

DEBT AND STRUCTURAL ADJUSTMENT: A CASE STUDY OF ZAMBIA

Many of the international campaigns to support cancellation of foreign debt in poor countries use a particularly disturbing statistic from Zambia as an example of the impact of debt:

Between 1990 and 1993, the government of Zambia spent US\$ 37 million on primary school education. Over the same period, it spent US\$ 1.3 billion on debt repayments. Repayments to the IMF alone were equivalent to ten times government spending on primary education.

Behind that cold figure, of course, are many human faces, the faces of parents who must choose which children to send to school, of students, especially girls, deprived of education, of teachers who do not have books or other instructional materials, etc. Chronic underfunding of the educational sector has been a serious social problem in Zambia, with long-term consequences.

Examples from Zambia are frequently cited because in many ways this country provides a classic case study of poverty, debt, and the impact of neo-liberal economic reform measures. What is occurring in other countries of Africa, and in many other developing countries around the world, is all-too-well illustrated in Zambia. Having been one of the better-off African countries at the time of its gaining independence from Britain in 1964, Zambia had by the early 1990s slipped to rank with the poorest countries in the world. The World Bank estimates that 80% of the population lives in households that lack sufficient income to meet basic daily needs. In some rural areas, this figure is over 90%.

Zambia is a country with great potential for prosperity: a young population, abundant minerals, agricultural resources, central location. But it is a country currently stymied in any significant forward movement toward sustainable integral human development. What has brought about the sad state of the Zambian economy and the experience of abject poverty by the majority of Zambians?

MANY CAUSES OF POVERTY

Let me begin with the story of a young friend of mine who lives on the streets of Lusaka, the capital city of close to two million. He is part of the growing army of street children living in dire poverty, an estimated 70,000 in the urban areas of the country. The presence of street children is a phenomenon spreading throughout Africa and around the world. Analysing the causes of this phenomenon reveals many important aspects of poverty.

My friend Choma is 12 years old. His father had worked for the government-owned bus company for many years, but under newly-liberalised economic regulations, this company collapsed financially in 1994 and went into liquidation. With its collapse, Choma's family lost not only its regular income but also its company-sponsored housing. Moreover, the family now could not afford the recently-introduced school fees, and so Choma had to drop out of school. There was some talk of sending him to stay with his grandparents in their village in the Southern Province of Zambia. But the very serious droughts of the past few years, coupled with the withdrawal of government support of maize production and marketing, had caused such great hardships there that the grandparents could not receive

him. Finally, last year Choma's mother died of AIDS, and his father is now wasting away with the same disease.

As a result of all these factors, Choma is now out living on the streets of the capital with thousands of other young people. He keeps busy with the daily struggle to survive by begging, tending cars, running errands, and occasionally stealing.

I have begun with the story of Choma because his socio-economic plight -- so sadly typical -- illustrates well the inter-related causes of widespread poverty in Zambia. No single factor can be pin-pointed as the one over-riding influence causing poverty in the country. But the poor in Zambia, the majority of the population, are hit today by four inter-related influences:

1. *An inherited structural economic weakness* (external, such as balance of trade deficits; internal, such as inefficient para-statals like the bus company for which Choma's father worked).
2. *A harsh Structural Adjustment Programme (SAP)* that has removed subsidies, brought retrenchments and imposed service fees (like the education fees Choma's family could not afford).
3. *A series of severe drought years* (three out of the first five at the start of this decade) that have drastically reduced agricultural output (like in the village of Choma's grandparents) and caused immense expenses for importing food.
4. *The rapid spread of HIV/AIDS* (killing Choma's parents) that is affecting especially the younger productive age group (an estimated 34% of those between 15 and 39 in urban areas are infected).

(A fifth factor that also affects poverty in many serious ways in Africa and elsewhere is a factor that Zambia, thank God, has not yet experienced. This is the presence of ethnic tensions, conflicts, wars, and the consequent problem of large-scale refugee movements and internally-displaced persons.)

A look at comparative statistics over the past several years reveals the impact of this spreading poverty.

Table I

POVERTY INDICATORS

INDICATOR	1985	1990	1995
Life expectancy at birth	52	54	48
Infant mortality rate	84	76	114
Under-five mortality rate	135	122	203
Daily calories supply per capita as % of requirements	92	87	-
Primary school enrolment rate		94	82

Source: United Nations Reports

To put all of this into a more analytical framework, we can say that poverty in Zambia has (1) *historical* causes (e.g., a development model imposed by the colonials that over-stressed copper mining and under-stressed agricultural production), (2) *internal* causes

(e.g., mismanagement and corruption, inefficient state socialism, mis-placed priorities dictated politically by a one-leader/one-party regime that ruled for 27 years), and (3) *external* causes (e.g., a balance of trade deficit brought about by the collapse of copper prices and the quadrupling of petrol prices, an increasing burden of servicing external debt).

To offset its balance of trade deficit, Zambia borrowed heavily in the 1970s and 1980s. Its external debt grew dramatically, from US\$ 3.25 b in 1980, to US\$ 4.05 b in 1985, to US\$ 7.2 b in 1990. With a 1990 population of around seven million, the country had one of the highest per capita debts in the world -- almost US\$ 1000 for every Zambian man, woman and child! Some cancellation of debt owed to bilateral donors, and debt buy-back schemes that have retired an initially small commercial debt, have left Zambia today with a debt of approximately US\$ 6.6 b. About 50% of this is owed to the multilateral institutions such as the IMF and World Bank, and another 45% to the bilateral donors.

STRUCTURAL ADJUSTMENT PROGRAMME

To qualify for even the modest debt reduction schemes, Zambia has had to enter into a very stringent Structural Adjustment Programme (SAP). While some of this was begun under the earlier one-party regime of President Kenneth Kaunda, it was embraced fully by the newly-elected multi-party regime of President Frederick T.J. Chiluba that took office at the end of 1991. SAP is the neo-liberal model of orthodox economics that is proposed -- indeed, imposed -- by the World Bank and IMF to direct reforms throughout Africa, other developing countries, and in the so-called "economies in transition" of the former Soviet bloc. As shown in Table II SAP involves elements of *stabilisation* (in monetary and budget measures) and *restructuring* (in market and trade arrangements).

Table II

ELEMENTS OF STRUCTURAL ADJUSTMENT PROGRAMME

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. Privatise 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)

On the *positive* side, two points can be made about the impact of SAP: (1) Zambia's economy needed restructuring, as it had collapsed under the weight of inefficiencies and loss of productivity, coupled with its inability to relate effectively to a rapidly changing and competitive global economic environment; and (2) the restructuring has brought some improvements such as the decline of inflation from over 200% in 1992 to 35% in 1996, opening up of the foreign exchange market, and provision of more consumer goods (mostly imported from South Africa).

But on the *negative* side, SAP certainly can be criticised. When the Bishops of Eastern and Southern Africa issued their "Message" at the close of the 1994 African Synod, they said: "The economic structural adjustment programmes are not the solution of the problem, they make people more poor than ever before." This has certainly been true in Zambia. Responding in 1993 to reports from the IMF and the World Bank that Zambia was doing well in implementing its economic reforms, the Catholic Bishops of the country stated bluntly: "But we have to ask: who is Zambia? In the light of the human suffering..., what Zambia are they talking about when they say, Zambia is doing well?"

The *ethical* critique lodged against SAP in Zambia (expressed, for example, in the Zambian Bishops' 1993 Pastoral Letter, "Hear the Cry of the Poor") is that it increases the suffering most of those who already are suffering, the poor. But an *economic* critique also challenges SAP by analysing its failure to address serious long-term development issues such as employment generation, human capital enhancement (through education and health care), agricultural improvement, rationalisation of the informal sector, and cooperation at the regional level.

IMPACT OF SAP ON FAMILIES

There are a number of serious problems associated with the implementation of the structural adjustment programme in Zambia. These problems bear directly on family life, and can be seen in the following consequences:

1. *Unemployment:*

The introduction of SAP in Zambia has brought about large-scale retrenchment of workers in the formal sector, as para-statals are privatised, civil service is trimmed, and many industries are shut down. Although the labour force is growing around 3% annually, those engaged in formal sector wage employment has declined from over 29% of total employment in 1984 to 19% in 1994. More and more people are pushed into informal sector activities such as street vending, as the overcrowded town centre of Lusaka gives dramatic evidence each day. This is especially true of women who must go out to earn after their husbands have lost jobs, or who must supplement the meagre income of husbands who may still be working. Women away from homes during the day means babies carried on backs into frequently unhygienic conditions, and other children left alone at home or minded only slightly by older children. Moreover, women are frequently left alone when husbands go off elsewhere to search for employment.

2. *Rising cost of living:*

SAP dictates that governments must reduce their budget expenditures. One consequence in Zambia has been the removal of subsidies on the prices of many basics such as mealie-meal (maize), fuel, transport, fertiliser, etc. This of course has meant rising costs for these commodities and pressures on families that find their monthly income

insufficient to meet their basic needs. For example, the cost of a "food basket" for a family of six in Lusaka in February 1997 amounted to 197,000 kwacha (approximately US\$ 150). This was for the bare necessities of food alone, and did not include housing, transport, school and health fees, clothes, etc. But the monthly salary of teachers was only 60,000 kwacha (approximately US\$ 45). In order to survive, only two, or only one, meals a day are being taken, and on some days meals are simply skipped. This cost of living has obvious detrimental effects on the well-being of families.

3. *Fees for basic services:*

The requirement of SAP for a leaner and balanced national budget has obliged Zambia to introduce fees for services in health care and education. Medical treatments and drugs that previously were free now must be paid for. Schooling and school supplies have become high expense items for families. As a result, families are finding it difficult to go to hospitals and clinics. Primary health care is hindered and preventive steps are not taken in time. Pre-natal and post-natal care declines. Many people die at home rather than be taken to hospitals. Mortality rates are increasing, especially as affected by the widespread incidence of HIV/AIDS. (Estimates are that over 30% of the sexually active in urban areas are HIV-positive.) Moreover, in increasing numbers families cannot afford to send all their children to school because of fees. Some children are kept at home, and this is particularly true for girl children since boys are the first to be educated when there is limited money available. Such a situation has long-term negative consequences since even one or two years of education means that girls marry later, have fewer children, and manage households more effectively.

4. *Neglect of basic infrastructure:*

The introduction of SAP has required that scarce national resources in Zambia have had to be marshaled to service the external debt. Money is not available for maintenance and repair of basic infrastructures essential for good family life. While true in rural areas, this situation is particularly bad in urban areas. Housing for families is inadequate, crowded and decaying. Water and sanitation is very poor, and garbage collection almost non-existent. Hence diseases are readily spread -- cholera has become an annual plague that kills large numbers of Zambians. Roads deteriorate (Lusaka has been called the "pot hole capital of the world") and public transport systems decline. The private systems that replace them do not risk return on investments by catering to out-of-the-way rural areas that have few passengers.

5. *Neglect of Environmental Issues:*

Budget restraints under SAP have put low priorities on meeting ecological issues in Zambia. As a consequence, families often live in dirty surroundings, exposed to diseases. As mentioned immediately above, this is particularly true in urban settings where the infrastructures of sanitation and waste disposal are not maintained. Long-term ecological issues such as deforestation are ignored. A major contributor to deforestation in Zambia is charcoal burning. This is something that is important for families struggling in the austere SAP situation since charcoal burning both provides an earning opportunity for burners and is a cheap fuel for consumers.

6. *Moral Challenges:*

As can be expected, the economic difficulties described above as associated with SAP implementation in Zambia also bring havoc to the ordinary moral life of families. Poor

living conditions such as crowding and insufficient diet create many problems affecting stable family life. Poverty experienced by families frequently leads to prostitution as mothers seek money to feed their children and young girls look for school fees. (The AIDS crisis in Zambia has definite root causes in the poverty situation.) Moreover, family breakups due to poverty, especially when one or the other or both parents are absent from the home, leads to rising numbers of street children. Finally, increasing crime, including violent attacks on property and persons, affects the security of families, especially those living in poorer areas.

As can be concluded from the descriptions and analysis offered above, Zambia is currently experiencing a difficult economic period. Overall per-capita income has declined to US\$ 350, below the average of US\$ 508 for sub-Saharan Africa. General social indicators are very poor (as shown above in Table I) and are not manifesting signs of possible improvement in the near future.

POSSIBILITIES OF CHANGE?

What, if anything, can be done to turn around the Zambian situation? Numerous reports about Zambia have recently been produced by the United Nations, the World Bank and other international agencies, by government offices, non-governmental organisations and academic institutions. (Indeed, if a poor country could be "developed" by the number of studies made about it, then Zambia would truly be an "over-developed" country!) But two lines of recommendations appear to emerge from the mass of reports.

First, Zambia must nationally adopt a model of an integral and sustainable development that is much more focused on improving the lives of the people than is the current neo-liberal model that focuses exclusively on economic growth. There is no doubt that economic growth is a *necessary* component of human development, but it is not a *sufficient* condition by itself to bring about that development. Economic growth does not occur in a vacuum and is not an isolated, unrelated, or undifferentiated phenomenon. The questions that must be asked about it are: what kind of growth? who participates in the growth? who benefits from the growth? who suffers because of the growth? how sustainable is the growth? what is the impact of the growth on the environment? Answers to these questions should determine policy decisions that will put the economy at the service of the people, not the other way around.

Second, international policies must be adapted to benefit poor countries like Zambia that struggle to reform their economic systems in accordance with the needs of the people. Zambia should receive immediate and substantial debt relief. It should not be subjected to the rigid and austere SAP approach of IMF-World Bank conditions that create the difficulties to families outlined above. And it should receive favourable terms of trade, aid and investment.

It is clear, of course, that these two recommendations require *pressures for change*, pressures built up both on information gathered and on strategies organised. And these pressures must be mounted at both national and international levels. It is at this point that a modest but significant partnership between grassroots efforts in Zambia and global efforts in England has taken shape. CAFOD is working with the Justice and Peace Department of the Zambia Catholic Bishops Conference to monitor the impact on the poor of the structural adjustment programme. (A similar partnership project is taking place between CAFOD and Silveira House in Harare, Zimbabwe.) The purpose of the project is to raise awareness about the economic reform policies; to encourage wider debate, participation and

organisation around the issues raised; and to enable groups, both nationally and internationally, to lobby for changes in policy.

The SAP Monitoring Project utilises local justice and peace groups and development education groups based in parishes across the country. These groups receive basic training in gathering data, interviewing, reporting, and lobbying. In its two-years of existence, the Project has involved hundreds of grass roots people and gathered significant data about the human dimensions of the economic reforms. The findings, reported in a bi-monthly newsletter, *The SAP Monitor*, get wide national circulation, including reprints in the major newspapers. And results of these surveys formed the concrete basis for the sharp critique by the Catholic Commission for Justice and Peace of the 1997 Budget offered by the Zambian Minister of Finance in January. The CCJP challenged the government for ignoring the growing problem of poverty in the country and neglecting to address the issue of employment.

Moreover, the monitoring done by the Justice and Peace Department provides input into the international debates over the policies of the World Bank, the IMF, and the industrialised countries. For example, CAFOD's "Fair Deal for the Poor" Campaign can rely on their Zambian partners to furnish well-researched statistics and stories about the impact of the neo-liberal reform programmes and the trade/debt/aid policies promoted outside of Zambia.

One thing should be obvious from this case study of Zambia. The economic and social situations that mark the lives of the vast majority of people are frequently beyond the control of Zambia. While it is true that poverty has local causes that must be addressed, it also has major international causes. The structure and operation of external debt is a element in the overall picture.

For this reason, Bishop Medardo Mazombwe of Zambia made an impassioned plea during the 1994 African Synod for "substantial and genuine reduction" in debt repayments by Zambia. He emphasised that the debt problem faced by Zambia and other poor countries is not simply an *economic* issue. "It is fundamentally an *ethical* issue," he stressed, "because it is radically a *human* problem affecting the well-being of families, the survival of the poor, the bonds of community, the security of the future." According to the bishop, unless debt reduction occurs, "We believe that structural adjustment programmes and any other such measures are inadequate to address a situation that is economically chaotic, socially destructive, politically dangerous and ethically untenable."

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