CHAPTER 5

THE IMPACT OF PRIVATISATION AND THE WELFARE

5.1 Introduction

The impact of privatisation on the employees of parastatal firms logically divides into three categories – those that continued to work for the privatised companies, new employees where companies have expanded or plan to expand their welfare and those who lost their employment at or following privatisation.

The preceding chapter dealt with the question of employment and labour practice in privatised companies, we now turn our attention to the contentious issue of those who lost employment with their parastatal employers.

As staff reductions due to retirement, illness, death and voluntary quits are broadly independent or privatisation, our focus is on retrenched workers. In order to identify the social impact of privatisation, a number of critical questions have to be addressed. Specifically:

- The value of retrenchment packages and the uses to which they have been put;

- Who has received training or other forms of support to cope with the loss of parastatal employment, the provider of such support to cope with the loss of parastatal employment, the provider of such support;
- The effects on labour market supply, whether women have borne a proportionally higher impact of retrenchment, how the skills of retrenched workers relate to the labour force more generally;
- How successful retrenched workers have been in finding alternative employment, the balance between informal and formal sector and length of search and conditions of new employment;
- The broader impact on the household expenditure and the incident of poverty;
- The skill background and opportunities that have allowed some retrenched workers to gain from the transition from parastatal to informal sector employment.

It has been impossible to use information collected from companies (or any government agency) to address issues of what happens to retrenched workers as no record is kept of their whereabouts or their new situation. Hence the need to collect information directly from retrenchees..[128] A questionnaire, in this respect has been used to collect such data.

[128] Questionnaire in Appendix B.

5.2 Methodology

Due to the dearth of information it has been very difficult to get a fair picture of the impact privatisation has had on retrenched workers.

It was, therefore, decided that for the purpose of our research, it would be easier to approach privatised companies[129] and carry out on the spot interviews with managers as retrenchers, and a number of workers who have been re-employed. In practice this proved time consuming and laborious – often involving multiple visits to secure interviews. However, retrenchees were often able to suggest other retrenchees' whereabouts, and in some cases even suggest certain new businesses, for example, Shoprite Checkers, which had employed a number of former parastatal employees.

5.2.1 Retrenchment and the Value of Retrenchment Packages

The labour market in Zambia has changed dramatically as a result of structural adjustment and privatisation. There have been large numbers of retrenchments both pre and post privatisation and as such, retrenchments are only considered a common phenomenon and are generally accepted as a way of life.

[129] In our research, National Milling Company has been used, with the help of one Mr. A Chambula, Quality Assurance/Sales Manager, who was there pre and post privatisation.

Writing on retrenchments, Emerson[130] suggests that once retrenchments have occurred, the process is adjustment, more often, may be more favourable than had previously been thought. He assumed that the anxiety will subside and that the individuals would adjust very easily to the altered way of life. This is not exactly true. A World Bank Privatisation Impact assessment survey on Zambia carried out in 1998 disclosed that; "although some few retrenches have benefited positively from the received packages, the majority of the people have lost out and some are in desperate positions. Despite the fact that some people used to get low salaries prior to retrenchment, the situation has now worsened due to the fact that even the little that was received has been completely lost."

Majority of the workers are paid End of Service Benefits (ESB) without delay although a substantial majority wait for many months before payment. Some still have not received their ESBs. Given such a scenario, where retrenchees wait for months before receiving their ESBs, but have health, water, electricity and school bills to pay, they borrow in order to sustain themselves and their families. This means that large portions of their ESBs will inevitably have to be channelled into debt repayment, which leaves them with virtually nothing to even save.

It appears that retrenched workers of privatised companies are left to fight for their ESBs after retrenchment. It is not altogether clear who is responsible for ensuring that the new buyers

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[130] Emerson, P E: Adjusting to retrenchment, New York, McGraw Hill (1989).

meet their obligations towards employees. On the other hand, the ZPA states that it has the responsibility for ensuring that an investor lives up to all the commitments and agreements it has made.[131] On the other hand, it claims that once a company has been privatised, it no longer has a responsibility to protect workers' rights. This situation is contradictory and is in need of urgent clarification. This omission to monitor the effects of the set off is seen as "the greatest weakness in the privatisation process thus far" the times of Zambia aptly put in when it said "*"whenever the Zambia Privatisation Agency (ZPA) reels its statistics, there are loud cheers abroad, contentment in government circles, but much bewilderment among ordinary Zambians about the programmes benefit ... The ZPA has had no scheme for post-sale monitoring. To critics this has embodied government insensitivity to the plight of those who depend on the good preference of these enterprises for their survival ... As it is, nobody know whether the process is bringing the intended benefit of improved performance by companies sold.*"[132]

5.2 2 Retrenchment and Retraining, Job Counseling and Related Support Programmes

The situation of retrenchees and retirees who have been affected by structural adjustment policies is dismal. This makes the claims of the government and international donors fly

[131] Under Section 49(h), there is limited provision for the development of monitoring guidelines to be implemented once a sale is finalised. The ZPA itself lays out what it required to do in ZPA, Transparency in the Privatisation Programme.
[132] Times of Zambia, 3 December 1997(Appendix C).

directly into their faces, that Zambia is a model of development through privatisation.[133] The impact of retrenchment in its negative is manifested in deterioration in the livelihoods of the affected people due to absence of dependable incomes. Despite the fact that some people used to get low salaries prior to retrenchment and long before retrenchment, the situation has now worsened due to the fact that even the little that has been received has been completely lost. The majority of the people feel that government has not done enough to help them particularly in terms of finding alternative jobs or getting adequate packages, which they can use to start profitable businesses. The organisations involved in training and providing credit to retrenchees and retirees are doing a commendable job, it may be argued,[134] but the credit given by these or organisations is not enough, let alone available in some cases.

The majority of the training programmes are not tailor-made hence at times inappropriate to most of the beneficiaries. This comes about due to the fact that most of the training programmes are not taught in local languages to cater for employees who are lowly educated and they are so technical that only those with a background in business management or accounts benefit. During training, the beneficiaries are rarely categorised according to their former professions and levels of educational attainment but are jump lumped together. This in itself is a disadvantage to the lowly educated and those who are not familiar with business languages or concepts.

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[133] The World Bank report on: The Progress of Privatisation in Africa reports that: "A recent report on the progress of privatisation in Sub-Saharan African concludes that the response to and the results of privatisation have been mixed. But the reports show there is a success story. Zambia has been the most successful privatisation programme to date and the experience there offers many examples of best practice.

[134] Jere, E and Masiye, G: Preliminary Report on Zambia National Policy on Retrenchment Action Policy.

This is not to say, however that the government completely ignored the plight of those retrenchees.

The measures put in place to cushion the vulnerable from the full force of economic restructuring in Zambia can be divided; firstly into general welfare and development programming; and secondly, into those measures aimed at combating the particular problems caused by privatisation and widespread retrenchments.

A number of agencies and government ministries have responsibilities for tackling the social problems caused by redundancies. Overall, it is the task of the Ministry of Labour and Social Security to give "a new vision to relations between employers and employees as well as building future social security for workers who are out formal employment".

It was, therefore, within the Ministry of Labour and Social Security that a National Social Safety Net was set up in 1993, although a Coordinating Committee which allows all the relevant bodies to work together manages it. The coordinating committee was given the task of producing a policy framework – known as the National Retrenchment Policy – within which redundancies could be managed on an equitable basis as this relates to counseling, retraining, entrepreneurship promotion, redeployment and support for resettlement scheme for retrenchees. Details of schemes, run by the relevant Ministry or agency, but coordinated under the National Social Safety Net are as follows:[135]

[135] Feeney, P. Privatisation: A11 You Need to Know. Unpublished

i) The Land Resettlement Programme runs by the Department of Resettlement in the Office of the Vice president. Its purpose is to provide plots in resettlement schemes for small-scale agriculture holdings.

ii) Public Welfare Assistance Programme run by the Ministry of Community Development and Social Services whose purpose is to provide basic assistance with food, shelter, health care and education for the poorest.

iii) The Social Impact Scheme run by the Zambia Privatisation Agency, Social Impact Department informs employers, managers and the public about the likely impact of privatisation.

iv) The Future Search run by the Public Service Management Division which seeks to equip graduates with business skills for the future.

v) The Small Business development Programme run by the Ministry of Commerce, Trade and Industry for the purpose of assessing projects and provides funds for selected small business initiatives.

These would appear to be an array of initiatives to assist the unemployed. This is misleading and a total sham. "The National Social Safety Net Committee is itself a disgrace, and if we had any shame in the face of the tens of thousands who must unavoidably lose their jobs, it would be a national embarrassment."[136]

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[136] The Profit Magazine, March 1994.

The impact of each scheme has been limited for a number of reasons. In whole, the National Social Safety Net Coordinating Committee has itself been heavily criticised for its complete lack of urgency, for spending most of its funds on its own facilities and staff, and for an almost total absence of concrete results.[137] Despite being set up back in 1993, it took four years before the committee could produce a policy framework.[138] The United Nations Development Programme (UNDP) agreed in 1995 to fund the committee. These funds were, however, spent on capacity building, staff and operational costs.[139] Further, the World Bank too committed US$292,000=00 in 1996, bringing the total level of committed funds to US$0.5 million. This money too was spent largely on staff training and equipment.[140]

Given this background, it is not surprising, although nonetheless shocking, to discover that only 234 retrenchees have received retraining.[141] Given that the government funds only the operational costs of Safety Net to the tune of K200 million, that current donor commitments are at an end, and the legacy of mismanagement and inaction, it is difficult to see how the National Social Safety Net can have any impact on solving the social problems caused by retrenchment.[142]

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137 Op. cit., Feeney.
138 Ibid.
139 Ibid.
140 Kikeri, Sunita, J Nellis, M Shirley: World Bank (1992) "Privatisation, the Lesson of Experience".
141 Op. cit.
142 Ibid.

The impact of the privatisation programme on the people affected has been a prime consideration since its inception,[143] claims the ZPA. Despite its claims, the ZPA, has in reality, only a limited role to play in addressing the impact of privatisation. It concerns itself almost exclusively with the run up to privatisation of a State Owned Enterprise and does not offer guidance to retrenches or employees after a firm has been sold.

The Privatisation Act under Section 39 (2)(i) allows proceeds from the sale to be used to support alternative income generating projects or social projects in the public interest it is, however, the Ministry of Finance which controls the resource, and not the ZPA. So far, there is no evidence that any revenue has been spent on such schemes.

The ZPA's Social Impact Department is charged with ensuring that existing state sectors employees are adequately informed about how the privatisation process affects them. The main way in which this is to be achieved is through seminars and workshops to educate the public, unions, employees, managers, and parastatal holding companies about the social aspects of privatisation.[144]

However, very little information about the work of the Social Impact Department is published by ZPA. The last time was in Progress Report 3, covering a run down of the Department's

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[143] ZPA Progress Report # 12.
[144] IDA/GRZ (1974). Assessment of Impact of Privatisation Programme in Zambia, a Report prepared by Luba Consultancy and Development Limited, Lusaka, unpublished.

activities over the period July to December 1993. By that time, seminars had been held with personnel in the first and second waves of companies to be privatised, but it is unclear whether participation extended to all employees or to management alone. The Social Impact Department had also undertaken an employment and labour survey of SOEs. This was used in negotiations to establish the position of potential buyers on existing employment issues and was also used as input to the National Social Safety Net.[145] These sporadic information initiatives do not constitute benefit to those facing retrenchment.

5.2.3 Retrenchment, Re-employment and Changes in the Labour Market

Most assessments of Zambia's labour markets have paid little attention to the quality of labour and concentrated on demographic changes.[146] Beginning the mid-1970s economic theorists came to recognise that the quality imbedded in human capital was a major determinant of economic progress and explained differences in the levels of the wealth of nations. Thus education, skills, experience, health and other human capital characteristics were found to be important. The availability of a skilled labour force had important implications for the success of economic adjustment if demand for labour in the tradables sector required better skills, as is to be expected, than those utilised in the production of non-tradable goods and services.

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[145] Ibid.
[146] Chigangay O and Chiwele D. The Zambian Labour Markets Under Economic Adjustment for Ministry of Finance and Economic Development, November 1997.

The above statement remains true and was especially evident at the beginning of the current radical reforms under which Zambia's labour markets exhibited characteristics least suitable to facilitate a rapid expansion of tradable output. As such, it is difficult to support the retrenchees who have limited education, skills and worthwhile experience. Training in such entrepreneurial skills and backing to help small business start up is vital, but, by and large, the initiatives presently underway are marginal.

The Ministry of Science, Technology and Vocational Training in 1997 opened eight new trade training institutions teaching mixed farming, leather work, home management, weaving and other basic skills. This brings the total of such institutions to twenty-one.[147]

Overall, however, the Government concedes in its 1997 Economic Report that the resources going to these activities were inadequate and, in some cases severely constrained the execution of these activities.[148]

Given the scale of public and private formal sector redundancies envisaged, the MMD government recognised the role to be played by the informal sector in containing unemployment and set up the Vendors' Desk at State House. Further, the "government says it

[147] Op. cit. Feeney
[148] Ibid.

has accepted the fact that the informal sector is here to stay and that it has continued to play a pivotal role in socio economic development of the nation."[149]

The broad definition of the informal sector includes subsistence farmers as well as those either self-employed or working for wages in unlicensed and unregistered businesses.

After a close examination of the informal sector, it is easy to judge that it does not offer a viable means through which the majority of Zambians can realise improvements in their standards of living, and as such the majority of Zambians are poor and are getting poorer still.[150]

5.2.4 The Impact of Retrenchment on Household Expenditure and the Question of Poverty.

The change in employment status of retrenched workers only provides a partial indicator of the social impact of privatisation and structural adjustment more generally. Other household members may have gained or lost from the changes in macro economic environment and these may offset or compound the impact on retrenched workers. Here in this section, we consider

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[149] Daily Mail, January 1998 (Appendix C)
[150] The World Bank estimated that about 60% Zambians were living in poverty in 1974 as compared with 68% in 1991.

the extent of poverty among the households of retrenched workers, poverty, which has directly hit Zambia as a result of the privatisation policies.[151]

Poverty is a very complicated phenomenon that cuts across social, economic, political, and cultural and gender aspects of life. As a result, there is no single definition that can effectively reflect all these aspects.[152] Poverty in this paper will be perceived as insufficient access to food, education, health care, adequate shelter, adequate income, clean surrounding, sanitation and safe drinking water and lack of power.[153] This kind of poverty is known as "absolute poverty".

The above statement remains a powerful description of the reality experienced by a large segment of the Zambian population today.

Although not immediate, we can logically conclude that the desperate measures, which the government had put in place in a bid to revive economic growth, have deepened the country's economic and social crisis. The measures as we have discussed above include among others, cut in public expenditure, removing subsidies, devaluing local currency, opening up the local

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[151] There are both immediate and fundamental or ultimate causes of poverty. The immediate or proximate causes of poverty in Zambia as identified by UNICEF (1996) can be observed at the individual level. The fundamental or ultimate causes of poverty lie in the social and economic structures of society that includes levels of technological and external shocks or calamities.

[152] As defined by Robert McNamara, President of the World Bank, 1978.

[153] Ibid.

economy to foreign competitors, selling off public companies and reducing the size of the civil service.

The implementation these measures has resulted in undesirable social effects which are already too difficult to accept in the short term and have become intolerable in the long term. UNICEF and Oxfam reports show that "economic reforms have left the majority of people both in rural and urban areas with inadequate incomes to meet the basic needs of life. Consequently, most people in Zambia have become increasingly insecure in terms of employment, income, health and education".[154]

One writer reports that there has been a continued determination in the poverty levels among the Zambian people.[155] Surveys have revealed that people are no longer even affording to buy basic food stuffs and are in most cases living on less than three meals a day.[156] The loss of incomes following retrenchments is devastating. Although it is beyond the scope of this paper to give quantitative data on how healthy the Zambian people are, or how many children are going to school or let alone afford the fees. We cannot, however, close our eyes to the impact SAP has had on these sectors.

[154] Oxfam (1995). The Poverty Report, UK and Ireland.
[155] The Post, 22nd November, 1999 (Appendix C)
[156] Fr. Pete Henriot of the Catholic Jesuit Centre for Theological Reflection observed this and it was also contained in the Jesuit Centre's monthly cost analysis of the food basket which continued to rise despite the shrinking incomes in society.

The Zambian health sector has deteriorated tremendously with no medical supply, staff, equipment or specialist available.[157] The introduction of the fee-paying scheme has compelled Zambians to avoid going to hospitals and eventually dying at home due to lack of money for payment of fees. Medical personnel are frustrated at the unavailability of implements or medicines to prescribe for patients.[158] Despite this situation the Zambian government has abandoned its duty in providing health services to all Zambians.[159]

As the World Bank acknowledges education at the very centre of efforts to help poor people in their struggles to obtain the basic necessities of the life such as food, shelter and a secure future.[160] In spite of the importance of education, the education sector has not been given the priority it deserves. For example, in the fiscal year 2000, the two highest institutions of learning, University Zambia and the Copperbelt University, were granted K23 billion,[161] which is nothing, compared to the K50 billion bill the government incurred in respect of mobile telephone bills for only half a year in 1999.[162] This goes to show where the government's priorities lie in alleviating poverty and valuing education.

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[157] In January 2000, Junior Doctors countrywide went on strike pressing for better conditions under which they work. Among the needs were medicines, medical equipment and protective clothing. Government fired them and Parliament agreed not to reinstate them.

[158] Ibid.

[159] Op. cit. Oxfam. Poverty Report

[160] World Bank, 1994.

[161] The Budget Speech for the fiscal year 2000.

[162] Ibid.

The whole question of the adverse social impact of privatisation has not been left to the retrenchees alone to answer. The Public Welfare Assistance Scheme (PWAS) in the Ministry of Community Development and Social Services is the official Social Safety Net in Zambia. The PWAS is aimed at reducing and alleviating poverty among the poorest of the poor, such as the disabled, widows and other severely impoverished households.

Inspite of the establishment of such programmes there is considerable dissatisfaction and discontent with design and operations of social safety net programmes in Zambia due to their failure to improve the conditions the poor.[163]

From the failure of the Social Security Scheme to reduce the negative impact of structural adjustment and poverty, it is evident that the Government has given sufficient priority to the badly needed social expenditures and capacity building in the social sector.[164]

When the mandate of the World Bank is to alleviate poverty, yet the immediate result of their programme of liberalisation and privatisation in Zambia has been to cause poverty, it is not good enough to argue that such reform is unavoidable without first having paid equal attention to cushioning its impact on the Zambian people. The economic reforms may have been fundamentally critical to the survival of the nation, and it is true that poverty cannot be

[163] Ibid.
[164] Ibid.

completely eliminated. However, a system a state puts in place to mitigate such circumstances is vital. The state has a very important role to play.

Having discussed the social and economic impact of privatisation in Zambia, the following chapter concludes by giving a general overview of the privatisation lessons and experiences and will lastly give recommendations on future plans.

CHAPTER 6

RECOMMENDATIONS AND CONCLUSION

Worldwide experiences of privatisation indicate that new ground has been broken; fundamental principles have been debated and established; mistakes have been made and minimised, and new variations or refinements proposed.[165] It can, therefore, be said that a stage has now been reached where it is possible to take stock of what has been learnt so far. Global experiences indicate that privatisation is possible, although it is not an easy process at all.

In the author's opinion, to be able to reach any meaningful end in the privatisation process, it is important that the "national interest" should be defined and a list of priorities and a timetable should be formulated. Such a timetable must be flexible because there are many unpredictable factors, which can affect timing and selection of the activities to be privatised.[166]

It seems that even though Zambia religiously followed and implemented the World Bank and IMF policies as "normal timetable", not even the president fully understood the demanding implications of subscribing to such policies.[167] President Frederick Chiluba blames the IMF

[165] Euromoney Seminar, Privatisation in Southern Africa, Gearing Up a Privatisation Programme, p. 1
[166] Ibid.
[167] The Post: 9th February, 2000 (Appendix C)

for the current economic problems Zambia is facing.[168] He says that, "the reforms that the IMF asked Zambia to undertake have instead brought unemployment and a rise in poverty levels"[169] further, he adds that the western countries told Zambia "to do certain things which have instead brought problems."[170] In the same breath, however, the president blames the country's poor economy on "careless accusations" by opposition political parties and non-governmental organizations (NGOs) who he says collaborate with foreigners to ensure aid does not flow.[171] From the foregoing, it becomes evident that neither the president nor the government of Zambia understands the IMF policies they embarked on nearly ten years ago now. In the Times of Zambia,[172] the president is reported to have said, "the demands of the IMF are confusing and as such, the government is now in a dilemma as it does not know which way to go".[173]

Understandably, given Zambia's debt overhang, heavy reliance on copper, (whose falling reserve has led to plummeting standards of living),[174] its development needs and its extreme dependence on external assistance, particularly the balance of payments support,[175] it is quite difficult for Zambia to move away from the dependency syndrome and, hence, someone must be blamed for the bad economy. It is time we recognised that the World Bank, IMF or the

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[168] Ibid.
[169] Ibid.
[170] Ibid.
[171] The Post, 30th November, 1999 (Appendix C)
[172] Times of Zambia, 6th February, 2000(Appendix C)
[173] Ibid.

[174] Development Economics, World Bank Report.
[175] Ibid.

donors do not owe us a living. The government should now initiate some other process to forge a common long-term vision and development framework, and in doing so, articulate priorities.

No doubt, donors have played a crucial part in promoting privatisation by putting pressure on the government to continue implementing the policies they recommend if aid is to continue flowing.[176] In June 1996, for example, bilateral donors suspended balance of payments assistance largely based on concerns about the conduct of presidential elections.[177] This hiatus extended into 1997 and 1998 because of governance and human rights concerns in the wake of the 1997 coup attempt and arrests.[178] In 1998, multilateral balance of payments support was also held up due to the delays in privatizing ZCCM.[179] In 1999, there was a resumption in multilateral and some bilateral support, but delays and shortfalls in the second half of the year, linked to the delay in ZCCM's privatisation once again constrained programmes implementation.[180] Continuing progress on economic reforms (especially concluding ZCCM's sale[181]) and governance, and improved relations with external parties are critical if Zambia is to have the necessary resources to regain momentum for growth and reduce poverty.

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176 Country Assistance Strategy: A World Bank Report.
177 Ibid.
178 Ibid.
179 Ibid.

180 Ibid.
181 The Sale of ZCCM was finally concluded on Friday, 31st March 2000.

Even though the level of donor support has been impressive, the donors can have useful lessons to learn from the privatisation programme. In the following section, we shall endeavor to make recommendations for donors in future privatisation programmes.

6.1 Recommendations to Donors

1. Understand Initial Conditions Better

Donors have extended pressure to privatise without sufficient information. Anxious to see speedy action and results, donors have too often paid insufficient attention to the fact that the initial conditions are not generally well understood.[182]

Donors should, therefore, not underestimate the constraints, particularly the capacity constraints, the difficulty of attracting the right types of investors, and the political sensitivity surrounding ownership, potential unemployment, valuations and undischarged debt.

2. Place Less Emphasis on the Number of Transactions

Even though privatisation targets have not always been set as conditionalities attached to loans, emphasis by the World Bank and IMF on numerical targets for privatisation tend to encourage government to focus on numerical privatisation, the "number game".[183]

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[182] Bhatia A and White O C Privatisation in Africa, p. 123.
[183] Ibid.

To actually take stock of the privatisation process, progress reports should only include actual privatisations, not specific numbers of transactions, because it is this pressure to meet numerical targets that yield shoddy work classified as privatisations.[184]

3. Recognise the Complexity of Privatisation

Donors need to have a fuller appreciation of the complexity of privatisation. African governments have spurred into privatisation without understanding the constraints or the resources and the time needed, to overcome them. For example, lack of consensus in most countries should have prompted greater effort on the part of governments, with donor[185] support to engage in debate and to gain public confidence before programmes got underway. Instead, public relations were ignored. Ghana, for example, only planned its first major public information campaign ten years after it embarked on privatisation by which time more than one half of the 195 public enterprises were already approved for divestiture.

4. Provide More "Hands-on-Support" Early

While urging transparency and speed, donors should take into account the many detailed procedures involved and the resources those procedures require. Critical of the slowness of

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[184] At the back of every status report, ZPA includes numbers of privatisations. To be seen to be working, numbers definitely must change, privatisation complete or not.
[185] Op. cit.: p. 124.

these programmes donors themselves have been slow to provide the type of assistance needed. Assistance is most needed early in the process. Early "hands-on-support" to develop programmes and to prepare for and transact deals is critical to kick-start the process. Early support should be complemented by on-the-job training and study tours so as to develop local capacity as quickly as possible.

5. Demonstrate the Benefits of Privatisation

Most governments have pushed ahead with privatisation in order to secure World Bank, IMF and donor support.[186] This reinforces the importance of more support monitoring, evaluating and reporting on the impact of privatisation in order to demonstrate to all stakeholders the benefits of the process. Donors could support efforts to advertise privatisation, both to publicise its benefits and to encourage people to actively participate. In this way, donors could make an important contribution to assist governments in building consensus.

6. Improve Coordination among Donors

Coordination among the donors is poor.[187] It is not uncommon for donors to want to take the lead in providing privatisation advice and assistance.

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[186] See Chapter 1 above.

[187] This is evidenced by the fact that UNCTAD, UNIDO and USAID separately sponsored studies of privatisation in Africa in 1995.

Governments and donors could do more to improve coordination and the quality of advice and assistance for privatisation. Donors frequently operate in isolation, and governments find themselves inundated with separate donor missions on privatisation, all offering advice on priorities and methods, as well as assistance.

7. Provide More Assistance to Mobilise Investors

Investor mobilisation stands out as an area in which donors could have done much more to assist African countries, both internally and externally. Internally, more support is needed in two areas. In the area of management or employee buyouts, where there is lack of low cost professional advice to public enterprise managers to enable them to formulate and present convincing proposals for raising capital and for bidding when their enterprises are offered for sale.

The second area is development of the capital market, so those tradable financial instruments become available early on to provide real opportunities for broadening ownership.

Externally, donors can do more to assist with raising the interest of potential investors in African privatisation programmes. Supporting the sales promotion efforts of privatisation conferences in their own countries (with emphasis on positive examples and forthcoming investment opportunities), and funding investment search and deal making consultancies could do this.

8. Sharpen the Focus on who benefits

If donors are serious about poverty alleviation, they must sharpen their focus on who will benefit from privatisation. Although they state their support for broadening ownership, the fact remains that the large majority of the population in Zambia is unable to participate in the privatisation process.

Donors, among others, are of the view that consumers are benefiting from privatisation and that private sector development through privatisation will benefit the entire population in the medium to long term. What is not clear is who the consumers are, and to what extent they are benefiting. To build consensus, the majority of the people, who are poor, will need to be convinced that they are indeed sharing in the benefits. Hence, the writer argues for more support to monitor the impact of privatisation and to impart that information to the public.

Having discussed the role of donors in the privatisation process and having already seen the ten years of experience of privatisation in Zambia, clear lessons on how to improve the process can now be adequately addressed. These lessons are summarised in the following section.

Zambia, admittedly, is committed to privatisation.[188] But much more has to be done to demonstrate it.

[188] This is evidenced by:

i) establishment of the ZPA
ii) appointment of a person of the right caliber to head the agency;
iii) enactment of appropriate supportive legislation i.e. the Privatisation Act.

6.2 Recommendations to the Zambian Government

6.2.1 Demonstrate Commitment

Commitment can best be demonstrated by taking the following steps:

- Have a "champion" – a government official at senior ministerial level who can, and can be seen to, drive the process.
- Involve the private sector to the maximum extent feasible (privatise the privatisation process).
- Identify and take actions to remove or reduce constraints.
- Exit fully from ownership of enterprises.
- Provide public information and encourage debate.
- Deal with labour issues up front.
- Ensure transparency in the privatisation process.
- Invest more in design and preparation. That is to say:
  - i) establish initial conditions and the anticipated impact of privatisation;
  - ii) determine objectives at the programme and enterprise levels and setting priorities;
  - iii) examining and designing strategies for identifying and attracting core investors;
  - iv) drawing up detailed policies and procedures which should be published to facilitate the processing of transactions and to ensure transparency;

v) giving priority to enterprises whose privatisation will have the greatest impact;

vi) establishing how the success of privatisation will be measured;

vii) monitoring employment change;

viii) mustering and coordinating donor assistance; and

ix) putting the institutional building blocks in place before launching a programme.

- Give the privatisation agency necessary powers, independence, and resources.
- Address the need for competition and regulation.
- Do more to broaden ownership.
- Develop the capital market in tandem with privatisation.
- Develop social programmes to address the plight of retrenched workers.
- Give preferential treatment to Zambian goods as incentives to manufacturing industries so as to protect our own industries.
- Regulate performance of the banking system so that it conforms to the development pace prevailing in the country. And lastly,
- Ensure good management and commitment to the policies put in place.

6.3 Conclusion

Despite substantial achievements in liberalization and establishing a market-based economy, sustainable growth has remained elusive. A protracted delay in completing the ZCCM privatisation, a further fall in copper prices, governance actions which hinder growth and/or cause external partners to withhold balance of payments support, social unrest among retrenched workers and indeed the poor, is a clear pointer to the fact that all is not well.

As privatisation of SOEs comes to a close with at least 242 out of a total portfolio of 280 companies being disposed of[189], it is almost impossible to take stock of what its real benefit to the Zambians people has been. Given the moribund state of the Zambian economy in 1992, however, the writer is quick to acknowledge the then necessity of privatisation, but also admits that privatisation has caused much suffering among retrenchees due to the loss of income and their diminished status. The lucky few have received their ESBs, which they spent on consumables quickly. As soon as the money is finished, they realise the hopelessness of the situation. Indeed, the situation is hopeless.

The legacies of the past – high indebtedness and heavy dependence on foreign aid; over reliance on copper, mounting poverty and eroding social indicators; scant experience with transparent and accountable government – have all caught up with Zambia and thus place its economic reforms in jeopardy.

Using the above recommendations, the governance programme (including public sector reform), could lead to a more responsive and accountable public sector, as well as bolster international support. Work on long term vision could result in more robust internal support

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[189] Op. cit.: Chapter 1, above.

for the reform programme and development objectives and actions that are more focused, better designed and able to generate results. Improvements in services and infrastructure, along with knowledge and new insights that help firms compete, could hasten the transition towards a diversified economy and sustained growth.

We need to urgently recognise that the world does not owe us a living. Only new tools, coupled with Zambia's steadfast commitment to reform, point to the way forward and spell the potential rewards for the Zambian people worth the risks.

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APPENDIX A

Table 1 A Comparison of Stated Objectives

Country	Reduce fiscal burden	Develop private sector	Broaden Ownership	Increase economic efficiency	Reduce adminis-trative burden	Develop capital market	Access markets, capital, & technology	Raise revenue for treasury	Others
Benin	√				√				√
Burkina Faso	√	√							
Cote d'Ivoire	√	√					√		
Ghana	√	√		√	√				
Kenya	√	√	√						
Lesotho	√		√	√	√				
Nigeria	√			√		√			
Madagascar	√		√						
Mozambique	√	√		√	√	√	√		
Senegal	√							√	√
Tanzania	√	√	√			√	√		√
Togo	√	√	√						
Uganda	√	√	√	√	√	√			
Zambia	√		√	√	√	√	√	√	√

Source: Government policy statements.

APPENDIX B

QUESTIONNAIRE FOR RETRENCHEES (FOCUS GROUPS)

SECTION A: QUESTIONNAIRE IDENTIFICATION

1. Questionnaire ID No:..........001..........
2. Name of Interviewer:..........Mwansa Mulumba..........
3. Date of Interview:..........31st January 2000..........
4. Time Interview Started:..........17:00 hours..........
5. Position of Interviewer:..........Student..........
6. Number of Respondents:..........10..........

DISCUSSION

7. What is your understanding of retrenchment?
To dismiss workers from their jobs as a means of reducing costs.

8. How was retrenchment carried out in your company?
The state chose who should be retrenched and who should remain.

9. What would you say about the style of retrenchment in your company (i.e. consultative, centralized, openness, conflict level)
Conflict level.

10. Who were the key players in the retrenchment process?
The Union and lawyers for the Retrenchees.

11. What specific mechanisms were put in place to prepare you psychologically on pending retrenchment?
They sent us letters, held seminars to educate us on retrenchment

12. How did you receive the news of pending retrenchment?
With ease because of the preparedness

13. What are some of the socio economic effects retrenchment has had on you?
My social life style has tremendously changed.

14. Before retrenchment, were you given the option to re-apply for your employment or not?
No

15. Were there any options for early retirement? Yes ☑ No ☐

16. What are the reasons for the option you made/make
It was difficult to work with the new employers.

17. Are there cases in which retrenchment was/is voluntary?
Yes ☑ No ☐

18 As a retrenchee, if opportunity arose, would you consider taking up your previous employment with your former company?
Yes ☑ No ☐

19. If yes, what are your reasons.
The Conditions with Zimco were very good.

20. Since you were retrenched, do you find life easy or difficult?
It is very difficult, we face alot of hardships.

21. Give reasons for your answer.
we donot recieve allowances for education, medical or any other means of assistance from the Company.

22. What economic ventures are you currently engaged in?
Consultancy and payment is on contract.

23. What other economic ventures are you able to engage in given an opportunity?
Manufacturing

24. Are you looking for other jobs?
Yes

25. If so, why? To help me earn a living

26. If no, why?
N/a

27. How were retrenchees' terminal benefit packages worked out?
4 months pay for every year worked.

28. For how long do retrenchees wait for the terminal benefits?
This is the fourth year and we have not been paid

29 In general, are terminal benefits adequate for retrenchees to start a new life?

If they were paid at that particular time
Yes: But K15m now and K15m four years ago is not the same

30. What can be done to help retrenchees?
Help the start on their own.

31 Which category of retrenchees are not affected by retrenchment?

a) Young
Old
b) Women
Men ... They have all been
c) Lower rank workers ... affected in the same
Higher rank workers ... way
d) Others. Specify

32. What are the major problems common to most
General suffering ie poverty

33. Do you think retrenchment has more impact on women than men (give reason for your answer?)
On men: Women especially single ones tend to find men to support them or go back to their families which a man can not do

34. What suggestions should be made for managing and preparing employees earmarked for retrenchment?
Preparations

35. Are there lessons to be learn?
Yes

36. If so, what are these lessons?
we should be mindful of the life styles which we have to make it easier for us to adapt.

37 To what extent can be said retrenchment is a success or failure in the retrenchees' lives/interests?
One can not exactly say, because it greatly changes ones lifestyle. usually for the worst.

38. What changes have taken place in lives of retrenchees since the time they were retrenched?
The average change is mass poverty.

39 Would you say lives of retrenchees were much better before retrenchment or not?

APPENDIX C

IMF rethinks on privatisation

BY JANET ILUNGA

AS the privatisation of state-owned enterprises comes to a close with at least 242 out of a total portfolio of 280 companies being disposed of, it may be prudent to take stock of what the real benefits are.

Admittedly the speed at which these companies have been moved to private hands, leaving Government with more time do what is knows best — governing — is quite commendable.

But it now turns out that there is some re-thinking being done in the institutions that have been the programme's erstwhile strongest proponents and — the International Monetary Fund (IMF).

The June issue of its publication **Finance and Development**, the IMF admits a certain amount of error on its part for pressing for a rapid privatisation.

These findings are based on the way the programme has been handled in transition economies, particularly those of Eastern, Central Europe and the former Soviet Union where privatisation was grasped fully.

The survey has reportedly revealed some less promising results which the IMF itself has found impossible to ignore especially in Armenia, Georgia, Kazakhstan, the Kyrgyz Republic, Moldova, Mongolia, Russia and Ukraine.

The IMF has found out that private ownership has often not led to restructuring.

Privatisation does not guarantee that changes will position a firm to survive and thrive in competitive markets.

Some partially state-owned firms had been found to perform better than privatised companies and that in some countries there are a few differences in performance between wholly state-owned and privately owned firms.

In other countries there are clear performance improvements only in those very few firms sold to foreign investors.

In Russia, for instance, there

ers and workers gained control of two-thirds of the shares of these firms.

Although it was anticipated that rapid privatisation would lead to an equally rapid transition to a market economy, that did not happen.

It was expected that through financial discipline a secondary trading in shares of insider-dominated companies would take place and introduce outside ownership. That did not happen either.

Why? Because the insiders deeply feared outside ownership and loss of control, the financial condition of the firms was unattractive to outsiders and there was an acute lack of a defined property rights and safeguards for secondary trading.

To make things worse, the Russian Government lacked supporting policies.

A donor-led effort to sell a few large companies failed lamentably and so did a loan-for-shares scheme which turned out to be a fraudulent scam.

The conclusion on the Russian case was that the whole approach was wrong.

It should have been preceded by institutional building. It was even suggested that structures of the state should be strengthened especially mechanisms to manage public funds.

"It is time to rethink privatisation, but only in those transition countries where history, geography and politics have resulted in seemingly laudable economic policies producing clearly sub optimal outcomes.

"In Russia and elsewhere, too much was expected of privatisation," says writer John Nellis who is also Senior Manager of the Enterprise Group in the World Bank's Private Sector Development Department.

Although privatisation was the preferred course of action, its short-term economic effectiveness and social adaptability depends on the institutional underpinnings of capitalism.

"If these underpinnings are missing but Government is

borne fruit might be optimal," he adds.

Such observations should help Zambians undertake a serious evaluation of benefits brought about by privatisation.

Zambia's privatisation programme is nearly complete.

There may be some painful similarities between this country's programme and those surveyed by the IMF.

27·04·2000

Speaker slams IMF policies

By Times Reporter

SPEAKER of the National Assembly Amusaa Mwanamwambwa has criticised the International Monetary Fund (IMF) policies as being stiff and hindering the economic social development of the nation.

Speaking at the IMF parliamentarian workshop in Lusaka yesterday Mr Mwanamwambwa said Zambia's obligation to meet IMF benchmarks and conditionalities had eroded the country's ability to adequately provide the basic social needs of the people and for the people to get their nutritional requirements.

"Our country's social and economical development plans are tailored to meet the benchmarks and conditions set by the IMF and its co-operating partners in order for Zambia to qualify for financial assistance in form of loans and grants," Mr Mwanamwambwa said.

He said while acknowledging the effort of the IMF and other creditors in reducing Zambia's debt burden, it had become apparent that debts were simply unsustainable. The total debt cancellation when implemented would enable Zambia to jump-start its economy and face the challenges of poverty reduction and ultimately poverty elimination more effectively.

Mr Mwanamwambwa said Zambia had been paying debt service of approximately $200 million a year which was twice the expenditure on education and health over the same period of time.

And police dispersed scores of women who intended to demonstrate against IMF policies alleged of being poor and responsible for the harsh living standards for the people of Zambia.

The women led by Women for Change executive director Emily Sikazwe were told to leave the Pamodzi Hotel where an IMF seminar for parliamentarians was taking place because they had not been granted permission to do so.

Ms Sikazwe in an interview afterwards said the women did not need any police permission. All they required was to inform the police about their move so that they could be offered protection.

"We informed the police about our intended demonstration and when we saw them come in the morning we thought they were coming to protect as only to see them request as to disperse saying that the demonstration was a bleach of peace."

She accused the IMF of being responsible for all the wage freezes that had been imposed on Zambia as one of its conditions.

At the parliamentarian seminar IMF assistant director African department Reinold Van Til said in order to increase the available resources for poverty reduction, The IMF and the World Bank were implementing a frame work to provide special assistance together with other donors for heavily indebted poor countries for whom traditional debt relief mechanisms were insufficient.

He said the initiative aims primarily at helping countries that pursue adjustment and reform programmes to reduce their external debts burden to sustainable levels.

In Kitwe, the Zambia Consumers Association has joined in the call for multi-lateral and bi-lateral donors to cancel Zambia's staggering debt of over $7 billion.

Association executive secretary Muyunda Ililonga said in Kitwe yesterday that the crippling debt had turned the cost of living for ordinary Zambians into a nightmare because of the poor economy.

"Debt repayment has left many sectors of social protection without financial support causing untold miseries to consumers," he said.

Post 9/2/00. Development

IMF reforms have brought poverty, says Chiluba

By Bivan Saluseki

PRESIDENT Frederick Chiluba yesterday blamed the International Monetary Fund (IMF) for the current economic problems Zambia was facing.

Receiving credentials from Nigerian Ambassador to Zambia Ibironke Vaughan-Adefope, President Chiluba said the reforms that IMF asked Zambia to undertake have instead brought unemployment and a rise in poverty levels.

He said the Western countries told Zambia "to do certain things" which have instead brought problems.

President Chiluba said the country's privatising of almost 90 per cent of the formal sector over the past seven years, has brought a lot of problems.

He cited the loss of jobs and rising poverty among Zambians as the effects of reforms that Zambia was currently undertaking.

"Then we are told, no, no, no, Africa needs to embrace the spirit of partnership with NGOs but the NGO where I come from ZCTU also wants increased wages. And then IMF says do not give them, we do not know which way to go," President Chiluba said. "The problem we have in Africa is that we are rushing reforms as if that is the only panacea to the problems."

President Chiluba said if reforms were rushed and not understood by the people, they may not help the people at all.

To page 4

Post 9/2/00 Development

IMF reforms have brought poverty, says Chiluba

From front page

He also welcomed opposition UNIP's plan to petition the ruling MMD's unopposed victory in the Mfuwe by-elections as such plans were normal among politicians.

He said politics just like football was a game of winning and loosing citing an example of the game Zambia played against Senegal.

Ambassador Vaughan-Adefope thanked President Chiluba for the role he has played in mediating among the belligerents in the Democratic Republic of Congo (DRC).

"To advance the peace process, Nigeria has gladly contributed troops to the Joint Military Commission (JMC) established by the Lusaka Cease-fire Agreement to supervise the disarmament of all belligerent troops and ensure a de-escalation of all armed conflict," she said.

And new Malawi ambassador Gamaliel Petro Bandawe, who also presented his credentials yesterday, said his government would conclude the Malawi/Zambia Joint Permanent Commission on Defence and Security including the Malawi /Zambia Bilateral Trade Agreement among others.

Bandawe disclosed that Malawi has also sent military personnel to be part of the observer team in the Congo DRC.

3

Times 6/12/00 Development

IMF DEMAND CONFUSING — CHILUBA

By Times Reporter

PRESIDENT Chiluba yesterday observed that the latest demand by the International Monetary Fund (IMF) that African governments should be partners of non-governmental organisations (NGOs) was confusing.

The trade union movement in Zambia has since turned down the IMF demand. Government was now in a dilemma as it did not know which way to go.

Mr Chiluba was speaking at State House when he received credentials from new high commissioners of Nigeria, Ibironke Vaughan-Adefope and Malawi's Gamaliel Bandawe, and Cuban ambassador Narciso Martin Mora Diaz.

"The problem we have in Africa is that we are rushing reforms as if that is the only panacea for our problems. And if reforms are rushed and not understood by the people they may even dampen their spirits," Mr Chiluba said.

Reforms should be people-driven to achieve equitable development.

Mr Chiluba said Zambia had privatised 90 per cent of its economy in less than seven years despite being a young democracy. This is against a backdrop of older democracies like Great Britain which he said he had lots of admiration for still being under the process of privatisation.

He said the privatisation programme had caused a lot of problems to Zambians like job losses and rising poverty.

Africa should unite or else it would be "swallowed up" by globalisation which he feared could mean more marginalisation of the continent, he added.

Africa should embrace the spirit of the Organisation of African Unity (OAU) founding fathers to face up to the challenges posed by globalisation and unfair treatment.

He was cheered that Nigeria had returned to the Commonwealth Club after being suspended because the "voice of Nigeria is the voice of Africa."

He added that each time the opposition lost an election they cried foul-play and petitioned election results, citing the recent incident in Malawi. This was a process he hoped would soon be overcome as the democratisation continues.

Africans should continue to perfect all systems to be on a better standing in all areas.

He thanked Cuba for its unwavering assistance in the health sector. He said Cuba's voice always created relief to the marginalised Third World which had seen new problems emerge after the end of the cold war.

Ms Vaughan-Adefope said Zambia's peace-keeping missions were encouraging to N[...]ria. Her country would cont[...] to assist in areas of human de[...]opment.

She cited the presence [...] Nigeria's troops in the Joint M[...]tary Commission (JMC) on [...] Democratic Republic of Con[...] as a contribution towards a stab[...] Africa.

Mr Bandawe said there were [...] number of bilateral issues li[...] the Malawi-Zambia joint perma[...]nent commission on defence an[...] security that needed to be en[...]hanced.

He would continue to pursu[...] wider markets for both countries [...] goods and seek common ways of fighting poverty.

Mr Mora Diaz said he was cheered with Zambia support over the "criminal economic blockade and slanderous accusations on human rights" his country was facing from some Western powers.

The Post; 30
30th Nov, 1999.

Chiluba blames Zambia's poor economy on NGOs

Post 30/11/99

By Brighton Phiri in Mazabuka

Zambia's economy was suffering heavily because of careless accusations by opposition political parties and non-governmental organisations (NGOs), said President Frederick Chiluba yesterday.

Addressing a parliamentary by-election campaign rally at Mazabuka's Ndeke Township, President Chiluba said Zambia's image abroad was bad as a result of false allegations and accusations by Zambians themselves.

To page 5

Chiluba blames Zambia's poor economy on NGOs

Post 30/11/99

From front page

He said it has become fashionable for Zambian political parties and NGOs to collaborate with foreigners whenever an issue was raised against government.

President Chiluba said he was disturbed by incidents where foreign dignitaries were accorded more respect [illegible]n his ministers by local people.

He told MMD cadres, including those ferried from Lusaka who out-numbered locals, that Zambia's economy was the worst in Southern Africa.

"At the time we were getting independence Zambia had the best economy but because of our carelessness it has been ruined," he said.

President Chiluba refuted reports that MMD candidate in the Mazabuka by-election Gary Nkombo was involved in any maize scandal.

He appealed to Zambians to give his party more time to mend the economy.

On his way back from the [illegible], President Chiluba's [illegible]orcade was blocked for about three minutes by opposition UPND cadres near the district's police station.

It took the presidential guards and the local police to

Chiluba - Zambia's once good economy has been ruined

contain the situation.

The cadres dispersed after local police advised them to give way to the presidential motorcade.

Meanwhile, at the same [illegible], former UPND Lusaka province chairman Joseph Chilengi, provincial youth [illegible] Kaningan[illegible] and provincial vice- secretary Augustine Mweemba defected to the ruling MMD.

Chilengi and his colleagues who were paraded by President Chiluba cited tribalism as one of the reasons for leaving UPND.

"UPND is an individual run political party rather than a national one," said Chilengi.

UPND information and elections committee chairman Love Mtesa described [illegible] allegations as [illegible].

"[illegible] is sometimes natural for any human being, especially those without direction, or those removed from influential positions to make such remarks," he said.

Chilengi revealed that 120 UPND members drawn from Lusaka, Central and Southern provinces had resigned.

But Mtesa disputed the number saying the ruling MMD had the "pathological habit" of displaying its own members as defectors just to hoodwink the public.

The atmosphere in Mazabuka Central constituency has become volatile with a clash between the ruling MMD and UPND [illegible]

'Poverty levels among Zambians deteriorate'

22/11/99 Post

By Joe Kaunda

THERE has been a continued deterioration in the poverty levels among the Zambian people, Fr. Pete Henriot of the Catholic's Jesuit Centre for Theological Reflection has observed.

According to Fr. Henriot, surveys had revealed that people were no longer even affording to buy basic food stuffs and were in most cases living on less than three meals per day.

He said this was also contained in the Jesuit Centre's monthly cost analysis of the food basket which had continued to rise despite the shrinking incomes in society.

The latest food basket for October is pegged at K242,790 compared with September's K239,840.

"We are seeing dangerous signs of the depth of poverty and suffering because people are not able to spend that much on food," Fr. Henriot said.

He said it was a matter of concern that although the food basket was compiled to include the very basic necessities for an average family of six, most people did not even manage to have the items.

The basket does not include housing, water, electricity, fuel, transport, clothing, education and health care.

Fr. Henriot wondered how people were surviving, especially that workers in the civil service were getting average salaries below the food basket estimates.

He advised the government and the civil society to work hard and invest in programmes that would help raise the status of the people.

Zambia Alliance for Progress (ZAP) inter national executive comn tee member Alf Ndhlovu, commenting the levels of poverty Zambia, said the gove ment was not doing enou to address the problem.

"It does not have a fi programme and only al cates peanuts to the exerc yet President Freder Chiluba throws around K billion to churches a political associate Ndhlovu said.

He expected the situati to remain the same becau the government did not ha a philosophy of worki towards the eradication poverty.

The government, howe er, in its 1999 budg pledged its commitme towards poverty alleviati by supporting the agro se tor.

The latest poverty figur compiled by the Briti government's Departme For Internation Development (DFI placed the rates at 85 p cent of the population bei in the poverty bracket.

Things are seriously wrong in Zambia, observes Dutch expert

Post 16/11/98

By Joe Kaunda

THINGS are seriously not going well in the country, visiting Netherlands Management Cooperation Programme (NMCP) director Willem Zuidhof has observed.

Zuidhof, who is in the country to hold a regional meeting on the benefits of the Dutch funded management consultancy services, said Zambia's economy is in shumbles.

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'THINGS HAVE SERIOUSLY GONE WRONG IN ZAMBIA'

From front page

"If you just count the numbers of companies closing down or just the general income of the people, you will realise that the current situation is disastrous," Zuidhof said.

He said there is urgent need to review the management of Zambia's economy.

Zuidhof observed that the problem had been that of management of the economy.

He said the general recession of the economy had led to the lack of re-investment in the education sector.

"The education sector appears to be neglected but the repercussions of lack of investment in the sector will prove disastrous in the near future," he said.

Zuidhof said the problem had been compounded by policies that had led to the demise of most companies in the manufacturing sector.

And Zambian NMCP representative Klaske Hiemstra advised the government to protect its local industries if they were to survive.

"If for once the borders were closed to imported products, just to allow the local sector to develop the situation could improve," Hiemstra said.

"You cannot have a situation where you can start importing oranges instead of helping develop the local famers."

She observed that there was need for Zambian industries to start producing goods instead of depending on already made goods from the region and reduce redundancies.

She further observed that while the second hand clothes were beneficial to the poor, they had killed the textile sector.

Zuidhof advised the government to speed up the sale of the mines.

He said a lot of companies had not been paid for the supply of goods to Zambia Consolidated Copper Mines.

He advised the government to ensure that a sound and effective management system was put in place at ZCCM while buyers were sought.

"You need to have a management that will cope with market conditions especially in the current climate where there is a depressed demand for base metals," said Zuidhof.

Netherlands country coordinator Ed Kintel advised the government against focusing on the price of the mines.

"What the government should concentrate on is selling to people who will make the mines profitable. The sale price is not important but the key issue is the sharing of profits after production increases," said Kintel.

'ECONOMIC DETERIORATION WILL BE VERY COSTLY'

13/11/98

By Lubasi Katundu

THE social impact of the deteriorating economy will be very costly to the people, University of Zambia (UNZA) economics lecturer Dr. Chris Mwikisa has warned.

Dr. Mwikisa yesterday said the implications of the deteriorating economy are serious.

"Employees are not able to meet their needs because they earn too little, therefore they cannot be productive and government will get little revenue," Dr. Mwikisa said.

He said the economy keeps going down and productivity keeps going lower and lower.

"A lecturer earns about $200, which a student abroad can earn in a day or at most a week, while civil servants earn anything between $20 and $100, " Dr. Mwikisa said. "As a result most people in the country were becoming poorer while very few individuals had become rich."

Dr. Mwikisa said even education was becoming too expensive as most Zambians could not afford to pay the new UNZA fees of between K2 million to K3 million.

"K3 million is too little to pay for quality education compared to other good universities in the world, but again its too much for the average Zambian to pay," he said.

Mwikisa said the answer to the current economic problems was to boost production.

"We should make efforts to boost production in agriculture because food is what causes problems," he said.

He said government should consider subsidising the agricultural sector and advised that the current situation where locally produced goods were more expensive than similar imported goods needed to be corrected.

And Social Watch, an annual publication funded by the Dutch Agency of Co-operation for Development, Norwegian People's Aid and United Nations Children's fund (UNICEF), reports that poverty eradication programmes have failed to improve the conditions of the poorest of the poor.

"Instead, poverty levels in the country have continued to rise," the journal reports, adding that social sector schemes are characterised by inadequate funding, delays in releasing budgeted funds, poor management and administration for the schemes.

Business Watch

With Musanzala Kakwiya

SAP, an empty promise

Despite having a religious following Structural Adjustment Programme (SAP), which was vigorously implemented by the late Ronald.Penza as Finance Minister, the new conservative -capitalist ideology that Zambia had pursued is not in any way creating the necessary prosperity that was promised to the Zambian people.

The most interesting phenomenon about SAP is that even the IMF have admitted that SAP has been unsuccessful because Zambia is now in a stalemate, which reflected in the following: -

Unemployment -

Zambians formal sector employment has dwindled from 400 000 in 1991 to 150 000 today. Whatever employment activities are available in the informal sector are all basic simple hand-to-mouth activities as a majority of Zambians are now dependent on the extended family.

Local Entreprenurs -

Despite high company formation, Zambians don't have the access to medium-long-term capital which is critical for establishing the necessary economic base vital for overcoming economic crisis.

Liberalisation of Trade has moulded Zambia into the supermarket of South African Goods at the expense of the local industry. The basic fact is that the capital is very expensive which places Zambia at a disadvantage compared to South Africa, which has access to cheaper capital.

Health Sector

Zambian heath sector has deteriorated tremendously with no medical supply, staff, equipment or specialists available. The introduction of the feepaying scheme has compelled Zambians to avoid going to hospitals and thus eventually dying at home due to lack of money for payment of fees, the Medical personnel are living the country in large numbers .The Zambian Government has abandoned its duty in providing health services to all Zambians.

Education Sector

Government schools and colleges lack basic school facilities vital for the provision of education for every Zambian Citizen .The concept of reform has not been organised in a way to assist

Former President Kaunda

Zambians have access to ... with AIDS.

The Monitor 20-26 August

The effects of IMF and SAP

The Zambian Government religiously followed the implementation of the ultra conservative IMF structural adjustment program (SAP) through the liberalisation of the following:

* Price Determining Mechanism - by letting the market forces of supply and demand, determine the prices of Goods and Services as against the previous UNIP regime that had price control. The immediate consequence of this measures was quadrupling of prices in Zambia which didn't help the economy having been experiencing hyperinflation. A classic example is the price of mealie meal which previously cost K2000 currently it is between K16000-K18000per 25Kg Bag of Breakfast Mealie meal .The pricing levels currently even with Adjustment for real prices are still very high in Zambia. House rentals that used to be K10000 - K20000 are presently, in the high cost areas averaging K300000- K5 000 000 per month. The cost of food has accordingly increased beyond the means of the majority of households incomes unfortunately the desired objective of using free market forces as determined of prices has not stabilised the price levels to a stage that would have spurred increase in production of Goods and services especially agriculture food production.

Free market

The Basic assumption was free market determined prices would have acted as a catalyst for accelerated food production which would have resulted into surplus production that was going to result into the reduced food prices that were going to enable all Zambians to have access to a minimum balanced diet. The same applies to all other sectors of the economy; there has not been any remarkable change in terms of Zambians acquiring the incomes for purchasing Goods and Services. However the Liberalised pricing determining mechanism has enabled the flooding of Goods in to the market that is lacking purchasing power.

* Decontrol of the foreign exchange market - the allocation of foreign exchange was a mechanism used to control Forex through the use of import licenses, The MMD government decided to liberalise the foreign exchange market. A system which has reduced corruption which was rampant particularly with the institution that had the powers of allocating the commodity

Stabilisation of Kwacha

Liberalisation of the forex rate determining mechanism - this has seen the Kwacha depreciate against the dollar from K90/US$1 in 1991 to the current rate of K2500/US$1 .The high depreciation of the Kwacha has had a direct impact on the levels of prices of Goods and Services.

The stabilisation of the Kwacha depreciation can only be achieved through increased production capacity of goods exportable Goods and services.

* Liberalisation of interest rate - in attempting to manage the hyper inflation Zambia was experiencing .It was assumed that if interest rate were to be determined by the market forces, an increase was going to discourage borrowing. Unfortunately, liberalisation of interest rates was accomplished with the Treasury bill instrument, which was used as way of mopping up excess cash.

Bankruptcy

The effect the Treasury bill had was that it accelerated the increase of interest rates from 30% - 180% in 1995. The consequence of this was the inability of borrowers to repay loans and the end result was the bankruptcy in a few Zambian companies and banks. The default rate resulted into huge non-performing loans for a number of Zambians Banks, which consequently faced receivership and liquidation. Even though interest rates have stabilised the average 30%-40% is still high.

* Privatisation - Zambia adopted one of the most ambitious privatisation programs of over 200 Parastatals. The basic debate about the parastatals is that they provided a high percentage of employment and multiplier effects in the economy. Privatisation has brought both positive and negative results .Its major weakness In Zambia was the inability by government to empower a Zambian participation in a strategic, growth -oriented core business such as Chilanga Cement, Zambia Sugar, Mpongwe Farming Block, ZAMEFA, etc. These companies provided the core competencies of the Zambian economy. Unfortunately Zambians have been marginalised, coupled with this is the inability of the government to value and appreciate the significant role the human resource plays in propelling the economy into prosperity.

Privatisation

The stalemate in ZCCM privatisation has further aggravated the Zambian suspicion of this program.

* CASH BUDGET -as a way of maintaining a fiscal discipline. The MMD did not take kindly to UNIP government Monetary Policy Approach of printing money whenever necessary for government. Unfortunately while the basic principles and objectives of a cash budget are noble, the reality is that government is no longer operating on a cash budget, governments conspicuous expenditure has overridden productive expenditure.

Gains and losses of privatisation

Debate continues in Zambia over the economic benefits versus the social costs of wholesale privatisation, a central plank of the government's economic reform programme, analysts told IRIN on Friday.

Confronted by bankrupt and inefficient state enterprises, on winning office in 1991 the pro-free enterprise administration of President Frederick Chiluba implemented one of the most thorough and rapid de-nationalisation programmes in Africa, winning applause from Western donors and the World Bank.

According to sources in the Zambia Privatisation Agency (ZPA) - the statutory body charged with overseeing the programme - out of the 280 state-owned enterprises and units to be privatised, 229 have already been sold off.

"It is difficult, though, to determine how much money has accrued to the government from the sale of these companies," the sources told IRIN. "The majority of these companies had huge debts and were candidates for liquidation. Much of the proceeds from their sale were therefore used to pay off liabilities as well as retrenchments packages."

The ZPA acknowledged that some workers did lose jobs after the companies were privatised. "However, of the 61,000 jobs lost between 1992 and 1995, only about 6,000 were lost as a direct result of privatisation," the sources said.

The ZPA told IRIN that the government, with the assistance of the World Bank, had set up a social safety net to help the retrenched workers. "A sizeable number of casualties of privatisation have gone through the agency's varied skills training courses, including entrepreneurial development," the ZPA sources said.

However, the sources added, many of these have neither the capital to start businesses nor collateral to qualify for loans. "We are currently evaluating the safety net to address the post-privatisation difficulties faced by the retrenched workers," said the sources, and added that the government has no money to sustain unemployed workers.

President Chiluba

A non-governmental organisation (NGO) activist monitoring the government's economic reform programme, acknowledged the necessity of privatisation given the moribund state of the Zambian economy in 1992, but told IRIN that the programme has caused much suffering among the retrenched workers and their families.

"We have been counselling a lot of retrenched men who are suffering from depressio[n] due to the loss of income an[d] their diminished status," th[e] activist said.

"The retrenchment packages were quickly spent o[n] consumables, and as soon a[s] the money was finished people started to realise the hopelessness of their situation." she said. She alleged tha[t] there are few new jobs bein[g] created in the service industry, even though it is the fast[-]est growing sector as a resul[t] of privatisation.

APPENDIX D

Privatised Parastatal: Case Study Notes

I Bonita

Background

Its principal function was the processing, distribution and marketing of milk using equipment supplied largely by donors. The Dairy Produce Board was sold[190] to Bonita Africa which is owned by the (South African quoted) Premier Group.

As part of the sale agreement, 240 of the 390 Dairy Board staff were retrenched. This was achieved partly by asking for volunteers[191] and partly by identifying specific parts that need to be kept. All retrenched staff received end of service benefits specified in their contracts with the Dairy Produce Board, (which were paid from the proceeds of the sale).

Performance Pre- and Post – Privatisation

Liberalisation under Structural Adjustment Programme has not affected the domestic market for fresh milk. The market is small and thus the shelf life of milk determines its demand. It

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[190] Dairy Produce Board – Lusaka, Mazabuka, Kitwe, Chingola and Mufulira depots were sold on competitive tender basis to Bonita (BONZAM) Limited for US$800,000=00. The document was signed on 2nd May 1996; for ZPA Progress Report.

[191] As at 2nd May 1996, the time of the sale, volunteer redundancies were at 105: GY Associates – May 1997.

would be costly to establish a cold chain for milk transportation, or to even import chemicals, which would enable production of long life milk. For Bonita, it is financially non-viable.

Long life milk is imported and this sector would have benefited from lower tariffs under liberalization. Yet there is no evidence to suggest that Bonita has lost fresh milk sales as a result and, indeed, Bonita plans to start its own production of long life milk in future.

Turnover (in volume) has risen some 75% in the eight months since privatisation. The combination of lower labour costs and higher sales has allowed Bonita to make a profit of 3.7% on sales despite having to pay interest charges and royalties. Previously, the dairy business was making losses.

The domestic market currently accounts for all sales of fresh milk. However, Bonita hopes to start exporting milk to South Africa in the near future and to start producing long life milk.

Changes in Management and Management Practices

A core team of senior managers was retained and supplemented by new appointments from Bonita South Africa. A new "hands-on" management style has been introduced which has led to broader responsibilities. A fairly extreme example of this is the requirement for all senior managers to run the company over a weekend on a rota basis.

Virtually all decisions are taken by the local office in contrast to the previous practice of referring decisions to the Ministry for approval.

Changes in Non-Managerial Staff and Working Practices

Workers responsibilities have increased with the reduction in staffing. Flexible working is stressed and this has led to the sharp reduction in the casual labour (15 now, 50 before). General skill levels in the work force are higher now as unskilled workers bore the brunt of retrenchment and there is a company policy of encouraging formal education. Prior to privatisation, the Dairy Produce Board reported to the Ministry of Agriculture, Food and Fisheries. Bonita does not have to report to the Ministry any more. With both job-specification and general training in place, it remains to see the benefits there of.

Terms and Conditions

All retained staff received a 30% increase in pay after privatisation which, despite being paid over six months, had led to a significant real wage increase. This reflects the company's desire to have a smaller, more highly skilled and better-paid work force than previously employed by the Dairy Produce Board.

Allowances have been consolidated post privatisation – the number of allowances has fallen by 50%. However, management believes that the value of allowances received has remained constant in real terms. Collective bargaining and negotiations are envisaged. In 1997, management was offering a significant real wage increase.

Retrenched Workers

As noted above, 240 out of the 390 Dairy Produce Board staff were retrenched. Selection of retrenches was undertaken by the new management – partly by asking for volunteers and partly by identifying specific posts that need to be kept. The union (to whom a majority of retrenched workers belonged) was informed but not actively involved in this process.

All retrenched staff received end of service benefits specified in their contracts with the Dairy Produce Board, (which were paid from the proceeds of the sale). These were either specified in the union collective agreement (for unionized workers) or were similar to ZIMCO conditions e.g.:

- 2-4 months salary for each year of service;
- a long service payment of one month's salary/year for 10 years service, 1.5 months salary/year for 11 – 20 years service and 2.5 months salary/year for 20 years +;
- four months' housing allowance; and
- Repatriation allowances (whether or not this occurred).

There was no company (or union) scheme to assist retrenched workers with re-training or job search. The company's responsibility to retrench workers is simply seen as paying the agreed End of Service Benefits. Any assistance in finding future employment is viewed as the responsibility of government or NGOs.

II Zambian Breweries PLC

Background

As a parastatal company, the Zambian National Brewery had a monopoly supply over bottled beer in Zambia. It was 75% state owned via ZIMCO with a 25% minority shareholding by Anglo-American.

At privatisation (in August 1994) the brewery was split into two separate companies. Zambian Breweries remains the principal supplier of bottled lager beer (as opposed to traditional African beer) to the domestic market. The new company is 45% owned by Anglo-American, 45% by Indol International (the South African Breweries holding company) and 10% by the Zambian Trust Fund – which will place these shares on the Lusaka Stock Exchange in due course.

Reference Pre-and Post-Privatisation

Liberalisation under the Structural Adjustment Programme has allowed some new entrants to the main domestic (lager) market e.g. Namibia Breweries. However, a combination of cost advantage for locally produced beer and the fact that the potential foreign beer competitors (South African Breweries) is a major shareholder in Zambian Breweries in a dominant position.

Cost data supplied by Zambian Breweries for the nine months to the end of 1995 compared to the five months prior to privatisation suggest a small decrease (4%) in production costs per unit of output once costs are deflated using the consumer price index. According to Zambian Breweries, labour costs are now some 10% of operating costs.

Turnover in volume terms fell just before privatisation, remained depressed during 1994 but has now regained 1993 levels.[192] According to senior management the principal cause of reduction was the uncertainty and fear of job losses that preceded privatisation.[193]

Productivity has risen steadily since privatisation. This partly reflects the removal of "dead wood" as total employment has fallen from 690 at privatisation to around 550 currently while

[192] Figures practiced by Zambia Breweries suggest a 30% increase in monthly sales volume.
[193] Interview with Personnel Manager, Zambia Breweries, 3rd February 2000.

turnover has regained its pre-privatisation level. However, the productivity of remaining staff has also increased for a range of reasons discussed below.

Changes in Management and Management Practice

No retrenchment has taken place but a combination of voluntary retirement and deaths and quits has reduced managerial employment.

New job responsibilities have been introduced for managers, which has resulted both in greater autonomy and faster decision-making. Prior to privatisation, decisions on operating issues such as the price of beer had to be referred to the ZIMCO (parastatal) Board. While managers work the same hours as previously, they believe they are working harder and assisted by a newly introduced management information system, more effectively.

Management responsibilities have certainly become more focused on commercialisation issues post privatisation in contrast to the paternalistic role of management under state ownership. Previously, for example, in the event of the death of a worker or family member, managers had to organize the coffin and help an employee organize food and drink for the gathering after the funeral. Now the company simply pays a fixed funeral allowance.

Changes in non Managerial Staff and Working Practices

While the company policy of no involuntary retrenchment applies to all grades, natural wastage has reduced non-managerial employment by some 20% since privatisation.

A full job evaluation exercise was undertaken by the new owners and new job descriptions introduced. This has led to wider and more demanding responsibilities for workers.

Job evaluation has also highlighted the qualifications that are required for specific jobs. There is an intention to improve the skill level of the workforce by hiring more qualified staff. This is relevant as in Zambian Breweries, as in other former parastatals patronage allowed some employees to gain positions they were not qualified for.

Skill upgrading through job-specific training has become more important post-privatisation. In contrast, the company is undertaking less general training (such as sponsorship) as this has less commercialisation benefit.

Terms and Conditions

Real wages for all grades have remained broadly comparable to pre-privatisation levels as wage increases have been based on the consumer price index. The way in which basic pay is calculated has also changed little with the majority of staff (65%) remaining on union collective agreements and the remainder having personal contracts with clearly specified pay scales.

Profit related pay was introduced for senior management but due to difficult market conditions it was impossible to meet the profit targets. Consequently, it was withdrawn and a new system of bonus pay for senior managers is being planned for the future.

The major change in the pay packages has been the consolidation of allowances. Prior to privatisation, staff (particularly managers) was entitled to a large number of allowances (ranging from transport to Christmas beers). Their value often exceeded the basic salaries). Consolidation has resulted in a small number of basic allowances with a similar real value to those previously received. This has reduced the administration cost associated with allowances but has not led to an increase in basic salaries. This was a deliberate choice on the part of the management as pension entitlements are calculated on basic salaries.[194]

Unionisation remains high among the workforce. The parastatal practice of declaring certain jobs to be union or non-union jobs has continued though. Consequently, an increase in the skill mix of staff has reduced union coverage slightly from 70% to 65%.[195]

[194]Op. cit. Interview.
[195] Ibid.

The union was not involved in privatisation discussions (which were conducted directly between ZPA and the new owners). However, the areas and style of union management bargaining has not changed since privatisation. The only change in this area is that the bargaining process is faster. Previously, management could not make a final offer without referring it to the ZIMCO Board. They now have the ability to put an offer "on the table" and they believe this has strengthened their hand when bargaining with the unions.