation study to assess the impact of privatisation since the inception of the agency.

3.2 National Social Safety Net

The National Social Safety Net was established in 1993 to address the social dimension of the privatisation programme. The NSSN is an autonomous body whose membership is drawn from the private sector, the unions and employers. It is managed by a coordinating committee which allows all the various interested parties to work together.

The collapse of the state-trading sector in 1995 presented the NSSN with its first major test. A total of 3000 employees were to be retrenched from the state-owned trading sector. The NSSN responded by undertaking a needs assessment of all employees in the sector and proceeded to formulate a framework that would address the issue of capacity building for employees in privatised companies. This resulted in the formulation of an "employment and sustainable livelihoods framework" However, the NSSN has been criticised for taking far too long to produce this policy framework within which redundancies are to be managed with respect to counselling, retraining, entrepreneurship promotion, redeployment and support for resettlement schemes for retrenched. Details of the schemes, run by relevant ministries or agencies but coordinated under the NSSN, are as in Table 2.

Table 2- Social assistance schemes

Scheme	Run by	Purpose
Land Resettlement Programme	Department of Resettlement in the Office of the Vice President	Provides plots in resettlement schemes for small scale agriculture.
Public Welfare Assistance Programme	Ministry of Community Development and Social Services	Basic assistance with food, shelter, healthcare and education for the poorest.
Social Impact	Zambia Privatisation Agency, Social Impact Department	Informs employees, managers and the public about the likely social impact of privatisation.
Future Search	Public Service Management Division	Seeks to equip graduates with business skills for the future.
Small Business Development Programme	Ministry of Commerce, Trade and Industry	Assesses projects and provides funds for selected small business initiatives

Source: MUZ, 2000

3.3 The Labour Movement

The Mineworkers Union of Zambia has been very actively pursuing the role of social monitors in the privatisation process. In keeping with their functions, they have been involved in negotiations with the mining companies over pay and other social benefits for their members.

The failure by RAMCOZ to honour its development pledges at the Luanshya and Baluba mines has drawn their criticism as an example of a poorly managed transition to the private sector and have demanded government intervention. The Union has further demanded that the Development Agreements be made available to the Union so that it can exercise its role as monitor in this process (MUZ Press release, 4th May, 2001).

4 BEST PRACTICE

Best practice in the sphere of privatisation appears to take account of the mode of privatising, the national interest, and not least the culture and human rights of affected communities. To ensure that the interests of all concerned parties are taken into account, privatisation must be based upon:

- International standards of corporate governance and social responsibility;

- Strong local institutions and regulatory frameworks; and
- Respect for local customs and institutions.

In Africa, Angola, Ghana, Kenya, Mozambique, South Africa, Tanzania, Uganda and Zambia have all launched ambitious privatisation programs. Among the francophone countries, Senegal, Cote d'Ivoire, Gabon and Cameroon have completed extensive privatisations in the electricity, telecommunications, water and banking sectors (Samuel, 2000). In all these countries, the most commonly adopted method of privatising has been through competitive tender, whether of shares or assets. Countries with established capital markets have used public floatations as part of an integrated strategy involving the sale of a block of shares to a strategic investor. In the infrastructure sector, African governments have begun to tackle privatization by way of sector restructuring involving legislative and regulatory changes (Samuel, 2000).

Morocco's privatisation program required the allocation of significant resources and the creation of a new Ministry dedicated to the task of privatisation. Consulting firms and investment banks were brought on board enabling the government to leverage resources from donor countries and international agencies. The program had a major impact on the development of the Casablanca Stock Exchange in terms of market capitalisation, trading activity, participation, corporate governance and performance. This has led to the development of improved financial disclosure standards and regulatory reform (Abt Associates, 1999).

In Argentina, the national government begun a privatisation program in 1989 covering the utilities - gas, electricity generation and transmission, and water and electricity distribution in the Buenos Aires metropolitan area. The government created industry-specific agencies to monitor and regulate operations of the privatised utility companies (Estache, 1997). According to Estache, the regulatory agencies are reasonably independent, autonomous and accountable and have their own sources of funding adequate to perform all their tasks. Estache postulates that the biggest challenges for regulatory design in Argentina's privatisation experience are achieving political

independence and introducing rules to ensure accountability. Accountability can be ensured by robust procedural and sound accounting rules but independence of the regulatory agencies is much more complex because politicians have a hard time giving up control over resources that are considered politically sensitive.

Uganda has boasted 6% annual growth since 1987 when President Museveni agreed to the IMF's conditions for structural adjustment and eliminated 30,000 civil service posts. The country's privatisation process begun by giving back to the Asian business community, property confiscated during the Idi Amin era thus bringing in an influx of foreign exchange, badly needed skills and instant rejuvenation of industry (Littleford, 1993) and then privatising small-scale enterprises mainly to local investors. In South Africa, 30% of Telkom has been sold to American and Malaysian interests and 20% of South African Airways to Swissair while in Kenya, strategic investor KLM Royal Dutch Airlines has acquired a 26% interest in the national carrier with local investors remaining in control. This has resulted in drastically improved performance and higher revenues (Samuel, 2000).

The British privatisation programme presents an interesting example that can be used to illustrate best practice in privatisation.

The first phase of the British privatisation programme (1979-83) concentrated on enterprises that lay at the heart of the public sector other than the major monopolies. The government introduced competition and regulatory policy with the aim of increasing competitive pressures on remaining state-owned enterprises. The second phase (1983-87) saw the sales of enterprises in reasonably competitive industries. This period saw the first sale of a utility/network industry in the floatation of just over 50% of British Telecom (BT) shares. This share issue was targeted at small investors by advertising, generous pricing, share allocation rules, and loyalty bonuses to encourage individuals to hold on to their shares. New regulatory bodies were established in connection with these privatisations to apply price controls and within limits to promote competition. These bodies have been increasingly active in influencing market conduct.

The third phase (1987-91) saw the sale of major public assets including the water and electricity industries. Substantial restructuring of the state-owned enterprises took place prior to privatisation for the purpose of separating environmental regulation from the supply of the services themselves. In the 12 years to 1992, the British privatisation programme transferred 46 major businesses and 900,000 jobs to the private sector. It generated more than 40 billion pounds for the Treasury, created millions of new shareholders and reduced the state sector by two thirds (Vickers and Yarrow, 1991; Shepherd, 1992).

Although it can be argued that the use of a first world example as a test case for best practice presents more differences than similarities with countries in the south, it is the writers view that this is a strength in the argument for applying internationally approved standards, strong regulatory frameworks and cultural equity. Britain offers an example of long established traditions in the political, economic and social spheres with strong local institutions and governance structures. These elements are more likely to give rise to the impartial and fair treatment of issues related to sale of public assets much more than in systems where the rules are not clearly codified, understood and adhered to by all parties.

5 PRINCIPLES AND GUIDELINES FOR SOCIALLY INCLUSIVE SUSTAINABLE DEVELOPMENT

- Development of a comprehensive planning framework with clear development objectives is critical. The companies need some framework in which to work – this has been absent on the Copperbelt.
- Companies need to work together to develop common reference frames for various social initiatives.
- Government should adapt the legal framework to promote social sustainability by including social concerns and responsibilities for social provision in the project planning and approval process. At the moment social assessment is only required for projects applying for IFC funding.

- Participation and involvement should be promoted between government, civil society and the mining companies.
- Training and education for community based organisations and community leaders in the management of social and environmental issues to enable the development of local solutions to problems by government and NGO's.
- Government should define clearly the social costs of development and provide mechanisms to ensure sustainable financing of social provision.
- Monitoring procedures should be put in place to ensure that the impacts arising from socially disruptive circumstances can be followed up and appropriate mitigation measures designed. This requires management plans with social performance indicators.

6 ROLES AND RESPONSIBILITIES OF KEY STAKEHOLDERS

Government:

- Provision of an enabling legal and fiscal framework.
- Governance structures that support and encourage sustainable development.
- Support and provision of incentives to efforts aimed at social provision on the part of private enterprise.

Mining companies:

- Senior leadership
- Companies should integrate social values throughout the organisation – across all departments and not rely on a community development department to tackle these issues. The lesson from the Copperbelt is that all departments and functions in the companies have social impacts and if managed well these can be positive.
- Must adopt a more active role in the process of community consultation and should learn to be proactive instead of reactive
- Must establish relationships with local communities at exploration stage.
- Need to engage communities by using independent facilitators who are not tied to the outcome.

- Must adopt social impact assessment as a process to identify, predict, mitigate and monitor and manage any likely or unanticipated social impacts of the project.

Civil society:

- Promoting conditions that empower communities to actively participate in processes that directly affect them through lobbying and advocacy.
- Sourcing and applying funding towards projects that enable communities to become self-sustaining.

6.1 Lessons from the Zambian experience

A number of lessons can be drawn from the Zambian privatisation

- Political interference should not be allowed in such a programme. The Zambia Privatisation Agency should have been allowed to run the whole process using competent professionals with no vested interests.
- The magnitude of the exercise and its attendant ramifications was not fully appreciated by government from the outset.
- Since ZCCM was at the core of the Zambian economy its quick privatisation would have prevented the number of failures in the small business sector.
- The nation needed to be kept well informed of the process in order to maintain governments credibility and public confidence in the process.
- Decisions regarding social services were not handled with the necessary sensitivity.
- The social safety net was not given sufficient weight in the process from the very beginning.

7 CONCLUSION

This study gives an indication of the problems of privatisation and social management. The issue of job losses stands out as one that affects the greatest number of livelihoods and has long-lasting social consequences. The need of a three-way alliance between governments, the mining companies and civil society clearly exists as a way of dealing with these social problems. No single approach can deal with these issues satisfactorily and it is therefore imperative that all three work together to achieve solutions that will contribute to sustainable development.

It has not been possible to determine the nature of social commitments entered into at the point of sale of the various mining units on the Zambian Copperbelt between government and the new owners. Neither is it clear what *social* means for the different companies within the context of the sale agreements. However, the mining companies recognise their social responsibility to put back some of their profits into the communities from which their wealth is derived. The question is how this is undertaken.

There is also a need for more effective monitoring of the impacts of privatisation in Zambia but the secrecy surrounding the Development Agreements does not assist the public and civil society to be able to lobby effectively. In a privatisation of this nature transparency and accountability are important because they lend credibility to the process and give the public confidence that underhanded methods are not being employed to divert national wealth into a few private hands.

8 RECOMMENDATIONS

Privatisation is a highly complex affair and the Zambian case has indicated this clearly. The management of the social problems raised by the Zambian privatisation could have been better handled had the government paid more attention to the issue of a social safety net. The preoccupation with the

financial aspects has tended to cloud over the importance of peoples livelihoods in the process. There is therefore a clear need for further studies focusing on the social impacts arising from this privatisation.

With respect to the region as a whole, privatisation is a means by which new capital and innovative management can be brought to the sector. However, the resulting social problems need to be tackled with wisdom, tact and selflessness on the part of the political machinery otherwise the region will continue to slide into more poverty in spite of its mineral wealth.

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9.1 Contacts

The following is a list of persons contacted during the preparation of this report.

<i>Name</i>	<i>Organisation</i>	<i>Location</i>	<i>Type of Contact</i>
Gavin Hepburn	Chibuluma Mine Plc	Kalulushi	Interview
Nerine Bootes	Chambishi Metals Plc	Chambishi	Interview
Emmanuel Mutati	Mopani Mines Plc	Kitwe	Interview
Dr. S. Mulenga	Konkola Copper Mines Plc	Chingola	Interview
Mr. Mwendabai	Ndola Lime Company	Ndola	Interview
Katungu Mukelabai	Mufulira Municipal Council	Mufulira	Interview
Gerhard Kangamba	Mines Safety Department	Kitwe	Interview
C. Muchimba	Mineworkers Union	Kitwe	Interview
P.Kaminsa	Kitwe City Council	Kitwe	Interview
S.Chondoka	CHEP	Kitwe	Interview
P.Mungaila	Oxfam Zambia	Kitwe	Interview

Sarah Keener	World Bank	Kitwe	Interview
Emile Sawaya	World Bank (retired)	USA	Email
Patricia Feeney	Oxfam GB	UK	Email
Tom Kenny	Oxford University	UK	Email
T.C. Chanda	AHC-MMS	Kitwe	Interview
W.Daka	OHMB	Kitwe	Interview

9.2 Privatisation and Social Research Questions

1. Does your company have a definition for sustainable development?
2. How does this translate into reality within the corporate environment?
3. What actions are you taking or have taken to make your vision of sustainable development a reality?
4. In what ways have these actions affected management procedures?
5. Who takes responsibility for sustainable development issues within the company and with other stakeholders?
6. Are the concepts of sustainable development being implemented at all levels within the business?
7. If so, what tools are you using to achieve these goals?
8. What challenges or obstacles are you encountering in achieving this corporate culture?
9. How does the adoption of sustainable development practices impact upon the supply chain?
10. What social services do you provide for your employees?
11. Are these services free or do employees pay part of the cost themselves?
12. What are the major socio-economic issues arising out of your operations and how are you managing them?
13. Is there a process for monitoring compliance to sustainable development concepts both internally and externally?
14. How do affected communities participate in this process?