■ ZAMBIA

A Government in denial

The global economic meltdown is already seriously affecting Zambia, which is highly dependent on the production and price of copper, its primary export. Although for the past 45 years politicians have promised to diversify into other products, almost nothing has been done. The Government's reaction to the effects of the crisis has been both predictable and disappointing. The 2009 National Budget is in denial and Parliament is not paying attention.

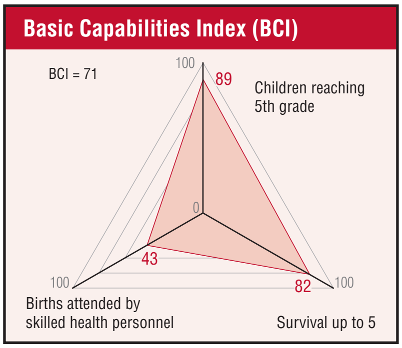
Women for Change
Prof. Michelo Hansungule

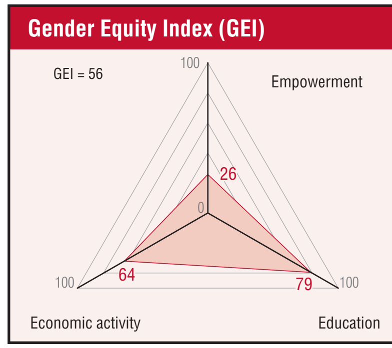
Zambia was one of the early casualties of the world economic meltdown. Copper makes up 90% of national revenue, and by September 2008 its price on the London Metal Exchange had crashed. While during its peak period copper used to fetch as much as USD 9,000 to USD 10,000 per ton, it was now going for just under USD 4,000. However, besides Luanshya residents and others in the Copperbelt who were directly affected when either the mines were closed or the workers were retrenched, most Zambians are still unaware of the situation. Information in the country, even though reluctantly and rather clumsily guaranteed in Article 20 of the Constitution,[1] is a privilege: only professionals and those "happy few" in the Government have access to it. Local radio and television – especially radio, accessible to millions of poor, mostly illiterate Zambians – often do not broadcast the same news in English, which many people do not speak, as in local languages.

In the middle of the crisis

Zambia is in the throes of the global crisis on all fronts: energy, food, water, environment and, of course, the financial system itself.[2] The fall of copper prices is aggravated by mine closures and, since Anglo-American investment pulled out from Konkola Deep in 2002, owners have been leaving the country because of the slump in demand caused by cuts in consumption in Asian and Western countries. With the credit crunch in the main copper markets, buyers have been driven away, thousands of mine workers have already been sacked, and more layoffs are due.

Unlike the United States and other countries that have responded to the economic meltdown by providing financing to failing banks and major industries to try to keep them afloat, Zambian President Rupiah Banda does not have any resources to give out.





Skyrocketing food prices

Food prices have exploded through the roof in Zambia. Though high food prices, like the economic crisis, have a global reach, unimaginative local economic and agricultural policies have exacerbated the problem. The farming sector, which in good years produces over 9,000 metric tons of maize, now produces less than 6,000 metric tons.[3] During the electoral campaign last year, President Banda politicized the issue of failed agriculture and the consequent hunger suffered in the country. When he came face-to-face with poverty, he emotionally announced that he would reduce the price of mealy-meal (a staple food) as well as that of fertilizers. He got votes for this but never delivered on his promises. Rather, the Jesuit Centre for Theological Reflection (JCTR) Basic Needs Basket for Lusaka shows huge rises in the cost of basic food items in January 2009: staples such as mealy-meal, beans, *kapenta* (fresh and dried small fish), vegetables, milk, cooking oil, etc. all skyrocketed.[4]

In the same way, there were sharp rises in essential non-food items such as charcoal, soap, electricity, water and sanitation, and housing. The price of paraffin, the main energy source for poor households apart from wood fuel, has gone way up. High petrol and diesel fuel prices translate into high transport costs, already beyond the reach of the largely unemployed population. Zambians have not benefited from the recent fall in world fuel prices, and the price in the country remains one of the highest in the region. This was one of the main factors behind the bankruptcy of the privately owned Zambian Airways: foreign airlines fly into Lusaka or Livingstone with fuel from their home base or other countries in the region to avoid buying it locally.[5]

Of course, this type of information is not featured on the Zambian Government's Web site. Even information that is common knowledge – that copper prices have fallen and that Asian buyers have since shunned the product – is not mentioned. In the Vice President's "Statement on the floods situation in Western Province in general",[6] food relief is mentioned only in the context of the floods that have hit Shangombo in the Western Province. Neither the food crisis nor the crisis in the copperbelt has come up in Parliament, and the people's representatives have not demanded answers from ministers.

Similarly, the 2008 Government Progress Report on the Millennium Development Goals (MDGs) claims successful economic policies and that the country is on course with almost all the goals.[7] The report, which relies heavily on the Government's Fifth National Development Plan (FNDP), praises the Government for its "excellent performance". It does not, however, mention that several key players, including some Members of Parliament from opposition parties, have questioned the legitimacy of the Plan and its formulation through a wide consultative process, since only one or two short public sessions were held outside government ranks to scout for public inputs, and little from these filtered into the final document.

1 Rather than protect the "right to information", Article 20 protects "freedom of expression", including "the right to not be hindered in the enjoyment of… freedom to receive ideas and information without interference". See: <www.thezambian.com/wikis.constitution/constitution/of-zambia-1996.aspx>.

2 Chongo, A. "Business Review: Genesis of Global Financial Meltdown". *Times of Zambia.* Available from: < www.times.co.zm/news/viewnews.cgi?category=12&id=1230108046 >.

3 See: <www.norad.no/items/988/38/9645826131>.

4 JCTR. "Basic Needs Basket, Lusaka". Jesuit Centre for Theological Reflection (JCTR), January 2009. Available from: < www.jctr.org.zm/bnb/BNB%20Jan09%20-%20Lusaka.pdf>.

5 In January 2009, Zambian Airways announced suspension of operations mainly due to high fuel costs. The Government announced in February its intention to sue the airline to recover the money it owes to various firms.

6 See: <www.parliament.gov.zm>.

7 Republic of Zambia. *Millennium Development Goals Progress Report 2008.*

The FNDP claims that Zambia is likely to achieve all but one of the MDGs by 2015. It concedes – without explaining why – that the exception is ensuring environmental sustainability. This admission has been endorsed by credible sources, among them the United Nations Development Programme.[8] Experts have shown a close link between poverty and environmental degradation: the majority of poor people have no choice but to exploit natural resources such as wood for their energy needs. Poverty and rapid population increases, coupled with the inability of the Zambia Electricity Supply Corporation to connect more than 50% of the poor, leads to widespread use of wood fuel. Even though Zambia has the cheapest rates for electricity in the region, poor people have no access to it. In addition, Minister of Energy, Felix Mutati, has admitted there have been stiff tariff increases. In an interview for an audience of potential Chinese investors, Mutati said that these hindered investment.[9]

The MDG Progress Report claims spectacular achievements also on the gender equality target. Reality, however, tells a different story. The Legal Resources Foundation News documents several cases in which women have been subjected to discrimination owing to oppressive laws and traditional attitudes and practices.[10] The Constitution, in Article 23, prohibits discrimination against women, but this has not translated into positive results for women in practice.

Liberal economic policies

Although the West praises Zambia's liberal economic policies, the truth is that 64% of Zambians, including the majority in rural areas, are still trapped in poverty. These same policies mean high interest rates and permanent budget deficits that drain the labour market. The Government, in its MDG Progress Report, praises its management of the country's economy and for its commitment to policies aimed at ensuring poverty reduction that led the country to reach the Highly Indebted Poor Country Initiative (HIPC) completion point. It further claims that this is affecting poverty levels and most of the social indicators. In other words, the Government has said that it is winning the war against poverty and social injustice. However, the facts on the ground point in a different direction: very few homes, if any, have been affected by the money received from Zambia's admission to the HIPC completion point.[11]

The 2009 budget

The budget announced by current Finance Minister Situmbeko Musokotwane in 2009, apart from the admission that "as a result of weakening global demand, the global economy will, beyond doubt, negatively impact our economy and constrain our efforts to reduce poverty," predicts for 2009 a "growth rate of 5%, lowering of inflation to 10% and limiting domestic borrowing to 1.8% of GDP".[12]

There is no credible strategy to mitigate the effects of the global meltdown already affecting the population. The core of Musokotwane's budget is premised on foreign investment, which has melted away with the world economic crisis. Though Zambia enacted the Citizens Economic Empowerment Act, which aims to empower local people with economic opportunities in 2006, the 2009 budget makes available to them an initial capital of just ZMK 10 billion (about USD 2 million), a paltry sum by any measure.

Diversification from copper

Cooperating Partners Group Chairperson and World Bank country manager Dr. Kapil Kapoor has observed that "diversification out of copper has been a much stated objective of Zambian leadership for several years".[13] But he notes that this "has not been achieved and over 70% of foreign exchange earnings still come from copper', leaving the country vulnerable to price fluctuations. There has been no serious effort to reduce reliance on copper in spite of poor performance. Copper is a technology-intensive industry. Most of the processing plants depend on the availability of huge amounts of foreign exchange, so that the industry is not only the main producer of foreign exchange but also the main consumer. With credit drying up on the money markets and purchasers of copper products withdrawing from the markets,[14] it is not difficult to see the dark clouds gathering over Zambia – some would say the storm has already broken. ■

8 See Sooka, M. "Energy Statistics: The Case of Zambia". Paper prepared for presentation to a workshop on environmental statistics held on 16-20 July 2006, Addis Ababa, Ethiopia. Also see: UNDP. *The Human Development Report for Zambia 1998*. Lusaka: United Nations Development Programme (UNDP).

9 Xinhua. "Interview: Minister Says High Electricity Tariffs in Zambia Hinder Investment". *China Wire*, 17 May 2008. Available from: <www.china-wire.org/2006/ 05/interview-minister-says-high-electricity-tariffs-in-zambia-hinder-investment-2/>.

10 For example, a policeman beat his girlfriend so hard that she was left permanently blind in one eye, and a 25-year-old woman who lost an eye after it was damaged when she was working on a farm was only compensated ZMK 100,000 (USD 20) by her employer.

11 Republic of Zambia. *Millennium Development Goals Progress Report 2008.*

12 Musokotwane, S. Budget Address by the Minister of Finance and National Planning, delivered to the National Assembly on Friday 30 January 2009.

13 *The Post*. "Adhere to Governance Agenda, Cooperating Partners Urge Government." *The Post*, 31 March 2009. Available from: <www.postzambia.com/content/view/6837>.

14 Toovey, L.M. "Declining Asian Consumption and a Diving US Dollar Battle Copper Prices". *Copper Investing News*, 16 July 2008. Available from: <www.copperinvestingnews.com/?s=declining+asian+consumption&x=0&y=0>.

References

Chongo, A. (2009). "Business Review: Genesis of Global Financial Meltdown". *Times of Zambia*. Available from: < http://www.times.co.zm/news/viewnews.cgi?category=12&id=1230108046 >.

JCTR (2009). "Basic Needs Basket, Lusaka". Jesuit Centre for Theological Reflection (JCTR), January. Available from: < www.jctr.org.zm/bnb/BNB%20Jan09%20-%20Lusaka.pdf>.

The LRF News (2001). "Police Officer Takes Law Into Own Hands," *The LRF News*, 34, December. Available from: <www.lrf.org.zm/Newsletter/december2001/lrf.home.htm>.

Musokotwane, S. (2009). Budget Address by the Minister of Finance and National Planning, delivered to the National Assembly on Friday 30 January. Available at: <www.parliament.gov.zm>.

The Post (2009). "Adhere to Governance Agenda, Cooperating Partners Urge Government." *The Post*, 31 March. Available from: <www.postzambia.com/content/view/6837>.

Republic of Zambia (2008). *Millennium Development Goals Progress Report 2008*. Available from: <http://www.undp.org.zm/joomla/attachments/005_Zambia%20MDGs%20Progress%20Report%20Zambia%202008.pdf>.

Sooka, M. (2006). "Energy Statistics: The Case of Zambia". Paper prepared for presentation to a workshop on environmental statistics held on 16-20 July, Addis Ababa, Ethiopia.

Toovey, L.M. (2008). "Declining Asian Consumption and a Diving US Dollar Battle Copper Prices". *Copper Investing News*, 16 July. Available from: <http://www.copperinvestingnews.com/?s=declining+asian+consumption&x=0&y=0>.

UNDP (1998). *The Human Development Report for Zambia*. Lusaka: United Nations Development Programme (UNDP).

Xinhua (2008). "Interview: Minister Says High Electricity Tariffs in Zambia Hinder Investment". *China Wire*, 17 May. Available from: <http://www.china-wire.org/2006/ 05/interview-minister-says-high-electricity-tariffs-in-zambia-hinder-investment-2/>.