

AN ANALYSIS OF THE POST PRIVATIZATION MINING IN SOLWEZI,  
ZAMBIA

By

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## ABSTRACT

*A descriptive survey was conducted to evaluate the impact of privatization of Kasanshi, Kalumbila and Lumwanamines on Solwezi, Zambia. 58 respondents were selected as sample in Solwezi through Convenient and Purposive sampling for local people and local leadership and company representatives respectively. After a Pilot study in Kabwe, questionnaires and interview guides were fine-tuned by the supervisor at Africa University. Forty-seven questionnaires that were returned which revealed gender balance. The interviewees applauded privatization of the mines under study; they blamed Global market forces for the challenges that hindered them from performing infrastructural development and executing their corporate social responsibility in Solwezi but local people expressed deep concern over high levels of unemployment, high costs of living, high crime-rates, prostitution, pollution, environmental degradation and externalization of profits, as chief amongst the negatives of the privatization of mines initiative by the government. Even the Zambian government was reportedly not benefitting much from privatization. Therefore it risked treading towards a serious conflict over the control of mines and mineral resources between the local people and the private companies. Benefits from privatization were perceived as far less than the profits realized by the private mining companies. Employment, infrastructural development, in schools, clinics, roads, recreation facilities, shops and business opportunities for the local people were highlighted as some few benefits of privatization of mines to the people of Solwezi. Some respondents indicated that families got their incomes from working in the mines. Suggestions were given for the private mines to prioritize the employment of local people and not expatriates. The government was also advised to embark on the indigenization process and to make laws that prioritize provision of contracts for local people only as well as creating economic zones in mine towns such as Solwezi. Persuasion, voluntarism, use of force and relocation of the affected people were identified as possible alternatives towards environmental conservation.*

**Key Words: Privatization, Mining, Mineral resources**

## DECLARATION

I, the undersigned declare that this dissertation is my own work and has not been presented for a degree in any University or Higher Institution of learning for any academic accredit.

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This dissertation has been presented and examined under my approval as a research supervisor at Africa University.

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## **DEDICATION**

The research project is dedicated to my beloved daughter Taurai, Tawanda, Nkhosi and my beloved wife AmaiTaurai, my beloved late mother EmeliaChipesha and the late Father EzuloniChipesha. Their support acted as a motivation and a pillar of my source of strength.

## **ACRONYMS/ABBREVIATIONS**

ADB:	African Development Bank
BSA:	British South Africa
CIA:	Central Intelligence Agency
CSO:	Central Statistical Office
CSTNZ:	Civil Society Trade Network in Zambia
DA:	Development Agreements
DRC:	Democratic Republic of Congo
ECZ:	Environmental Council of Zambia
EIA:	Environmental Impact Assessment
ERP:	Economic Recovery Programme
FDI:	Foreign Direct Investment
FQML:	First Quantum Minerals Limited
GDP:	Gross Domestic Product
IMF:	International Monetary Fund
KPC:	Kimberly Process Certification Scheme
MMD:	Movement for Multiparty Democracy
NFCA:	Non Ferrous Corporation Africa
NIC:	Newly Industrialized Countries
OECD :	Organization of Economic Co-operation and Development
PF:	Patriotic Front
PMP:	Private Management Plan
PPP:	Public Private Partnership
PSD:	Private Sector Development

RAM COZ:	Roan Antelope Mining Corporation of Zambia
RPF:	Rwanda Patriotic Front
RSF:	Revenue Stabilization Fund
RST:	Roan Selected Trust
SAP:	Structure Adjustment Programme
SEC:	Security and Exchange Centre
SEE:	State Economic Enterprise
SME:	Small and Medium Enterprises
SOE:	State Owned Enterprise
ZCCM :	Zambia Consolidated Copper Mines
ZEITI:	Zambia Extractive Industries Transparency Initiative
ZPA:	Zambia Privatization Agency
ZRA:	Zambia Revenue Authority
ZDA:	Zambia Development Agency



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## **CHAPTER ONE**

### **INTRODUCTION**

#### **1.0 Introduction**

During the early years after independence, in 1964-68, Zambia was largely a free market economy with little public sector participation in economic activity. This period was accompanied by booming economic growth, supported by favourable external factors such as increasing copper prices and favourable terms of trade. Zambia earned over 90 percent of its export revenue from copper (Cheelo and Munalula, 2005).

In 1968 radical economic reforms were introduced and the free market economy was nationalized after independence. A Socialist approach was introduced which entailed nationalization and industrialization of the Zambian economy as substitute to the former Capitalist-colonial economic model. The government aimed to be self-reliant and this resulted in the expansion of the public sector's share of capital investments from US\$ 180.4 million during 1954-64 to US\$ 281.8 million between 1966-70. Ultimately, 80 percent of the economy came under the control of state owned enterprises (Andersson and Kayizzi-Mugerwa, 1993). The state controlled the prices and exchanges, firm decision-making, trade and marketing during this period.



In 1973, Zambia experienced many external and internal shocks. The external shocks included deteriorating terms of trade, collapsing copper prices, soaring oil prices, and a lack of capital investment particularly from abroad. The internal shocks took the form of domestic policy and institutional failures as a result of economic mismanagement. The situation was further aggravated by frequently recurring droughts which severely affected agriculture. Food prices sharply increased and a general rise in the cost of living was experienced.

Following almost two consecutive decades of economic misfortune and state participation that was characterized by overly intrusive controls, Zambia finally committed herself to extensive and deep economic reforms in 1991. These reforms included economic liberalization and public sector reforms. By this time, external debt had risen to US\$ 7.2 billion, private investment had remained depressed and Zambia had experienced decades of steady declines in per capita income (Aron and Elbadawi, 1992; Ministry of Finance, 1996).

## **1.1 Background to the Study**

After the attainment of independence in Zambia in 1964 mines, were nationalized. According to Styve (2013), they took a strong role in developing the nearby mining communities. However, the biting effects of a long depression of copper prices led to privatization of copper mines in the 1990s. Styve (2013), argues thatthe privatization of mines was taken as an advice from the IMF and World Bank from who the

Zambian government was a debtor. The idea was to liberalize the Zambian economy. Klyandu, (2013) on an interview reported that states that by the year 2000 Zambia was in serious debt, and heavily relying on donor aid.

An on-going debate is far from reaching its end pertaining to the post development discourse. The relation between the developed and developing countries has sparked more scholarly debate than ever Mayondi (2011:54) therefore rightfully asked that“whostands to gain the most in the privatization or better still, the international trade agenda?” The idea of privatization was not home-grown but foreign in origin, its genuineness in alleviating poverty in Africa has always been questionable, no wonder why the researcher has developed interest in investigating the impact of the Western idea of privatization on Solwezi. While the initiators of the idea persuade Zambia to implement privatization the mining sector, they have not been interested in evaluating its impact on the people, the environment and the government.

Whilst the Western dominance cannot be ruled out in the privatization process, the desire to assist struggling poor African governments can also not be ignored. But, pertaining to which presides as top priority over the other more informed enquiries are needed.

Mayondi (2014) confirms that all the mines sold during Privatization brought a staggering US\$627 million in 2005-2007 and after seven years had realized US\$600 which was not bad but Mayondi (2014:54) disagrees that this was not reasonable

profit as he wrote “much as I agree that the mines were not viable in the business sense, I also think that privatization in terms of prices, taxes and royalties forward the investor more than the Zambian government.” The impact was even harder on the community levels.

During the 1980s and 1990s much of the 3<sup>rd</sup> world (Zambia included) had few options, if any than to take the bitter pill, SAPs (Structural Adjustment Programmes). Carmody (2011) states that SAPs engineered by IMF and World Bank imposed reforms and conditions centred on trade liberalizing privatization and state cut-backs and retrenchments. This might be viewed from an African perspective as economic disempowerment whilst economists may applaud such drives as recommendable economic recovery methods. Mayondi,(2014) maintains that the Zambian government likewise had no choice over the matter. Fraser, (2012) however blames the IMF and World Bank for forcing privatization down the throat of the Zambian government without adequate preparation to safeguard its social impact on the mining industry and local communities. However, Murray and Overton (2011) argued that such reluctance was justified because the whole idea of privatization was centred upon economic growth which was expected to uplift standards of living. Now that privatization has resulted in poverty and inequality upon Africans,yet enriching the bourgeoisie (initially the intended beneficiary of privatization), it is from this understanding that the researcher conducted this study of the impact of privatization of mines in Solwezi. Ferguson (1999) concurs with Larmer(2006) that these were hurried sales of mines by corrupt officials which left thousands of workers unemployed while money for social services dried up.

Privatization is believed to have created serious social problems according to Fraser and Lungu,(2007)casualization of the workforce resulted from large initial retrenchments sub segment rehiring on worse terms through contractors with tower wages and insecure employment. Before privatization, the state had provided extensive social infrastructure to the mining communities including housing, free hospitals and schools. Fraser and Lungu, (2007) further highlight that HIV/AIDS and Malaria awareness and prevention programmes were done. However, the fact that the new private owners of mines were exempted from taking over any of these social responsibilities and this led to the collapse of these social services (Styve, 2013).The location of the study was carried out in Solwezidistrict of the north western province of Zambia. New mines have been opened and these are Lumwana,Kansashi and Kalumbila. Currently one of the biggest open pit mines on the continent is Lumwana. Here a Canadian multinational company has injected huge capital into mining activities. These mines are all under private control.

The majority of the mines sites fall within the acres No. 105 Forest, located within customary land which although is vested in the crowns under chief MukumbiIbaloli. The traditional leaders in the area where mining was taking place in Solweziwere senior chief Mumena and senior Chief Matebo(ZDA, 2013).Lumwana copper mine is located 100km west of Solwezi. The mine lies in three chiefdoms – mostly within senior chief Mukumbi. The mine also borders Chief Mumena and Chief Matebo. It is owned and operated by the Lumwana mining company, wholly owned by the Canadian mining company Barrick, the world largest Gold producer.

Barrickacquired the mine from Equinox Minerals in 2011. In May 2013 Lumwana had 1,827 direct employees on its payroll and 3,947 contractors. This study therefore sought to carry out a research on the impact of mining after privatization in Solwezi.

## **1.2. Statement of the Problem**

The past 20years of the privatization in the mining sector in Zambia, people have been talking about casualization, retrenchments, environmental degradation, mine closures, and redundancies in the face of abundant mineral resources. However the relationship between privatization of mines and its impact on Solwezi needed to be established basing on facts gathered from the people in the area. The perceived benefits and costs of privatization of mines remains a subject of debate among the Zambian people such that without current data from a current research it could not be clearly understood. The impact of privatization also needs to be continuously checked on the ground to address its adverse impacts. While it might be true that Zambia was receiving lots of tax royalties, it is undeniable that the people were suffering badly in the mining towns such as Solwezi.

Endless and sometimes baseless debates over the impact of privatization in mines have failed to give a true picture of the reality it was high time that they were put to rest. Moreover this study is concerned with land issues with a great potential of causing serious conflicts. Therefore, speculations and hear-say were thusnot allowed to take a lead in informing the public about the impact of privatization, research

was of crucial importance to shed light into this land issue. Solwezi was at first known to be a farming area; farmers grew crops like maize, sweet potatoes. However mining has taken the centre stage of the economic activities in Solwezi district of the North Western province. How this has impacted on the peasants, the ecological system, the rural ways of life and the employment levels could only be established through a detailed study like this one.

According to the Ministry of Mines reports (2011) Lumwana mine was one of the largest open pit copper mining entities in the Solwezi district. People have been reallocated land in other areas to pave way for the newly privatised mines. Whatever the impact this has caused remained the task of this study to establish. The research problem here was privatization and its impact and not mining per-se.

### **1.3. Objectives of the Study**

The objectives of the study are to:

- i. Outline the ways in which privatization of mines is perceived by stakeholders in Solwezi.
- ii. Evaluate the impact of the privatization of mines in Solwezi to community livelihoods.
- iii. Suggest measures on how to deal with the social- economic, political and ecological analysis of privatisation in Solwezi.

#### **1.4 Research Questions**

- i. What has been the social-economical political and ecological impact of privatization of mines in Solwezi district?
- ii. To what extent have the three mines Lumwana, Kansashi and Kalumbila impacted the social-economic, political and the ecological environments in Zambia after privatization?
- iii. To what levels have these multinational mining companies impacted the lives of the locals and their surroundings after privatization?

#### **1.5 Purpose of the study**

The concept of privatization has drawn the attention of the academic think-tanks, policy makers and economists around the globe. Its impact on the economy of Zambia has not been clearly established too. The purpose of this study is to identify the impact of privatization specifically in mines of Solwezi area in connection with the transfer of state owned land, assets or function to the private sector. Whether there remained preservation of the common good for the citizens in Solwezi and Zambia at large or not, this remained to be established in this study.

## **1.6 Significance of the Study**

The research will establish the reality on the impact of privatization of mines in Solwezi. This will therefore help to draw conclusion pertaining to whether privatisation was a positive or a negative step in the mining sector of Zambia with specific reference to Solwezi. It will also help to inform the policy makers on the reality on the ground so that when they make their plans, they shall consider some recommendations passed in this study as they are based on facts.

The study shall expose both the positive and negative impacts of privatization in order to try to put to rest some scholarly debates pertaining to the problem. It will however provoke other scholars to debate over the findings and as such, it remains the researcher's hope that through rigorous research into privatization in Solwezi and its impacts on various aspects such as education, health road network and other aspects.

## **1.7 Delimitations of the Study**

The researcher focused on the impact of privatization of mines in Solwezi district and not any other forms of privatization in general. The findings from this study cannot be generalized as the reality in all the mine areas of Zambia unless similar findings are established in similar studies throughout the private mine towns of Zambia. The studies were not on the impact of mining in general but the impact of privatization of mines specifically in Solwezi.



### **1.8 Limitations of the Study**

Whilst the researcher focused on Solwezi, the findings from this study cannot be highly generalized unless they are supported by other similar studies in Zambia. Due to the limited financial resources and time, the research was concentrated in field-work within the twenty-kilometre radius of Solwezi as the area believed to be heavily concentrated with the data. The study was also limited by the reluctance of some of the participants to openly discuss their knowledge of the impact of mining after privatization in Solwezi for fear of being labeled by the security agents in the area. Out of the fear, many were not ready to disclose some information, poor road networks considering that it was raining heavily nevertheless, resulted in this limitation of the study. The research outcome was likely affected by the busy schedules of mine managers and local leaders. After several fruitless attempts to see them according to appointments made, the researcher eventually succeeded. Lack of knowledge of the Solwezi area also created problems for the researcher to identify the target groups as researcher was racing against time. The research assistance was escorted the researcher to the target respondents.

### **1.9 Assumptions of the Study**

Throughout the study, the researcher assumed that the respondents were able to separate the general developments in Solwezi from the direct impacts of privatization in the mining sector. To achieve this goal, the researcher always reminded the respondents to concentrate on the impact of privatization of mines on Solwezi. The researcher also assumed that their respondents were honest in giving their

background as well as informed residents of Solwezi which had witnessed privatization of mines from its inception. If per-chance the respondents were dishonest, the researcher had the power to distort data gathered. Lastly, the “Halo-effect” had the potential of negatively affecting data that was gathered whereby respondents give responses that are biased to please or frustrate the researcher due to various factors. This is why the researcher had to depend on convenient sampling whereby the researcher would read the mood of the respondent and decide whether to continue to administer his questionnaire or not.

### **1.10 Operational Definition of Terms**

**Privatization** - Chakaodza (1993) defines privatization to the sale of government – owned equity in nationalised industry, parastatal or other commercial enterprises, to private investors with or without the loss of government control of the organization.

**Mining** - The Mines and Mineral Development Act No. 7 of (2008) defines mining as the extraction of material, whether solid, liquid, or gaseous from land or from beneath the surface of the earth in order to mine minerals and includes any operations directly or indirectly necessary in mining.

**Mining area** -The Mines and Minerals Development Act No. 7 (2008 defines Mining areas as an area of land subject to a licence or permit under the mines and minerals development.

**Mineral** - The Zambian Resource of development policy of (2013) defines a Mineral as any material substance, occurring naturally in or on the earth or under

water and which was formed by or a subject to a geological process and includes any mineral occurring in residue stock piles or in residue deposit.

## **Summary**

The chapter introduces the topic of the study and it outlines the introduction, background of the study, statement of the problem, objectives of the study, geographical descriptions, research questions, limitations, delimitations and operational definition of key terms. In chapter two the researcher will highlight on the literature done by other researches on the topic under study.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.0 Introduction**

In this chapter, the researcher reviewed literature from various scholars who have researched on the impacts of mining sector privatisation policy on the economy of Zambia which is as a result of mines being owned by foreign companies. The researcher then summarized the findings of what other people have investigated in different cases of this study. The focus was on the impacts of the mining sector which is as a result of mines being owned by private mining companies. Welmar (2005) states that literature review is a search for a topic through professional journals to check what research has already been done and what needs to be done.

Zambia is one of the world's biggest copper producers. Massive investments in copper mining in Zambia has raised very high hopes for the local communities for jobs, improved standards of living and overall rise of the country's GDP. However, according to a report by Ngosa et al (2010) there are divergent community company perspectives as the private companies are benefiting more and investing less into the communities thereby endangering their investment by heading towards conflict. It would be naïve for company executive to blame the 2008-2009 global economic recessions because the same report maintains that copper prices rebounded to their highest ever, which was indeed a boom. This therefore means that an economic boom is not always an assurance of poverty eradication; rather it might symbolize the

opposite and fast rate of environmental degradation and exhaustion of natural resources.

## **2.1 Theoretical Framework**

### **2.1.1 Community Development Theory**

According to Robert Chambers, he said that for development to succeed, the people at the grassroots must be involved. The theory emerged as a counter-reaction to the dominance of the western ideological, economical hegemony of the implementation of the development in the global South (Chambers, 1983). The west has effectively defined the meaning of development and controlled its implementation on behalf of the developing world. Furthermore, mainstream development tends to overlook the value of the local people (Escobar, 1995).

Community development frameworks emerged in the mid-1980s, partly in response to the critiques identified in post-development by advocating for the incorporation of the poor into development projects. Robert Chambers calls for a reversal of learning in which the outsiders in development (practitioners and scholars) must learn from the insiders (marginalized peoples); that is in order to properly inform sustainable development initiatives. Thus, community development theory aims “to increase the involvement of socially and economically marginalized peoples in decision-making over their own lives”. Since its emergence it has become a viable grassroots-based framework widely adopted into mainstream development discourse and practice.

Economic top-down development has kept down the west in control by exploiting the developing countries. As such post-development suggests that the west has continued to hold power over the developing countries both through discourse and practical implementation. Main development has been therefore been neo-colonial in nature by exploiting and oppressing developing countries (Escobar, 2004).

Just as scholars have endlessly debated the meaning of development, many people around the world also attach their own meanings to development, making a single definition difficult to discern. At first the meaning of development often seems as though it should be obvious and even simple. According to Robert Chambers development is “good change” such as economic growth, infrastructure, community involvement, basic needs, living standards, Gross Domestic Product (GDP), gender equality, social justice, literacy levels, mortality rates, human rights, good governance, national stability, purchasing power, global trade, employment and environmental sustainability (Hickey, 2004).

For convenience purposes, empowerment gives power back to the people so that they may see themselves as powerful change actors, rather than leaving power in the hands of outsiders to control local development. For local people to take part in their community development is more efficient for development projects in general because it gives the opportunity for local people to share their valuable knowledge with facilitators to have a voice over their resources in the governance (Escobar, 2007).

The most basic meaning of participation is that stakeholders in the project, beneficiaries, or those that have a vested interest in the outcome take part in the development process (Escobar, 1995). Community Development thus includes local knowledge systems, voices, and needs in the planning and implementation of development projects. More importantly this means that community development strengthens and empowers people's ability to create social, economic, and political change for themselves and their local and global communities.

In this situation, the western multinational mining companies such as Barrick Gold have come to Solwezi to mine the resources taking 100% shares of mineral wealth whereas the poverty level in Solwezi are very high. These resources taken, part of it is supposed to be reinvested into other project involving the local people of Solwezi at the grassroots. This is according to the Community development theory of Robert Chambers. On other hand, First Quantum minerals, the western company owned 80% of the shares while ZCCM-IH holds 20% of the shares. In the other case 50,000 ha land of chief Kaindu was sold to private company without his consent validating the theory of Community development which down-top.

### **2.1.2 Privatization Defined**

Chakaodza (1993) defines privatization to the sale of government – owned equity in nationalised industry, parastatal or other commercial enterprises, to private investors with or without the loss of government control of the organization. This concurs with Reserve Bank of Zimbabwe (2007:12) Monetary Policy document by Gono

where privatization was defined as the transfer of enterprise ownership and control from the public to the private sector. The transfer techniques can take the form of disposal of an enterprise to a strategic investor, a public offer, joint venturing, liquidations, employee/management buyouts or a combination of some or all the techniques. The following were identified as methods of Privatization which could be applied:

- i. Public offering of shares on the Stock Exchange;
- ii. Sale of shares by private placement;
- iii. New private investments in enterprises;
- iv. Employee/management buy-out; and
- v. Leasing or awarding of management contract.

### **2.1.3 Absence of a Clear Policy on Privatization of Mines**

While the MMD is often mistakenly credited or discredited for adopting SAP, it has to be borne in mind that the government of Kaunda had dismally failed to run parastatal. It had thus hinted its intentions to Privatize in 1990 before it lost power in the elections to Chiluba-led government, Kaunga (1994) quoted Kaunda in his official opening of the Fifth Extraordinary Session of the National Council of the United National Independence Party in May, 1990 at which he announced the government's decision to "devolve more economic power to the Zambian people through a scheme by which the State would sell its interest in state enterprises to the general public".



While the government was not sure whether to sell some shares to workers, members of the public indigenous private companies or foreign investors, it was silent on the way forward for privatization in mines. Undecided, unclear and ambiguous are some descriptive terms to portray the state of affairs in Zambia in 1990. This was evident in the Minister of Finance's address in November, 1990 cited by Fundanga and Mwaba (2008:7) where he maintained, "In addition, the Party and its government have decided in principle to sell off some parastatal companies. The modalities for sale are being studied, including the possibility of selling some shares to workers and members of the public" Indeed, the modalities remained under study until he lost his ministerial post. The newly elected MMD government speeded up Privatization as it had used privatization as its campaigning strategy. The institutional framework was unveiled in September 1990 where a taskforce on privatization was set up. The Task Force submitted its report to the Minister of Finance in January 1991 and recommended the creation of two organs:

- (i) Steering Committee on Privatization;
- (ii) Technical Committee on Privatization.

In July, 1992, the Privatization Act (No:21 of 1992) was passed by Parliament. This Act established the Zambia Privatization Agency (ZPA) as the sole institution responsible for the divestiture of state enterprises. ZPA was to be governed by a Board of Directors to be drawn from the Public and Private Sectors. The agency was granted autonomy to determine how enterprises were to be privatized and the prices to be paid for them. Cabinets' role was confined to approval of the divestiture

sequence. The Zambia Privatization Act listed the following, as modes of privatization that can be employed in the divestiture process:

- (i) Public offering of shares;
- (ii) Private sale via negotiated and competitive bids;
- (iii) Dilution of government holding;
- (iv) Sale of assets;
- (v) Re-organization of State-owned enterprises before sale of whole or part;
- (vi) Management/employee buyout;
- (vii) Lease and management contracts;
- (viii) Any other method the agency may consider.

Following the enactment of the Act the ZPA Board was appointed and it set itself to work by appointing officers to run the agency. The old technical committee was disbanded. The first task for ZPA was to draw up a long-term Divestiture Sequencing Plan for approval by Cabinet.

While the Zambia Privatization Act and the creation of the agency can be viewed as the most important aspects of the institutional set-up required to start the program, there were a number of other measures that had to be taken before the program could start. Most importantly, a large number of legislative amendments were made in order to make it possible to sell some of the state-owned enterprises, Galalet'al (1994).

According to Fundanga and Mwaaba (2008), to facilitate for the wider disposal of State-owned companies, the Zambia Privatization Act provided for the sale of a percentage of the shares of some companies, especially the large ones, to the public through the Stock Exchange. Since no Stock Exchange existed by 1992, one of the most important things that had to be done, was to pass the Zambia Securities Act. The Securities and Exchange Commission was established in December, 1993 and the Lusaka Stock Exchange in 1994. UNDP provided the financing for technical work required to effect most of these legislative changes under a Privatization and Industrial Reform Program covering institutional reform and capacity building in the major reform areas and sectors of the economy, including: privatization, law reform, capital markets development and public sector reform. From this background, it is clear that privatization was adopted out of desperation, as a hurried measure to curb the seemingly uncontrollable inflationary economy and a fulfilment of the MMD campaign Manifesto, just to privatize. It is however undeniable that there were attractive benefits of privatization to some corrupt government officials who tended to capitalize on this confused state of affairs.

Fundanga and Mwaaba (2008) maintain that USAID, ODA, GTZ, NORAD, and DANIDA provided technical assistance to Zambia to adopt Privatization through capacity building workshops. These tireless efforts by such foreign-based NGOs should have signalled that Privatization was meant for the benefit of foreign investors more than Zambia. The fact that the leadership of Zambia proceeded to adopt Privatization amidst such confusion is enough to tell that some unscrupulous individuals intended to fatten their pockets before the dust of confusion settled.

Through 1991 there was no specific policy that governed the operations of private mines in terms of corporate social responsibility, employment and environmental conservation.

#### **2.1.4 Legal Frame work of Mining**

The legal frame work of the privatization in the mining sector should be understood from the economic context particularly the exploitation of the minerals to the Zambian economy. The sector is primary regulated by the statute ,namely the mines and minerals Development Act of 2008 (Munalula 2008)the environmental protection and pollution control act contains provisions that regulate the conduct of mining operations. The ministry of mines and minerals development is the main regulatory body for the mining sector. While the environmental council of Zambia administers the environmental protection and pollution Act deals with issues pertaining to mining.

The mines and minerals act of (1995)created the office of the director of mines which is primarily responsible for privatization administration. The minister of mines does not play a leading role in the processing and approving applications for the various private mining rights granted under the act.The minister role has been restricted to participating in the issue of licenses,formulating and implementing the mining policy through the advisory committee.The office of the director of mines provides the institutional frame work regulating the mining sector in the country .This includes dealing with

private mining licenses applications and ensuring that such applications comply with the relevant statutory and legal provision .The now repealed mines and minerals act chapter 213 of the laws of Zambia provided for the development agreements during the 2000 to 2006 privatization process

### **2.3 Impact of Privatization of Mines in Solwezi Community livelihoods**

One of the fundamental aspects to be respected by any investor for prolonged survival in any community is the ability to honour the local communities who are the custodians of minerals being extracted. According to Ngosa et al (ibid:6)

“The relationship between companies and communities, if not guided by some trust and respect, could result in conflicts between parties. Misconceptions, misunderstandings, and unrealistic expectations are often the triggers of conflict”.

The observation above further justifies the importance of this study on Solwezi to verify if the private mining companies are positively living up to expectations. According to Kansashi Fact Sheet Online (2010), the company was the 8<sup>th</sup> largest copper mine in the world by the year 2009 with an expected life span of 13-20 years and it employed 4,000 people of which only 1, 500 were permanent employees while the rest were contract workers. It is highly likely that more. From just a glance, these figures are not satisfactory; more employment opportunities are expected from such a robust investment project which is so high ranking in the world. In justifying these little levels of employment, company representatives have reported low levels of skills amongst locals as notification for this in The Times of Zambia (2009).

Meanwhile The Times of Zambia dated 11 August 2009 reported a strain on basic social services and infrastructure in Solwezi and increased poverty, HIV and AIDS, health and educational deprivation due to the influx of people coming to the region on a sharp rise. Indeed this has gone against high hopes of Solwezi locals. There is therefore need in this study to get the latest details from the horses' mouth thus the local Chiefs, people, miners and the company management to see if they have common understanding on the impact of privatization of mines in the area. However, 2009 now is too remote for data to be considered as valid, moreover newspaper reports could be misleading as they might not be based on factual knowledge, hence the need for a current and detailed academic research over the issue of privatization and its impact on Solwezi.

### **2.3.1 Social and Economic Impact of Privatization of Mining in Solwezi.**

It is not uncommon to have a divergence between the policy and the reality. According to Ngosa (2013) FQM has published sustainability reports which were probably good news to the Solwezi communities in 2005. It indicated that the private mine company intended to improve corporate ethics, governance and risk management, employee responsibility, environmental, social as well as security and transparent operations. As such health care, staff accommodation, enterprise development, infrastructural development and educational were the areas of major priority. However, things are always easier said than done. From the perspective of mine management, Kansanshi was indeed a blessing to Solwezi's communities in the aspects of health and education. However, a check on these high-sounding objectives

was needed. If they were achieved, then the privatization of mines had positive impact on Solwezi but if not, then the impact would have been negative.

Direct contact between Kansanshi and the community members, the 2005 compensation for crops and houses affected by mining were hailed by Ngosa et al (2013) as positive drives towards ideal corporate social responsibility. However, more material benefits are needed than just quarterly meetings which do not put bread and butter on the table especially when Kansanshi company representatives confessed their neglect to local labour-force. The Lucky Dip programme that was reported by Ngosa (2013) was not only out-dated but mockery of Solwezi desperate job seekers by Kansanshi Company. The local people need jobs desperately because Zambia is one of the poorest countries rated as number 163 out of 187 on the HDI, a composite index of per capita income, life expectancy and educational attainment, thus according to the 2014 Report by the Chamber of Mines of Zambia in Collaboration with the International Council on Mining and Metals. The same report further maintains that Zambia remains one of the least developed countries in Africa as nearly two thirds of the population of around 13million people live below the international poverty line of US\$1 per day. This is not benefiting the country with vast copper reserves. If privatization was meant to eradicate poverty, one is tempted to ask why Zambia is still struggling in the doldrums.

Kansanshi complemented government's efforts in the areas of education and health. The company is said to have constructed classrooms at Mushintala, rehabilitated

vision school Orphanage, sunk boreholes at Mushintala, constructed show grounds pavilion and farmers stand, new mortuary area, housing areas for miners, sports facilities in the District and a house for the Chief in Israel. However these were not described in details. Moreover, the values of such projects can be appreciated when compared to the profits that are realized by such big investors.

It could be misleading to have an endless list of projects whose value remains questionable. The construction of a house for the Chief in Israel could have been a calculated move towards silencing him from raising any concern against negative mining impacts in his chieftdom. It is therefore the thrust of this study to establish a deeper understanding of the extent to which the whole of Solwezi has benefited from such projects that were embarked on by the privatized mining companies.

Styve (2013) has taken a closer look at the impact of Kansanshi on Solwezi community by visiting Kabwela community and Mushitala primary school where their houses cracked, and they lacked good access to water. Road connection was rated as one which hampered easy access to medical services. The big company had failed to compensate farmers who gave up their land for mining. While StyveandNgosa,(2010)concurred that a Jatropha project was initiated by Kansanshi for the miners, the former maintains that the scheme failed and eased much frustration for the miners and farmers involved. This shows that the company was reluctant to support the project and yet it is successfully extracting minerals worth millions of dollars every time. Such remittance is unjustifiable. The advice by Styve



(2013) is that the government of Zambia should investigate the operations of First Quantum Mine to see if it is abiding by the rules and regulations of the state.

### **2.3.2 Education (Primary)**

Kansanshi mine constructed school block in Kwabela community at a school which catered for 418 pupils from grade 1-7 taught by only four teachers as reported by Styve (2013) concurs with Mayondi (2014) that two houses were constructed to accommodate teachers and a clinic was built though its official opening was delayed for unspecified reasons. People had to continue relying on a hospital situated eight kilometres away yet there was a new clinic which was not functional. This was too little from such a big company which managed to pay 1.4 million Kwacha to the Zambian government as tax revenue after realizing huge profits between years 2008-2010 (the biggest corporate tax payer of all private and miners in Zambia). To make matters worse the clinic and teachers houses had not yet been surrendered to the state, the clinic was not operational such delays derailed progress in Solwezi.

However, there was preferential treatment by Kansanshi (divide and rule) Mayondi (2011), Mushintala Primary School was treated better than the former Kabwela. This is a very serious offence to the local livelihoods as it causes division and deprives people of equal access to education and the opportunities hence forth. Mayondi (2014:36) “ The two schools where I conducted interviews are government public schools which have dire need of infrastructure such as classroom blocks, teachers houses and latrines and have benefited from CSR projects”. One wonders, from the

above description if corporate social responsibility was considered seriously by private mining companies. Even teachers are believed to shun Solwezi schools for such poor services.

### **2.3.3 Adult Education**

Although Kansanshi gives support to adult literacy classes by providing educators with the materials they needed. This contribution was insufficient. While on interview with Mr Wisamba, (in Mayondi2013) dated 23/9/2013 tended to appreciate these contributions as positive , he seemed to be biased and far from being realistic as Solwezi community deserves more than these peace- meal support programs from a huge profit making private mining company like Kansanshi.

### **2.3.4Health Facilities**

By the year 2012, Kansanshi had finished constructing a clinic for Solwezi community but it had not yet been surrendered to the government and it was not yet operational according to Styve (2013). Such delays denied the community access to medical services yet the nearest hospital is situated 8km away in such poor, bumpy dust roads of Solwezi which are difficult to travel during the rainy season. However, Larmer (2012) concurs with Fraser (2012) that privatization of mines in Solwezi opened up tarmac roads, schools and other infrastructure where he says before there

was only bush. There is therefore justification for this study since scholars Styve(2013) and Fraser (2012) differ on the impact of privatization in terms of road construction on Solwezi.

The privatization of Solwezi mines came with negative impacts as private companies tried to minimize labour costs to maximize profits. Retrenchments, neglect of infrastructure such as health, housing education and recreation facilities were a result of a fall in copper prices as well as desire to maximize profits Mayondi(2014). However,these had the likelihood of affecting the continued increase of HIV and Aids. The mining sector relies extensively on migrant workers who contract and spread the disease faster as they return home on vacation. However, it is not possible to verify the connection between privatization and increase of HIV/AIDS cases in Solwezi because this disease was generally on the rampage even outside the mining sector.

### **2.3.5 Infrastructure**

Larmer, (2012) states that Solwezi was modernized with roads, hospitals electricity and thousands of jobs were created in the area that was once only a bush. However, he ignores the fact that these areas previously sustained overall livelihoods through subsistence agriculture. He also ignores the environmental impact of population can only lead one to suspect that there could be a hidden agenda of praising private mining companies in Solwezi to silence public discontent.

More importantly, Larmer does not outline the impact of privatization of mines; rather he generally appreciated mining in Solwezi. This shall be a gap in the study

that the researcher intends to fill in by specifically targeting impact of privatization and not mining in general of Solwezi.

#### **2.3.6 Agriculture**

Some framers gave up their land to Kansanshi for copper mining in 2011. Styve (2013) observed that this reduced food security in the area. However, the size of land surrendered and its average yield was not highlighted. This might need further clarification on whether it needed seriously impacted on Solwezi or not by making further enquiries. However, no matter the size of the land lost by farmers to Kansanshi, they deserve compensation and the delays done by the company as reported by Styve (2013), led to a negative impact on the peasant farmers. Environmental Council of Zambia (2008) outlined that there were at least 21 waste rock dumps covering 338ha, a slag dump covering 279hactres and 45 tailing dumps covering 912hactres this represents a lost opportunity for local populations in terms of organic, forestry, ranching, and other profitable yet conservative forms of land use SGAB (et al 2005). Whether this came as a result of privatization, it has to be established through further enquiry on Solwezi.

#### **2.3.7 Accommodation in Solwezi**

Some community school buildings were constructed by the communities themselves. These have developed cracks on the walls and floors due to persistent mine blasts Styve (2013). Peoples owning houses and other buildings have not been spared by these tremors. However, it has not been verified if the cracks were anything

associated with mine blasts or anything else. The above observation sharply contrasts with that of Lungu(2008) who observed that private mining companies provided orderly residential housing, food rations, hospitals, schools and recreation facilities and applauded cradle to grave' assistance given for mine workers such as infants nappies and funeral arrangements for the dead.

### **2.3.8 Corporate Social Responsibility in Privatization.**

Mayondi (2014:15) defines CSR as “companies being socially in order to increase their market share”. This is achieved by supporting the community in the area where they operate education, health; agricultural projects opening up economic opportunity for locals should thus take a centre stage. While Mayondi admits that no common definition is agreed upon for CSR, he maintains that it determines whether the company survives or not in any given business environment considering the disturbance, damage and profits that it realizes from using natural resources in a given area. This observation concurs with that by Negi (2011) that CSR is designed to ensure the fulfilment of capitals best ethical and environmental standards through charity, donations, sponsorships and ration of social and physical infrastructure in the specific localities where an organization operates.

Kansanshi and Lumwana wishes likewise have departments set up for CSR managed by social sustainability Manager. However, Negi observes that Lumwana unlike Kansanshi greater contributor to Solwezi's development. This, according to the same

scholar was achieved through discursive strategies. While it sunk a lot of boreholes, Kansanshi contribution to Solwezi does not match with the massive profits that it is realizing from the area. Negi (2011) came to the conclusion that Kansanshi was only good for the local police and no one else. This was so because he established in his studies that thefts from the mine both actual and attempted made up the highest portion of all illegal activities in Solwezi. So to stop this leakage, Kansanshi heavily funded and became good fellows to the local police.

## **2.4 Impact on the SMEs in Solwezi**

Ngombe (2013) noted that there is a boom in the small and medium enterprises in Solwezi as sales from the informal sector for example sweet shops increased due to the influx of migrants who are on the payroll. However he failed to realize that the SMEs remained small and could not grow big enough to engage into meaningful corporate social responsibility. Moreover, they are never given contracts to supply goods to the private mine companies because it was noted earlier on that most of them lacked adequate documents like company registration, tax certificate and financial capacity to meet demand. Selling non-durable goods has quick returns but very low profits and this cannot be therefore hailed as a totally positive development.

### **2.4.1 Migration and Over Population and Water Problems**

Fortune seekers came from all walks of life seeking for employment and investment opportunities in mine towns. Lindah (2012) observed that the number of people

living in the mining town of Solwezi has doubled for more than a decade. This has exerted unbearable pressure on provision of drinking water and sanitation. The quality of treated drinking water has thus deteriorated due to excessive faecal bacteria and aquatic life has not been spared due to depletion of oxygen.

#### **2.4.2 Impact of Privatization of Mines on the Environment in Solwezi**

Mining in Solwezi has changed the environment. However, what remains unclear is the actual impact of mining on the environment as a result of privatization. Fraser and Lungu (2007) concur that the environment was negatively affected in a number of ways but did not establish since when this serious impact started. Lindahl (2014) traces this impact as a legacy aged than eight decades in Zambia in the forms of air pollution, soil contamination, water pollution and siltation, geotechnical issues and land degradation, Lindahl(2014) however confirms that since 2001, extensive investments brought by privatization scaled up production to make profits on the capital invested by overlooking concern for the environment.

Air pollution through copper smelting is used to contribute 98% of the country's SO<sub>2</sub> emissions Environmental Council of Zambia (2008). This has badly affected the inhabitants in Solwezi by exposing them to toxic concentration of chemicals.

Soil contamination and metals accumulate in the soil as a result of wind borne dust particles from dry tailing dams and particle fall out from minerals. SgabandLindah (2014) concur that this has the significant hazard to human health. However, Solwezi was less affected in this aspect than Kitwe, Mufulila, Chingola and Kalulushi.

Chilabombwe and Chimbishi according to the study on soil of copper that was conducted by Czech Geological Survey in 2007, the big challenge met was the difficulty to establish the number of people directly affected by this. Water contamination, accumulation of metals vegetables, fruit and fish via contaminated water, soil or air has not been ruled out. SGAB et al (2005) and Czech Geological Survey (2008) had a common understanding that cassava, sweet potato, fish and human beings took up the metals through ingestion. However, since maize grows were less affected a recommendation given was that less potato and cassava were to be grown as they were most severely affected.

#### **2.4.3 Water and Sanitation**

There is lack of proper access to water near to the school. The company has delayed drilling a borehole for the school and community. According to Styve (2013) children and the community are using water from a shallow well which poses as health hazard in such an area where the hospital is far.

#### **2.4.4 Relocation and Land loss**

Kalumbila Minerals limited has so far obtained more than 50 000 hectares of land for open pit mines. According to First Quantum Minerals “Sentinel: Introduction” Online 2011. Whatever drove chief Musele to cede such vast lands deserves to be established, Zambia Environmental Management Agency is reported to have approved these deal Styve (2013). However controversies pertaining to dam construction led to serious debates as the project intended to displace 570 families



who were basically crop cultivators and livestock herders and bee keepers. Resettlement was dismissed by some interviewers by Styve(2013) as there was lack of preparedness in the proposed resettlement areas where there was no water and other infrastructure such as schools, clinics, roads and communication networks. Such serious land loss has the potential of causing tension in Solwezi as people blame the local leaders for selling out land. Corruption in land dealings by 1<sup>st</sup> Quantum Ltd cannot be ruled out as it failed and ignored legal procedure to obtain about 500 square kilometres for its proposed trident project Styve (ibid: 134).The major criticism of the report by Styve(2013) is that it was compiled basing on school heads perceptions especially when evaluating the impact of mining on education in Solwezi. There are high chances of bias; omissions of data cannot be ruled out too. The researcher shall therefore enquire from miners and community leaders to see if their views concur with those already given in previous studies on the impact of privatization on Solwezi.

#### **2.4.5 Government's Action on the Impact of Privatization on Mining Communities.**

Styve (2013:32) maintains that the community was negatively impacted by private mining in Solwezi because the government of Zambia had no clear policy on what private companies were expected to plough back to the community. As such 4, 000 people were targeted for relocation as 21, 000 more were likely to be affected in other aspects of the same privatization. So there was no resettlement plan for the affected people. A new town was however under construction by KML town to

accommodate over 10, 000 displaced households. This was unfair because rural cheap ways of living were to be replaced by more capitalist and expensive town life.

#### **2.4.6 The Impact of Structural Rigidities in Private Mines**

Mayondi (2014) observed that mining companies made life very tough for local people and indigenous small companies. They require full high school certificate even for unskilled labour, and tertiary education for higher jobs such a rigid is compiled with the further requirements of certificates of incorporation tax registration and other legal compliance paperwork for consideration for trade partnership. However, such is a perception from the affected local people but on a legal point of view, it is right to deal with qualified parties in business.

#### **2.4.7 Racial Discrimination**

Mayondi(2014:57) confirms that “the employees in Solwezi were still segregated in terms of race and class”. Barrick Gold had separate services for whites and for blacks. While blacks sent their children to schools for the black, the whites respectively sent theirs to more expensive and better equipped school in Solwezi.

Different medical facilities and housing are an indicator that privatization of mines was intended at subjugating the African. Further Negi (2011) concurs with the above observation and confirms that while Kansanshi built homes, pools, a gymnasium and golf course, these were for whites and the rich and this was a source of annoyance to the poor. It actually reminds the Zambians of the old days of colonialism and a mine worker was quoted (ibid:9) as saying “ this is apartheid in Kansanshi has created a new Cape Town”.

#### **2.4.8 Alteration of Traditional Way of Life**

The settlement patterns and rural way of life in Solwezi was negatively impacted on by privatization of mines in Solwezi. According to studies conducted by Mayondi (2014) contamination of water sources has affected fishing which used to provide free relish for the local people. Crop production has not fared well due to persistent pollution. The cultural lifestyle of Solwezi has changed although it remains debatable whether this was positively or negatively. People have changed from being inter-dependant to being individualistic Mayondi (2014).

Moral decadence has been reported to be on the rise as alcoholism has increased as people got paid. Furthermore, Ngombe(2013) discovered from his studies in Solwezi that free movement of people and livestock was restricted once Kansanshi got land for mining in Mushitalaby immediately enclosing the entire mine in and wire fence. He noted that the local residents lost their livelihoods particularly the fields as all these became a property of the mine for a meagre compensation of US\$200 per hectare thus K800 000 per hectare. It took ages for the promised funds to be paid out. When the desperate landless peasants sought refuge in a nearby chiefdom, they were nicknamed “Israelites” (in the biblical context).

Brown (2005) was against the idea of construction of large bill boards written. “Strictly no entry, mine areas”,these, he noted though essential for safety reasons, reminded communities of their rights lost to private mining companies. The poor

local people could no longer get indigenous poles, fibre, rafters to construct their traditional houses. Indeed, the Zambian government has failed to address issues to do with poverty and hunger. Kievan and Mittingly (2013) quoted de Soto (2000:74) who maintained that most African governments strategies failed because;

“Policy makers are like six blind men in the presence of an elephant. One grasps the animals searching trunk and thinks the elephant is a snake, another finds its tail and thinks the elephant is like a rope, another embraces its leg and concludes that the elephant is a tree. No one views the elephant in its totality and thus they cannot come up with a strategy for dealing with the way large problem at hand.”

Privatization of mines, its agenda and impact has never been comprehended better hence the need for this study with specific reference to Solwezi.

#### **2.4.9 Divide and Rule in labour Politics**

The shift from parastatal to private companies altered employment conditions from permanent to contract. According to Negi (2011) at Kasanshi mine operations were divided into three parts each under a different company under FQML thus extraction, conversion of copper into ore and production of sulphuric acid for processing. These three different sets of workers receive different wages and work under different conditions and service. The two year contractors are paid more than the permanent employees who have more job security. Negi(2011) noted “on the other hand because of their precarious contracts activists in Kansanshi mining Private Liability Company (PLC) are under not considerable pressure to temper oppositional politics”. So, miner workerswere divided and weaker in the face of united seniormine managers. He noted the 2007 mining division workers strike for better wages which

was not joined by other workers and when those in the processing plant later engaged the employer on a strike in 2008, other division did not join.

Contract based workers have not gained full time membership into the Mine Workers Union of Zambia (MUZ) and membership has severely been affected. Even at Lumwana mine, MUZ has therefore very little powers to lobby for permanent employment and better working conditions with such a divided and small membership. Moreover Lumwana mine has a divide and rule tactic of employing outsiders at a mine by neglecting the locals. This has raised tempers of the locals. And tribalism creating wider divisions that unions must bridge. A mammoth task therefore lies ahead of labour unions in Solwezi according to Negi (2011) unlike during the days of state ownership , private firms which are separately organized as corporate divisions bargaining has never been more complicated procedural and burdensome before for the miners.

Simutanyi (2008) further deplores high levels of poor working conditions in new mining companies and the increased use of contract and casual labour. This he noted has attracted the indigenization from opposition parties' civil activities and residents of the copper belt. It remained the researchers thrust to verify the validity of such opinions by zooming his study on Solwezi. Simutanyi (2008) called for the renegotiation of development agreements in order to increase minerals taxes to force private mining companies to abide by safety and environmental standards as well as labour laws. However, the researcher holds a different opinion that this will not work

but simply chase the private miners out of Zambia. What is necessary is to strictly supervise the mining activities to ensure that the companies comply. Shifting the goal posts may fail to knock sense in the heads of the private mine owners.

It seems that the mine workers have never fared well since privatization. Simutanyi (2008) cited Fraser and Lungu (2010) who agreed that privatization of Zambian mines were done in a secretive fashion although it was purported to be ‘transparent’ by the Chiluba-led government. As a result, he concluded that the Zambian government was keeping private mining companies happy at the expense of neglecting the generality of the impoverished Zambians. The observation by Ngombe (2013) that high death toll in mine accidents should not be taken seriously as another impact of mining because even before privatization, accidents used to happen in.

While they provide employment to local communities the Private Mine Companies are guilty of human capital import where even jobs that could be easily done by local people are outsourced to experts from outside Zambia. Discriminatory wage structures where same position and same type of job a local employee was paid far less than the expatriate Mayondi (2014). This is ignorance to the needs of Solwezi people might be due to genuine causes because the private companies are after profit realization such that employing locals who might not be conversant with modern technology could be costly. However, some simple mine jobs do not require the expatriates to call for expatriate labour.

### **2.5.0 Impact of Privatization on Land Ownership in Solwezi**

According to Keivan and Mattingly (2007) the opening up of Kasanshi and Lumwana mines had undeniably attracted a lot of people to Solwezi for fringe investments which has increased the demand for land and the pressure per urban has forced traditional rulers to cede customary land for private leaseholds Ngombe (2013). The pro-investment Land Act of 1995 was tailor made to stimulate private foreign investment according to Ngombe(2013). This was directed towards poverty alleviation in rural areas. In a similar interview Solwezi chiefs were caught in a dilemma of being expected to complement efforts to privatize mines, cede land to desperate land-seekers and to support governments' global agenda for economic development thus privatization. It actually challenged their political power to hold land and by forcing the chiefs to cede it and became powerless because land ownership and power go hand in glove. Lusaka Times dated 29 September (2010) some chief was replaced with a medical doctor Ngombe (2013) noted that the moment the investors converted customary land from them by acquiring title deeds from the government, some ceased to pay homage to chiefs. Instead they were now only loyal to the negatively been perceived as ground rent. The state has negatively been perceived as insincere revenue collect which does not reinvest the proceeds to locals.

Under the same pretext, deception by desperate land seekers was likely to be disrespectful as soon as land was acquired from chiefs. So chiefs became more cautious before giving out land to private investors. However, Keyvans and

Mottingly (2007) maintain that such cautiousness was caused by commercialization where value of land in the periphery of the town was too high to be carelessly given out. Scarcity and value of land often created tension between chiefs in the urban and the landlords but in most rural parts of Solwezi, excessive allegiance and submissive, obedience and respect existed between chiefs Mushitala, Munema and their subjects. So privatization brought false pretence by land seekers that matured into arrogance in peri-urban areas.

The rural communities remained the chiefs' strongholds for respect and honour. Ngombe (2013) maintains that from local chiefs between Kansanshi Mine and Solwezi Municipal Council. While the Chief grappled with the decision making, there developed enmity between him and his subjects for his failure to consult them in decision making and negotiation process. Whatever they thought, the chiefs still lost the land to the municipality or the private companies because they were poor powerless and ill-informed legal-wise.

The small landholders have reacted swiftly by privatizing their small pieces of land for fear of eviction. Ngombe (2013) notes that this has made acquisition of title deeds expanding lengthy and difficulty to small scale land owners in the peri-urban areas. Soon after cheaply selling the land to rich bourgeoisies, the poor peasants are often booted out to the outskirts of Solwezi. It is undeniable therefore that privatization of land in peri-urban areas introduces conflict between the aspirations of high and medium income earners and those of the poor residents. The poor residents are in a dilemma on whether to keep land or dispose it.



### **2.5.1 Impact of Privatization on Housing in Solwezi**

Private companies might have ignited income-generating opportunities for the residents in Solwezi as some of them rent out their houses to mine employees. Ngombe(2013) concurs in this aspect with Keivani and Mittingly (2007). The demand for housing in Solwezi was said to have developed towards a multi-tenant or house share rental scheme. However the researcher saw very little benefit out of such negative subjection to poverty because the poor share one house in large numbers yet bourgeoisies occupies spacious houses per single family. It was against such development that the research was conducted to evaluate the impact of capitalist-tailored privatization on Solwezi. The benefit of a few landlords from the torn pockets of the majority was nothing positive to marvel about but a shame to privatization and its supporters forthwith.

### **2.5.2 An Overview of the privatization in other countries**

Botswana is a small, landlocked country in sub-Saharan Africa with high population growth and a high incidence of disease. Yet it has attained one of the highest averages per capital growth rates in the world since obtaining its independence from Britain in 1966. Botswana shows that mineral wealth can be a benefit in a country that has the appropriate political development in place. Botswana has experienced by far the highest rate of growth in sub-Saharan Africa: 8.4% per year over the period 1965 to 1990 period and a still-high 6.0% in 1990 to 2005. Since its independence, Botswana has gone from being among the poorest countries in the

world to one with a greater per capita income than Turkey, Thailand, or Brazil Greener, (2000) cited by Todaro (2010).

It is important to define property rights in respect of minerals unless the state outrightly nationalizes them. The state did not own mineral rights at Independence. It is important to note that most of the minerals belonged to the whole nation, not just one part, so minerals rights be, invested in the state. It is important that most of the minerals were sited on communal land which constituted 70 percent of the land surface area (freehold and crown land had 20 percent and five percent shared respectively. This meant that tribes owned the bulk of the mineral resources (Gulbrand, 2012). With the enactment of the Mineral Rights in Tribal Territories bill into law, the government had to deal with the issue of Mineral rights that were invested in private hands like the Tati Company and Tuti Block.

Botswana had the minerals but did not have the technical knowhow and the capital to exploit them. She partnered with companies such as De Beers and Anglo American. These are two diametrically opposed forces, each with a self-interested motive to reap maximum benefits from the mining deal. While the host country wants to maximize returns on the exploitation of minerals, the multinational companies want to minimize what they should pay. The government established robust approaches to negotiating mining agreements. A Ministerial Policy Committee (MPC) consisting of four officials being permanent secretaries in the Ministry of Finance and Development Planning and minerals, a senior official from the office of the President

and the Attorney General was formed. In order to enhance operational effectiveness, the MPC co-opted technical experts in various sectors such as Mining, water, geology, finance and law (Masire, 2006)

In the ultimate, the Mines Minister, with advice from the MPC set overall objectives and negotiating strategies which were presented to the cabinet for approval. Once approved, the strategy was auctioned by Civil Servants in the MPC. It is deducible from the foregoing that the politicians set the strategy and civil servants were tasked with implementing it. The process ensured transparency because the cabinet and permanent secretaries were involved.

The government also established an institutional framework through the Mines Ministry. The Ministry had two departments: Mines and Geological surveys. The overall objectives of the department of mines are to establish and maintain an effective organization to administer mineral exploitation. Legislation has to enhance social – economic, financial and other benefits to Botswana arising from the exploitation of Mineral resources (Republic of Botswana, 2011). With respect to mineral policies the departments assist in developing a sound national policy on mineral development and operation. The role of the Department of Geological survey is to gather, collate, assess and disseminate all information related to the rocks, minerals and ground water resources of the country. The department also provides advice on an adhoc basis to the Public Private Sector on all issues relating to earth Science. It also administers those sections of the mines and Mineral Act Chapter 66:001 that relate to mineral exploration (Republic of Botswana 2011 b)

Moreover; before mining started on a big scale the government established a legal institutional framework. The ground work had already been laid. With the framework in place, Botswana mined the minerals and receipts from the sales of minerals transformed a very poor Botswana at independence in 1966 into a middle Income country in 1992. All credit goes to the diamonds; they provided the bulk of the revenues that were re-invested in the economy. Brook (2013:1) says Botswana made diamonds and diamonds made Botswana. Unlike the situation in Solwezi, the Zambian government did not put up clear policy hence making the local communities vulnerable to the companies' owners.

In Turkey, major legal structuring of privatization was put into effect in 1990 that dissolved Mass Housing and Public Participation Administration; and established Public Participation Administration to control all privatization-related issues. On November 24, 1994, Privatization Law No. 4046 went into effect in which the privatization high council, the privatization Administration and the Privatization Fund were established and the Public Participation Administration was dissolved (Turk EkonomiBankasi 1995). This law is the most encompassing one that it regulates privatization of public banks and public services. Moreover, a fund was established known as Privatization Fund in a state-owned bank to accumulate all privatizations revenues in the same account. Similarly all privatization related expenses were covered by this fund. Furthermore, regulation for foreign investors was established in which it is stated that asset sales to foreign investor should follow

the mutuality principle. This is what could have happened in Zambia during the privatization of mining in Solwezi.

Chile has historical complex reasons which pioneered the privatization movement, is well positioned economically and socially for successful long-term growth. It has a strong market-based economy in which government competently plays an active but targeted role in the areas in which it is most needed.

The privatization program in Chile has been the most far-reaching in the developing world. It is an integral part of a major socio-economic and political transformation that began with the 1973 military coup that brought the Pinochet dictatorship to power. Chile has changed from an economy with pervasive government intervention in the early 1970s to one of the most open and most market-oriented economies of Latin America. Every market (except the labour market) was largely freed from government control. Over an 18 year period, some 550 firms employing 5% of the country's workforce were privatized. (Foxley, A. 1983 cited by Todaro 2010).

Many banks that had been privatized in the preceding years had to be renationalized in the 1982 financial crash. In privatization itself, subsidies were offered to the private sector through the sale of assets at little more than half their real value. Fishing companies were privatized in the 1970s, but an extensive government role remained, including export-market development, technical assistance, and ecosystem regulation. Agriculture is the sector in which the lion's share of new non-traditional exports was realized, especially in fruits. There the government has played an active

role in assisting potential export sectors, providing infrastructure, and developing markets, supporting research, and providing extension services to help realize higher productivity.

This represented a modest but successful sector policy and played an important part in the favourable growth performance since the late 1980s. However, it remained unclear if policies for exports of fruits and other specialty farm and forest products centring on large farms (latifundios and agribusiness) provided a sufficient development strategy for the longer term. Most farms were very small, and most seem to have benefited little, though it is interesting that in the sugar beet sector, agribusiness have found it in their interest to provide small farmers with a secure market and a source of credit and technical assistance (Kandilov, (2005), cited by Todaro(2010).

Privatization in Chile proceeded over several overlapping stages. In 1974 and 1975, some 360 firms that had been nationalized in the early 1970s were returned to their previous owners; most of the rest of these were privatized by 1978. This was far easier to carry out than the privatizations of long term SOEs. Of the 110 enterprises divested between 1975 and 1983, large shares were SOEs founded in the early 1970s. Many others were existing private companies in which that government had bought shares. From 1978 to 1981, privatization of social services took place; the government officially continued to provide social services only for the poorest groups and focused on subsidizing demand rather than supply. By 1981, public enterprises represented 24% of GDP down from 39% in 1973.

Chile experienced rapid growth in the period 1976 to 1981, following three years of severe recession. But this expansion had the earmarks of a speculative bubble, including wild stock speculation. After the bubble burst in 1982, stocks crashed (falling 36% in 1982 and an additional 33% in 1983); there was a huge wave of bankruptcies, including one-fifth of all manufacturing companies employing 50 workers or more; and unemployment reached 24%.

Between 1983 and 1986, many enterprises “rescued” (nationalized) by Pinochet in in Todaro (2010). The 1982 to 1983 financial crash left no more option for Chile privatization. Eight of the 15 largest corporations in Chile were privatized in the 1980s. The renewed growth of the late 1980s had a qualitatively different character, owing to more judicious regulation of the financial system and macroeconomic management. Since 1986, at least 30 large industrial enterprises that had been in state hands for a longer time were privatized, two examples being an electricity-generating company and a railway company in 1996.

Privatization from the mid-1980s on was achieved through public auction, negotiation, sales to pension funds, ‘popular capitalism’ (to small investors), and ‘labour capitalism’ (to employees). Sales of the latter two types represented about 20% of privatization. Under labour capitalism, workers could acquire a percentage of shares in their own company up to the value of 50% of workers’ pension fund that could be received in advance for this purpose. Retirement funds could be used as collateral for below-market government loans to buy additional shares. At

retirement, workers could elect to trade these shares back for the value of their pension fund, so this gave the workers an essentially riskless investment. About 21,000 workers, 35% of those illegible, took part; other shares purchased by groups of workers were organized as investment societies. Between 1985 and 1990, a total of fifteen SOEs were sold using some employee ownership, including three that became 100% employee-owned. Three others became 44%, 33%, and 31% employee-owned, respectively, and the remaining nine had an average of about 12% employee ownership. These privatizations have been remarkably successful; not only have productivity and share values risen substantially, but employment has risen too. It remains to be seen whether significant employee ownership continued in these firms into the future or if workers will resell their shares and ownership will become more concentrated among outsider investors.

Indicators are conflicting, and Chile's wild swings of expansion and contraction make an assessment of long-term trends difficult. But it would appear that Chile today is in an excellent position to move toward maturity. The country first placed a strong emphasis on education and human development in the 1920s; superior conditions of basic education and health survived the dictatorship period, and Chile is enjoying the fruits of this long-term program today. Despite some errors of excess, for which a price was paid in the form of the financial crash, many of the modern market institutions that are the foundation of a developed economy have been successfully created. It is hoped that other countries can follow the constructive features of its example within the democratic process, with protection of human rights. The democratic government is wisely giving greater attention to concerns for



equity, reversing the cutbacks in social spending of the Pinochet regime by expanding programs in education, basic health care, nutrition, housing, water and sewage. Tax reform raised \$1 billion for social projects and increased pay for school teachers. The government is also expanding public investment in other vital infrastructure such as roads, ports, and irrigation systems. The country has travelled a rocky road, but today the outlook for Chile's extensively privatized economy, supported where needed by a constructive government role, is very bright indeed. (Gindling, 2001). From these examples Chile has shown a remarkable successful privatization programme in the world. From this Zambia can learn a lesson from its impact of privatization of the resources.

### **Summary**

In the reviewed literature, it was evident that the impact of privatization on Solwezi was two-fold, thus negative and positive. Privatization in the mining sector affected education, health, land politics, labour and the environment amongst other dependant variables. However, the studies by other scholars used different research methodologies and instrument which shall not be repeated in this study. Available sources on the issue under study were current but they were not written in specific reference to Solwezi, it therefore remained the researcher's desire to fill in this gap of knowledge.

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.0 Introduction**

This chapter includes the review of the research methods and design appropriateness, a discussion on instruments to be used, population, and the population sample, data collection methods. A glimpse of how data will be presented and analysed by the researcher shall be given.

#### **3.1 Research Design**

A descriptive survey research was used in this study to understand the perceptions of Solwezi community members on how privatization of mines affected Solwezi. This is a highly suitable choice since the affected people can be in a better position to explain their experiences than making use of observations whose findings might be misinterpreted. A descriptive survey measures attitudes, opinions or achievements, any number of variables in natural settings. In this particular case, opinions of the Solwezi community over the impact of privatization of mines were of interest in this study.

This research is descriptive as respondents are expected to describe the various ways in which privatization of Solwezi mines have impacted on the environment, political, social and economic livelihoods of the people in their area. However, for it to be successful, Tshuma and Mafa (2013), maintain that researchers using descriptive survey should try to be as objective as possible to understand the reality as it is

without interfering much with the subjects. The researchers was personally detached from those being studied through using objective instruments such as questionnaires and interview guides to collect data. Wegner (2001) also maintains that a survey essentially involves drawing a sample of the respondents, designing a questionnaire. Furthermore, the survey approach enables the researcher to collect primary data from the subjects directly, hence making the research more authentic. Moreover, it is faster than a longitudinal study and more suitable to the situation.

### **3.2 Population and Sample**

A population is any group of individuals that have one or more characteristics in common that are of interest to the researcher. Most affected area, so the population was relatively small and manageable. The population of Solwezi comprised of 239,051 people according to the 2010 census from the Zambian central statistics. The study targeted of 58 respondents from the three mining areas with the total population of 64, 731 people. The researcher concentrated on the central parts as well as the outskirts of the three mines for a balanced view from both mine workers and the affected communities. The sample was thus derived from company management, local leaders, mine workers, peasant farmers, the youth, nurses, councillor, local teachers, vendors, and local business people as indicated on the table above. These people were picked because they are the most impacted by mining companies.

According to Panneerselvan (2005) a sampling method is a mechanism by which the sampling units of a study are selected from the sampling frame of the population.

**Table 1: Population Sample**

<b>Name of Mine</b>	<b>Description of Population</b>	<b>Actual sample size</b>	<b>Sampling Technique</b>
Lumwana	Mine workers	5	} Conv. Sampl
	Peasant farmers	3	
	The youth	3	
	Nurses	2	
	Teachers	2	
	Vendors	2	
	Business people	1	} Purposive sampling
	Traditional leader	1	
	Local councillor (leader)	1	
	Mine Manager	1	
		<b><u>21</u></b>	
Kasanshi and Kalumbila	Mine workers	5	} Conv. Sampl
	Peasant farmers	5	
	The youth	5	
	Nurses	4	
	Teachers	4	
	Vendors	6	
	Business people	6	} Purposive sampling
	Mine Manager	1	
	Town Clerk (local leader)	1	
		<b><u>37</u></b>	
<b>Total</b>		<b>58</b>	

The researcher used stratified simple sampling for identifying organisations such as mines, schools, clinics and persons such as vendors, business people and the youth. However, convenience sampling was applied upon when the researcher reached the targeted group one after another. This helped to ensure that many different opinions were captured for a balanced view of the impact of privatization to the identified different groups. Respondents for the questionnaires were purposely and conveniently selected so that each population element had an equal and independent chance of being selected.

Through purposive sampling, local leadership and company representatives were identified for a few interviews by the researcher in order to limit chances of bias. Convenient sampling was used to select the respondents for the questionnaire. This is why the researcher first asked the respondents if they were residents of Solwezi before he collected data from them.

According to Panneerselvan (2005) a sampling method is a mechanism by which the sampling units of a study are selected from the sampling frame of the population. The researcher will use simple random sampling for identifying respondents for the questionnaires so that each population element will have an equal and independent chance of being selected. Through, purposive sampling, local leadership and company representatives were identified for a few interviews by the researcher in order to limit chances of bias. Convenient sampling was used to select the respondents for the questionnaire.

### **3.3 Sampling Techniques**

Two non-probability sampling techniques were used thus convenient sampling and purposive sampling. Tsuma and Mafa (2013) maintain that convenient sampling is also known as ‘accidental sampling’ or ‘man in the street interview’ this entails use of volunteer respondents it was applied in selecting local people by the researcher. Purposive sampling was also used to collect data from local leaders, councillors and mine managers as they were considered to be very much informed by the virtue of their positions. Purposive sampling is also known as judgmental sampling mainly chosen because it offers deeper knowledge from targeted experts or leaders in the population under study. According to Maree and Patton (2007), it is used so that individuals are selected because of some defining characteristics that make them holders of specific data or ‘information-rich cases’ which might be crucial for the study.

The researcher therefore asked the respondents if they were residents of Solwezi before the administration of the questionnaire to avoid soliciting data from the wrong people. It reduced travelling costs, compensated for the shortfalls of convenient sampling while it was expected to produce deeper insight from these targeted experts. However, its major disadvantages were that there was little control over who was selected within a given category and there is no guarantee that those selected truly representative of the entire population.

### **3.4 Research Instruments**

These are written instruments to collect data from the respondents' perceptions on the given phenomenon under study through question probing. In this case open-ended questions were used to gather as much data as possible. Questionnaires were to collect first-hand information from the respondent and are distributed to many people at the same time. Interviews were also used. Oetay (2005) defined interviews as purposeful conversations in which one asks prepared questions and the participants' responded. The research protocol was used to guide and interview which consisted of the research questions on the topic. The interviewer personally directed the questions to the respondent and the interviewees who then responded to them. These instruments helped the researcher to probe further depending on the experiences and the initial responses of the interviewee. Information was recorded by the researcher to avoid costs of hiring interviewers and for the purposes of accuracy and consistency.

### **3.5 Data Collection Procedure**

Kombo and Tromp (2010) define data collection as the gathering of information to serve or prove some facts. Delno (2009) states that it refers to the gathering of specific information aimed at proving or refuting some facts. In data collection the researcher shall personally administer the research instruments to the respondents in the area of Solwezi. Data collection was conducted in between 15 to 30 March 2015. Rate of return for Questionnaires that were administered was satisfactory as it was 87%. The following table shows this rate of return.

**Table 2: Rate of return of the questionnaires**

<b>Targeted Respondents</b>	<b>Actual Number</b>	<b>Percentage Rate of Return</b>
Respondents  For Questionnaires	47 out of 54	87
Respondents for Interviews	4 out of 4	100
<b>Total</b>	<b>58</b>	<b>93.5</b>

With such high rate of return, the researcher therefore continued to analyse the data that was gathered.

### **3.6 Testing for Validity and Reliability of the Research Instruments**

The research instruments were forwarded to the project supervisor for corrections by the expert before they were administered. Validity and reliability were mainly by the expert before they were administered. Validity and reliability was mainly guaranteed through triangulation where there complementary use of two data gathering instruments together with the analysis of documents. This was done for each unique method to cover up for the shortfalls of another.



A Pilot study was conducted as a test-retest exercise in order to test whether the questionnaires were concise. This was conducted between 8 and 11 March 2015. This was done to avoid repetition of responses from the same respondents. To achieve this, an assistant researcher was used. Data that was gathered was almost similar which means that the research instruments used were reliable. Kabwe mine was used because it was also a privatised mining area. It involved twenty people who shared the same characteristics as those that were eventually studied in Solwezi.

### **3.7 Ethical Considerations**

The maintained confidentiality at all time by keeping maintaining anonymity of the respondents and keeping the data gathering instruments safe. Only people conducting the survey experiment will know the identity of the participants. The researcher obtained informed consent from all subjects used in the study and ensured that subjects participated voluntarily. The researcher was open and honest in dealing with other researchers and research subjects.

### **3.8 Procedure for Data Analysis**

Document analysis was done and the data was gathered from the CSO, ZCM, ZRA and the Ministry of Mines in Zambia. The researcher received documents and booklets that he used to analyse present facts. According to Best and Khan (1993) the following sources could be used: records, reports printed forms, letters and

bulletins in order to explain the status of some phenomenon at a particular time or its development over a period of time. Kombo (2010) maintains that this refers to examining what has been collected in a survey or experiment and making deductions and inferences. It involves uncovering underlying structures, extracting important variables detecting any anomalies and testing underlying assumptions. Both qualitative and quantitative data analysis was done for thorough scrutinization of gathered facts.

The data collected was presented in tabular form and this essence of data display was supported by Best and Khan (ibid) who postulated that displaying data in rows and columns according to some logical plan or classification was crucial for the researcher to easily see the similarities relationships and differences for analysis and conclusions to be made.

**Table 3: Data analysis procedures**

<b>Stage 1</b> <b>Gathering data</b>	<b>Stage 2</b> <b>Classifying Data</b>	<b>Stage 3</b> <b>Describing the Classified data</b>	<b>Stage 4</b> <b>Analysing the Classified data</b>
Activity:-  (i) administering questionnaires  (ii) conducting interviews  (iii) storing the data	Activity: -  (i) reading  (ii) coding and annotating  (iii) linking the data	Activity:-  (i) Describing the data  (ii) Drawing a picture	Activity:-  (i) Analysis (ii) Comment (iii) Exercise of academic freedom in evaluating

The diagram above is a table showing the procedure for data analysis that was adopted by the researcher from Dey (2013). However, unlike the original one; this four-stage process also involved the use of the computer in filing and saving data.

### **3.9 Section A: Personal Details of the Respondents to the Questionnaire**

Out of the fifty-four questionnaires administered to the local people of Solwezi, forty-seven, thus (87%) were returned which is a satisfactory rate of return. The socio-demographic data revealed a perfect balance between male and female respondents because the researcher was gender sensitive in distributing the

questionnaires. The former were twenty-four in total while the later were twenty three. So, there was gender balance which means that women were equally given an opportunity to air out their views in as far as the topic under discussion is concerned.

The following table shows the distribution of the respondents in terms of age. Most of the respondents were above the age of thirty whilst the 16-20 age group had the least number of respondents.

**Table 4: Respondents Ages**

<b>Age Group in Years</b>	<b>Number of Respondents</b>
16-20	3
21-25	7
26-30	4
31-35	8
36+	25
<b>Total</b>	<b>47</b>

The information above shows that the majority of the respondents are above the age of thirty, it is therefore believed that their judgments and responses were mature. However, this was not a guarantee. The fact that all age groups were represented in

this sample means that the study was all-inclusive and therefore fair. If the sample's responses are anything to go by, they are from a rich background of all age groups and both genders.

The respondent miners were highly literate as more than half of the respondents had degrees in various fields of specializations. Eleven of them had Masters' degrees. Only four of the total number of respondents had either O' Level or Certificates as their highest qualifications. It was a good sample for the study because the researcher wanted answers from well-informed people who could express themselves clearly and not just uneducated village folks. The companies were very strict on selecting highly qualified personnel to work in mines. The rest were either degree or diploma holders. This perfectly matches with the revelation that fourteen of the whole sample were within the age group of 16-30, they were still young but in the process of acquiring higher qualifications. The older counterparts who were the majority had higher qualifications. So much the data from this study is from mature academics (the critical mass), it was well thought, analysed and logically presented, hence use of the questionnaire.

Female respondents were equally qualified just as their male counter-parts. This again evidence of gender equality which has given women power to speak for themselves even in studies such as this one which investigates privatisation in the mining sector which used to be a male-dominated field of operation. The information from table 1.5 shows that the majority of the respondents are above the age of thirty, it is therefore believed that their judgements and responses were

mature because of their vast experience in life in as far as privatisation in the mining industry was concerned.

However, the fact that all age groups were represented in this sample means that the study was all-inclusive and therefore fair. If the sample's responses were anything to go by, it was from a rich background of all age groups where there was gender balance.

The community in Solwezi is highly literate as more than half of the respondents had degrees in various fields of specializations. Eleven of the respondents had Masters' degrees. Only four of the total number of respondents had either O' Level or Certificates as their highest qualifications. The rest were either degree or diploma holders. This perfectly matches with the revelation that fourteen of the whole sample were within the age group of 16-30, they were still young but in the process of acquiring higher qualifications. The older counterparts who were the majority had higher qualifications. So much the data from this study is from mature academics (the critical mass), it was well thought, analysed and logically presented, hence use of the questionnaire was justified because the researcher was dealing with highly literate respondents who could read and interpret the research instrument alone. Their contributions to this study can therefore not be taken lightly but seriously. The table below is a simplified version of the distribution of the respondents according to their levels of education.

**Table 5: Education qualification**

<b>Educational Level</b>	<b>Number of Respondents</b>	<b>Males</b>	<b>Females</b>
O' Level	2	2	0
Certificate	2	2	0
Diploma	6	3	3
Degree	26	11	14
Post Graduate	11	5	6
<b>Total</b>	<b>47</b>	<b>24</b>	<b>23</b>

It is evident from the table above that one of the respondents did not indicate his level of education but this shall not greatly affect the findings of this study. Female respondents were equally qualified just as their male counter-parts. This again evidence of gender equality which has given women power to speak for themselves even in studies such as this one which investigates privatisation in the mining sector which used to be a male-dominated field of operation.

In this research item, the researcher intended to find out the level of understanding of the respondents when it came to the definition of the term 'Privatisation' before asking them how it has impacted the mining area of Solwezi. This was deliberately done to establish if the term privatization was correctly defined and understood before one's responses would be entertained. The majority of the respondents (39), maintained that this term denoted to either selling or transfer of government owned industries or businesses to private companies or individuals. This revealed

that the respondents were highly acquainted with the correct definition of the term 'Privatisation'. Such correct definitions were expected from this highly literate sample. With these correct definitions, it gave the researcher the confidence that the sample had the required information on the impact of privatization in Solwezi because they knew the meaning of privatization in general. However, very few respondents did not give the exact definition although they had a rough idea what privatisation was. Some maintained that it was;

- Selling of government industries to foreigners.
- Selling of companies to foreign investors for creating room for efficiency.
- Selling of state-owned property to individual groups.
- Benefit of doubt shall be given to such responses as they were not far from correct. Rather, they had some elements of privatisation attached to them.

### **Summary**

The researcher looked at the research methods, research design, research instruments, population and population sample, sampling procedures, data collection, data analysis and presentation. He also evaluated the strengths and weaknesses of the methods and most importantly making sure they were limited from bias, hence the adoption of triangulation. However, the challenges met and the solutions to them were highlighted in Chapter One in section 1.8.



## **CHAPTER FOUR**

### **DATA PRESENTATION, INTERPRETATION AND ANALYSIS**

#### **4.0 Introduction**

In this chapter, the impact of the mining companies and their activities in Solwezi is hereby provided from the data that was gathered from the local leaders and representatives of three mining companies, thus Kansanshi, Kalumbila and Lumwana. The findings from the study that was conducted are presented. The data which was gathered through interviews and questionnaires to local leaders, company representatives and miners was interpreted and critically analysed so as to derive meaning from it.

#### **4.1 Finding through Documents analysis, interviews and questionnaires**

##### **4.1.1 A brief background of Solwezi before Privatization**

Before privatizations of the mines, the ZCCM was responsible for the running of Zambian copper mines. The state mining conglomerate was loss-making despite receiving large subsidies from the Zambian government. During the reign of President Kaunda, ZCCM was directed to provide social services which the government had failed to provide on a large scale. The ZCCM struggled to comply with this directive especially when the economy was in crisis. As such, the provision of social services suffered badly. According to Simutanyi (2005) ZCCM crumbled because it paid salaries for some political appointees, purchased motor vehicles for the government and was providing free air transport to senior members of the

Kaunda regime, the unprofitable mines and shafts were therefore shut down at Kansanshi, Ndola, Mufulira and Luanshya. However, Lumwana mine was not yet in existence. The later started operating after the MMD government came into power. It passed laws to encourage private sector development, including the Investment Act and the Mines and Minerals Act of 1995. Simutanyi (2008) noted that this Zambian government spent one million American dollars per day on subsidizing loss-making entities. It has not however been established how long this anomaly continued unabated. From the above data, it is evident that the mining industry was nearing total paralysis. The Zambian government had failed, and this contributed to the downfall of the UNIP government. One can conclude therefore that failure to manage key national resources can result in loss of power by political figures.

## **4.2 Community benefits after privatization**

### **a) Employment**

According to the gathered data from a report by the Zambia Chamber of Mines (2014) companies, Lumwana and Kansanshi are leading employers in Solwezi district, each of them employing more than five thousand workers. However, most of these employees were casual workers which meant that they had no job security at all. Their power to advocate for the improvement of their working conditions was limited henceforth as they could be dismissed any time. Negi (2011) was right to note that these were deliberate divide and rule tactics by the private mine companies to thwart labour unionism.

**b) Accommodation**

Instead of implementation, Lumwana has been good at developing housing schemes.

Scheme A entails that employees shall be housed in Solwezi and commute daily to and from Lumwana site. Scheme B is for senior managers and maintenance crew are accommodated at the site. Scheme C is for the single mine workers who are to be accommodated at the mine site. The ZCM (2014) is constructing a mini town with 10 000 housing units and shopping complexes as the company wants to attract investors to a multi facility investment zone. The completion of these projects will enable the company improve housing situation for the workers. However, the landlords who were taking unfair advantage of the current situation in Solwezi will suffer. There were poor standards of living, sanitation, ventilation and such over population has the danger of harbouring criminal elements.

**c) Education**

The Zambia Chamber of Mines report (2014) had it that by 2013 Kansanshi mine was sponsoring 33 employees for further studies in a variety of disciplines ranging from diplomas in specific technical areas to graduate and postgraduate qualifications. The majority study at Zambia institutions but others study abroad. However, the respondents indicated that some few classroom blocks schools were constructed by Kansanshi mine and Kalumbila to accommodate high enrolment of students. This confirmed as correct the observations by Mayondi (2014) and Styve (2013) that very little investment was done on education by the private mine companies. However, it was sad to note that a two tier education system was in place for the rich and the poor which reminded the people of the colonial days. Even the quality of education was varied for the rich and the poor, who confirmed as correct the observations by

Mayondi (2013) and Negi (2011) that privatization promoted racial discrimination. This has led the researcher to conclude that privatization in mines has not been meant for the benefit of the poor people, but the elite.

#### **4.3 Impact of Privatization of mines on the social ways of life in Solwezi**

The social organization of the community of Solwezi has been seriously affected by privatization in mining. Whilst foreign expatriates bring technical knowledge, they have been reported to be at the fore-front of peddling cultural erosion and moral decadence through their dress, loose morals and speech as noted from the responses given by people who responded to the questionnaires. On the other side, inadequate housing has forced some mine workers to live as squatters, overcrowded in one room. While this is unhealthy, it is culturally unacceptable for example to have a family sleeping in one room.

The cost of accommodation has gone soaring and this has generally led to high costs of living. The influx of people from all over Zambia and beyond the borders of Zambia has led to cultural erosion too. Some people have neglected their families for good leading to family breakages. Prostitution has been on the rise, in this advent of HIV and AIDS pandemic. Some commercial sex workers have migrated from as far as Chingola in the Copper belt and these spread the diseases and family break-ups. Early marriages, unwanted pregnancies, alcoholism, high rates of school drop-outs are a major source of concern that has to be addressed with immediate effect. Under such a sad development, one can conclude that there has not been sincerity on the

part of the people who initiated privatization and the government which implemented it. Had there been sincerity, measures could have been taken to find solution to these adverse developments.

#### **4.4 Opinions from the Mining Companies' Management**

There were four interviews that were held by the researcher. Two were for the local leadership in Solwezi whilst the other two were for the representatives of the two private mining companies in the same area. These interviews produced almost similar opinions which were however in sharp contrast to some data on the questionnaires. These were basically in support of the privatization of mines, probably because they had direct interests in these investments.

The interviews revealed that Lumwana mine (100% owned by Barrick Gold from Canada).It started its operations in 2006 while Kansanshi, jointly owned by 1<sup>st</sup>Quantum (80%) and Zambia Copper Consolidated Investment Holdings (20%) had already started a year earlier. At present, both companies maintained that they were employing around five thousand employees each. So, the respondents to the questionnaire were not wrong to highlight the need for higher employment levels. The interviewees concurred that there was little and at times no production at all before the privatisation of Lumwana and Kasanshi mines. The local leaders added on that they had witnessed huge positive changes after privatisation of the two mines such as;

Huge capital investments in mining in Solwezi at both mines, employment creation, infrastructural development such as schools, clinics and roads, and social service provision and sponsorship for example sport and recreation as well as participation in traditional ceremonies.

Economic benefits have come with privatization of mines as gathered from document analysis. The ZCM (2014) has it that Lumwana, Kasanshi and Kalumbila are the backbone of the Zambian mining industry as shown by the statistics given on the following table.

Lumwana and Kansanshi are amongst the world's largest copper producing mines as cited by the World Mining Report (2013). The two mining companies are said to have attributed this to huge capital investment in the mines and the use of new technology. However, despite these huge copper production levels, Zambia remains one of the poorest countries in the world, and Solwezi is not an exception as shown by in the following table that was obtained from the Central Statistical Office.

It has to be noted that Solwezi area in the North Western Province has the highest rates of poverty in Zambia. It has been the discovery of the researcher that the private mining companies paid their royalties to the state but these were of little benefit to Solwezi. One can conclude from this that some money was channelled for other uses which remain unknown to the public.

There is agreement between data gathered through document analysis and the company opinions. While company managers seem to paint a positive picture of their

contribution to Solwezi, facts from ZCM, CSO and ZRA portray a positive development in the Zambian mining industry. However the information differed when it came to impact on the social livelihoods of Zambians. While company representatives sang praises to their contributions, the IMF report revealed increasing serious level of poverty in Zambia. The question relating to the destiny of the copper profits remains a subject of debate.

#### **4.5 Peoples' Opinion of the Welfare after Privatisation of the mines in Solwezi**

Analysis of the data from the study has revealed that private companies were making peace-meal infrastructural development programmes in Solwezi. Common examples given were road, and schools construction, employment creation and recreation facilities. Some respondents remarked that such developments were outweighed by the levels of profits that were realised by these mining companies. The developments realised could not be equated to the profiteering, under-cover dealings, externalization of wealth and the environmental damage that was caused to Solwezi, let alone the social costs. So, one can safely conclude from simple cost-benefit analysis that private mining companies are doing more good to themselves and injustice to the Solwezi community and environment. It is no wonder why earlier on, some definitions of privatisation misconstrued it to the transfer of government industries to foreigners. Some respondents went on to highlight abuse and negligence amongst other demerits of privatisation of mines in Solwezi to foreign companies.

So, the people of Solwezi are getting little benefits from the mining proceeds in their area. Some Zambians have actually attributed the depreciation of the Zambian Kwacha to some unspecified dirty-dealings of the foreign mining companies in Solwezi. However, there are various factors that affect the buying power of the Zambian currency, ranging from political, economic and social factors. Examples are corruption, global decline in mineral prices at the world market, labour related issues, government policy famine and other issues. While some respondents portrayed discontent over the biting effect of technology as leading to retrenchment, it is a necessary evil. Companies thrive in technologically driven competitions, they try to save on production costs to realise more profits by importing technological equipment's to this effect. Even the government does the same, so in this instance; the private mining companies do not deliberately retrench but are forced to do so by market forces.

It is a fact that one reason for privatisation is to reduce government expenditure (labour costs included). To avoid the same costs, private mining companies are not to blame for resorting to modern technology or else their mining activities will become unprofitable.

On the social impact of privatisation, the respondents highlighted high crime rate, prostitution, family breakages, over crowdedness, over population and other social problems as the outcomes of privatisation of mines. However, these problems are not recent ones as they existed even before privatisation. What could be of significance, however, is the prevalence which is still not attributed to privatisation alone but a



multiple of factors. The government is equally to blame for failing to operate the mines in the first place, let alone supervise them under private ownership.

Majority of the respondents therefore concurred that privatization has brought little benefits like job creation and infrastructural development, than the problems it has created to Solwezi. However, the respondents went on to disagree on perceptions pertaining to what they regarded as ‘benefits’. Some infrastructure development such as roads and communication networks became beneficial to the community only as a latent and not the manifest function. They were meant to enhance siphoning of minerals for the capitalist rather than to serve the poor villagers of Solwezi. An audit by the Zambian government on the profits of the private mining companies could help to give a clear picture of whether privatisation was beneficial or not in the mining sector.

#### **4.6 Benefit of Mining to the People of Solwezi**

Infrastructural development has topped the list of the benefits brought by mining to Solwezi. Schools, clinics, roads, recreation facilities, shops and business opportunities for the local people were highlighted as some major benefits of mining to the people of Solwezi. Some respondents indicated that families got their incomes from working in the mines. These are tremendous benefits especially before one is shown the robust profits that are realised by the mining companies. Some respondents disagreed that private mining companies had not been of much benefit to

Solwezi considering the environmental degradation it has caused for example deforestation, soil erosion and pollution of all sorts.

## **7 How Zambia benefited from mining in Solwezi**

There were two alternative responses to this question, either ‘yes’ or ‘no’ and a brief explanation in support of one’s opinion. The majority of the respondents indicated that Zambia was not benefiting much from the mining activities done by private companies in Solwezi. Many respondents in support of this perspective precisely maintained that the majority of Zambians are jobless and living below the poverty datum line even if they were employed.

Externalisation of funds, high inflation and unfair business practices by foreign expatriates were highlighted as rife in Solwezi. However, typical of highly learned people, the respondents also highlighted some benefits of mining in Solwezi. In so doing, the respondents were very objective. However, statements such as somehow, to a less extent, averagely, slightly and narrowly dominated such answers. This leaves no doubt that while the respondents were confident and precise on the negatives of privatisation in mining, they were less confident in highlighting some merits of privatisation. It is thus crystal clear that privatisation of mines in Solwezi brought more demerits than merits to Zambia at large. The following table reflects the common responses to this third question under discussion

If it decision was to be passed based on public opinion, privatisation would be reversed basing on the statistics highlighted above. In terms of poverty eradication, eleven respondents revealed that privatisation had failed. This information is in consistence with what the respondents highlighted earlier on, that the private companies were extracting more resources from Solwezi than they were ploughing back to the communities. While infrastructural development was not frequently discussed under this section, it is a signal that there was no big deal of mentioning it since there was little on the ground worth pointing at as mile storm achievement in infrastructure in Solwezi.

In corporate social responsibilities where Zambia is believed to be benefiting, it has to be noted that this is a strategic way for tax exemption by the private companies. Without emphasis on the nature of jobs given for the local people, it might be correct to conclude that Zambia is benefiting a lot from employment in the privatised mining sector. However, most respondents acknowledged that white collar jobs were reserved for expatriates and whites while the blacks were given blue collar jobs if they were lucky.

On mine-related imports such as technology, technical know-how and equipment it seems as if Zambia is benefitting but it is to a less extent. More imports are actually costly to the balance of trade between Zambia and her trading partners if uncontrolled. Some respondents indicated that the government of Zambia was benefiting from tax royalties which might be correct. However judging from the dissatisfaction of the majority of the same respondents over meagre infrastructural

developments in Solwezi, it could indicate two possibilities. Either the government is diverting royalties collected from Solwezi for other uses or the royalties were too little for the development that is needed to benefit the Zambians.

#### **4.8 Experience of People Coming to do Business**

In formulating this research question, the researcher intended to solicit data from the respondents' personal experience and judgement pertaining to what they had witnessed over the years in as far as investment opportunities in line with privatisation of mining were concerned. Judging from the responses given, it is undeniable that many businesses were opened in Solwezi although this is not substantiated by reliable statistics. However, the respondents highlighted that most of the businesses were small to medium scale by outsiders who often exploited the local people by charging exorbitant prices for their commodities. Rather than creating perfect competition, this has made life very difficult for the majority of Zambians who can therefore not afford many basic commodities. The following table shows the nature of responses given by the respondents to this question under discussion.

The types of businesses for blacks are basically informal and low income-generating ones. Some of them are not registered, and illegal such as the retail of liquor. As such, they bring temporary benefits to the local people yet causing immense health risks. It is evident therefore that Zambia has derived very little benefit from privatisation in the mining sector as the highly experienced respondents have indicated on table 1.3. The privileged classes in the society of Solwezi were

benefiting more out of the suffering of the majority (the poor). The poor have been left with the options to engage into illegal cheap business such as commercial sex-work, drug dealing, theft and robbery amongst other risky activities in order to afford the high costs of living in Solwezi. This has further worsened the scourge of STD and AIDS. While very few jobs have been provided for the blacks, the employers were reported as highly exploitative for their own advantage. This scenario has proved correct the Marxist theory which stresses that capitalists exploit the masses and thereby invite conflict. Some respondents indicated the need for state intervention to avoid the current situation from worsening. Community share ownership schemes for the benefit of the local people, beneficiation, and new regulations for black empowerment were some initiatives suggested for improvement of the livelihoods in as far as the conduct of business in Solwezi was concerned.

It is undeniable that the government of Zambia has not done enough to provide a favourable business environment for Solwezi local people through its legislation. Such laxity was a deliberate move to promote investor confidence, but such an objective was not attained by sacrificing the livelihoods of the poor community members because they were innocent.

#### **4.9 Ways on How Employment Levels could be improved as a Result of Mining in Solwezi**

In this respect, the researcher intended to solicit possible solutions to the problem of unemployment in the mining industry in Solwezi. In order to improve the employment levels, the government, and the private companies were identified as the

key players who should make concerted efforts to provide lasting solutions. The respondents gave the following possible alternatives which the identified key players can take.

Not even a single respondent has indicated the need for the Zambians to partner efforts of the government and the private companies to provide solutions for unemployment for example self-employment projects, cooperatives without leaning on the government or private companies. Rather, there was overwhelming desire for the local people to be given first priority in employment in the foreign owned mines. The government and non-governmental organisations have a mammoth task to empower the blacks with the education for them to be self-sufficient (self-employed). No-wonder why the same respondents have indicated rampant abuse in the mines, the employers might have noted that they are too desperate for employment, rather than autonomy to also employ others. However, it is interesting that women are also indicating their interest to take part in the mining industry which used to be a male-dominated field. This could be as a result of women empowerment campaigns.

What is of concern is whether they possess the required technical know-how. It remains the primary task of every stake holder to take part in the provision of employment in Zambia although the given solutions by the respondents should still be considered as important.

Of key importance were the following points by the respondents;

- Creation of economic zones by the government
- Creating employment policy favourable to the local people

- Marking benchmarks on royalties payable for home-grown businesses
- Creating tax-free zones in mine towns
- initiate indigenization policies for local empowerment
- promulgate value addition laws to avoid externalization of profits
- provide more contracts for local people

By also providing recreation facilities, schools private hospitals, security companies and police stations, employment rate can be improved too. Moreover, this can go a long way in curbing high crime rate, prostitution and thereby creating conducive opportunities for further business expansion.

#### **4.10 Suggestions on how the informal sector could be improved after privatization of mining in Solwezi**

The opinions of the respondents on how the informal sector could be improved to benefit the local people were captured. Most of the respondents pointed out that the Zambian government had to give contracts to local people to supply goods and services thus the empowerment of Zambians into Small and Medium Enterprises. More than half of the number of the respondents emphasised the need of women empowerment was resoundingly echoed by mostly female respondents. They indicated their desire to acquire loans and support to operate cooperatives.

On the other hand government should create economic zones for stimulating growth of businesses in the mining towns; infrastructural development was highlighted as a

top priority which both the government and the private companies had to be in partnerships to promote growth of informal trade.

Other points underscored by the respondents was that processing of minerals by local companies, community share-ownerships as well as beneficiation to avoid externalization of capital and for the re-investment of profits into the mining community areas. Increase salaries of workers to stimulate demand, trade due to high levels of disposable incomes among mine workers.

It was therefore evident that there was a lot to be done by the government in order to stimulate informal trade such as catering and supply of basic commodities, refuse collection and the transport industry. However, the biggest challenge was cash and consistency in the monitoring of progress registered by SMEs. Women had to be empowered according to their wishes so as to avail gender equality.

The creation of economic zones was believed to be a way towards the promotion of informal trade. This entails creation of a semi-autonomous state which is responsible for its own economic affairs. As such tax payment by the informal sector had to be suspended to allow them to become financially stronger. While the government was encouraged to take a leading role in infrastructural development, stakeholders were supposed to take part too. Therefore, it had to be always remembered that the target end result of continuous informal businesses was their graduation into more formal businesses. These would contribute immensely in the stability of the Zambian national economy.



#### **4.11 Environmental conservation: A serious cause of concern**

Concerted efforts from the stakeholders are needed for successful environmental conservation in Solwezi. The government, schools, local people, the mining companies NGOs and the local leaders should all play a role in conserving the environment. The following are some major suggestions by the respondents which were outlined according to their importance from the respondents' opinions.

From the information above, persuasion was suggested as a top priority by the respondents because of its effect of appealing rather than coercing people to conserve the environment. Persuasion may emanate from education of stakeholders on the dangers of pollution and the goodness of environmental conservation. The government, schools, civic groups and the mining companies can persuade each other to work towards this common goal because no one single organisation is bestowed with all the skills to impart knowledge. There is thus the need for cross-pollination of ideas for lasting solutions towards environmental conservation.

Besides persuasion, voluntarism is another way which was suggested by the respondents as solution to the problem in question. It begins with an individual and then it develops to family, community, corporate level until it reaches the national level. Just developing a habit of safeguarding the natural resources will help future generations to reap the benefits later. Covering open pits, proper disposal of

chemicals, planting trees, waste management and maintaining hygienic standards always will go a long way in conserving the environment in Solwezi. Some respondents indicated that there is need for the formation of an independent body to conserve natural resources in mine towns. Others suggested that mission statements, objectives and targets of companies should contain elements of environmental conservation.

Eleven respondents advocated for the use of force which became a third option. It is good that this was not taken as a first resort because stakeholders should appreciate the goodness of environmental conservation willingly rather than pretend to do so for fear of being punished. Moreover, the impact of punishment can never be equated to the damage or loss caused by negligence. However, in rare cases, examples should be established of cases where punishments were used successfully to enforce compliance in environmental conservation.

Evacuation or expulsion was suggested as the third resort. Endangered livelihoods should be evacuated from dangerous environments which are polluted or fast becoming deserts. However, this is not a panacea to the problem but just a temporary measure to safeguard human or animal life. It should be borne in mind that the ecosystem being evacuated (deserted) deserves to be conserved instead. So, while precaution is better than cure, cure is also better than abandonment which is somewhat cowardice.

#### **4.12 Opinions from the local leaders**

The local leaders could not separate service provision that was brought by privatization in mines from that which was brought by donor agencies and the central government. There is therefore need for verification on which developments came as a direct result of privatization of mines in Solwezi, the town council could be more informed than the chiefs in these aspects. Common examples given were road and schools construction, employment creation and recreation facilities. Some respondents remarked that such developments were outweighed by the levels of profits that were realised by these mining companies. The developments realized could not be equated to the profiteering, under-cover dealings, externalization of wealth and the environmental damage that was caused to Solwezi, let alone the social costs. So, one can safely conclude from simple cost-benefit analysis that private mining companies are doing more good to themselves and injustice to the Solwezi community and environment.

Judging from lots of points raised by the local leaders, the researcher was tempted to enquire on doubt the reliability of some of their assumed knowledge that pertained to private and confidential information of the companies' internal affairs. For this reason, the researcher was selective in choosing data that was given to avoid problems. However, there could be some truth in saying that there was a gradual increase in the costs of living in the area due to scarcity of accommodation of goods and services.

The companies were recommended for social service provision and sponsorship for example sport and recreation as well as participation in traditional ceremonies. The major question that remains without answers relates to whether this contribution from the private companies was enough or inadequate. It is often said, however, that half a loaf is better than nothing but more corporate social responsibilities are expected from the private companies in all aspects that affect the welfare of Solwezi people so that their investments will be appreciated as beneficial to the people. Schools, clinics, roads, recreation facilities, shops and business opportunities for the local people were highlighted as some major benefits of mining to the people of Solwezi by the local leaders. These are tremendous benefits especially before one is shown the robust profits that are realized by the mining companies. Some respondents disagreed that private mining companies had not been of much benefit to Solwezi considering the environmental degradation it has caused for example deforestation, soil erosion and pollution of all sorts.

The leaders however portrayed discontent over the biting effect of technology as leading to retrenchment, it is a necessary evil. Companies thrive in technologically driven competition; they try to save on production costs to realize more profits by importing equipment to this effect. Even the government does the same, so in this instance; the private mining companies do not deliberately retrench but are forced to do so by market forces. If reason for privatization were for to reduction of government expenditure (labour costs included), then it should have disposable income to cater for social services and environmental conservation To avoid the

same costs, private mining companies are not to blame for resorting to modern technology or else their mining activities will become unprofitable.

On the social impact of privatization, the respondents highlighted high crime rate, prostitution, family breakages, over crowdedness, over population and other social problems as the outcomes of privatization of mines. However, these problems are not recent ones as they existed even before privatization. What could be of significance, however, is the prevalence which is still not attributed to privatization alone but a multiple of factors. The government is equally to blame for failing to operate the mines in the first place, let alone supervise them under private ownership.

#### **4.13 Employment levels after privatization**

In order to improve the employment levels, the government, and the private companies were identified as the key players who should make concerted efforts to provide lasting solutions. The respondents gave the following possible alternatives which the identified key players can take. Many respondents indicated that while the mines employed many Zambians in Solwezi, their extensive use of high technology and expatriates was not welcome as it cost the locals large employment opportunities. While people who migrated from the Copper-belt mining area and got employment in Solwezi were happy, the locals were bitter about this development. Casualization of labour is a hot issue because those not employed on permanent basis are not pensionable and have no job security at all. The findings related to labour

also revealed that expatriates get higher salaries than the blacks even if they had no higher qualifications and skills than the local people.

Here, the history of racial discrimination is repeating itself. Instead of employing locally available labourforce with the necessary skills, the private mine companies seemed to resort to expatriates and this was indeed a thorn in the flesh to Solwezi people. According to the 2010 census Solwezi had a population 239, 051, of which 18% of the total population of Solwezi were adults. If the three companies are employing less than five thousand permanent workers after such huge displacement and disturbance to their traditional farming activities, one wonders how the people re expected to survive.

In order to address these problems, the respondents suggested that both the government of Zambia and the private mining companies should play an active role. Prioritization of employment for the locals was suggested as a key solution. However, this might be a challenge because of the high levels of technology used by the private mines to extract minerals which requires expatriates to operate them. Women voiced their concern to be employed in big numbers. Housing and general working conditions have to be improved in order for privatization to be appreciated as highly beneficial to Solwezi. The government has to set standards for labour which will address the plight of people at Solwezi.

If the suggestions above are anything to go by, there seems to be a dependency syndrome among the Zambians. Not even a single respondent has indicated the need

for the Zambians to partner efforts of the government and the private companies to provide solutions for unemployment for example self-employment projects, cooperatives without leaning on the government or private companies. Rather, there was overwhelming desire by the local people to be given first priority in employment in the foreign owned mines. The government and non-governmental organizations have a mammoth task to empower the blacks with the education for them to be self-sufficient (self-employed). No-wonder why the same respondents have indicated rampant abuse in the mines, the employers might have noted that they are too desperate for employment, rather than autonomy to also employ others. However, it is interesting that women are also indicating their interest to take part in the mining industry which used to be a male-dominated field. This could be as a result of women empowerment campaigns. What is of concern is whether they possess the required technical know-how. It remains the primary task of every stake holder to take part in the provision of employment in Zambia although the given solutions by the respondents should still be considered ad important.

Of key importance were the following points by the respondents;

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- initiate indigenization policies for local empowerment
- promulgate value addition laws to avoid externalization of profits
- provide more contracts for local people

By also providing recreation facilities, schools private hospitals, security companies and police stations, employment rate can be improved too. Moreover, this can go a long way in curbing high crime rate, prostitution and thereby creating conducive opportunities for further business expansion.

#### **4.14 Investment opportunities related to privatization**

Judging from the responses given, it is undeniable that many businesses were opened in Solwezi although this is not substantiated by reliable statistics. However, the respondents highlighted that most of the businesses were small to medium scale by outsiders who often exploited the local people by charging exorbitant prices for their commodities. Rather than creating perfect competition, this has made life very difficult for the majority of Zambians who can therefore not

From the information above, persuasion was suggested as a top priority by the respondents because of its effect of appealing rather than coercing people to conserve the environment. Persuasion may emanate from education of stakeholders on the dangers of pollution and the goodness of environmental conservation. The government, schools, civic groups and the mining companies can persuade each other to work towards this common goal because no one single organisation is bestowed with all the skills to impart knowledge. There is thus the need for cross-pollination of ideas for lasting solutions towards environmental conservation.



Besides persuasion, voluntarism is another way which was suggested by the respondents as solution to the problem in question. It begins with an individual and then it develops to family, community, corporate level until it reaches the national level. Just developing a habit of safeguarding the natural resources will help future generations to reap the benefits later. Covering open pits, proper disposal of chemicals, planting trees, waste management and maintaining hygienic standards always will go a long way in conserving the environment in Solwezi. Some respondents indicated that there is need for the formation of an independent body to conserve natural resources in mine towns. Others suggested that mission statements, objectives and targets of companies should contain elements of environmental conservation.

Eleven respondents advocated for the use of force which became a third option. It is good that this was not taken as a first resort because stakeholders should appreciate the goodness of environmental conservation willingly rather than pretend to do so for fear of being punished. Moreover, the impact of punishment can never be equated to the damage or loss caused by negligence. However, in rare cases, examples should be established of cases where punishments were used successfully to enforce compliance in environmental conservation.

Evacuation or expulsion was suggested as the third resort. Endangered livelihoods should be evacuated from dangerous environments which are polluted or fast becoming deserts. However, this is not a panacea to the problem but just a temporary measure to safeguard human or animal life. It should be borne in mind that the

ecosystem being evacuated (deserted) deserves to be conserved instead. So, while precaution is better than cure, cure is also better than abandonment which is somewhat cowardice.

#### **4.15 Comparative Analysis of the findings from local leadership and the company representatives**

There were four interviews that were held by the researcher. Two were for the local leadership in Solwezi whilst the other two were for the representatives of the two private mining companies in the same area. These interviews produced almost similar opinions which were however in sharp contrast to some data on the questionnaires. These were basically in support of the privatization of mines, probably because they had direct interests in these investments.

The interviews revealed that Lumwana mine (100% owned by Barrick Gold from Canada). It started its operations in 2006 while Kansanshi, jointly owned by 1<sup>st</sup> Quantum 80% and Zambia Copper Consolidated Investment Holdings (20%) had already started a year earlier. At present, both companies maintained that they were employing around five thousand employees each. So, the respondents to the questionnaire were not wrong to highlight the need for higher employment levels. The interviewees concurred that there was little and at times no production at all before the privatisation of Lumwana and Kasanshi mines. The local leaders added on that they had witnessed huge positive changes after privatisation of the two mines such as;

- Huge capital investments in mining in Solwezi at both mines
- Inflow of new technology and skills from expatriates
- However, there was a gradual increase in the costs of living in the area due to scarcity of accommodation of goods and other factors like inflation.
- Employment creation
- Tremendous increase in production levels
- Infrastructural development such as schools, clinics and roads
- Social service provision and sponsorship for example sport and recreation as well as participation in traditional ceremonies.

For the above developments, the local leadership interviewees reiterated that the local framework on mining thus met the expectations of the people.

In highlighting the challenges faced by the private mining companies, the local leaders noted the following;

- World economic crisis on the global producer prices of gold and other minerals
- Fluctuation of copper prices on the global market
- Increase on royalties payable to the government by private companies
- It should be noted here that the leaders never mentioned the challenges related to environmental conservation or labour laws or corporate social responsibility related matters (a sign that these were less significant to the profit realisation agenda of the private mining companies)

The company officials highlighted that they were quite aware of social, economic and environmental impact of their mining activities on the environment. They also pointed that even the Zambian government was also well informed since the companies were established. Legal framework on what mine owners must follow was also mentioned by company interviewees as a pre-requisite before a company was granted permission to mine by the government. However, the local leadership indicated that in contrast to government rules and regulations;

- The companies practiced open pit mining which caused severe damage to the environment
- Used unfair labour practices
- Remitted far less royalties to the state than the profits that they were realizing out of mining
- All the interviewees highlighted that the companies were trying to conserve the environment at all levels by working with the local people in planting trees, conserving the soil and reducing all sorts of pollution. However, examples were not given as to where and when some of these activities were done. This left the researcher doubtful on whether environmental conservation was done by the companies. The reality was however revealed in the questionnaires that were filled in by the local people.

#### **4.16 Key Findings from the study of the socio-economic impact of privatization in Solwezi**

The levels of poverty in Solwezi have been increased by severe loss of land to private mining companies. This forced many people in criminal activities such as

thievery, robbery commercial sex work and other under-hand illegal dealings. HIV and AIDS have been reported to be on an increase due to severe family break-downs which resulted from migration of workers from all-over Zambia into Solwezi. Early marriages, schooldrop-outs have further worsened the problem. Migration into Solwezi has led to over-population, inadequacy of water, accommodation and sanitation. Loss of cultural values was also a result of privatization where a family shared one room, and foreign cultures were introduced to Solwezi from all over the world. Life has never been the same to Solwezi people since privatization of the mines. The cost of living has gone soaring and peoples' hopes for a better Solwezi were shattered. Racism and segregation have been the order of the day in the mine areas of Solwezi.

Economically, the respondents indicated that most people being employed were former miners from the Copperbelt, those who already had the technical skills. This was unfair to the local people who wanted a share in employment. Externalization of profits by private mining corporations was reported by the respondents. While SMEs seemed to enjoy a temporary boom, their chances of growing bigger were frustrated by the cold shoulder that they received from the big private Mining companies which did not give procurement contracts to the small dealers. The benefits from roads, school clinic and other infrastructural construction could not be matched to the profits that were realized by the private mines in Solwezi. Casualization and unplanned retrenchments remained a perpetual nightmare to the mine employees. The employment of expatriates, though beneficial to the private mines, was not

welcome to the unemployed locals especially when it came to simple skills that they also possessed.

#### **4.16.1 Ecological**

There was serious environmental damage on Solwezi by private mine companies. Loss of land which was used for farming was a thorn in flesh to Solwezi communal farmers. Open mine pits, wind pollution, water contamination noise and death of the aquatic ecosystem was reported, the fishing industry has fared badly since privatization. A lot of trees were cut by Lumwana mine which has directly contributed to global warming. Oxygen reserves were depleted by Kansanshi by building a very big smelter of Copper which processes copper using toxic chemicals. Human and animal life was reported to be under serious risk.

#### **Summary**

Through document analysis and analysis of questioner and interview responses, the researcher noted that private companies were registering huge profits. They maintained that they had brought massive development opportunities to Solwezi including construction of schools, accommodation, employment and recreation. However, the respondents to the questionnaires were not satisfied with almost all the efforts made by the private companies. The local leaders, thus the town clerk and the local councillor appreciated the efforts made by the private mining companies. They were however unrealistic as they were distanced from the reality in the mines (a view

from Mount Olympus) the poor, thus mine workers, teachers, nurses and the youth felt the negative impact of privatization more directly whilst the rich who were beneficiaries were had a different positive perception.

## **CHAPTER FIVE**

### **SUMMARY, CONCLUSION AND RECOMMENDATIONS**

#### **5.0 Summary**

While mining is the backbone of the Zambian economy over the years even before, the Zambian political independence to date, the people of Solwezi in the North Western province seemed to be getting a raw deal out of the proceeds of this sector which is under foreign control by private limited companies. Across sectional study which was conducted on Lumwana, Kansashi and Kalumbila mines has indicated to the researcher that the community was deriving very little benefits than those by the foreign investor. Hence the initial hypothesis was wrong that to assume that the privatization policy on the mining sector in Zambia for mines in Solwezi had positive impact on the economy of Zambia. Unemployment, high crime rates, poor salaries, externalization of the Zambian Kwacha and environmental degradation were noted as serious drawbacks to the Zambian economy from a community-based assessment conducted in Solwezi.

#### **5.1 Conclusion**

While the interviewees and the local people who responded to the questionnaire agreed that mining was causing serious environmental damage to Solwezi they differed on the benefits that it brought to the community. The local people expect more to be done in terms of employment, poverty eradication, and corporate social responsibilities amongst other aspects. On the other hand, the private companies outlined global economic challenges as the barriers against the fulfilment of these



wishes of Solwezi communities. The two sides seem to be approaching a stalemate if they continue disagreeing over exploitation of their resources, impoverishment, high crime rate and unemployment. Whether the government and the stakeholders will take heed of the given advice by the local people or not will have a bearing on the future of the privatization process that was done in Solwezi.

Generally, the community is disgruntled over the way its resources are being exploited while the companies maintain that the local people should be grateful because there was no production at all before they started operating. The mind-boggling question is: Until when shall this rift continue widening before it bursts into an open confrontation? It is the researchers' fear that the situation, if left unchecked, might deteriorate as that of Sierra Leone as noted by Jaye (2011), it emanated from the failure of successive governments to develop the country especially the resource producing province, a factor that ignited the war as the late Foday Sankoh took advantage. Similarly the conflict in Liberia the country's main natural resources – rubber, diamonds logging were being managed by groups that were not taking interest of the majority (Jaye, 2011).

In a similar fashion, it is unlikely that the community of Solwezi will continue conserving their environment which is under continuous destruction by the private companies who seem to have little concern over this.

## **5.2 Recommendations for Stakeholders**

- The stakeholders in Solwezi should sit together and identify common areas of interest and find ways to solve identified differences, for example finding permanent solutions for unemployment such as funding income-generating projects for the unemployed people.
- The government should strictly supervise the mining companies to ensure that they abide by the rules and regulations relating to labour practices, environment conservation and fair business practices by both foreigners and privileged Zambian nationals in Solwezi.
- The government of Zambia should promulgate value addition laws to avoid externalisation of profits by private companies by providing more contracts for local people and promoting value addition to minerals produced in Zambia.
- The government should educate the Zambian citizens on the ways to run mines, extract and process minerals and thus give mine claims to deserving Zambians to avoid dependency syndrome on white owned mines for employment. It should be borne in mind that it is not wise to always give someone fish but to teach them how to catch fish for themselves.
- Indigenize some foreign owned mining industries as a way of empowering Zambians and also alleviating unemployment.

- An audit team followed by a commission of enquiry should be engaged by the government of Zambia to investigate the gravity of this matter under discussion to see how it is affecting the people and the environment of Solwezi in comparison to the profits that are realised by the stakeholders in as far as mining activities in the area and at the national level are concerned.
- Mining alone is not a panacea to the unemployment, high costs of living and abuse of the consumers by local retailers. The government and other different service providers should utilise business grab the yawning business opportunity gaps such as the fuel and energy industry, construction of private schools, police stations, hotels, recreation facilities, these will go a long way in poverty alleviation and they will increase perfect competition thereby force prices of goods to be more stable in Solwezi.
- The high levels of prostitution and thievery in the mines requires the law enforcement agents to take action. However, NGOs should educate the people of the dangers and risks that are involved.

### **5.3 Recommendations for Further Studies**

- Further research is hereby recommended for interested scholars to investigate the governments' stance on this situation in Solwezi because this research did not go further to get the side of the same problem from the Zambian governments' perspective.

- A general survey can also be conducted to evaluate and compare the impact of privatisation in other Zambian industries to identify challenges met and hopefully find how other sectors of the Zambian economy have mitigated these challenges.
- A comparative analysis of the challenges and successes of privatisation in SADC countries can be done for ideas to be shared for the benefit of other countries.
- The social and economic impact of privatisation has to be studied through a longitudinal study by observing the living habits of people and their daily economic challenges rather than just relying on the data gathered from the interviews.
- Environmental science students should come to try their experiments in Solwezi and thereby teach the stakeholders on alternative ways of conserving the environment.

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## APPENDICES

### APPENDIX 1: QUESTIONNAIRE FOR THE LOCAL PEOPLE

#### THE IMPACT OF MINING AFTER PRIVATIZATION IN SOLWEZI

##### PART A

##### Personal Details of the Respondent

(Please tick in the box on the information that applies to you)

**1. Gender** Male

☐

Female

☐

**2. Age in Years** 16-20 31-35

☐☐

21-25 36+

☐☐

26-30

☐

**3. Educational Level**

O level Certificate

☐☐

Diploma Degree

☐☐

Post Graduate

☐

##### PART B

1. What is privatization?.....  
.....  
.....

2. In your opinion, do you think peoples' welfare has improved after privatization of mines?

(i) If yes How?

.....

(i) If no why?

.....

3(i) What has been the benefit of mining to the people of Solwezi?

.....

(ii) Is Zambia benefiting as a result of mining after  
privatization?.....

4. What has been your experience in terms of people coming to do business?

.....

5. In your view, suggest how employment can be improved as a result of  
mining.....

6. How can the informal sector flourish as a result of  
mining?.....

...

7. Suggest what can be done by the local people in ensuring that the environment around  
Solwezi is not damaged by mining  
companies.....

*Thank you so much for your participation*

## APPENDIX 2: COMPANIES INTERVIEW GUIDE

### THE IMPACT OF MINING AFTER PRIVATIZATION ON SOLWEZI DISTRICT

1. When did your company start mining?

.....

2. How many permanent employees and casual workers have you employed?

Permanent.....Men..... Women.....

Casual.....Men..... Women.....

3. How was production like before the mine was privatized?

4. In which year was your mine privatized?.....

5. After privatization, how is the production like?

.....

6. What benefits do the communities expect and how do they react in connection to the environment?

.....

7. Are you aware of the social, economic and environmental impact that your company is causing?

If yes..... How?

.....

If no..... Why?

.....

8. What undertaking, concerning the ecological and environmental conservation might be manipulated as a result of mining?

.....

### APPENDIX 3: LOCAL LEADERSHIP INTERVIEW GUIDE

#### THE IMPACT OF MINING AFTER PRIVATIZATION ON SOLWEZI DISTRICT

1. What major changes have you seen after privatization in mining?.....  
.....
2. What are the major actors in mining in Solwezi?  
.....
3. What are some of the contributions that the mining companies have brought in Solwezi?  
.....
4. In your view, what are some of the challenges facing companies involved in mining.....
5. Does the current legal framework on mining meet the expectations of the people?.....
6. What has been the impact on the environment as a result of mining?.....
7. How are companies managing the environment?  
.....

## APPENDIX 4: IPLG LETTER



(A United Methodist-Related Institution)

*Investing in Africa's Future*

P.O. BOX 1320, MUTARE, ZIMBABWE - OFF NYANGA ROAD, OLD MUTARE - TEL: (263-20) 66788/60075/60026/61611 - FAX: (263-20) 66788/61785 - EMAIL: [iplgdirector@africau.ac.zw](mailto:iplgdirector@africau.ac.zw) - Website: [www.africau.edu](http://www.africau.edu)

### INSTITUTE OF PEACE LEADERSHIP AND GOVERNANCE

2 March 2015

TO WHOM IT MAY CONCERN


**Re: Permission to Undertake Research for Dissertation at Africa University**

**Charles Chipesha** student registration number **130329** is a student at Africa University. He is enrolled in a degree program in Peace, Leadership and Governance and is currently conducting research for his project, which is required for completion of the program in June 2015. The research topic is "the impact of mining after privatization in Solwezi, Zambia". Michael is expected to undertake this research during the period February-May 2015 before the dissertation can be submitted to the Faculty in June 2015.

The student will share with you the results of this research after its approval by the Institute.

We thank you for your support and cooperation regarding this research.

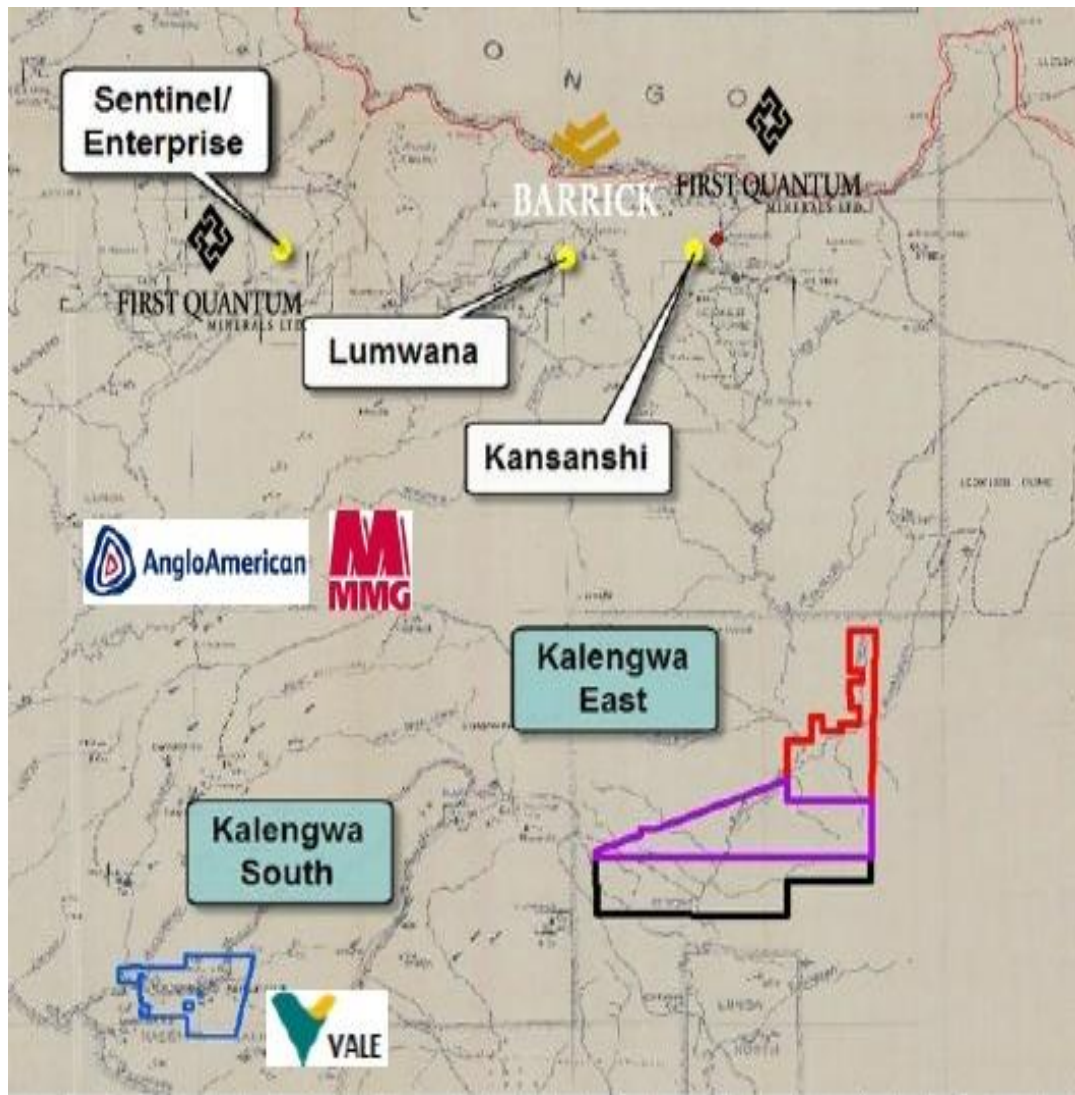
Yours sincerely

  
**Prof. P. Machakanja**  
Director

*"Living our Vision in Faith, Embracing Diversity, Developing Leaders for Africa"*

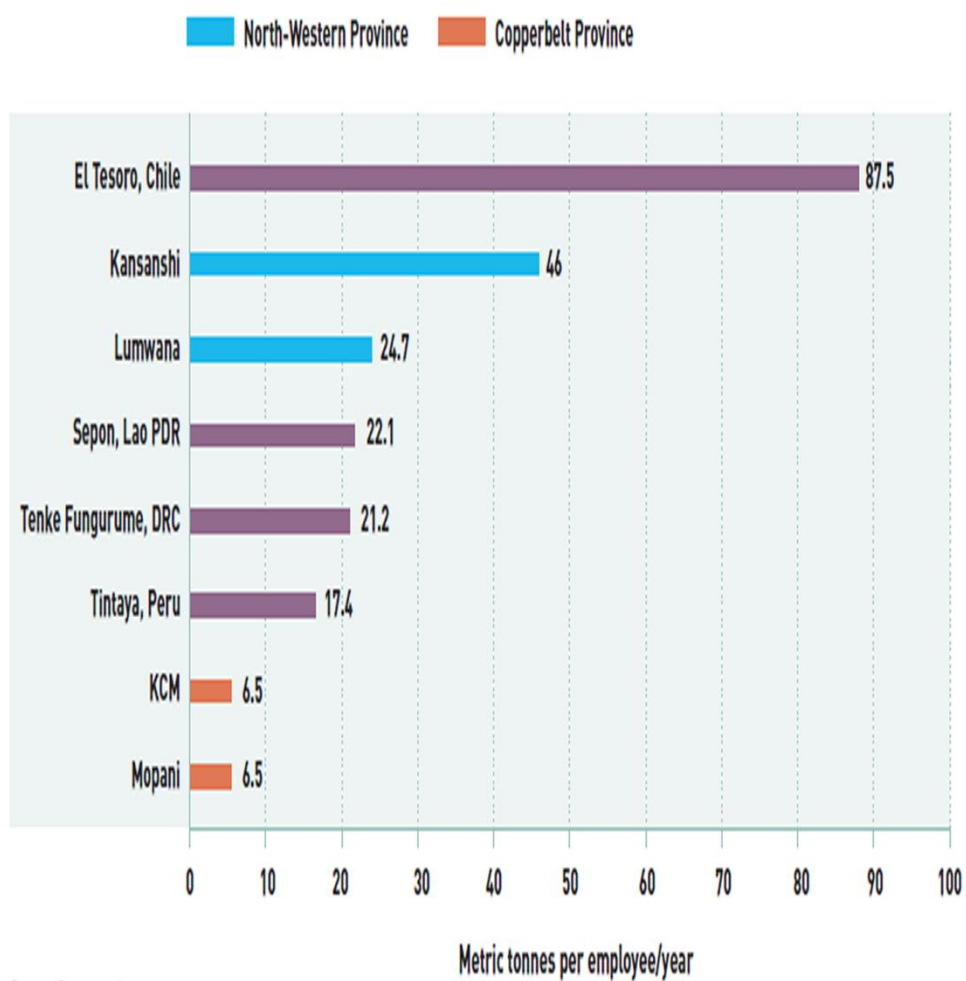


## APPENDIX 5: MINING MAP IN SOLWEZI



## APPENDIX 6: PRODUCTIVITY, COPPER PRODUCTION

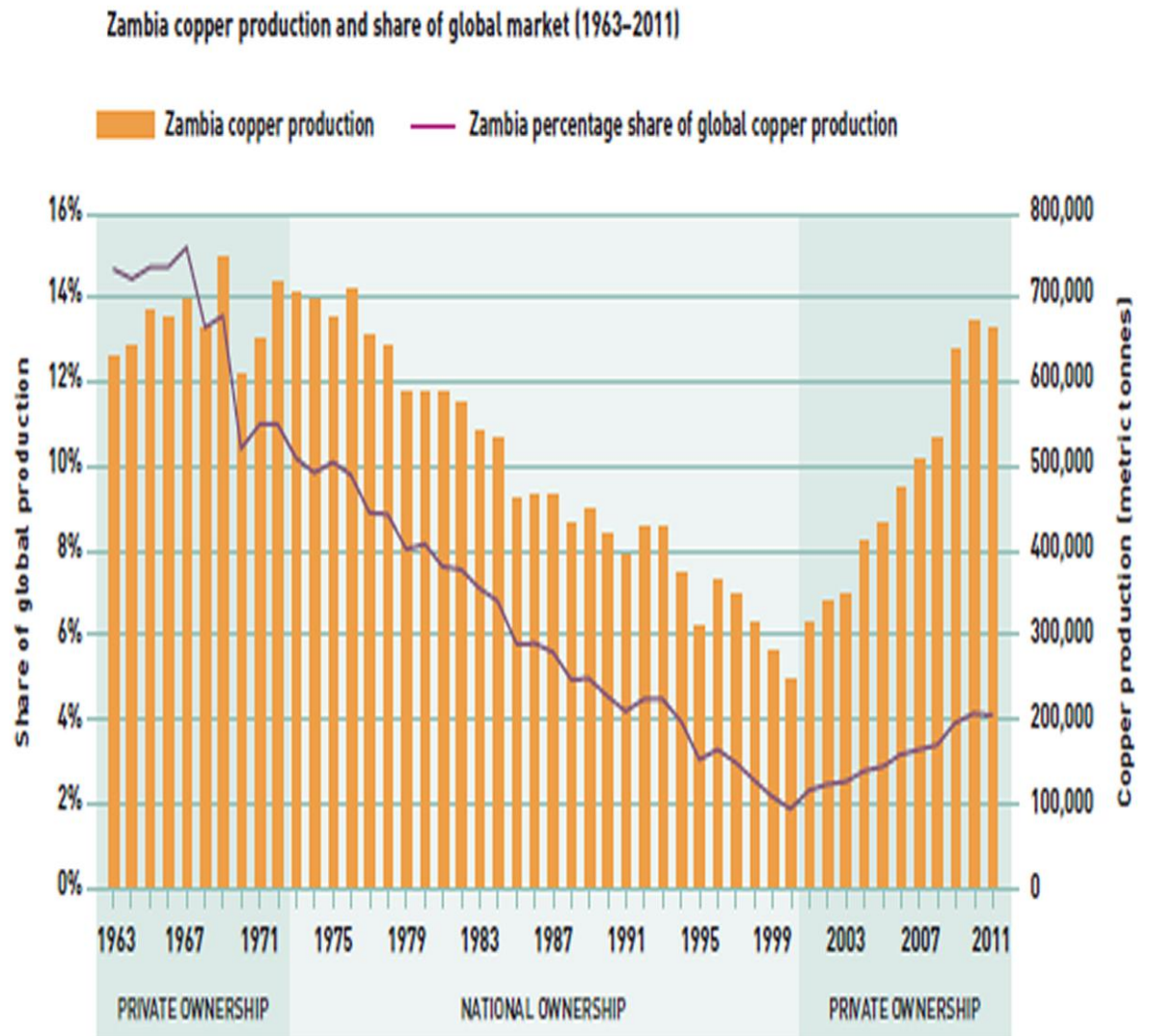
Productivity, copper production/employee (direct and contractors)



Source: Company data.

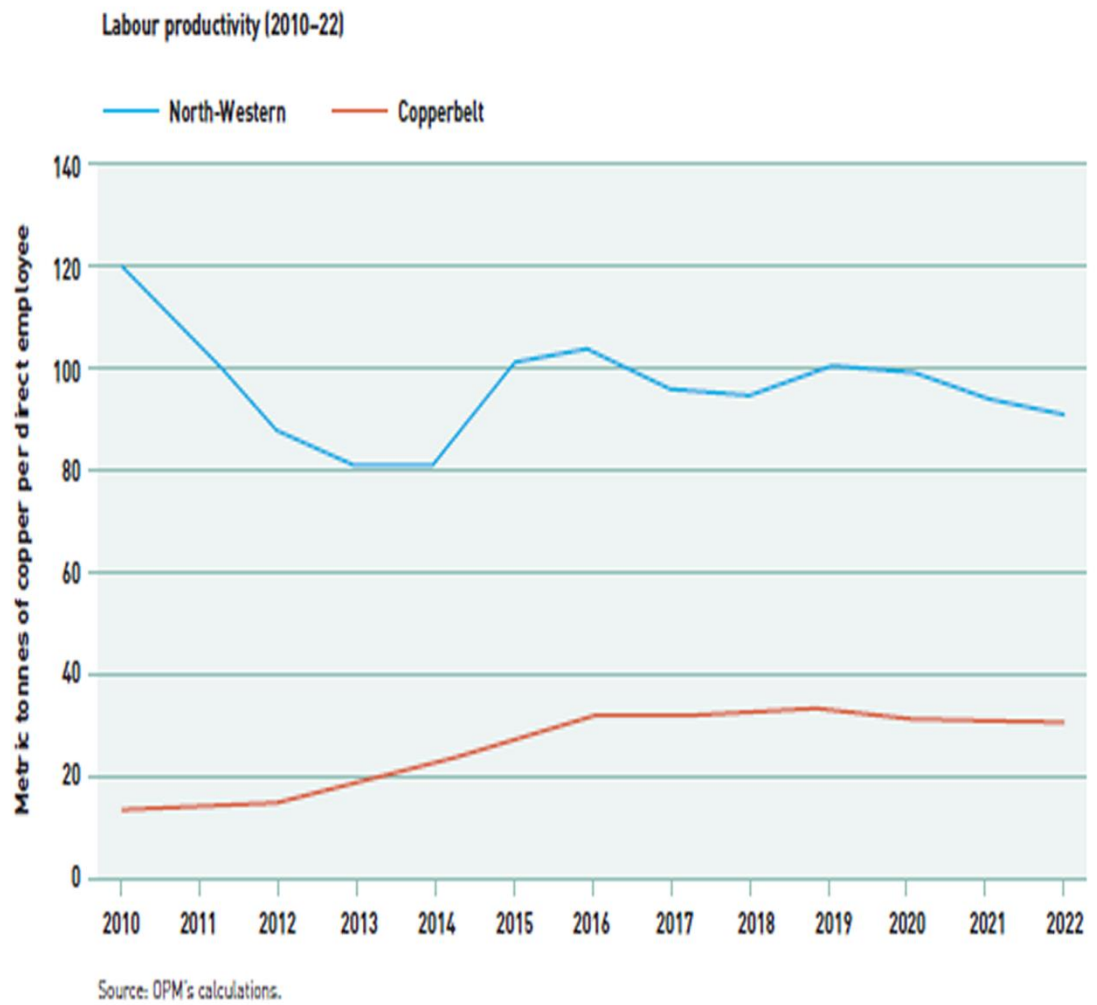


## APPENDIX 7: COPPER PRODUCTION AND GLOBAL SHARE 1963-2011



Source: International Copper Study Group (ICSG) from 1996 onwards (*Copper Bulletin* March 2012 and April 2013; *Yearbook* 2006; *Statistical Yearbook* 2008), US Geological Survey annual mineral reports 1963-95.

## APPENDIX 8: LABOUR PRODUCTIVITY



**APPENDIX 9: KALUMBILA MINE SMELTER PHOTOGRAPH, SOLWEZI**



## APPENDIX 10: KANSASHI MINE





## APPENDIX 11 LUMWANA MINE PHOTOGRAPH



