



Answering the How?

***Ploughing back 10% of revenues
from mining companies: The case
of Solwezi Municipal Council***



Publish 
What You Pay
Zambia



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FOREWARD

Local Revenue Sharing and Securing a New Hope for Mine Host Communities

On the 14 December 2015, Solwezi Municipal Council passed a resolution to “enhance service provision to communities affected by mining activities”. This resolution followed a proposal to invest property rates collected by the council from mining companies within mining host communities.

As the Youth Alliance for Development (YAD), we warmly welcomed this development and noted it as a progressive initiative by the local authority to ensure that mine host communities benefit positively from their God given resources. We consider that investing revenues realized from mining, in host communities, could address the resource curse which refers to the paradox that countries with an abundance of natural resources tend to have less economic growth, less democracy, and worse development outcomes than countries with fewer natural resources. We believe that this investment could provide the much needed panacea for the negative impacts associated with the extraction of mineral resources.

Article 253(h) of the amended constitution of the Republic of Zambia of 2016 on Land Environment and Natural Resources, states that; *“investments in land to also benefit local communities and their economy”*. We believe the implementation of the resolution not only safeguards the mine host communities from bearing the brunt of mining activities but also ensures local communities benefit as provided for in the Zambian constitution.

It is against this backdrop that YAD working with Publish What You Pay Zambia (PWYPZ), decided to initiate the development of this briefing paper, which gives a contextual analysis and provides guidelines for the implementation and realization of the resolution passed by Solwezi Municipal Council.

Eliack Shikamo

Executive Director | Youth Alliance for Development



LIST OF ACRONYMS

CCGA	Community Company Government Assessment
CDF	Constituency Development Fund
CSOs	Civil Society Organisations
DDCC	District Development Coordinating Committees
EITI	Extractive Industry Transparency Initiative
FQML	First Quantum Minerals Limited
GDP	Gross Domestic Product
TR	Total Revenue
PWYPZ	Publish What You Pay Zambia
WDC	Ward Development Committees
WDF	Ward Development Fund
YAD	Youth Alliance for Development



ACKNOWLEDGEMENTS

The Youth Alliance for Development (YAD) would like to acknowledge the hard work and commitment of like-minded organizations such as the North West University, Civil Society for Poverty Reduction (CSPR), Caritas Zambia and Swiss ADR that worked tirelessly towards the successful completion of this briefing paper.

Our sincere gratitude goes to the Diakonia Zambia Country Office, our cooperating partner that provided both financial and technical support throughout development of the policy brief process. Their support was nothing short of exceptional.

We also wish to acknowledge the Publish What You Pay Zambia Secretariat for their collaboration and support in the development and finalisation of this briefing paper.

We would further like to thank the members of the Solwezi Municipal Council meeting held on 14 December 2015 for their impartial decision to approve the resolution that allows for 10% of revenues received from mining companies to be channelled directly to mine host communities.

Finally our sincerest gratitude goes out to the Embassy of Sweden in Zambia and its efforts in creating an enabling environment that promotes the sustainable development agenda in Zambia.





WHO IS THIS BRIEFING PAPER FOR?

This briefing paper is a vehicle for providing policy advice, as such, it is for policymakers, technical staff and the general citizenry interested in the implementation of the Solwezi Municipal Council resolution of 14 December, 2015 to plough back 10% of revenues generated from mine property rates into the provision of basic services in mine host communities.

WHAT IS THE OBJECTIVE?

The overall objective of this briefing paper is to propose guidelines that will lead to the implementation and realization of the resolution passed by Solwezi Municipal Council. That is, to dedicate 10% of the revenues realized from the collection of property rates from mining companies to communities living within those localities to enhance service delivery provision to communities directly affected by mining activities. In meeting its objective, the briefing paper further gives an overview of the context in which the resolution can be realized, the risks as well as mitigation strategies that can be adopted to realize its intended purpose.

EVIDENCE SUPPORTING THE BRIEFING PAPER

To inform the development of this paper; both quantitative and qualitative data on property rates and annual business fees and other revenues received by local councils and central government were collected and analyzed. Data collection methods adopted to obtain primary and secondary information include document review such as the 2012 to 2015 Extractive Industry transparency Initiative reports (EITI), stakeholder consultation/engagement workshops, community profiling through the Community Company Government Assessment (CCGA) conducted in Solwezi. Stakeholders consulted and/or engaged included community members (traditional authorities, women, youth, and concerned citizens) as well as key informant interviews with mining companies and councils. Public meetings, stakeholder consultation and engagement workshops were held to discuss the 10% Solwezi Municipal Council resolution and how it can be operationalised through the development of guidelines.

INTRODUCING THE 10% RESOLUTION

WHAT IS THE 10% RESOLUTION?

The 10% resolution is a resolve made by the full council meeting held in the Solwezi council chamber on Monday 14 December, 2015 that approved adopted minutes of the Plans, Works, Development and Real Estate Committee Meeting held on 9th November 2015. This meeting resolved that; “the enhanced service provision to communities affected by mining activities be approved and they should include other activities done in the area”. This resolution followed a proposal given by the Director of Planning to invest 10% of the property rates into mine host communities to improve the quality of their lives.²

WHY SHARE THE 10% WITH THE MINE HOST COMMUNITIES?

Despite the impressive amounts paid in annual business fees and property rates as well as the visible improvements in infrastructure directly linked to mining operations in Solwezi, there has been very little benefit accrued to mining host communities to show for its mineral wealth. Receipt disclosures by Lumwana and Kansanshi Mines to Solwezi Municipal Council reveal that between the years 2011 to 2015, revenue collected increased by 70.4%, amounting to ZMW 35,225,512 in one fiscal year. Despite the increase in revenue, there has been little to no improvement in service delivery in the mining host communities as can be verified by an inspection visit.

Below is a table highlighting the different amounts of revenue collected from mine companies’ business fees³

		2011 (ZMW)	2012 (ZMW)	2013 (ZMW)	2014 (ZMW)	2015 (ZMW)
Annual Business Fees	Lumwana	-	-	-	-	-
	Kansanshi	-	10,650	-	24,000	-
Annual Business Fees	Lumwana	-	6,608,451	4,524,500	5,524,500	11,049,000
	Kansanshi	10,426,981.27	16,524,500	9,866,995	16,344,208	24,176,512
Total revenue collection		10,426,981.27	23,143,601	14,391,495	21,868,708	35,225,512

² Council Minutes-C/08/12/15, PWDRE/24/11/15
³ Reported as not paid in that particular financial year



In economic terms, the opportunity cost of the *“local authority collecting increased property rates and annual business fees from mining companies”* is *“displacement, loss of livelihood, pollution and limited access to social services due to population increase of local people”*.

Below is a graphic illustration of the opportunity cost of the increase in property rates received by the council.

With this in mind, the Director Planning reported that following an economic literacy training for 15 councillors which was organized by Youth Alliance for Development (YAD), it was revealed that communities closer to the mines were more affected by mining activities than those living at a distance. As such, stakeholders and the 15 Councillors in attendance agreed that the Council should make a deliberate move to try and mitigate these negative impacts of mining activities. The Director further mentioned that the Solwezi



council had resolved that 10% of the business fees and property rates should be channelled to these communities so as to ensure that the residents' quality of life is improved. After some deliberations on the matter; a resolution to ***“enhance Service Provision to communities affected by mining activities and include other activities done in the area”*** was passed.

A 2016 Community Company Government Assessment of Solwezi, further validated the need for increased revenue allocation to communities near Kansanshi mine, and those displaced by it. The assessment noted that to-date communities have not fully benefitted much from the mining operations in their locality despite bearing the brunt of the negative effects of the lucrative economic activity.

The study further reviewed that most communities encountered the challenge of inadequate water and sanitation, poor educational infrastructure, limited access to health services as well as poor road networks. Among the affected communities surrounding the mine are Mushitala, Kabwela, Mbonge, New Israel, Kyafukuma, Kamatete, Muzabula and part of Kimasala.



IS FAVOURED COMMUNITY SPENDING, THROUGH REVENUE SHARING WITH LOCAL COMMUNITIES CONSTITUTIONAL?

The amended constitution of the Republic of Zambia under Article 253(h) on Land Environment and Natural Resources, states that; *“investments in land to also benefit local communities and their economy”*⁴. As such, implementing the 10% resolution not only safeguards the mine host communities from bearing the negative outcomes of mining activities but also ensures that local communities benefit as provided for in the Zambian constitution.

FAST FORWARD FROM 2015 TO 2017: WHAT SHOULD BE NOTED?

It must however, be pointed out that after gathering excitement amongst community members, the 10% resolution to share revenues has not been implemented. Although council resolutions are meant to be acted on, and implemented by the council management, there are no guidelines till date on how the funds will be managed and administered for the benefit of host communities. Contributing to the snail pace of the resolution’s implementation; was the change of elected leaders following the August 2016 general elections which led to a change in the councillors and the overall council management in the year 2017. Further reinforcing the delayed implementation has been the splitting of Solwezi district into three districts; Solwezi, Mushindamo and Kalumbila.

This now means that Barrick Gold Lumwana mine is now being hosted in Kalumbila district and as such will now remit property rates and annual business fees to Kalumbila district council and not the Solwezi Municipal Council as was previously the case. This invariably means less revenues. Nonetheless, the resolution backed by minutes is still legally binding for the council to implement.

Table 9.1 summarises the implementation timeline of the 10% resolution

YEAR	MONTH	ACTIVITY	OUTCOME
2015	NOVEMBER	YAD ECONOMIC LITERACY FOR 15 COUNCILORS	COUNCILORS ACKNOWLEDGE NEED TO SHARE REVENUES FROM THE MINES
		PLAN, WORKS, DEVELOPMENT AND REAL ESTATE'S COMMITTEE MEETING	10% RESOLUTION PROPOSED
	DECEMBER	ORDINARY MEETING OF THE COUNCIL	10% RESOLUTION SECONDED AND PASSED
2016	AUGUST	2016 GENERAL ELECTIONS	NEW COUNCILLORS ELECTED
	SEPTEMBER	SPLITTING OF SOLWEZI DISTRICTS INTO 3 DISTRICTS NAMELY; KALUMBILA, MUSHINDAMO AND SOLWEZI	LUMWANA PROPERTY RATES AND ANNUAL BUSINESS FEES OBLIGATION TO NOW BE PAID TO KALUMBILA DISTRICT COUNCIL AND NOT SOLWEZI DISTRICT
2017	APRIL - MAY	CHANGE OF LEADERSHIP AT THE SOLWEZI MUNICIPAL COUNCIL	CHANGE OF MOST OF THE COUNCIL MANAGEMENT OFFICERS WHO WERE INVOLVED IN THE DEVELOPMENT AND PASSING OF THE 10% RESOLUTION IN 2015
	JULY	ECONOMIC LITERACY TRAINING	ANOTHER ECONOMIC LITERACY TRAINING WAS HELD TO ORIENT NEW COUNCILLORS ON THE 10% RESOLUTION PASSED IN 2015



The Government’s recent decision to split Solwezi district into Mushindamo and Kalumbila means Barrick Gold Lumwana mine will be now be hosted and required to make its tax remissions to Kalumbila district Council. Consequently, the revenue base from mining companies’ annual business fees and property rates reduces by 30% thereby implying there is less of the 10% of the revenues to be shared with communities as resolved by the council meeting.

THE IMPLICATION OF SPLITTING THE DISTRICT ON REVENUE COLLECTION FROM THE MINES; WHAT WILL THE 10% ACTUALLY LOOK LIKE?

The Table below makes use of the data from 2011 to 2015 Extractive Industries Transparency Initiative (EITI) Reports on money remitted to Solwezi council. The figures in the table are an estimation of how much 10% of the remitted fees and taxes to Kansanshi mine entails. Assuming that the resolution was passed from 2011 to 2015, the figures below approximate how much would have been allocated to the 10% resolution.

SOLWEZI LOCAL COUNCIL RECEIPTS FROM KANSANSHI					
	2011 (ZMW)	2012 (ZMW)	2013 (ZMW)	2014 (ZMW)	2015 (ZMW)
Annual Business Fees	-	10,650.00	-	24,000.00	-
Property Rates	10,426,981.27	16,524,500.00	9,866,995.00	16,344,208.00	24,176,512.00
Total Revenue (TR)	10,426,981.27	16,535,150.00	9,866,995.00	16,368,208.00	24,176,512.00
10% of TR	10,426,98.127	1,653,515.00	986,699.50	1,636,820.80	2,417,651.20


PROPOSED GUIDELINES THE SOLWEZI MUNICIPAL COUNCIL COULD CONSIDER TO IMPLEMENT AND OPERATIONALISE THE 10% RESOLUTION

Cognizant of the fact that the council has the mandate to provide service delivery to the local communities; and that the 10% resolution, seeks to enhance service provision for communities affected by mining activities;

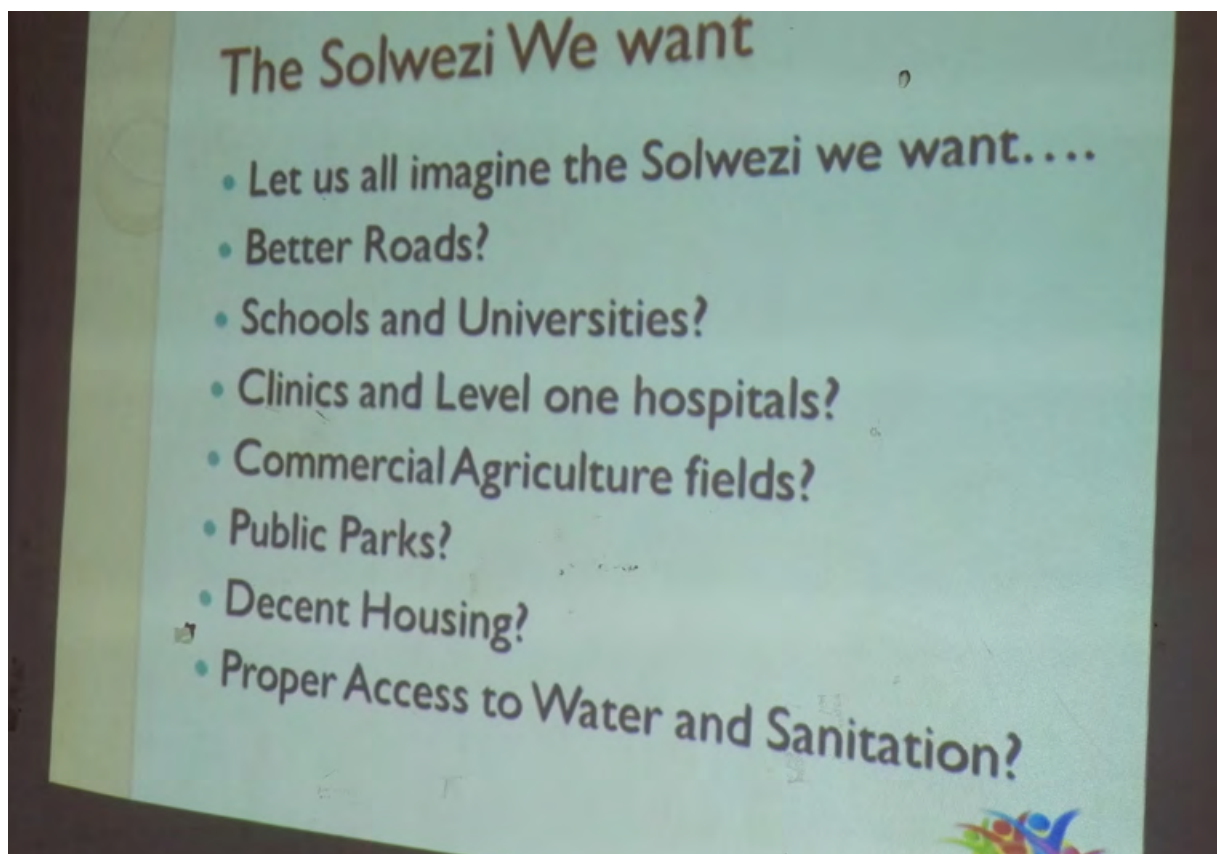
This briefing paper suggests that the council considers adopting the following guidelines to ensure effective utilization and application of funds in a manner that would be acceptable and beneficial to all stakeholders. The following guidelines, named the 955 PBC⁵, are based on views, perceptions and suggestions from stakeholders who were extensively consulted;

- a. Open a separate account to administer the Fund.
- b. Make use of already existing council structures such as the Constituency Development Fund (CDF) Committees and the project identification method of the Ward Development Fund (WDF). Included amongst the functions of the committee are;
 - I. To ensure involvement of community members during project planning and execution.
 - II. To educate and disseminate information to community members on various development projects and programmes.
 - III. To undertake a community development needs assessment through an extensive consultative process. Residents must be engaged to prioritize projects needed in their communities.
- c. Restrict the administrative costs of the Fund to a maximum of 5% of its real value.
- d. Ensure a feedback mechanism is put in place on Fund utilization, with representatives from targeted communities present.
- e. Projects shall be evaluated and funded based on the proposal/request submitted to the committees.

⁵ These are guidelines/proposals developed by YAD and other Civil Society Organisations on how the 10% should be operationalised once implemented.

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- f. Amounts shall be released on a Bi-annual basis to finance projects in selected communities and the committee shall notify the council of the beneficiary community.
 - g. Where a memorandum has been raised to the committee for a project to be financed under the Fund, the community shall be given a reply within fourteen (14) working days as to whether the request has been approved or whether a query has been raised.
 - h. A separate project record and documentation shall be kept in respect of each community.

We are of the belief that the proposed guidelines give the communities a sense of ownership as they are part of the proposal development and decision making processes from the onset. In addition, this bottom-up approach makes the projects easy to manage and execute. It further ensures that monitoring and evaluation of the extent to which the budget is executed for project implementation be done in a concise manner. Consequently, transparency and accountability in the whole process will be enhanced.



RISK AND MITIGATION MEASURES OF PROPOSED GUIDELINES

The table below analyses the risks and mitigation measures that would accompany the proposed guidelines for the 10% resolution should it be adopted;

RISK INVOLVED	RISK MITIGATION MEASURES
<ul style="list-style-type: none">• Failure of communities to properly identify their priorities.• Cultural barriers in decision making that may inhibit some demographics like women and girls to participate in the needs assessments.• The selection of communities, and project proposals up to the point of handover may be lengthy and reduce time for implementation, if not handled well.• Bias in proposal development for community projects and programmes as only the elite residents can submit proposals.	<ul style="list-style-type: none">• Build the capacities of the communities to identify priority needs as well as know and understand the budgeting process.• Make use of a disaggregated needs analysis with a gender lens to ensure representative participation.• Institute a plan with activity timelines that will strictly be adhered to by the committees.• Ensure that proof of majority participation is a pre-requisite for proposal consideration to ensure maximum participation of marginalised groups.

Conclusion

The importance of having a revenue sharing mechanism to make up for the opportunity costs (displacements, loss of livelihoods, pollution) of increased property rates and annual business fees cannot be overemphasized. While the briefing paper notes that a resolution to have guidelines for ensuring an equitable sharing was passed by the Solwezi Municipal Council, it is noted that the lack of implementation has been as a result of the change in council leadership, the splitting of districts and more so, the absence of implementation guidelines. It is hoped that the proposed guidelines and contextual framework presented by this briefing paper will help expedite the processes of realizing the 10% revenue sharing resolution in the most transparent and accountable way to benefit especially the host communities that suffer the impact of mining activities in Solwezi.



SOLWEZI COUNCIL MINUTES

SOLWEZI MUNICIPAL COUNCIL

EXTRACT OF

MINUTES OF THE MEETING OF PLANS, WORKS, DEVELOPMENT AND REAL ESTATES HELD IN THE COUNCIL CHAMBER, INDEPENDENCE AVENUE, SOLWEZI ON 9TH NOVEMBER, 2015 AT 10:00 HOURS.

PRESENT

Councillor J. Kapumba	Chairperson
Councillor L. Mulumbi	Vice Chairperson
Councillor D. Chota	
Councillor D. M Chitambala	
Councillor M. Kayebeta	Chief Representative
Councillor B. Kajoba	Ex-officio

ABSENT WITH APOLOGY

Hon Teddy Kasonso	Solwezi Central Constituency
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IN ATTENDANCE

N. Simwanza	Director Planning
J. Mbashila	Director Housing and Social Services
T. E. M. Kamwana	District Education Board Secretary
T. Sikwewa	Director Engineering Services
C. Witola	D. Finance
D. Banda	Community Development Officer
R. Kulutwe	Surveyor
P. Kabeya	Chief Administration Officer (Ag)
F. Taima	Chief Accountant
J. Makayi	Legal Officer

A. Daka	Planner
H. Sichembe	Planner
E. Chalwe	Mechanical Engineer
B. Silwiza	Building Inspector
G. Kunda	Internal Auditor
M.Kashikechi	Senior Committee Clerk (Ag)
C. Mashata	Committee Clerk

Prior to the Commencement of the Meeting, the opening prayer was given and the Meeting was declared open at 10:00hours.

PWDRE/01/11/15

NOTICE OF MEETING

The Notice Convening the Meeting was read to the members.

PWDRE/24/11/15

ENHANCED SERVICE PROVISION TO COMMUNITIES AFFECTED BY MINING ACTIVITIES.

The Director Planning reported that following an economic literacy training which was organized by Youth Alliance for Development (YAD), where 15 Councillors were in attendance, it was revealed that communities closer to the mines were more negatively affected by mining activities than those living far away. As such stakeholders and the 15 Councillors in attendance agreed that the Council should make a deliberate move to try and mitigate the impacts of mining activities. She further mentioned that It was therefore proposed that 10% of the property rates should be ploughed back into those communities so that lives of community members could be improved.

After some deliberations on the matter;

IT WAS RESOLVED THAT:

The Enhanced Service Provision to communities affected by mining activities be approved and that they should include other activities done in the area.

READ AND CONFIRMED

CERTIFIED TRUE COPY OF THE MINUTES OF THE PLANS, WORKS, DEVELOPMENT AND REAL ESTATES COMMITTEE HELD ON 9TH NOVEMBER, 2015 AND WAS APPROVED BY THE FULL COUNCIL HELD ON 14TH DECEMBER 2015 VIDE MINUTE PWDRE/24/11/15

SIGNED: DATE:
TOWN CLERK





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Notes

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DESIGN & LAYOUT:

 GREENEDGE CONSULTANTS



Youth Alliance for Development (YAD)
is a youth serving Non-Governmental
Organisation addressing development issues,
promoting adolescent and youth reproductive
health rights, skills/leadership development and
good governance in the fight against poverty.

VISION:

A Zambia of motivated and empowered youths contributing
effectively in all areas of national development.

MISSION:

To promote positive behavioral change and enhance youth participation and
augment livelihood capacities amongst youths in local communities.

C/O District Agriculture Office

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WITH SUPPORT FROM:

