

# **ZAMBIA: A CASE STUDY OF ECONOMIC REFORM AND THE IMPACT ON THE POOR**

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## INTRODUCTION

Zambia is a "classic case" of a poor African country struggling with the problems of political and economic transitions. In 1991, it moved out of 27 years of one-party/one-man rule by the leader of its independence fight, Kenneth Kaunda, and embraced multi-party democracy with the election of Frederick Chiluba as President. While today the *structures* of democracy may be more or less in place (e.g., many different parties, periodic elections, relatively free media), the *attitudes* of democracy still are weak (e.g., tolerance, commitment to the common good, transparency and accountability). The movement away from a socialist economy to a liberalised capitalist economy has accompanied the political transition and caused considerable hardship among the people. The government's full-scale implementation of a Structural Adjustment Programme (SAP) has particularly hurt the poor.

Because it is a "classic case" of what is happening in other parts of Africa, Zambia is certainly a well-studied case. Indeed, it is "over-studied." The World Bank, various agencies of the United Nations, donor countries, NGO's (both international and local), churches, research institutions and individual scholars, etc.: all have recently been engaged in extensive research efforts to examine the political and economic transitions in Zambia (see limited bibliographical references at the conclusion of this paper.)

The purpose of the present paper is not to do fresh research but to survey key areas/issues in the Zambian economy and in particular to note the impact of these issues on some of the Partners of Christian Aid. Part I will analysis the macro-economic areas of (1) SAP economic reforms, (2) trade, (3) investment, and (4) debt; Part II will highlight responses by Partners; and Part III will explain advocacy efforts.

### A. Short History

Zambia became independent in 1964, with the break-up of the Rhodesian Federation of British colonies, Nyassaland (now Malawi), Southern Rhodesia (now Zimbabwe) and Northern Rhodesia (now Zambia). Because of its copper wealth, Zambia was one of the richest of the newly-independent African states. But today it is one of the poorest. Its economic difficulties, accompanied by decline in social services and deterioration of infrastructure, were caused by (1) a development model inherited from the colonial period (e.g., over-reliance on copper as an export-earner, under-appreciation of agriculture), (2) a series of policy decisions (e.g., adoption of an inefficient controlled economy model, closing of the border to Rhodesia), and (3) negative external structural forces (e.g., declining price of copper, rising price of petrol and other imported goods, increasing foreign debt burden).

Copper production, the main force in the Zambian economy and the earner of more than 85% of its foreign exchange, fell by more than one-third in the period between 1970 and 1990 while the real US dollar price of copper fell by more than one-half.<sup>1</sup> The economy was dominated by large, inefficient and politically-manipulated para-statal; the urban sector was favoured over the rural sector; and heavy borrowing was done to offset the reduction in copper export earnings. For example, between 1983 and 1987, over US\$ 500 million per year was borrowed and it largely went for consumption purposes, not contributing to economic growth.<sup>2</sup>

Between 1975 and 1991, Zambia entered into several arrangements with the International Monetary Fund in an effort to stabilise its economy. But the efforts were not effective enough, not followed through, or off-set by other factors such as drought or the impact of war in neighbouring states. A more-far-reaching programme began in the mid-1980's, but was aborted in May 1987 after food riots in the Copperbelt a few months earlier. Kaunda attempted economic reform with "growth from our own resources" but was unable to sustain the effort when all outside support halted. Zambia then returned to an IMF/World Bank SAP in mid-1989. More unrest followed, including food riots and an attempted military coup in June 1990, and the programme was temporarily suspended a few months before multi-party elections in October 1991.

The Movement for Multi-Party Democracy (MMD) won the elections and immediately began implementing a full-scale SAP. (The elements of Zambia's SAP will be analysed in Part I of this paper.) The past four years have been a period of mixed economic results. On the positive side, some macro-economic indicators have stabilised (e.g., the inflation rate has declined from a high of over 200% in 1992 to around 40% today)<sup>3</sup>, foreign exchange is more readily available, and basic commodities are on sale in the markets and stores. But on the negative side, there has been widescale economic instability and displacement represented in recent months with the surprise liquidation of the national airlines and the national bus company (two state corporations) and the collapse of three major private banks. More alarming, social indicators show a disturbing increase in the suffering of people as poverty becomes more wide-spread and entrenched. A May 1995 government report explains:

The last five years, with the exception of 1993 when the annual growth rate of GDP stood at 8.2 per cent [following a very good agricultural crop], have seen a persistent decline in real GDP.... For a long time, average real earnings of employees in the formal sector have been on the decline. From an index of 72 in 1980, the earnings fell to 44 in 1986, 30 in 1991 and to a low of 21 in 1992.... Within Zambia life expectancy which stood at 54 years in 1990 drastically fell to 45 years in 1992. The under-five mortality rate rose from 150 deaths per 1000 live births in the 1980's to 202 deaths per live births in 1992. In addition, the 1992 Zambia Demographic Health Survey shows that some 25 per cent of children under five years are under weight for their age while some 40 per cent of them are stunted. Furthermore, gross enrolment ratio in primary schools fell from 92 per cent in 1983 to 84 per cent in 1993. In the water and sanitation sector, the situation has been deteriorating and this is reflected by frequent outbreaks of water-borne diseases such as cholera and dysentery.<sup>4</sup>

Any social analysis of Zambia must take into account demographic factors. Zambia has a current population of close to 9 million, with an annual growth rate of approximately 3.2% (down from 1980 figures of close to 3.7%). Fifty per cent of the population is below the age of 15. Zambia is one of the most urbanised countries in Africa, with an estimated 50% of the population living in urban areas.<sup>5</sup>

## B. Factors influencing Poverty

In looking at the socio-economic situation of the majority of Zambians today, it is difficult to pinpoint a *single* factor as the one over-riding influence causing poverty. The poor in Zambia -- the majority of the population -- are hit today by four very strong and very inter-related influences:

1. An inherited structural economic weakness (external, such as balance of trade deficits; internal, such as inefficient para-statal).
2. A harsh Structural Adjustment Programme that has removed subsidies, imposed service fees, brought retrenchments.
3. A series of drought years (three out of the past four) that have drastically reduced agricultural output and caused immense expenses for importing food.
4. The rapid spread of HIV/AIDS that is affecting especially the younger productive age group (an estimated 34% of those between 15 and 39 in urban areas are infected).<sup>6</sup>

What might these factors mean in the specific life of a young person, for example, Choma, a 12-year old street child in Lusaka, at the beginning of 1996? First, the father of the young man had worked for the government-owned Zambia Airways and with its liquidation in 1994 the family lost regular income and company-sponsored housing. Second, the family could not afford the school fees introduced by SAP, so Choma had to drop out of school. Third, because of the drought that has devastated the Southern Province, Choma could not be sent back to be with his grandparents in their village. Fourth and finally, Choma's mother died at the end of last year of AIDS and his father is now wasting away with the same disease. As a result of all these factors, Choma is on the street, part of the growing army of street children living in dire poverty.

While this paper is looking at the effect of macro-economic issues such as SAP, trade, investment and debt on the poor in Zambia, we cannot ignore that these macro-economic issues are inter-related with other factors having a strong influence on the situation.

## PART I: MACRO-ECONOMIC AREAS

### A. Structural Adjustment Programme (SAP)

As discussed above, Zambia began entering into economic reform agreements with the IMF as far back as the mid-1970's. More formal Structural Adjustment Programme efforts were undertaken in the mid-1980's but were not fully implemented by the UNIP government. Since the 1991 transition to the MMD government, Zambia is fully into SAP, and by the end of 1995 has signed agreements called an "Enhanced Structural Adjustment Facility" (ESAF) involving additional responsibilities and advantages.

SAP is an approach to managing the economy based on an economic theory or model guided by certain classical economic principles. These principles of neo-liberal capitalism include:

- the uncontrolled free market
- the primacy of private control of capital
- the minimal role of the state

Structural adjustment involves a two-part approach to economic reform, each part setting down certain "conditions" (or "conditionalities") that must be met through agreements between the Zambian government and the IMF and World Bank. If the conditions are not met, Zambia becomes isolated from the international donor community.

*First* comes the *stabilisation* of the country's economy through short-term monetary and budget arrangements that aim to calm things down by curbing inflation rates and curtailing enormous budget deficits. *Second* comes the *restructuring* of the country's economy through long-term market and trade arrangements that aim to make the economy more efficient through market operations, privatisation and liberalisation.<sup>7</sup> The elements and purposes of SAP include:

#### I. Stabilisation

##### A. *Monetary*

1. Devalue money (encourage exports, discourage imports)
2. Increase interest rates (encourage savings)
3. Curtail credit supply (slow down inflation)

##### B. *Budget*

4. Cut services (trim budget; impose fees in health, education sectors)
5. Retrench workers (increase efficiencies)
6. Privatisise state companies (promote productivity)

## II. Restructuring

### C. *Market*

7. Decontrol prices (effect market forces)
8. Restrain wages (prevent wage spiraling)
9. Remove subsidies (save money spent on consumption)

### D. *Trade*

10. Eliminate trade barriers (introduce competition)
11. Promote export orientation (earn foreign exchange)
12. Invite outside investment (promote diversification and competition)

Zambia is experiencing the implementation of a complete SAP.

### Monetary arrangements

The first action of stabilisation in the monetary area has been the devaluation of the Kwacha. In 1973, at the height of post-Independence prosperity, the Kwacha was stronger than the US dollar. But the 1980s and 1990s tell a different story:

1973	US\$1.00	=	K0.65
January 1984			K1.60
June 1989			K42.00
October 1992			K300.00
October 1993			K660.00
October 1994			K750
October 1995			K950

Another monetary effort at stabilisation in Zambia has been the increase of interest rates. For example, in 1993, Meridian BIAO Bank was offering 89% annual interest on a savings account -- a high figure that did not, however, match the triple digit inflation of the day. But while the high interest rates did encourage savings, cheap loans became difficult to secure and this has negatively affected farmers and small business people. For example, the Zambia National Farmers Union (ZNFU) has complained that many farmers have gone into bankruptcy because of inability to pay back loans that have accrued such high interest.<sup>8</sup>

### Health and education

In the area of SAP-mandated budget reforms, Zambia has reduced budget deficits by imposing fees in the health and education sectors, retrenching workers in the public sector, and privatising the large government corporations (para-statals). Thus it is now necessary to pay user fees at hospitals and clinics. A pre-payment plan was introduced in 1994, whereby a small monthly fee (K700) enrolls a person in the scheme and provides free access to health facilities. Studies done in the past twelve months show that there has been a decline in the use of health facilities because of the introduction of fees.<sup>9</sup> While in some areas, health

facilities have improved, in other areas the perennial problems of lack of drugs, lack of trained and/or courteous attendants, etc., continue as factors discouraging use of facilities by people.

Similarly, there is evidence of decline in school enrolment because of the introduction of fees. While there had always been some payment expected for schooling, this was minimal and hence affordable even by the very poor. But expenses have risen sharply in the past two years -- boarding fees from K1500 in 1992 to K8000 in 1994, and primary school fees from K20 in 1992 to K1000 in 1994. This steep increase has occurred at the same time that the income earning capacity of many had been reduced, e.g., through retrenchments, agricultural sector decline, etc. Total annual expenses (including various fees, supplies, and school uniforms) add up to K30,000 for boarding schools, and K20,000 for non-boarding schools.<sup>10</sup>

An additional factor influencing enrolment is simply the lack of places available for the number of applicants, especially in large urban areas like Lusaka and Ndola. (In some areas, there are even quadruple shifts for students.) In one urban community, 2000 children applied for Grade 1 at the start of 1994, but only 160 could secure places. Nationally, progression from Grades 7 to 8 and 9 to 10 is severely limited by available places. The situation has gotten worse in the past few years, with less than 30% of the children who sit for examinations at these levels being allowed to move on with their education.<sup>11</sup>

The figures for *enrolment of the girl child* are particularly disturbing. Almost half of the girls of school-going age are not in school and this is higher in rural areas. One study reports: "In a significantly large number of areas, less than half the girls enter primary schools, and of those that do only about half complete the primary cycle."<sup>12</sup> Many factors account for the decline in girl child enrolment, including a cultural bias favouring education of boys over girls. When money is scarce in a family to pay school fees, boys are sent to school instead of girls.

Civil service reform is another SAP budgetary feature. In Zambia, an over-staffed public sector was greatly inefficient. As one government minister was heard to say, "I don't need four women to make my cup of tea every morning, just one woman will be enough!" So three women were let go. Hence retrenchment has been the order of the day, slowed down only by the government's lack of funds for retirement packages. (See further remarks on employment below, under "Investment.")

### Agriculture

The agricultural sector has experienced great shocks during the implementation of SAP. Despite abundant natural resources of good land and abundant water, Zambia's agricultural potential has been very poorly developed, with only 14% of the available arable area presently cultivated and minimal irrigation developed. Of the approximately 700,000 farmers, 75% are "peasant farmers" cultivating mostly for subsistence; 17% are "emerging" farmers producing marketable surpluses; and 8% are large commercial farmers who account for about 60% of the marketed output. Among peasant farmers, women invest more time in agriculture than men and play a major role in both farm management and in the provision of labour. Maize accounts for 76% of the cropped area.<sup>13</sup>

SAP has meant the quick withdrawal of the government from its heavy intervention in every aspect of agricultural activities: subsidising of inputs of seeds and fertilisers, supplying of credit, providing facilities for marketing and storage, etc. There would be few defenders of the Kaunda government's inefficient handling of agriculture. But few would defend the Chiluba government's rapid and ill-planned movement into a liberalised agricultural economy.

While it is true that the severe drought of 1991/1992 devastated maize crops in the south and east of the country, it is also true that recovery was made difficult if not impossible by premature market liberalisation, credit squeezes, exorbitant interest rate increases (from around 60% to a peak of 148%), and payment in "promissory notes" at critical moments when cash was needed. Harassed farmers, large and small, lost both productive capacity and business confidence. As a result, the planting of maize for the 1994/1995 season was down by approximately 30%. More drought this season withered what maize that had been planted, and less than eight million bags were produced, just over half of national requirements.<sup>14</sup> Drought and famine relief is now taking up a major portion of government and donor funding.

In an effort to respond to the critical agricultural problems, the government is working with the World Bank and other international donors in the design of the "Agricultural Sector Investment Programme" (ASIP) that is set to go into operation in early 1996. ASIP coordinates several policies, aiming to promote research and extension and increase crop production and diversification. Rural households, and especially women farmers, are focused on. The outcome of ASIP is still to be seen.

### Cost of living

The introduction of a *free market* as a major tool in the stabilisation process has had dramatic impact on the cost of living in Zambia. Under the previous government, there was a "Price and Income Commission." But today all prices and wages are set by market forces. Subsidies for basic commodities such as maize meal, fuel and fertiliser have been removed, causing a spectacular increase in the cost of living. For example, a basket of commodities for a family of six living in Lusaka (including only food stuffs, charcoal and soap) has been increasing in price each month over the past few years.

#### *Food Basket of Commodities (six people)*

April 1991	K 6,365
January 1993	K 31,075
April 1993	K 49,360
June 1994	K 104,800
December 1994	K 137,556
April 1995	K 146,125
September 1995	K 153,100
November 1995	K 165,273



This basket does not include housing, water, electricity, transport, clothes, education, health care, etc.<sup>15</sup>

What are the wages of average Zambian workers? An office orderly, cleaner, security guard or day labourer might earn K30-35,000 per month; clerks may receive around K50-60,000; teachers upwards from K60,000.<sup>16</sup> Obviously, the average wage earner simply cannot meet the expenses for this basket. Hence, restrictions, substitutions and omissions occur. Meals are skipped. And alternative ways of earning are found -- not all of it legal.

### Social assistance programmes

This point about the difficulty of meeting basic needs brings up the issue of "social safety nets" and welfare programmes to alleviate the suffering caused by SAP. As early as 1990, the government introduced a "Social Action Programme" designed to improve health, education, water and sanitation facilities and to cushion vulnerable groups against the short-term effects of the economic reform programme. This programme did not take off well, as budget allocations were not forthcoming and the coming elections meant a heavy politicisation of the whole process. A study commissioned by the World Bank revealed major constraints to the social service delivery, including, for example, budgetary restrictions, lack of administrative capacity, ineffective policy coordination, inappropriate organisational structures, lack of current statistics and other necessary information, and limited community participation.<sup>17</sup>

In 1993, a "Social Sector Rehabilitation and Development Programme" was initiated, which included a "social safety net" approach providing efforts such as a very limited Public Welfare Assistance Scheme, Programme for Prevention of Malnutrition, Small Scale Labour Intensive Public Works Programme, and Training Programme for Retrenched Public Workers. To be honest, the "social safety net" has had great difficulties because of inadequate funding, ineffective management and heavy politicisation. An example of this would be the "Food for Work" programmes that have involved many -- mostly women -- in projects such as road maintenance, clean-ups in urban compounds, etc. Who gets hired, how much they are reimbursed, and what gets done often reflect more political expediencies than practical demands.

Community development efforts, aimed at building community capacity for self-reliance, are supported by the Social Recovery Project sponsored by the World Bank and the Microprojects Programme supported by the European Union. Some 740 activities are currently being supported. These include construction and rehabilitation of schools, classrooms, rural health clinics; safe water supplies; sanitation; markets and rural roads; and the establishment of revolving funds.<sup>18</sup>

Of considerable significance, especially because Zambia was the first country to sign such an agreement, was the "Social and Economic Reform Credit" (SERC) arrangement agreed to by the government and the World Bank in 1993. In effect SERC provides a set of "social conditionalities" in the sectors of education, health, nutrition, water and sanitation.

There were targets set for the 1994 budget (e.g., for education, 15-17% of total expenditures; for health 13%). Reform measures (e.g., decentralisation) were also set down.<sup>19</sup> It is important to note that the negotiations currently underway between the government and the World Bank include a similar SERC for the future budget.

As significant as the SERC arrangements may be on paper, it must be admitted that there is a difference between budget *authorisation* (what is found in the approved budget) and budget *allocation* (what actually is disbursed). Allocation problems are myriad, since many educational and health institutions have reported that they have not been receiving their officially authorised payments.<sup>20</sup> The policy of maintaining a "cash budget" (don't spend more than you have received each month) tends to hurt the social sector more severely than other sectors such as defense and foreign affairs.

## B. Trade

### Minerals

Since Independence, Zambia's economy has been dependent on one major economic activity, copper. In the decade immediately following Independence (1964-1975), when both copper production and copper prices were high, copper accounted for 92% of export earnings and about 25% of the government revenue. By 1993 copper still contributed close to 87% of export earnings and close to 7% of government revenue.<sup>21</sup>

The problem in recent years with the over-dependence of Zambia on copper is two-fold: (1) declining price of copper, and (2) declining production. During the mid-1970's, the price of copper on the London Metal Exchange (LME) divided by the average cost of traded manufactured goods declined by 63%.<sup>22</sup> The world price did gain some in the 1980's, then declined again in 1993. But in late 1994 and through 1995, the price has again gone up.<sup>23</sup> Zambia, however, could not take advantage of this upswing because productivity was declining due to problems with management, maintenance, and quality of ore.

Copper exports were at their highest in 1976, at 746,000 metric tonnes. This figure fell to 349,000 metric tonnes in 1991, climbed back up to around 400,000 by 1993, and then fell back again in 1994 to around 350,000. At the rate of monthly production during the past year, there is fear that 1995 figure may not top 300,000.<sup>24</sup> Predictions are made for improved production in the years to come, but everything is really unclear as the all-important moment of privatisation of ZCCM is awaited. There are widespread rumours/reports of mis-management of ZCCM, corruption and inefficiencies.

Other minerals have been exported by Zambia, including cobalt, zinc and lead. But in 1994 the Kabwe mine was shut down and production of zinc and lead discontinued. Precious gems are also mined, but only in the past few years have efforts been made to wrest their export out of the hands of smugglers.

### Other exports

Given the over-dependence on copper, there is an understandable search in Zambia for developing *non-traditional exports* (NTE). There have recently been a good growth rate of NTEs, with projections averaging of around 15% increase each year.<sup>25</sup> The NTEs include engineering products (copper rods, wire and telephone cables), sugar and molasses, cotton yarn, cement, flowers, coffee and tobacco. For example, an agreement has been reached for a fixed quota of imports of sugar to the European Community, and there was recently a big sale of sugar to Russia. Floriculture (e.g., growing of roses for shipment to Europe) experienced a 30% increase in 1995, and additional increases are projected for next year.<sup>26</sup> One company, Swarp Mills, exports yarns and threads to Europe, North America and South Africa and has increased its 1994 export earnings from a previous figure of US\$ 6.4 million to US\$ 17 million.<sup>27</sup>

Current projections are that NTEs will constantly increase in value, while mineral exports will decline at least until the year 2000. (E.g., 1996: US\$ 189 million to US\$ 847 million; 1998: US\$ 229 to US\$ 813; 2000: US\$ 277 to US\$ 849.)<sup>28</sup>

Zambian manufacturers have complained that South Africa, the largest exporter to Zambia, is not fair in freely allowing in goods from Zambia. It is true that there is a great disparity in trade figures. Last year, for example, South Africa exported 1.1 billion Rands worth of goods to Zambia, while Zambia exported only 100 million Rands worth of goods to South Africa.<sup>29</sup> There are also accusations that South Africa subsidises many exports, creating unfair advantages for its products. (Specific proof of these subsidies is difficult to discover.)

There is supposed to be an increasing amount of free trade in the southern African region, under the arrangements of the Common Market for Eastern and Southern Africa (COMESA). But this is not always the case. For example, in the clothing and textile sector, there is considerable imbalance. COMESA countries are exporting three quarters of their textiles and garments to Europe and the USA at great transport costs, yet they are closing markets to imports from their own member states. Zambia imports fabrics and cotton from Zimbabwe, Kenya, Namibia, Tanzania and Malawi and yet it exports less than 5% textiles and zero per cent of garments to these same countries.<sup>30</sup>

### Imports

The *import* story of the past few years is quite dramatic and has had a mixed impact upon Zambians. First, since SAP has meant a liberalisation of trade, tariffs and other barriers to imported goods have been lowered in Zambia. This has resulted in an influx of commodities, mostly from South Africa. Shops that previously had empty shelves now are loaded with all kinds of goods imported from neighbouring African countries, especially South Africa and Zimbabwe. Consumers -- *at least those with money!* -- are very pleased with this new situation. But this has had an adverse effect on Zambian manufacturers and retailers, especially on those who had developed very non-competitive ways during the earlier days of the controlled economy under the previous regime.

Many Zambian manufacturers have suffered from the competition and have closed their doors. (Unfortunately, the Zambia Association of Manufacturers does not have exact data on the number of firms that have shut down or the numbers of jobs lost.) There is at least in the popular mind a sense that trade has not been beneficial to Zambian industries. There is even the use of the phrase "deindustrialisation" in some circles, as companies are forced to close because of inability to compete with imported goods. Zambia manufacturers have suffered a disadvantage in that they must pay import taxes on raw materials, making their products more expensive than the imported goods they must compete with.<sup>31</sup>

### C. Investment

Today there are two macro movements in the investment area of the Zambian economy. The first is *new investment* occurring in the liberalised environment; the second is *privatisation* or the sale of companies that were previously owned wholly or in part by the government (the so-called "para-statal"). These two movements are, of course, inter-related and both are aimed at greater economic growth in the country.

#### New investment

In order to stimulate new investments, the government in 1992 set up the Investment Centre.<sup>32</sup> This serves as a "one-stop" centre to provide information, advice and facilitation for prospective investors. Licenses are granted to cover arrangements such as work permits, operators' licenses, permits to buy land, and licenses to allow the investor to import productive assets free. There is little difference in the level of incentives offered to Zambians who are investing in Zambia or to foreigners. Regarding tax breaks, everyone gets the same, in the form of standard rates of depreciation and write-offs.

During the past three years, the Investment Centre has processed a variety of cases. Approximately 80% of the investment has been by Zambians involved in rehabilitation or changing their productive capacity. Some 30% is new, first time investment in Zambia.

Who are the new players coming onto the investment scene? In general terms, South Africans are active in a variety of places. A significant amount of investment in retail marketing is going on, with two large South African shops, Shoprite Checkers and Pep, opening up stores in Lusaka and other major urban areas (taking over from defunct government-owned stores). Their stores are attractive and well-stocked, and their prices are competitive or lower than those in the Zambian stores. Additional South African investment is going on in the agricultural sector, in the person of small to medium scale farmers. Besides South African interests, there is also some negotiating going on in the manufacturing sector, with large companies such as Lever Brothers and Heinz showing interest.

According to the Investment Centre figures, the projected levels of investment hoped for has not been reached. Thus in 1994, of the US\$ 160 million anticipated, only US \$70 million was invested; in 1995 (up to November), only US\$ 60 million out of US\$ 160 million has been invested.

By and large, Zambia has not in the past been a country that attracts much investment by the large transnational corporations (TNCs), nor is it today. During the Kaunda era, Tiny Rowlands of Lonrho was a well-known figure. But lack of good infrastructure in communications and transport, lack of a large pool of skilled labour, and the presence of political uncertainties have discouraged many investors from coming to Zambia.

### Privatisation

The related area of *privatisation* is a scene of considerable activity, at least in discussion if not always in final decisions. "Getting the government out of business" is, of course, a central doctrine of the SAP. In Zambia, this has particularly strong consequences. It is estimated that at the time of the political transition from the Second Republic to the Third Republic, approximately 75 to 80% of the nation's economic activity was in the hands of the government. Immense government holding companies controlled everything from the Zambia Consolidated Copper Mines (ZCCM) to breweries, banks, textile manufacturers, oil refineries, grain millers, hotels, dry cleaners, farms, and travel agencies.

The privatisation programme, under the umbrella of the Zambia Privatisation Agency (ZPA), got off to a slow start but has recently been moving forward more steadily.<sup>33</sup> Initially, there was some interference on the part of persons with political connections who thought they could influence the selection of the buyers or the conditions of purchase. There were also some questions raised about the manner in which the policy of privatisation was being pursued. Of itself, the programme does not directly promote competition. It merely exchanges state monopoly for private monopoly, without any rise in the number of firms. (One notable exception has been the split of the national breweries into two companies, each offering a different name brand of beer.) For the operation of a near perfect market economy, there should be an increase in the number of firms in each industry through an increase of investment. This would not only encourage competition but also boost up overall production.<sup>34</sup>

Before being sold off, each company has had a list of particular problems to face: problems with employees, with accumulated debt, with non-functioning machinery and other poorly maintained physical assets, etc. Bidders must submit a detailed business plan that includes financial information (re-investment, financing, company history, etc.), employee utilisation, environmental impact, etc. According to ZPA officials, the merit of this proposed business plan has more weight in the selection of the buyer than the actual financial offer.

According to the November 1995 status report, the ZPA has a total working portfolio of 193 companies. Of these, 48 companies have been privatised, with 5 companies the negotiations are complete, and there are 37 "heads of agreement" (negotiations are going on with the best bidder while the other bidders are on hold). Another 22 companies are under negotiations and 8 companies are prepared for negotiations and/or are advertised.<sup>35</sup>

Who is buying what? By and large, the very large para-statal are going to external buyers. For example, the Commonwealth Development Corporation (CDC) bought back into Chilanga Cement; a subsidiary of Anglo-American purchased the bulk of the central division of

Zambia Breweries; and Tate & Lyle and CDC purchased 70% of Zambia Sugar. This is explained primarily by the fact that there is not enough local money in the Zambian economy to purchase the larger companies. Almost all small and medium companies are being sold to Zambian individuals and companies. There have been a few employee buy-outs (e.g., in the retail stores). Besides South African and British purchasers, there are also serious negotiations going on with Indians over hotels, Israelis for large-scale chicken farms (for export), and with other groups like Lever Brothers and H.J. Heinz.

To promote wider public sales of stock in the newly privatised companies and in other private institutions, the Lusaka Stock Exchange (LUSE) opened in February 1994. The government has established the Zambia Privatisation Trust Fund, for the express purpose of assuring that Zambians would have the chance to own stock in Zambian companies. Under the Privatisation Act, this Fund enables the government, when it chooses so to act, to hold a percentage of shares (usually around 30%) in trust for citizens of Zambia until the shares are floated on the LUSE to be sold to small-scale Zambian investors. Stock has been sold to the public to date in Chilanga Cement and in Rothmans.

Of course the biggest item and most important factor in the entire privatisation process is the "jewel in the crown" of the Zambian economy, the Zambia Consolidated Copper Mines (ZCCM). The government has announced plans to sell its 60.3% share in this giant corporation. Anglo-American, which currently holds a 27.3% share, has expressed interest in acquiring more. But political wranglings, economic debates, personal interests, and national pride have all substantially delayed the process. As a consequence, production has dropped because of lack of capital inputs and serious cases of "asset stripping" have occurred.

#### Impact on employment

What is the impact of investment trends and privatisation on *employment*? This, of course, is a major issue in the evaluation of the Zambian government's programme of economic reform. There is great danger of promoting in Zambia what the United Nations Development Programme has called "jobless growth."<sup>36</sup> This phenomenon is the stimulation of economic growth patterns that are capital intensive and not labour intensive. To be specific, new investments in manufacturing or agriculture or new efficiencies in a privatised industry may bring a rise in the GNP measurements for Zambia, but may not necessarily create jobs for Zambians. Employment generation is essential if the economic reform measures are to benefit the majority of the people.<sup>37</sup>

It is clear that the civil service and the para-statal were over-staffed in the Kaunda era and in need of trimming for the sake of efficiencies. But public sector reform has been substantially slowed down because of the inability of government to pay redundancy packages. Since privatisation and other economic reform policies have been introduced, there has been job losses from a number of companies in various industries. Companies in manufacturing, mining, construction and trade are the most affected.

Redundancies officially registered with the Ministry of Labour and Social Security have risen from 3507 in 1991 to 6220 in 1992, to 7613 in 1994. But this figure certainly represents only a small percentage of the redundancies, as companies have had to cut back on employment because of declining production and sales, or have actually gone into liquidation (such as Zambia Airways and the United Bus of Zambia). Furthermore, within the para-statal sector -- where about one-third of those formally employed worked -- there has been sharp reductions in the past few years, down from 176,000 in June 1992 to 149,600 in June 1994.<sup>38</sup> Moreover, the Central Government employment was reduced by 17,000 employees during 1992 and 1993, and Local Government by 5000.<sup>39</sup> Another 5000 government workers will soon be pruned in the public service sector reforms.<sup>40</sup>

It is significant to note that in the past the Central Statistical Office defined the economically active population as those aged 12 years and above. But in more recent data, this has dropped to 7 years in order to note the incidence of child labour. It was felt that the economic hardships and the effects of SAP had caused an increase in child labour.<sup>41</sup>

The informal economy (self-employed as own account workers and unpaid family workers) appears to be fast growing in Zambia as a result of the lack of formal sector employment. Currently the majority of the employed labour force (71.9%) are employed in the informal sector. Agricultural activities, trading, small crafts, etc., mark this sector. Many are active in the informal sector to supplement formal sector incomes. Under-employment characterises the sector, in that there is employment for a shorter period than the worker would ideally prefer. In the urban informal sector, women predominate in trading.<sup>42</sup> In general, women in the informal sector are involved in activities that require less capital and yield low incomes in relation to time spent. This is because they are unable to raise sufficient capital and have access to other productive resources.<sup>43</sup>

#### D. Debt

Zambia is one of the most heavily indebted countries in the world. At the start of 1992, the total foreign debt owed was US\$ 7.2 billion. With a population of some 8.5 million people, this meant a per capita debt burden of US\$ 850 for every man, woman and child in Zambia! In July 1994, the total debt had dropped to US\$ 6.2 billion. In November 1995, the figure was US\$ 6.34 billion.<sup>44</sup>

In order to understand what is happening, and what are the implications for the future, it is necessary to understand to whom Zambia owes its debt, how it is repaying it, and what accounts for the decline.

#### Various types

The *bilateral debt* of Zambia, owed to individual governments, amounts to US\$ 3.1 billion. The largest portion of that is owed to "Paris Club" members, including: Japan, US\$ 735 million; Germany, US\$ 584 million; United Kingdom, US\$ 359; United States, US\$ 289; France, US\$ 165 million; Italy, US\$ 125 million. China is owed US\$ 194 million.

The *multilateral debt*, owed to international financial institutions (IFIs), amounts to US\$ 2.8 billion. Of that, US\$ 1.2 billion is owed to the International Monetary Fund. An additional US\$ 1.6 billion is owed to the World Bank and to other international agencies such as the European Union, the European Development Fund, and the African Development Bank.

The remaining US\$ 0.4 billion is *commercial debt*, owed to private banks (some of them represented in the "London Club").

### Reduction

How has Zambia's debt stock been reduced in the past few years? Two approaches have accomplished this:

- *Bilateral debt write-off* of US\$ 595 million, under agreement with the Paris Club in July 1992. Major countries writing off debts include: Germany, US\$ 232; United States, US\$ 109; Italy, US\$ 94; United Kingdom, US\$ 90 million; France, US\$ 30 million; and Denmark, US\$ 24 million.
- *Commercial debt buy-back* of US\$ 652 million. Using IDA (World Bank) loan money, Zambia has purchased its debt owed to commercial banks at 11 cents on the dollar.

Presently it is not possible to reschedule or reduce multilateral debt as the institutions are not permitted by law to do this. But there is the possibility of some significant relief in sight on multilateral debt if the multi-billion US dollar "Multilateral Debt Reduction Facility" of the World Bank goes into effect in the next few years. This proposed facility, now being discussed by the directors of the IMF and the World Bank, would be a way of providing direct relief to Zambia's very high multilateral debt. The Facility would operate in a manner similar to a trust fund, repaying multilateral debt service as it fell due over a 15-year period, providing the equivalent of a 67% debt stock reduction.<sup>45</sup>

The total annual debt service that Zambia is required to meet (payment of principal and interest) has been decreasing in recent years because of favourable terms that have been negotiated, primarily with the Paris Club. Thus debt service was US\$ 496 million in 1991 and US\$ 305 million in 1993.

In addition, a new agreement was signed at the beginning of December 1995 between Zambia and the IMF, giving Zambia approximately US\$ 1.2 billion in balance of payment loans. This is under the "Enhanced Structural Adjustment Facility" arrangement accorded to Zambia because it has satisfied the "Rights Accumulation Agreement" by meeting the key economic benchmarks of SAP. This assures that the annual debt service owed to the IMF will drop significantly, as the interest rate goes from 8.5% to 0.5%; annual payments out to the IMF will be down from US\$ 100 million to less than US\$ 10 million.



It is important to recognise that this "ESAF" arrangement is not an injection of new development money into the Zambian economy (although some local newspapers chose to speak of it in that fashion!).<sup>46</sup> The money is to meet balance of payments requirements and in effect is *contributions* of donors coming back to satisfy *demands* of donors. Indeed, it is important to note that there has been a *qualitative* shift in the orientation of current external assistance, reflected in a decline in the share and volume of official development assistance (ODA) provided to projects from 66% in 1990 to 34% in 1993, and an overall rise in balance of payments support from 32.5% in 1990 to 63.3 % in 1993.<sup>47</sup>

### Problems

Two additional and important points must be kept in focus in discussing the reduction in debt service of Zambia. The first is that *all* debt payments by Zambia are currently donor-driven, that is, paid for completely from donor contributions and not from revenue raised by the government. It is sometimes said that debt servicing takes money out of national budgets that might otherwise have been spent on social services such as health and education. But this is not directly true in Zambia, a country whose national budget (excluding debt servicing) is already donor-funded by approximately 40%.<sup>48</sup> If donors were not paying Zambia's debt servicing (in effect, lenders repaying themselves!), it is at least questionable that they would then redirect all that money into Zambian social programmes.

Second, the rescheduling of debt is not itself forgiveness or complete write-offs of the enormous debt burden. It may significantly lower annual debt service requirements. But for the most part it is in fact simply an extended delay or postponement in payments that sooner or later will come due. True, this is certainly a benefit for the moment. But it is a benefit that must be paid for, since it has future, inevitable consequences. Around the year 2000, the debt service owed to the IMF, for example, will rise dramatically and will put an extremely heavy burden on Zambia.

Thus it is clear that Zambia's "debt crisis" is certainly not over. The per capita debt burden may have been reduced slightly but it is still enormous. And Zambians and the Zambian economy feel this heavy debt in several ways that are dangerous for the future: (1) the necessity to adhere very strictly to the austere conditions of SAP even in the face of rising political opposition; (2) the continued and growing dependency on foreign donor assistance that cannot be assured indefinitely; (3) the discouragement of foreign investment as a climate of uncertainty results from such a large debt overhang; and (4) the future rise in debt - servicing requirements that will come due.

## **PART II: IMPACT ON PARTNERS AND THEIR RESPONSES**

The effect of the macro-economic changes reviewed above are felt throughout Zambia at every level and by every group. What follows here is a brief review of the perceptions of several of the partners of Christian Aid about the consequences of the macro changes at the

micro level. These partners are engaged in a variety of works, for instance, agricultural projects, HIV/AIDS programmes, youth training, etc.<sup>49</sup>

### A. Impact on Projects

The most common perception of the partners is that the SAP environment of today has made their work more difficult for two reasons: (1) internal budget constraints and (2) external client demands. The Christian Council of Zambia voices a complaint heard again and again: it is increasingly difficult to deal realistically with budgeting and planning requirements. Inflation, exchange rate variations, availability of supplies, etc., all affect programmes. Sister Lynn Walker of the Copperbelt Health Education Project (CHEP) comments that the cost of running training seminars has nearly doubled in the last few months. Add to this the effect of the rising cost of living on employees of the projects: "Just to keep a roof over heads and food in stomachs of my staff and their families is almost impossible, especially as most funders like to contribute towards activities but do want to pay salaries, let alone 'just' ones."

Demands by the clients of the agencies obviously increases during economic "hard times." Working in the shanty compounds of the Copperbelt, the AIDS Department of the Catholic Diocese of Ndola notes unemployment increasing (through retrenchments) and overall income positions declining during the past two years. These factors mean an increasing number of requests for food aid and a greater financial burden on the Department's limited budget.

One agency noted that the Social Safety Net programme of the government had distributed K77 million in 1994 among several anti-AIDS NGOs. But in 1995 the total had dropped to K20 million.

Ms. Maria Nkunika, director of the Anti-Aids Project in Lusaka, gives a very practical example of the impact of the rising cost of living on the efforts of her agency: "Unfortunately, our individual letter answering service, for those too shy to meet us face-to-face, has recently been affected by the four-fold increase in the price of a postage stamp."<sup>50</sup>

### B. Taxing policies

Another common complaint of the partners relating to government economic policies is the unclear handling of the newly-introduced VAT (value-added tax) that went into effect in mid-1995. Prior to that, NGOs were exempt from the 23% sales tax. But now NGOs have to pay VAT (20%) and the possibility of a readily-accessible rebate scheme is not evident. Mixed signals seem to be coming from the Ministry of Finance about this. Several Partners raised this VAT issue in interviews, noting its impact on their operating budgets.

Ms. Elizabeth Mataka of the Anti-Aids Project of the Family Health Trust (FHT) gives a typically disconcerting story. FHT received a specially-designed vehicle, a mobile AIDS awareness station. Donated by the Japanese government, the vehicle is stuck at the customs

office with 8 million Kwacha VAT due on entry. Since the new vehicle was a gift, FHT refuses to pay the VAT and is asking the Japanese to bring it in under diplomatic privilege arrangements. But in the meantime, no use is being made of this important vehicle.

Rev. Pierre Dil of the Makeni Ecumenical Institute went public with a strong letter to the Vice-President complaining of the crippling effect that imposition of VAT is having on development efforts. He stated that the government's high tax policy had forced the Anglican Church to abandon work on its fourth agricultural settlement project, primary schools and clinics. Irrigation equipment worth ten million Kwacha was being held up because of tax demanded.<sup>51</sup>

### C. Agricultural changes

In the rural areas, the economic reform policies have had strong impacts in the agricultural sector. The withdrawal of subsidies on fertilisers and seeds have directly affected the people, as well as liberalisation of markets. According to Marleen Kramer of the Development Organisation for People's Empowerment in the northeastern part of Zambia, "the farmers were used to receive fertilisers and seeds for cheap prices [subsidised], combined with the availability of credit facilities to small scale farmers." Moreover, the small scale farmers were used to the government coming to their farms to buy agricultural products (maize) for fixed prices. But liberalisation has changed all that, as the dictates of the free market set purchasing and pricing arrangements. "This time in the Northern Province, where we are so far from the towns, transport costs do not attract many traders to come and buy produce from farmers."

The disorganisation of the marketing systems has left peasant farmers stranded with their produce, according to London Mwape of the Christian Youth Fellowship of Zambia (CYFZ). He notes that giving promissory notes meant an extension of many months "before poor farmers could receive money for their sweat." The CYFZ agricultural settlement projects at Isenge and Serenje have been affected because the capital input that they held was exhausted during the drought and then it became difficult to obtain loans.

### D. Education and health

Most of the Partners mentioned the impact on people of fees being introduced into the education and health sectors as a result of the government's following of SAP requirements.

According to Sr. Lynn Walker, an increasing number of people are not even attempting to get treatment at hospitals and clinics because the medical fees are beyond what they can afford. Mixed messages are being communicated, since the Ministry of Health has in fact officially exempted many from paying fees. But still the expectations are there, as Sr. Lynn notes: "Many of our peer educators (mostly street kids and commercial sex workers/prostitutes) find they cannot get treatment for STDs without paying a fee first -- even though treatment should be free.... Some mothers are not bringing children for post-natal care and vaccinations as they *think* they have to pay fees."

Dr. Piet Reijer of the Ndola Diocese AIDS Department makes the point that in the 1980's the hospitals were full of patients with routine illnesses and accidents. But now, even with the great number of AIDS patients, he estimates that the hospitals are half empty. He draws the conclusion that this can only be because of the costs of care.

Within the education sector, a "burning issue" cited by the Partners is the decline in enrolment because of costs and shortage of places. Dr. Reijer estimates that the percentage of non-school attendees is higher among children affected by AIDS, that is, single and double orphans, than among other children. Perhaps 50-60% of the orphans drop out of school because of the costs. Reijer notes that "Families are bitten by the dog and the cat at the same time: the SAP and AIDS." According to Sr. Lynn, in Kitwe this past year 21,000 children applied for grade one places but there were only enough places for just over 9,000 children. What happens to the other 11,000-plus? And the figure does not include the many children who did not even bother to apply.

Educational costs are increased by the requirement for purchase of *school uniforms*. But this requirement was lifted at the national level in early 1995 by the Minister of Education. Nevertheless, many heads of schools, teachers and even parents are resisting this order at the local level. Sr. Lynn Walter states that there appears to be little change in the numbers of children going to school without uniforms. This would probably also mean little change in the numbers staying away because of lack of uniforms.

## **E. Effects on Women and Children**

The economic changes in the country have greatly affected the well-being and future viability of families.<sup>52</sup> According to Rev. Violet Sampa-Bredt, General Secretary of the Christian Council of Zambia, "The fact that there is a rising increase in female-headed households in Zambia is a pointer in the direction that the significant burden [of transition under SAP] has fallen on women and, by extension, on children." Shaddy Cholondoka and Alick Nyirenda of the Copperbelt Health Education Project notes that while men are the most directly affected by formal employment decline (through liquidations of private companies and privatisation of para-statal), this passes on a very heavy burden to women and children who turn to street vending and other vices to meet basic survival needs in the family. The urban streets in mid-town are now packed with vendors -- a new phenomenon in the past two years.

The economic difficulties in rural areas hit women particularly hard. London Mwape comments that women have very little time to rest as they must leave their homes and walk long distances looking for wild roots or searching out where they can find work to secure some food. "Visit Serenje between December and February -- you will see women sleeping in the shop corridors, since they have left their villanges to come and work for food."

The Institute of Cultural Affairs (ICA) of Lusaka reports that "most families can afford one meal per day (usually unbalanced meals)." Malnutrition is a major killer among children in Zambia, and hunger affects negatively the overall productive capacity of the people.

A most serious consequence of economic hardships felt in the family is the rise in the numbers of street children. Lusaka, Ndola, Kitwe and other urban centres have in the past few years become heavily populated with youngsters who live on the streets. Estimates range from 50,000 upwards of children actively on the streets, and perhaps 350,000 vulnerable for future life on the streets.<sup>53</sup> Crime, glue-sniffing, ill health, and general deterioration of the lives of these young people marks this growing phenomenon. Although predominately boys, the street children also include young girls. Sr. Lynn notes that there are definitely more and younger commercial sex workers appearing on the streets.

The link of AIDS and the economic situation is well-illustrated in remarks by Dr. Reijer. He believes that poverty is a main contributing factor to the spread of AIDS. People suffer greatly because of SAP since the economic reforms hit the poor hardest. This contributes to women resorting to desperate survival strategies. Many have no option but to become sex workers to keep themselves and their families alive. Poor living conditions and inadequate diet then speed up the progress of HIV infection and AIDS. Another major factor is the breakdown of traditional family structures and values caused by men having to travel away from home to find work.<sup>54</sup>

A negative effect on women's participation in one Partner's programme is illustrated in remarks by Ms. Ruth Lukona of ICA. The ICA's efforts include self-help projects, agricultural activities and small-animal production. They have approximately 600 beneficiaries. She has seen an improvement of women in their participation in discussions and a corresponding sense of empowerment. But when free food aid is introduced in areas where her projects are working, she has seen some people slow down their *voluntary* community improvement efforts because they feel that they should receive some pay for their work.

## F. Partner Responses and Interventions

How do the Partners respond to the economic situation within Zambia? Some of the response has to be *negative* in the sense of curtailment of activities. Thus the Ndola AIDS project notes that rising costs mean a smaller number of families can be assisted with the same amount of money available. Thus the project has been forced to halt setting up new home care programmes.

But *positive* responses also develop, mainly as alternative economic approaches that take account of the current constraints being felt because of SAP. The high cost of fertiliser has had the effect in rural areas of necessitating the introduction of new methods of agricultural production. The Institute of Cultural Affairs are now encouraging the use of organic materials (e.g., composts) in place of expensive (and environmentally-unfriendly) chemical inputs. The ICA's work with women's groups reports good success in teaching women to use organic inputs and different cropping techniques.

In Mpika, the Development Organisation for People's Empowerment is trying to turn attention to the fact that maize is not the only cash crop. There is a good market for beans and groundnuts, for example, for which fertilisers are not a necessity. "With the women's groups

we work with," notes Marleen Kramer, "we stimulate income generating activities." Similarly, the Christian Youth Fellowship of Zambia reports that alternative agricultural projects are being promoted, e.g., poultry production units and shifting from maize to other local seeds. But these efforts face difficulties of economic constraints.

In Kitwe, CHEP reports three alternative approaches. First, there has been a step up of small scale production/income generating projects. One effort has been making school uniforms (at K7,000 to 10,000 per set). There is some limited success with this but it is still too expensive. Second, some community-based, small, non-formal schools are being started through the churches, with the encouragement of the Ministry of Education and some money from UNICEF. Third, the "revolving fund" system is being increased, for income-generating activities such as sewing, production of greeting cards (sold in the United Kingdom), carpentry, street trading.

### **PART III: ADVOCACY EFFORTS**

Advocacy efforts -- lobbying, campaigning, policy-researching, media efforts, etc. -- are a fairly recent phenomenon among NGOs in Zambia. Prior to the transition to multi-party democracy at the end of 1991, public advocacy relating to government policies was definitely frowned upon in the one-party state. There certainly were some activities, particularly on the part of church-related organisations, but these were not very common. With the new political environment, struggling and unsure as it may be at the moment, "civil society" has flourished.<sup>55</sup> More freedom of the press has meant a little wider publicity for advocacy efforts, but there is still nothing in Zambia that would approach the strength of movements in Europe or North America.

#### **A. Church Activities**

In February 1987, the three central bodies of Christian churches -- the Christian Council of Zambia, the Zambia Episcopal Conference (Catholic), and the Evangelical Fellowship of Zambia -- released a "pastoral letter" entitled, *Christian Liberation, Justice and Development: The Churches' Concern for Human Development in Zambia*. This important ecumenical document addressed the economic situation of Zambia at that moment, speaking "out of concern for the suffering of the silent majority" in the grip of economic hardships (#8.6). It analysed the political and economic policies of the government of President Kenneth Kaunda, evaluating them in light of Christian principles of social justice. Special attention was placed on rural development, income distribution and subsidies. Large global issues such as the role of the IMF, foreign debts, and the need for a new international economic order were not specifically dealt with.

The letter set a precedent that would be followed in subsequent years: clear analysis, prophetic call for justice, specific recommendations, and ecumenical solidarity. Thus the advocacy efforts of church groups in Zambia have a special role and are recognised -- if not

always appreciated! -- by government and political leaders. The wider public looks to the churches for this leadership.

## B. Justice and Peace

Specifically relating to the macro-economic policies of the government, advocacy efforts have frequently been led by the Zambian Catholic Bishops and their Justice and Peace Department of the Catholic Secretariat (the coordinating office for the nine Catholic dioceses, located in Lusaka). For instance, the Bishops issued a Pastoral Letter, *Economics, Politics and Justice*, in July 1990 following the "food riots" and attempted military coup of June. They identified the great economic suffering of the people as a principal cause of the civil unrest rocking the country.

The new MMD government was addressed in the Pastoral Letter, *The Future Is Ours*, March 1992, with the clear insistence that "the current policies of the economic restructuring programme need to be carefully studied and evaluated" in the light of the church's social teaching about justice, concern for the poor, positive role of the state, property, environment, etc. (#s27-28). SAP should be constantly monitored in terms of short-term effects upon the poor and long-term consequences for sustainable development (#35). The Bishops also called for large-scale forgiveness of the debt Zambia was labouring under (#37).

Certainly the strongest statement about the effects of SAP came in July 1993, when the Bishops published, *Hear the Cry of the Poor: A Pastoral Letter on the Current Suffering of the People of Zambia*. This letter offered a sharply critical analysis of what SAP was doing to the country and called upon the government to show more "compassion, commitment and competence" (pp. 8-9) in executing policies that were causing such hardships to the majority of the population. "There is a great danger that government policies, if not combined with clear social concern, will bring about a situation of 'economic apartheid' in Zambia." (p. 10)

There have been several other statements from the Catholic Church, touching on economic policies such as drought relief, inflation, agricultural policies, land reform, etc. But what has been important has not been simply the *national statements* but also the *follow-up at the local level*. Workshops, sermons, small group discussions, etc., have taken these statements and tried to see their meaning and practical consequences in the lives of ordinary people. Much more of this follow-up needs to be done (to avoid the complacency of thinking that issuing a good statement solves all problems!). But it has been effective in several instances, as, for example, when the government was forced in 1994 to temporarily withdraw from Parliament a land reform bill criticised by the Catholic Justice and Peace Commission.

The Justice and Peace Department also is coordinating a major study of the impact of SAP on the poor in Zambia. The national study is using members of local parish-based Justice and Peace Committees and members of Development Education Programme teams to gather information on the cost of living, health and education data, and public perceptions of what is happening with the economic reforms. This information will serve three important advocacy purposes: (1) the gathering of data is itself a "conscientisation" that helps people

understand the macro-economic issues; (2) lobbying of the Zambian government by the church and NGOs is strengthened by the facts gathered; and (3) the funding sponsors, CAFOD (a Catholic relief and development agency based in London), will use the data in its wider advocacy and education efforts in Europe. This project publishes a bi-monthly newsletter, *SAP Monitor*, that is circulated among churches, NGOs, government agencies, the media and donors.<sup>56</sup>

### C. International Advocacy

Two examples can be given of advocacy undertaken to bring international pressure on the countries and institutions to whom Zambia owes its large external debt, in an effort both to influence the terms of repayment and to call for cancellation of debt. In mid-1992, the Catholic Justice and Peace Department organised a letter-writing campaign among priests, sisters and brothers who were from Europe and North America and currently working in Zambia. These missionaries contacted their home embassies, high commissions, and foreign offices with urgent requests that Zambia be granted favourable terms at the Paris Club negotiations. They spoke of the suffering of the people that they had personally witnessed. These requests also were forwarded some European and North American debt advocacy groups (e.g., EURODAD, AFJN). Zambia did indeed receive more favourable terms, but even more important, the Zambian situation became more widely known.

During the African Synod in April 1994, the gathering of Catholic Bishops in Rome, Bishop Medardo Mazombwe, representing the Zambia Episcopal Conference, made a strong plea for bishops of Northern countries to pressure their governments to cancel the debts of Africa. The Synod resolutions contained this plea, an example of international advocacy at a high level.<sup>57</sup> Pope John Paul II has repeated this cry on several occasions.

### D. Other Activities

Several other groups can be identified in Zambia that play advocacy roles in various ways. The Economic and Social Policy Research Project of the Jesuit Centre for Theological Reflection produces studies and educational programmes aimed at bringing to the public the issues of social justice and concern for the poor. Oxfam's Central Africa Office is located in Lusaka and it provides very good information on what is happening in Zambia, gathered from its partners. Zambian Oxfam partners participated in a large letter-writing campaign in 1993, highlighting the role of the World Bank and IMF in the economic problems of the country.

Under the encouragement of Oxfam, a new grass-roots advocacy group has begun this year, called *Unikila* (enlighten). Its purpose is to work with local groups to explain SAP and other government economic programmes and to bring pressure on the agencies of the government for more just responses. A group of development-oriented NGO's has formed a coalition to liaise with the World Bank on a regular basis for discussions about economic policies.



The YWCA, working alongside other groups in the Non-Government Organisation Coordinating Committee (NGOCC), has published studies on the impact on women of SAP. The Economics Association of Zambia (EAZ) hosts frequent public discussions of debt, trade, investments, SAP, etc. A Zambian Coalition on Debt and Development was begun in August 1994 jointly with the EAZ and AFRODAD (African Forum on Debt and Development).

### **E. Activities of Partners**

Only a few of the Partners of Christian Aid report some advocacy efforts during recent years. For example, Dr. Piet Reijer states that his group brought the issue of non-school attendance up during the last National AIDS Conference. The Conference accepted a resolution to ask the Ministry of Education to make the wearing of uniforms optional in Primary Schools. Three weeks later the Minister announced the policy of optional uniforms. He also speaks of the success in advocating that AIDS patients would be exempted from paying hospital fees.

Sr. Lynn Walker comments that she makes it a point to attend Lusaka-based meetings to raise pertinent issues, "as I find I am usually the only person from outside Lusaka and often the meetings are run as if the rest of Zambia does not exist -- so I go to remind people that it does!" According to Rev. Violet Sampa-Bredt, the Christian Council of Zambia seeks opportunities to dialogue with government and other bodies about policies, though she admits of little success in influencing decisions. At a religious service for World AIDS Day at the end of November, 1995, Rev. Sampa-Bredt, preaching in the presence of President Chiluba, called upon the government to evaluate its SAP approach in the light of its effect upon the spread of AIDS in Zambia.

No serious advocacy efforts have been undertaken by the Institute of Cultural Affairs. Ms. Ruth Lukona states that among the people that she works with there is no real understanding of SAP, but there is an awareness that the food lines are gone and the shelves are full.

Mr. London Mwape of Christian Youth Fellowship of Zambia comments that he has had the opportunity to talk with some Members of Parliament and Ministers, but they do not appear to him to listen to what people say: "They seem to work towards pleasing the IMF and the World Bank where they are receiving money rather than getting concerned with the lives that are being lost because of the actions taken." And the politicians are especially sensitive only around the time of elections. "It doesn't show any sense," Mwape says, "to tell someone to tighten the belt because of the hardships, when your own belt is loose!"

### **F. Evaluation of Advocacy**

Policy advocacy efforts are still very minimally developed in Zambia. The experience of both the government and the people with the institutions of democracy and civil society is still quite new. The capacity for analysis, strategic planning, cooperative efforts, and focused actions -- all necessary ingredients for effective advocacy -- is not strong. But there is great

need to keep up pressure on the government -- especially during 1996, the year for presidential and parliamentary elections -- to oblige it to pay attention to the effects of macro-economic issues on the poor.

This effort can be made all the more effective as it is linked to international solidarity actions to call to greater social justice and concern for the poor the major donor countries and international financial institutions. It is clearly in this area of solidarity that relationships between Christian Aid, its partners, and other Zambia-based NGO's and concerned persons can be of very great importance.

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## ENDNOTES

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<sup>1</sup>World Bank, *Zambia Poverty Assessment*, 10 November 1994, Vol. I, p. i.

<sup>2</sup>*Ibid.*, p. 14.

<sup>3</sup>Bank of Zambia, *Statistics Fortnightly*, 17 November 1995.

<sup>4</sup>From Draft of "Country Strategy Note," National Commission for Development Planning, May 1995.

<sup>5</sup>These figures are from the reports and analyses prepared by the Central Statistical Office following the 1990 national census.

<sup>6</sup>Robie Siamwiza, "Situation Analysis of the HIV/AIDS Infrastructure in Selected Socio-Economic Sectors of Zambia," National Aids Prevention and Control Programme, June 1994, p. 12.

<sup>7</sup>For an overview of Structural Adjustment Programmes in Africa, see Peter Henriot, "SAP: What For?", in *New People*, No. 37, July 1995, pp. 13-21.

<sup>8</sup>See, for example, the discussion by John Hudson, "The Farming Scene: Drought Relief," in *Profit*, October 1995, p. 41.

<sup>9</sup>John Milimo *et al.*, "Participatory Poverty Monitoring in Zambia," A Report to the World Bank by the Participatory Assessment Group, Lusaka, May 1995, pp. 42-44.

<sup>10</sup>Milimo, *op. cit.*, pp. 58-61.

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<sup>11</sup>Milimo, *op. cit.*, pp. 61-62.

<sup>12</sup>M.J. Kelly, "Below the Poverty line in Education: A Situation Analysis of Girl Child Education in Zambia," a Report for UNICEF-Zambia, December 1994, p. vii.

<sup>13</sup>World Bank, Southern Africa Department, "Staff Appraisal Report: Zambia Agricultural Sector Investment Program," Report No. 13518-ZA, 13 March 1995, pp. 83-84.

<sup>14</sup>John Hudson, *loc. cit.*, p. 41.

<sup>15</sup>Monthly surveys conducted by the Economic and Social Research Project, Jesuit Centre for Theological Reflection, Lusaka.

<sup>16</sup>See Peter Henriot and Raymond Mwangala, "Realistic Family Budgets," *JCTR Bulletin*, April-June 1995, pp. 27-28. See also Central Statistical Office, *Quarterly Employment and Earnings Survey*, March 1995.

<sup>17</sup>Venkatesh Seshamani, *et al.*, *Zambia: Constraints to Social Services*, Study Commissioned by the World Bank, May 1993, pp. vi-xii.

<sup>18</sup>See World Bank, Southern African Department, "Staff Appraisal Report: Republic of Zambia, Second Social Recovery Project," Report No. 14329-ZA, 5 June 1995, pp. 8-9; see also Government of the Republic of Zambia, "Policy Framework Paper, 1995-97," p. 37.

<sup>19</sup>This information comes from conversations with World Bank and IMF officials.

<sup>20</sup>Conversations with educational and health personnel in Monze district, Southern Province, November 1995.

<sup>21</sup>Central Statistical Office, *Employment Trends: 1985-1993*, September 1994, p. 2.

<sup>22</sup>World Bank, *Zambia Poverty Assessment*, Vol. I, p. 14.

<sup>23</sup>Ministry of Finance, Economic Analysis and Reports Unit, "Macroeconomic Indicators," November, 1995, p. 14.

<sup>24</sup>Central Statistical Office, *External Trade Bulletin 1994*, July 1995, p. 3; and "Macroeconomic Indicators," p. 28. From January through October 1995, production was less than 240 metric tonnes.

<sup>25</sup>Export Board of Zambia, *Annual Report for the Year to 31 December 1994*, 25 July 1995, p. 21.

<sup>26</sup>Export Board of Zambia, *Export Review*, October-November 1995, p. 1.

<sup>27</sup>Geroge Kirber, "A Positive Approach to Doing Business," *Profit*, No. 4/7, December 1995, pp. 26-27.

<sup>28</sup>Interviews at Ministry of Finance, November and December 1995.

<sup>29</sup>*Ibid.* See also Mark O'Donnell, "Still a Long Ways to Go," *Profit*, No. 4/7, December 1995, pp. 22-24. O'Donnell notes that the 1993 trade imbalance figures were: exports from South Africa to Zambia of US\$ 360 million, and exports From Zambia to South Africa of only US\$ 15 million.

<sup>30</sup>*Export Review*, *loc. cit.*, p.5.

<sup>31</sup>Discussion of these issues can be found regularly in the pages of *Profit*, the magazine of the Zambia Association of Chambers of Commerce and Industry .See in particular O'Donnell, *loc cit.*

<sup>32</sup>Investment information was gathered in an interview with Mr. Kevin Moore, Director of the Investment Centre, Lusaka, on 1 December 1995.

<sup>33</sup>Privatisation information was gathered in an interview with Mr. Ian Fraser, Senior Advisor of the Zambia Privatisation Agency on 28 November 1995.

<sup>34</sup>See George Tembo, S.J., "Meeting the Problems of African Economies: Is Structural Adjustment the Solution?", a study of the Economic and Social Policy Research Project, Jesuit Centre for Theological Reflection, Lusaka, June 1994, p. 10.

<sup>35</sup>Zambia Privatisation Agency, "Privatisation Programme Progress Report," November 1995.

<sup>36</sup>United Nations Development Programme, *Human Development Report 1993* (New York: Oxford University Press, 1993), pp. 35-37.

<sup>37</sup>Griffin K. Nyirongo, "Employment Creation in Zambia: Reflections and Issues," paper presented at Conference on UN Social Summit, sponsored by Economics Association of Zambia and Jesuit Centre for Theological Reflection, Lusaka, 23 September 1995, p. 1.

<sup>38</sup>Central Statistical Office, *Quarterly Employment and Earnings Survey*, March 1995.

<sup>39</sup>Central Statistical Office, *Employment Trends 1985 to 1993*, p.22.

<sup>40</sup>*Times of Zambia*, 13 December 1995, p. 1.

<sup>41</sup>*Employment Trends 1985-1993*, p. 7.

<sup>42</sup>Nyirongo, *op. cit.*, p. 3.

<sup>43</sup>National Commission for Development Planning, "National Gender Policy Framework," May 1995.

<sup>44</sup>Data on external debt was obtained in interviews at the Ministry of Finance, November and December 1995.

<sup>45</sup>"Multilateral Debt: An End to the Crisis," Oxfam International Position Paper, London, October 1995, p. 24.

<sup>46</sup>See, for example, the editorial in *Zambia Daily Mail*, 9 December 1995.

<sup>47</sup>National Commission for Development Planning, *Zambia Country Strategy Note (1997-2002)*, May 1995, p. 11.

<sup>48</sup>"Budget Address" by Hon. R.D.S. Penza, Minister of Finance, 27 January 1995, p. 12.

<sup>49</sup>Of the ten Christian Aid Partners in Zambia, contact was made with the following eight:

- Anti-AIDS Project, Lusaka
- Institute of Cultural Affairs, Lusaka
- Christian Council of Zambia, Lusaka
- Copperbelt Health Education project, Kitwe
- AIDS Department, Catholic Diocese of Ndola, Ndola
- Makeni Ecumenical Institute, Lusaka
- Development Organisation for People's Empowerment, Mpika
- Christian Youth Fellowship of Zambia, Ndola

Faxes, follow-up phone calls, and personal visits were made during the last two weeks in November and the first week of December, 1995.

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<sup>50</sup>Interview with Ms. Maria Nkunika, in Cedilla Bromley-Martin, "All Clubbing Against Death," *Catholic Herald* (London), 24 November 1995, p. 7.

<sup>51</sup>*Times of Zambia*, 30 December 1995, p. 1.

<sup>52</sup>For a wider view of the impact of SAP on families, see Peter J. Henriot, S.J., "Effect of Structural Adjustment Programmes on African Families," in *African Christian Studies* (Journal of the Catholic University of Eastern Africa, Nairobi), Vol.11, No. 2, June 1995, pp. 2-16.

<sup>53</sup>See "Street Children in the Year of the Zambian Child,1992," Report of Proceedings of First National Workshop on Street Children, Lusaka, 14 February 1992, p. 59.

<sup>54</sup>Interview with Dr. Piet Reijer, Cecilia Bromley-Martin, *Catholic Herald*, *loc. cit.*

<sup>55</sup>For a general overview of this phenomenon, see Michael Bratton, "Civil Society in Africa and Political Transition," *IDR Reports* (Boston), Vol. 11, No. 6, 1994.

<sup>56</sup>The July/August and September/October 1995 issues of *SAP Monitor* present some of the preliminary findings of the surveys done by local teams on the impact of SAP measures on the poor.

<sup>57</sup>See Peter J. Henriot, S.J., "Justice and Peace at the African Synod: Good News for a Bad Situation," in Maura Browne, S.N.D., *The African Synod: Documents, Reflections, Perspective* (Maryknoll, N.Y.: Orbis Books, 1995).

## RECENT PUBLICATIONS

Annotated Selected Bibliography of Recent Materials about Zambia's Economic Reform

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Bank of Zambia. *Statistics Fortnightly*.

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Methodological explanations of establishment of poverty data.

Central Statistical Office. *External Trade Bulletin 1994*, July 1995.

Annual data on both traditional and non-traditional exports.

Central Statistical Office. *Quarterly Employment and Earnings Survey*

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Export Board of Zambia, *Export Review*

Bi-monthly newsletter with data and analysis mainly of non-traditional exports.

Export Board of Zambia. *Annual Report for the Year to 31 December 1994*, 25 July 1995.

Data and analysis of non-traditional exports.

Ministry of Finance, Economic Analysis and Reports Unit, *Macroeconomic Indicators*.

New monthly series of indicators, including debt, agriculture, and GDP by sectors.

Ministry of Finance. "1995 Budget Address of Honourable R.D.S. Penza, Minister of Finance," 27 January 1995.

Official government evaluation of economic reform and projects for future.

National Commission for Development Planning. *Country Strategy Note*. May 1995.

Government and United Nations agencies projections of socio-economic needs.

National Commission for Development Planning. *Economic Report 1994*.

Annual economic overview.

National Commission for Development Planning. *National Gender Policy Framework*. 1995.

Guide for gender-balanced and equitable development in the country.

Zambia Privatisation Agency. *Privatisation Programme Progress Report*.

Monthly up-dates on status of companies being privatised.

## II. Multilateral Institutions

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Overview of status of women and children with analysis of poverty conditions.

World Bank, Africa Regional Office. *Zambia Poverty Assessment*, two volumes. Report No. 12985-ZA. 10 November 1994.

The major study of extent and character of poverty in Zambia.

World Bank, Africa Regional Office, "Staff Appraisal Report: Zambia Agricultural Sector Investment Program," Report No. 13518-ZA, 13 March 1995.

Explanation of new agricultural programme, with analysis of sectoral problems.

World Bank, Africa Regional Office, "Staff Appraisal Report: Republic of Zambia, Second Social Recovery Project," Report No. 14329-ZA, 5 June 1995.

Analysis of World Bank's efforts to improve poverty reduction.

World Bank, Africa Regional Office. *Reducing Poverty in Zambia: Getting from Ideas to Action*. 1995.

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Kelly, M.J.. "Below the Poverty Line in Education: A Situation Analysis of Girl Child Education in Zambia," a Report for UNICEF-Zambia, December 1994.

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Kelly, M.J. *Education in a Declining Economy: The Case of Zambia, 1975-1985*. Washington: World Bank, Economic Development Institute, 1991.

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Seshamani, Venkatesh, *et al.* *Zambia: Constraints to Social Services*, Study Commissioned by the World Bank, May 1993.

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### III. Non-governmental Organisations

Henriot, Peter J., and Mwangala, Raymond. "Realistic Family Budgets," *JCTR Bulletin*, April-June 1995, pp. 27-28.

Report on how a family of six struggles to meet monthly food needs in Lusaka.

Henriot, Peter J. "SAP: What For?", in *New People*, No. 37. July 1995, pp. 13-21.

Overview of SAP, its background, elements, consequences and alternatives.

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Zambia Association of Chambers of Commerce and Industry. *Profit*.

Monthly magazine with analysis of economic situations from perspective of Zambian business interests.

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Prepared by Peter Henriot  
Jesuit Centre for Theological Reflection  
2 January 1995

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Case Study

Advocacy on Living Conditions

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1996-01-02

# Zambia: A Case Study Of Economic Reform And The Impact On The Poor

Henriot, Peter J

Jesuit Centre for Theological Reflection

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Henriot, P. (1996). A CASE STUDY OF ECONOMIC REFORM AND THE IMPACT ON THE POOR: ZAMBIA. Lusaka, Zambia. Jesuit Centre for Theological Reflection (JCTR).

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