CHAPTER 3

HISTORICAL OVERVIEW OF ECONOMIC DEVELOPMENT IN ZAMBIA: 1964-1999

3.1 INTRODUCTION

The previous chapter has established beyond any reasonable doubt that scarcity is the root which runs through economics, economic development, modern economic systems and the quest for sustainable development. Formulated and refined by economic thinkers mainly of the industrial West, the concept was "exported" to conquered lands and colonies by Western Colonisers. There, the concept continued to define the practice of economics in those specific areas including Africa. Post-independent and decolonised Africa did not depart from the legacy of scarcity as the "point of departure" for her quest for rapid economic development.

In building the case of Zambia, it ought to be stated that she took scarcity as her "point of departure" for nation-building and economic development from the time of her independence in 1964. As a young nation, she had to choose between the capitalist individualist philosophy and the socialist collectivist philosophy as the major economic systems by which scarcity can be solved.

From 1964 to 1991, even though the Zambian economy was mixed in nature, it was the socialist collectivist philosophy that was prominent. Modest positive economic and social results were achieved during this period. Nevertheless, by 1991, the economy of Zambia reached a catastrophic decline with very serious social ramifications. Zambia had failed to solve her scarcity problems due to, *inter alia,* ineffective measures to fully combat scarcity.

It is crystal clear that Zambia has had problems to fully solve scarcity in her quest for economic development. Her economic problems are inextricably linked to her history and structures which were engendered and allowed to metamorphosise and consolidate (c.f.

Makan 1994: *passim*). In this regard, a historical perspective is very vital to an adequate understanding of Zambia's journey to economic development. In turn, this will help one construct a viable, resilient, and life-affirming theological-ethical framework for economic development.

With the change of government in 1991, the socialist collectivist philosophy was virtually replaced by the capitalist individualist philosophy as a way of solving Zambia's scarcity problems. On a purely economic front, from 1992 to 1999, Zambia scored some modest results, including the much talked about privatisation programme. Unfortunately, the social indicators for Zambia show a dismal decline in the living standards of the people (The World Bank 2000:323 f.f.). Yet again, Zambia had failed to solve her scarcity problems due to, *inter alia*, as noted for the period 1964 to 1999, ineffective measures to fully combat scarcity.

This chapter gives an overview of the historical process of economic development in Zambia in the period 1964 to 1999. By so doing, it illustrates how scarcity has been dealt with in the specific context of Zambia..

It is divided into six main parts, namely: visions of a reconstructed Zambia: a brief statement; political liberation, independence and decolonisation: setting the context for nation-building and economic development; economic development in the early post-independence era: 1964-1976; economic slide of the mid 1970s to 1979; structural adjustment in the 1980s: an overview; and structural adjustment and macroeconomic stabilisation in the 1990s: a brief presentation.

3.2 VISIONS OF A RECONSTRUCTED ZAMBIA: A BRIEF STATEMENT

The visions of a reconstructed Zambia (then called Northern Rhodesia) are largely attributed to a crop of young freedom fighters and justice-seeking Zambians, among whom the first

President of Zambia, Kenneth David Kaunda, became an epitome of the hopes and aspirations of all Zambians across the board[1].

They saw the imminence of a better Zambia where people would be free, seek justice, have a better government, enjoy individual rights, experience peace, be happy and prosperous, and simply enjoy a good life[2]. The struggle for nationhood and self-rule was a hard one characterised by indignities, colonial injustice and violence, racial discrimination and exclusion and, growing rivalries among the founding fathers and mothers (Makasa 1985:97-122 and Macpherson 1977:47-60). However, they all wanted to remain focused as Kaunda observed: “We are tired of foreign rule” (1988:1). This was a noble cry of liberation from not only political oppression, but from social inhibition and economic incapacitation.

Feelings of nationalism date back to 1912 when the first African Welfare Association was formed at Mwenzo Mission in the north by late Donald Siwale together with late Rev David Kaunda, father of the first president of Zambia (Chisala 1994:7 and Bolink 1967: 97). It was formed in the context of a Christian environment and teaching predominantly by missionaries of the Church of Scotland. Members were challenged to relate the biblical message of freedom and justice to colonial realities (Weller and Linden 1984:197). Soon, welfare societies became a country-wide feature culminating in “the first general meeting of the United African Welfare Association” held at Kafue, to the south of Lusaka, in 1933 (Chisala 1994:7). This organisation did not just debate and discuss social welfare issues, which were affecting the indigenous Northern Rhodesians (now Zambians), but also tried to analyse the colonial political dispensation of the day. In 1946, “Yamba, George Kaluwa and Godwin Mbikusita Lewanika now deceased, formed the Northern Rhodesia Federation of Welfare Societies” (*Ibid*:8). It was this organisation that was transformed in 1948 into a political

1 Others included the likes of late Godwin Mbikusita Lewanika, the first president of Northern Rhodesia African Congress, late Dauti Yamba, Robinson Nabulyato, George Kaluwa, Mateyo Kakumbi, Safeli Chileshe, late Mungoni Liso, John Sokoni, late Simon Mwansa Kapwepwe, late Robinson Puta, Dixon Konkola, late Lawrence Katilungu, late Reuben Chitandika Kamanga, late Jonathan Chivunga, late Justin Chimba, Frank Chitambala, Wittington Sikalumbi, Paul Kalichini, Kapasa Makasa, Raphael Kombe, Malama Sokoni, late Solomon Kalulu, Barry Banda, Alexander Grey Zulu, Mainza Chona, Gordon Chindele, late Munukayumbwa Sipalo, late Arthur Wina, Sikota Wina, Dingiswayo Banda, Peter Matoka, Elijah Mudenda and John Mwanakatwe. For detailed accounts of pre-independence events, see Macpherson (1974 and 1977), Makasa (1985) and Chisala (1994).

2 See Kaunda (1988 and 1989). See also Kaunda’s prophetic book: *Zambia shall be free* (UK: Heinemann, 1962).

party, called the Northern Rhodesia African Congress, with late Goodwin Mbikusita Lewanika as the first elected president (*Ibid*:8).

The 1950s were difficult years for Zambian freedom fighters. Due to political differences, the Northern Rhodesia African Congress (interchangably called ANC) suffered a break which saw the formation of Zambia African National Congress (ZANC) on 24 October 1958 (Macpherson 1977: 37-38, Chisala 1994:13-14; Makasa 1985:75-114). Leaders of this new political party accused the then President of the ANC, the late Harry Mwaanga Nkumbula, of being slow, siding with the federation government, and not pushing hard for the dissolution of the Federation of Rhodesia (Zimbabwe and Zambia) and Nyasaland (Malawi)[3]. ZANC did not reach its full maturity because it was banned by colonial authorities on 11th March, 1959 and its leaders imprisoned[4]. Patriotic Zambians were determined to push ahead in spite of this sad development. Hence, to organise their political aspirations and agenda, a good number of those who were not imprisoned decided to organise themselves into smaller political parties which included: the Freedom Party led by Bary R Banda; the United National Congress Party led by Dixon Konkola; and the African National Independence Party led by Paul Kalichini and Frank Chitambala (Makasa 1985:115 and Chisala 1994:14-15). In order to strengthen the political onslaught on colonialism, the Freedom Party and the United National Congress Party merged to form the United Freedom Party (Makasa 1985:115). It was probably the second merger between the United Freedom Party and the African National Independence Party in August 1959 which proved the most important political development because it united and harnessed political energies country-

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3 See also Kaunda (1988:4) and Macpherson (1977:38). Apart from the reasons cited above, Nkumbula was accused of accepting "a constitutional arrangement that provided for 8 African representatives in an Assembly of 30 members" (Kaunda 1988:4) when Governor Benson of Northern Rhodesia (now Zambia) presented constitutional proposals in March, 1958, which “divided the population into ‘ordinary’, ‘special’ and ‘ungraded’ persons as far as voting was concerned” (Macpherson 1977:38). The Benson Constitution was potentially racist, divisive and exclusivist. As for the Federation of Rhodesia and Nyasaland, it lasted from August, 1953 to June, 1963 and was essentially an imposition by her Majesty’s British government in collaboration with the federal movement and territorial authorities (Macpherson 1974:80ff and Makasa 1985:75-87). The main architect of this period was Sir Roy Welensky who ruled as federation premier from 1956-1963 based in Salisbury (now Harare).

4 See Chisala (1994:13). ZANC was seen by colonial authorities as a party bent on disturbing ‘law and order’, especially because at one of its earlier rallies it had warned that chaos was bound to break out in the nation if demands for self-rule and dissolution of federation were not met. Federation was hated by Northern Rhodesians (now Zambians) because it economically disadvantaged the nation: Zambia was being milked of its resources (especially copper), its people were being used as cheap labour in the Southern African economies of Southern Rhodesia (now Zimbabwe) and South Africa, and it was being made into a ‘dependent economy’ which depended on the southern states for its basic necessities, goods and services (Makasa 1985:75-87 and Macpherson 1977:23 f.f.).

wide, which later resulted in the emancipation of Zambia from the shackles of colonialism and imperialism. The party which resulted from this merger came to be known as the United National Independence Party (UNIP) (Makasa 1985:115). The president was Dixon Konkola, who was shortly replaced by Paul Kalichini due to political and personal differences (*Ibid*:115).

Meanwhile, ANC suffered another split which saw the departure of dynamic leaders, among whom a young lawyer, Mainza Chona, was the most prominent who joined UNIP (*Ibid*:115). This necessitated party re-organisation in UNIP leading to new elections in which Mainza Chona emerged as party president (*Ibid*:116). When Kenneth David Kaunda[5] and others were released from prison in January, 1960. Mainza Chona stepped down in order to allow for new elections and Kaunda was duly elected as national party president on 31st January, 1960 (*Ibid*: 116).

In the 1960s, UNIP became the most powerful political organisation in the land. It is this political organisation that galvanised national feelings of self-rule and nationhood as Kaunda observes: "The United National Independence Party which is the most powerful political party at present remains solid, alert and human in its approach to our serious problems" (1988:9). Their quest was the quest for power (*Ibid*: 9):

> *We want power not for the sake of power but because we want it as a tool in the noble service of mankind. We do want power because only then can we carry out our programmes of equipping our people to fight poverty, ignorance, disease and other evils.*

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5 Kenneth David Kaunda of Zambia could rightly be called as the most important official spokesman of Zambian politics and political economy. He led the most powerful political party in the land in his capacity as party president from 1960 up until change of government in 1991, and presided over the affairs of the nation in his capacity as republican president from 1964 to 1991. During this period, he made a number of speeches, addresses and conducted press conferences. Some of them have now been compiled and included in two of his books namely: *State of the Nation: Politics and Government*, Vol.1 (Lusaka: Kenneth Kaunda Foundation 1988) and *State of the Nation: National Economy*, Vol II (Lusaka: Kenneth Kaunda Foundation 1989). This study has extensively made use of these two sources simply because they provide valuable insights into the political and economical philosophy of government in the early post-independence era and beyond. The point is that one cannot interpret the political economy of Zambia, let alone its politics and government, prior to 1991, without making due reference to Kenneth David Kaunda's economical and political thought.

The early 1960s were particularly difficult for the nation. There were more reports of colonial violence and repression against patriotic nationalists, especially in the UNIP camp[6]. Nonetheless, Kaunda continued to preach non-violence: "The mention of 'Hindu' must remind us of Mahatma Gandhi, we must pursue his policy of non-violence" (1988:3). His non-violence strategy simply meant that he was not for loss of life, especially of whites who were waging a war of repression against blacks (Macpherson 1977:44-45). Meanwhile, it remained the task of UNIP leaders to encourage their people to stand for 'non-violent positive action' in the wake of isolated cases of destruction of schools by UNIP loyalists in order to underscore their disapproval of colonial rule, especially in Luapula province (*Ibid*:45) as the people pressed for self-government and independence.

To attend to African demands, the British government, in collaboration with federal authorities, set up the "Monckton Commission" in April, 1960 and tasked it to "prepare the ground for a Constitutional Review Conference in London as laid down in the Federal Constitution" (Makasa 1985:85). It was boycotted by patriotic nationalists who felt that it only came to serve the interests of colonial masters and was, therefore, a waste of time (Makasa 1985:85-86 and Macpherson 1974:292). People demonstrated and protested against the Monckton Commission – an indication that people were not in favour of federation. This led the British government to call for constitutional talks to discuss the future of Northern Rhodesia in February, 1961, held at Lancaster House in London (Makasa 1985:86). In the words of Makasa, "the delegation (from the United National Independence Party) went to fight for immediate self-government and independence for the Republic of Zambia" (*Ibid*: 86). Unfortunately, this conference was a failure due to lack of consensus between patriotic nationalists who wanted majority rule on one hand and federalists who wanted to maintain the federation on the other hand (Macpherson 1974:329-330). It was now left up to the then British Colonial Secretary, Ian Macleod, to find a scheme that would end the impasse and hopefully satisfy both parties. On 20th February, 1961 he presented the famous 15-15-15

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6 Some of these atrocities, which included stories of murder, rape of women and physical violence, especially from Luapula and Northern provinces, were reported in UNIP's publication of *A Grim Peep into the North*, edited by late Nalumino Mundia and Emmanuel Chalabesa, in October, 1961 (Makasa 1985:84 and Macpherson 1977:50). UNIP was also accused of violence when a British woman, Mrs Lilian Burton was brutally murdered by UNIP loyalists in Ndola in early 1960 (Macpherson 1977:43-44 and Chisala 1994:16). This was rather an isolated incidence and cannot be generalised.

scheme to the House of Commons which, *inter alia*: "called for a Legislative Council of forty-five elected members, up to six official members and such nominated members as the Governor might appoint on instructions from the British Government. Among the elected constituencies, fifteen would be returned from single-member constituencies, by upper roll voters, fifteen from single-member constituencies by lower roll voters and fifteen from national constituencies by both rolls voting together. Candidates in National Constituencies would be required to qualify for election by obtaining the same prescribed minimum percentage of the votes cast on each roll; their overall support would be expressed as a percentage figure, calculated by averaging together their respective proportions of votes on the upper and lower rolls. Each of the three sets of constituencies was to extend over the entire territory; upper roll constituencies concentrated predominantly in urban areas, lower roll constituencies centred mainly in rural areas" (Mulford quoted in Macpherson 1974:330-331)[7].

This division of constituencies and voters was too complicated for an ordinary person to understand. Besides, it did not guarantee "majority rule" (Macpherson 1977:46-47). Kaunda and his leadership were angered by this colonial foot-dragging. So, on 9 July, 1961, UNIP called a huge conference at Mulungushi Rock in Kabwe where Kaunda announced a five-point master plan which included, *inter alia*, a commitment to the effect that "We (UNIP) will step up our (UNIP's) anti-federation campaign to clip Welensky's wings so that he can fly at ordinary level" (Macpherson 19974:334-335 and 1977: 46-47). It was here that Kaunda launched *Cha-Cha-Cha*[8]. In spite of calls for 'non-violent positive action', *Cha-Cha-Cha* turned out to be destructive and fierce, especially in Northern and Luapula provinces (Macpherson 1977:49-52). People went on popular sprees to destroy schools, block roads, damage infrastructure, burn identification cards and marriage certificates and frustrated 'law and order' country-wide (Makasa 1985:118-127 and Macpherson

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7 Meanwhile, Welensky had worked hard to persuade the British government to change some details of the Macleod's constitutional plan, but unfortunately, they did not go deep enough to satisfy patriotic Zambians – they were more or less like the original Macleod's proposal (Macpherson 1974:336; 1977:46).

8 The word *Cha-Cha-Cha*, according to Kaunda, meant "real dancing" (quoted in Macpherson 1977:48). Its etymology is unclear, but suffice to say that it was a coined *bantu* word which was originally associated with open protest and civil disobedience by patriotic Zambians against federal and territorial rule. Also, according to Kaunda, *Cha-Cha-Cha* was not aimed at physical violence against white people (*Ibid*: 52).

1977:50-52). The colonial government responded by sending the police and the army country-wide, especially in rural areas. A number of indigenous Zambians were imprisoned and killed and had their property destroyed as a result of this action (Makasa 1985:118-127 and Macpherson 1977: 50-52). In October, 1961, Ian Macleod was replaced as Colonial Secretary by Reginald Maudling (Macpherson 1977:52)[9]. New hope, amidst bitterness, for Zambian freedom fighters was rekindled. In February, 1962, Maudling "announced a further change in the '15-15-15' Constitution" (*Ibid*: 52). This change worked to the advantage of black people[10]. Macpherson observes:

> *No one praised the new plan, but UNIP was going to take part in a general election. 1962 therefore, became the year in which the first electoral battle between Africans and Europeans took place. That battle opened the way to black government. It was also the signal for the death of the Central African Federation* (*Ibid*: 52).

On October 30, 1962, the nation went to the polls (*Ibid*: 56). UNIP got 14 seats, the United Federal Party (the colonial party) got 15 seats and the ANC got 5 seats (Makasa 1985: 148 and Macpherson 1977:56). Kaunda and Nkumbula agreed to form a coalition government which was going to work with the colonial government. What appeared to be the first African government was installed in Lusaka on December 16, 1962 (Makasa 1985: 149)[11]. The road to full independence was yet to be completed. None-the-less, this development assured the Zambians that their visions of a reconstructed Zambia were about to be actualised, While this was happening, an indigenous religio-political movement called "The Lenshina Movement" started to fan trouble especially in the Northern province from 1963 (Macpherson 1977:59 and Makasa 1985:153-158)[12]. This did not detract the people of Zambia. They

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9 Relative calm was restored by November, 1961. However, the territorial government of Northern had to contend with inter-party clashes in the *Cha-Cha-Cha* aftermath between UNIP and ANC supporters which became fierce on the Copperbelt especially in 1962 (*Ibid*:54).

10 It leveled the playing field for all participating parties when it came to election of candidates for national seats in the Legislative Council (*Ibid*: 52).

11 The coalition government was led by Sir Evelyn Horne as governor with four colonial ministers, three UNIP ministers and three ANC ministers – Kaunda was given the portfolio of Minister for Local Government and Social Welfare (Makasa, 1985: 149).

12 The Lenshina Movement or Lumpa Church was founded by late Alice Mulenga Lenshina about 1952 in Chinsali (Makasa 1985:1952). It broke off from the Church of Scotland Lubwa mission to form an independent church which embodied African religious experiences and practices, some of which were reasonably good (Lwiche 1984:passim). As the independence struggle went on, it started to espouse political objectives which proved to be radical. It is argued that it started to be anti-UNIP and encour-

looked forward to the dawning of the era of self-rule and government, especially with the dissolution of the federation in June, 1963, at Victoria Falls in Livingstone.

Zambia was now poised to see the fulfillment of her desired hopes and aspirations. It was about to be emancipated and begin to chart her destiny – a destiny which would finally enable her to truly reconstruct her society for the better, for the good life of the people, for respect of human dignity, for liberal democracy and for peaceful co-existence, and above all, for prosperity, well-being of the people and societal orderliness.

3.3 POLITICAL LIBERATION, INDEPENDENCE AND DECOLONISATION: SETTING THE CONTEXT FOR NATION-BUILDING AND ECONOMIC DEVELOPMENT

The year 1964 was the year of full political liberation, independence and decolonisation for a young, but dynamic nation of Zambia. On January 3, 1964, "an Order in Council, signed by Queen Elizabeth in London, formally granted self-rule to Northern Rhodesia" (Macpherson 1977:60). Towards the end of that month, UNIP, ANC and the National Progress Party (formerly United Federal Party) went to the polls (*Ibid*:60). UNIP came out triumphant with 55 seats – ANC got 10 seats and NPP got 10 seats as well (*Ibid*:60). On 23rd January, 1964, "Party president Kenneth Kaunda was appointed Prime Minister …" (Makasa 1985:159)[13]. Thereafter, a motion which demanded the formal withdrawal of Northern Rhodesia from the federation was carried in the Legislative Assembly (*Ibid*:159). Makasa reminisces: "The swearing in of Kenneth Kaunda as Prime Minister of Northern Rhodesia at the head of a UNIP government in self-governing Zambia was the happiest moment of my life. It was the beginning of the end of our long and tortuous struggle against imperialist humiliation and colonial subjugation" (1985:160). On May 2, 1964, the London Constitu-

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aged the boycott of elections among its followers in the early 1960s (Makasa 1985:153ff and Macpherson 1977:59). Between June, 1963 and July, 1964, a number of repressive atrocities were committed against its followers, and these include: murders, attacks on members' houses, churches, grain bins, and physical injury, especially in Northern and Luapula Provinces (Makasa 1985:153-154). Even though it was claimed that Lumpa inflicted atrocities on others, the main perpetrators of atrocities were UNIP supporters and colonial police and army (*Ibid*:153-154). It was banned in 1964 and its members went underground (Macpherson 1977:59).

13 This marked the end of the coalition government and the beginning of a new era of self-government (Chisala 1994:17).

tional Conference on Zambia's Independence began (Macpherson 1974:437). At this conference, it was agreed that "Zambia's independence would come at the same time as the *republican status* so that on 24th October, 1964, Zambia would be an independent sovereign republic within the Commonwealth" (Makasa 1985:162). On 25th August, 1964, "the Legislative Assembly Meeting in Lusaka elected Kaunda unopposed as Executive President …" (*Ibid*:162). Accordingly, he was formally declared on the same day by the Chief Justice as "President-elect of the soon-to-be-born Republic of Zambia" (Macpherson 1974:447). Kaunda announced his new cabinet on 24th September, 1964 (*Ibid*:452)[14].

The great day was 24th October, 1964, when Zambia finally attained her full independence from British colonial rule (Chisala 1994:17; Makasa 1985:163-164; and Macpherson 1977:64). The stage was the Independence Stadium in Lusaka where a 30 000-some people were gathered and the British Queen was duly represented by the Princess Royal who handed over the "Instrument of Government" (Macpherson 1974:453 f.f.). Then Kaunda took the vow of office:

> *I, Kenneth David Kaunda, swear that I will faithfully and diligently discharge my duties and perform my functions in the high office of President of the Republic of Zambia; that I will maintain the Constitution of Zambia and uphold the laws and welfare of the people of Zambia without fear or favour, affection or ill-will. So help me God* (*Ibid*:454).

This vow had far-reaching political and economical implications. Politically, it bound the president to discharge his office according to the constitution and laws of Zambia. Economically, it called on the president to promote the welfare, that is, the well being of the people of Zambia – and this, in the long run, was going to prove the most difficult presidential duty and function. His economic responsibility had to do very much with solving scar-

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14 Macpherson observes: "The Zambian Cabinet, which held office at the celebration of Independence, was as follows: late Reuben Kamanga, Vice-President; Mainza Chona, Minister of Home Affairs; late Simon Kapwepwe, Foreign Affairs; late Arthur Wina, Finance; John Mwanakatwe, Education; Elijah Mudenda, Agriculture; Dingiswayo Banda, Housing and Social Development; Sikota Wina, Local Government; Alexander Grey Zulu, Transport and Works; late Munukayumbwa Sipalo, Health; late Nalumino Mundia, Commerce and Industry; James Skinner, Justice; late Justin Chimba, Labour and Mines; late Solomon Kalulu, Natural Resources; and Peter Matoka, Information" (1977:64). About

city. Then he gave a milestone speech, in his capacity as first president of the newly born republic – a speech that was intended to provide political and economical direction to the nation:

> *It is my intention to defend the Constitution of Zambia. I pledge myself to be guided by the noble principle that Man is one and indivisible wherever he may be found. I promise to suffer with every Zambian and, likewise, to rejoice with every Zambian. In promising to uphold the cherished freedom embodied in our Constitution, I am aware of the many forces at work, some of them will be tribal, religious and political, when we try to fight hunger, poverty, ignorance and disease. Thus the task before us is formidable if we are to build the nation. I shall need the support of you, the people of Zambia.*
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> *Furthermore, I promise progress and advancement to every law-abiding and hard-working Zambian. Let it not be said that in Zambia a citizen rose to the highest position on any grounds other than merit. Let our motto be "One Zambia, One Nation"* (Kaunda 1988:23).

In brief, it was a compassionate presidential appeal to all Zambians to rise above all divisions in order to truly build the nation and thus attain social and material progress and advancement. Zambians were truly free, at least, politically. They were no longer going to endure "the inhumanity of the colour bar", face "the greed that made conquerors want to keep Zambia's wealth for themselves" and experience colonial refusal to "recognise Zambians as citizens in their own country" (Macpherson 1977:82-83).

Thus the goal of the struggle for independence was reached. Zambia, a free nation, was about to take on the challenges of modernity, especially the force of industrial capitalism which had the potential to determine her economic destiny.

3.3.1 **Towards a Humanist State**

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this, Mulford observed that Kaunda "formed a well-balanced and extremely capable Government" (1967:330-331, 342-343).

From independence, Zambia wanted to adopt a philosophy that would be applied to her national politics, government, national economy and foreign policy. It did not need to needed not to have borrow from the international community, but found "building blocks" within the Zambian traditional heritage for a philosophy that would be sensitive to the values of the Zambian people. This philosophy came to be known as the *Zambian philosophy of humanism*, a sociaslist collectivist philosophy, and its main proponent and exponent was no other than the first president of Zambia, Kenneth David Kaunda[15]. This philosophy had deep-seated effects on the political thinking of leaders and on Zambia's economy as the country evolved into a modern nation. The intention was to create a humanist society. What then were the "highlights" of humanism in its local and global contexts? This study takes this question seriously in order to understand the complexities of Zambia's road to economic development.

3.3.1.1 **Within the frontiers of Zambia**

The philosophy of Zambian humanism was accepted as *a way of life* by the National Council of UNIP at its meeting on 26 April, 1967 (Kaunda 1989:23). According to Kaunda, "humanism" meant "much more than mere words and the guide is not meant merely to be read and put aside, nor to be parallel as a political gimmick … humanism is our way of life; it is not a new concept, but a re-affirmation of what our better nature tells us is right" (1988:40).

It had a positive view of man: " … MAN is the culmination of God's creation, and this high valuation of MAN and respect for human dignity, which is a legacy of our Zambian traditions, must not be lost in the face of rapid development" (*Ibid*:40). According to this view:

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15 The philosophy of Zambian humanism is fully explained in President Kaunda's two volumes: *Humanism in Zambia* and *A guide to its implementation (1967 and 1974*). The main teaching is that "MAN must come first" (Macpherson 1977:82). Respect for human dignity was (and is) the highest *telos* (goal – English equivalent of Greek *telos*) of all political leadership and consequently, of all economic planning, programmes and implementation. In short, whatever Zambians did, "MAN must come first". By "MAN", Kaunda meant: "MAN the peasant … the soldier … the railway worker … the civil servant … the policeman … in any corner of Zambia … the world over … the minister … the President of the Republic of Zambia – all of us human beings" (Kaunda 1988:45). Kaunda would sometimes use the term "common man" to refer to "man" in general (1988:47).

"Whatsoever God created, He made so that it would serve the interests of man. The major problem has been, is and will continue to be man's failure to appreciate the very important position God gave him on this earth" (*Ibid*:43). Here, Kaunda sounded like Polanyi when he emphasised that society should "serve the interests of man" (c.f. Polanyi 1944: passim). Polanyi was of the opinion that the emergence of industrial capitalism changed the order of affairs: *society started to serve the interests of the economy*[16].

It was inclined towards care for the less fortunate:

> *If a man is poor, society has a responsibility to see that his talents are developed so that he can look after himself properly with the help, of course, of the state where this is necessary. If a man is mentally ill, he is a challenge to society in the sense that society must provide for him. First of all, he must be helped to recover and once he recovers, rehabilitated. The old society, from which we have come, took care of the people, and humanism in Zambia is saying that we should not distort too much this human approach to life* (*Ibid*: 43)[17].

In essence, it encouraged "a human approach to life" which was a simple and straightforward call: "be human" (*Ibid*:42). Zambia's development was going to be based on twin humanist cornerstones namely: importance of man (and woman) and service to fellow men (and women) (*Ibid*: 30 and 44).

Kaunda, in his presentation of his ideas on humanism, tended to be utopian, for example, when he observed: "I am looking forward to the time when there will be no need for a po-

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16 c.f. Robert Heilbroner (1988:35ff) who talks about the controlling power of the economy in society.

17 c.f. *The preferential option for the poor* as articulated by Latin American liberation theologians, especially Gustavo Gutierrez (*The power of the poor in history*). According to this teaching, God is unequivocally on the side of those who suffer, are poor and weak. This teaching is very much in agreement with Kaunda's political doctrine of care as explained under humanism. However, theologically and socially speaking, the notion of *the preferential option for the poor* should not be 'overly' pushed: it should not make interpreters of this notion appear to be hypocritical. That is to say that while this view is being advanced, they should not appear as if they do not love to be secure, comfortable and strong. The point is that nobody wants to suffer, to be poor and weak. Therefore, the emancipation of the suffering, the poor and weak should be premised on the point that those who are better placed, secure, comfortable and strong should desire that the former should be like them.

liceman anywhere in the world" (*Ibid*: 49)[18]. He could, however, also be realistic, for example, when he recognised a possible clash between modernity and Zambian humanism:

> *Let me, once again, take this opportunity to recite what is the creed of our revolutionary philosophy of humanism. The high valuation of MAN and respect for human dignity, which is a legacy of our tradition, should not be lost in Zambia. However "modern" and "advanced" in a western sense this young nation may become, we are fiercely determined that humanism will not be obscured. For it is in this that what might be described as African civilisation is embodied* (*Ibid*: 49).

As for the relationship between humanism and socialism (as practised mainly by the eastern block of the east-west political divide), Kaunda would say: "We are humanists first and foremost, and socialists in consequence" (*Ibid*: 52). He believed in a socialist interventionist approach which looked at problems of distribution of wealth, which cared for the infirm and which guaranteed equal opportunities for all (*Ibid*: 52).

In summary, Zambian humanism was a philosophy which was national; emphasized ideas of justice, freedom and the importance of man; emphasised the principle that all humans are equal; preached that all should be afforded equal opportunities; was pro-traditional communalism and mutual aid; supported the doctrine of egalitarianism supported by built-in social mechanisms; strove for the creation of constitutions which provided for a full life, a decent life, enhancement of personal worth, thereby contributing to greater societal happiness; encouraged the principle of reciprocity (influenced by the christological saying: *Do to others as you would have them do to you*[19]); against individualism; committed to modernisation, thereby ensuring prosperity and the elimination of poverty; desired to promote the affluence of the majority rather than that of the few; committed to wealth sharing and not poverty

18 This was highly exaggerated. In an imperfect society such as ours, we need law making and enforcement organs.

19 This saying which was familiar in Kaunda's political speeches is found in Luke 6 v 31. See also Kaunda (1988:56).

sharing; was willing to uphold the principle of self-reliance; was sceptical of a free enterprise economy and capitalism[20] (*Ibid*: 55-57).

From the foregoing, one would say that the philosophy of Zambian humanism was first and foremost an "intellectual exercise" which needed time to germinate and take root in the minds of Zambians so that they could be fully prepared to contribute towards the creation of a humanist society in Zambia. Secondly, the articulation of humanism did not have a concrete economic base. For example, globalisation and the effects of a global market were not critically analysed under humanism. This is to say, questions of how humanism was going to alter economic reality in Zambia and make it *an alternative* to compete favourably with capitalism and socialism, were not addressed.

Humanism was rather a political statement of faith, a case of intellectual and philosophical determinism, and a tool to attempt to re-organise socio-economic reality, thereby create a true humanist state in which humans would be at the very centre of all activity – whether religious, cultural, political, economic and otherwise. As a philosophy, it influenced the making of Zambia politically and economically, for better and for worse.

In its practical implementation, it was highly socialist. That is to say that it followed socialist programmes and features of major socialist countries, albeit, it wanted to remain truthful to Zambian traditional ethos (Kaunda 1988:24-70). The leadership hoped that through its socialist approach, a humanist society would eventually be created (*Ibid*:81). The creation of a humanist society within the frontiers of Zambia was going to be probably one of the greatest test cases of the Kaunda regime.

3.3.1.2 **Implications of humanism beyond the Zambian border: Support for the liberation struggle in Southern Africa**

The creation of a humanist state in Zambia had particular implications beyond the Zambian border. One of these implications was the unflinching support which Zambia gave to libera-

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20 By being sceptical of free enterprise economy and capitalism, Kaunda went against his earlier pre-independence speech: "Economically, we intend to create a society in which private enterprise will

tion movements in Southern Africa (Chisala 1994:131-148) – and this remained part of its foreign policy throughout the Kaunda regime. Firstly, this was a noble cause, but it made the nation divide its energies between economic development and the liberation struggle – and thus, unavoidably, wasted time in attaining the desired rapid development. Instead of worrying about teething problems of development in its domestic policy, Zambia had to worry about liberation movements' programmes and issues of security and defence should the "enemy" of resident foreign liberation movements strike[21]. Secondly, by supporting liberation movements Zambia had to incur both material and financial cost – and to a certain degree - loss of Zambian lives. This was through support to "guests", repair to infrastructure when the "enemy" struck militarily, and attacks on Zambians[22].

Chisala observes:

> *With his policy of humanism, Dr Kaunda and Zambia provided a home for thousands of exiles of the African National Congress (ANC) of South Africa, Zimbabwe African People's Union (ZAPU), Zimbabwe African National Union (ZANU), the Front for the liberation of Mozambique (FRELIMO), the South West Africa People's Organisation (SWAPO), the Popular Movement for the Liberation of Angola (MPLA) and the Union for the Total Independence of Angola (UNITA). An insignificant assistance was also rendered to liberation movements like the Front for the Liberation of Zimbabwe (FROLOZ) of James Chikerema and the United African National Congress (UANC) of Revd Abel Muzorewa of Zimbabwe (1994:131)*[23].

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play an important role in the development of the country" (1988:12).

21 It is very difficult to quantify how much Zambia lost in terms of time just by concentrating partly on the liberation struggle in Southern Africa. Where would Zambia be if it concentrated fully on nation-building and economic development from 1964 to 1991? Zambia would probably have advanced in some way.

22 It is equally very difficult to know exactly how much Zambia spent in supporting liberation movements. This may have been minimal. In fact, it is generally argued that liberation movements raised their own money, for example, through the Organisation of African Unity (Chisala 1994:133). Certainly, what is correct is that the nation had to bear the cost when its infrastructure was destroyed by racist regimes of Southern Africa (Apartheid South Africa, Smith's Rhodesia and the Portuguese in Angola and Mozambique) in order to punish the host country and inflict harm on liberation movements, and had to contain the loss of life and injury to its people.

23 See also Macpherson (1977:75-83).

The fight for liberation by foreign liberation movements was seen as a just struggle by Kaunda and his government. It is for this reason that from the 1960s, he encouraged them to intensify the liberation war[24]. Because of this support for liberation movements, Kaunda earned himself international and regional acclaim. For example, the former President of Tanzania, late Kambarage Mwalimu Julius Nyerere would say:

> *… the policies of Zambia under the leadership of President Kaunda and UNIP, have meant that instead of our being a somewhat lonely front-line state, much of the real pressure has been taken from us. It is Zambia with its much longer and more exposed borders with Mozambique, Rhodesia (now Zimbabwe), Namibia, and Angola, which has borne the first brunt of the colonialist's anger, intrigue and attack. It is Zambia and not Tanzania, which is now the real front-line state* (quoted in Macpherson 1974:xi).

While Zambia was praised for being a front-line state by the international and regional community, Kaunda's policy of supporting liberation movements was being criticised at home as Chisala observes: " … most Zambians were bitter with Kaunda. They felt that their president was spending and wasting too much time and money on foreign issues, talking about the independence struggle for other countries while neglecting local social problems" (1994:132).

The cost to the nation, in terms of loss of life, physical injury, infra-structural destruction and the related, is very difficult to quantify as already noted (for example in Chisala 1994:131-148). The plain truth is that Zambia had to pay "dearly" by being host to liberation movements.

The late Nyerere observes again: "History will be a more objective judge of President Kaunda than I can be" (quoted in Macpherson 1994: xii). On the one hand, Kaunda and his

24 This view was supported by the World Council of Churches which established a Programme to Combat Racism (Lossky, *et al*, editors 1991:825-827). A good number of liberation movements were beneficiaries of this programme. For Dr Kaunda, a firm believer in the principle of non-violence,

government will be judged favourably for providing a home to liberation movements and this kind gesture of goodwill contributed to the full independence of Mozambique and Angola in 1975, of Zimbabwe in 1980, of Namibia in 1990 and of South Africa in 1994 (Chisala 1994:131-148). On the other hand, Kaunda and his government will be judged harshly especially by the "enlightened" Zambians who felt that he spent too much time and money on foreign liberation movements at the expense of the cost to the nation (The majority of ordinary Zambians in the townships and suburbs were extremely hospitable to foreign freedom fighters).

Although Zambia's unflinching support to the liberation struggles in Southern Africa was probably unavoidable, two intriguing questions remain: Firstly, what could have happened to the economy of Zambia, and that of its neighbours if issues of independence for Namibia, South Africa, Zimbabwe, Mozambique and Angola were resolved through peaceful means as early as the 1960s?[25]; Secondly, what could have happened to the domestic economy of Zambia if Zambia had to devote all her energies and mind to economic development? The obvious answer is that things would have been far better regionally and locally for the economies of the Southern African countries[26]. For Zambia and the region, it was a "wasted time and opportunity" in terms of the desired rapid economic development and growth.

3.3.2 The "masked" role of the opposition: Creation of a one-party participatory democracy

From the time of Zambia's independence, the opposition was not given a chance to grow and mature in order to influence policy issues, especially those of an economic nature which were decisive to the very survival of the Zambian nation. As we shall see later, during the important period of economic re-organisation beginning in 1968, the opposition voice was sidelined. The situation became extremely complicated when Zambia became a one-party participatory democracy as from December, 1972. Thereafter, the opposition was perma-

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which he tried to exemplify during Zambia's struggle for independence, his support for armed struggle, which is a clear violation of the non-violence principle was a contradiction in terms.

25 An exception may be made in the case of South Africa, as a distant neighbour, which in spite of declining real GDP growth between 1965 and 1990 (Fallon and De Silva 1994) still performed much better than other countries in Southern Africa in the period under review.

26 The situation was made worse for the region with civil wars breaking out in Mozambique and Angola from 1975. Mozambique ended its civil was in 1992. Angola is still deep in civil strife between forces of Jonas Savimbi's UNITA and Eduardo dos Santos' MPLA.

nently "killed" until the new era of multipartism in 1990. From 1964 to 1972, the role of the opposition in Zambia's democratic politics was "masked", that is, it could not perform as well as expected, partly due to "politics of imbalance" whereby the majority party used its power in parliament to set the national agenda and influence the socio-politico-economic processes of the nation without taking account of the opposition, whose number of seats in parliament were often insignificant.

The first parliament in the soon-to-be-independent Zambia had 55 elected seats for UNIP, 10 seats each for ANC and NPP (Macpherson 1977:60). The situation did not change by February 1965 – UNIP still had 55 seats and the opposition had 20 seats in total (Kaunda 1988:82 f.f.).

From the start, Kaunda and his government found it difficult to accommodate opposition politics. He was prepared to promote either a *de facto* or *de jure* one-party system of government. From the early days, for example – Kaunda would say:

> *We have said that a One-Party system is going to come here anyway whether we like it or not. This does not mean my party (UNIP) is going to take fright and start legislating against opposition political parties … If my Party elects me again, I am going to ensure that I support all my candidates and out of all the 75 seats the other Parties are going to get zero seats* (1988:84).

Due to the scenario whereby UNIP had a lot of parliamentary power and authority, the Kaunda regime was criticised for being dictatorial (Kaunda 1988:89). However, Kaunda maintained that: "There is no dictatorship in Zambia. The One-Party system is going to come through the ballot box. We do not want to legislate against the formation of other parties on principle. This is the freedom we talk about" (*Ibid*: 85). The plain truth is that in a one-party system of government, *de facto* or *de jure*, there is no real opposition to push things back into line.

The Kaunda regime was more satisfied with the role of UNIP backbenchers than the opposition:

> *… I am satisfied that from the experience which we have had, our Opposition Party has demonstrated its incapacity to provide any meaningful and constructive Opposition in Parliament. The result is that the representatives of the people in the United National Independence Party, the backbenchers have taken over what is basically the role of the opposition* (1988:82-89) [27].

This was totally against his earlier commitment to constitutional or liberal democracy which, *inter alia*, emphasised rule by the majority and the role of the opposition (*Ibid*: 17-21).

The situation was made more complicated when in 1969, the referendum clause was removed from the constitution in order to give power to the elected Parliament to amend the constitution with "a two-thirds majority of the House" – this in spite of objections from the opposition (*Ibid*: 85-93).

The final crunch came when Zambia became a One-Party Participatory Democracy by law as from December 13, 1972. This announced the birth of the second republic (*Ibid*: 120). The implications of this were: firstly, the ANC, the opposition party ceased to exit; secondly, there was no legal opposition party in the land anymore; thirdly, UNIP from then on directed the country according to its wishes.

In spite of the fact that the celebrated goal of the One-Party Participatory Democracy was "to unify people; to further the aims and objectives of our (Zambian) independence; and to further the cause of justice for all without distinction" (*Ibid*: 121), the new political dispensation, inevitably, produced the following developments:

- Absence of an opposing voice made the nation vulnerable to human excesses and inherent failures with far-reaching socio-economic ramifications;

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[27] By this time the main opposition party was ANC – the first general election since independence took place in December 1968. See Macpherson (1977:90) and Kaunda (1988:82-128).

- Politics of Appeasement according to which those who tolled the Party (UNIP) line were rewarded and those who had dissenting or radical views were sidelined and punished[28].

Wogaman argues that the opposition is an integral part of the management of the socio-politico-economic affairs of a nation in what he calls *a responsible state* (1986: 27ff)[29]. The question is: *Could Zambia have done much better, economically, if there was a strong and good opposition*? The answer to this question is "certainly". Some of the economic programmes implemented during the Kaunda regime which were costly to the nation might have been revised, and probably, done away with. For example, large-scale nationalisation might have been revised to suit changing times (c.f. Seshamani 1992; Jones 1994).

Opposing voices within an economy are *non-negotiables*. Among other things, they do the following: they act as a mechanism for checks and balances; they put the ruling party on its toes to deliver goods and services; and they help to balance public opinion on major economic issues and other matters.

An opposition-free Zambia for almost 27 years was highly detrimental to the economy: *a corrective mechanism to challenge failed economic plans and policies was non-existent.* Things were left to the optimism of the ruling party that things will improve one day. Unfortunately, they never improved. If Zambia had allowed the emergence of mature and strong opposition politics, the economy would probably have been far better.

3.4 ECONOMIC DEVELOPMENT IN THE EARLY POST-INDEPENDENCE ERA: 1964-1976

The early post-independence period, especially the first twelve years of Zambia's life, 1964 to 1976, was extremely crucial in determining the economic destiny of Zambia. It is in this period that "the economic seeds were sown" and "the economic foundation was laid". Thereafter, it was a time of reaping "economic fruits" (good or bad or both) and building

[28] See also Chisala (1994: passim), an insider during the Kaunda regime, who gives examples of how this was carried out.

structures (strong or weak). They could rightly be called the "glory" or "boom" years of Zambia's economic life, especially 1964 to 1973. An understanding of this period is very important for a correct interpretation of Zambia's economy over the years. This segment is divided into four main categories namely: Foundational economic planning; the economic development process: The humanist and socialist agenda; A re-organised economy: From private capital to state capital; and The mining industry, agricultural development and the diversification policy.

3.4.1 Foundational economic planning

From the time the UNIP government was elected into power, they did not want to proceed with executing development programmes without doing economic planning. Their prime concern or priority was service to humanity. The centrality of man (and woman), to use Kaunda's terminology was, therefore, a guiding principle in all party (UNIP) and government planning. In the words of Dr Kaunda:

> *If we want independence to have meaning in whatever we do, MAN must come first … Whatever we do now and in the future will be judged a success or failure by the extent to which it helps man lead a better life to improve his or her own conditions, to move forward with confidence, ready to fight and beat off so many of the rough tides that come in his or her way* (1989:1-2).

In order to proceed systematically, the government of the day had to put in place three foundational development plans, namely[30] (*Ibid*: 1-15):

- The Emergency Development Plan: from early 1964 to the end of 1964;
- The Transitional Development Plan: from 1st January 1965 to 30th June 1966; and
- The four-year First National Development Plan: from 1st July 1966 to 30th June 1970.

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29 This view is supported by Preston (1991: passim).

30 These plans and other subsequent development plans are housed at the Government of the Republic of Zambia National Archives offices in Lusaka. The first three, as shown above, are very foundational

The emergency development plan was the independence year plan which was meant to address urgent issues of national development, especially those which affected the socio-economic livelihood of the majority Zambians who were disadvantaged after almost 60 years of British colonial rule. It included the following features (*Ibid*: 6): Spending an initial 5 million British Sterling on: educational development (including expansion of secondary schools and the building of the University of Zambia), development of health services (especially for rural areas), urban housing (which was considerably pathetic at the time), as well as rural housing, improvement of the Great East Road (from Lusaka to Chipata) and other roads, improvement of army barracks, improvement of agricultural services and development, and expanding the village improvement scheme. By the end of March, 1964, the government was intending to extend the emergency plan by 10 million British Sterling, partly due to a mountain of "unsatisfied reasonable needs". This plan had a bias towards rural areas. Kaunda observes:

> *I must remind you that our rural areas which contain 3 million out of our 3½ million people constitute the main source of our manpower potential and I want to ensure that they receive a fair share of our expenditure on hospitals and health services* (1989:6).

The transitional development plan was an expansion of the emergency development. Its main focus was to look at infrastructural, social services and support systems expenditure which included: education, defence, housing, agriculture, health, roads, provision of electricity, transport and construction (*Ibid*:9). This time, the government planned to spend more than it did in the first plan. Similarly, the four-year first national development plan was an expansion of the first two plans (*Ibid*: 16-21). It concentrated more on social services and infrastructural expenditure.

Millions of British Sterling, amounting to well over 50 million, were planned to be spent between 1964 to the end of the four-year first national development plan in 1970[31] (*Ibid* 1-

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to Zambia's journey to economic prosperity and stability. This study would like to refer to them briefly in order to unlock early post-independence government thinking on the economy.

31 Estimates and Actual Expenditures between 1964 and 1970 can be obtained from the Ministry of Finance, Republic of Zambia. It is not the intention of this study to engage in an analytical and com-

16). These foundational plans were highly socialist, influenced by humanist ideas. They were aimed at improving rapidly the socio-economic conditions of the majority of Zambians who before independence were excluded from the benefits of colonial industrial capitalism built on copper mining. The government of the day, full of early post-independence energy, excitement and resolve, were determined to plan for the household of Zambia so that the living and the yet to be born might find some material, social and physical improvements.

Sooner than later, the government was going to begin to feel the burden of sustaining broad-based socialist plans and programmes, especially with the on-set of economic woes of the mid-70s, emanating from the commodity and oil crises, and virtual absence of a diversified economy.

3.4.2 **The economic development process: the humanist and socialist agenda**

Chisala observes that: "At independence, the British government handed over one billion pounds in foreign reserves" (1994:97). Again Macpherson states: "In 1964, Zambia was said to have 'the highest export value per head in Africa'. This meant that her copper exports gave her a very healthy flow of money into the country" (1977:72). The balance of payments surplus on current account in 1964 was estimated to exceed 30 million British Sterling (Kaunda 1989:12)[32]. Government's budget surplus on recurrent account was estimated to be about 18 million British Sterling by June 1965 (*Ibid*: 12). Net public debt was low and investments were relatively higher than government's indebtedness (*Ibid:12)* GDP[33] was growing at an average rate of 2.4% between 1965 and 1973 (Gulhati: 1989). In this way, Zambia started on a very sound financial footing in as far as the economic development process was concerned.

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parative presentation of the figures during this period. This study is interested in the overall social commitments and obligations of government in enhancing the welfare of Zambians in the early post-independence period.

32 This was expanded to 96 million British Sterling by the middle of 1966 (Macpherson 1977:72)

33 GDP – Gross Domestic Product – is "a measure of economic activity. Generally defined as private consumption and investment and government expenditure ± changes in stocks and exports – imports" [Barclays Bank of Zambia *Quarterly Economic Review (2nd Quarter 1998)* 1998b:24]. Because it leaves out aspects of "informal" economy or unpriced productivity, it is not perfect (Ibid:24).

From independence, it was faced with two major obstacles to desired rapid economic growth and development, namely: what Kaunda called the "absorptive capacity" and the rebellious regime of Ian Smith in Rhodesia (now Zimbabwe). The former was by far the most crucial.

By "absorptive capacity" of the economy, Kaunda meant a "shortage of real resources, particularly manpower and domestic capacity for capital construction" resulting in "holding back the rate of investment" (1989:12). The point is that the economy at the time, in spite of a favourable financial base, could not absorb efficiently and effectively economic factors such as rapid investments simply because its ability to do that, in terms, for example, of readily available industrial skills and infra-structure, were terribly inadequate.
Kaunda put it succintly: "It is the shortage of prepared projects, the absence of knowledge of the technical qualities of our soils and waters, and the limited capacity of our transport system which prevents us from increasing the rate of investment" (1989:12). At the root of this problem, Kaunda observes, was: "the desperate shortage of educated and skilled people" (*Ibid*: 12). It is plain truth that "the neglect of education of our (Zambian) people was the greatest crime committed during the years of federation (1953-1963)" (*Ibid*: 12)[34]. Zambia simply did not have a wide spectrum of sufficient, well-prepared and well-tutored Zambian business bureaucrats, technologists, industrial experts, scientific officers, and the like, to run a modern Zambian economy from independence; that is, to transform it rapidly from a backward phase into an advanced stage of mass consumption[35].

The education statistics for a population of about four million people, prior and at independence in 1964, reveal the extremely pathetic educational situation (Makasa 1985:82 and 126)[36]:

- In 1963, there were 110,200 standard IV certificate holders, 32,400 standard VI certificate holders, 4,420 form II certificate holders and 961 Cambridge School Certificate holders.

34 Even missionary education was somewhat limited: Zambians could go only up to standard VI as a highest form of education between 1883 and 1945. See Peter Snelson (1977).
35 See Walt W. Rostow's five stages of development in Todaro (1997).
36 See also Kaunda (1989:13) and Macpherson (1977:74).

- To the time of Independence, there were less than 100 University degree holders in the country, there was no university in the country, there was no full-fledged institute of technology and there were only three secondary schools for Africans, namely: Munali, Chipembi (for girls) and Chikuni with form VI facilities.
- During the 1960-61 academic year, there were only sixty students from Northern Rhodesia (Zambia) studying at UK colleges compared with 1,321 students from Kenya, 6,800 from Nigeria, 1,900 from Ghana and 857 from Sierra Leone.
- Between 1890-1961, the British managed to produce only one Zambian engineer and only one lawyer (who was disallowed from practising actively).

As for the rebellious regime of Smith, it mainly cut the lifeblood of Zambia's economy. For a long time, Northern Rhodesia (now Zambia) was dependant on the Southern economies like Rhodesia for its exports and imports. Now that Smith rebelliously declared UDI (Unilateral Declaration of Independence) as from November, 1965 (Macpherson 1977:70ff), Zambia's situation was made extremely difficult. Zambia had to spend a lot of money to find new supply routes by developing the Great North Road, planning for a new oil pipeline (connecting Zambia with Tanzania on the east coast) and later on, developing the railway line from Kapiri Mposhi in Zambia to the port of Dar-es-salam in Tanzania. Even though these development projects were desirable, they cost the nation millions of British pounds in terms of initial oil and goods (and materials) transportation from and to the east coast. Even the 14 million British Sterling grant given to Zambia by the UK after UDI, to be used for one and half years to maintain economic and industrial life was simply not enough (*Ibid*: 72)[37].

Macpherson sums up very well the situation of Zambia after UDI that, "All the plans for economic development and the revival of agriculture were thus hindered by the problems created by the rebellion of Smith and his followers in Rhodesia" (*Ibid*: 72).

In spite of these two problems, the government was determined to go ahead with the implementation of the economic development process. It is probably the second[38] United Nations Commission visit in December, 1964, which set the context for this process. After their

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[37] In addition to this, the British Royal Air Force had, for a few months, "carried out an oil air lift to keep Zambia's transport and industries moving" (*Ibid*: 72).

visit, they observed that: "the great majority of the people in Zambia are poor, under-educated (if not illiterate) and unhealthy" (Macpherson 1974:450). This was in spite of the good financial account handed over to the Zambian government at independence – that is, the nation had the money, but its four million people were poor, under-educated and unhealthy.

The task of the government, and the people of Zambia, was to enable Zambia to make a transition from a colonial state of under-development, characterised by high incidences of poverty, ignorance and disease, to a modern developed state as Macpherson observes: "The Zambian government had a huge task ahead of it, and the country needed 'new thought and new action' as Kaunda said … It was the task of the people together to replace poverty, ignorance and disease by health and prosperity" (*Ibid*: 64).

From the early days, government opted for interventionist socialist policies whose main primary objective was "to distribute wealth evenly amongst the people" (Kaunda 1989:15) and ensure that it is "both created and accumulated" (*Ibid*:15). In other words, government simply wanted to implement "the humanist and socialist agenda".

It essentially pursued a mixed economy which allowed for the participation of the public sector, private sector and co-operatives in the economic development process (*Ibid*: 15). But most importantly, it was the participation of the people which was the focal point of the process. The intention was to move towards "a co-operative approach" which was embodied in African tradition, with a view to fit this approach in what was called "the new complicated economic set-up of modern times" (*Ibid*: 15)[39].

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38 The first one was done early in 1964 (Kaunda 1989:5).

39 It is probably this anticipated fusion between "a co-operative approach", as embodied in both humanism and African tradition, and "the new complicated economic set-up of modern times", dominated by capitalist America and socialist Russia, which was decisive in determining Zambia's economic performance. It raised unanswered questions like: Was the premature fusion to be blamed for the collapse of the economy in the 1970? Was the fusion based on well-developed economic theory tuned to a humanist society, as an alternative to either a capitalist society or socialist society? The emergency of humanism as a political and economic alternative to capitalism and socialism (or communism), as shall be seen later, became extremely difficult down the years.

The intentions of government were that the philosophy of Zambian humanism was going to permeate all efforts to fulfil peoples' needs such as food, shelter and clothing. If it fell short of these "benchmarks", in the words of Kaunda, they as Zambians "may as well discard it as worthless" (*Ibid*: 23).

Their dream was to achieve simultaneous development involving all sectors of the economy and ensure that economic activity spread to all corners of Zambia (urban and rural) – with people as vehicles and objects of development (*Ibid*:19 f.f.).

For this reason, government went out of its way to provide: universal free education from primary school to university, free medical services, food subsidies, good infrastructure, social services and other support systems, to enable Zambians to lead a better life (Kaunda 1988:2ff and 1989:1ff; Jones 1994:25-26; Kalyalya 1988:50). Jones observes: "… steady economic growth since independence in 1964 had funded an ambitious welfare state … This relative prosperity was, however, entirely dependent on income from the mining sector" (1994:25).

Their greatest challenge was to match theory with practice, rhetoric with practical commitment, and philosophy with reality, as the nation developed into boyhood (and girlhood) and eventual manhood (and womanhood).

3.4.3 **A re-organised economy: from private capital to state capital**

To ensure that "the humanist and socialist agenda" was successfully implemented, government had to re-organise the economy from private capital to state capital. In March, 1967, Kaunda presented to the press what he called a "socialist blueprint" for economic changes (Macpherson 1977:74). Details of these changes only came in the following year. The far-reaching economic reforms popularly known as the *Mulungushi Economic Reforms* were announced by President Kaunda in April, 1968 (Kaunda 1989:35ff; Macpherson 1977:74; Chisala 1994:102-103). These had very serious socio-economic implications for a young and developing nation. These economic reforms can be divided into three major parts namely: Zambianisation and the promotion of the Zambian private sector entrepreneurship; early industrialization and the nationalisation programme; and foreign-controlled enterprises in the context of nationalisation.

3.4.3.1 **Zambianisation and the promotion of the Zambian private sector entrepreneurship**

To Zambianise, in general terms, means to put Zambian citizens in positions of decision making and authority in business, government and in other domestic bodies and institutions[40]. In this context, Zambianisation was a programme which described the process of putting Zambians into what can be called positions of leadership on various levels. This programme was equally applied to economic activity in Zambia. It is true that for many years, economic activity was dominated by resident expatriate European and Asian business people (Kaunda 1989:38). Since independence, government called on these resident expatriate business people to Zambianise. Unfortunately, only a very small number responded by taking up Zambian citizenship (*Ibid*: 38).

Meanwhile, resident expatriate business was a beneficiary of government support through credit from banks and other financial bodies – a necessity for business expansion. Government saw unfairness on the part of resident expatriate business people in that, in spite of the 'economic boom' of the early post-independence era, the majority business houses neither cared to promote Zambians to positions of authority nor identified with the nation by becoming Zambian nationals (*Ibid*:38ff). To correct this, government intended to restrict business credit (loans) to Zambians: all banks and financial institutions were called upon to ascertain that those companies, partnerships and individuals who applied for business loans were truly Zambian by making sure that shareholders, partners and persons were green National Registration Card or Zambian passport carrying people[41] (*Ibid*: 39).

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[40] It can also mean to be a Zambian by taking up Zambian citizenship and be a leader at any level of human endeavour (Kaunda 1989:38).

[41] Expatriates should not be coerced to become citizens. If they do, it should be out of their own volition. The test case is the United States of America which allowed expatriates, not only in business, but in other fields, to contribute to the American dream – a good number became citizens of the United States out of their own free choice.

This was one of the firmest and drastic steps ever taken by the Kaunda regime. Firstly, it cut off the "lifeline" of resident expatriate businesses which depended on credit from financial houses; secondly, it threatened the continued existence of resident expatriate business which is very necessary for economic growth and development, because a certain percentage of "expatriate blending" through skills and certain specialties with the local people is needed in a developing country.

This kind of control was intended for the good of local people as Kaunda observes: "Time is now that we must take urgent and vigorous steps to put Zambian business firmly in the hands of the people (Zambian) themselves just as political power is in their hands" (*Ibid*: 39). It was meant to build up Zambian private sector entrepreneurship so that it could be at par with resident expatriate entrepreneurship[42].

Loan or overdraft applications by resident expatriate business people, were subjected to stringent measures:

> *If the application for a loan, or for an overdraft, comes from people who are not Zambian citizens, then it must be referred to the Exchange Control Authorities who will approve it or reject it using the same criteria as they use now in order to approve or reject applications for loans from foreign-controlled companies* (*Ibid*: 40).

The point was that whereas Zambians would go straight to financial houses, resident expatriates and foreign companies would pass through the Exchange Control Authorities, when it came to business credit.

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42 This created two problems: firstly, was the Zambian business community ready enough to take over the reigns of business and steer it to the next century?; secondly, didn't Zambia need experienced expatriate business people to contribute to growth and stabilisation of the economy for a little more time (not withstanding their excesses, failures and weaknesses)? These two problem-questions dogged the nation throughout its economic life. It is a well-known fact that Zambian business people of the pre-independence and early post-independence era could be described as "informal business people" who were involved in mainly informal trade and services such as transport, fish-mongering and beer hall business, mainly in townships (Kaunda 1989:39). Their contribution was peripheral to the emerging industrial economy. They had not yet reached business maturity – having come from a restrictive colonial era which was biased against Africans. It was necessary that resident expatriate business people stayed on, encouraged through the provision of credit, while Zambians were initiated into the 'hustle and bustle' of formal economic life.

Further, expatriate local borrowing was made dependent on the amount they brought into the country and their type of business (*Ibid*: 40). They were not allowed to borrow more than their initial investment. If they did so by the time of the reforms, the Minister responsible for Finance was duly instructed to give them a period of grace and ensure that they pay back the debts, from loans and overdrafts according to their size of business and monthly capacity (*Ibid*: 39-40)[43].

Having dealt with the question of loans in order to Zambianise the economic activity, the government turned to the question of "knocking out" expatriate competition in business by restricting geographical and business areas in favour of Zambians (*Ibid*: 41ff). All resident expatriate businesses were now restricted to centres of big towns, populary known as "first class" trading areas (*Ibid*: 41). This meant that Zambians were now free to develop businesses in townships and other areas.

As for trading and bar licences, they were to be restricted to Zambians:

> *Trading and bar licences from now on, must only be granted or renewed in all other areas of the country if the applications came from a company or co-operative whose members or shareholders are Zambians, a partnership whose partners are all Zambians or individual who is a Zambian* (*Ibid*: 41).

Granting or renewal of trading and bar licences for non-Zambians was strictly forbidden (*Ibid*: 41).

Expatriates were only allowed to operate their retail business in 10 towns, namely: Chingola, Mufulira, Kitwe, Luanshya, Ndola, Kabwe, Lusaka, Mazabuka, Choma and Livingstone (*Ibid*: 41). Other towns were prohibited. If they had businesses in "prohibited" areas,

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43 It was not unexpected, therefore, to see a lack of support for government on the part of resident expatriate business people. It certainly steered feelings of not being wanted, and the only alternative was to vacate or relocate to another country or one's own country, as it happened among certain farmers (*Ibid*: 152-225).

they were given two options: either to sell their businesses or apply to become Zambian citizens (*Ibid*: 42)[44].

To encourage further the emergence of the Zambian private sector entrepreneurship, government intended to lay down additional restrictive measures in favour of Zambians. These included restrictions in transportation and contracting (*Ibid*: 44 .f.f).

In transportation, it was the intention of government to ensure that road service licences were only given to companies or co-operatives or partnerships whose members or shareholders had at least 75% of Zambians (*Ibid*: 43). In addition, all expatriate transport business people were only to be allowed to operate in this field until such time when their licences expired, and when this happened, no renewal would be entertained (*Ibid*: 43-44). They were simply told "to sell their businesses to Zambian co-operatives" (*Ibid*:44).

In contracting, it was emphasised:

> *From now on, I must direct my Minister of Lands and Mines not to give a building mineral permit to anybody except to a co-operative or company whose members or shareholders are Zambians, or to a partnership whose partners are Zambians or to Zambian individuals* (*Ibid*: 44).

The intention was to ensure that all businesses for the excavation and transportation of sand, soil and stone, all quarries and brickfields, were owned and operated by Zambians (*Ibid*: 44). Expatriates in this field were permitted to run their businesses until expiry dates of their permits (*Ibid*: 44). If they did not become Zambians by the end of their permits, they were simply told to "sell them (their enterprises) to Zambians" (*Ibid*: 44).

As for sub-contracting, the mining industry as a major industry, was instructed to "look into the question of how they are to Zambianise their sub-contractors" (*Ibid*:45). To set an ex-

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44 This was quite harsh on the part of government, for example: pain might have been experienced in the event that one was asked to sell one's business and relocate after getting to know local people and "falling in love" with the locality. It is clear that the biblical principle of sensitivity to strangers was not upheld – see, for example, Exodus, chapter 22 verse 21.

ample to all large companies, including the mining companies, whose sub-contracting activities were dominated by resident expatriates, government decided that, through its Public Works Department, it would be awarding contracts which were worth less than K100,000 to Zambians only (*Ibid*: 45).

It was government's view that those measures would "create very favourable conditions for the People's business to develop" (*Ibid*: 45). The government, through the president, stressed strong business values which should be cherished and enhanced:

> *If it (Zambian Private Sector Entrepreneurship) takes any unfair advantage of the privileged position in which we are putting it; if I see that the prices in Zambia retail shops are higher than those in the expatriate shops; if I hear that Zambian workers are not paid proper wages, if they are not provided with housing; if the contributions to the National Provident Fund and Workman's Compensation Board are not paid regularly; if I hear that the Zambian businessmen are in any way dishonest with our Tax Department, then the Zambian businessmen will be dealt with very firmly whether they are co-operatives, companies, partnerships or individuals* (*Ibid*: 45).

The government wanted to see the emergency of a honest, disciplined, fair, sincere and hardworking Zambian business community, which would eventually contribute to the growth of the Zambian economy.

Also, government did not want the emerging Zambian business community to fall into the trap of the exploitation of fellow human beings, nor get rich at the expense of others. Kaunda observes:

> *… I do not want them to get rich at the expense of the rest of the nation. Exploitation, whether it is done by people of one race against their own kith and kin, is wrong. We will not glorify it here in Zambia by allowing it a place. We are fiercely determined to fight it wherever it shows its ugly head (Ibid: 46).*

While government appreciated the expansion and prospering of Zambian business, they did not want to see the emergence of Zambian capitalism: "… for goodness sake, I do not propose to create Zambian capitalism here. This is incompatible with my conception of humanism" (*Ibid*: 46)[45]. For this reason, government was willing to set limits to private economic expansion:

> *When the time comes, I shall see that responsible ministers set the limits of the Zambian enterprise that can remain a purely private enterprise. These limits will be based on the amount of capital employed, on turnover and on the number of employees. When an enterprise grows beyond these limits, then it must become a public company. When it grows even further, it will be taken over by the State. We do not propose to make of Zambians business barons now or in future. Everybody's contribution must ultimately be for the benefit of MAN through the state (Ibid: 46)*[46].

Even though the government claimed that they did not want to discourage the spirit of private business (*Ibid*: 47), their clearly stated intentions cast "a shadow of insecurity and fear" on the part of those who wanted to grow into powerful business people[47].

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45 Kaunda's counter proposal to capitalism was going to be extremely difficult to implement by the Zambian private sector business. The problem is that private sector business is one of the main pillars of orthodox capitalism which promotes, *inter alia,* private profit and self-interested acquisitiveness at the expense of communal gain: How did the government intend to transform the Zambian private sector business into something which was not capitalist in orientation? This was a question without easy answers. The truth is that private sector business belongs to the notion of free enterprise – an important principle of Western capitalism.

46 These are some of the Zambian companies which fell victim to state take-over after the Mulungushi reforms: K M Katai, Ntingila Fisheries, P C Sichivula and E C Milling (Zambia Privatisation Agency S*tatus Report* 1999).

47 Probably, the difficult question which should have been addressed was: To what extent could private business people bring benefit to citizens through the principle of fairness and justice? In Jesus' day, especially when one looks at his ethics, he did not condemn rich people *per se,* for example, the rich young ruler (Luke chapter 18, verses 30-78). He was more concerned with a *person's attitude* to wealth, fellow human beings and God. Exegetically, the rich young ruler was condemned for putting *first* his money and possessions (*chremata* – Greek) rather than his God and for caring less for others, especially the poor. To be wealthy (in modern use, to be a prosperous capitalist) is not an issue. What is an issue is a wealthy person's attitude to other persons, especially the vulnerable, and ecologically and theologically, to the entire environment and to God. This world can be a better place if the rich and powerful, including developed industrial nations like the Untied States of America, Germany, Japan, Canada, Great Britain and Australia, transnationals like MacDonald's, IBM and General Motors, and influential financial houses like IMF and the World Bank, can begin to put poverty reduction as a priority item on their agendas, to treat the entire environment with respect and a sanctimonious attitude, and to a large degree, to take cognisant of the fact that, in this complex universe, there exists an unfathomable and most powerful supreme being, whatever this being is called in various regions, who remains part and parcel of the cosmic economy and yet is above all else and every-

It is crystal clear that these measures, though meant to stimulate and promote the Zambian Private Sector Entrepreneurship, were highly commandist, prescriptive and restrictive. They were announced with the hope that one day something positive within Zambian business might break out. Zambia was yet to see the birth of Zambian private sector entrepreneurship which could contribute to sustained economic growth and development, especially in the early post-independence period.

3.4.3.2 **Early industrialisation and the nationalisation programme**

Early industrialisation provided the context and background within which nationalisation could be implemented in order to sustain "the humanist and socialist agenda". It is generally argued that a humanist government was not going to implement socialist economic programmes without the industrialisation anchorage, let alone a nationalised economy. The two, early industrialisation and nationalisation, went side by side to assist a humanist government in reaching its objectives.

Early industrialisation was the attempt of government to diversify by creating new industries which would take over from the copper mining industry which was considered both exhaustible and unstable (the ores would finish and prices would change one day). Soon after independence, government set up a parent controlling parastatal organisation, INDECO (Industrial Development Corporation), to look into this matter (Macpherson 1977:72; Kaunda 1989:52).

Government investment was largely concentrated on what were called "import-substituting industries" whereby Zambia encouraged the birth of local industries which would utilise local raw materials and labour, in order to have affordable local manufactures rather than expensive imported ones (Kaunda 1989:72ff). Some of them attracted foreign investment for a while, bringing about business partnerships between the state and foreign companies (Kalyalya 1988:50). By creating "import-substituting industries", the Kaunda regime in-

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thing we can ever imagine, and holds the best plans and purposes for humanity – see also the story of the Rich man and Lazarus (Luke chapter 16 verses 19ff) and Bwalya (1998).

tended to reduce the dependence of Zambia's economy on the rebellious and illegal regime of Ian Smith and consequently cut off trade[48] (Jones 1994:25; Kalyalya *et al*. 1988:50). The result was the creation of a protected domestic market, heavily supported by the state through subsidies (Kalyalya *et al*. 1988:50).

The formative years of state enterprise were not easy as Kaunda admits: "So far, we have tried to promote State Enterprise the hard way" (1989:47). To do this, government had to establish criteria which would warrant state control of and investment in business. These criteria included, *inter alia: strategic necessity to the economy,* for example, Tazama pipelines; *risk-factor considerations*, whereby, risks in business became "too great to provide capital" and hence need for government investment in such projects; *huge capital requirement*, whereby "too much capital was needed and private enterprise was unable or unwilling to provide it"; *national interest*, whereby "the returns appeared too low for private enterprise, but the project was, nevertheless, necessary in the national interest" (*Ibid*: 47).

By the time of the announcement of economic reforms in April, 1968, INDECO[49] was controlling and participating in a wide spectrum business portfolio of an initial twenty companies, namely: Country Hotels limited; Indeco Milling limited; Kabwe Industrial Fabrics limited; Kafue Estate limited; Mukonchi Tobacco limited; Nitrogen Chemicals of Zambia limited; Rucom Industries limited; Tazama Pipelines Limited, Zambia Clay Industries Limited; Zambian Hotels Properties Limited; Zambia National Wholesale Corporation Limited; Zambia Steel and Building Supplies Limited; Chilanga Cement Limited; Duncan, Gilbey and Matheson (Zambia) limited, Dunlop (Zambia) Limited, Kafironda Limited; Kafue Textiles of Zambia Limited; Zambia-Tanzania Road Services Limited; Zambia Sugar Company Limited; and Lakes Fisheries of Zambia Limited (*Ibid*: 54-55). Some of these were new partnerships, for example Dunlop (Zambia) Limited (with twenty three per cent government shareholding, fifty five per cent UK-based Dunlop Company shareholding, fourteen per cent others) and Nitrogen Chemicals of Zambia in Kafue (with ninety per cent state shareholding

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48 Trade between Zambia and Rhodesia continued until Smith decided to close the border with Zambia in 1973 (Macpherson 1977:75).

49 Later re-organisation of parastatal companies made INDECO to fall under ZIMCO (the Zambia Industrial and Mining Corporation) an umbrella parastatal organisation, created by government in 1970, to administer government interests in mining, industrial, commercial transport and energy, communi-

and ten percent Kobe Steel Limited shareholding) (*Ibid*. 72 f.f.). These were huge and costly projects which brought a lot of pride to the nation.

As state business moved on, the government felt that its efforts of business fairness and of Zambianising economic activity were being frustrated by resident expatriate business people who were accused, yet again, of double standards:

> *All along we were painfully aware that while we were entering into all the most difficult fields, resident expatriate business was taking advantage of the economic boom and making excessive profits. We tried to admonish them, even pleaded with them, but the major faults of these businesses are still not corrected. They operate price rings with similar companies and create a false monopoly position because of buoyant demand and the difficult supply position. They do not make enough efforts to move away from unacceptable sources of supply and outdated management philosophies. They still maintain personnel and training policies which are not in accord with the Nation's present needs. They are failing to re-invest a sufficient portion of their profits for general expansion and development. We cannot remain passive observers to these practices. We have to safeguard the national economy and prevent unfair exploitation of the present boom conditions* (*Ibid*: 47-48).

The government saw economic reforms as a corrective to the so-called double-standards of resident expatriate business people[50]. Government's dissatisfaction with the performance of resident expatriate business and its desire to have "a controlling stake" in the national economy provided the background for *the politics of nationalisation.*

The nationalisation programme was government's way of bringing the bulk of business under state control and thus make a transition from private capital to state capital. Private capitalism, that is, a system of private capital formation and accumulation, was abhorred by the Zambian philosophy of humanism (*Ibid*:35). According to Kaunda, capitalism, in its

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cations, hotels and land, financial and agrarian enterprises (Chisala 1994:103; *The Europa World Year Book* (1992) Vol.II 1992: 3247)

50 It would be interesting to see to what extent government gave them a chance to exculpate themselves.

global and local manifestations, was bent on "exploitation of man by man" (*Ibid*: 35)[51]. Nationalisation, according to the wisdom of government, was going to firmly safeguard the national economy and counteract exploitation.

Nationalisation of resident expatriate businesses was usually done on "51% state and 49% private" equity basis in order to give the state a majority vote and increased control. Initially, government targeted five main areas of economic activity, namely: Construction Industry; Brewing Industry; Transport Industry; Retail Trade; and Wholesale Trade (*Ibid*: 48ff).

In the field of construction, government intended to, firstly, nationalise Anros Industries Limited, Monarch (Zambia) Limited, Crittal-Hope (Zambia) Limited, who were dominant in window and door frame manufacturing. Secondly, government intended to nationalise Anglo-African Glass Company Limited, P C Timbers, Baldwins Limited, Steel Supplies of Zambia Limited, Zambtimba Limited, May and Hassel (Zambia) Limited, and Johnson and Fletcher, who were leaders as building material merchants. Thirdly, it intended to take over three Lusaka-based quarries which supplied crushed stone, namely: Nicholas Quarries, Geery's Quarries and Greystone Quarry. By taking this action, government felt that the price of metal windows, building materials and crushed stone would be lower for the benefit of the citizens (*Ibid*: 48-49).

In the field of brewing, the government intended to take over Northern Breweries Limited and its Lusaka subsidiary, Heinrich's Syndicate Limited who were accused of "making excessive profits despite excessive expenditure on sales promotion" (*Ibid*: 49). Government felt that they were using these profits improperly and hence the need to re-direct them: "Their large profits will then be made partly for the nation, which will put them to proper use" (*Ibid*: 49).

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51 The exploitative nature of capitalism is well developed in his book: *State of the nation: Politics and Government* Vol.1 (Lusaka: Kenneth Kaunda Foundation 1988). Kaunda appeared to advance the view that *there is nothing good in capitalism* which, according to him, was exploitative. What he forgot was that there was something good in the capitalist system – however, exploitative tendencies within it needed to be corrected – c.f. Atherton (1992), Preston (1992) and J Philip Wogaman (1986).

In the field of transport, the government intended to nationalise the two major transport organisations, namely: Central African Road Services Limited and Smith and Youngson Limited who were leaders in passenger and freight transport. After take-over, it was government's intention to confine Central African Road Services to passenger transport and Smith and Youngson Limited to freight business (*Ibid*: 49-50).

As for retail and wholesale distribution, the government intended to nationalise the following companies: CBC stores and shops, OK Bazaars, Standard Trading, Solanki Brothers Limited, and Mwaiseni Stores Limited (*Ibid*: 50-55).

Other companies lined up for nationalisation included: Zambezi Sawmills Limited, Mining Timber Limited, Irvin Johnson Limited (connected to the hotel industry), and Zambia Newspapers limited which owned two papers, namely a daily and a Sunday newspaper (*Ibid*: 50-55).

All these companies intended for nationalisation were going to fall under INDECO. It was incumbent upon INDECO to put in place a re-organisation programme so that they could begin to adapt to the changing business environment (*Ibid*: 55).

On compensation, government's stand was very clear: "It must be clear that everybody is going to get fair compensation" (*Ibid*: 52). INDECO was charged with the task of negotiating values and terms of payment (*Ibid*: 55). This stand cleared government of any accusations of broad day light robbery.

But then, other questions were not clear: Was nationalisation in the best interest of the nation? In which ways did it stifle expatriate business and investor confidence? Did parastatals function as well as expected? These questions could not be answered at the time – for government had the vision, the resolve and the determination to ensure that nationalised companies, now parastatals, contributed to the growth of industry and the economy. Thirty five years after Zambia's independence, these questions have become a challenge to Zambia's re-shaping and re-focussing of her economic direction.

3.4.3.3 **Foreign-controlled enterprises in the context of nationalisation**

The Kaunda regime tried to make a distinction between resident expatriate businesses and foreign-controlled enterprises by geographic considerations: resident expatriate business was one whose base and control was within Zambia; whereas a foreign-controlled business is one which was usually controlled from outside Zambia (Kaunda:38 ff). As shall be seen later, lines of distinction were extremely unclear.

Inevitably, the so-called foreign-controlled businesses were affected indirectly by Mulungushi reforms. Government felt that in spite of nationalisation, foreign companies were very much welcome to do business in Zambia (*Ibid*: 556-59). Government said: "The economic reforms outlined today are not aimed at foreign investors" (*Ibid*: 56). Its intentions, by announcing economic reforms, were clearly spelt out:

> *They are designed to implement, in the business world, the philosophy of Humanism. First, they give the Zambian people a chance to make their way against resident expatriates who have refused to become Zambians. Second, they give the state control of the activities of certain types of large-scale business and share in their rewards* (*Ibid*: 56).

Critically speaking, what government failed to understand was that resident expatriate business people, who were mostly European and Asian, in many respects shared business and background characteristics with business people in foreign-controlled companies. Any action against resident expatriates would naturally be perceived as acts of "indirect harassment" of business people within foreign-controlled companies, most of whom came from the West, for example, business executives in two major copper mining companies controlled by Roan Selection Trust and the Anglo-American Corporation (*Ibid*:133 f.f.). Government action cast, yet again, "a shadow of insecurity and fear" on already established and prospective foreign-controlled companies. It raised a number of questions: Were they going to be nationalised at some forseable future when their business fortunes expanded? Were they going to be controlled by government to stifle perceived economic expansion in both the domestic and global economies? These and other questions were cardinal to the growth of industry.

Even if government tried to issue certificates to encourage and protect foreign-controlled businesses, the possibility of being nationalised was there (*Ibid*: 56). In fact, as we shall see later, soon after the Mulungushi reforms, some of these foreign-controlled businesses became victims of nationalisation.

Nationalisation, therefore, altered the face of foreign-controlled businesses and re-shaped their future role in the economic activities of the land to the barest minimum. It was government, and government alone, which was going to dictate the dynamics of the economy soon after the Mulungushi reforms and beyond.

3.4.3.4 **The post-mulungushi business scenario**

After the Mulungushi Economic Reforms, the business scenario in Zambia significantly changed. Business was now in the hands of the state and it hoped that this scenario would work for all Zambians as Kaunda observed:

> *State control is completely meaningless without the basic understanding that this is designed to help hasten the day when each and every Zambian has plenty to eat, decent clothes to wear and a decent shelter to live in. If we understand the depth of this matter, every Zambian must decide what he is to play in realising this goal* (*Ibid*: 58)[52].

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52 The *telos* of economic development is the improvement in the standard and quality of life of human beings and their surroundings. To use Michael Todaro's words, it is to move to something that is materially and spiritually better (1997:1-10). The main problem lies in the means which are employed to attain this. Kaunda's government felt that the state control mechanism and concerted action of the Zambian citizenry, stimulated by the ideals of humanism, would bring about prosperity and economic development. One of the reasons which led Kaunda's government to be voted out of power was non-delivery of its economic programmes (Chisala 1994:339ff). The questions are: Was the state control mechanism the best option or model? Could the economy have performed better if it was based on a liberal, flexible and progressive partnership between the public sector (represented mainly by parastatals) and the private sector (represented mainly by private Zambian business people, private resident expatriate business people and private foreign-controlled companies)? These are some of the questions which should not to be buried, but be addressed by the main architects of Zambia's political economy.

By October, 1968, the Mulungushi reforms were in full gear: "We acted and we are carrying them (economic reforms) with a firm determination to succeed" (*Ibid*: 59). However, these reforms were met by criticism[53] from certain quarters as Kaunda observes:

> *I still find it most surprising, in spite of the experience we have had of this in other fields, that even the most ardent supporters of Zambian political independence express alarm and despondency at measures we have taken ourselves fully independent in the economic sphere* (*Ibid*: 60).

In November, 1970, further economic reforms were announced by government ((bid: 65-71). These were seen as additions to the Mulungushi reforms. They mainly defined additional restrictions on resident expatriate business, affecting nationalisation and revocation of trading licences. Additional restrictions on resident expatriate business affected trading and wholesale business, transport and construction. Other nationalisation measures affected additional large-scale business entities which were potentially profitable and which would consequently help government reach its aims.

In trading, government intended to "liquidate"" completely expatriate participation: "From the first day of January 1972, therefore, no expatriate, under any circumstances, will be allowed to obtain a retail trading licence. All retail trading throughout Zambia will be done by Zambians: Co-operatives, State companies, Zambian public and private companies" (*Ibid*:66). Similar actions were to affect wholesale trading: "From the same date, wholesale trading will also be confined to Zambian business and State companies" (*Ibid:* 66). Trade in goods was also to be restricted to Zambians and Zambian companies:

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53 It was not surprising that Kaunda's government was criticised by the industrial capitalist West for taking, in their wisdom, what could be considered "retrogressive measures". The West saw these measures as denigrating free enterprise economics which was responsible for development of much of Western countries. As for Kaunda's government, they acted out of sheer simplicity, naivity and honesty, intending to transform the sixty-year old colonial capitalist system in Zambia, which tried to exclude Zambians, into a humanist system where everybody would be welcome. This was a stupendous attempt whose main difficulty, retrospectively speaking, was located in its implementation over the years. It simply lacked a productive self-sustaining economic and industrial base.

> *Again, as from the first day of January 1972, they should be excluded and confined to Zambians or state companies. No expatriate will be allowed to trade in any of the following ten categories of goods: (a) Builder's hardware; tools; (b) Ammunition, arms; (c) Bakery products; (d) Furniture and household fittings; (e) Curios and antiques; (f) Meat, fish and fish products; (g) Carpets and linoleum; (h) Agricultural supplies and fertilisers; (i) Jewelry and watches; and (j) Coal and Coke* (*Ibid*: 66).

The expatriate business community was asked to expedite the process of receiving any outstanding orders and of disposing off their goods and stores within the grace period of 12 to 14 months (*Ibid*:67).

In the field of transport, expatriate business people were to be "liquidated" as well: "The time has now come to direct that as from the first day of January, 1972, only State companies and entirely Zambian controlled companies can operate transport services" (*Ibid*: 67). In addition, it intended to completely nationalise the United Bus Company of Zambia (the successor to Central African Road Services) by asking INDECO to take over one hundred per cent control mainly due to political reasons: the other shareholders who held 49% shares were involved in the Cabora Bassa project under the auspices of the Portuguese colonisers in Mozambique, the perceived enemies of Kaunda's government (*Ibid*: 69).

In the field of brickmaking and stone-crushing, expatriate involvement was to be knocked out as well:

> *… as from the first day of January, 1972, no expatriate will be allowed to operate. In this field …, there may be expatriates who will still be having valid licences at that time. I want my Minister(s) responsible for these licences to ensure that legislation is enacted in time to cancel … any building mineral permits held by expatriates, if they are valid after the first day of January, 1972 (Ibid*: 68).

In the field of contracting, mining companies were directed to "stop using expatriate subcontractors in transport and building as from the first day of January, 1972, for all works and contracts below one hundred thousand Kwacha" (*Ibid*: 68).

Government hoped that expatriate people would move "from distribution to production and/or from commerce to industry and agriculture" (*Ibid*: 68)[54]. Once again, the commandist, prescriptive, restrictive and exclusivist hand of government was demonstrated.

As for additional nationalisation, government intended to nationalise the following major companies on "51% State and 49% private" equity basis: Lever Brothers Limited, Refined Oil Products, National Milling Company limited, Supa Bakeries Limited, and Duncan Gilbey and Matheson (Zambia) Limited (bottlers of spirits). Some of them were foreign-controlled companies like Lever Brothers Limited, and Duncan Gilbey and Matheson (Zambia) Limited. Nationalisation was now threatening the very existence of foreign-controlled companies.

The following companies had their trading licences revoked: Avida Trading Company Limited, Monis Wineries Limited, Coombe and Dewar Limited, Wholesale Radio Supplies Limited, Everglo Electric Limited, Harrison and Hughson Limited, Central African Bag Company Limited, Miller and Nixley Limited, Sagers Motors Limited and Truck and Car Spares Limited (*Ibid*: 70)[55]. These were Ndola-based, Lusaka-based and Kitwe-based wholesalers and motor dealers (*Ibid*: 70). In addition, a firm of shippers and confirming agents, and a mining enterprise, called J Gerber and Company Limited and Mika Limited (the only emerald mine in Zambia by 1970), respectively, were ordered to close down (*Ibid:* 70-71). In all these cases, no specific reasons were given, except for the reason they did this in the name of "national interest" (*Ibid*: 70-71). Government action was the main reason that resident expatriate companies no longer felt safe. It was left up to the state to decide which of the companies of resident expatriates would be part of the emerging political economy of Zambia. These revocations spelt out the "thinning down"

54 The question is: Didn't they have the right to participate in distribution and commerce? The standard practice all over the world, especially the democratic world, is that with legal business documents, any person, irrespective of origin, can participate in these sectors.

of expatriate contribution to the national economy.

By 1970, Zambia was "a parastatal economy" with the state commanding 80 percent of companies in the total domestic economy (Mwanza in Tyrok 1989). The emerging business scenario was clear, but the effects, in terms of reaching intended goals of Zambia's economic growth and development were yet to be seen. There was no point of return: Zambia had now decided to have a nationalised economy, at least for years to come. Zambian private sector business, resident expatriate business and foreign-controlled business were now going to be in tune with state control of business regulation, direction and implementation. To use Chisala's words, placing the economy under the rule of the state, simply meant "putting the physical life of Zambia at the mercy of the state" (1994:103). The material progress, social advancement, and well-being of Zambians depended on how successful the government implemented "a parastatal economy". The people of Zambia were either going to "sink" or "swim" with and under the auspices of "a parastatal economy".

3.4.4 The mining industry, agricultural development, and the diversification programme

From independence, the mining industry was the mainstay of the country's economy. It was clear to government that the mining industry was not going to be buoyant forever due to the exhaustibility of copper ores and possible copper price fluctuations on the market.

Even though it tried to create new industries, as a way to diversify, real diversification was going to come through the development of agriculture as a primary industry. And consequently, it was only in this way that secondary industries such as cloth and textile manufacturing, and tertiary industries such as retail and wholesale trade would contribute to sustained growth and development of a diversified economy. The simple economical formula was clear and straightforward: primary industries (especially agricultural) plus secondary industries (especially agro-based) plus tertiary industries (distribution of economic goods such as tinned fruits and vegetables) equal agriculture-led diversified economy for both the

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[55] Again a similar question could be asked: Were they given a chance to exculpate themselves to ensure fairness or were they given a second chance?

domestic and global economies, leading to mass consumption, prosperous local business and increase in foreign reserves. As we shall see later, it is the implementation of this formula which proved to be one of the most difficult parts of Zambia's economic journey. This is in spite of the well known age-old song about Zambia's potentiality: *Zambia is endowed with good vegetation, good rivers and lakes, good soils, rich mineral deposits, good weather patterns and an abundance of other natural resources*.

Zambia had from 1964 inherited a one-sided economic base partly because of the colonial legacy of the British who were more interested in the exploitation of the mining industry, especially that of copper (c.f. Gorringe 1994). Chisupa observes: "When Zambia attained political independence in 1964, it inherited a booming mineral economy that was mainly dominated by copper and zinc exports. The mining industry formed the backbone of the economy with 95 percent of foreign exchange earnings from this sector" (1999:17). Because of this the institutions, the infrastructure and social services were imbalanced between rural and urban areas. Colonial development was centred around Copperbelt towns and Lusaka. This led to neglect of other areas of development. When the independence government came, it was determined to use the benefits from the mining industry in order, firstly, to spread development to all corners of Zambia; secondly, to lay down the necessary institutional and infrastructural base which was necessary for a diversified economy; thirdly, to support and subsidize basic social services; and fourthly, to create and prop up new industries and to develop the country's agriculture as a vehicle for diversification.

By 1968, through earnings from mining as well as its inherited foreign reserves, government had scored a number of development successes which, *inter alia*, included (Chisala 1994:97ff; Kaunda 1989 : 140 f.f. and 1988:20; Macpherson 1977:72 f.f.):

- better medical facilities (almost in every part of Zambia)
- free primary education (in every part of Zambia)
- numerous secondary schools (almost in every district of Zambia)
- more colleges and institutions for specialised training

- a full-fledged, independent and flourishing University of Zambia with well-established schools, namely: Humanities and Social Sciences, Natural Sciences, Education, Law, Medicine, Engineering and Agriculture (Mining was developed later)
- a new international airport (Lusaka International Airport)
- a national airline (Zambia Airways)
- a national railway system with diesel locomotives (Zambia Railways)
- a pipeline (Tazama pipelines) which was nearing completion
- new state industries under INDECO
- electrification of almost every corner of Zambia with the establishment of Kafue hydro-electricity project
- and the road network linking all the provincial headquarters.

These developments, supported by the success of the mining industry, instilled confidence on the part of the leadership and sanguine hope on the part of the Zambians. Zambia was being steered in the right direction, at least on face value – the first national development plan was bearing "development fruits".

Many Zambians – past, present, and future – agree that this period was the most important period in Zambia's economic revolution: firstly, it laid down a firm foundation for human and institutional capacity building which is a prerequisite for the emergence of a scientific, technical, artistic, skillful, knowledgable and stimulated public which is able to take on the "horns" of a modern economy and steer it to growth and development; secondly, it laid down a solid foundation for the country's infrastructure which is necessary for enhancing distributive, communicative, circulative and mechanical aspects for a modern economy.

This is a period of nostalgia, a period of great achievement, and a period of progress: from backwardness to civilisation, from darkness to enlightenment, from colonial neglect to pragmatic care. For this reason, Dr Kenneth David Kaunda, the first president of the Republic of Zambia, in spite of all his subsequent failures and excesses, will go down in the annals of Zambia's history not only as a freedom fighter who won Zambia's independence, but as a national strategist, patriot, and pragmatist, who was very interested in the development of his people[56].

When the government announced the Mulungushi reforms in April of 1968, the mining companies were not immediately nationalised. However, government's stand on mines then was clearly and categorically stated: " … the Government intends to take on the mining companies" (Kaunda 1989:57). Their nationalisation was only announced in August, 1969 (Macpherson 1977:72ff and Kaunda 1989:144). The two major mining companies which were nationalised on "51% state and 49% private" equity basis were: Roan Consolidated Mines (owned by Roan Selection Trust (RST) and Nchanga Consolidated Copper Mines (owned by Anglo-American Corporation) [Kaunda 1989:89 and 144; *Structural Adjustment Programme (SAP) in Zambia: Policy Framework, Basic Facts and Realities* 1994: passim].

This meant that the government was fully involved in the future development of the copper mining industry as the mainstay of the country's economy. Coal from Maamba Collieries[57], a company formed in 1967 and placed under management contract of the French National Coal Board and later in 1969 given to the National Coal Board of Zambia (Kaunda 1989: 148-151), was not used for export purposes in the initial stage. It was mainly used to keep the "industrial wheel" of industry moving, especially that of mining.

Government calls for diversification were made early before the state nationalised the mines. Even though the Kaunda regime created new "import-substituting industries"

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56 Most of the current government officials, including the second and incumbent president of the Republic of Zambia, Mr Frederick Jacob Titus Chiluba, are beneficiaries and products of the Kaunda regime's early post-independence period of high and distinguished achievements.

57 Maamba Collieries was formed as a result of difficulties in obtaining coal from Wankie Coal Mines in Southern Rhodesia (Zimbabwe). Problems started when Ian Smith illegally and rebelliously declared the Unilateral Declaration of Independence in 1965.

which came to fall under INDECO and in which it participated with other partners, real diversification was to come with agriculture as a basis for national development. The diversification programme, therefore, was government's way of making the nation not to over depend on the mining industry and of developing agriculture so that it can generate sufficient foreign reserves for the sustainable economic development of the nation.

In his address to the Royal Agricultural Show in Lusaka on 1 August, 1964, Kaunda, in his capacity as Prime Minister, presented clearly "the diversification agenda" to the nation:

> *Although the copper industry does much for us, it is important that we should all realise the necessity to develop the agricultural industry as the keystone of our economy. We are fortunate that there is abundance of good land and labour and if one factor, capital, can be added in sufficient proportion, the fruits of the agricultural industry and of the secondary industries that will be generated will provide a tremendously increased and stable contribution to the national income* (1989: 152)[58].

To realise this intention, the government decided to put in place agricultural infrastructure, credit, subsidies and other support facilities. They wanted to see a rapid expansion of both commercial agriculture and peasant farming.

A number of achievements were recorded in the early post-independence period (*Ibid*: 154ff). By 1966, *inter alia*, in the field of agriculture, the country had the following:

- its first Tobacco Auction Floor for the marketing of Virginia flue-cured tobacco and other brands
- regional planning and research units geared towards agricultural expansion
- a well outlined extension services department running courses at farm institutes and farmer training centres throughout the country

58 If only the nation had actualised these intentions into large-scale, mechanical, intensive, extensive and high foreign exchange earning agriculture, the nation would not be as poor as it is today. Instead the nation choose to begin slowly on a small-scale, especially beginning with the mobilisation of a large,

- credit facilities which had given credit to farmers totaling about 1 million British Sterling for agricultural expansion
- state ranches operating at Mkushi, Chisamba, Monze and Abercorn (Mbala) for the development of beef industry and dairy farming
- a full-fledged veterinary service department supported by newly constructed cattle-handling centres
- a well established Tsetse Control Service Department
- an efficient marketing system through its marketing boards namely: Cold Storage Board (for the marketing of milk and milk products), Grain Marketing Board (for the marketing of grain),Lint Marketing Board (for the marketing of cotton), Dairy Produce Board (for the marketing of milk and milk products), and the Agricultural Rural marketing Board (for the marketing of agricultural produce for rural farmers), which by that year had handled between them "fifty thousand head of cattle, two point eight million bags of maize, five million pounds (British) of cotton, … three thousand gallons of milk …" and "four million pounds (British) worth of produce from rural farmers", respectively (*Ibid*: 162).

These achievements, though in the eyes of the international community, were small-scale, were no mean achievements for a young nation. The nation was on a slow, but steady path towards the diversification of the economy: from copper mining to agricultural development.

None-the-less, the path to diversification was not an easy one. The picture was variegated: there were still "unsatisfactory aspects" in agricultural development, in spite of the initial 450,000 plus farm units scattered in rural areas and a number of commercial farms, mostly along the line of rail (*Ibid*: 163 f.f.). For example, in 1966, the country had to import K2 million worth of vegetable oil – a drain on foreign reserves (*Ibid*: 166). And yet the soils of the land, especially in Eastern province, were very suitable for groundnuts production (one of the necessities in vegetable oil production). The other example is rice. In 1966, the country had to import K440,000 worth of 40,000 bags of rice for domestic consumption

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but insignificant group of peasant farmers country-wide while propping up a small, but significant group of commercial farmers.

(*Ibid*: 167). And yet the country had good soils for this, especially in the Zambezi plains of Western province, to necessitate large-scale production for both the domestic and global markets. Also, it was annoying that Zambia had by 1966 spent K1.1 million on the importation of vegetables of varied types (*Ibid*: 167), which could easily have been produced and accessed locally.

Zambia was far from becoming self-sufficient in almost all the farm produce and products for the domestic economy by 1968. This is in spite of government support in terms of credit, institutional and human capacity building, subsidies, infra-structure and co-operatives (*Ibid*: 152 f.f.).

In spite of inherent and apparent failures in the agricultural system, “slightly notable” progress was recorded in poultry farming and maize production between 1969 and 1973.

In poultry, under the Rural Poultry Development Scheme, “71 farmers with 8,500 laying birds in 1966” had “become 332 farmers with 50,000 birds producing 9 million eggs in 1969” (*Ibid*: 171). By 1967, 2,2 million day-old chicks were hatched and 2,1 million live and dressed chickens were sold (Ibid: 181). Imports of day-old chicks ended on the 1st October 1967 (*Ibid*: 181). There was no importation of eggs[59] from the 3rd August 1968 (*Ibid*: 181). Of the 4½ million chicks produced in 1969, about half were exported to East and Central Africa (*Ibid*: 205).

In maize production, the country reached self-sufficiency in 1967 and was able in that year to export “one million bags to China and three-quarters of a million bags to Congo” (*Ibid*: 182)[60].

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59 Though this could be seen as good progress, it could not fulfil completely Kaunda’s independence dream of an egg (and a pint of milk) a day for each Zambian (*Ibid*: 165, 181, 204). For example, going by 1969 statistics, Zambia’s population was about four million *(Central Statistical Office* 1999:4) and it produced in that year 9 million eggs (Kaunda 1989:181). 9 Million eggs would have taken 2 days for 4 million Zambians. To have an egg a day, for each Zambian, Zambia needed to have produced 1,460,000,000 million eggs (that is, 365 days x 1 egg x 4 million Zambians), to satisfy its population in 1969. With these statistics, Zambia had not yet reached even a quarter of what was required nationally.

60 Maize is the country’s stable food. This was probably the most important agricultural achievement of the Kaunda government in reaching a diversified economy. If only this was developed a little further, Zambia would have been “the grain basket” of Africa.

As for other areas, government was still scheming out how to increase production, for example in dairy milk and beef production through dairy, cattle and beef schemes, in tobacco production, in groundnuts production and cotton production (*Ibid*:172ff).

In spite of a slow start in agricultural development and subsequent agricultural productivity, government continued to take a keen interest in the agricultural industry in order to diversify the economy. Tangible results could be seen between 1968 and 1970 (*Ibid*: 72-99, 152-225):

- To expedite credit, the Credit Organisation of Zambia was now transformed into the Agriculture Finance Company.
- As an incentive to tobacco marketing, government facilitated the opening of the Tobacco Packing Plant in Lusaka.
- To boost fruit production, the Mununshi Banana Scheme was launched in Luapula province.
- To promote sugar cane production, the Nakambala Sugar Estate was launched in Mazabuka district.
- To boost tea production, Kawambwa Tea Company was launched in Kwambwa district.
- To facilitate affordable nitrogen fertilizers for farmers in order to increase agricultural productivity, Nitrogen Chemicals of Zambia was set up in Kafue (its incorporation was done in 1967 and its official opening in 1970).
- To boost the fruit and vegetable industry, the Mwinilunga Cannery was opened in Mwinilunga district.
- To boost the cotton industry, Kafue Textiles of Zambia was set up in Kafue district.
- To streamline marketing of agricultural produce and products, and provision of agricultural requirements, the Grain Marketing Board and the Agricultural Rural Marketing Board merged in September, 1969, to form the National Agricultural Marketing Board (NAMBOARD).

In spite of all these developments, agriculture contributed a meagre 11% of GDP in 1970 (Chisupa 1999:18).

By 1970, leading to 1976, agricultural performance was very poor. Kaunda observed: "Although opportunities to the majority of our farmers are as good as they could be, the performance of our agricultural sector has been far below expectation" (*Ibid*: 209). Agricultural production was not yet able to outstrip local demand in order to begin to export agricultural produce and products on a large-scale to other countries. In short, the country was still facing major obstacles to rapid diversification through agriculture. The situation was exacerbated by unfavourable effects of heavy rains experienced in 1970 leading to crop failure[61] (*Ibid*:210, 213).

The main problem had to do with the implementation of the agricultural programme both at national institutional level and grassroot level. For example, there existed cases of underutilisation of government facilities and support systems and mechanisms, like in Eastern province which had in 1971, 217 constructed dams, but only with 4 irrigation schemes using these facilities (*Ibid*: 211). The other example had to do with credit. There still existed elaborate credit procedures which needed to be ironed out and simplified (*Ibid*: 211). Further, there were inherent problems in the co-operative movement as Kaunda stated:

> *While we can be proud of our achievements, let me say that our co-operatives have not done as well as expected. The cause of this can be found in the lack of initiative, lack of planning and co-ordination on the part of the members of the co-operatives. Management has been very poor and consequently, a number of co-operatives have not met their targets. This is very shameful, indeed* (*Ibid*: 206).

The other issue was that agricultural marketing institutions were not performing as well as expected and had their own in-built "institutional inadequacies" which affected efficient and effective operations for rapid economic growth and development. In one incidence, NAMBOARD had collected so much cotton seed that they did not know what to do with it and left it to waste (*Ibid*: 217 and 218).

61 An exception for the year under review (1971) could be made with maize. In that year, there was a bumper harvest; in 1967 a similar maize bumper harvest was experienced (*Ibid*:213).

It is clear that government's agricultural programme put in place from 1964 was not yielding tangible results by the mid 1970s to make agriculture[62] compete favourably with copper mining in terms of GDP contribution. Government had failed to diversify the economy from copper mining to agriculture (Cleary 1990: passim). This failure to diversify through agriculture was going to cost the nation a great deal – socially and economically. However, government still hoped that one day, agriculture would be developed so that the economy could be diversified. The need for large-scale agricultural development, therefore, was still on "the drawing board" - waiting to be implemented vigorously. The key to this implementation was in the hands of government[63] which had the ability to mobilise resources and human beings, build institutional and human capacity, and "go flat out" to achieve desired objectives. But so far, it had only managed to "scratch" the suffice of the "agrarian revolution". The era of large-scale, export-oriented and home-inclined "agrarian revolution" was yet to come to Zambia.

3.5 ECONOMIC SLIDE OF THE MID 1970s TO 1979

This section argues that Zambia's real economic slide could be traced back to the mid 1970s when its major industry, copper mining, the country's mainstay of the economy, suffered loss of revenue and decline in production. The situation was exacerbated by the energy shortage which brought about high prices (partly due to the law of supply and demand) – causing heavy financial strains on Third World countries (including Zambia). It was a period of economic crisis from which Zambia has not yet recovered. In addition, this period was a great challenge to the Kaunda regime's ambition to create a humanist society. This section will be presented under two sub-headings, namely: Impact of external shocks on the mono-economy of Zambia and Responding to the aftermath of the economic slide and the test of humanist and ideals: discontinuity between theory and practice.

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62 In 1975, agriculture contributed 12,1% to GDP as compared to mining and quarry (including copper mining) which contributed 32.4% to GDP (Central Statistical Office *Zambia in Figures* 1997).

3.5.1 Impact of external shocks on the mono-economy of Zambia

All the writers consulted on this subject agree that external shocks[64] which consisted of the oil and commodity crises are the major causes of the economic crisis in the Third World countries, including Zambia (Seshamani 1992; Jones 1994; Kalyalya 1994; Todaro 1981; Morgan 1975; Nafziger 1993; Nunnenkamp 1986). Among other things, the economies of these countries did not have the capacity to adjust to the challenges of these crises as compared to developed industrial countries such as the United Kingdom and Germany (Nunnenkamp 1986:51-53).

The oil crisis is traced back to 1974 when Oil-producing and Exporting Countries (OPEC) such as Kuwait and Saudi Arabia, through an agreed plan, announced a massive 400 percent oil price increase (Todaro 1981:491—492)[65]. This brought about an increase in their total export revenues – rising from USD 14.5 billion in 1973 to over USD110 billion in 1974 (*Ibid*: 491). Non-OPEC developing countries which depended on oil from OPEC countries for industrial and agricultural survival, increased sharply their oil import bill – from USD 4 billion in 1973 to over USD 10 billion in 1974 or an increase of 250 percent (*Ibid*: 491). The economic results for these countries were catastrophic; *inter alia,* it led to shrinking foreign reserves because these countries had to spend huge sums of money, meant for investment, to import oil. Zambia was equally affected (Chisupa 1999; Seshamani 1992). Zambia had to use large sums of foreign reserves to pay for her oil needs – thus compounding her financial adverse position.

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63 It is generally argued that government's heavy-handedness and control of the marketing and pricing of agricultural produce and products was responsible for the failure of and dismal performance of agriculture (Chisupa 1999:20). Certainly government did bear some degree of blame!

64 These external shocks produced massive debts for many of the Third World countries, including Zambia, in order to support the balance of payments in their individual countries (Nafzinger 1993:66-73). The Genesis of Third World Debt can be traced from this period – see also Bwalya (1996) and *Structural Adjustment Programme (SAP) in Zambia* (1994). In the case of Zambia "debt servicing, which had represented only 7.3 percent of export earnings in 1974, rose to 18.7 percent in 1977 and 47.6 percent in 1982 (Seshamani 1992:116-117).

65 See also Nunnenkamp (1986:51-53): the price of oil soared from between USD 2 and USD 3 per barrel to between USD 32 to USD 40 per barrel.

The commodity crisis, especially that of copper, can be traced back to 1975 when the price of copper plummeted (Seshamani 1992; Jones 1994). This was related to develop-ments emanating from the 1974 oil crisis, which affected developed industrial countries as Nunnenkamp observes:

> *Both the first oil-price shock and anti-inflationary fiscal and monetary policies in major industrial countries resulted in a severe international recession in the mid-seventies which could have hampered the Third World's economic situation in two ways. The slackening world-market demand not only threatened a continuous growth in export volumes, but was also likely to force prices down (1986:52).*

In other words, because of the adjustment which was taking place in industrial countries as a result of the oil crisis, Third World countries, which depended on foreign exchange earnings, through their commodity exports (including copper), from industrial countries were affected doubly: low demand for their exports led to poor prices and consequently, reduced export volumes. In the case of Africa, Nafziger attributes this to high export commodity concentration "which is associated with volatile export prices and earnings" (1993:66)[66]. Due to the fall of the commodity price of copper[67], Zambia's balance of payment position went into deficit, its terms of trade fell to 54 percent relative to 1974, its government revenues dropped "less than one-fifth of the previous level, and its budget went into deficit equivalent to 24 percent of GDP relative to the 1974 budget surplus" (Seshamani 1992:116-117). Jones observes that: "… the collapse of the copper price expressed fundamental weaknesses in the structure of the Zambian economy" (1994:26). By the time of the collapse of the copper price (compounded by the oil crisis), the economy had not yet diversi-

66 Morgan argues on similar grounds when he observes that: "It is often held, both for logical and empirical reasons that LDCs (Less Developed Countries) suffer more export instability than MDCs (More Developed Countries)" (1975:307). Part of the problem is that LDCs export primary products which "experience wider price fluctuations than manufactures; that they often specialise in only one or two or three primary products and export mainly to one or a few countries, so that there is less averaging out of fluctuations than there would be otherwise" (1975:307).

67 Valentine (1985) argues that the real genesis of the decline started to appear as early as 1970 when the price and output of copper started to plummet. In that year, for example, copper output was reduced to 585,000 metric tons from 755,000 metric tons in 1969 – copper output continued to fall in subsequent years. Therefore, the fall of the copper price in 1975 made matters worse. Copper which was costing 1460 British Sterling per ton in 1974 dropped to 576 British Sterling per ton in one year (*General Policy Framework* (1998-2000) 1997:11).

fied through agriculture to cushion the effects of the collapse of copper price. About this Jones observes again:

> *While diversification of export earnings away from copper and the promotion of the agricultural sector which absorbed the bulk of employment, had both been primary stated objectives since independence in 1964, government investment and price strategies had done little to bring them about. Agricultural growth had lagged behind the growth of the economy, and agricultural exports were negligible despite considerable potential* (1994:26).

Manufacturing which was dependent on copper earnings was severely affected, bringing the entire economy under great stress[68] (Seshamani 1992:116-117; Jones 1994:25-26).

Zambia became a victim of her creation: the structures she inherited and perpetuated worked against her, pushing her into economic doldrums from which she has not recovered. Van der Hoeven (1982) argues that the fundamental cause of Zambia's economic problems is her static and inflexible economic structure which she took over at independence, and her lack of attempting seriously to make this structure more dynamic and resilient. It was a structure which was geared to serve fundamentally the mining industry and as such, when price fluctuations came in this industry, the entire economy was shaken, nose-dived and went into decline. What Zambia needed, in the face of unfavourable effects of external shocks was economic dynamism, resilience and adaptability. Unfortunately, the country, at the time, did not have these and so, it was hit the hardest. The road to recovery was going to prove a long, painful and hard one.

3.5.2 Responding to the aftermath of the economic slide and the test of humanist objectives and ideals: discontinuity between theory and practice

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68 Manufacturing as well as mining were both depended on foreign exchange earnings from copper sales especially for their technology and inputs. Reduced foreign exchange earnings meant a reduction in productivity levels and a fall in GDP (Seshamani 1992:116-117). Consequently, the entire economy could not deliver as well as expected. Reduced income meant also reduced investment in these two important sectors of the economy – affecting all other sectors.

The fall of the copper price spelt doom for the economy thereafter. It appears on the one hand that the government did not take seriously the fall of the copper price and care to push up the speed of diversification. Seshamani observes: "Even after the 1975 debacle, the fond hope lingered that the decline in copper prices would be transient and that once these prices picked up the economy would again become buoyant" (1992:117). On the other hand, it was quite clear that the creation of a humanist society was being challenged by the notion of private self-interest among certain Zambians. In short, in the post-1975 period, Kaunda's government faced two battles, namely: firstly, to create a humanist economic system as an alternative to capitalism and socialism in spite of the economic difficulties; and secondly, to continue to convert Zambians into becoming humanists, who are motivated by societal interest as supported by humanist objectives and ideals rather than by private self-interest. Sooner than later, there was going to be discontinuity between the theoretical underpinnings of Zambian humanism and their practical implementation in a society characterised by falling standards of living partly due to the onslaught of oil and commodity crises as external shocks.

In his address to the National Assembly in Lusaka on 12 January, 1976, Kaunda said: "We cannot continue to mourn over the fall of copper prices. We must turn this tragedy into a blessing. We must simply face the reality of life with poor copper prices. A prosperous life without total dependence on copper is possible in Zambia" (1989:215). Unfortunately, this tragedy was not turned into a blessing, nor did Zambians start to enjoy a prosperous life.

By 1976, the main target areas of the Zambian "agrarian revolution" were not fully productive in spite of considerable strides made in stimulating agricultural development as a vehicle for diversification (*Ibid*:216). Zambia had not yet reached total self-sufficiency in food, and was not yet ready to export food items, except for maize (*Ibid*: 216-219). As for cash crops, the country was by 1976 still looking into the question of expanding their production so that they could begin to contribute to foreign exchange earnings (Ibid:216-219). For example, Kawambwa Tea Estate, a parastatal established to grow, produce, and market tea could only contribute 10% of the national requirement. In spite of improved oil seeds production, the country still remained a non-exporter of cooking oil by 1976 (*Ibid*: 217)

As the country passed the mid-seventees, it was still riddled by a multiplicity of problems in agricultural development, mainly due to the economic decline. These problems included, *inter alia* (*Ibid*:219ff): unavailability of dairy cattle, shortage of stockfeeds, foreign exchange problems, insufficient agricultural processing facilities, inadequate credit and a soaring wheat import bill. Nevertheless, the Kaunda government was determined to ensure that they did everything in their power to push for agricultural projects and schemes which would eventually help the economy diversify. For example, additional projects and schemes were put in place (*Ibid*:222ff): Mpongwe Wheat Scheme in Ndola rural (with the help of the European Union) – to boost wheat production and other crops; Lint Company – to speed up cotton production; and ZAMHORT (Zambia Horticultural Company) – to market horticultural products.

In spite of these commendable efforts, the tide was against government efforts. Large-scale, export-oriented diversification through agriculture was a non-starter. The country was passing through very serious economic ills which made it very hard to successfully implement government objectives.

While government was dealing with the post-1975 economic difficulties, it had to deal equally with the *human condition*, usually characterised by private self-interest, in industry and commerce, in government, and in agriculture as a vehicle for diversification.

Kaunda felt that certain Zambians were frustrating government efforts to create a humanist state (1988:67ff; 1989:217ff). He put it succintly: “The most serious obstacle is the apparent confusion over our ideology (humanism) in the minds of some people” (1988:67). Humanism was simply not being actualised in industry and commerce, civil service and agriculture. Its ideals such as honesty, hard work, discipline and sacrifice were not being demonstrated practically. He accused some Zambian managers in industry and commerce of poor management, encouraging high prices, and exhibiting inefficiencies: “It pains me that nearly fourteen years after independence we have not managed to bring forth a generation of aggressive leaders in our parastatals … Did we found these parastatals to strangle us with high prices which are the result of inefficiencies?” (*Ibid*:69). He also attacked the Zambian Civil Service:

> *The Civil Service, especially the Economic Ministry has cost the economy a fortune through its lethargy, indecision, inaction and lack of imagination. Instead of serving the community by quick and thorough action, it is frustrating the very people it is supposed to serve … We did not create them to lord it over these people. And yet what do we find? Petty bourgeoise attitudes and this is happening while the country is in economic ferment. No business can ever succeed, however efficient, without an efficient Civil Service* (*Ibid*:69).

Government had to deal also with incidences of dishonest gain. For example, certain Zambians started to take advantage of the prevailing favourable conditions necessary for agricultural development like the reported misuse of money in subsidised marketing organisations and the smuggling of subsidised fertilizers into neighbouring countries in order to sell them at exhorbitant prices (Kaunda 1989:220-221).

Zambia's problem was much more than cases of "human failures" as hinted above (even though they needed to be rectified). It had to do with the re-modeling of the entire structure of the economy so that government, all Zambians and other stakeholders (including the private sector) could move in partnership together in order to put back the economy into line. At this stage, the emerging picture was that the creation of a humanist state was an impossibility: it was being frustrated by the poor economic performance of the 1970s and by "bad elements" of the human condition motivated mainly by private self-interest in all its manifestations such as selfishness, class superiority and personal indifference.

With such a difficult economic situation in the late 1970s, it was no longer easy to convince hungry and unhappy Zambians about the objectives and ideals of humanism, let alone about the creation of a humanist state. The economy was in serious difficulties; diversification through agriculture had failed; and the philosophy of Zambian humanism was becoming rhetorical. As the 1970s waned, the nation was yet to see the creation of a humanist state sustained by a yet-to-be-seen "agrarian revolution" which would eventually contain the economic slide of the mid-seventees. Zambia was now a case of virtual discontinuity between theory and practice; between humanism and economic reality; between "imagined" agricultural development and real impediments to an "agrarian revolution"; and between state interest and private self-interest.

3.6 STRUCTURAL ADJUSTMENT IN THE 1980S: AN OVERVIEW

The main purpose of this section is to provide a bird's eye view of the main economic policy issues which were formulated and implemented in the political economy of Zambia. Attention will be given to some of the achievements and failures of economic policies aimed at structural adjustment[69] in the 1980s. It is actually the latter which outweighed the former; and for this reason Zambia's attempts to structurally adjust her economy in the 1980s can be described, in the words of Jones, as "the legacy of failed reform" (1994:39).

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69 Chisupa gives a brief outline the nature and perimeters of structural adjustment (1999:19ff). Basing his analysis on Petersen *et al.*, editors (1996) and Sachs (1996), he observes that the term "SAP" (Structural Adjustment Programme) is a term that is used to describe what he identifies as "the development-oriented policies" as prescribed by the World Bank and the International Monetary Fund (IMF) for developing countries. Then, using Sachs thought, he underlines the fact that there is a distinction between "stabilisation" and "structural adjustment": "stabilisation" is associated with measures aimed at the improvement of macroeconomic balance and stability; whereas "structural adjustment" refers to a package of measures aimed at the reduction of direct economic involvement of the state in the economy and movement towards the market allocation of resources. In the main, both "stabilisation" and "structural adjustment" are part and parcel of SAP. They (SAPs) are fashioned in such a way that they usually move towards what is known as "the Neoclassical Model" in which the market is seen as the most efficient way of allocating scarce resources (see also Daly and Cobb, Jr., 1989; Goudzwaard & De Lange 1995; Atherton 1992). Chisupa further observes that subjecting the economy to the market, with its imperfections, does not necessarily work out positively. He bases his conclusion on the Theory of Second Best (Lipsey and Lancaster 1956) as presented by Mosley (1991) and which states that an economy which is riddled by market imperfections does not guarantee that removing such imperfections would result in bettering the economy. To carry out SAPs, the World Bank and IMF used instruments such as currency devaluation (for the improvement of the balance-of-payments position in the long run which is usually followed by an expansion of country's export base – devaluation makes a country's export cheaper and creates international demand which consequently bring in foreign exchange) and inflation control (whose aim is to bring about a stable macroeconomic environment which is conducive for economic growth and investment – usually done through tight fiscal [and monetary] policies). Then he concludes by saying that SAPs are a reorientation of development policies: from state-led economic growth to the neoclassical model, whereby the main responsibility of the state is to provide "conducive" conditions for the market mechanism and for private enterprise-led (or free enterprise-led or *laisse faire* – led) growth. SAPs, at best, aim at "fixing" a country's economy into a better shape and, at worst, cause enormous human and social dislocation. In recent times, SAPs have come under heavy attack by churches, the United Nations, international NGOs and other concerned groups and persons of goodwill. For example, UNICEF has estimated that about 500,000 children die each year due to austerity measures (quoted by Chitiga in *Development assessed* 1995:99). See also Suzan George and Karen Talbot in *The South and the Bretton Woods institutions* (1995:5-23) and 61-71). One of the greatest challenges of the World Bank and IMF, as main administrators of SAPs, is to make these programmes more people-centred than "overly" and "exclusively" market-oriented. This will inevitably require these world bodies to work with national governments so that people (men, women and children) are protected from poverty, disease, ignorance and dependence.

In the same vein, Chisupa comments: "The pattern of tried and abandoned reform appeared to have become familiar" (1999:23). During this period, Zambia had lamentably failed to solve her scarcity problems.

The 1980s opened a new chapter in Zambia's serious attempts to reform the economy after several years of economic decline emanating from the mid-seventees copper price fall. Seshamani observes: "The perception that the decline was an established, long-term trend only dawned in the 1980s. By that time, however, the country's economic problems had already assumed the proportions of a crisis" (1992:117). Before reform, Zambia was confronted with a number of structural problems including, *inter alia* (Jones 1994:26ff): "A highly urbanised and rapidly growing population, with stagnant formal sector employment and a high degree of dependence on subsidised consumer goods and welfare services"; "An extremely skewed income distribution, even by developing country standards with the richest 5% receiving a third of total income, and the poorest 60% only a fifth"; "A political system which to a considerable degree entrenched the interests of those who had most to lose from the reform"[70]; "Extremely high levels of external debt in relation to exports and GDP: by 1987 the per capital debt burden was the highest in the developing world"; "A real effective exchange rate whose level had remained almost constant at the pre-1975 level, implying no additional incentive to promote non-traditional exports"; "A large number of parastatal enterprises and agencies whose financial and management performance was poor, and a demoralised public service"; "An agricultural sector whose development had been neglected and was characterised by extreme dualism between large-scale capital-intensive commercial farming and subsistence activities"; "Continued dependence on the mining sector to generate foreign exchange and government revenues, and consequent extreme vulnerability to world price fluctuations and to the exhaustion of the main mineral deposits which is due in the early years of the next century (2000)"; "A relatively large manufacturing sector of doubtful economic viability, generally enjoying high rates of effective protection, dependent

[70] Jones assumes that the Kaunda government was not free to act liberalistically because of social imperatives of looking after the interest and embracing the pain of the public. It is generally felt that the Kaunda government was justified to put the community first, before all economic planning and implementation; they are probably unjustified for not adopting an economic system which would have profitably sustained a human-centred society. It is fair to make a distinction between life-affirming and human-enhancing ideological inclination on one hand, and practical economic inclination on the other hand: the two are not the same, even though they can be influenced by each other.

on receiving rationed foreign exchange at a price well below its scarcity value[71], and intermittently crippled by foreign-exchange shortages”[72]. The structural economic situation was extremely serious and affected *the body politic, the body social, the body moral,* and *the body spiritual* as well.

Zambia had no alternative, but to pursue a market-oriented approach to solve its economic ills (Jones 1994:33) – which, unfortunately, as we shall see later, did not produce tangible economic results.

It is Seshamani who sets the context for the major reform programmes in the 1980s when he says:

> *The 1980s were characterised in Zambia by a series of alternating policy regimes, each designed to restructure the economy and enable it to recover from the crisis. The thrust of the early efforts was movement away from the controlled regime which had prevailed until the end of 1982. To achieve this the government embarked on reforms aimed at transforming the economy from one based primarily on administrative controls to one based primarily on free market forces and price mechanisms* (1992:117)[73].

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71 Scarcity value is a term that is related to the word “scarcity”. Scarcity simply refers to “a situation that arises when there is less of something than people would like to have if it were free” (Todaro 1997:718). In the sense as shown above, getting foreign exchange below the scarcity value means to obtain it cheaper than the normal and expected rate.

72 See also Gulhati (1989).

73 According to Jones (1994:26ff), basing his tabulation on Gulhati (1989), there were about 20 main policy agreements from April, 1983 to August 1989, between the Zambian Government and the international financial institutions (both bilateral and multilateral), all aimed at restructuring the economy. These include: the April, 1983 IMF stand-by agreement for twelve months (which was suspended in April 1985 due to a build-up of arrears), and the February, 1986 IMF stand-by agreement for twenty four months (which was suspended in May, 1987, partly due to maintenance by government of food subsidies after the December 1986 food riots and government’s suspension of the auction system which had caused the Kwacha (local currency) to depreciate massively). Minor stand-by agreements were concluded with IMF and the World Bank in 1978 and 1981 (Nafziger 1993:122ff). According to Jones (1994:27ff), the 1981 agreement was a medium-term adjustment programme with the IMF to cover the period 1981 to 1983: unfortunately, in July 1982, it was suspended due to significant arrears on external payments by Zambia. He further divides the period of structural adjustment in the 1980s into five episodes, namely: 1981-85 - attempted stabilisation and limited liberalisation; 1985-1986 – an intensive reform effort; 1986-1987 – a period of disintegration of the IMF and World Bank programme; 1987-89 – period of Interim National Development Plan under the auspices of the National Economic Recovery Programme (NERP); and 1989 leading into the 1990s (especially 1991) as a period of Rapproachment with the Bretton Woods institutions. What is clear is that there was much in-

The possible question might have been: How could a UNIP government with "a humanist and socialist agenda" ever implement market-based strategies which were essentially premised on free-market economics? Blind to this background, bilateral and multilateral donors were willing to come to the aid of Zambia in order to help her liberalise her economy and contain the economic slide.

Between 1985 and 1986, an intensive reform effort was made by government. Among other things, this period saw the introduction of the foreign exchange auction system which was principally set up to determine the foreign exchange rate (Jones 1994: 29-30; Seshamani 1991:117). Under this system, "foreign exchange was made available at a weekly auction rather than being allocated administratively" (Jones 1994:34). The system had two main objectives, namely (*Ibid*:34):

- "to bring about a rapid real devaluation and to establish a framework for foreign exchange to be priced at approximately scarcity value for all uses";
- "to introduce more flexibility into the process of foreign-exchange allocation so that critical bottlenecks in the economy could be released".

Even though this was government's way of showing to the donor community that it was trying to liberalise the economy through the instrumentality of the market, the early stage of auction brought about a sharp increase in the rate of inflation according to the Consumer Price Index (CPI) measurements (*Ibid*:34)[74]. In spite of attempts to stem the devaluation of the Kwacha by the Bank of Zambia through the introduction of tax clearance-certificates and other documentation, the auction system started to experience the credibility crisis, whereby companies started to feel that foreign exchange was no longer going to be readily available (*Ibid*: 35). Meanwhile, the Kwacha continued to fall against the dollar (American) (*Ibid*:35). Economic difficulties started to rise by day affecting living conditions of peo-

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ternational goodwill in the 1980s to help Zambia restructure her economy inspite of Zambia's recurring problem of lack of meeting agreed targets and temporal suspension of policy agreements between Zambia and the World Bank /IMF.

74 The average annual level of the price index jumped from 37% between 1984 and 1985 to 52% between 1985 and 1986 (*Ibid*:34). In fact, in 1985, Zambia was re-classified by the World Bank from a middle-income country to a low-income country (Nafziger 1993:123).

ple[75]. In December, 1986, government announced a 120 percent increase on white breakfast mealie meal (the country's staple food) precipitating food riots, as already noted, especially on the Copperbelt (Jones 1994:38), in which property was destroyed and lives were lost[76].

As 1987 arrived, tension was mounting between the government and donors, partly because of the government's backtracking on policy issues. In May, 1987, the government decided to call it quits with the IMF/World Bank sponsored SAP[77] and decided to go it alone (Seshamani 1992:120-121; Jones 1994:30). In that same month and year, the government decided to abandon the auction system partly because it was not fulfilling government's intended objectives. About the abandonment of the auction system, Seshamani observes: "The foreign exchange auction system was finally abandoned because, after 18 months of operation, it had shown no promise of converging towards a stable and realistic exchange rate" (1992:121)[78].

After the breakdown of the externally sponsored reform programme, government decided to put in place its own programme known as the National Economic Recovery Programme (NERP) under the guiding slogan "Growth from Our Own Resources" as from May, 1987 (Seshamani 1992:121-123; Jones 1994:31). Jones observes again that: "The main feature of the New Economic Recovery Programme (NERP) was the desire to break away

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75 Government's GDP expenditures in health, education and other social sectors started to either dwindle or rise moderately (Seshamani 1992:120).

76 It is argued that the whole announcement was mishandled by both government and the association of millers (Jones 1994:38). Government's intention was to eliminate subsidies on the white breakfast mealie meal (refined) and maintain subsidies on the coarse roller mealie meal (unrefined) for the poor. Millers felt that government was not going to fulfil its obligation by paying for subsidies on roller meal. Consequently, millers decided to stop the production of roller meal and instead produced breakfast meal – and in the process, infuriated consumers who had to pay the full increase. Hence the 1986 food riots. What government did was to nationalise big milling companies and to rescind the decision on the elimination of food subsidies.

77 This programme was concluded in February 1986, but did not complete its twenty four months period as originally planned (*Ibid*:28-31).

78 Apart from this, the auction system was said to be riddled by planning difficulties, erosion of investor confidence and purchasing power, uncontrolled inflation, tendencies to increase debt and general dependency, and discrimination against smaller firms (Jones 1994:35-36). By May, 1987, the Kwacha had depreciated to 21 Kwacha for 1 US Dollar – with the abandonment of the auction system, the Kwacha was administratively fixed at 8 Kwacha for 1 US Dollar (*Ibid*:35).

from reliance on external funding, conditionality imposed by external creditors, and to reassert visible government control over key economic variables and decisions which the reform programme had tended to decentralize and depoliticize" (1994:31)[79]. This action was a clear demonstration that the Zambian government was not ready to pursue hard-core market-oriented reform programmes as prescribed by donors. It wanted something which would give government a hand to intervene in the market, if necessary, and direct, without any external influence[80], the economic destiny of Zambia. NERP was simply the centralisation and politicisation of Zambia's key economic variables and decisions.

Among other things, NERP had the following main features (Jones 1994:31): "Debt repayment was limited to 10% of net export earnings"; "A Foreign-Exchange Management Committee was established, reporting directly to the President; the pattern of foreign-exchange allocations compared to that under the auction tended to favour state-owned industries producing consumer goods"; "limitations on the employment of expatriates were imposed, providing protection for Zambian professionals"; "Price controls were re-introduced on essential consumer items"; "Further substantial fiscal retrenchment". In the beginning, NERP became successful partly due to a rise in world copper prices, reduced labour unrest, good rains and the maintenance of the overall level of external assistance during the period 1987-89 "despite the failure to honour debt obligations" (Seshamani 1992:121-123; Jones 1994:31).

The Interim National Development Plan (INDP) progress report which was done under the auspices of NERP, released by the Zambian government in mid-1988, covering a nine-month period, from July, 1987 to March, 1988, revealed that NERP had reasonably succeeded (Seshamani 1992:122). Achievements of NERP included: a reversal of previously negative GDP growth rate and an estimated 2.7 percent real growth rate was recorded against 2.2 per cent which was targeted by INDP; significant improvements in production in almost all sectors of the economy; improvement of the social delivery system such as in primary health care, drug supply, production and distribution of educational materials

79 See also Bates and Collier (1991), and Cheru (1989).

80 Nafziger observes that in the 1980s, the World Bank and IMF were "virtually a *de facto* finance ministry in Zambia" (1993:125). What NERP did was simply to break away from this external influence and put financial and economic matters under government control.

(*Ibid*:122) However, notable failures included: an increase in the inflation rate, partly due to government's inability to keep budget deficit and money supply on target[81]; and decline in formal sector employment (Ibid:122).

Seshamani further observes that in spite of achievements and failures of NERP, it marked the abandonment of "economic liberalisation" and hence the country lost its "seal of approval" among its bilateral and multilateral donors (*Ibid*: 122). Faced with another decline in copper production, mounting debt, and broad-based freeze on multilateral and bilateral aid, government had to go down "on its knees" to seek a fresh agreement with the IMF (*Ibid*: 123). In June, 1989, new adjustment measures were announced and "a policy framework paper prepared by the government, together with IMF and World Bank officials was released in August 1989" (*Ibid*: 123). As usual, the principal aim was to "move towards a more market-oriented economic environment" (*Ibid*: 123). But the question was: Was the Kaunda government, which was humanist and socialist inclined, repentant enough to pursue market-based strategies in solving the Zambian economic malaise? This was rather a difficult question for hardcore humanists who in the face of trouble are willing to decide for and uphold the interest of humanity and society, no matter what. Only time would tell.

As the nation approached the end of the decade, it was faced with problems of macroeconomic stabilisation, especially the inflation issue which had a negative direct bearing on the cost of living (*Ibid*:123). In the 1980s, at the beginning and at the middle, government put in all its energy and effort to restructure the economy, but repeatedly failed. And now at the end of the decade in 1989, it was still trying to contain the situation under very trying economic conditions. The beginning of the nineties did not look any brighter. Nevertheless, the Kaunda government was determined to give leadership to the nation, in spite of mounting economic problems. They looked to the nineties with hope that one day the situation would improve and make Zambians a happy people once again. To use Kaunda's familiar words, "the light at the end of the tunnel" was yet to come and shine on the sad faces of the majority of Zambians.

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81 It is estimated that between July, 1987 and March, 1988, the inflation rate stood at 35.6 per cent which was an increase of 64 percent over the 21.7 per cent rate recorded during the same period a year ear-

3.7 STRUCTURAL ADJUSTMENT AND MACROECONOMIC STABILISATION IN THE 1990s: A BRIEF PRESENTATION

Structural adjustment and macroeconomic stabilisation[82] in the 1990s started with the continuation of a package of measures agreed between the UNIP government and donors in June, 1989 (Seshamani 1992:123). With the replacement of the UNIP government by the Movement of Multiparty Democracy (MMD) government in November, 1991, these measures were reasserted and redone to suit changing times of economic liberalism in Zambia. The purpose of this section is to highlight briefly on how the economy evolved as it passed through structural adjustment and macroeconomic stabilization in the 1990s. It is presented under two sub-headings, namely: A bloodless revolution: re-birth of free enterprise and multipartism; and Pursuit of handcore capitalism: a paradigm shift from state capital to private capital. This section underscores the point that even though modest economic results were achieved in the 1990s, these results did not significantly spill in an improvement of the standard of life. Zambia was yet to fully solve her scarcity problems.

3.7.1 A bloodless revolution: The re-birth of free enterprise and multipartism

The change of government in November, 1991, following the October general and presidential elections in Zambia, could rightly be described as "a bloodless revolution". This change brought about the re-birth of free enterprise (a key element of neoclassical economics) and multipartism (one of the cornerstones of a liberal democracy). First of all, it is important to understand major political and economic events leading to this event of historic significance.

The government was committed to implement in early 1990, measures and targets brokered under the August 1989 Policy Framework Paper with IMF and the World Bank. This in-

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lier (*Ibid*: 122).

[82] Macroeconomic stabilisation belongs to macroeconomics which is "the study of the economy as a whole rather than its constituent parts" (Barclays Bank of Zambia *Quarterly Economic Review [2nd Quarter 1999]* 1998b:25). In this sense, macroeconomic stabilisation generally refers to how government goes about to stabilize the entire economy by normalising inflation and interest rates, by achieving a stable exchange rate, by budget discipline, and other means. See fiscal policy and monetary policy in footnotes 92 and 93, respectively.

cluded, *inter alia*, "the phasing out of handling and all other subsidies for fertilizer and maize by 1993" under the agricultural pricing and food subsidy reform, and the "reduction of both producer and consumer subsidies on maize, and partial targeting of the coupon system" under the maize marketing reform (Jones 1994:32-33). In April, 1990, a consultative group meeting reviewed the adjustment programme and "was satisfied that significant progress had been made" (*Ibid*:33).

In June, 1990, government decided to double the price of maize meal[83] (*Ibid*: 33). This action brought about food riots on the Copperbelt and in Lusaka. This again led to the loss of life and destruction of property worth billions of Kwacha. This culminated in a very serious coup attempt on 30th June, 1990, which lasted for four hours and was led by a 30-year-old army Lieutenant Christopher Mwamba Luchembe[84] (Chisala 1994:329). Chisala describes this as "the turning point in Zambia's history" (*Ibid*: 329).

Jones observes that these events (especially food riots) made the process of rapproachment to be set back (1994:33). It, inevitably, brought about a political crisis – paving the way for the re-birth of multipartism in Zambia. Meanwhile opposition politics[85] started to gather

83 The price of maize meal was increased from K114,50 to K269,00 for a 25kg bag of breakfast meal and from K82.30 to K198,00 for a 25kg bag of roller meal (Chisala 1994:33). By June, 1990, 1 American Dollar was equivalent to 16 Zambia Kwacha (Jones 1994:32). Government had hoped that through the food-coupon system introduced in July, 1989, for lowly paid urban dwellers (who bought subsidised coupons and exchanged them for maize meal at selected shops), it would slowly reduce maize subsidies (*Ibid*:38ff). Unfortunately, the more than double increase was extremely severe for these people and hence, the food riots. The government backpeddled by going back to original maize meal prices.

84 His speech to announce the take over read in part: "Due to the escalating cost of living followed by food riots, the Zambia Army has decided to take over the government. Announcing the coup I am Lt. Mwamba Luchembe from the Zambia Army Corps of signals" (*Ibid*: 329). Chisala observes again: "Furthermore, Lt. Luchembe blamed the government for mismanaging the economy resulting in the rising cost of living and corruption. He said UNIP leaders had sold themselves Mercedes-Benz cars at give away prices. The other charge was that the UNIP leaders had amassed a lot of wealth and had banked, bought and constructed houses and owned businesses outside Zambia. Lt. Luchembe further complained of government's failure to build decent houses for the defence forces personnel and the policy of politicising the army and spending more time and resources on foreign issues. Lt Luchembe was totally against the continuance of the State of Emergency and employment of foreigners in the Anti-robbery Squad consisting of whites and Asians who killed Zambians during the food riots" (*Ibid*: 330). Some of these charges may have been exaggerated, but what is true, is that the 30 June 1990 coup attempt was a response to the deteriorating socio-economic conditions in Zambia. Mwamba Luchembe and other coup-implicated soldiers were arrested and later released unconditionally in a general amnesty by President Kaunda on 25 July, 1990 (*Ibid*:330).

85 The UNIP extra-ordinary Fifth National Convention meeting at Mulungushi International Conference Centre in Lusaka from 14 to 16 March, 1990, had rejected the re-introduction of the multiparty system of government in Zambia stating that the one-party system was still suitable (*Ibid*: 341). This is in

momentum, culminating in a "loose" multi-party conference which was held on 20 July, 1990 at the Garden Hotel in Lusaka (*Ibid*: 33). It brought together over 130 delegates from different backgrounds and walks of life including: Akashambatwa Mbikusita Lewanika, Derrick Chitala, Vernon Mwaanga, Donald Chanda, late Remmy Mushota, Newstead Zimba, Frederick Jacob Titus Chiluba, Chitalu Sampa, Edith Nawakwi, late Arthur Wina (first finance minister of Zambia), and the late Baldwin Nkumbula, to mention but a few (*Ibid*: 342-343, 376-377)). It could be described as "a loose alliance" which was bound by one thing: "replacement of the Kaunda government" and which was "potentially incohesive" due to the fact that most of these people were meeting closely for the first time and had diverse personal idiosyncracies, dispositions and philosophies. This group later transformed itself into a political party known as the Movement for Multiparty Democracy (MMD) under the leadership of Frederick Jacob Titus Chiluba as party president. This was after President Kaunda "signed the Constitutional Amendment Bill on 17 December 1990, legalising the formation of opposition parties in Zambia" (*Ibid*: 346).

On 31st October 1991, multi-party elections were held in Zambia and the MMD emerged victorious with 125 seats in parliament out of 150 seats, capturing 75-79 per cent of votes cast – UNIP only got 25 seats, capturing 24.21 cent of votes cast (*The Europa World Year Book* Vol II 1992: 3236). President Chiluba was inaugurated as second republican president on 2nd November, 1991 (*Ibid*: 3236).

This event marked the formal re-birth of free enterprise and multipartism in Zambia. It was indeed "a bloodless revolution". President Kaunda was willing to hand over power without any drop of blood. What was a one-party democracy had now become a multiparty democracy.

The new government under President Chiluba was now poised to open a new chapter in Zambia's history in as far as restructuring the economy was concerned. Unlike the previous government which was inclined to state and administrative controls of the economy, the new government was going to be an affirmer of the market – a strong believer in free enter-

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spite of a well-known wind of change which was taking place in Eastern Europe and which saw, *inter alia*, the brutal death of President Nicolai Ceaucescu of Rumania, a socialist one-party country, in Deprise, albeit, the re-building of the nation and the economy was going to be extremely tough!

3.7.2 Pursuit of hardcore capitalism: a paradigm shift from state capital to private capital

It is no doubt that the new government of Zambia which was inaugurated with the swearing in of President Frederick Jacob Titus Chiluba as second republican president of the Republic of Zambia on 2 November, 1991, wanted from the beginning, to pursue hardcore capitalism[86]. By hardcore capitalism is meant following strictly and adhering unflinchingly to principles of a market economy (alternatively called capitalism)[87]. Among other things, it wanted to pursue economic liberalism[88], the rule of the market and free enterprise. Its attitude could well be described as a post-care economic stance (Goudzwaard & De Lange 1997), whereby "internal workings" of the economy are given priority, put right and directed towards productive purposes, and then, thereafter, consider what are called by conventional economics "externalities" such as the environment and human community. It is the economy which comes first in such a paradigm; the environment and human community are secondary. To use the language of Haselbarth (1994), the economy is *ultimate*; whereas the environment and human community are *penultimate*. This stance is hardcore, because it only considers and embraces the pain of human community, let alone injury to the environment, when economic decisions and variables which are premised on the market mechanism are attended to first. To the new government, there is no alternative to market-based strategies; to put it crudely, *there is no alternative to SAP for an economy such as the Zambian one*. In this way, it shifted radically the economic paradigm based on the command mechanism which was formally put in place by the Kaunda government from April, 1968, which grew in the 1970s, and "wobbled" in the 1980s until the change of government in 1991. This was a paradigm shift from state capital to private capital. It was private citizens and foreigners with private capital who were now going to be the engine for resuscitating the

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cember, 1989 (*Ibid*: 341). See also Chiluba (1996).

86 See MMD Manifesto (1991).

87 Atherton (1991).

88 Economic liberalism generally means the belief that a person can advance one's economic standing in a free enterprise situation. It comes out of the view that each person is free to get something legally from nature and transform it into one's own c.f. Locke (quoted in Wogaman 1986)

economy and driving it to growth; government's role in such a paradigm would be to be a provider of conducive conditions suitable and necessary for business and economic growth. To put things in perspective, this section is argued under two headings, namely: Theoretical Intentions of new government and economic reform: towards a liberalised economy and macroeconomic stability: 1992-1999, and Denationalisation and the privatisation programme: The embodiment of the neoclassical model in the economy.

3.7.2.1 **Theoretical intentions of New Government and Economic Reform: Towards a Liberalised Economy and Macroeconomic stability: 1992-1999**

The new government did not want to proceed with economic reform without having some kind of a guide as to the goals and targets of its economic reform programme. This guide spelt out (spells out) theoretical intentions of government which are usually found in a government document called "Policy Framework Paper"[89] (PFP) – normally produced every three years. From the late 1991, the new government sought to re-establish links with the World Bank and IMF[90] (*The Europa World Year Book* Vol II 1992:3229).

When the new government took over power at the end of 1991, the Zambian economy was characterised by a number of economic problems, *inter alia* (*Policy Framework Paper 1995-1998*, 1995:2):

- short supply of basic goods and services
- rapid growth of money supply
- rise in military expenditure
- decline in social sector expenditures such as health and education
- low tax compliance
- large and increasing budget deficit
- heavily indebted and largely loss-making parastatals
- collapse of private investment

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89 PFPs are usually prepared in collaboration with the World Bank/IMF officials and in this way, they are internationally acceptable.

90 These links broke down between the Kaunda government and the Bretton Woods during 1991 over the food subsidies issue shortly before the elections (Jones 1994:33).

- disappearance of business and consumer confidence
- inflation was running over 100 per cent annually
- non-servicing of mounting external debt from multilateral and bilateral institutions
- deteriorating physical infrastructure.

When the new government came into power, it set itself on a capitalist economic recovery course whose objectives, broadly speaking, included, *inter alia* (*Ibid*: 2): restoration of Zambia's economic growth prospects by means of stabilizing the economy; moving towards external viability (partly because of Zambia's external arrears which had accumulated over a period of time); promoting the private sector "based on free market principles"; disengaging government from commercial activity; and reversing the decline in the social sector delivery system and infrastructure in the nation. To achieve these broad-based objectives, the government decided to adopt the PFP for 1992 to 1994[91] in February 1992. In November 1995, the government issued a second PFP for 1995 to 1998 (*Policy Framework Paper (1995-1998)* 1995:2). This was followed by the issuance of the PFP for 1999 to 2001 at the beginning of 1999 *(Policy Framework Paper [1999-2001]* 1999a:1). These papers share and reflect thesame intentions of government which in-

[91] Actually the PFP for 1992 to 1994 went into the 1995, especially the early part (*Ibid*:2).

clude: privatisation and parastatal reform, rehabilitation of country's infrastructure, liberalisation of financial markets, liberalisation of trade, strengthening of fiscal policy[92] and the tax regime, macroeconomic stabilisation through a tight monetary policy[93], promotion of economic growth, the attainment of a sustainable balance of payments position, upholding of business and consumer confidence, and social sector improvement.

Results, on a "purely" economic level, from 1992 to 1999, were fairly impressive. However, it is in the area of socio-economic impact that the government performed dismally. One of the biggest weaknesses of implementing an economic recovery programme in Zambia was and is the *one-sided economic approach*, whereby the government, in collaboration with its corporating partners, cared more for *the economy proper* and less *for the Zambian human community* which was and is bedevilled by high incidences of poverty, unemployment, income inequality and dependency. The government did not hold the creative tension between repairing and enhancing the economy on the one hand and protecting its people from the ravages of poverty, unemployment, income inequality and dependency, on the other hand. Because the human community in Zambia was and is economically and socially brutalised and casualtised, positive results scored so far on the economic front appear "blurred".

On the economic front, as noted above, the government's economic management was fairly successful. Between 1992 and 1994, the government achieved admirable results which were foundational to a liberalised economy and macroeconomic stability. In the area of privatisation and parastatal reform, the government decided to put in place two important constitutional bodies, namely, the Zambia Privatisation Agency (ZPA) and the Zambia Investment Agency (ZIA) which came into being as a result of the Privitisation Act of 1992 and the Investment Act of 1992, respectively, (*Structural Adjustment Programme [SAP] in Zambia: Policy framework, basic facts and realities* 1994). The ZPA was "charged with the responsibility of ensuring efficient and effective divestment of government from direct participation in commercial and industrial enterprises" (*The Post Privitisation Impact Assess-*

92 Fiscal policy is "the government's policy regarding public expenditure and the raising of revenues through taxation in order to finance it" (*Barclays Bank of Zambia Quarterly Economic Review* (2nd Quarter 1998) 1998:24).

ment Study 1998:47) in the now private-led economy, whereas the ZIA was given the task of promoting foreign and local investment in the now liberalized Zambian economy (*Structural adjustment Programme (SAP) (in Zambia* 1994). By September 1995, ZPA had either sold or liquidated at least 26 parastatal companies (*Policy Framework Paper [1995-1998*] 1995:3) including: two large loss-making transport parastatal companies, namely, Zambia Airways (the national airliner) and the United Bus Company of Zambia (the national passenger transport company).

In rehabilitation, the government put in place an ongoing countrywide programme, supported by corporating partners, to attend to infrastructural repair and maintenance such as that of roads system, schools, hospitals, water systems and telecommunications (*Ibid*:3) – and in certain cases, new infrastructure was constructed, the best example being additional basic schools.

The government went full-throttle to liberalise the financial system including, *inter alia* (*Ibid*:3): control of interest rates; removal of virtually all remaining exchange controls on external transactions in 1994; reform of the banking system as from 1992 (the Banking and Financial Services Act of 1994 speeded up this process); and the implementation of monetary policy through market-oriented methods as from 1993. The motivation was and is that the market should decide the destiny of financial markets in Zambia[94].

With trade liberalisation, government introduced the following (*Ibid*: 3): removal of quantitative controls on imports in 1992; removal of export restrictions except for the maize exports ban which was effected in 1995 (partly due to the anticipated poor maize crop yield); introduction of the international countervailing duty[95]; leaving of domestic and external

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93 Monetary policy is “the government’s policy regarding its control of money in the economy: (*Ibid*: 25).

94 One of the major criticisms of financial markets liberalisation is that the Zambian market has exposed itself widely to potential international financial manipulation - for example, foreigners can easily bring in their money and take it out the way they want. This can be dangerous for the Zambian market which is somewhat “imperfect”, partly due to high inflation and a highly depreciated Kwacha. Zambia as a poor country would do well to protect its financial markets by semi-liberalisation or step by step liberalisation.

95 The international countervailing duty or simply countervailing duty is “an import duty imposes to protect a home industry against what is regarded as unfair foreign competition” (Hanson 1967:99).

trade to the private sector, except for trade in petroleum. This was now the era of private sector-driven growth in which government set conditions for business[96].

The strengthening of fiscal policy and tax regime saw the introduction of a cash budget system[97] in the 1993/1994 financial year and the establishment of the Zambia Revenue Authority (ZRA) as from 1st April, 1994 (*Ibid*:3). Since the establishment of ZRA "tax administration and compliance have improved substantially" (*Ibid*:3)[98]. Fiscal policy and tax regime stipulate sources of government's finances for capital, recurrent and other expenditures, and therefore, their strengthening cannot be over-emphasised.

On the macroeconomic stabilization level, the picture was mixed. On the positive side (*Ibid*: 3): in the second half of 1993, the Kwacha appreciated, at the end of 1994, inflation declined by 35 per cent "after five years of 100 per cent inflation", and there was a stable exchange rate throughout the month of November, 1994. On the negative side (*Ibid*: 2): at the end of 1994, the macroeconomic situation was weak: inflation went up (mainly as a result of a rise in maize meal prices); depreciation of the Kwacha was experienced; and interest rates[99] went up to 24 per cent.

In addition to these economic reform policies put in place by government, government tried to boost business and consumer confidence through the necessary incentives, and through a market determined exchange rate (*Ibid*: 2). Also, as a way of moving towards external viability, the government, in 1994, established a balance-of-payments support and external debt management group[100] (*Ibid*: 3).

Livesey defines it as "an additional import duty imposed to counteract a fall in price following the granting of a subsidy by an exporting country" (1993:10).

96 Trade liberalisation has since seen a proliferation of foreign companies, participating in trade – the best example is Shoprite Checkers of South Africa, a large-scale consumer organisation, with branches almost in every province of Zambia. See ZPA *Status Report* (1999).

97 The cash budget system is a system whereby government spends within budget figures and when financial resources are available. This was not fully implemented until April, 1995.

98 The ZRA is one of the most feared statutory bodies due to hefty penalties it slaps on defaulting tax payers and organisations.

99 Interest rate(s) pay a lender over and above the amount borrowed, expressed as "percentage of the total amount of funds borrowed" (Todaro 1997:700).

100 Because of this action, Zambia has been servicing her external debt timely, in spite of low foreign reserves (*Ibid*: 3).

The total outcome of economic reforms implemented from 1992 to 1994 was a real GDP fall of 5.1 per cent in 1994[101] (*Ibid*: 4). At the end of this period, the government admitted that "progress in some areas has been slow" (*Ibid*: 4).

One of the areas of need, if not the greatest need, was the social sector in so far as the livelihood, work, and daily sustenance of the people was concerned – or to put it simply: matters of "bread and butter" were not handled very well by government[102]. The Bank of Zambia annual report for 1993 records that:

> *To assist the vulnerable groups from the adverse effects of the economic restructuring programme, several supportive programmes were put in place by the government. These programmes were aimed at improving access of the vulnerable groups to social services and food … These programmes made it easier for the government to successfully implement the economic restructuring programme with the support of all the Zambians (1993:5).*

This is rather an impressionist, ivory tower, and uncondescending kind of statement which did not reflect the true situation on the ground and was, therefore, highly misleading.

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101 Decline in agricultural output due to poor rainfall, decline in the mining sector as a result of technical and managerial difficulties, and decline in related manufacturing activities have accounted for this fall (*Ibid*: 4). In fact, between 1991 and 1995 the economy was in decline by an average of 1 per cent annually (*Policy Framework Paper* [1991-2001] 1999a: 1ff). As for real per capita GDP, it declined by 13 percent during this period (*Ibid*: 1ff).

102 While it is a well known fact that the political elite and senior government officials (who are usually fairly insulated against economic brutalisation through hefty perks and other incentives) are not severely affected by SAP, it is equally well known that a large number of ordinary citizens (including ordinary civil servants and informal sector people) have borne the brunt of adverse effects of economic reforms including: perpetual poverty and hunger, falling purchasing power, inaccessibility to medical facilities (due to high fees), malnutrition, early death, despondency, depression, marital instability, joblessness, a hand-to-mouth existence, indignity and feeling of failure (because they neither have nor control means of looking after and providing for their families).

While it is appreciated that government put in place the National Social Safety Net as from 1993, in order, *inter alia*, to co-ordinate other social safety net schemes for social and human upliftment such as the Public Welfare Assistance scheme, Future Search, Land Resettlement programme, Small & Micro Enterprises Promotion unit, Technical Education, Vocational and Entrepreneurship Training (TEVET) programme and through various NGOs (non-governmental orgainisations) (*National Social Safety Net* 1996), the truth is that these programmes, though necessary, only "scratched" the tip of an iceberg. Social and human survival in Zambia required more than a symptomatic approach whereby a few hand outs are given out to address hunger[103] and a few who are targeted for their employment needs[104]. It requires the total gamut of change which targets the unlocking and enhancing of the entire institutional and human capacity in order to move towards to a situation which can be regarded as spiritually and materially better (Todaro 1997), not only for today, but for years to come.

It is the Central Statistical Office *Household Budget Survey for 1993/1994* and the Central Statistical Office *Quarterly Employment and Earnings Survey (Fourth Quarter) for 1994*, which revealed in honesty the prevailing socio-economic situation of the majority Zambians as it obtained between 1992 and 1994. The *Household Budget Survey for 1993/1994* reported that there was income inequality during this period (1998:10,36). It further reported that in Zambia, people spent more money on food than any other item – implying that the cost of food was and is high in Zambia (*Ibid*: 14). Similarly, the *Quarterly Employment and Earnings Survey* (Fourth Quarter) *for 1994*, reported that between March,

103 For example, the *Food for Work Programme* pays cooking oil, mealie meal and other consumables in exchange of labour used in the construction of roads and community projects in the shanty compounds of big towns. These programmes are very common among women.

104 For example, the National Social Safety Net, as a national co-ordinating body, has a very restricted scope of operation: it only deals with displaced workers who have been adversely affected by the ongoing economic reform programme – and therefore, it does not capture the "unemployed" nationwide (Interview with Ngosa Chisupa, Programme Director of National Social Safety Net Co-ordinating Committee – 27 April 1999).

1993 and December 1994, there were about 30,000 people who lost their employment in the formal sector[105] against a meagre backdrop of about 2000 jobs created within the same period (1994: 4-4 & 9). The loss was due to privatisation and other economic re-adjustment policies (*Ibid*: 3-4, 8-9). Issues of income inequality or skewed income, high cost of food, and unemployment, impinge harshly on the morale of the public and should be considered priority agenda items as the economy moves towards growth and development.

Between 1995 and 1998, the government continued to consolidate its fair gains from the 1992 to 1994 period, not withstanding initial difficulties. In early 1995, the economy faced serious problems which threatened to dissipate the gains of previous years as far as economic adjustment and macroeconomic stability were concerned. These serious pressures on the economy, included (*Policy Framework paper* [995-98] 1995: 3-4): inflationary pressures partly due to continued maize price rises; anticipated severe maize crop shortfall in 1995; official financial support to a cash-strapped Meridian B1AO Zambia Ltd.[106], and revenue collection by ZRA was much below the expected levels.

In spite of these difficulties, the government was determined to proceed with economic reform and macroeconomic stabilisation.

In the period under review, the government continued to achieve fair results (*Ibid*: 1ff). Under privatisation, it had managed to sell 170 companies out of a working portfolio of 275 companies by 1996 (*General Policy Framework [1998-2000]* 1997: 1ff). On the fiscal policy level, it managed to implement a cash budget system (expenditure side) as from April 1995, and introduced Value Added Tax[107] (revenue side). On the monetary front, the catalogue of additional fair achievements by 1996 was impressive: foreign exchange was now readily available on the open market; the Bank of Zambia was now relying on the market

105 On 1994 only, the *survey* states that: “The most affected sectors in 1994 were the private and parastatal which declared 4,303 and 3,678 employees redundant respectively. Local government declared 2,045 employees redundant in the period under review. In all, there were 10,025 workers declared redundant involving a total of 298 companies” (1994:9).

106 In May, 1995, the bank was put under receivership (*Ibid*: 4). By this time, it had gabbled 51 billion Kwacha in public funds, representing 1 percent of GDP. It is still not very clear to the Zambian public as to why the MMD government went out of its way to support a private banking conglomerate with branches in East and West Africa.

107 Value Added Tax (VAT) is “a tax applied at every point, with the chain of production and distribution, at which an exchange of goods or services takes place” (Livesey 1993:228).

mechanism for its execution of monetary policy; the money supply was under control[108]; and prices of consumer goods were fairly stable. In 1996, the MMD government was voted back into power after the controversial presidential elections which led to the withdrawal of UNIP participation. Meanwhile, in that same year, the economy recovered with real GDP growth estimated at 6.5 per cent (*Policy Framework Paper* [1999-2001] 1999: 1ff). Positive growth was maintained in the following year. The Bank of Zambia Governor, Jacob Mwanza, states: "For the second successive year, the economy recorded a positive growth in real terms. Preliminary statistics indicate that the economy grew by 3.5 per cent in 1997" (Bank of Zambia *Annual Report* [1997] 1997:1). On inflation, he observes: "For the sixth year running, our inflation performance was exemplary.

The end of December twelve-month inflation rate was 18.6 per cent, down from 35.2 per cent in December 1996. This is a remarkable achievement by Sub-Saharan standard and puts Zambia among the more success stories in the structurally adjusting countries"[109] (*Ibid*: 1). The other notable gain in 1997 was the rapid growth in non-traditional export earnings, especially from primary agricultural products of which cotton lint recorded the highest growth in that year[110] (*Ibid*:16). Even the October 1997 attempted coup by Captain Elias Lungu, code-named Captain Solo, could not change the positive gains of that year.

In spite of these economic achievements, the economy had to deal with other impediments

108 Inflation was estimated to be just over 30 per cent by 1996 (*Ibid*: 1ff). See also Bank of Zambia *Annual Report* (1997).

109 The governor's statement may be true when only economic factors such as monetary policy management and market-based strategies are considered, but when the so called non-economic factors such as human and social welfare are considered, the statement is highly misleading and exaggerated. Economic growth should be complemented by an improvement in the physical, moral and spiritual conditions of the people (Todaro 1997). There is a difference between "success in figures" and "success as it affects the real lives of the people". As we shall see later, the lives of Zambians could not be called "a success" in 1997 and in the final year of the 20th century

110 Positive growth in non-traditional exports (NTEs) was largely attributed to "the liberalized export regime; fiscal incentives: technical assistance and credit from the European Union to some sections of exporters" (*Ibid*: 16). The question is: Why can't Zambia develop NTEs even further, that is, for the domestic economy as well as for export, for the benefit of the country? This is the only way that the country will diversify away from copper. When the MMD government came into power in 1991, copper accounted for 93% of foreign exchange earnings (*The Europa World Year book* Vol II 1992:3238). The situation has not significantly changed in the final year of the 20th century.

to growth and negative effects of SAP in 1997. These include (*Ibid*: 16ff): the debt problem[111], overall negative growth in agriculture[112], unemployment and job losses[113], and a shortfall in the donor balance-of-payments support[114].

On the whole, 1996/1997 was a period of economic recovery with real GDP estimated at 6.5 per cent and 3.5 percent, respectively (*Policy Framework Paper* [1999a-2001] 1999a:1). The overall picture at the end of seven years (1991 to 1997) was impressive, at least when economic factors are considered: "The pursuance of prudent fiscal and monetary policies during the 1991-1997 period helped to stabilize the macro-economic environment" (*Ibid*:1).

111 As at 31st December 1997, Zambia's external debt stock stood at around USD 7.1 billion – an increase of 7.5 per cent over the debt position of 31st December, 1996 which stood at USD 6.6 billion (Bank of Zambia *Annual Report* 1997: 18-19). The Bank of Zambia governor, Jacob Mwanza, observes: "The World Bank and IMF launched the heavily indebted poor countries (HIPC) initiative of debt reduction in 1997. The main objective of this initiative is to bring debt of the poorest countries to sustainable levels to enable them to release resources on development requirements and all creditors are expected to take part in stock reduction … Primary analysis of debt ratios i.e. debt service as percentage of exports and present value of debt as a percentage of exports, showed that Zambia was above World Bank's criteria for sustainable debt levels. This means that at the current levels of debt, Zambia will continue to face debt servicing problems for the next twenty years" (*Ibid*: 18-19). Even if Zambia negotiates for debt reduction or increase her net export earnings and revenue collection (*Ibid*: 18-19), the only way forward, is lobbying for debt cancellation. In this way, she will be able to concentrate on developing the economy.

112 Agriculture recorded a negative growth rate of 3.4 per cent mainly due to "inadequate and erratic supply of fertilizer and other inputs, and the continuous heavy rainfall recorded in January and February, which resulted in leaching and flooding in some parts of the country" (*Ibid*: 10). Notwithstanding adverse natural phenomena, the question is: When will Zambia attend to diversification through agriculture? Thirty two years after independence, diversification through large-scale intensive and export-oriented agriculture is still a pipe dream.

113 The implementation of the Enhanced Structural Adjustment Programme (ESAP) – second-phase of SAP – through the instruments of privatisation and liquidation of companies - increased unemployment levels in the country (*Ibid*: 12). Many of those who lost jobs joined the informal sector which is usually characterised by a hand-to-mouth existence through street vending, stone crushing and other jobs. Informal sector jobs as they obtain in Zambia are "a sign of a very sick economy". What government needs is the mobilisation of the informal sector so that decent business infrastructure, credit, business skills, insurance facilities and other attendant support schemes, can be availed to them. This is the only way Zambia can see a healthy, robust, skillful and secure informal sector.

114 In the early part of 1997, Zambia had to suffer the pain of certain donors withholding the balance-of-payments support due to the controversial presidential clause which barred the first president, Kenneth David Kaunda, from standing as a candidate in the 1996 presidential elections. In spite of this problem, Zambia met all her external debt obligations (*Ibid*: 12). Nonetheless, this action reduced Zambia's foreign reserves – putting negative pressure on the economy. The same situation happened when donors withheld the balance of payment support in 1998 – due to unresolved governance issues and delay in privatising the remaining assets of ZCCM - see Barclays Bank of Zambia *1999 Budget Digest* (1999:1ff) and Barclays Bank of Zambia *Quarterly Economic Review (2nd Quarter 1998)* (1998b:1ff).

The year 1998, was a difficult year[115]: "In 1998, however, the economy has been seriously affected by several problems that threaten positive developments achieved over the last three years" (*Ibid*:2). Main problems of 1998 included (Barclays Bank of Zambia *1999 Budget Digest* 1999:130ff and *Policy Framework Paper* (1999-2001) 1999:1ff):

- the financial and economic crisis in Asia (affecting adversely the price of copper)
- slump in copper production[116]
- absence of donor support i.e. in terms of balance of payments[117]
- effects of low cost imports from the region (Southern Africa)[118]
- rapid depreciation of the Kwacha[119]
- delay in selling the remaining assets of Zambia Consolidated Copper Mines (ZCCM)
- unfavourable atmospheric conditions in the 1997/1998 season[120] (mainly due to the El Nino phenomenon)
- decline in manufacturing (mainly due to reduced earnings which is a result of exporting raw products)
- decline in NTEs (non-traditional exports) (due to reduced demand especially for cotton lint and soya beans).

The overall economic outlook at the end of 1998 was gloomy. Main features include (*1998 Economic Report* 1999:22ff and *Policy Framework Paper* (1999-2001) 1999: 1ff): lower export receipts, absence of balance-of-payments support, depletion of foreign reserves, a depreciated Kwacha mainly due to scarcity of foreign exchange and poor crop yield, and

115 See also Barclays Bank of Zambia *1999 Budget Digest* (1999:20-34) and the Republic of Zambia *1999 Budget Speech* (1999:1ff).

116 Which reduced from 322,000 tons in 1997 to 260,000 tons in 1998 (*Ibid*: 2)

117 Donors withheld the balance of payment support partly due to delay in privatising the remaining assets for the mining industry and due to other governance issues. See Barclays Bank of Zambia *1999 Budget Digest (1999:30).*

118 Leading to the dampening of local manufacturing companies, because they could not compete with foreign companies which brought in law cost goods.

119 The *1998 Economic Report* for the government of the Republic of Zambia observes that: "The nominal exchange rate of the Kwacha against the US Dollar rose from an end period of K1,421 in 1997 to K2,300 as at end of 1998, representing a depreciation of 62 per cent" (1999:24).

120 Performance in agriculture cannot only be attributed to El Nino effects, but also to failures in the distribution and marketing of both agricultural inputs and outputs (*Ibid*:2). For example, the output of maize was 583,000 tonnes – 45 per cent lower than the normal maize requirements of the nation. This led to maize price increases as well as that of other related products (*Ibid*:2).

budget problems such as cost overruns[121], severe cuts and accumulation of domestic arrears. Thus some of the gains of the two buoyant years (1996 and 1997) were wiped out by the recording of a negative GDP growth rate of 2.0% in 1998[122] (Barclays Bank of Zambia *1999 Budget Digest* 1999:34).

At the beginning of 1999, the *Budget Address* by the Hon. Edith Z. Nawakwi, Minister of Finance and Economic Development, delivered to the National Assembly of Zambia on 29th January, 1999, set the context for economic reform in that year:

> *Mr Speaker, Sir, I stand before this august house deeply indebted to the courage, patience and resolve of the Zambian people in the face of the many difficulties we have encountered in our efforts to turn the economy around. I have nothing but sheer admiration for the sober and mature manner in which Zambians have carried the burden of reform* (1999:1).

Poverty reduction and delay in the privatisation of the remaining assets of ZCCM stood out as two of the main issues which confronted Zambia's economy as government endeavoured to turn it around. Poverty reduction, if not achieved, will continue to negatively affect public morale. If the issue of the sale of remaining assets of ZCCM is not concluded well and the mining sector allowed to profitably expand thereafter, the entire economy will crumble. One of the reasons is that the mining sector is still the mainstay of the economy and that the economy has not yet diversified appreciably away from mining.

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121 For example, the Public Service Retrenchment Programme (PSRP) under which government planned to spend 20 billion Kwacha and had hoped that donors would contribute 96 billion Kwacha (Barclays Bank of Zambia *Quarterly Economic Review (2nd Quarter 1998*): 1998b:7). However, due to the unresolved governance issues, this money was not released by donors and so, by the end of May 1998, government ended up spending 37 billion Kwacha (*Ibid*:7).

122 Barclays Bank of Zambia *Quarterly Economic Review (2nd Quarter 1998*), right at the beginning of 1998, painted an overall grim picture on the performance of the economy fundamentally due to a depressed manufacturing sector, unresolved privatisation of ZCCM and the impact of this on local industries which are dependant on copper/cobalt mining (1998b:4-5). Zambia needs a more diversified industrial platform which is not necessarily linked to copper mining (and its by-products such as cobalt). As already noted, Zambia needs to go flat out and develop its agriculture, industrial and manufacturing base and attendant service delivery systems. This is the way forward for wealth creation (*chrematistics*), development, and a well-ordered society in which the entire household of the Zambian community can share the benefits of living in this household.

While it is appreciated that government recognised the sobriety and maturity of the majority of Zambians amidst difficulties, it was disheartening that this was not matched by sacrifice and modest living on the part of those with political power. This is why calls for poverty reduction such as the one below lacked substance (*Ibid*:10):

> *Mr Speaker, Sir, in his opening address to this session, the President described poverty as a cancer that rots the human soul. Poverty denies millions of our people the opportunity to enjoy their God given rights and freedom and to participate in the development of their country. In his address, the President appropriately called on the Nation to move forward in defence of the ordinary Zambian against this cancer.*

The defence of the "ordinary Zambian against this cancer (poverty)" can only happen when he or she is not left behind in economic programmes and when he or she is able to see and experience that public leaders are accompanying him or her in his or her difficulties, helping him or her to recover and demonstrating that they are *not extravagant*, but *moderate* in the perks and incentives which are due to them as public leaders. The problem of government is its hardline pursuance of post-care neoclassical economics which tends to care first and foremost for economic variables and decisions, at the expense of the human community. In most cases, people are left behind the economic reform course and are only considered afterwards. The other problem of government is that words are not matched with action. People see that the political elite are far better off socially and economically. In the quest for the solution of scarcity, citizens should come first. Solving scarcity for the elite and excluding ordinary citizens from scarcity-solving mechanisms is a moral concern which needs to be addressed. Government needs to adopt a pre-care economics approach which, *inter alia*, cares for people first as it proceeds with economic reform[123], and to show high level moderation[124] in terms of perks and incentives accorded to senior public officers and the

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123 Or alternatively do the simultaneous job of looking after the socio-economic needs of their people as they proceed with reform. The point is that people should not be left behind the economic development process and be considered as an "after-thought" in this process.

124 For example, there needs to be public debate on perks and incentives given to these people which should take into consideration *restrictions* on telephone facilities, travel, fuel allocation, allowances, and other issues. An outstanding case in point is the Cabinet: there needs to be cutting down of the Cabinet to the early post-independence cabinet levels which was 16 or even lower (the present cabinet has 25 members). These and other measures can make the nation save considerably as the economy recovers from its sickness. Zambia should not pretend to live like rich nations. She must learn to live within its financial means.

political elite. This is the only way that the entire nation will ably move together towards a common vision as articulated ably by Edith Z. Nawakwi, Minister of Finance (*Ibid*: 18):

> *We must not be faint-hearted, but rather move together with a common vision to permanently change our nation for the better. We must have the determination to transform our economy into one where hard work and enterprise are rewarded, where there are expanded opportunities for all and where wealth is generated and distributed equitably to reduce the widespread poverty and protect the vulnerable – Government is committed to playing its role, but it is the Zambian people themselves who must make the African Renaissance*[125] *a reality within the nation. To achieve our rebirth we must all re-examine and change our attitudes and our work habits. We must realise the great potential that exists around us and within us. Each man and woman must play his or her part in exploiting that potential so that we can all feed, clothe and house our families, educate our children, and develop our nation. We must all take up the challenge to engage the world with open minds and with spirits eager to identify and embrace the tremendous opportunities*

125 The call for African Renaissance by the then Executive Vice President of the Republic of South Africa, and now Republican President, Thabo Mbeki, which was given in the post-Apartheid and post-South African Independence era is not new to Africa. It was called for in one form or another by forefathers of African Independence such as Kaunda (1988). However, development has eluded Africa. It is probably this time around that Africa should reassert through development.

> *that exist in our land for an outward looking people. We all have a part to play in using what God has richly blessed us with to make our nation dynamic, vibrant and prosperous, able to enter the new millenium with our heads held high and with respect of our friends around the globe.*

As for the remaining assets of ZCCM, the Standard Chartered of Zambia *Business Trends Zambia* casted a "ray of hope" that the sale of the remaining mining assets will be cardinal in determining the way for the economy (1991:1). It was expected that the sale of mines would open up the flow of donor-funding – and further investment in the mining sector[126] (*Ibid*: 2).

However, the report cautioned that "Copper privatisation is no quick fix" (*Ibid*: 2). This view is qualified when it states that (*Ibid*: 8-9):

> *Production is unlikely to begin to recover until the year 2000 and could take until 2006 to 2008 before it regains the 600 000 tonne level. It will not reach those heights without the restructuring of the industry in the form of new investment and new managerial and marketing techniques.*

The delay in privatising the remaining assets cost the nation an unconfirmed amount of USD 1.5 billion at the end of 1998 (*Ibid*:3). In the words of Permanent Secretary (Financial Management and Accounting Division), Ministry of Finance and Economic Development of the Republic of Zambia, government was using about 20 million USD per month by April, 1999, in order to keep the mines "barely alive" before the prospective owners take over[127]. Therefore, the successful privatisation of the remaining assets of the mines and their eventual positive growth and development will be decisive to the health of Zambia's economy as it prepares to enter the 21st Century. To put it in other words, Zambia's economy, let alone the life of Zambians, depend on successful privatisation of the remaining assets of the mines, for now and in the early part of the new millennium.

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[126] This view is well supported by the Barclays Bank of Zambia *1999 Budget Digest* (1999).

The dye has been cast and the economic pattern is emerging. In the closing year of the 20^{th} Century, 1999, it is now up to government to see how economic decisions will be made and economic variables will be applied in order to truly restructure the economy, maintain macro-economic stability and boost economic growth and development and thus, achieve positive economic reform and recovery. Major issues of great attention include the instilling of positive growth in the mining sector, the manufacturing sector and the agricultural sector as highly potential growth areas. But, most importantly, Zambia's implementation of economic reforms will be judged successful if and when social imperatives of human livelihood, existence, wholeness and their physical surrounding are given uttermost consideration[128]. After all, *development is for people* (Coetzee editor 1987).

3.7.2.2 **Denationalisation and the privatisation programme: the embodiment of the neo-classical model in the economy**

The process of denationalisation was set in motion by the MMD government soon after the creation of the Zambia Privatisation Agency (ZPA) at the beginning of 1992. By definition, it is a process which sought to undo nationalisation of private companies which came under state control as from April, 1968, in order to give back these companies to rightful private owners, or sell them to prospective private buyers or private shareholders in state companies, whatever the case may be. In addition, it is a process which sought to sell almost all state companies created before and after the 1968 Mulungushi Reforms to private buyers. This process required a natural accompaniment: the privatisation programme. The privatisation programme, in broad terms, refers to government policy aimed at making the private sector to participate prominently in leading commercial and industrial activities of the economy. Both denationalisation and privatisation seek to promote a private sector-driven economy and thus, embody into the structures of the econo-my the neoclassical model in which government's role is to set prerequisites and conditions which are both conducive and favourable for the economy to take off.

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127 This is according to the interview conducted with Mr Mtonga at the Ministry of Finance and Economic Development Headquarters in Lusaka, Zambia, on 15 April, 1999

128 Issues of community empowerment through development projects, literacy classes, primary health care, skills development, institutional capacity building, deliberate government protection of its people from hunger, nakedness and lack of shelter, and the like, should be taken aboard the state ship, as the economy evolves.

None-the-less, it should be borne in mind that denationalisation and privatisation changed radically the face of predominantly parastatal business in Zambia which had enjoyed state protection, subsidy, and benevolence spanning over a period of 24 to 27 years. Equally, workers used to enjoy security of employment even when some of the parastatals were performing badly. This period of "parastatal economy" can be described as "a period of relative ease" in as far as the worker was concerned – employment was a must and a right, with or without good and productive company performance simply because the state was overseeing every Zambian and every parastatal in order to ensure that people had em-ployment. Every parastatal, especially the non-performing ones, were financially subsidised.

The final stroke which changed this scenario was the full force of denationalisation and privatisation of 1992. Non-performing companies and bloated companies were the first to feel the incisive pain of denationalisation and privatisation. Sooner than later, the Zambian nation started to see the outpouring of human masses from liquidated and privatised companies into the streets of Zambia. For the first time in the history of Zambia, stories of high incidences of joblessness, hunger, depression, marital wreckage, lack of school fees for children, and all those cases related to denationalisation and privatisation, became the order of the day. Those who left employment due to privatisation or liquidation, if they were unlucky to be re-deployed, retained or re-employed, joined the already bloated informal sector which was usually represented by *utuntemba economy*[129] just to make ends meet.
Consequently, a situation emerged whereby there existed in the nation, two parallel economies, namely: the formal economy represented by the public and private sectors and the informal economy represented mainly by *utuntemba economy* (which is not integrated in and peripheral to the national economy). The brushing of shoulders between the two is not easy

129 *Utuntemba* (plural, *akantemba* –singular) is a Bemba word which means makeshift structures where somebody can sell consumables and utilities such as sweets, fruits and soap, in order to make ends meet. It has become a common Zambian phrase in the light of economic difficulties. *Utuntemba* can also be found in low-density suburban residential areas of big cities like Lusaka. Zambia has now become a "nation of traders". The point is that, in Zambia today, in order for you to survive, especially as an ordinary citizen, you must sell goodies. *Utuntemba economy* is not integrated in the mainline economy of Zambia. One of the greatest challenges of the MMD government is to integrate some of these *utuntemba* into the main fabric of Zambian's formal commercial and industrial activities. It is hoped that when the economy finally recovers and begins to deliver "economic goods", some of these *utuntemba* will naturally die out because a good portion of people from this sector will be in productive gainful employment.

at all, especially in a changed business scenario brought about by denationalisation and privatisation. For example, consumables offered by *utuntemba* may be shunned in preference to those found in big consumer shops such as Shoprite Checkers which belong to the private formal economy and vice versa. The result is survival of the fittest through and through. In the formal economy, both public and private, those companies which outperform others survive; whereas those who are outperformed and who do not adapt and improve, sink under and collapse. In the *utuntemba economy,* survival is at the mercy of those in the formal economy, especially individuals: if they have no money or decide to buy from their fellow competitors, their business suffer and consequently, their families suffer because there will be no money to buy basic necessities such as the staple food mealie meal.

Denationalisation and privatisation have brought in a new culture of entrepreneurship, and a new culture of competition, formally and informally. At the same time, it has engendered pain of varied degrees, namely: the pain of adjusting to the changed business environment, the pain of losing employment due to privatisation and denationalisation, and the pain of surviving in a denationalised and privatised economy. The post-1992 period can well be described as "Zambia's second Great Transformation"[130]. Not only did commercial and industrial activities change hands from state-led to private sector-led, but that it led to, undeniably, massive human and social dislocation not only for affected workers, but for their families and the entire public which co-exists in the breadth and length of Zambia. The previous economy was uprooted and replaced by new economic structures with a promise for business and potential for destabilising the human, social, and moral fibre of the nation.

At the heart of denationalisation and privatisation is the celebrated ZPA. According to *Privatisation News* (1999a:4), the privatisation process was successful with a negligible failure rate of 3 per cent[131]. In other words, the privatisation process, which denationalised the economy, had a 97% success rate since the privatisation programme was launched in July, 1992 (Ibid:4). In comparative terms, it even outperformed privatisation programmes in big

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130 c.f. Karl Polanyi (1944). See also chapter 4 on "The missionary church and the emerging industrial economy: the general missionary council and the united missions to the Copperbelt" in order to compare with "Zambia's first great transformation".

131 Failure of some privatised companies is attributed mainly to indebtedness of these companies from the time they were parastatals and inability to withstand the changed economic environment (*Ibid*: 4-

economies such as that of Germany which recorded a failure rate of 20% (*Ibid*: 4). As at 30 March 1999, 242 companies were privatised (*ZPA Status Report* 1999b:1ff). With only 38 companies to be privatised out of a working portfolio of 280 companies, the economy is no longer "a parastatal economy", but "a free enterprise economy" (*Ibid*: 1).

In this way, the privatisation programme as it obtained in Zambia, economically speaking, successfully and fully embodied the neoclassical model. The ball is the court and hands of the private business people to stir the economy to positive growth and development, albeit, with government's ability to level the playing field and set an enabling environment in the true sense of the term. However, the ethical question is: When will Zambians begin to reap the fruits of the privatisation programme, which in economic terms, was described as "a success with distinction"? Is it in the medium term? Is it in the long term? If privatisation will not deliver economic benefits such as affordable food, clothes and shelter, then it will have failed its historic mandate, and it can well be described as a disaster.

3.8 SUMMARY AND CONCLUSION

In building the case of Zambia, firstly what comes out clearly is that in the political economy of Zambia the "point of departure" was scarcity. Zambia believed that it was necessary and fundamental to arrange its industrial economy according to the three key elements of scarcity, namely: production, allocation, and distribution. For example, the copper mining industry, the mainstay of the economy, was done in accordance with the three key elements of scarcity. Secondly, Zambia choose the socialist collectivist philosophy as a system by which to solve scarcity from 1964 to 1991. With the new government coming to power in 1991, Zambia took the capitalist individualist philosophy as a way by which to solve scarcity. *Inter alia* in spite of modest social and economic achievements, inappropriate measures contributed to a falling in living standards up to 1999. During the period under review, Zambia failed to fully solve her scarcity problems.

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6). Most of these were sold to Zambians, for example: General Pharmaceuticals of Kabwe; National Drum Company of Ndola; Crushed Stone Sales of Lusaka; and Eagle Travel of Lusaka (*Ibid*: 6).

By choosing scarcity as a “point of departure” in its quest for economic development, Zambia agreed with the international business community that, technical choices are more important in the economic process thatn moral concerns. Consequently, adherence to the notion of scarcity did contribute to the compromisation of social imperatives mainly due to market exclusion of many Zambians, especially in the 1990s.

In this regard, scarcity may not be an adequate “starting point” for the quest for economic development. In spite of apparent scarcity of resources, Zambia does have sufficient and abundant resources to feed, clothe, shelter and educate its people. She may not have precious commodities like crude oil and diamonds, but she does have other resources which can be tapped and employed to bring about prosperity, good health and holistic fulfilment for her people.

She must acknowledge that she has sufficient resources over which she has responsibility. There is a need to develop a new “point of departure” which recognises this fact of life for the sake of the Zambian citizenry. This idea will be argued firmly and critically in the succeeding chapters. Zambia needs a new “starting point” which needs to be executed hand in hand with moral criteria which are based on Biblical insights and norms. They are not the kind of moral criteria which exclude people from other faiths from participating in the economy. In fact, in God’s economy (Greek *oikonomia tou theou),* everyone is included (Meeks 1989). In this vision of inclusivity, a deliberate choice is made to advance values which are shared by people around the world. These include a commitment to duty, a commitment to justice, responsible use of resources and care for other human beings.

On the basis of this new “starting point” grounded in appropriate moral criteria, Zambia should put in place an economic system which discerns and gathers the best from the two major economic systems and from other sources for holistic progress. Her sacred task is to find a system which use appropriate measures to bring about growth and development. This time around it will not be an argument about mere material goods, but about how best she can contextually appropriate this new “starting point” in order to help its people reach their potential.