Mining: Partnerships for Development Toolkit

The economic and social contributions of mining in Zambia
Introduction and Overview

Mining Partnerships for Development (MPD) Toolkit Application in Zambia

Aidan Davy, Deputy President, ICMM

Outline

- What is ICMM?
- Objectives of the workshop – and why Zambia?
- MPD Toolkit methodology and progress in Zambia
ICMM at a glance

CEO led
22 Company members

34 Association members

Over 800 sites in 62 countries

Headquarters of 22 member companies:
12 operate in 17 countries in Africa

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Enhanced accountability and transparency

- Robust entry criteria and process
- Clear performance expectations
- Reporting and accountability

ICMM’s work: policy, guidance and practice

- Policy engagement and development
- Good practice guidance to support implementation
- Support for in-country implementation
Outline

- What is ICMM?
- Objectives of the workshop – and why Zambia?
- MPD Toolkit methodology and progress in Zambia

Objectives of workshop

- Present initial findings of the application of the ICMM Mining: Partnerships for Development Toolkit in Zambia
- Bring stakeholders together to discuss the evidence and share their perspectives
- Identify opportunities for multi-stakeholder partnerships to enhance mining’s contribution
Why Zambia: Criteria for choosing countries

- Country has a high degree of mineral dependence
- In-country appetite for constructive engagement from government and potential supporting partners
- At least two ICMM members are operating in country (and there is at least one active sponsor)
- ICMM members are supportive of an independent and objective process

Complementary initiatives in-country and region

- Minerals Value Chain Monitoring Project commissioned by the ZRA
- Zambia EITI – ‘Candidate’ Country in 2009 and ‘Compliant’ in 2012
- Africa Mining Vision and recent establishment of African Minerals Development Centre (AMDC)
- Africa Progress Panel Report (2013): Equity in Extractives
Objectives for this Presentation

Outline

- What is ICMM?
- Objectives of the workshop – and why Zambia?
- MPD Toolkit methodology and progress in Zambia

ICMM’s Resource Endowment initiative

2004-2010: ICMM undertook comparative research across 33 countries, taking 4 country case studies in depth, to…

- Understand the direct economic and social impacts of mining
- Identify critical success factors that enabled some countries to benefit from resource endowments and avoid the ‘resource curse’
- Jointly agree practical steps for industry, governments, civil society and development agencies to enhance success factors

Finding: the ‘resource curse’ is not inevitable…
Mining Partnerships for Development Toolkit

The MPD Toolkit provides a systematic approach to:

- Measuring economic & social impacts and their interaction with the existing governance framework
- Assessing the main causes (success factors and failings) underlying impacts
- Encouraging multi-stakeholder collaboration to develop practical partnership ideas that address capacity gaps and enhance mining’s contribution

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Modules in MPD Toolkit

- Modules 1, 3 and 6: National macro-level contribution
- Modules 2 and 5: Local micro-level contribution
- Modules 4 and 7: Governance and institutions
- Module 6: Forward looking analysis
- Module 8: Engagement via multi-stakeholder workshops
- Addendum: Fiscal framework

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Applying the MPD toolkit in Zambia

- Establish objective evidence base and potential opportunity areas
- Convene multi-stakeholder workshop to discuss... and identify actions
- Identify institutional champions to help take forward priorities for action
- Finalise report: provides a baseline for measuring progress on priorities

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Introducing this morning’s presenters

Professor Alan Roe
Professor Olle Östensson
Dr Mark Henstridge

Oxford Policy Management

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As part of the local level analysis, the team used data provided by four mines.

- Kansanshi
- Konkola Copper Mines (KCM)
- Lumwana
- Mopani
Macro-economic impacts of mining in Zambia

Professor Alan Roe
Oxford Policy Management

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The OPM team began work on the Zambia study 8 months ago, with a blank canvas. This presentation represents our best efforts to gather and present the facts about Zambia’s macroeconomic performance and the contributions of mining in the past 12 years or so.

Official Zambian data has been used wherever possible; when not possible we have used reputable UN agency data.

The presentation begins with a stylized overview graphic that we have found useful in other countries.
Zambia conforms closely to the inverted pyramid pattern of contributions seen in other MPD case study countries.

At the top of the pyramid we see that FDI in Mining has completely dominated that for all other sectors in the past decade.

Mining accounted for 86% of all FDI inflows in 2011. For comparison, agriculture accounts for less than 3% of FDI inflows.

Looking down the pyramid, mining’s export contribution in Zambia is exceptionally high by international standards (UNCTAD data).

Its contribution to government revenue has recently (post 2008) averaged over 25% of government revenue, which is also high by international standards (ZRA and IMF data, discussed later).

The GDP and employment contributions are similar to what is seen in other countries where the Toolkit has been applied (CSO data).
Since 1999, the economy has enjoyed its longest period of sustained growth of GDP since Independence. This recent growth has occurred in periods of both high and low copper prices.

In terms of components of that growth:

- The economy remains even more dependent than before on the mining sector and has made no progress in diversifying manufacturing activity has lost more ground - falling, from c.11% of GDP in 1999 to an historical low of c.8.4% by 2012
- However, the overall share of industry (mining plus manufacturing plus construction) in total economic output has increased significantly as a result of the high levels of mining investment – construction in particular has seen a big increase in its share of GDP: from 4.4% in 2000 to 23.0% - an historical high (all CSO data).

In short, large-scale investment in mining has raised GDP and total incomes very considerably but it has not helped much to change the structure of the economy.
The national investment rate has risen sharply since late 1990s, driven by increased FDI. Mining investments have dominated total FDI.

The high positive GDP growth rates of the past decade have been associated with a significant boost to the total national investment rate (investment as % of GDP) to well over 20%: a strong rate by African standards.

This is in contrast to the period from the early 1970s through to the late 1990s (when new mining investment was almost non-existent in spite of important new finds). The investment rate then was low (c. 10% of GDP – the red line in the chart). In the last 12 years we have seen a rapid boost from less than $500 million annually to well over $4 billion (in current US$ terms) (UNSO data).

The Chart also shows that the increase in the national total has depended significantly on new foreign direct investment (FDI) – a dominant proportion of which has been into the mining sector: FDI has been as high as 56% of the national investment total in some years.

There has been about $10 billion of new mining investment in the past 10 years. New mining investment has been running in some years at more than $2 billion annually which is four times the annual investment flow in the whole economy before the year 2000.
Mineral production, dominated by copper, has long been Zambia’s largest non-agricultural sector in terms of economic output.

- Production volumes experienced a decline from a peak of 700,000 tonnes at independence to only 221,000 tonnes by the year 2000.
- but these recovered rapidly following privatisation in the late 1990s.
- Zambia is still a big player in global supply but its market share has not recovered to the levels seen in the 1970s. Its global rankings have slipped from 5th, 4th and 5th in mining, refining and smelting respectively back in 1975 to 6th, 6th and 10th today.

There are doubts regarding the correct numbers - hence, the Mineral Value Chain Monitoring Project, recently commissioned by ZRA.

- The numbers shown in the graphic use International Copper Study Group data for the later years and US Geological survey data for earlier years.
- There is a strong suggestion that the Bank of Zambia (BoZ) data seriously overstate the true values. Data from both Wood McKenzie (2012) and the International Copper Study Group show copper production at 672,000 tonnes by 2011 before falling slightly in 2012. These numbers compare with a figure in excess of 800,000 tonnes if one uses only the BoZ data.
- The key point is that production levels (tonnes) have definitely recovered strongly since about 1999.
Mining contributes more than 80% of total export earnings, which is unusually high – in fact, the largest of any country except only Botswana (UNCTAD trade data).

As a result, mining has contributed to a strengthened balance of payments in recent years.

To analyse the net impact on the balance of payments means including the full set of flows in and out of the country:

- Foreign exchange earnings partly from exports are offset by payments to foreign providers of inputs, as well as imports of ores from elsewhere for processing in Zambia, which are now some 20% of all imports.

- Profit repatriation and debt service constitute an important additional component of the overall balance of payments. Bank of Zambia balance of payments data confirm that Zambia’s external trade surplus in 2011 of $2.26 billion was offset by significant external income transfers of about $1.5 billion, which was mainly debt service.

- The impact on the balance of payments of the new and large-scale mining investment has been neutral since the large-scale capital goods imports are offset by similarly large capital inflows.

The trade surplus is larger than the surplus on the external current account, which has nonetheless improved, and was positive through 2012, though with a deterioration more recently.

An Annex to the final report will also assess the publicly available materials on alleged transfer pricing (and illicit out payments more generally).
There is great uncertainty regarding the true magnitude of the GDP contributions from the mineral sector. Two factors in particular cast doubt:

- Official data show big and rising discrepancies between constant price and current price of that contribution (CSO data)
- The data also show declining GDP contributions in recent years when all other mining indicators point upwards (in spite of the huge investments and growth in production and exports, the GDP share of mining in 2012 is shown as less than 80% of the value it achieved in 1995 (2.6% versus 14.4% in current prices).

The CSO is rebasing the National Accounts to 2011 and the results of this work are awaited eagerly. In the meantime:

- The existing data are not credible.
- There are several *reductio ad absurdum* propositions that make the point that the numbers are far too low. For example the ZRA data shows that mineral taxes by 2012 were the equivalent of 5.9 of GDP, therefore mining GDP cannot be lower than that 5.9 % figure but official data say that it is
- The informal alternative estimates made for our report (based on export values) suggest that the current price GDP figure for 2011 must be some five times larger than the official data suggests – circa 14-15% rather than the official 3.6% (2011) and less than 3% in 2011.
Mining revenues have increased sharply since 2006. In 2012, mining taxes and royalties were more than 30% of total government tax collections, and 5.9% of GDP.

If PAYE taxes are excluded, mining taxes are greater than 25% of all tax revenues.

The increase over a short period reflects the expiry of capital allowances on the first wave of new investments after privatisation, increased mining production, and higher fiscal rates implemented since 2008.

Recent reforms have led to increased collections both from corporation tax and from royalties.

- A great deal of the popular comment on mineral taxes juxtaposes numbers such as the 80% contribution to exports or the >10% contribution to GDP with an alleged much lower contribution to total tax revenues (often 8% which actually is the figure from 2006)

- Some of the academic papers refer to the “lost” revenues from the period 2000 to 2008. But this misses the point that when new investments are so large (c $10 billion) and also so new, the capital allowances (allowed in almost all mining regimes) will result in low levels of corporation tax for several years. Thus it is not meaningful to compare Zambia (2000-2010) with Chile in the same period.
The IMF comparative data are for the average for the years 2000-2011. By this measure, over that period, Zambia’s tax collection performance was worse than some other African mining countries (Botswana and Guinea) but better than others (Ghana, Sierra Leone).

In 2012, Zambia has achieved one of the highest rates of tax collection of all the identified mineral countries in the world – below only Botswana.
The Zambia Labour Force Survey (2012) shows that aggregate employment in mining in 2012 is over 90,000 (CSO data). This represents a large increase on the levels seen in the final years of nationalised mining when the numbers fell below 30,000. However, today’s figure still only represents 1.7 per cent of total national employment.

Mining’s contribution to direct jobs is supplemented by a significantly larger number of indirect jobs (in supplying firms) and induced jobs as direct workers spend their relatively high wages and salaries.

Calculations based on the actual spend of four mining companies in Zambia* suggest that mining’s total contribution to formal employment is more than 40% in the Copperbelt and greater than 90% in North Western province. The local employment trends in the Copperbelt and North Western are discussed in more detail in the second presentation on Local Economic Contributions.

*OPM has analysed and aggregated current and forward looking data from four mining operations: Mopani Copper Mines (Glencore), Konkola Copper Mines (Vedanta Resources), Lumwana Mine (Barrick) and Kansanshi Mine (FQML).
Main Results:

1. There is still substantial future growth in production to be expected from the four companies

2. This will emphasise the increasing relative importance of production in the more efficient North Western mines relative to the Copperbelt

3. But there will be a decline (circa 200,000 tonnes) in production relative to the peak level by 2022, based on the four companies’ investment plans that presently exist.

*OPM has analysed and aggregated current and forward looking data from four mining operations: Mopani Copper Mines (Glencore), Konkola Copper Mines (Vedanta Resources), Lumwana Mine (Barrick) and Kansanshi Mine (FQML).
Significant further rises in government tax and royalty receipts are likely if present arrangements continue. More companies will begin to pay corporation tax as capital allowances expire.

But future direct employment gains will be limited as essential productivity-improving investments (in the Copperbelt mainly) take effect. If that investment is not done then production levels will be below those shown.

But, again, all these results are contingent on new, and quite large amounts of investment (total c.$5 billion), actually taking place. In turn, this requires a reasonably encouraging international environment and a consistent domestic policy environment that allows reasonable profits for the investors.

Potentially harmful effects can come from (i) a major down-turn of world prices and (ii) domestic policies that unduly expand the industry cost base.
The conclusions from this analysis are:

- Policy makers need to be better served with data and evidence/data-based analysis to make sound decisions about mining.
- Zambia’s international competitiveness is critical to the future contributions that the sector might make by investing more.
- With a large government revenue increase now established, there can be more attention to how mineral revenues are best used to promote broader sustained development.

What is the bottom line?:
Mining is clearly making macroeconomic contributions of an order of magnitude that cannot be matched by any other sector. Some things are going wrong in the industry but a narrow pre-occupation with those things could encourage public policy to inadvertently undermine the actual and potential future contributions which are huge and irreplaceable.
Employment and Local Economic Development

Professor Olle Östensson
Oxford Policy Management
This presentation covers:

1. The Zambian copper industry has high cash costs from an international perspective
2. Mining company expenditure
3. The origins of inputs of goods and services
4. The numbers of people that earn a living through mining
5. The relationship between costs, investment and productivity
6. Impacts of mining investment on living standards in mining districts: Higher income; More employment; Less poverty
7. Conclusions and ways forward
Copper mines in Zambia have high cash costs from an international perspective – C1 costs are shown in the chart*. The new mines in North West province have operating costs that are a little above the world average. Underlying the high costs are high transport costs, higher than average taxes, and relatively high costs for labour and energy. The old mines in the Copperbelt are among the world’s most expensive to operate, because in addition to the factors already mentioned they are underground, have a complicated geology and very low productivity.

*Note: C1 costs exclude depreciation, amortization, net interest charges or taxes.
Based on the sample data aggregated from four mines*, the distribution of total expenditure shows that investment is the most important item. Some of this is necessary in order to sustain production, some is needed to increase capacity so that more can be produced. Non-labour operating costs include costs for transport, energy, explosives, chemicals and other inputs. Companies have limited influence on these costs. Similarly, the share of taxes can not be influenced by companies, but is likely to rise as earlier investment in capital equipment is written off and cannot be deducted from taxable income.

*OPM has analysed and aggregated current and forward looking data from four mining operations: Mopani Copper Mines (Glencore), Konkola Copper Mines (Vedanta Resources), Lumwana Mine (Barrick) and Kansanshi Mine (FQML).
Based on the sample data aggregated from four mines*, services are procured mainly from Zambian companies, but goods are mainly imported. It should be noted that no official statistics exist and that definitions differ among companies. The numbers constitute a best effort based on information received.

Barriers to increasing local procurement include:

- **Costs of Zambian supplies**
  - Transport (Zambian manufacturers have to import most inputs)
  - Taxes (corporate taxes are higher than in other countries in the region)
  - Labour (wages are high and the minimum wage was increased recently)
  - Land (difficult and expensive to acquire)
  - Regulations (Zambia ranks 94 on the World Bank’s ease of doing business index – South Africa is 39, Botswana 59 and Namibia 87)

- **Access to credit for suppliers**
  - High interest rates
  - Lack of collateral

- **Skills**
  - General management skills
  - Technical training

- **Regulations (foreign exchange)**, adds to the cost of doing business with a Zambian supplier rather than a supplier abroad: mining companies earn dollars which they convert to Kwacha to pay domestic firms which convert them to dollars to buy supplies from abroad

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*Note: Procurement of goods and services graph.*
Based on the sample data aggregated from four mines*, direct mining employment has increased, but part of the increase, particularly for contractors, is due to capital investment taking place – if there is no new investment this part of direct employment will fall.

Indirect employment – mainly in the supply chain – has some scope for increase by raising the share of mine inputs provided by Zambian manufacturers, rather than Zambian importers of foreign produced goods.

Induced employment, which results from employees spending their wages is the most important driver of job creation from mining, both in terms of numbers of jobs, and in making the greatest contribution to poverty reduction.

The scale of induced employment is probably under estimated here, since reliable data on the informal sector are hard to obtain.

*OPM has analysed and aggregated current and forward looking data from four mining operations: Mopani Copper Mines (Glencore), Konkola Copper Mines (Vedanta Resources), Lumwana Mine (Barrick) and Kansanshi Mine (FQML).
Based on the sample data aggregated from four mines*, the mining provinces and in particular the mining districts within those provinces have proportionately much more formal employment than the rest of the country, not just in the mining sector. This generally means that jobs are safer, salaries higher and workers are more empowered.

*OPM has analysed and aggregated current and forward looking data from four mining operations: Mopani Copper Mines (Glencore), Konkola Copper Mines (Vedanta Resources), Lumwana Mine (Barrick) and Kansanshi Mine (FQML).
The mining provinces have experienced larger income increases than the rest of the country. This means that income differences between provinces are growing. Rising wages in the formal sector (which is much more important in mining provinces and Lusaka) are likely to lead to even larger differences.
Poverty is declining rapidly in mining provinces, particularly in the districts where mining takes place.
Concluding remarks

- Living standards in mining provinces and districts are higher than in non-mining ones

- If barriers for private business investment and SME growth are removed, then local content and employment from mining procurement can increase

- Induced employment has led to broad based increases in income – this provides an opportunity to diversify the economy

- Mining tax revenues offers opportunities to dramatically improve the lives of people in provinces without mining

- Local governments will need support to exploit the opportunities offered by mining development
This presentation will review mines' social investment:

Mines spend quite a lot of money on a range of activities – this is shaped by legacy obligations and expectations, as well as the region in which they work. After discussing that context, we then look at the spending itself: the scale, composition, and impact, before drawing out some lessons learned.
The local presence of mines has a long history. Mining has gone through phases of ownership, from the colonial period, through nationalisation, and then privatisation. For each phases, the role of the mine in the local community – which for much of Zambia's history of course means the Copperbelt – has included the provision of public services, including water, sewerage, health and education.

Sometimes there were formal limits for workers’ and their families. In practice, there was often broader access to public services.

The role of the nationalised ZCCM included the provision of public services. This obligation added to the cost base of ZCCM, and became unaffordable for the company while copper prices were low.

The formal obligation was not wholly carried over to the newly privatised mines. There were some transition arrangements in the form of local utilities and a shift of obligations on to local government authorities. However, the expectation of service provision from mines remains as a legacy of the nationalised era.

### Phases of mine ownership in Zambia

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<tr>
<th>Regime</th>
<th>Ownership</th>
<th>Role of the state</th>
<th>Provision of public services in mining areas</th>
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<td>Pre-1972 – colonial era and early Independence</td>
<td>Concessions to private enterprises with foreign shareholders</td>
<td>No sovereignty</td>
<td>Provided by concession-holder directly</td>
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<td>Nationalisation - privatisation</td>
<td>State-owned national mining company – ultimately ZCCM</td>
<td>Sovereign ownership</td>
<td>Provided by ZCCM – initially good, then unsustainable</td>
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<tr>
<td>From privatisation to-date</td>
<td>Concessions to private enterprises, with ZCCM-IH minority</td>
<td>Sovereign legislation, regulation and administration</td>
<td>Legacy expectations in Copperbelt; formal responsibility with government</td>
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Taking stock: Changing ownership… Changed role of the state… Expectations today conditioned by different regime eras
The ‘social investment’ of the four mines we worked with was in excess of US$70 million in 2012*

This is a substantial amount. It is equivalent to 0.3% of Zambia’s 2012 GDP (which was US$20.7 bn – World Development Indicators).

The spending in the NW province was in line with international comparators at 1-2% of pre-tax profit. In the Copperbelt, it was much higher at 10-16%.

Using Central Statistical Office data on regional income per person in 2010, and the 2010 population data (and a 2010 exchange rate average of KW4797/US$) allows us to compare this social spend – even though it is 2012 numbers – with an estimate of regional income (which is close to regional GDP) and to show it as a dollar amount per person.

The difference in these numbers between the two regions reflects: a lower regional income per person, and fewer people in the Northwest, and the legacy of high-cost, and relatively lower profitability mines in the Copperbelt.

*OPM has analysed and aggregated current and forward looking data from four mining operations: Mopani Copper Mines (Glencore), Konkola Copper Mines (Vedanta Resources), Lumwana Mine (Barrick) and Kansanshi Mine (FQML).
This breakdown of spending is based on OPM analysis and the aggregation of current and forward-looking data from four mining operations: Mopani Copper Mines (Glencore), Konkola Copper Mines (Vedanta Resources), Lumwana Mine (Barrick), and Kansanshi Mine (FQML).

The largest proportion goes towards health initiatives (43% at US$ 30 million), followed by infrastructure (24% at US$ 17 million). Together these two categories make up two thirds of total expenditure. The rest of the expenditure goes towards educational investments (14% at US$ 9 million), business development (8% at US$ 6 million) and livelihoods support (4% at US$ 3 million).
Based on the sample data aggregated from four mines*, in the North Western Province, infrastructure is the largest percentage of total social investments (44%) for both mines, followed by education (28%).

• This is unsurprising given the underdeveloped nature of infrastructure (including school infrastructure) and poor quality of education in the province, along with challenges brought about by the rapidly growing populations near the mines.

• Much of the investments are made in entirely new infrastructure needed in the area. In total, mines in the North Western Province spent around US$15 million on social investments in 2012.

By contrast, mines in the Copperbelt Province spend the majority of their social investment expenditure on health (53%).

• This is largely due to the high costs of running the hospitals and health clinics that the mines in the Copperbelt took responsibility for as part of their obligations under the original Development Agreements.

• The second largest component of expenditure in the Copperbelt is that of infrastructure investments

We also observe significant variation in the approaches companies take to social investment – ranging from top-down to a more consultative approach. It is also clear that the impact varies.
There are a range of positive impacts that have been recorded by mines. Malaria incidence is falling around the KCM and Mopani sites in the Copperbelt, and incidence is lower than elsewhere. There are similar results for HIV. And these initiatives can be found in the northwestern region as well as the Copperbelt. Other examples include:

- Mopani infrastructure investments (major inter-town roads and sanitation; plus health investment eg cervical cancer screening)

- Lumwana Development Trust Fund (communities contribute 25% in-kind to infrastructure projects, high levels of buy-in and only projects that communities genuinely need go ahead).

- Lumwana Agrifoods Innovator project (introduction of irrigation to local farmers, which targets marginalised groups, and is ‘holistic’ (providing training, access to finance, and connecting people to markets). It is implemented in partnership with an NGO, and a research organisation, and the IDE are scaling it up with funding from the EU.

- Contributions to road-building by mines have improved access to Solwezi town.

- KCM livelihoods project ‘Early Childhood Care, Education and Development’ (a ‘holistic’ programme, designed with input from community, and looks to tackle constraint for traders, such as a lack of access to childcare: childcare is provided and, in addition, children are connected to early learning and healthcare initiatives).
But it was also clear that there is a range of approaches to social investment programmes (such as for HIV prevention and treatment, and for education initiatives.)

And that there is a range of impacts across programmes – not all are as effective as the 'best in class'.

Clearly, some approaches to social investment work better than others. Our evaluation saw a range of approaches, including a pro-active, consultative approach, with a stable process for planning and implementing projects, and follow-up in terms of monitoring and evaluation of impact.

We also saw more top-down, ad hoc and reactive approaches.

There is an association between approach and success, the elements of which include:

1. Active consultation and engagement with local communities. (Lumwana consultation was reflected in a survey that found that 82% of people in surrounding chiefdoms agreed that Lumwana was directly addressing social needs.)

2. ‘Holistic’ approaches that address more than one thing at a time – such as in the livelihoods programmes, which included childcare as well as seeds, fertiliser and training.

3. Alignment and partnership with government and NGOs – so as to embed mining company work with the mainstream government delivery. The ‘District Situational Analysis’ required of each local government could provide such an opportunity for alignment.

Different approaches, varying results

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<th>Social investment success</th>
<th>Social investment opportunities</th>
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<td>• Health initiatives, both HIV and malaria, of both Copperbelt and North-western mines</td>
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<td>• KCM livelihoods project: Early Childhood Development</td>
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<td>• Lumwana Development Trust Fund</td>
<td>• Increased collaboration</td>
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<td></td>
<td>• National frameworks for social investment</td>
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<td></td>
<td>• Increased local government capacity</td>
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The scale of spending is significant, and the distribution of expenditure looks to match underlying conditions – with a variation between the copperbelt and the North-western province.

But not all expectations have been met, and despite some notable successes, not all company spending is effective or has the desired impact. Those that do seem to have been effective tend to be more sophisticated in their approach: consultative not top-down; a stable process for planning and implementation, not so ad hoc; with broader, more holistic approaches, rather than one-shot projects; and with more rather than less alignment with partners.

Mines are often doing similar activities, but do not appear to liaise to share any lessons learned. While some have worked well with local government, others have not.

There is scope for a framework for decision-making on social investment – in other words, the business case on what to do and what not to do – which should support more consistent decision-making, process, and subsequent monitoring and evaluation of results.

Concluding remarks

- Mines spend a lot on social investment
- There is a mis-match between expectations and impact: reflecting the legacy of ZCCM in the Copperbelt, and the variation in approaches and degrees of success across social investment programmes
- Consultation, more holistic approaches, and alignment with partners, including local government characterise the more effective programmes.
- A framework to strengthen the underlying business case for this significant spending, to help coordinate, and to measure results could support better impact; as could more collaboration between mines.
Break-out sessions

How can we work together to ensure mining contributes more to broad-based economic and social development in Zambia?

Break-out sessions: Overview

How can we leverage the competencies of government, industry, and civil society, to ensure mining contributes more to broad-based economic and social development in Zambia?

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<td>Dealing with <strong>macro-economic dependence</strong> on mining</td>
<td>Increasing broader-based <strong>economic development</strong></td>
<td>Determining alternative approaches that have a greater focus on impact</td>
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Breakout 1: Macroeconomic issues

- Sustaining a comprehensive information base on the macroeconomic contributions of mining companies
- Dealing with macro-economic dependence on mining

1. What arrangements could be put in place to create and sustain a more systematic and comprehensive information base on the macroeconomic contributions of mining companies to inform the policy debate?

2. How might the key agencies of government work differently, and possibly with closer coordination, in order to anticipate both the opportunities that exist and the challenges that high levels of dependence causes?

3. How should the government react to the rapid recent increase in the total tax and royalty revenues collected from the mining companies?

4. Should there be any changes in the present arrangements – roles and responsibilities – in order to more proactively examine the different scenarios for mining’s macro contribution in the future and both the international and factors that are likely to shape these scenarios?

Breakout 2: Local economic development and employment

- Increasing local procurement
- Increasing broader-based economic development

• Should the government try to attract new investment in mining and how could it do so?

• How can the capacity of local governments to plan for economic diversification be improved – particularly if direct employment in mining falls?

• What can be done to promote and support increased local procurement?

• How can the additional income from induced employment be leveraged to create economic growth and diversification?

• How can non-mining provinces be supported so that they catch up with the Copperbelt and Northwest province?
Breakout 3: Social investment

- Creating a **framework for cooperation** between stakeholders
- Determining alternative approaches that have a **greater focus on impact**

1. How can the approach to social investments made by mines be improved to bring broader benefits to the community?

2. Could improved District Development Plans be used as a framework to align different companies’ social investments? Are there other opportunities for developing a framework for stakeholders to work within and coordinate social investment activities?

3. How could mines partner with other stakeholders (government, NGOs, donors etc.) in their social investment activities?

4. How could mines provide direct support for local government capacity building?