COPPER FOR DEVELOPMENT REPORT

OXFAM

CONTENTS

LIST OF TABLES

LIST OF FIGURES

ACKNOWLEDGEMENTS

The Copper for Development report generates evidence to inform the launched 'Copper for Development' campaign project. The project is aimed at advocating for policy reform on the prudent use of copper revenues to diversify and grow the agriculture sector and improve service delivery in health and education to ultimately reduce poverty and inequality.

This report was written by a team of researchers from the Zambia Institute for Policy Analysis and Research (ZIPAR): Shimukunku Manchishi, Mbewe Kalikeka, Sydney Sihubwa, Zambwe Shingwele, Edna Kabala Litana and Dr. Bernard Tembo. The report also benefitted greatly from the comments and inputs of Mukupa Nsenduluka, Yvonne Chibiya, Richard Hato-Kuevor and the 'Copper for Development' campaign partners; Civil Society for Poverty Reduction (CSPR), Fight Inequality Alliance (FIA) and the Civil Society Poverty Observatory Group (CSPOG)

This work was generously supported by Open Society Foundation through Oxfam America.

This paper is product of Oxfam. It is part of a series of papers that will be written to support the government of Zambia to put pro-citizen governance systems in place.

For further information on the issues raised in this paper please e-mail: djudge@oxfam.org.uk

Published by Oxfam in Zambia
250 Zambezi Road, Roma
P.O. Box 35625 Lusaka, Zambia
Tel: +260 211 292070 / +260 211 291016
Fax: +260 211 292496

Oxfam is a world-wide development organisation working in 98 countries to build a future free from the injustice of poverty and inequality.

LIST OF ABBREVIATIONS

BOZ	Bank of Zambia
CDF	Constituency Development Fund
CIT	Corporate Income Taxes
CSR	Corporate Social Responsibility
DPR	Department of Petroleum Resources
FIRS	Federal Inland Revenue Services
GDP	Gross Domestic Product
GIRs	Gross International Reserves
GRA	Ghana Revenue Authority
GRZ	Government of the Republic of Zambia
IMF	International Monetary Fund
KMP	Kansanshi Mining PLC
LCT	Lumwana Community Trust
LGEF	Local Government Equalisation Fund
LME	London Metal Exchange
MCO	Mining Cadastre Office
MDF	Minerals Development Fund
MID	Mining Inspectorate Division
MMMD	Ministry of Mines and Minerals Development
MMSD	Ministry of Mines and Steel Development
MoF	Ministry of Finance
MoLG	Ministry of Local Government
MoU	Memorandum of Understanding
MPSAs	Ministries Provinces and Spending Agencies
MRT	Mineral Royalty
MTEF	Medium Term Expenditure Framework
OASL	Office of the Administrator of Stool Lands
PAYE	Pay as You Earn
PFM	Public Finance Management
SBI	Sustainable Budget Index
TSA	Treasury Single Account
UNDP	United Nations Development Programme
VAT	Value Added Tax
ZDHS	Zambia Demographic Health Survey
ZEITI	Zambia Extractive Industries Transparency Initiative
ZLFS	Zambia Labour Force Survey
ZRA	Zambia Revenue Authority

EXECUTIVE SUMMARY

The mining sector remains the bedrock of Zambia's economy. It contributes significantly to GDP and has been the fastest growing sector in the economy contributing an average of about 14% to GDP over 2014 - 2019, making the sector the second largest contributor to GDP after wholesale and retail trade.

In terms of the country's revenue, the mining sector contributes to the treasury through an array of taxes, directly and indirectly. For instance, between 2015 and 2019 mining tax revenue as a share of domestic revenues averaged 11.3%. The sector contributes to employment (73,203 representing 2.4% of total employment) by absorbing a significant share of highly skilled labor and on average, labor income from the mining sector is considerably higher when compared to other sectors. The sector also contributes heavily to the country's trade profile with copper accounting for a staggering 70% of export earnings.

Nevertheless, Zambia's reliance on copper mining has often been cited as a contributing factor to its fragile economy owing to shocks in global copper prices that often have resultant effects on economic variables such as the exchange rate, inflation and interest rates, among others. This is evidenced by economic shocks that the country has experienced in the wake of the COVID-19 pandemic prior to which the economy faced turbulent times due to its debt servicing obligations, among other factors. For instance, the annual real GDP growth rate which averaged 3.8% during the period 2014 -2015 fell to an average 3.1% during 2017 – 2019.

Zambia's debt burden has adversely affected the social and growth sectors. In the recent past, the budgetary allocation to debt service has increased in relation to budget allocations to social sectors such as health and education and growth sectors like agriculture.

The declining performance of the economy and growing debt burden further stress the importance to have mining revenue propel development at both national and subnational levels. At national level, the taxes collected by the Central Government from the mining sector become part of a large pool of revenue once deposited into the consolidated fund (commonly known as Control 99) which is part of the wider public finance management reforms that the Government has implemented in recent years. As such, revenue use cannot be tracked to public investment/expenditure or to expenditure cost centers or projects.

At subnational level, it is easier to track the contribution of mining revenue to local authorities through business fees and property rates paid to Councils. Mining firms also undertake Corporate Social Responsibility (CSR) activities where resources are voluntarily transferred in cash and in kind to local communities. Nonetheless, various challenges still exist including questions regarding the capacity of local authorities to manage revenue under their control, especially in the wake of various audit queries recorded in the Auditor General's reports. Because of low capacities to spend, the abilities of local authorities to spend is compromised. From the interviews conducted with local authorities, it was found that mining firms often pay less than required, and this results in financial constraints for the local authorities. Further, interviews were conducted with selected non-governmental organisations, governmental departments and subnational structures, particularly, Traditional Leaders (Chiefs) and Councils.

The consensus from stakeholders was that there is a need for the establishment of a revenue sharing mechanism to ensure that host communities benefit from their resources.

Other stakeholders further argued that the development of any revenue sharing mechanism should be within the context of the already existing mechanisms such as the direct transfers to local authorities through property rates and business fees. Currently, some local authorities receive less revenue than required from mining firms. Lessons can be drawn from other countries within the continent that have implemented sharing mechanisms or models that have a semblance of a sharing mechanism.

To draw on practice in other countries, Ghana was considered because it is one of the countries in Africa that has a well-defined mineral revenue sharing system in place. For example, from mineral royalty payments made, 80% is retained by the Central Government and pooled into the Consolidated Fund for direct budget support. The remainder (20%) is equally shared between the Minerals Development Fund and the Office of the Administrator of Stool Lands. While Ghana's mineral sharing mechanism is commended for redistribution of mineral revenue among its population, it remains susceptible to development challenges such as lack of transparency, corruption and rent seeking abuses.

Conversely, in Botswana, mining revenue is not institutionally segregated from revenue generated from other sectors and streams because it is sent to the consolidated revenue pool or otherwise known as the Consolidated Fund. This means that although Botswana has guidelines for spending mining revenue, there is no legal framework or statutory basis supporting these guidelines. Instead, the Sustainable Budget Index is the measure that provides a roadmap for spending mining revenue. In principle, the index implies that recurrent expenditure must be financed by Government revenue excluding resource revenue and capital expenditure should be financed by resource revenue. Further, although Botswana has no defined mineral revenue sharing mechanism, its strategy of devoting mineral revenue to asset accumulation in education, health, infrastructure and other forms of financial assets, seems to pay off.

Arising from the preceding literature review, interview findings and analysis, the study recommends several measures that can lead to enhanced benefits from Zambia's mineral resources as follows:

1. **Devote mineral revenues to asset accumulation:** Zambia should consider coming up with a mineral revenue spending strategy that targets a percentage of the revenue from natural resources to asset accumulation like is the case in Botswana. This can be reinforced by legislating a budget sustainability index where copper revenue is reinvested in other assets (health, education, and agriculture) that can be used to generate future incomes. In other words, depletion of natural capital requires compensating increase in other forms of capital especially in extracting/mining regions.

2. **Enhance capacity of local authorities:** The Government must continue with decentralisation reforms specifically focusing on improving the capacity of local authorities to manage mineral revenue resources. This is cardinal given that the local authorities continue to collect considerable revenues from mining firms in particular. Correct systems must be set in place to enable these councils to manage huge revenue outlays.

3. **Support local authorities to collect required revenue from mining firms:** The local authorities' capacity to undertake audits and also complex negotiations with the mining firms must be continuously enhanced in order to respond to the complex and growing sophistication in the conduct of mines with regard to subnational transfer of revenue. The tendency by mining firms to pay less than required amounts owing to various reasons presented undermines the financial position of local authorities in mine areas. Central government must also allow local authorities to have autonomy in handling such negotiations without any covert engagements with the mining firms.

4. **Disseminate information on mineral revenues:** In their critical watchdog role, CSO's should prioritise the dissemination of mineral revenue information among stakeholders such as traditional leaders and the general citizenry. This will enhance citizen's oversight for increased transparency and accountability. For this accountability to exist, mining revenue and budget outlays need to be transparent and fully accessible to citizens, and mineral revenue decisions need to be subjected to public scrutiny and influence. Proper scrutiny of subnational budgets paired with the watchdog role of civil society will help ensure that local authorities are accountable and eventually more responsive to the needs and preferences of local communities.

5. **Enhance multi-stakeholder dialogue:** The Government must create a mechanism for multi-stakeholder coordination through dialogue and engagements between the Government, private sector, CSOs and local communities. This is critical to address issues on accountability by the Government and also ensuring that mining companies pay required amounts to local authorities.

6. **Undertake punitive action on financial irregularities:** The Government must continue to prioritise punitive actions against erring officers and institutions in the wake of financial irregularities as presented in the Auditor general's reports. Of particular concern are irregularities reported at the local authority level which continue to negatively impact service delivery and use of revenues collected from mining activity.

7. **Rein in on debt accumulation:** The Government must reign in on the growing fiscal deficits which have led to a debt accumulation that is crowding out expenditure in critical sectors such as health, education and agriculture and also transfers to subnational structures. This can be done through prudent fiscal management and consolidation by ensuring that expenditure equals domestic revenue collection and also a slow down on debt accumulation which will leave the country with much needed finance which can be channeled towards critical sectors such as health, education and agriculture.

1. INTRODUCTION

This report provides analysis of mining revenue management in Zambia. Mining revenue management has a strong bearing on the Zambian economy, because of the country's heavy reliance on the mining sector, specifically copper. In terms of contribution to economic activity, on average mining contributes 14% (2014 – 2019) to Gross Domestic Product (GDP) and accounts for the largest share of exports (70%). In addition, the sector contributes considerably to Government revenue and employment, and it continues to attract Foreign Direct Investment (FDI) which constitutes 62% of total FDI over the same period.

1.1 Study Objectives

From the foregoing, the main objective of this research is to generate evidence that propels public discussions and debate on the importance and benefits of channeling copper revenues to development.

This will be achieved through the following specific research objectives:

(a) To illustrate the operations and rationale for the current centralized public finance mechanism (Control 99) at national level:

(b) To highlight the revenue collected from the mining sector and Government allocations to education, agriculture and health sectors over a period;

(c) To demonstrate how and to what extent mining revenue collected at sub-national level contributes to local development;

(d) To demonstrate how Zambia's debt burden crowds out expenditure to three identified sectors (agriculture, health and education);

(e) To showcase the existing revenue sharing mechanisms in selected African countries; and

(f) To recommend measures that would lead to enhanced revenue sharing in Zambia.

1.2 Overview of Methodology

To achieve these objectives, the study employed a mix of qualitative and quantitative approaches. Firstly, desk reviews related to mining in Zambia were undertaken. Secondly, Key Informant Interviews (KIIs) were conducted with various stakeholders directly or indirectly involved in the mining revenue management process. The two approaches are explained below:

(i) ***Desk review and analysis:*** To have a clear understanding of the various literature related to mining revenue management in Zambia. The review relied on documents from Bank of Zambia (BOZ), Ministry of Finance (MoF), Ministry of Mines and Minerals Development (MMMD), Zambia Revenue Authority (ZRA), and National Assembly of Zambia among others. Further, an analysis of administrative data was also done.

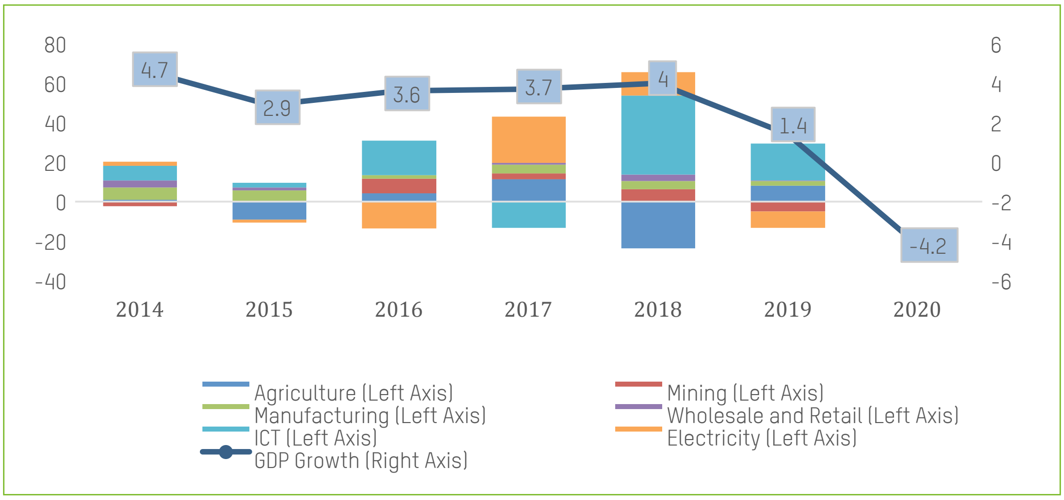
(i) ***Primary Data Collection:*** Administering interview guides made it possible to interact with various stakeholders that are involved in mining revenue management. Analysis of the data collected from these interviews was conducted. The key institutions that gave key informants interviews are shown in annex I.

The report is divided into 7 sections. Section 2 provides an analysis of Zambia's macroeconomic environment. Section 3 presents the contribution of copper mining to the economy. In section 4, the legal and institutional framework for copper mining in Zambia is discussed. Section 5 then provides an analysis of mineral revenue management at the subnational level in Zambia. This is followed by case studies of mineral revenue management in selected African countries which is highlighted in Section 6. Finally, the report presents the main findings, conclusion and recommendations which is discussed in Section 7.

2. ZAMBIA'S MACROECONOMIC CONTEXT

Over the past two decades, the Zambian economy has gone through booms and busts. The recent bust was exacerbated by the COVID-19 pandemic which shocked the global economy. Therefore, prior to the COVID-19 pandemic shock, Zambia was already facing tough economic times. The annual real GDP growth rate generally fell, averaging 3.1% per year during 2017 – 2019 compared to annual averages of 3.8% over 2014 – 2015. Further, for instance, GDP growth slowed to 1.4% in 2019 from 4% in 2018, as shown in Figure 2.1. The deceleration in GDP growth was mainly attributed to the reduction in mining output as well as contraction in both agriculture and electricity generation due to climate change related events such as droughts. For the 2020 fiscal year, the Ministry of Finance (MOF) had projected that the economy would fall into a recession with GDP growth rate of about -4.2%, aggravated by the COVID-19 pandemic, with an expected rebound to 1.8% in 2021.

Figure 2.1: Real GDP Growth and Key Economic Sectors



Source: Author's Construction from ZamStats National Accounts database

Zambia's fiscal management in the past decade has largely been unbalanced and characterised by rising fiscal deficits as percentage of GDP and a mounting debt overhang. Additionally, debt servicing costs have increased over the recent years, crowding out other critical economic and social spending. The social sector has also been highly under-funded due to heightened debt servicing obligations which are now gorging a larger portion of domestic revenues.

Further, energy (crude oil and electricity) prices in Zambia have been on a rise since 2018, leading to increases in production costs across different sectors, including transport and manufacturing, further dampening economic growth (MoF, 2019). In addition, the high cost of production reduces productivity, undermining the competitiveness of the mining sector.

Inflation has breached the 6-8% target range since May 2019 as a result of higher food prices and has now levelled at 19.2% as at December 2020 (comparable to 11.7% in December 2019) (Zamstats, 2020). The increased inflation has pushed up the cost of living. In similar circumstances, the Kwacha has continued to lose value against the US dollar to an average of K20.71 per US$ in 2020, making it costly for businesses to import goods and services, further escalating the level of prices. Furthermore, the continued depreciation of the Kwacha has increased debt servicing costs, pushing the fiscal deficits to spiral farther away from target. For instance, the fiscal deficit on a cash basis for 2020 was projected at 5.5% but the outturn was 14.5% of GDP.

2.1 Mining Economic Contribution

2.1.1 Contribution to GDP

The GDP contribution of mining is defined as the total net incomes produced by the mining sector. The incomes directly produced by the mining sector comprise labour incomes, interest and financing costs and profits (ICMM, 2014). Based on this definition, the mining sector has on average contributed 14% to GDP over 2014-2019 period (refer to table 2.2), making it the second largest contributor after wholesale and retail trade. Further, mining has been the fastest growing sector in the economy.

2.1.2 Contribution to International Trade

Zambia depends significantly on foreign markets to earn foreign currency to support its economic growth and development prospects. A robust export economy for Zambia means healthy Balance of Payments (BOPs) position and Gross International Reserves (GIRs). In this sense, the performance of the mining sector in international trade is of interest because Zambia has little influence in price mechanisms of the London Metal Exchange (LME) where minerals are sold and bought and yet the price outturns affects the country significantly either in a positive or negative way and thus affects its economic growth and development prospects. Since the country is a price-taker, any change in the price of copper will affect export earnings and in turn Government revenues. In 2018, copper export values were recorded at US$6,658.4 million, average copper price at US$6.339.3 per metric tonne and export volumes worth 1,050,336.0 metric tonnes. However, in 2019, copper exports declined by 25% to US$4,994.5 million (Table 2.1), which was as a result of a decrease in both export volumes (836,233.9 metric tonnes) and realised as shown in Figure 2.

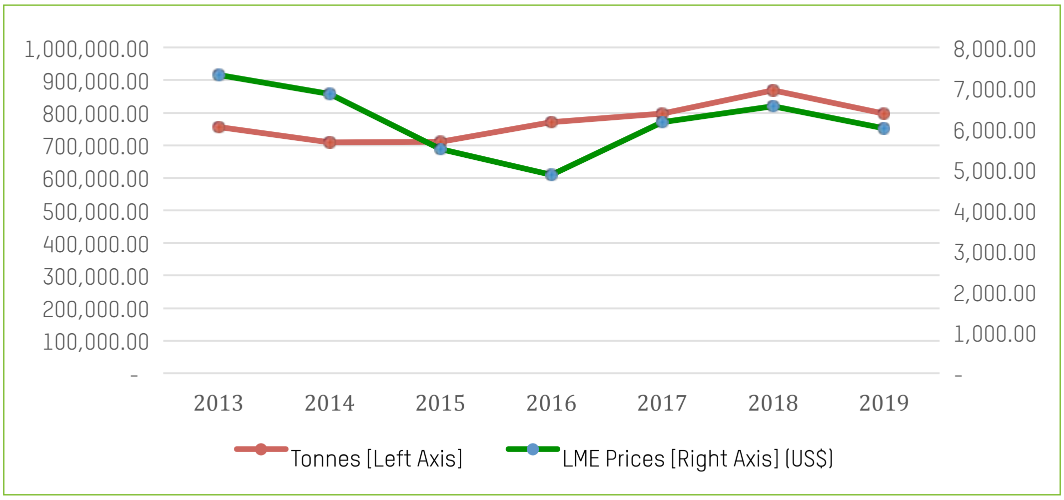
Table 2.1: Export Earnings (US$ Million)

Year	Copper	NTEs	Cobalt	Gold
2014	7618.5	2272	123.9	152.2
2015	5233.6	1848.6	70.7	152.8
2016	4399.1	1748.9	112.9	191.2
2017	6038.7	1780.1	138.4	154.1
2018	6658.4	2036.1	116.7	148.2
2019	4994.5	1919.4	42.7	196.4

Source: Annual Economic Reports

The reduction in copper production (highlighted in the preceding paragraph) was attributed to the fall in imports of copper ores and concentrates from Congo DR, temporary shutdown of smelters for refurbishment and low ore grades at some major mining companies (BoZ, 2019). However, the Chamber of Mines alluded the reduction to mining companies' operational responses to changes in the mining tax regime[1]. Between 2001 and 2019, the mining fiscal policy regime changed 10 times: this has negatively impacted the operations in the sector. These changes are in part, because Zambia's mineral policy is not well integrated in the national development framework.

Figure 2.2: Copper Price (USD/Ton) and Quantities Produced (Tones)



Source: Zambia Statistics Agency

1 https://www.spglobal.com/platts/en/market-insights/latest-news/metals/122719-zambia-2019-copper-output-drop-due-to-new-mining-taxes-com

Table 2.2: Industry Share of GDP, 2014 – 2019

	2014	2015	2016	2017	2018	2019
Agriculture, forestry and fishing	11,325.52	9,133.91	13,459.60	9,909.85	7,868.98	9,458.65
Mining and quarrying	24,449.60	23,244.17	28,494.15	39,005.30	42,735.10	36,965.38
Manufacturing	11,392.99	13,794.49	16,609.56	20,013.49	21,938.78	22,493.66
Electricity, gas, steam and air conditioning supply	3,963.28	5,664.40	7,427.35	8,583.36	9,051.30	10,429.93
Water supply; sewerage, waste management and remediation activities	329.76	373.18	605.58	882.59	772.69	778.17
Construction	14,898.56	18,645.64	22,232.23	23,377.23	25,690.83	26,070.39
Wholesale and retail trade; repair of motor vehicles and motorcycles	36,415.88	40,861.09	45,097.23	46,779.78	59,367.53	67,286.76
Transportation and storage	5,997.74	7,266.91	9,556.01	13,979.11	20,412.63	21,669.25
Accommodation and food service activities	2,754.51	3,075.02	3,585.17	3,898.12	3,841.39	4,206.19
Information and communication	3,836.05	5,329.80	4,955.55	4,726.97	4,587.35	4,675.02
Financial and insurance activities	5,256.29	7,098.68	9,659.45	12,735.78	14,301.42	16,343.53
Real estate activities	6,875.83	8,840.75	9,651.43	10,683.07	12,179.31	11,021.30
Professional, scientific and technical activities	2,858.23	2,641.92	2,994.15	3,340.70	3,699.75	5,412.41
Administrative and support service activities	1,282.26	1,638.08	2,158.44	2,245.84	2,959.30	3,282.00
Public administration and defense; compulsory social security	7,382.85	8,103.06	9,294.84	9,905.25	10,133.65	10,762.22
Education	13,085.71	14,383.20	15,799.98	15,723.37	16,522.76	17,018.38
Human health and social work activities	2,175.20	2,403.72	2,610.51	2,631.37	2,542.90	2,616.01
Arts, entertainment and recreation	520.95	570.36	663.66	606.08	819.24	961.49
Other service activities	952.60	884.96	1,060.89	1,026.80	1,179.95	1,467.48
Total Gross Value Added for the economy	155,753.81	173,953.35	205,915.78	230,054.04	260,604.87	272,918.20
Taxes less subsidies	11,298.69	9,427.73	10,182.30	16,197.74	21,818.62	24,634.97
Total for the economy, at market prices (GDP)	**167,052.50**	**183,381.07**	**216,098.08**	**246,251.78**	**282,423.49**	**297,553.17**
Mining and quarrying (% Share of GDP)	**15%**	**13%**	**13%**	**16%**	**15%**	**12%**

1.1.3 Contribution to Domestic Revenues

The mining sector has an array of taxes that it contributes directly and indirectly to Government revenue. Direct taxes include: Corporate Income Taxes (CIT); Mineral Royalties; and Export Duties. Indirect taxes include: Value Added Tax (VAT); and Pay as You Earn (PAYE). For the purpose of this analysis, we only consider direct taxes due to data constraints. CIT and mineral royalties contributed K3.2 billion and K4.2 billion respectively in 2019 as shown in Table 2.3. In addition, export duties contributed K323 million during the same period.

Table 2.3: Mining Sector Contribution to Domestic Revenues

	2015	2016	2017	2018	2019
Domestic Revenues	34,420.59	39,409.69	43,032.19	53,437.88	61,331.06
Company Income Tax (Mining)	454.66	1,279.28	1,067.56	2,451.27	3,231.42
Mineral Royalties	3,749.09	3,053.09	2,435.24	3,936.69	4,269.42
Export Duties	27.5	35.3	6.4	8.6	323.84
Mining Revenue (% of Domestic Revenues)	12.3%	11.1%	8.2%	12.0%	12.7%

Source: MOF Fiscal Tables and ZRA Annual Reports

The revenue contribution of the copper sub-sector sector is projected to grow further in the coming years given the energy transition-related copper demand which is set to accelerate as the world pivots towards a green economy due to climate action measures. This transition is anticipated to be driven by two main factors: major economies gearing towards a greater share of power generation from renewable energy and an increase in the use of electricity propelled modes of transport. The use of renewable energy solutions such as solar and electricity transportation for electric cars will increase the demand for copper subsequently pushing its price upwards. The revenue collected from the sector is bound to increase, all things being equal, with favourable prices. Ring fencing the revenues for expending in the priority sectors and for community sharing will therefore be crucial for Zambia to benefit from this favourable copper price outlook.

2.1.4 Contribution to Employment

Mining is considered to be highly capital intensive. Following the privatisation of mines, the new mine owners opted to operate differently, tending towards labour substituting technologies. This implies diminished demand for labour in the mines, especially the unskilled (ILO, 2019). Therefore, the contribution of mining to direct jobs is often relatively small. However, the sector absorbs a significant share of highly skilled labour. On average, labour incomes from the mining sector are considerably higher when compared to other sectors. Therefore, tracking jobs in the mining sector is important for two reasons: (i) it helps attach the quality of life to changes in economic growth; and (ii) it helps to monitor the impact of the strategies put in place to protect jobs and support recovery as jobs are crucial to strengthening aggregate demand. The 2019 Zambia Labour Force Survey (ZLFS) report shows that in 2019, mining and quarrying accounted for 73,203 representing 2.4% of total employed persons.

3 LEGAL AND INSTITUTIONAL FRAMEWORK

3.1 The Significance of a Legal and Institutional Framework in the Extractive Sector

The legal framework in the mining sector principally aims to detail the appropriate mining regulations that should encourage orderly exploitation of mineral resources. The legislation also provides for development of mineral resources in order to maximize mineral revenue generation, among the economic benefits of mining to a country. Mining laws must, therefore, create an environment that is conducive for mining activities to be conducted with order. Furthermore, mining laws are envisaged to provide stability of mining operations allowing for activities in the sector to be carried out over long periods. This is important given that the scarcity of local mining capital in many developing countries is normally resolved through Foreign Direct Investments (FDI) (Ndulo, 1986).

In Zambia, the Ministry of Mines and Mineral Development (MMMD) is responsible for all mining activities. MMMD is guided by the Mines and Mineral Development Act 2015 and subsequent Mines and Minerals Development (Amendment) Acts. The MMMD issues and administers mining rights, mineral sales certificates as well as import and export permits. Furthermore, it monitors mining operations of firms to ensure that mineral development takes place within the provisions of programmes and operations prescribed in the Mines and Minerals Development Act (GRZ, 2017).

In terms of revenue generation from mining activities, the Mines and Minerals Development Acts have historically prescribed various taxes which mining firms have to comply with. Currently, the Mines and Minerals Development Act of 2015 provides the applicable taxes that the mines pay. The Zambia Revenue Authority (ZRA), on behalf of the Government, collects the mineral tax revenue paid by the mines. The various taxes that ZRA administers to the mining sector are highlighted in Table 3.1. All taxes that are collected by ZRA from the mines are deposited in the Treasury Single Account (TSA) which is explained in Text Box I. With the revision of the Mines and Minerals development Act of 2015 and also the implementation of the TSA, all tax revenues are put in one pot from which monies are allocated to various Government operations.

Table 3.1: Applicable Taxes levied on mines by the Zambia Revenue Authority

Company Income Tax (including Provisional Tax)	All Extractive Companies are taxed on their taxable income which is determined in line with the Zambian Income Tax Act. Income in this case relates to revenue less all tax allowable expenditure. The company tax rates are 30% for mining incomes and 35% for hedging incomes. This also includes the compulsory instalments paid during the year as a provisional tax.
Withholding Taxes	This is a tax where any person or company making certain payments is required to deduct from such payments and remit to ZRA. The payments that attract Withholding Tax (WHT) include management and consultant fees, commissions, rent dividends and payments to non-resident contractors. The WHT rate is 15%.
Property Transfer Tax	This is a tax paid upon the sale or transfer of property by the person selling or transferring the property based on the value of the property. Property in our case refers to land, buildings, shares and mining rights (effective 1 January 2013)
Mineral Royalty	Royalty payable is calculated at % of the market value of minerals free on board (FOB) less the cost of smelting, refining and insurance, handling and transport from the mining area to the point of export or delivery within Zambia. Royalty payments may be deferred if the cash operating margin of a holder of a Large-Scale Mining falls below zero.
Export Levy	This tax is levied at 10% on concentrate minerals (Except manganese and nickel under SI 53 of 2016)
Import VAT	Value Added Tax paid by Extractive Companies on the import of goods into Zambia including imports of minerals and concentrate from other jurisdictions.
Import/Customs Duty	Customs/Import duty is a tax levied on ZRA specified goods imported into Zambia
Excise Duty – Electrical Energy	Excise duty is a tax levied on ZRA specified goods imported into Zambia

Source: ZEITI 2019 Report

Text Box 1: Treasury Single Account

To manage and control public funds, the Government uses the Treasury Single Account (TSA), which was created in 2016 as part of the Public Financial Management (PFM) reforms and it is legally backed by the Public Finance Management Act, 2018 25 (1). The TSA is critical for ensuring that (i) all tax and non-tax revenues are collected and payments are made correctly in a timely manner, and (ii) Government cash balances are optimally managed to reduce borrowing costs (or to maximise returns on surplus cash) (Pattanayak & Fainboim, 2011).)

The TSA is under the management of MoF through which the Government transacts all its receipts and payments and gets a consolidated view of its cash position at the end of each day (National Assembly, 2017). The TSA controls and manages cash by segregating it in separate bank accounts therefore, increasing transparency and accountability. In addition, the interest earned on the cash that is being kept in the bank reduces the need for borrowing and takes advantage of efficient commercial banking arrangements. The TSA structure is based on a model with the following features:

- The Consolidated Fund – main GRZ Account also known as Control 99;
- Revenue Transit Accounts maintained separately as revenue receiving accounts;
- Ministries Provinces and Spending Agencies (MPSAs) budgetary expenditures (i.e. both recurrent and capital) are financed from a TSA at the Bank of Zambia (BOZ) instead of individual Expenditure Clearing Accounts at commercial banks;
- TSA Suspense Account – used to maintain unapplied funds and reconciliations;
- MPSAs extra-budgetary funds are maintained in the TSA
- Revenues collected by the Principal Receivers of Revenue may continue to pass through transit Revenue Bank Account and into the Consolidated Fund. Withdrawals from the Consolidated Fund to meet MPSAs budgetary expenditure shall be transferred to the TSA;

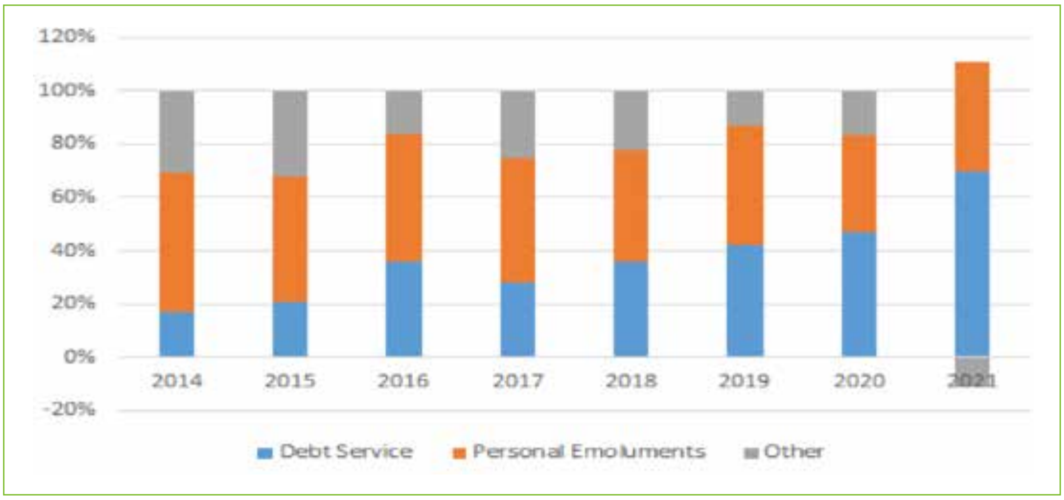
MPSAs shall maintain responsibility and authority over their appropriations, executing their budgets with full autonomy and control. MPSAs shall submit their processed and authorised payments for settlements from the TSA through the Integrated Financial Management Information System.

Therefore, the treasury's responsibility is to determine and manage the daily cash position. Information about the day's cash position is obtained through the bank balance reporting system, and this is achieved through the effective implementation of the TSA.

4 EXPENDITURE IN THE PRIORITY SECTORS (HEALTH, EDUCATION AND AGRICULTURE)

Zambia's fiscal space has substantially shrunk over the past few years and adversely affected the social sector, more than any other function of Government. Allocations for debt servicing have significantly increased compared to allocations for social sectors spending i.e. health and education. For instance, in 2019, 27% of the total Budget was allocated to debt servicing, while 9.3% and 15.3% to health and education respectively. In 2020, 32% of the total budget was allocated to debt servicing, with 8.8% to health and 12.4% to the education sector. It is thus clear that debt servicing is now crowding out critical spending such as health and education as shown in Figure 4.1. To show the impact of reduced funding to priority sectors, this study analyses the health, education and agriculture sector.

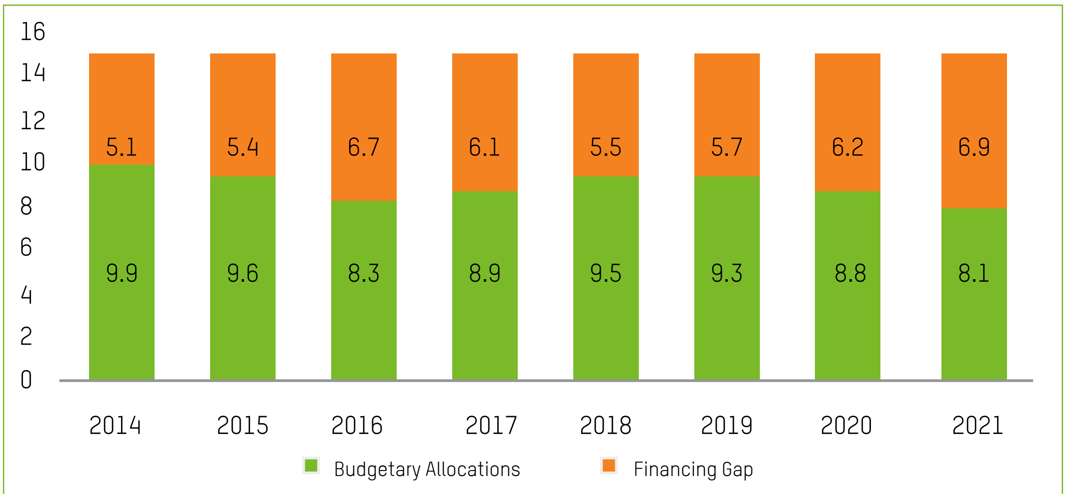
Figure 4.1: Non-discretionary spending from Domestic Revenues



Source: Author's construction from Budget Speeches

For instance, funding to the health sector has remained stagnant (i.e. average of 9.5% over the period 2014 - 2021), which falls short of the Abuja Declaration, to which Zambia is a signatory. The Abuja Declaration states that African Union member countries should commit at least 15% of the national budget to the health sector. But overtime, the Government has failed to meet this threshold due to the shrinking fiscal space as shown in Figure 4.2. This means that the Government is left with very little from domestic revenues to support the health sector, and this poses a high risk for the citizenry that cannot afford to go to private hospitals.

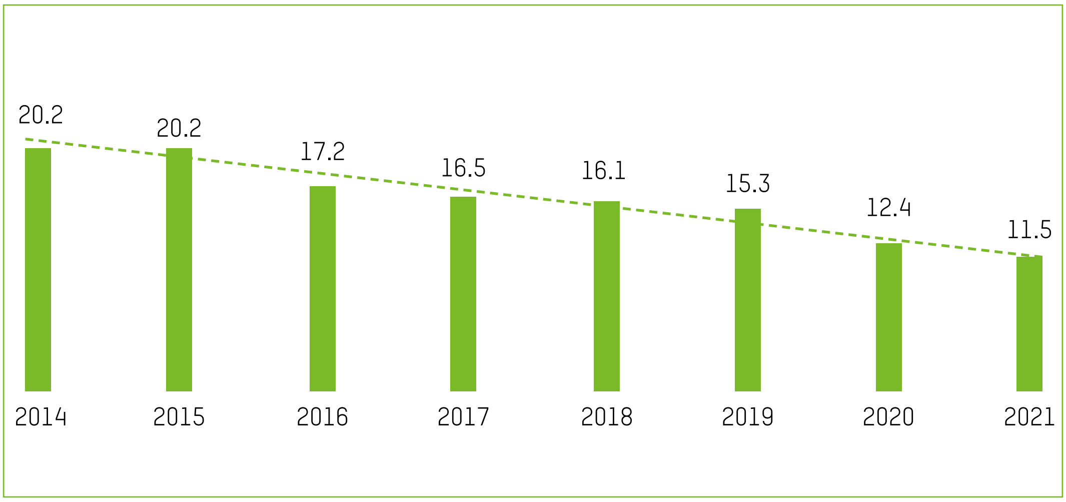
Figure 4.2: Health Budget Allocations compared to the Abuja Declaration



Source: Author's construction from Budget Speeches

The education sector in Zambia has also, over the same period, experienced reduced funding, affecting the quality of education services in the country. This raises concerns about the quality of human capital that is being prepared to drive the Zambian economy. These concerns about the quality of education in Zambia can be addressed through increased funding even though funding to the sector has been reducing over the past few years as indicated in Figure 4.3 because of the decreased fiscal space, implying that Zambia has failed to allocate at least 20% of the national budget to Education as prescribed under the Education 2030 Framework for Action (EFA). Reduced funding to the education sector means that the Government cannot employ as many teachers to improve the pupil to teacher ratio and to procure learning materials especially for rural areas are insufficient, such as book and ICT services hereby affecting the quality of education.

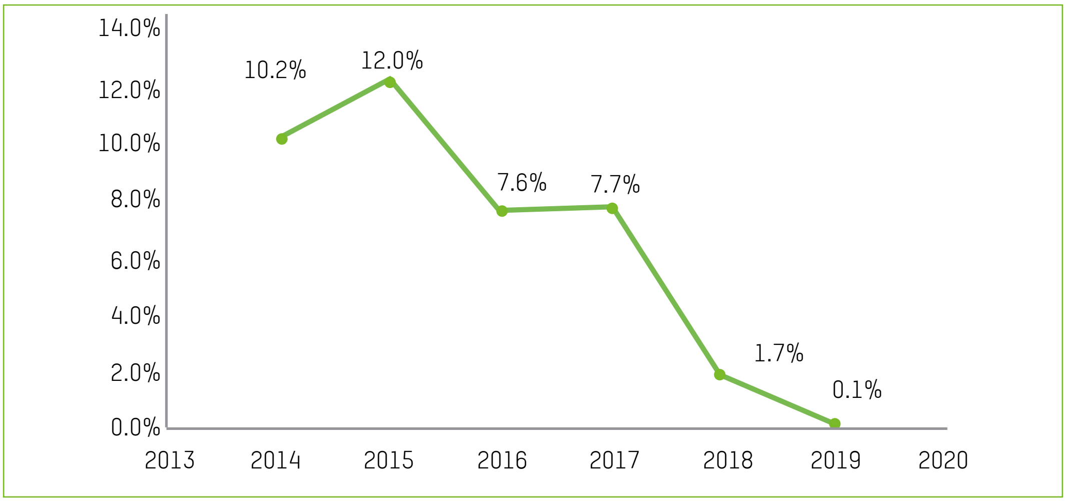
Figure 4.3: Budget Allocation to the Education Sector



Source: Author's Construction from Budget Speeches

The agriculture sector has also been a victim of declined funding over the past few years, despite Zambia being a signatory to the Maputo Declaration (by African Head of States in 2003) of allocating at least 10% of the national budget to the sector. Figure 4.4 shows that funding to the sector has declined over the years, as a result of the shrinking fiscal space, and this defeats the efforts to make agriculture more sustainable and productive and has led to the sector remaining largely undiversified.

Figure 4.4: Budget Releases to the Agriculture Sector, 2014 - 2019



Source: Author's construction from ZamStats Data

5. COPPER REVENUE MANAGEMENT AT SUBNATIONAL LEVEL IN ZAMBIA

The concept of decentralisation involves the transfer of power and resources from the Central Government to sub-national Governments. Decentralisation has been a topical issue in the development agenda for most developing and transition countries in the past decades (Eaton, Kaiser, & Smoke, 2010). This is partly due to the widely held view that decentralising roles and responsibilities from central Government to lower levels of Government causes efficiency in the delivery of public services, accountability and responsiveness to citizens' needs (National Assembly, 2017).

The Constitution of Zambia (Amendment) Act No. 2 of 2016 provides for a devolved, two-tier governance system; the national and the local government. Zambia also has a traditional system of governance through which chiefs play a role in local governance. The House of Chiefs (as a complementary institution to Parliament) is established by the constitution and supported by various subsequent Acts.

In the Mines and Minerals Development Act of 2008, the Minister of Finance was mandated, in consultation with the Minister responsible for Mines, to establish a mineral royalty sharing mechanism for distributing royalty revenues. This provision was a means of enhancing revenue sharing to host communities where mining activities take place following strong concerns that indigenous communities do not benefit from the mining operations taking place in their areas. There was a realisation that the revenues obtained from the mining sector should be ring-fenced so as to benefit the local communities. However, this provision was repealed after the promulgation of the new MMDA of 2015. The particular clause was repealed because there were no clear guidelines for the distribution of such revenues.[2]. The revised Act does not provide for the sharing of royalties. Therefore, subnational transfers are now limited to payments made through the fees levied by the respective local authorities as stipulated in the Local Government Act and the voluntary transfers from mining firms through CSR activities.

5.1 The Transfer of Mining Revenues at Local Government Level

The Local Government system in Zambia is provided for under the Constitution of Zambia (Amendment) Act No. 2 of 2016 specifically Part XI which provides for the establishment of a local Government system. The Local Government system is also administered under the Local Government Act of 2019. In order to deliver local public services, the Government devised the Intergovernmental Fiscal Architecture (IFA) which is based on four pillars namely: expenditure assignment and autonomy; revenue assignment and autonomy; intergovernmental transfers; and local borrowing and debt management (GRZ, 2017).

The first pillar, expenditure assignment and autonomy, is the cornerstone because it defines the service delivery responsibilities of local Governments as well as the autonomy these Governments have in making decisions about the level and mix of budgetary expenditures.

The second pillar, revenue assignment and autonomy, is the finance component that gives a better degree of accountability of local officials through taxing power. This is done by administering various levies and taxes at local level.

The third pillar, intergovernmental transfers, are monies that are received by local Governments from the Central Government. The current system is composed of various transfers outlined below:

a) Local Government Equalisation Fund (General Purpose Grant);

b) Grants in lieu of rates (General Purpose Grant);

c) Local Authorities Development Fund (Mineral Royalties Sharing); and

d) Constituency Development Fund (CDF)

Governments, including local Governments, need to borrow for short term cash management and to fund longer term capital investments. Appropriate local level debt financing can encourage local economic development, fiscal discipline and revenue mobilisation. On the other hand, irresponsible and unaccountable short- and long-term borrowing can lead to fiscal and debt distress and macroeconomic instability. The fourth pillar, local borrowing and debt management, is therefore essential.

Clearly, after the intergovernmental transfers, local revenues are the major source of revenue for local Governments. But, due to the vertical imbalance experienced by various local Governments, where the revenues do not match expenditures for different Government levels, the dependency on transfers from the Central Government becomes cardinal.

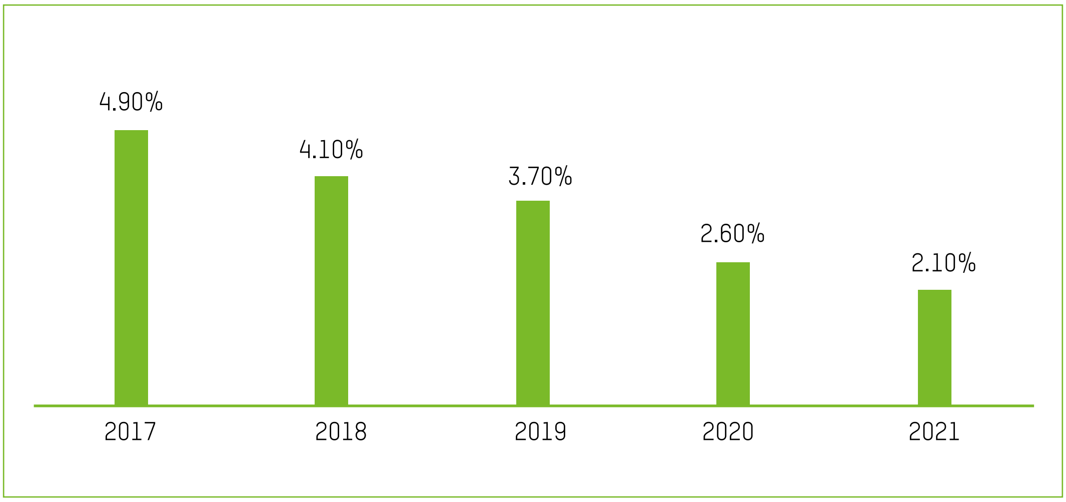
The taxes that are collected by the central Government (such as mineral royalties) lose their identity once deposited into the

2 As revealed during interviews with the Ministry of Mines and Minerals Development and also the Ministry of Finance.

consolidated fund, commonly referred to as Control 99. Their use cannot be tracked to public investment/expenditure or to expenditure cost centers or projects. This makes it challenging for us to assess the contributions of the mining sector to the transfers from central Government to the local authorities.

In recent years, the funding towards the LGEF as a share of the total budget has been on a downward trajectory as shown in Figure 5.1. This is partly a result of increasing debt servicing costs, habitually destabilising resource allocation for service delivery at the subnational level. This has detrimental effects on the provision of services as local authorities are faced with even more constrained fiscal space.

Figure 5.1: LGEF as a share of the National budget (2017 -2021)



Source: Author's construction from Budget Speeches

In mining communities, while the local authorities have no direct control on the collection of mining taxes such as Mineral Royalty Tax (MRT), their jurisdiction is at the subnational level where transfer of revenues from mining firms through the various fiscal measure stipulated by the Local Government Act (LGA). The fiscal measures include fees paid by extractive companies to Councils, that is, property taxes and several annual business fees. Table 5.1highlights the receipts of the Councils from mining companies in 2019 as reported by the Councils in the 2019 Zambia Extractive Industries Transparency Initiative (ZEITI) report.

The Table shows that the largest proportion of revenues generated by Councils from mining are in form of property rates, payable to the local authority by all extractive companies. For instance, in 2019, the Kalumbila Municipal Council collected K35.75 million in property rates seconded by Solwezi Municipal Council which collected property rates worth K26.56 million. Besides the transfer of mining revenue through fees paid to the Councils, some mining firms are increasingly using in-kind arrangements such as infrastructure provisions and barter arrangements. For instance, according to the 2019 ZEITI Report (Zambia Extractive Industries Transparency Initiative, 2020), Kansanshi Mining Plc (KMP) reported infrastructure works provided to Solwezi Municipal Council in 2019 in application of a Memorandum of Understanding (MoU) signed between both parties in 2019. According to the MoU, KMP had requested from Solwezi Municipal Council to allow it to carry out some projects on the Council budget in lieu of a portion of the property rates that KMP owed the Council (K 26,632,723.94 per annum). The Council granted to KMP a retention of K 6,632,723.94 to various development projects based on the Council annual work plan and budget. The remainder of K 20,000,000 was paid to the Council in cash in 2019. The MoU remained in force up to 31st December 2019 subject to renewal. The total estimated budget of the works performed according to the MoU was K 5,813,094.62. According to the ZEITI Report, the value of local township roads delivered by KMP to Solwezi Council amounted to US$ 637,782.00 in 2019 (equivalent of K 8,241,610.34). This shows that KMP spent more than the amount stipulated in the MoU.

The above scenario brings to the fore some of the benefits and pitfalls of this mechanism which is otherwise referred to as a batter or debt swap. Some stakeholders interviewed revealed that the system can provide efficiency in the delivery of services at local level because the mines often have requisite expertise and also machinery to undertake the scope of work involved. This way, some council processes that can lead to delays are avoided and projects are undertaken in a timely manner. The downside of this mechanism, as highlighted by some key informants, is that it can lead to a mismatch between the scope of work and the monetary values. As was the case with KMP, the amount of money spent was more than the total estimated budget. The opposite is also possible where the money spent by the mining firms can be less than the budgeted amount thereby disadvantaging the local authority.

Table 5.1: Receipts of the Councils from the mining companies in 2019

Local Council	Business Fees (ZMW Million)	Property Rates (ZMW Million)	Total (ZMW Million)
Chililabombwe	0.04	11.24	11.28
Chingola		11.00	11.00
Kabwe		0.10	0.10
Kafue	0.47		0.47
Lufwanyama		2.08	2.08
Mansa			
Mazabuka		0.29	0.29
Ndola		0.12	0.12
Siavonga	0.03	5.05	5.08
Sinazongwe	0.03	1.20	1.23
Solwezi		26.56	26.56
Zimba	0.01		0.01
Kitwe		4.10	4.10
Luanshya		10.85	10.85
Kalulushi		22.2	22.2
Chilanga	0.05	1.74	1.79
Kalumbila		35.75	35.75
Mufulira		7.50	7.50
Total	**0.63**	**139.78**	**140.41**

Source: Adapted from Zambia EITI Report 2019

There are also transfers taking place in form of voluntary social contributions by mining firms made in cash or in kind. The contributions include, inter alia: health infrastructure, school infrastructure, road infrastructure, market gardening infrastructure, projects related to the promotion of the agriculture sector and the grants provided to the population (Zambia Extractive Industries Transparency Initiative, 2020). During interviews with the Ministry of Mines and Minerals Development, it was noted that there are no legal or contractual provisions for mandatory social payments in Zambia. These initiatives are undertaken voluntarily by the mining firms, usually in their host communities. According to the 2019 ZEITI report, mining firms unilaterally disclosed that they had contributed a total of K366.197 million through their CSR activities, both in cash and in kind. Table 5.2 shows the reported CSR spending by mining firms as captured in the ZEITI report.

Table 5.2: Social Expenditures by Extractive companies (2019)

Company	In Cash (ZMW Million)	In Kind (ZMW Million)	Total (ZMW Million)
Kansanshi Mining PLC		45.727	**45.727**
Konkola Copper Mines PLC	4.450		**4.450**
Lumwana Mining Company Limited	9.037		**9.037**
Mopani Copper Mines PLC	234.009		**234.009**
Kalumbila Minerals Limited	1.781	53.625	**55.406**
First Quantum Mining and Operations LTD			
Chambishi Copper Smelter Limited			
ZCCM Investments Holdings PLC	0.450		**0.450**
Maamba Collieries Limited		7.144	**7.144**
NFC Africa Mining PLC			
Lubambe Copper Mine Ltd	4.691		**4.691**
Kagem Mining Ltd	0.990		**0.990**
Sino Metals Leach Zambia Ltd			
Lafarge Cement Zambia PLC	1.604	0.453	**2.057**
Dangote Cement Zambia Ltd		0.050	**0.050**
CNMC Luanshya Copper Mines PLC	2.185		**2.185**
	259.197	**106.999**	**366.196**

Source: Adapted from 2019 ZEITI report

5.1.1 Findings from Key Informant interviews with Local Authorities

In order to access first-hand information on the transfer of mining revenues at local government level, interviews were conducted with two councils namely Solwezi Municipal Council and Mufulira Municipal Council. The two councils were purposively sampled from the Northwestern and Copperbelt provinces of the country.

The interviews revealed that as part of their functions, the two Councils collect revenue from the mining firms in their jurisdictions mainly through business fees and property rates[3]. In the case of Solwezi, the Council collects about K26 million[4] annually from Kansanshi mine through property rates and business fees and also sometimes through applications for further development that are made by the mining firm. The money collected from the mine accounts for about 50% of the Council's annual revenue, a reflection of the importance of the firm to the Council's revenue and activities. In the case of Mufulira Municipal Council which hosts Mopani Copper Mine's mining and refinery operations, it was learnt that the mine also contributed to the Council's revenue through business fees and property rates.

When compared to the revenues received from Central Government, the Councils revealed that they receive a paltry 3% from central Government through the LGEF. This has even become more challenging with the shrinking fiscal space of the central Government due to high and rising debt servicing costs which has already been highlighted (refer to Figure 4.1) as a major factor contributing to reduced funding to Councils. Debt servicing and the wage bill are taking up an increasing share in the budgets from 2014 to 2020. The funds left for other spending including grants local authorities, has been shrinking during the same period forcing Councils to prioritise certain spending heads such as personal emoluments. In terms of expenditure from the revenues collected, including those from the mines, the Councils have, in recent years, prioritised the construction and rehabilitation of township roads within their jurisdiction.

The Councils also acknowledged that the amount of money that they manage from the mines is substantial. Therefore, mechanisms have been put in place to promote accountability, including having their accounts audited by the office of the Auditor General. In the case of Solwezi, the Council has incorporated community and traditional leaders in its planning process as a way of promoting prudent use of the resources at its disposal. The incorporation of the traditional leaders is done through their membership to the Ward Development Committees (WDCs), a sub-structure created by the Republican Constitution. Through the WDCs, traditional authorities are brought on equal footing with other civic authorities in providing

3 As revealed during Key Informant Interviews with the Solwezi and Mufulira councils
4 Figure based on estimates provided by the Council

input into council plans.

The Councils also indicated that collection of property taxes suffers because there is usually a discrepancy between the actual and valuation amounts of properties because their valuation rolls are often times outdated. Further, it was observed that mining firms often requested to pay less than the valuated amounts on the basis of factors such as the cost of production, low copper prices and more recently, the impact of the COVID-19 pandemic. Sometimes, it was stated, the mines even engage in 'arm-twisting' tactics such as the threat of laying-off workers if they are required to pay the rated amounts. The Council is then obliged to engage in negotiations with the mine for them to pay lower amounts. This reflects a lack of prioritization of Local Government transfers which the mines are legally mandated to remit. It was also revealed that the mining firms transfer some resources through various CSR activities such as the rehabilitation of Government buildings, hospitals and schools, among others. There appears to be a prioritisation of CSR activities by the mines at the expense of direct payments to the local authorities as mandated by the law. This puts pressure on the revenue pool of the councils and limits their scope of service delivery.

For both the Solwezi and Mufulira Councils, the interviews revealed that they would be in support of a mechanism through which resources are transferred to the subnational level from the revenues collected from the mines such as the mineral royalty tax. This would be in addition to the fees collected by the local authorities. The rationale for their recommendation was the need for social-economic reinvestment within the local communities that suffer from the various externalities resulting from mining activity. For instance, the roads in mining communities are often in a deplorable state owing to the movement of heavy-duty vehicles engaged in business with mining firms. There are also environmental impacts of mining activity that require local authorities to provide services to ameliorate their effects. The councils argued that equal allocation of resources to a mine hosting and non-mine hosting towns disadvantages the mine host towns as they are faced with excess burden relating to the amelioration of externalities.

5.2 The role of Chiefs in Mineral Revenue Management

The Zambian Governance system has reserved a specific role for chiefs at the national level. Historically, the role of chiefs became prominent during the colonial era as governing vast territories, given the short supply of colonial administrators, became challenging. This led to the establishment of indirect rule which instituted a legal and administrative dualism.

After independence, the authority of the chiefs was challenged by the centralising strategies of the post-colonial regime. The newly established Government of Zambia broadly retained the structures of indirect rule with a system comprising paramount chiefs, senior chiefs and chiefs. Despite these shifts, the material and broad basis for the chiefs' existence remained in place; they continued to be in charge of land governance as well as the rural governance system (Negi, 2010). With the return to multiparty politics, chiefs have continued to be widely respected among rural subjects and are thus crucial for obtaining consent.

From a legal and institutional perspective, the Office of the Chief is prescribed in the constitution under Article 165 and also the Chiefs Act, Chapter 287 of the Laws of Zambia. Negi (2010) argues that while the role of chiefs in managing copper mining revenues is limited at best, they are key stakeholders for consensus. The multinational companies engaged in mining are inserted in a social historical context that is deeply inflected by the country's colonial experience. The modern state apparatus is such that traditional authorities - under the custodianship of the chiefs - manage several state functions such as land administration (Negi, 2010). Therefore, because the copper resource is in locations governed by chiefs, mining firms often have to enter into contingent alliances with the traditional authorities for access to land and various other matters related to the establishment of mining activities. Consequently, several chiefs in mining areas have emerged as important gatekeepers of the mineral resources, albeit indirectly.

While the position of chiefs in Zambia is generally related to their role as the custodians of land, that role has been challenged in the contemporary debates on land governance, and in some respects, by the passing of the Land Act of 1995 which permits conversion of customary tenure into leasehold to make the alienation of land easier. To obtain leasehold in customary areas, permission of customary authority (the chief of the area) is, however, still required. Interested private parties must negotiate with the relevant chiefs, who in turn are supposed to consider the best interests of their subjects before alienating land. Once an agreement has been reached with the chiefs, the interested party may approach the Ministry of Lands with the necessary papers and a surveyed map to get approval. Though many have decried these changes on account of the potential for permanent alienation of land from the chiefs' custodianship, the Act also places the chiefs in an influential position because their approval is necessary for alienation. In addition, the chiefs are incorporated in the country's decision-making structures through the House of Chiefs.

In terms of transfer of resources from mining activities, chiefs are placed at the beneficiary end where they receive transfers from social investments made by mining firms in the form of CSR. The CSR activities by mining firms are voluntary. Therefore, chiefs are consulted based on their role as leaders of mine hosting communities. The chiefs are also incorporated into the local Government structures through their membership to WDCs, Constituency Development Fund (CDF) committees and even the general traditional structures that are consulted by local authorities when making budgets and strategic plans. From the central Government, chiefs receive salaries and these form the basis for some form of transfer of resources to their governance structures. This is the closest route one can establish for management of resources from mining by the chiefs.

5.2.1 Key Informant Interviews with Chiefs

Key informant interviews were undertaken with traditional leaders from Zambia's largest copper producing regions, the North-western province and Copperbelt province. In the North-western province, two (2) chiefs, namely Mukumbi and Mumena were interviewed. The two Chiefs - together with Chief Matebo - are custodians of the area on which Lumwana Mining Company Limited sits, with the largest portion of the mine being in the Mukumbi chiefdom. The three chiefdoms also have some community programmes with Kansanshi mining due to the old Solwezi boundaries. However, the interviews largely focused on their activities with Lumwana Mining Company limited. On the Copperbelt province, Chief Chiwala[5] was interviewed as the Chairperson of the Lamba-Lima Royal establishment whose chiefs oversee the larger part of the Copperbelt province.

The interviews with the chiefs reaffirmed the notion that there is limited information regarding the mining revenue management process in Zambia. The chiefs also indicated that there is no direct information sharing mechanism on revenue management and they are not aware of how much revenue the Government collects from the mines. This reflects a gap in information sharing despite various efforts by civil society and other non-state actors. However, the chiefs indicated that they are broadly aware of the taxes that mining firms pay. Further, the chiefs revealed that they provide consent for lease-holding to allow mining firms underground and surface rights for their mining activities. They are also engaged to provide submissions for the Environmental Impact Assessment (EIA) at the development stage of the mines. However, once this is done, their level of involvement reduces significantly as there is no legal basis for them to control mining activities and the subsequent revenue. Any further engagements are dependent on the good will of the mining firms.

The chiefs were of the view that there is need for mining firms to plough back into the communities from which they operate. For instance, the environmental impact of mining activities in North-western province is slowly becoming menacing. The chiefs indicated an ongoing problem from the stockpiling of Uranium by Lumwana mine causing adverse radioactivity impacts on the vegetation, water and even marine life. According to the chiefs, such occurrences highlight the need for mining firms to undertake activities that can ameliorate the negative impacts of mining in the local communities.

For the three chiefdoms that host Lumwana mine, a significant CSR activity has been taking place through the creation of the Lumwana Community Trust (LCT). The LCT is a special purpose vehicle that was created in 2015 at the request of the three chiefs Mukumbi, Mumena and Matebo. The LCT is administered by the three chiefs and 9 other trustees. Monies are allocated to the Trust on an annual basis but disbursed on a quarterly basis with the Mukumbi chiefdom receiving 40% while Mumena and Matebo each receive 30% based on the relative sizes of land owned by Lumwana in each chiefdom.

The monies allocated to the Trust are based on the good will of the mining firm and calculated using a formula that factors in the mineral resource sales by the mining firm. However, this information on the actual formula and sales by the mining firm is never made available to the Trust. The mining firm has, in recent years, reduced the amount of money allocated to the Trust and it was revealed that this has often been attributed to low copper prices and also the COVID-19 pandemic. As shown in Table 5.3, the annual amount allocated to the Trust has been on a downward trajectory since 2015.

5 An interview with a second chief on the Copperbelt province could not take place due to illness and other commitments.

Table 5.3: CSR transfers by Lumwana mine to the Lumwana Community Trust (2015 – 2020)

Year	Annual transfer (US$)
2015	400,000.00
2016	329,000.00
2017	325,166.99
2018	292,445.00
2019	253,000.00
2020	224,240.45

Source: Author's construction based on figures revealed during interviews[6]

Despite the reduction in allocated amounts, the Trust is still able to undertake activities in the three respective chiefdoms. Each chiefdom consults the community on activities to be undertaken before decisions are made based on priority, among other criteria. Previously, the chiefdoms undertook activities such as building of schools, hospitals and staff houses. However, these were usually handed over to the Government and it then appeared that they were built by the Government. As such, the chiefdoms are now focusing on investments that they can fully own such as abattoirs and poultry farms among others.

In the case of the Copperbelt province the major mining activity taking place in the Chiwala chiefdom is Limestone mining. The chiefdom houses mining firms such as Lafarge, Lime Resources, Zambezi Portland Cement, Handyman's lime among others. In addition to the lease holding of land by the chief, the major involvement is at the stage of signing CSR agreements with the mining firms. The chiefdom has placed, as a priority, the compensation of villagers who are displaced by mining activity through the building of houses, provision of tapped water among others. While a Trust is still in the process of being formalised, the chiefdom relies heavily on the agreements with individual firms and all resources received in the form of CSR are undertaken by the mining firms. Therefore, the model in the Chiwala chiefdom appears similar to the model in the North-western province with the Chiefs involved in CSR agreements with the mines.

The KIIs revealed that there is some inclination towards a sharing mechanism that would see the transfer of a proportion of copper mining revenues to the host communities or selected sectors, agriculture, health and education. There was support for a general mandatory mechanism of transferring resources to such sectors or the host community. All the chiefs interviewed expressed concern at the high levels of underdevelopment in the areas that host mining activities. They lamented about the lack of adequate schools, hospitals, and a good road network among others. In contrast, they indicated that the mining companies continue to reap from the resources that should ideally also be of benefit to the local communities and the country at large. The Chiefs complained of how local communities are not benefiting from the mineral wealth that the country has. They stated that, instead, the foreign companies that externalise their monies as dividends to foreign investors are the major beneficiaries. As such, the Chiefs would like their communities to benefit from their resources and this should be a matter of consensus.

Research team with officials from Lumwana Mine at the Lumwana health Post which has been rehabilitated by the mine.

6 The figures were not corroborated with information from Lumwana mine due to constraints in data access

Research team with Chief Mumena

However, there was also a nuanced view where it was proposed that the country should instead have a system where the resources are transferred to selected sectors to avoid the risk of misappropriation at the subnational level and also avoiding conflicts that can threaten national unity. The rationale here was that the needs at local community level would be catered for if priority sectors are identified and specific copper revenues are allocated to those sectors. In addition, a proposal was made for such a mechanism to be administered by Government structures as opposed to being vested in traditional leadership or individuals.

5.3 Analysis of Subnational Transfers

As a protagonist for decentralisation, the World Bank (2014) states that the 'allocation of Natural Resource Revenues to the subnational Governments of the producing areas is justified as a compensation of the damages done to their physical and socio-economic environment. As a consequence, the allocation has to reflect closely the size of these damages. Allocation to all subnational Governments – including non-producing areas – is more debatable, but the strength of the main arguments against it is reduced by context-specific factors (such as corruption), and by the availability of policy instruments (such as stabilization funds against volatility of revenue), that can solve most of the problems deriving from revenue sharing. Allocation to all areas may also contribute to reduce inequalities from exclusive allocation to producing areas thus dampening the potential of conflicts.

For Zambia, there has been a school of thought regarding national unity and also promotion of equality across all Provinces in the course of managing the country's mining revenues. Some stakeholders expressed concerns regarding the potential for civil strife and disunity if a revenue sharing mechanism that allocates mining resources to host communities is implemented. They argued that perhaps one of the reasons Zambia has remained peaceful over the years is down to the absence of economically empowered mining regions. They also argued that determination of a beneficially community may be complicated given that a truck load transporting copper, for instance, will leave a mining town and use roads in other jurisdictions thereby causing externalities even in the other communities. A middle ground in balancing the two extremes probably lies in putting up systems that prevent corruption and also setting up a sinking fund where the whole country has a primary or basic benefit from its mining resources and then the secondary benefits accrue to the host communities.

The capacity of subnational regions to manage mining resources has also been called into question, specifically practices of rent-seeking which can become rife if mining revenues are placed in the control of a few subnational structures. The subnational structures are also only growing their capacity to manage funds from mining firms in the wake of various decentralisation reforms implemented by the Government. This challenge can be further reduced through enhanced capacity for local authorities and also strengthening of the already existent oversight systems such as those provided through the Auditor General's office. This can be done through increased autonomy of the office and also punitive action for erring institutions and officers to act as a deterrent to would be offenders.

From the foregoing review of literature and interviews with local authorities and chiefs, we found that there is an existing mechanism for copper mining firms to contribute to development activities at the local level. This is mainly through business fees and property rates paid to Councils. The mining firms also undertake CSR activities and these resources are voluntarily transferred in cash and in kind to local Trusts, some administered by chiefs and also local authorities. Therefore, both the local authorities and chiefs are already incorporated into transfer of resources at subnational level.

While mechanisms have been put in place to capacitate local authorities through various decentralisation reforms, concerns still remain regarding the overall capacity of Councils to manage large copper mining revenues. Some of these concerns are legitimized by the prevalence of wide-ranging audit queries. A close look at the Auditor General's report on accounts of local authorities for the financial year ended 31st December 2015, 2016 and 2017 shows some glaring audit queries for some, such as Solwezi Municipal Council. The queries were on issues concerning unsupported payments, unretired imprest, irregular use of imprest, unaccounted for stores, failure to recover salary advances, and overpayment of subsistence allowances, among others. This is a cause of concern in the management of resources collected from mining activities. For the chiefs, the concerns could even be bigger, especially that there are no proper mechanisms in place to audit the funds that they receive from the mines through CSR activities save for the audits by the mines. Chiefs are also generally revered to a level where they may not be questioned and this can leave room for mismanagement. The capacity of the chiefs to manage these resources as well as accountability mechanisms is one other issue raised by several stakeholders.

Therefore, the creation of a unique subnational transfer mechanism needs to be within the context of the already existing structures of Government or contracted agents in place. The starting point should be to ensure that Councils collect the correct amounts from mining firms and that they also use the resources already in their care prudently. This is cardinal before any additional resources are lumped on to the Councils.

Regarding CSR, there have been calls for it to be made mandatory as a way of compelling firms, to plough back into the communities that host them. However, there is also a school of thought that argues that this would be equivalent to double taxation and also an impediment to investment attraction. Therefore, some stakeholders have been of the view that the Government should instead engage the mining firms constantly and encourage them to fund as many CSR initiatives as a way of ploughing back into the communities that host them.

Internationally, some countries such as China and Indonesia were among the first to make CSR mandatory in their laws. Within the African continent, there is a growing trend of resource rich countries making CSR mandatory. For instance, in South Africa, CSR is mandatory while Ghana recently enacted legislation to make CSR mandatory. The arguments of double taxation notwithstanding, Zambia should probably explore the feasibility of making CSR mandatory. That way, mining firms in particular will be compelled to plough back into the communities that host their activities as opposed to the current model where they do it based on their good will.

From the preceding analysis, we see the importance of the subnational structures in managing revenues that they receive from the copper mines and also the role of chiefs in the receipt of CSR initiatives from the mines. The Government has previously implemented a number of decentralisation reforms to capacitate local authorities in managing such revenues. Therefore, any mechanisms aimed at improving resources sharing from copper mining should feed into the already existing mechanisms at the local level.

5.4 Rationale for mineral revenue sharing mechanism

Tables 5.4 and 5.5 summarize the rationale for a mineral revenue sharing mechanism to compensate host communities as indicated by stakeholders, mainly the local authorities and traditional leaders. The Tables also show the arguments presented by a cross section of stakeholders in favour of a mechanism which takes a more national and sectoral approach.

Table 5.4: Rationale for a host community-based MRSM

Traditional leaders	o Due to the high levels of underdevelopment in the areas that host mining activity such as the lack of adequate schools, hospitals, and a good road network among others; o In contrast, mining companies continue to reap from the resources that should ideally also be of benefit to the host communities and the country at large; o Negative externalities such as the stockpiling of Uranium in the Northwestern province which has led to radiation and consequent impacts on vegetation, water and even fish; o Such externalities highlight the need for mining firms to undertake activities that can ameliorate the negative impacts of mining in the local communities.
Local Authorities	o The need for social-economic reinvestment within the host communities that suffer from the various externalities resulting from mining activity; o For instance, the roads in mining communities are often in a deplorable state owing to the movement of heavy-duty vehicles engaged in business with mining firms; o There are also environmental impacts of mining activity that require local authorities to provide services to ameliorate their effects; o The equal allocation of resources to a mine hosting and non-mine hosting towns disadvantages the mine host towns as they are faced with excess burden relating to the amelioration of externalities.

Table 5.5: Rationale for a sector and national based MRSM

Cross section of stakeholders	o Because a community-based MRSM can promote inequality among regions in the country, a national approach creates equality across regions; o Identification of communities impacted by mining activities is a complicated matter due to the use of infrastructure such as roads in communities beyond the mining area. Therefore, a national MRSM would solve this problem; o A community-based MRSM has the potential to promote vices such as corruption as it is vested in subnational structures with less capacity to manage funds; o A host community-based MRSM can promote civil strife and disunity by perpetuating development of certain areas at the expense of others. A national MRSM equitably allocates resources across the country.

Source: Authors' construction from Key informant interviews

6. CASE STUDIES OF MINERAL REVENUE SHARING MECHANISMS IN SELECTED AFRICAN COUNTRIES

As earlier alluded, the problem of vertical and horizontal imbalance has continued to cripple the delivery of social services in Local Government jurisdictions (Lujala and Narh, 2020). This has now forced many countries to devise a mineral revenue sharing mechanism. In addition, the socio-economic cost imposed by mining activities on host communities through land acquisition, environmental degradation, pollution and rise in cost of living among others, has often reinforced the call for fair distribution and use of mineral revenue (Arora, Ghose and Bakshi, 2017; Lujala and Narh, 2020). In order to have a better understanding of the mineral revenue sharing mechanism, we provide some country experiences which are explained below:

6.1 Mineral Revenue Sharing Mechanism in Ghana

Ghana's revenue sharing mechanism has been considered by many as one of the best in Sub-Saharan Africa albeit not short of criticisms. The revenue sharing mechanism is provided for in the Minerals and Mining Act of 2006, which specifies that all revenue from the mining sector should be paid to the Large Tax Unit of the Internal Revenue Service, which is then deposited into the consolidated fund. The Central Government retains 80% of this revenue, which is used for direct budget support. The remainder of 20% is equally shared between the Minerals Development Fund (MDF) and the Office of the Administrator of Stool Lands (OASL). The MDF uses the funds on public mining sector institutions, finance development projects in mining communities and to compensate communities for social and environmental costs associated with mining (Arora, et al., n.d.). Of the 10% the OASL receives, it retains 1% for its administrative purposes, 4.95% is channeled to District Assemblies, while 2.25% is given to Traditional Councils through Paramount Chiefs for the development of mining communities in their areas and the remaining 1.8% is transferred to Paramount Chiefs for the maintenance of the stool (This can also be seen as a personal emolument for the chiefs) (Lujala and Narh, 2020; Hilson, 2013).

In terms of Petroleum Revenues, the Petroleum Revenue Management ACT of 2015 provides guidance on the spending of proceeds from the sector (Finance, 2016). The ACT requires that only 70% of total receipts from petroleum extraction activities is used as Annual Budget Funding Amount (ABFA). The rest of the revenue goes to the Ghana Petroleum Fund and is shared among various investment funds such as the Ghana Heritage Fund, the Ghana Infrastructure Fund etc (Finance, 2016).

6.1.1 Challenges of Mineral Revenue Sharing in Ghana

Despite being regarded as one the best revenue sharing mechanisms, there have been reports of mineral revenue mismanagement. This has been compounded by the fact that there is no governing law for the management and audit of the MDF. Media reports have stated that the district assemblies were financing projects that were not in public interest. This report is consistent with the reports on CSR spending, in which stakeholders have stated that institutions have misused social funding to consolidate power and influence regulations.

The OASL which retains 10% (equivalent to 1% of total mineral royalty collected by the Ghana Revenue Authority (GRA) of what it receives is a national institution that draws its mandate from the constitution of Ghana and the Stool Lands Act 184 of 1994. Despite the introduction of a legal framework to support the mineral revenue sharing mechanism, there is still potential for mismanagement of funds and corruption by traditional and District Authorities (Arora, Ghose and Bakshi, 2017). For instance, the IGC Policy Brief 2018, reports that transfer of funds to district assemblies is used by politicians to control office bearers. Notwithstanding, the macro-economic growth fueled by the mining boom, Ghana remains a country with high rural poverty. The 2019 UNDP Human Development Index ranks Ghana 138 out of 189 countries which is precariously low given the fact that Ghana has recently transited to the status of a middle-income country (Arora, Ghose and Bakshi, 2017).

6.2 Mineral Revenue Sharing Mechanism in Botswana

Although Botswana does not have a pronounced mineral revenue sharing mechanism, it is included here as a case study, being one of the resource rich countries cited as having escaped the resource case[7]. Its mineral revenue management is important to understanding how natural resource revenues can be effectively managed. Botswana's mining sector continues to be the bedrock of the economy albeit with frantic diversification moves by the Government

7

(Nkundla *et al.*, 2016). The sector's contribution, although declining, averaged 31.7% of GDP between 1985 and 2014, 75.3% of merchandise export revenue, and 47.6% of Government revenue in the same period (Nkundla *et al.*, 2016; WAVES Report, 2016). The country has received praises in the way that it has managed its mineral revenues which has helped it escape what literature terms "resource curse" and "Dutch Disease." This can be attributed to its sound macroeconomic management as well as its effective institutional design (Bauer *et al.*, 2016).

6.2.1 The Role of Mineral Revenue in Botswana

As alluded to above, Botswana's mining sector remains the backbone of its economy although the contributions from the sector are in decline. The decline is attributed largely to the successful diversification programs that have led to the continued growth of the non-mining sector. The non-mining sector expanded by 128% between 2004 -2014, while the mining sector contracted by 13% in the same period (Bauer *et al.*, 2016).

Botswana's success story in mineral revenue management is not by coincidence but by strategic and stringent policy planning and implementation. For instance, the policy espoused towards mineral revenue follows the principle that, "depletion of natural capital requires a compensating increase in other forms of capital." (Lange and Wright, 2004; Nkundla *et al.*, 2016). Following this principle, Botswana's Public Finance Policy Framework stipulates that mineral revenues, because they are derived due to being derived from a sale of an asset, should be used to finance investment in other assets. This approach is taken to preserve the country's asset base as well as to lay the base for the generation of income that will replace mineral income when it eventually declines. In addition, the asset replacement principle imposes a requirement that the recurrent (non-investment) spending must be financed from recurrent or non-mineral sources (Nkundla *et al.*, 2016).

It is worth noting that, like many Sub-Saharan countries, for example Zambia, mineral revenues in Botswana are not institutionally segregated from the rest of the other forms of revenue. They are sent into the consolidated revenue pool or otherwise known as the Consolidated Fund (Nkundla *et al.*, 2016). This means therefore, that although Botswana has guidelines for spending mining revenues, there is no legal framework or rather statutory basis supporting these guidelines. Instead, the Sustainable Budget Index (SBI) provides the roadmap for spending mineral revenues.

Sustainable Budget Index (SBI) is an indicator that is used to measure whether the spending of a nation's income from non-renewable resources (extractive industry) is sustainable or not (Nugraheni, Mokoginta & Asfari, 2015). The rule basically implies that recurrent expenditure must be financed by recurrent revenue and capital expenditure should be financed by resource revenue.

The SBI in Botswana is calculated as follows:

Sustainable budget = Recurrent Expenditure/Recurrent revenue

Where; recurrent expenditure excludes spending on health and education as they are defined as development expenditure and recurrent revenue excludes revenue from the mining sector (Sy, Arezki and Gylfason, 2012).

An SBI value of more than 1 means that recurrent expenditure (non-investment spending) is being financed in part from non-recurrent (non-mineral) sources. Health and education in Botswana are classified in the budget as human capital. Botswana's rationale for adopting this policy was first to increase the country's national asset base and second to ensure that even when the resources deplete in future, there will still be some noticeable development gains (African Development Bank, 2016).

At the beginning of its implementation, most of Botswana's budget was considered sustainable as after index calculation, it was generally averaging below 1. However, between 2001 and 2005, it rose above 1 indicating that mineral revenues were being used to finance recurrent expenditure. From 2006 going forward, the value has been well below 1 as spending on health and education increased (ibid. p. 11). Indeed, Botswana is a success story when it comes to mineral revenue management and its accumulation of assets, however it has not been without its challenges. It is difficult for the scenario to be replicated considering the high mineral rents from diamonds that Botswana receives, but it is not impossible.

Some lessons can be taken from the case of Botswana. It is worth noting that the SBI is not a policy embedded in its legislation so there is heavy reliance on fiscal discipline. Having the policy backed by law would certainly lead to its strict adherence thereby encouraging development to priority sectors such as health and education. Expenditure management rules such as appraisal of projects must be put in place in order to ascertain the effectiveness of public spending and lastly, inter-generational fairness should be considered. A clear target must be set on the accumulation of assets for future generations (ibid. p. 25). It is important to note here that in calculating the SBI, the normal budget classification of recurrent expenditure is adjusted so that recurrent health and education expenditures are classified as investment in human capital (Nkundla *et al.*, 2016).

Although the SBI provides direction in terms where the mineral revenues should be applied, it does not offer guidance on how public investment expenditure should be apportioned among different asset types; human capital (health and education), physical capital and financial. However, based on ex-post policy priorities laid out in the National Development Plans (NDPs) and other documents, it is easy to trace expenditures on different asset classes. For instance, between 1983/84-2014, out of the 405.8 billion Botswana Pula of mineral revenue, 97% was allocated to asset accumulation, 10% of which was devoted to accumulation of financial assets, while 87% was split between physical infrastructure and human capital (skills and education) (Nkundla *et al.*, 2016).

In terms of physical investment, the three key areas – excluding education and health infrastructure, have been electricity and water at 21%, housing and urban infrastructure at 15% and roads at 12% (Nkundla *et al.*, 2016). It is important here to state that the composition of Botswana's development spending allocations, consistent as they may have been, have evolved overtime. For instance, in the 1980s, the Government's focus was on social and economic infrastructure. After reducing the infrastructure (hospitals and schools) gap, the spending focus shifted to filing the requirements for human resources (teachers and nursing stuff, etc.). This investment in human capital (otherwise classified as recurrent expenditure) now constitutes about 60% of investment spending (Nkundla *et al.*, 2016).

6.2.2 Lessons from Botswana's Mineral Revenue Management Mechanism

It is important to state here and as alluded to earlier, that while the SBI and other public finance procedures guide how the mineral revenues should be used, there are no hard rules that restrict payment of these revenues into specific accounts. Mineral revenues are pooled into a general account for all other revenues. Conversely, there are no hard restrictions that limit what the Government can use other than the normal public finance procedures. This mechanism provides flexibility for macroeconomic interventions necessary for economic stability (e.g. balance of payment imbalances) (Nkundla *et al.*, 2016).

7 CONCLUSION AND RECOMMENDATIONS

7.1 Main Findings

7.1.1 Mining Sector Specific Findings

The mining sector accounts for on average 14% (2014 – 2019) of Zambia's GDP, making it the second largest contributor after wholesale and retail trade. In addition, it accounts for over 70% of total exports. The sector also contributes to Government revenue and to employment.

In 2018, copper export earnings were recorded at US$6,658.4 million, average copper price at US$6.339.3 per metric tonne and export volumes worth 1,050,336.0 metric tonnes. In 2019, copper exports earnings declined by 25% to US$4,994.5 million (Figure 3), which was as result of a decrease in both export volumes (836,233.9 metric tonnes) and realised copper prices (US$5,972.6)

Mining sector taxes and royalties paid to the Government contribute significantly to domestic revenues. During the period 2015 – 2019, CIT and mineral royalties on average contributed 4% and 7%. Export duties have contributed less than 1% during the same period.

7.1.2. Priority Sector (Education, Health and Agriculture) Findings

Zambia's shrinking fiscal space has significantly impacted social sector delivery. Debt servicing costs have over the years increased and squeezed critical spending on health, education and agriculture. For instance, funding to the health sector has on average remained at 9.5% of the total budget, which falls short of the Abuja Declaration, to which Zambia is a signatory. The education sector too, has experienced a decline in funding in the recent past making it difficult for the Government to reduce poverty and vulnerability and developmental inequalities.

7.1.3 Subnational Level Findings

There is an existing mechanism for copper mining firms to contribute to development activities at the local level. This is mainly through business fees and property rates paid to Councils. The mining firms also undertake CSR activities and these resources are voluntarily transferred in cash and in kind to local Trusts, some administered by chiefs and also local authorities.

With the transfers already in existence, there is a contribution to subnational development by the mining firms. However, various challenges still exist including questions regarding the capacity of local authorities to manage these resources under control, especially in the wake of various audit queries recorded in the auditor general's reports. This is despite the various decentralisation reforms that the Government has implemented in recent years to enhance the capacity of local authorities. In addition, we noted from the interviews with local authorities that mining firms often pay less than they should and this can lead to financial challenges for the local authorities. However, they usually have to give in and settle for negotiated amounts due to the threat of job losses among other probable economic consequences.

7.1.4 Case Study Findings

In terms of country specific context, among countries with mineral revenue sharing mechanisms, Ghana presents a well-defined mineral revenue sharing system. Out of what is collected from mineral royalty, 80% is retained by the Central Government Consolidated fund for budget support. The remainder (20%) is equally shared between the Minerals Development Fund and the Office of the Administrator of Stool Lands (OASL). While Ghana's mineral sharing mechanism may be commended in terms of redistribution of mineral wealth among its population, it is still susceptible to development challenges such as lack of transparency, corruption and rent seeking abuses.

On the other hand, in Botswana, mining resources are not institutionally separated from the rest of the other forms of revenue. They are sent into the consolidated revenue pool or otherwise known as the Consolidated Fund. This means therefore, that although Botswana has guidelines for spending mining revenues, there is no legal framework or rather statutory basis supporting these guidelines. Instead, the Sustainable Budget Index provides the roadmap for spending mineral revenues. The rule basically implies that recurrent expenditure must be financed by recurrent revenue and capital expenditure should be financed by resource revenue.

Further, although Botswana has no defined mineral revenue sharing mechanism, its strategy of devoting mineral revenues to asset accumulation in education, health, infrastructure and other forms of financial assets, seems to pay off. However, while the lack of legal framework guiding the spending of mineral revenues offers some fiscal flexibility, it leaves actualisation to the discipline of the implementers.

7.2 Main Recommendations

Based on the above assessment, the following are the recommendations:

Devote mineral revenues to asset accumulation: Zambia should consider coming up with a mineral revenue spending mechanism that targets a percentage of revenues from natural resources to asset accumulation like is the case in Botswana. This can be ring-fenced by legislating a budget sustainability index where copper revenues are reinvested in other assets (health, education, and agriculture) that can be used to generate future incomes. In other words, depletion of natural capital requires compensating increase in other forms of capital especially in extracting/mining regions.

Enhance capacity of local authorities: The Government must expedite the decentralisation reforms specifically focusing on improving the capacity of local authorities to manage mineral revenues. This is cardinal given that the local authorities continue to collect considerable resources from mining firms in particular. Correct systems must be set in place to enable these councils to manage huge revenue outlays.

Support local authorities to collect required revenues from mining firms: The local authorities' capacity to undertake audits and also complex negotiations with the mines must be continuously enhanced in order to respond to the complex and growing sophistication in the conduct of mines with regard to subnational transfer of revenues. The tendency by mining firms to pay less than required amounts owing to various reasons presented undermines the financial position of local authorities in mine areas. Central government must also allow local authorities to have autonomy in handling such negotiations without any covert engagements with the mining firms.

Disseminate information on mineral revenues: In their critical watchdog role, CSO actors should prioritise the dissemination of mineral revenue information among stakeholders such as traditional leaders and the general citizenry. This will enhance citizen's oversight for increased transparency and accountability. For this accountability to exist, mining revenue and budget outlays need to be transparent and fully accessible to citizens, and mineral revenue decisions need to be subject to public scrutiny and influence. Proper scrutiny of subnational budgets paired with the watchdog role of civil society will help ensure that local authorities are accountable and eventually more responsive to the needs and preferences of local communities.

Enhance multi stakeholder dialogue: The Government must create a mechanism for multi stakeholder coordination through dialogue and engagements between the Government, private sector, CSOs and local communities. This is critical to address issues on accountability by the Government and also ensuring that mining companies pay their fair share to local authorities.

Undertake punitive action on financial irregularities: The Government must continue to prioritise punitive actions against erring officers and institutions in the wake of financial irregularities as presented in the Auditor general's reports. Of particular concern are irregularities reported at the local authority level which continue to negatively impact service delivery and use of revenues collected from mining activity.

Rein in on debt accumulation: The Government must reign in on the growing fiscal deficits which have led to a debt accumulation that is crowding out expenditure in critical sectors such as health, education and agriculture and also transfers to subnational structures. This can be done through prudent fiscal management and consolidation by ensuring that expenditure equals domestic revenue collection and also a slow down on debt accumulation which will leave the country with much needed finance which can be channeled towards critical sectors such as health, education and agriculture.

8. REFERENCES

Arora, N., Ghose, J. and Bakshi, S. K. (2017) 'managing revenue from natural resources : A multi-country analysis of sharing resource revenue with sub-national levels', pp. 1–18. Available at: https://www.ippapublicpolicy.org/file/paper/594cb83508532.pdf.

Bauer, A. *et al.* (2016) 'Natural Resource Revenue Sharing', *Newspaper*, (September), p. 116.

BOZ, 2019. Annual Report, Lusaka: Bank of Zambia.

Constitution of Zambia, 2016. Constitution of Zambia. Lusaka: s.n.

Eaton, K., Kaiser, K. & Smoke, P., 2010. The political economy of decentralization reforms: implications. s.l.:s.n.

GRZ, 2017. Public Financial Management handbook, Lusaka: National Assembly of Zambia.

Hilson, G. (2013) 'Distributing mining wealth to communities in Ghana', (5), p. 34. Available at: www.u4.no.

ICMM, 2014. The Role of Mining in National Economies, s.l.: Oxford Policy Management.

Lange and Wright (2004) *SUSTAINABLE DEVELOPMENT IN MINERAL ECONOMIES : THE EXAMPLE OF BOTSWANA Glenn-Marie Lange Matthew Wright Bank of Botswana*.

Liywalli, N. 2014. *Civil Society Engagement in the National Budget Process*. Economic Justice Programme, Catholic Centre for Justice Development and Peace. Zambia

Lange. G. M. and Wright, M. 2002. Sustainable Development in Mineral Economies: The Example of Botswana. CEEPA Discussion Paper Series 3

Lujala, P. and Narh, J. (2020) 'Ghana's Minerals Development Fund Act: addressing the needs of mining communities', *Journal of Energy and Natural Resources Law*. Taylor & Francis, 38(2), pp. 183–200. doi: 10.1080/02646811.2019.1686250.

Mahama, C. A. and Baffour, O. A. (2009) 'Management of stool land revenue in Ghana : a study of the Nkawie and Toase stools of the Atwima Nwabiagya district of the ashanti region', 29(1), pp. 28–38.

MOF, 2019. Annual Economic Report, Lusaka: Ministry of Finance.

MOF, 2020. Budget Address by Honorable Dr. Bwalya K.E Ng'andu, s.l.: s.n.

MOF, 2020. Ministerial Statement on the State of the Economy by Hon. Dr. Bwalya K.E Ng'andu. MP, Minister of Finance, Lusaka: GRZ.

Morgandi, M. (2008) 'Extractive Industries Revenues Distribution at the Sub National Level The experience in seven resource rich countries', (June).

National Assembly, 2017. Public Financial Management Handbook for Members of Parliament, Lusaka: s.n.

National Assembly, 2017. Public Financial Management Handbook for Members of Staff and Parliament. s.l.:s.n.

Ndulo, M., 1986. Mining Legislation and Minerals Development in Zambia. Cornell International Law Journal, 19(1), pp. 1-34.

Negi, R., 2010. The Mining Boom, Capital and Chiefs in the 'New Copperbelt', Delhi: Ambedkar University.

Nkundla, S. *et al.* (2016) '- a Case Study - - a Case Study -', p. 11.

Pattanayak, S. & Fainboim, I., 2011. Treasury Single Account: An Essential Tool for Government Cash Management , s.l.: IMF.

S. Nugraheni, I. Mokoginta & D. Asfari. 2015. *Towards Sustainable Development of Indonesian Extractive Industry.* Indonesia

The African Development Bank. 2016. *Botswana's Mineral Revenues, Expenditure and Savings Policy.* Cote d'Ivoire

WaterAid (2017) 'Mineral rights to human rights : mobilising resources from the extractive industries for water , sanitation and hygiene', (December).

WAVES Report (2016) *Economic Accounting of Mineral Resources in Botswana*.

World Bank (2011) 'Political Economy of the Petroleum Sector in Nigeria Political Economy of the Petroleum Sector in Nigeria Alex Gboyega', (August).

World Bank. (2021, January 11). The World Bank. Retrieved from The World Bank in Nigeria: https://www.worldbank.org/en/country/nigeria/overview

World Bank (2014) 'Republic of Mozambique MZ Governance Sharing Natural Resource Revenues with Affected Communities : Policy Options for Mozambique', (August).

Zambia Extractive Industries Transparency Initiative, 2020. Zambia EITI Report 2019, Lusaka: s.n.

ZamStats, 2020. The Monthly Bulletin, Lusaka: Zambia Statistics Agency .

ANNEX 1: SCHEDULE OF KEY INFORMANTS

S/N	INSTITUTION
1	Bank of Zambia
2	Ministry of Higher Education
3	Ministry of Mines and Minerals Development
4	Ministry of Finance-Economic Management Department
5	Zambia Extractive Industries Transparency Initiative
6	National Assembly of Zambia
7	Ministry of National Development Planning-Monitoring and Evaluation Department
8	Ministry of Health
9	Solwezi Council
10	Lumwana Mine
11	Chief Mumena
12	Chief Mukumbi
13	Mufulira Council
14	Chief Chiwala
15	Ministry of Finance-Accountant General
16	Ministry of Finance-Budget Office
17	Ministry of National Development Planning-Development Planning Department
18	Zambia Revenue Authority
19	Ministry of Agriculture
20	Ministry of Chiefs and Traditional Affairs

OXFAM

Plot 250 Zambezi Road, Roma Township
P.O. Box 35624, Lusaka, Zambia
Tel: +260 211 291016/291085/292070
www.oxfam.org.uk/Zambia
Like us on: facebook.com/oxfaminzambia
Follow us twitter: @oxfaminzambia

REPORT FOR THE COPPER FOR DEVELOPMENT CAMPAIGN IMPLEMENTED BY:

CSPR Zambia
Civil Society for Poverty Reduction

FIGHT INEQUALITY ≠

Civil Society Poverty Observatory Group
CS-POG