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.

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, 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. 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.

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/weliks.constitution/constitution/of-zambia-1996.aspx>.
3 See: <www.norad.no/items/98838/96485268131>.
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.
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.\(^8\) 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.”\(^7\)

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.”\(^12\) 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,\(^15\) it is not difficult to see the dark clouds gathering over Zambia – some would say the storm has already broken. ■

**References**


