Along the Trail of Destitution in Zambia

MARTINI KAPENDE

'Globalization insights' is a series of feature stories told by journalists from Africa, Asia and Latin America – stories that give an insight into the perceptions and experiences of people as globalization unfolds in their environs. This project is jointly organized by the Friedrich-Ebert-Stiftung and IPS EUROPA.

The privatization of 257 enterprises in less than ten years might sound a remarkable achievement. But it will surely not go down into history as a 'success story' of the country's economic policy, says Austin Muneku, an economist at the Zambian Congress of Trade Unions (ZCTU).

The reason: Zambia's privatization and liberalization programme, coupled with public sector reforms, has left a trail of destitution, company closures and thousands of retrenchees amidst increasing poverty and unemployment.

A case in point is Jane Chirwanda. "I am 40, my husband died shortly after retrenchment in 1998. The severance package that I received from my husband's work was too meagre to sustain a family of five," says the widow. "Ever since privatization, getting the package has been a problem. It took me four years." she adds.

Jane was lucky to even have collected her husband's severance package, but there are thousands, retrenched in mid and late 1990s, who still remain unpaid.

John Chinyemba hails from Northwestern Province, more than 1,000 kilometres from Lusaka, the capital of Zambia. He has been travelling to the capital to obtain his pension every four months for the last two years. "Four months ago, the Public Service Pensions Board told me there was no money and I travelled back to Mwinilunga district," he says.

Ironically, the government owes the Pensions Board about 240 billion Kwacha. One U.S. dollar is equivalent to 4,800 Kwacha, the Zambian currency.

To understand the misery of retirees and workers, it is necessary to go back to 1991 when the government concluded an agreement with the International Monetary Fund (IMF) and embarked on a structural adjustment programme(SAP) supported by the World Bank.

The main objectives were to restore macroeconomic stability, facilitate private sector growth, and move agriculture and industry from the public to private sector.

Partly swayed by the winds of globalization, former President Frederick Chiluba embraced the most rapid and rigid SAP in Africa. Its focus was privatization, liberalization and public sector reforms. This involved divestiture of parastatals, down-sizing, retrenching public workers and resort to a liberal trade regime.

The World Bank hailed Zambia's programme as a model for other African countries in 1998 because of its fastest

FRIEDRICH EBERT STIFTUNG
GLOBALIZATION INSIGHTS

pace. The World Bank has reiterated that view in its latest country assistance strategy document: "The Privatization Act and institutional framework to implement it were judged as 'models' and execution of large numbers of privatization through this mechanism was carried out satisfactorily."

But ZCTU economist Muneku says it is a programme that failed. "The Chiluba government was keen to gain credibility with western donors and foreign investors at all costs, hoping this would help solve the country's economic problems," he says. "Now the social cost of embracing this sort of globalization is unravelling."

Robert Kayombo, who works for Konkola Copper Mines, says: "We worked on full time jobs but now we are casuals and our contracts were modified without any formal notice and no gratuity." Konkola is one of the bigger privatised copper mining firms.

Minister of Labour Patrick Kafumukache has assured: "The government is keen to redress problems of retirees and deplorable working conditions." But he stirred the wrath of the labour movement recently when he proposed that retrenchment packages be slimmed so as to attract investors.

The ZCTU likens this to renting out workers. "Permanent good quality jobs in the formal sector are being replaced by contract work and casual jobs without job security and terminal benefits," says Muneku.

The Zambia Privatization Agency (ZPA) argues that only 6,000 jobs have been lost from privatization. But the unions and other non-government agencies have alarming figures. The Jesuit Centre for Theological Reflection (JCTR), a Catholic think-tank on socio-economics, says: "Formal employment has fallen from about 490,000 to about 350,000 but since some more civil servants were retrenched in 1997, the real figure is even higher."

But the country's Central Statistics Office insists that employment levels have only fallen to about 416,000 as of March this year from 418,981 in December last year. Andrew Chipwenda, the ZPA chief executive, contends that "with or without privatization jobs are far from sustainable since privatised firms operate at 30 percent capacity utilisation".

Privatization has led to 'casualisation' of labour and deterioration of working conditions. Deputy Minister of Labour Chile Nguni says that according to existing legislation no one should be a casual worker for more than three months. "But sophisticated employers have perpetrated the practice. We have embarked on fire fighting and we are correcting some of the messy situation created by privatization; we are addressing workers' plight."

Though, there is very little the ministry can do; it is handicapped financially and poorly manned.

Oliver Saasa, Professor of International Economics at the University of Zambia, highlights another aspect: "Excessive zeal in Zambia's liberalization is evident at the level of tariff reduction relative to that of its regional trading partners. The question of speed and sequencing of liberalization matter, a mere shift in investment roles from public to private operators would not necessarily lead to higher sustainable investments without macro-economic stability."

Indiscriminate liberalization has turned Zambia into a dumping ground for cheap imports from neighbouring Zimbabwe and South Africa. In fact the Development Bank of South Africa this year warned that Zambia risked becoming a trading province of South Africa. Trade imbalance is one to eight in favour of South Africa.

Despite Zambia making some inroads to penetrate South Africa and Zimbabwe markets, exports are still met with tariff and non tariff barriers. It is an uphill battle. Zambia has higher production cost comparative to all major trading partners.

The Zambian Association of Manufacturers, a proponent of liberalization argues that blind liberalization has led to Zambia exporting jobs to neighbours. Chairman Mark O Donnel says: "(We are) tired of telling the government that local industry is being wiped out." Firms such as Dunlop Zambia were forced to close down shortly after liberalization. The list of failed firms is long.

"When they shut down Dunlop, they paid us a few months' salary and the government said new investors where coming to re-engage us. It is now ten years and all we have seen is that machinery was transferred to other country," says 48 year old Mundia Muliokelanga, retrenched when Dunlop relocated.

The failed firms and job losses are prompting critics like Father Henriot, director at JCTR to say: "The process of globalization operates within discredited neo-liberal paradigm of development that has not brought economic or social improvements to Zambia."

"Globalization leaves out people. . . . Looking at how Africa is experiencing globalization today, it is important to note that this is but the fourth stage of outside penetration of the continent by forces that have had negative social consequences on African people's development," says the Jesuit priest.

"The first was slavery, then come colonialism, followed by neo-colonialism and now globalization," he says.

For many Zambians the impact of the current policies has seen deteriorating human development indicators.

The United Nations Development Programme (UNDP) has ranked Zambia at about 173 in development index. It has been slipping further downwards since the reforms. Indicators such as attendance in schools, infant mortality rates, and life expectation have all slipped. This has now been exacerbated by HIV/AIDS pandemic.

But Zambia's macro economy is improving while investments are also trickling in. The World Trade Organisation's recently released World Investment Report ranks Zambia among the few African countries getting between 100 million to 400 million U.S. dollar in foreign direct investments.

For the majority, however, benefits such as increased export earnings and availability of various goods and services are overshadowed by the negative social and economic consequences of privatization.

President Mwanawasa acknowledges the woes of Zambia's reforms. "The privatization process lacked human face resulting in people losing jobs. Under my administration, the process would now be slow and against privatization of essential industries," he has assured. "We have told the World Bank that Zambia Electricity Supply Corporation, the Zambian Telecommunications Company and Zambian Railways are not for sale but will only be commercialised," he said.

Obviously the adverse effects of globalization have prompted a rethink of some of the blanket policies pursued by Chiluba's regime.

About the author:

Martin Kapende is Business Editor of Zambia Daily Mail. .

More information is available on

www.fes.de/globalization

The views expressed in this publication are not necessarily the ones of the Friedrich-Ebert-Stiftung or of the organization for which the author works.

Friedrich-Ebert-Stiftung
Hiroshimastrasse 17
10785 Berlin
Germany
Tel.: ++49-30-26-935-914
Fax: ++49-30-26-935-959
Roswitha.Kiewitt@fes.de
www.fes.de/globalization

IPS EUROPA
Potsdamer Platz 11
10785 Berlin
Germany
Tel.: ++49-30-2589-4017
rjaura@ipseuropa.org
www.ipseuropa.org
www.ipseurope.org