# Undermining development: copper mining in Zambia
## Executive summary

Copper is used everywhere, from electrical cables and mobile phones to computers and cars. Copper mining is the lifeblood of the Zambian economy, but despite the recent boom in copper prices Zambia is the ninth poorest country in the world, with an average life expectancy of just 37 years.

Evidence gathered for this report suggests that Zambian society derives few of the advantages from its vast natural resource of copper while suffering many of the disadvantages of mining. The report focuses on Zambia's largest copper mining company, Konkola Copper Mines (KCM). KCM is 51 per cent owned by Vedanta Resources, which has its headquarters in London. At the time of writing, it had several London and Edinburgh-based investors, including Barclays Bank, HSBC, Standard Life and Halifax/Bank of Scotland.

**Our concerns around KCM operations include the following:**

- Employment conditions; some contract workers employed at KCM's Nchanga site tell us they are paid less than the amount necessary to satisfy their most basic needs, work overtime without extra pay and are given inadequate safety equipment.
- The environmental impact on local communities; according to the Environmental Council of Zambia, the 'grossly negligent' behaviour of 'KCM management' led to a pipeline failure in November 2006 which 'significantly polluted' rivers used by local communities for drinking water. Moreover, according to a revision to KCM's environmental management plan, the company is legally allowed to emit 25 times more than the World Health Organization's recommended amount of sulphur dioxide – a gas which causes acid rain and respiratory illness.
- The revenues accruing to the Zambian government; the amounts received from KCM and other copper mining companies is low by international standards, because of restrictive contracts entered into in 2000. KCM's reported net profit in financial year 2007 was more than the Zambian government spent on healthcare and social protection combined. However, several mining companies in Zambia, including KCM, enjoy an effective marginal tax rate of 0% and pay mineral royalties of just 0.6% – when most mineral royalties in developing countries are between 5-10%, and some are as high as 30%.

These concerns are shared by several Zambian organisations and the report is endorsed by key civil society actors, Zambian trade unions and non-governmental organisations including the Catholic Commission for Justice, Development and Peace, Civil Society Trade Network Zambia and the Jesuit Centre for Theological Reflection.

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## ‘We have done everything we can, but we are still voiceless. Please help us and take up our issue.’
Bishop Shadrack Mumba, Zambia

Pressure from such civil society organisations, together with several other factors, has resulted in the government and mining companies agreeing to renegotiate financial clauses in the contracts. While we hope this will increase the revenues flowing to the people of Zambia, renegotiation is not a ‘magic bullet’. Even if the renegotiation attempt is successful, concerted action will need to be taken in other areas if Zambia is to maximise the benefits from copper mining and minimise the costs.

We believe that KCM urgently needs to act in order to improve its record on workers’ rights, the environment and its impact on local communities. However, relying on voluntary measures is not sufficient. Human rights are not negotiable, so their protection and promotion should not be optional.

The Zambian government has a key role to play by ratifying, implementing and enforcing laws that guide company behaviour. However, the Zambian government does not always appear to have the ability or capacity to adequately regulate multinational companies. Responsibility for overseeing company behaviour to safeguard human rights and human dignity must also be shouldered by governments of countries where multinationals are headquartered, in this case the UK. As such, Undermining development recommends that:

### Vedanta and KCM should:

- use the renegotiation exercise to increase the amount they pay to the Zambian government and make information about the amount they pay publicly available
- publish agreements entered into with the government
- improve their record in terms of the environment and employment of workers.

### Investors and investment management companies should:

- use their influence to persuade Vedanta of the long-term benefits that these changes would bring.

Members of Zambian civil society are demanding that their government:

- revisits the development agreements from the perspective of the Zambian people rather than that of the companies
- ensures that it uses any increased revenue resulting from the renegotiation process to benefit the Zambian people
- develops the political will and institutional capacity to effectively enforce existing labour, safety and environmental legislation.

### The UK government should:

- tighten up the national regulatory framework applying to UK companies by, among other measures, improving the Companies Act
- work at the international level to ensure that all companies, no matter where their headquarters, are bound by a mandatory human rights framework and an international accounting and transparency standard that obliges them to publish the contracts entered into, the scale of economic activity, profits and taxes paid at the national level.

Campaign action is crucial in ensuring that governments and multinational companies implement these recommendations. For details of what you can do, please consult SCIAF, Christian Aid and ACTSA websites; www.sciaf.org.uk; www.christianaid.org.uk; www.actsa.org

Christian Aid/David Rose

Mine workers at NFC Africa mining shaft at Chimbishi