

Economic Structural Adjustment Programmes in the Southern African  
Development Community: An Analysis of Impact and Policy Considerations  
with Special Reference to Zambia and Zimbabwe.

A dissertation submitted in fulfilment of the requirements for the degree of  
Master of Public Administration (M. Pub. Ad) to the higher Degrees Board  
of the University of Cape Town.

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# CONTENTS

	PAGE
<b>ACKNOWLEDGEMENTS</b> .....	<b>I</b>
<b>ABSTRACT</b> .....	<b>V</b>
<b>ACRONYMS</b> .....	<b>VI</b>
<b>LIST OF TABLES</b> .....	<b>VII</b>
<b>MAPS</b> .....	<b>VIII</b>
<b>CHAPTER 1</b> .....	<b>9</b>
1. INTRODUCTION.....	9
1.1. Statement of the Problem.....	12
1.2. Purpose of the study.....	12
1.3. The Need for the study .....	13
1.4. The Significance of the study.....	13
1.5. Zimbabwe: A Case Study .....	15
1.5.1. Post-Independence, pre-E.S.A.P. Policies .....	15
1.5.2. Summary of reasons for poor economic performance.....	15
1.6. IMF/World Bank Conditionalities.....	16
1.6.1. Trade Liberalization .....	17
1.6.2. Cutting Public Expenditure.....	18
1.6.3. Governance and Human Rights.....	23
1.6.4. Arms Purchase .....	24
1.7. Economic Structural Adjustment Package for Zimbabwe.....	25
1.8. Background: .....	28
<b>CHAPTER 2</b> .....	<b>35</b>
2. METHODOLOGY.....	35
2.1. Introduction: .....	35
2.2. Research Design .....	35
2.3. Case Study Design:.....	36
2.4. Research Apparatus .....	37
2.4.1. Document Study:.....	37
2.4.2. Limitations.....	39
2.5. Analysis of data and research findings.....	40

<b>CHAPTER 3.....</b>	<b>50</b>
3. THEORETICAL FRAMEWORK AND LITERATURE REVIEW .....	50
3.1. Literature Review (Zimbabwe).....	54
3.1.1. Economic Structural Adjustment Programme and The Role Of The IMF/World Bank.....	54
3.1.2. Economic Structural Adjustment and Impact on Medical Care and Food.....	62
3.1.3. Economic Structural Adjustment and Food in Zimbabwe .....	65
3.1.4. Economic Structural Adjustment and Education.....	67
3.1.5. Structural Adjustment, Retrenchments and Unemployment .....	69
3.1.6. The Civil Service and Economic Structural Adjustment .....	75
3.1.7. Conclusion (Zimbabwe) .....	77
<b>CHAPTER 4.....</b>	<b>80</b>
4. ZAMBIAN CASE STUDY .....	80
4.1. Colonial Background of Zambia.....	80
4.2. Background to Structural Adjustment Policies in Zambia .....	81
4.3. Summary of the causes of economic crisis in Zambia .....	87
4.4. Theory and practice of structural adjustment programmes.....	89
4.5. Structuralism: An Overview.....	89
4.6. Zambia and the IMF .....	90
4.7. Economic Management in the Immediate-Post-Independence Era (1966-1970) .....	92
4.8. Summary of structural problems facing the Zambian economy in the 1980s.....	94
4.9. Chronology of Main Policy Agreements from 1983 (Adapted from Gulhati 1989) .....	95
4.10. The First Phase Structural Adjustment in Zambia (1981-1985) .....	96
4.11. The Intensive Reform Effort 1985-1986.....	99
4.12. S.A.D.C Structural Adjustment Zimbabwe and Zambia – An Overview.....	102
4.12.1. External Sectoral Adjustment.....	110
4.12.2. Price liberalisation and Decontrol.....	110
4.12.3. Monetary Policy .....	110
4.12.4. Agricultural Reform.....	110
4.12.5. Rehabilitation of the Copper Industry.....	111
4.13. Structural Adjustment's Auction System and Its Impact .....	112
4.14. Food and Adjustment in Zambia .....	117
4.15. The Coupon System and Food Prices.....	121
<b>CHAPTER 5.....</b>	<b>123</b>
5. SUMMARY OF THE IMPACT OF STRUCTURAL ADJUSTMENT POLICIES IN ZAMBIA.....	123
5.1. External debt problem and adjustment .....	134
5.2. Political costs of reform (Structural Adjustment) in Zambia.....	137
5.3. Lessons: The Zambian Experience.....	139
5.3.1. Internal Political Obstacles to Reform .....	140

5.3.2. Inadequate External Responses.....	140
5.3.3. Weaknesses in Policy Design and Implementation .....	141
<b>CHAPTER 6.....</b>	<b>149</b>
<b>6. STRUCTURAL ADJUSTMENT AND LONG TERM POLICY PERSPECTIVES (ZIMBABWE AND ZAMBIA) .....</b>	<b>149</b>
6.1. The role of the World Bank in African Long Term Development – Policies in SADC.....	151
6.2. Policy Options for Zimbabwe and Zambia. ....	153
6.2.1. Popular Democracy and Institution Building.....	162
6.2.2. Tourism .....	163
6.2.3. Public Investment Programme.....	163
6.2.4. Poverty Reduction Programme (P.R.P) .....	164
6.2.5. Development of Human Resources .....	167
6.2.6. Regional Integration and Co-operation.....	167
6.2.7. Low Budget Deficits and Exchange Rate right.....	168
6.2.8. Foster Competition at Home and Abroad .....	169
6.2.9. Government Resources .....	169
6.2.10. Getting Macroeconomic Policies Right.....	170
6.2.11. Incentives for Farmers.....	170
6.2.12. Export System .....	171
6.3. Conclusion and Recommendations (Zimbabwe and Zambia).....	172
<b>REFERENCES .....</b>	<b>183</b>
<b>APPENDICES .....</b>	<b>190</b>

## ABSTRACT

This study is primarily aimed at examining the impact of World Bank / IMF, structural adjustment programmes in the SADC region. However, the main focus of the study was on Zimbabwe and Zambia. These World Bank / IMF-influenced perestroikas, are believed to be viable panacea, for the state of economic malaise prevalent in the SADC region.

In undertaking this research, various methods were utilised to acquire data. A case study approach was used. However, the main method of data collection which was heavily relied upon was document study. The collected data was analysed and presented in both graphical and tabular form. This study, *inter alia*, established that the implementation of IMF / WB structural adjustment programmes in the SADC region has precipitated a plethora of insurmountable socio-economic problems for the citizenry of both Zimbabwe and Zambia.

Furthermore, the research has revealed that IMF / WB influenced structural adjustment programmes have culminated in large-scale unemployment, retrenchments, an acute decline in educational and health standards, ever-skyrocketing food prices, rents, taxes, mass exodus of qualified human resources to greener pastures, big debts, inflation and labour strikes in Zimbabwe and Zambia.

Finally, the study recommends that, the World Bank / IMF should revisit their *modus operandi* in terms of fostering socio-economic development in the SADC. Adjusting countries should be viewed as partners rather than simple aid recipients. The World Bank / IMF should cancel the debts of "Adjusters" in the SADC, in order to allow them to focus on development rather than debt-servicing. Some useful policy options have been propounded in the study.

These policy options include development of human resources, fostering regional intergration and co-operation, improving international trade and embarking on public investment programmes. In order to improve the socio-economic life of the citizens the government of these countries should implement poverty reduction programmes. The World Bank / IMF should also cut down the number of its conditionalities from 117 to less. This will give aid recipient countries enough *carte blanche* to run their socio-economic lives. It should be noted that this study complements the research done at Honours level on the same issue.

## Acronyms

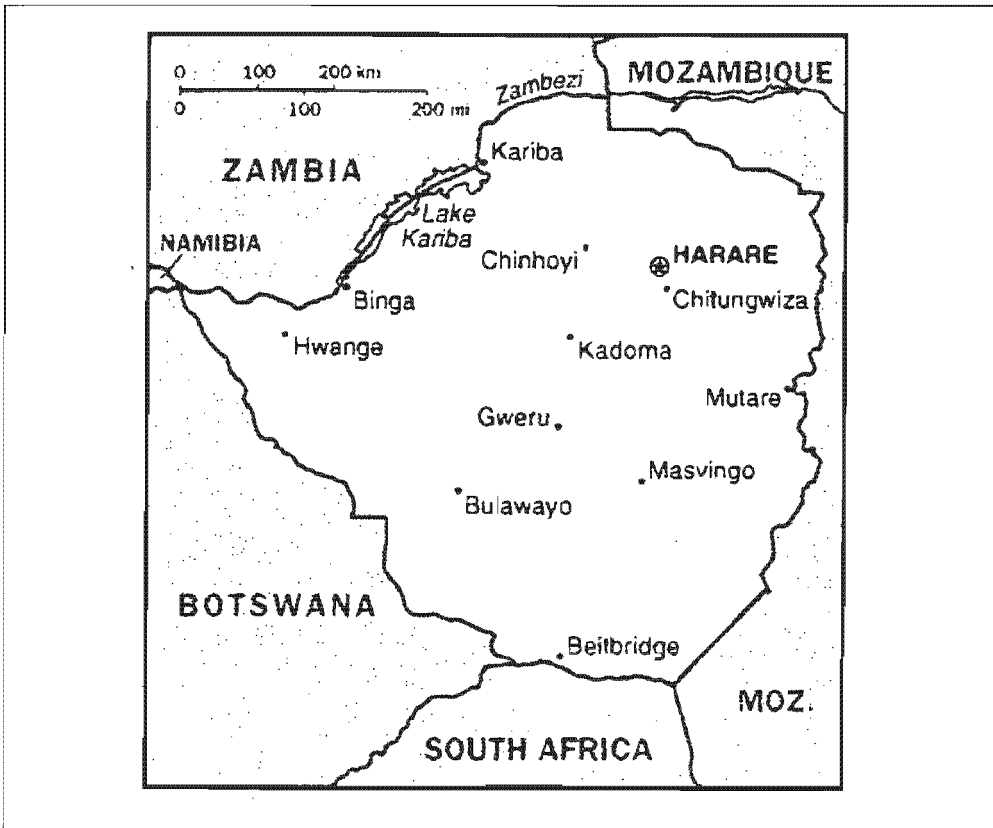
E.S.A.P	-	Economic Structural Adjustment Programme
E.R.P.	-	Economic Recovery Programmes
P.S.C.	-	Public Service Commission
E.S.A.F.	-	Enhanced Structural Adjustment Facility
WBR	-	World Bank Review
C.Z.I	-	Confederation of Zimbabwe Industries
P.S.R.C	-	Public Service Review Commission
NIEO	-	New International Economic Order
ZANU (PF)	-	Zimbabwe African National Union (Patriotic Front)
Zanu (ndonga)	-	Zimbabwe African National Union (ndonga)
ZIMPREST	-	Zimbabwe Programme for Social and Economic Transformation
IMF	-	International Monetary Fund
W.B.	-	World Bank
Z.C.T.U	-	Zimbabwe Congress of Trade Unions
U.D.I	-	Unilateral Declaration of Independence
S.A.P.	-	Structural Adjustment Programmes
SADC	-	Southern African Development Community
SDF	-	Social Dimension Fund
R.B.Z	-	Reserve Bank of Zimbabwe
B.Z.S	-	Britain Zimbabwe Society
I.L.O.	-	International Labour Organization
B.S.A.C	-	British South Africa Company
OGIS	-	Open General Import Licence Scheme

## LIST OF TABLES

<i>Table 1. Membership of IMF/World Bank. Membership and Quotas in Africa South of The Sahara (Million SDR)</i> .....	11
<i>Table 2. Real minimum wages for lowest paid workers in selected industries, 1982-1992</i> .....	41
<i>Table 3. Industries affected by ESAP</i> .....	42
<i>Table 4. Rural Elite</i> .....	43
<i>Table 5. Low Income Urban Community</i> .....	43
<i>Table 6. Mining Community</i> .....	44
<i>Table 7. Rural Business People</i> .....	44
<i>Table 8. Peasant Community</i> .....	45
<i>Table 9. Composition of the Service 1980-83 (Officers: Established posts)</i> .....	46
<i>Table 10. Countries Ranked by Overall Macroeconomic Policy Stance, 1990-91</i> .....	48
<i>Table 11. Zimbabwe's economic outlook today</i> .....	61
<i>Table 12. Fees Introduction</i> .....	68
<i>Table 13. Magnitude of Distortion (policy and Institutional), End 1970s</i> .....	88
<i>Table 14. Status of Policy and Institutional Reforms in Sub-Saharan Africa</i> .....	102
<i>Table 15. Gross Domestic Production by Kind of Economic Activity in Producer's Value at Constant (1970) Prices (In K' million)</i> .....	108
<i>Table 16. Year-to-Year Fluctuations in Sectoral Performance of the Zambia Economy</i> .....	109
<i>Table 17. Inflation and exchange Rate (1970-1991)</i> .....	125
<i>Table 18. Formal Sector Employment, 1964-85 (000 persons)</i> .....	126
<i>Table 19. Impact of Structural Adjustment on Health in Zambia (Government expenditure on health)</i> ..	128
<i>Table 20. Major causes of mortality among adults in hospitals (15 years or over)</i> .....	128
<i>Table 21. Government expenditure on education</i> .....	131
<i>Table 22. Formal employment by sector 1988-90</i> .....	133
<i>Table 23. Population and labour force 1980-90</i> .....	134
<i>Table 24. Exchange Rate, Kwacha to US \$</i> .....	134
<i>Table 25. Total Debt Outstanding and Disbursed (ITS \$ Millions)</i> .....	136
<i>Table 26. Zambia, Debt Burden Ratios</i> .....	136
<i>Table 27. Payment Arrears (US \$ Million)</i> .....	137
<i>Table 28. Zambia's Macro-Economic Performance</i> .....	144
<i>Table 29. Annual Increase in Consumer Prices</i> .....	146
<i>Table 30. Nominal Consumer Subsidy for Maize</i> .....	147
<i>Table 31. Structural adjustment and External Debt</i> .....	148
<i>Table 32. External Debt (SADC)</i> .....	154
<i>Table 33. Inflation (SADC)</i> .....	155
<i>Table 34. Southern African Regional Official Exchange Rate (US\$ per unit of Local Currency Unless Stated Otherwise as at the End of Each Year)</i> .....	156
<i>Table 35. Central Government Revenue and Expenditure (SADC)</i> .....	157
<i>Table 36. Inflation Rate</i> .....	157
<i>Table 37. The monthly rates from January 1995 are:</i> .....	158
<i>Table 38. The Contribution of African Parastatals</i> .....	177
<i>Table 39. Structure of production of SADC economies (as a % of GDP)</i> .....	178
<i>Table 40. Membership of regional organizations</i> .....	179
<i>Table 41: SADC – Basic Indicators</i> .....	181

# Maps of Zimbabwe and Zambia

## Zimbabwe



Source: C.S.O. Harare, 1998

## Zambia



Source: C.S.O. Lusaka, 1998

# CHAPTER 1

## 1. INTRODUCTION

The British South African Company (B.S.A.C.) established the erstwhile colony of Southern Rhodesia, which now forms the Republic of Zimbabwe, on the strength of its numeral mineral potential in 1890. However, disappointed by the limited scale of gold discoveries, the BSAC encouraged commercial farming and an alienation of land to individual settlers and to speculative companies. In 1965, the settlers in Rhodesia, made a Unilateral Declaration of Independence (UDI). Of significance is the fact that Northern Rhodesia ( now Zambia) Nyasaland (now Malawi) and Southern Rhodesia (now Zimbabwe), once were united together by their colonial master and formed (CAF) Central African Republic, with Malawi supplying labour force, Zambia supplying copper to Harare. During that epoch Zambian copper was selling very well on the international market.

After 10 years of independence the country commenced to face socio-economic problems. When the government implemented economic structural adjustment programme, results were detrimental to the citizens. As a guiding principle, because of their link to the Socialist Eastern Block during the war of liberation, the Zimbabwean government adopted socialism like Zambia. It became a practicing welfare state, until 1985, when the then Prime Minister confessed to Linda Chalker, that Zimbabwe now welcomed free market forces. Already many economic distortions on macro level had been incurred by the Zanu (PF) led government in the *de facto* one party state, of Zimbabwe. The then Prime Minister promised “my government, committed as it is to socialism recognizes the existing phenomenon of capitalism as a historical reality which because it cannot be availed has to be purposefully harnessed, regulated and frustrated as a partner...” (Stoneman 1989)

However, the problem which the Zimbabwe economy was confronting when it resolved to adopt IMF/World Bank, conditionalities “were a result of some fundamental structural features which date to the colonial epoch” (Kadenge:1992). Furthermore, according to IMF/World Bank it is useful to view the structure of the Zimbabwe economy in terms of foregoing inefficiencies (technical, allocative and destructive inefficiencies) which are underpinned by structural factors...

the structural context in which these inefficiencies are manifested in the Zimbabwe economy is that of enclivity delusion and dependency; all of which are mutually reinforcing and are a legacy of the colonial and settler history of the society” (IMF/World Bank, 1994).

Furthermore on the same note it should be noted that “the notion of enclivity refers to the fact that the most dynamic and efficient part of the Zimbabwe economy which accounts for the greater part of gross domestic product is the formal sector and this section, however, only accounts for about one-fifth (1 million) of the labour force, while the majority of the labour force consisting about four-fifths are variously under employed in the informal and communal sectors, or openly unemployed” (IMF/World Bank, 1994).

Ever rising unreliable interest rates, lack of foreign currency, ever spiralling unemployment ratio, low investment levels, high levels of inflation, infrastructural putrescence – all these facts were symptoms of a state of economic morass, which needed immediate attention. The cash strapped and inflation ridden, Republic of Zimbabwe, had no option except to adopt the IMF/World Bank policy prescription. It should always be remembered that Zambia adopted structural adjustment policies earlier than Zimbabwe and the results, just like in Zimbabwe, impacted severely on the citizenry.

The IMF/World Bank recommends cutting military spending, as one of the measures to improve the economy, but on the part of Zimbabwe one wonders if “spending US\$ 300 000 a day (some economists say even more)” in the troubled Democratic Republic of Congo is cutting military spending (Focus on Africa Jan – March 1999). The political will, in the post colonial SADC, is not just adequate if not lacking completely, as far as improving socio-economic life is concerned,

Country	August 1996
Angola***	207.3
Benin	45.3
Botswana***	36.6
Burkina Faso	44.2
Burundi	57.2
Cameroon	135.1
Cape Verde	7.0
Central African Republic	41.2
Chad	41.3
Comoros	6.5
Congo	57.9
Cote d'Ivoire	238.2
Djibouti	11.5
Equatorial Guinea	24.3
Eritrea	11.5
Ethiopia	98.3
Gabon	110.3
The Gambia	22.9
Ghana	274.0
Guinea	78.7
Guinea-Bissau	10.5
Kenya	199.4
Lesotho***	23.9
Liberia	(96.2) 71.3
Madagascar***	90.4
Malawi***	50.9
Mali	68.9
Mauritania	47.5
Mauritius***	73.3
Mozambique***	84.0
Namibia***	99.6
Niger	48.3
Nigeria	1,281.6
Rwanda	59.5
Sao Tome and Principe	5.5
Senegal	118.9
Seychelles	6.0
Sierra Leone	77.2
Somalia	(60.9) 44.2
South Africa***	1,365.4
Sudan	(233.1) 169.7
Swaziland***	36.5
Tanzania***	146.9
Togo	54.3
Uganda	133.9
Zaire***	(394.8) 291.0
Zambia***	363.5
Zimbabwe***	261.3

\*\*\* SADC States  
Sub-Sahara African States  
\*\*\* Countries under discussion  
Source IMF 1996

**Table 1. Membership of IMF/World Bank. Membership and Quotas in Africa South of The Sahara (Million SDR)**

Just like many independent countries in SADC, Zimbabwe became a member of IMF/World Bank in 1980 after attaining its independence. That is why, after being faced with manifold economic problems she went to negotiate adoption of IMF/World Bank policy prescription in the form of economic structural adjustment programme. Zambia also did exactly the same thing that is why some scholars often talk of "The Zambianization of Zimbabwe". Zambia adopted structural adjustment policies, during the reign of Dr. K. Kaunda and even after his reign. The results of adopting these policies, were very disastrous socio-economically.

## **1.1. Statement of the Problem**

Contemporaneous economic trends in the SADC region have “*in toto*” shown that the IMF/World Bank initiated structural adjustment policies have culminated in the region facing insurmountable problems, ranging from loss of “*carte blanche*” in the management of the economy on the part of the governments in the region, large scale unemployment, high levels of inflation, ever spiralling cost of living, retrenchments, let alone incessant closure of industries in the region. Zimbabwe and Zambia are clear cases of countries, which have been hit detrimentally by the wave of IMF/World Bank policy prescriptions.

## **1.2. Purpose of the study**

The fundamental objectives of this study is to, inter alia, examine:

1. The impact of Economic Structural Adjustment Programmes in the SADC region with specific emphasis on Zimbabwe and Zambia.
2. The effects of adjustment policies on different levels and categories of people.
3. How the implementation of these adjustment policies have impacted on the public and private sector in Zimbabwe and Zambia.
4. The negative results of such policy programmes on the Zambian people.
5. Zimbabwean case study as the main focus of analysis, although Zambia will be used also as indicated above.
6. Draw future lessons on policy making in the SADC region.
7. The other purpose of this study finally is to find mechanisms policy wise, which can reverse the negative impact precipitated by adjustment policies within the SADC region. (It is

essential to realize that while this study adopts a regional focus Zimbabwe and Zambia will be used as specific case studies).

### **1.3. The Need for the study**

Considering the erratic abuse of economic resources in most SADC African countries, it is of paramount significance at the very least to explore and understand the implications of Economic Structural Adjustment policies in the SADC region (with specific focus on Zimbabwe and Zambia). The further desire to explore critically and acutely, the impact of IMF/World Bank policies on the citizenry of these countries necessitated in this study. Large scale retrenchments, poor education facilities, squalid living conditions, poor health, ever striking workers, incessant big companies closures, mass-exodus of qualified human resources, loss of business confidence, poor governance are all symptoms of an economic and political malaise. Yet, in substance and in content, all these, "*in toto*" emanated from IMF/World Bank policy packages. The foregoing has stimulated the need to critically and profoundly carry out the study. The need to come up with other policy options should not be underestimated.

### **1.4. The Significance of the study**

The significance of this study should be viewed in light of the following framework.

1. Of primary importance is the fact that this study marks, a stepping stone towards the evaluation of economic policy in Zimbabwe and Zambia
2. It clearly will contribute to future research in structural adjustment policies in the SADC region and anywhere else around the globe.
3. It highlights how IMF/World Bank policies have impacted on the lives of both the private and public sectors of Zimbabwe and Zambia.

4. It seeks to find avenues which can be efficiently and cost efficiently used to re-cycle the retrenched so as to upgrade their standard of living.
5. It seeks to reflect on how the current governments of Zimbabwe and Zambia can restructure the economic quagmire.
6. The significance of this study lies in its endeavor to explain loss of “carte blanche” by the government of Zimbabwe and Zambia as far as economic policy making is concerned.
7. This study is significant in that it seeks to examine the suitability and conducivity of the IMF/World Bank policies to SADC region.
8. It is important to realize that this study aims to give some recommendations as far as future policy making is concerned. At the same time, this study seeks to examine some policy options, which SADC should also give a chance.
9. This study seeks to show that rather than strictly becoming recipients SADC region countries should be partners with the developed world as far as formulating viable policies for socio-economic development is concerned.
10. Lessons for countries like South Africa who have not yet adopted these policies are also drawn in this study.

## **1.5. Zimbabwe: A Case Study**

### **1.5.1. Post-Independence, pre-E.S.A.P. Policies**

On the attainment of independence, the government made a major commitment to create a socialist society largely based on state led intervention and planned strategy of conscious transformation. The fundamental starting point of the new government was its realization and appreciation of disturbing inefficiencies prevalent on the economic landscape.

Policies like Growth with Equity (1981) were the order of the day. The welfare policies implemented while being applauded by the citizenry, became a bone of contention in economic circles. While notable achievements were made in the social sphere particularly in the provision of health, education and welfare support for vulnerable groups, very little economic progress was achieved by the so called socialist initiative and although the government was able to negotiate and intervene in the economy, it did not transform inherited economic structures and their attendant inefficiencies.

Apparently at the close of the first decade of independence, it was manifest that the government was promoting socialism not economic development because the gross domestic product (GDP) grew just at an average annual rate of 3,2%, just about the same level as population growth during the period and worse still formal sector employment either remained stagnant or only increased slightly over the same period, with youth unemployment rising. Summarily the main reason for the poor performance of the economy were:

### **1.5.2. Summary of reasons for poor economic performance**

- Government did not have a comprehensive development strategy to deal with the inherited structural, rigidities.
- Depressed state of investment arising from excessive regulation and controls that were not transparent and the lack of a strategy to harness the potential of the non-formal sections.

- ❑ Government diverted enormous resources to counter the effects of not only drought, but also destabilization emanating from South Africa, especially as regards to conflict in Mozambique which blocked Zimbabwe's key trade routes to the sea.
- ❑ Resources were deployed in the social sector where they had a long gestation period and
- ❑ Huge resources were provided to parastatals in a non-targeted manner without any performance criteria to ensure that these were productively utilized.

According to the WB/IMF as the economic crisis deepened and proved increasingly intractable as the new decade of the 1990's dawned, the government succumbed to pressure from the World Bank and the IMF, which claimed that the fundamental problem in Zimbabwe was the pervasive government regulation and intervention in the economy. Thus in 1991, the government signalled its fundamental shift in policy by adopting the policy prescriptions of the Bretton Woods Institutions and between 1991 to 1995 implemented them (World Bank, 1995).

#### **1.6. IMF/World Bank Conditionalities**

One of the most serious complexities for the SADC regions when dealing with the IMF/World Bank is the phenomenon of conditionalities. This is the yoke which the aid recipient countries have to shoulder. It should be noted that in exchange for structural adjustment the recipient country will be expected to carry out impartial economic reforms in line with the guidelines from the World Bank/IMF.

### IMF World Bank Conditionalities

- ❖ Decontrolling of prices
- ❖ Deregulation of trade
- ❖ Devaluation of currency
- ❖ Removal of subsidies
- ❖ Reduction of public expenditure
- ❖ Wage restraints
- ❖ Increase in domestic interest rates
- ❖ Removal of tariffs and other controls
- ❖ Reduction of arguments
- ❖ Encouragement of foreign investment
- ❖ Removal of administrative controls
- ❖ Privatization
- ❖ Good governance
- ❖ The human rights issue

Source: Chakaodza, (1993: 17)

The IMF/World Bank conditionalities are seen as anathema by all the southern African adjusters. The focus of the section is to discuss these conditionalities because they have a bearing on the implementation of policies in the SADC regions.

#### 1.6.1. Trade Liberalization

The World Bank/IMF believed that trade liberalization steps like the elimination of price controls on the commodities has an effect of increasing the amount of goods produced, thereby providing more employment for the people and multiply productivity, earns more foreign currency from exportation.

In a free market economic system, which the IMF/World Bank preaches, the principle of collective bargaining works. Thus, there has been a growing propensity by most countries adopting structural adjustments to restructure the Labour Relations Act. Hence, it can be seen that the policy regarding wage restraint enables employers to pay workers only what they can manage and by so doing companies will then obtain greater profits and be in a position to increase production and the result of all this will be to create more jobs and more goods both for domestic consumption and exportation. Such policies have led to the disputes that have arisen in the recent histories of Zimbabwe and Zambia in which the working classes became at loggerheads with the owners of the means of production. It is also argued that such system affords producers to sell their products at their market value, thus in this way removal of subsidies provides an stimuli to producers to produce more, sell more, earn more profit, earn more foreign currency and provide more employment.

Clearly from the forgoing it should be noted that trade liberalization relies heavily on market forces in order to correct the economic imbalances troubling the continent. It is also argued that these supply and demand based steps tend to overlook the fact that market imperfections require to be corrected by state intervention. It can be viewed that there are multiple powerful forces from without the market that would result in deviations from marginal cost pricing.

At independence Zimbabwe adopted a socialist stance, therefore protection of its citizens was at the heart of socialism. Most governments in Africa have tended to regulate prices on commodities so as to prevent merchants from over exploiting the citizenry. In a structural adjustment situation this would mean the acceleration of poverty, the people living below the poverty line will increase and the people in the opulent category of the society will get richer and richer at the detriment of the general citizenry. Because of the implementation of the structural adjustment policies the rich are getting ever richer on a daily basis the majority of the poor are also fast becoming poorer in Zimbabwe and Zambia. In Harare and Bulawayo in Zimbabwe and Lusaka and the copper belt province in Zambia, people have felt the pinch of structural policies.

At independence most governments have implemented a minimum wage policy to cater for the workers, but in the new economic dispensation the minimum wage talk just has died down because workers ... can now accept anything from their bosses, they can accept very low rates just to keep them going.

The fundamental problem inherent in decontrolling prices is the scourge of inflation. Inflation cause, generally, prices to go up, thus worsening the plight of the poor. Thus it is significant to note that in a free for all situation merchants have a tendency to raise prices every time. The raising of prices as a result of decontrolling of prices had a sharp impact on the Zambians and Zimbabweans and the SADC citizens as a whole.

### **1.6.2. Cutting Public Expenditure**

The concept of cutting of public expenditure in the developing countries is linked to the idea that government is too big. The IMF/World Bank argues that for structural adjustment to succeed,

Third World governments must reduce the amount they spend on public services such as public education, health and social services. In the same light it should be noted that the governments should retrench employees because their bureaucracies are unnecessarily too big. That is why retrenchments are common place in Zambia and Zimbabwe.

Evidently, because of this clause, during the implementation of the structural policies a lot of people were left jobless in Zimbabwe and in Zambia after these retrenchments had been effected. The principle of cutting down government expenditure was and is the complete opposite of what happened after independence, when governments in the post independence era extended their merciful hands on the poor by providing free education, health and services. Most governments especially the Zimbabwean government felt obliged to deliver all these goods to the people because of their promises during their long war for independence, which took place before the attainment of independence. Free services consumed a lot of government revenues and did not generate profit. IMF/World Bank believes that all these free services should be cut, people should pay for their own health, education, services etc. This was a catastrophe to the majority poor in the SADC region.

With the cutting of expenditure in the health and education services the living standards of people were drastically affected. It is the belief of this study that an unhealthy and uneducated nation is unlikely to contribute to a self-sustaining economic growth in either the short or the long run.

Ekpo and Jeggan C. Senghor as cited in (Chakaodza 1993), denoted that structural adjustment policies imposed excessive demands on public services, resulting in overloads and in the similar view, Ekpo and Senghor (Chakaodza 1993) points out that in countries like Nigeria much unemployment is increasing and that this was never the case during the pre adjustment era. Viewing the post ESAP developments one can say that the provision of quality food, health, clean water and other basic needs are below pre-adjustment levels. It is one of IMF/World Bank principles that adjusters should effect removal of import controls such as tariff and quotas. The idea basically is to attain as much foreign investment as possible. The underlying assumption is that investment generates employment to the poor masses of the country and it boosts foreign currency reserves of the country. The Zambian and Zimbabwean governments believed and still believes in that way.

Most proponents of structural adjustment programmes have argued that foreign investment result in the transfer of knowledge, skills and technology vital for national development from rich countries to poor countries. It is suggested, for example that multi-national corporations (MNC) not only bring with them financial resources and erect new plants in poor countries, but also transfer managerial experiences and expertise to indigenous managers through on-the-job-training.

In opposition to the foregoing argument some schools of thought argue that foreign investment can drive weak infant domestic industries to the wall in the face of stiff competition from foreign investors and it is also doubtful as to whether foreign investment can improve the foreign exchange position in the long-run as Todaro pointed out. Although the initial impact of MNC investment is to improve the foreign exchange position of the recipient nation, its long-run impact maybe to reduce foreign exchange earnings on both current and capital accounts. The current account may deteriorate as a result of substantial importation of intermediate products and capital growth, while the capital account may worsen because of overseas repatriation of profits, interests, royalties and high fees (Chakaodza 1993:21).

The Bretton Woods has advocated devaluation of the currency. The principle behind that idea is to improve the balance of payment position. When a country's currency is devalued it means that the exports are now less expensive and external traders will increase their propensity to buy the country's products in huge quantities hence enabling the exporting country to remove balance of payments constraints. It is also assumed that the problems of the Third World economics are partly caused by an over-valued exchange rate, therefore devaluation or depreciation of a countries currency arguably needs to increase exports and reduce imports.

Devaluation of currency on the part of developing countries has always been associated with high levels of inflation, increase in interest rates over loans. Incomes sharply decline while exports will become cheaper, local life becomes very expensive to maintain because transport fares will be high, housing rents, rates, all these become very expensive at local levels that is why the poor people finds structural adjustment policies as anathema and wholly ruinous to their lives. They argue that structural policies, structure how the rich should get better every hour while impoverishing the poor.

Ekpo (cited in Chakaodza 1993) depicted that “ to reap the benefits of devaluation these (devaluing) countries must export manufactured or semi-manufactured goods which must compete in the world market. If the price and output of an export commodity is determined by a cartel like OPEC, then a country cannot expect much from devaluation. In addition, the need for trade liberalization derives from the classical theory of comparative advantage, which is not compatible with situations in which imports elasticities far exceed export elasticities. Hence in the African present situation, excessive trade liberalization’s in not a feasible policy because of the protection of practices of industrialized countries against exports of African countries and in view of the negative effects of foreign competition on import industries in Africa”. However, the preceding view encapsulates the merits and demerits of devaluation in the frame work of liberalization and looking at the fact that African economies rely on exports of primary products to earn foreign exchange and taking into account the fact that such exports are sold below the market price devaluation becomes a non-starter. Domestic investment is at risk with investment by foreign companies that is why Zimbabwe recently blocked a South African bank, which wanted to come to Zimbabwe “unless a substantial chunk of the investment would go to the members of (IBDC), indigenous businesses”, (Business Day, 10/07/1998). The greatest fear is simply that infant indigenous banks, which have recently emerged, would be swallowed or stifled by these new foreign based banks.

One of the IMF/World Bank conditionalities imposed on financial and recipient countries, is the use of interest rate policy. However, it is common knowledge that a high interest regime is a disincentive to investment since industrialists are reluctant to borrow form the financial markets due to high interest payments and at the same time it is difficult to save during structural adjustment because real income of people tend to decrease as a result of inflation. The Z.C.T.U. has recently staged nation-wide strikes to reduce tax increases in Zimbabwe. Since the implementation of structural adjustment policies, the people in Zimbabwe have suffered greatly owing to the gradual erosion of their incomes by inflation. That explains why workers in the Z.C.T.U. always are on the roads demonstrating against the government. Just like in Zambia labour has become right at the front of politics. Z.C.T.U. vowed to continue fighting (Focus on Africa Jan – March 1999:5).

Privatization refers to the sale of government owned equity in nationalized industry, parastatal or other commercial enterprises to private investors with or without the loss of government control of

the organizations. Generally, at least 50% of the shares are subsequently sold to the private shareholders. The World Bank and to a lesser extent the IMC advocate that privatization of parastatals improves industrial performance by enhancing the role of market forces. It is the belief of the Bretton Woods bureaucrats that privatization enhances economic freedom, increases efficiency, eases the problem of public sector pay and reduces public sector borrowing. Advocates of privatisation believe that it is a tool to help government to cut costs because government will now not be directly involved in the running of the firm. Most of the public sector in Zimbabwe has been privatized or commercialized for example City Council Department of Rufaro Marketing, the DMB and in Zambia the bandwagon of privatization and seemingly is focusing on mining sector.

The idea of privatization was first mounted by the Chicago school of thought under Milton Friedman. The Adam Smith Institute an economic think tank closely associated with the British Conservative Party adopted the theory, which subsequently influenced Mrs. M. Thatcher, the leader of the Conservative Party. It should be noted that privatization featured prominently in Elliot Berg's 1981 report which was the West's response to the 1980 OAU summit. Apparently the main objective of privatization is to alter the industrial aspect from a service and non-profit oriented situation towards a profit maximization direction! In theory, this will promote economic growth. It is argued that the management and employees of privatized industries will have a greater incentive to work more efficiently as their wages will be on the basis of performance. Privatization places emphasis on the employee's performance and rewards, in other words lays emphasis on a direct relationship between an employee's salary and his productivity. When examining the notion of selling off public sector assets; it can be deduced that it is wholly fraught of problems. The most important question to ask is to whom are the public assets to be sold?

It is argued that in the poorest countries indigenous capital accumulation may be lacking and resources and infrastructure so inadequate that outside interest is minimal... Privatization inevitably raises the fear of concentration of ownership. External investment may be undesirable but it may also lead to the transfer of control and profits outside the country yet limitation and regulation of these are precisely what the evangelists of privatization claim discourage interest. This is certainly true of Zambia and Zimbabwe.

Another consequence of privatization is unemployment with its attendant social ills. In Africa today, where unemployment and poverty are already at alarmingly high levels, privatization which leads to retrenchment of workers is no solution at all. Although privatization can improve efficiency it does that at the expense of the people socially, politically and economically.

In Zambia and Zimbabwe, privatization faces serious challenges since there is a lack of entrepreneurs and capital to run the newly privatized firms or industries. What ends up happening is that most senior government officials indirectly purchase shares through relatives or friends especially in most developing countries.

One of the detrimental effects of privatization is the issue of staff discharge, alteration of wage payments at anytime and owners of the means of production can choose to discontinue certain sections of the industry, yet that has a sharp impact on the employees. In both the public and the private sector privatization victimizes the employees. It should be borne in mind that privatization works well in developed economies but in under developed economies, the political and economic milieu which obtains in these third world countries is not conducive for privatization to take place. The nature and character of any privatization programme in the Third World is different from that of the developed world. In the Third World privatization programs are very difficult and they culminate in suffering of people.

### **1.6.3. Governance and Human Rights**

It must be noted that the issue of good governance and its linkage to development aid became part of the World Bank's list of conditionalities following the political revolutions that swept across the continent of Africa in mid – 1989. Together with the human rights issue the basis of the good governance test as a linkage policy must be explained against the background of the demise of super-power rivalry in the Third World especially Africa and Latin America where human rights are extremely bad.

In these countries political opponents face mysterious disappearances, opposition politics is stifled most of these countries are either *defacto* one party states or *de jure* one party states, but it was not

until recently that the wave of democracy has swept across the region, that the leaders are now unwillingly forced to accept realities of life. In the past the World Bank/IMF, did not worry about good governance issues and human rights, they simply supported economic development in these countries. Zaire under Mobutu Sese Seko, abused human rights, grossly and had a poor governance record.

In Zambia during the First Republic under Dr. K Kaunda, the ruling UNIP party was nothing other than tantamount to a defensive and abusive political dinosaur, which jealously guarded its monopoly of power for 30 years at the expense of human rights and governance. In Zimbabwe for the past 18 years the government has been in power observation of human rights and good governance have been a dream not a reality. Strikes by students, strikes by public service workers and the private sector employees, owing to ever-souring economic conditions precipitated as a culmination of endeavours to improve the economy, all these facets, together with government killings, beatings and arrests of strikers reflect, “*in toto*” a bad human right record.

Tony Hawkins observed that it is a sign of the times that the Banks courageously call for improved governance attracted so many adherents so quickly. Scarcely was the ink dry on the Bank’s 1989 Report when Western donors who in the past had preferred discreet silence on so sensitive an issue, began to suggest that in future financial aid might be withheld from countries that failed to meet the good governance criteria.

In the light of the above it should be noted that good governance as a political conditionality for economic aid arose out of sheer expediency. However, there are a lot of debates over the role of democracy in development, in current development debates. The most important question to ask is whether multi-party democracy is, per se, a panacea for development?

#### **1.6.4. Arms Purchase**

In April 1991, the outgoing World Bank President Barber Conable proposed a formal linkage between military spending and aid to the Third World. Another former World Bank President Robert McNamara also believed that the above proposal would constitute an important part of the

solution to the west represented by excessive military spending in poor countries, which include Zimbabwe and Zambia. Enormous arms spending had severe impacts on the economy that is why the two erstwhile Presidents of the WB alluded to this concept. It is believed that whilst it is time that arms spending is a drain on Third World finances, the irony is that such arms are provided to African governments by rich nations of both the West and East. These violations of human rights are a product of militarism in developing countries, supported either directly or indirectly by the west.

Jeffrey Sachs of Harvard Institute of International Development, on the World Economic Summit (Southern African Economic Summit held in Windhoek 16 May 1998), alluded, that the IMF/World Bank conditionalities should be reduced. Most heads of States from SADC region made pleas for their debts to be cancelled off (Business Report Tuesday May 19/1998). The leaders seemed to have been saying that democratization and economic development were undermined by serving and repayment of national debt (Cape Times Business Report 19 May 1998). However, the IMF Managing Director Michael Camdessus believed that, the dangers of worse debts serving burdens on African States could be replaced by these countries continuing to cut unproductive spending, promoting domestic savings through budgetary mechanism and continuing to ameliorate the efficiency of their wealthy.

### **1.7. Economic Structural Adjustment Package for Zimbabwe**

The World Bank / IMF compiled a menu which was thought to be a viable solution to cure the economic putrescence which Zimbabwe was facing. The Zimbabwean government was to welcome that with all hands. Just like recently Zimbabwean government was to get IMF aid to help stabilize the currency, in the words of R.B.Z. governor, L Tumba “the release of more donor aid could go a long way in further ensuring the stability of the foreign exchange market and helping minimise speculative purchases of the local currency, currently trading in the \$18 to \$18,50 range against the United States dollar, against which it fell by more than 75% last November.” (Financial Gazette, July 2, 1998). In the same breath the Reserve Bank of Zimbabwe said “the stability of the local currency which came under severe pressure in April and May this year largely due to poor tobacco sales, was expected to be strengthened further now that the IMF had agreed to disburse a stand by

credit of US \$175 million to be released in tranches between now and March 1999” (Financial Gazette July 2/1998). This point serves to illustrate that IMF packages are always given to cash-strapped economies like the Zimbabwean one surprisingly yet painfully, the Zimbabwean government plans to go ahead with the Land Acquisition plans which have been estimated to cost the government Z\$35b (Financial Gazette 1998). This is not the point, the point is Zimbabwe relies on IMF/WB packages. Was the “ESAP” package helpful or detrimental to the society? The starting point is to understand what ESAP is.

According to Kadenge “the package consists of measures to alleviate the problems which the economy was facing. The components of the reform include budget deficit reduction through reforming and reducing expenditure on items causing the deficit price and wage decontrol, trade liberalization and investment promotion” (Kadenge 1992:10)

According to Kadenge “in order to release more funds for productive investment, the government intends to reduce the budget deficit progressively from its 1990 level of 10% to 5% by 1995. This is aimed at achieving a sustainable rate of economic growth of 5%” (Kadenge 1992:10).

The economy of Zimbabwe has a big parastatal base. Because there was need to guard the petrol and oil/gas pipelines on the Beira Corridor, the government of Zimbabwe incurred a lot of military spending in Mozambique. Such Zimbabwean involvement drained a lot of life as military men were being killed on a large scale, government finances were also being used in that direction. Thus government was supposed to cut its military spending, reduce its spending on Health, Education and parastatals. Currently the DRC military adventures are also very costly to the country (Mail and Guardian, October 1998). Economic Structural adjustment sounded like a good plan because it aimed at increasing investment in material production sectors such as agriculture, mining and manufacturing together with supporting infrastructure in transport power and communication. In the same vain the various components of the government budget are to be restructured and it was the intention of government to obliterate subsidies by the end of the 1994 – 1995 financial year except for exceptional cases where subsidies would be directed to specific groups.

The size of the government was to be cut down into a small efficient and effective bureaucracy. The reform package gives thus in order to facilitate effective measures, the government intends to clear the subsidies backlog, within the two year period commencing with the 1990/1991 fiscal year so that losses can be considered on current year basis and not the cumulative losses which the economy has (Budget Statement 1990:8).

The government of Zimbabwe also planned to implement commercialization. Commercialization of the, non-commercial government sector, was seen to be a strong push to enhance the ailing economy. Commercialization and privatization were seen as important tools to revitalize the economy which was ailing. State owned enterprises were operating on social/welfare basis, in line with the socialist, ideology which the government of Zimbabwe at independence professed. However, the change from pursuing socialist policies to free-market policies, was seen in the light of enhancing governmental efficiency and economic productivity. Thus the state owned enterprises were to be operated on the basis of profit rather than social consideration. Fees for both primary and secondary schools were re-introduced and Health Facilities were also paid for.

The government intended to streamline the large bureaucracy. This started on a phased basis in 1990/91 by the freezing of non-essential posts as soon as they fell vacant, the rationalization of non-essential services or areas of duplication and the removal of over staffing.

It was also the intention of government to keep foreign borrowing down so as to reduce the inflation rate because it is the large fiscal shortfalls which has been fuelling money supply growth and to some extent inflation. The reform package also emphasized that for basic consumption items such as bread, maize-meal, beef, matches, cooking oil and fats, the price control system would still remain.

Since the IMF/WB emphasized free-market economics, in which wage will depend on competitive market through collective bargaining between all parties concerned. Few exceptions were guaranteed by government, these were the domestic and farm employees, because they did not have any form of organizations that would represent them on collective-bargaining tables.

The economic structural adjustment programme embraced trade liberalization, which, *per se*, has two stages;

- 1) The first is the managed transition from import controls to a tariff-based system which involves the progressive placements of imports under OGIL aimed at modernizing productive capacity, preparing producers for external competition by gearing them for the export market.
- 2) This will be followed by placing of emphasis on further development and strengthening of an outward-looking export-based economy (Kadenge 1992:12).

The structural adjustment programme also believed in foreign investment promotion. In order to achieve the target of 5% annual growth, investment rate has to increase to at least 20% of GDP from its 1990 level, or 14,3% in nominal terms.

This package was also tied with some conditionalities from the IMF/WB. Recently on the Southern African Economic Summit May 1998, in Windhoek, the 117 conditionalities were castigated as many. The International Labour Office saw the year 1990 as a time in which there was “a deterioration in the macro-economic situation, with higher inflation, a higher current account deficit and a stable fiscal deficit” (ILO, 1990).

According to ILO “the first year of the reform package thus witnessed a sizeable destabilization of the economy owing to elements of the package such as devaluation, reduced price control and liberalization of imports, which resulted in higher inflation, a larger current account deficit, and increased nominal interests rates” (ILO, 1993:3). The reform package, was a complete economic weapon according to the IMF/WB, what essentially strikes a reader of structural adjustment programmes performances in SADC, is their impact, as shall be seen in this study.

### **1.8. Background:**

The 1980's were an epoch of large-scale economic crisis and calamity, to most SADC countries. Zimbabwe is one of the countries, which during the 1980's was still in its embargo stages. It was

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just starting to become a free country. Zimbabwe at independence in 1980 had roughly a population of 8 million, which now might be 10,5 million. Its economy since independence, has been characterized by fluctuating rates of annual growth, ranging, between 10,7% and -4.2% and high levels of unemployment (Durevall: 1991). According to Dany Tevera "at the time of independence, the socialist inclined Zanu PF government inherited a typical underdeveloped economy characterized by racial inequalities with about 4% of the population earning 60% of the national income in 1979. (Cliffe Munslow 1981: Davies and Sanders; Riddell 1984) (Wim van Spengen, Chris Dixon and Anders Norman 1995:80).

However, the problems which Zimbabwe were and is having are a result of the colonial past. Zimbabwe was ruled by the B.S.A.C. (British South African Company) then it became a Crown Colony under the Queen of Britain, later it became self-governing under the colonial settlers lead by Ian Douglas Smith from 1965 – 1980 until independence. During this 1965 to 1980 era the economy was isolated from the international scene completely. Smith and his UDI, became striking features in the political economic history of Southern Africa. During the reign of Ian Smith, the economy was largely isolated from the whole world as a result of sanctions imposed on the settler regime, which failed to get international recognition. Given the above it can be noted that the economy was already facing a plethora of insurmountable problems domestically and externally. Interestingly and however, the only regime which helped Smith that time was Malan's South Africa which considered Rhodesia as a 9<sup>th</sup> province of South Africa. During the colonial epoch, the economic cake was distributed amongst the few in Rhodesia (now Zimbabwe), land, education, health facilities, let alone housing. A few minority colonialists benefited from the system that is why there was a blood civil war, which lasted almost 20 years.

Just like most socialists – sponsored liberators, the government of Zimbabwe, adopted socialism at independence. By adopting this stance, Zimbabwe was at odds with the international financial institutions, to which it was a member.

However, there was a tension against the Zimbabwean policy. Socialist planning approach to economic planning was adopted. This national development plans were launched. "The Three Year national Development Plan and the first five year national Development Plan had annual

growth targets of 8% and 5,1% during their respective plan periods, but both have ran their course without achieving these targets, at least two main factors beyond the government's control have hindered the attainment of the intended targets, fulfillment of the objectives of rectifying the distortions inherited from the previous regime and of dealing with the most glaring problems of underdevelopment according to D Tevera (Van Spengen et al 1995: 80).

It should be noted that the targets appeared to have been based on the unrealistically high economic growth rates achieved soon after independence and in 1981 due to demand-led growth-persistent droughts since 1982 and the international recession of the mid-1980's have been blamed for low rate of economic and employment growth and have constrained the government's efforts to promote development" (Van Spengen 1995:80). By 1985, the government had incurred huge debts to the tune of 32.2% of the GNP according to the Ministry of Finance 1987. (Ministry of Finance 1987, Government of Zimbabwe 1981, 1982, 1983, 1986).

As early as 1983 to 1990, the Zimbabwean government was already using IMF – inspired stabilization programme, the main goal of which was to manage aggregate demand in order to reduce domestic absorption. During the 1983, 1984 era, the country had already been struck by a serious series of annual drought, commencing 1982. In line with its welfarist principles the government was giving out some drought relief aid together with some non-government organization and UN agencies.

According to Kadenge before 1960's foreign capital penetration led to the then Rhodesia to become a hive of settler interest and international capital and the accumulation of wealth by settlers was based on the creation of a colonial, a poor traditional black community largely dependent on agriculture existing in juxtaposition with an affluent white sector (Kadenge 1992). It is essential to notice that when Smith government was isolated politically and economically, it was faced with reduced foreign exchange among its sectors and to compensate for the drawbacks of the autocratic situation in which the economy was shaped and determined by sanctions, the government embarked on an import – substitution, industrialization strategy so as to be self reliant and to be able to sustain itself both politically and financially.

Given the forgoing, it was very essential that the economy be structurally adjusted. However, “the growing body of literature on SAPs in Africa and elsewhere in the Third World shows that not only do the economic benefits not always materialize, but that there are major social costs involved with notable impacts throughout the space economy (Conia et al, 1987, Hodd 1987, ILO 1993, Onimode 1989, Stewart, 1991 Riddel, 1992, Robinson 1992).

According to Tevera “Onimode (1989) makes several critical observations, among which are that SAPs have hindered African development by linking the local economics more firmly with the capitalist system thus inhibiting local industrialization and perpetuating traditional trade patterns, whereby these countries have provided markets for manufactured goods produced in the North and sources of raw materials – in addition while SAPs have a generally negative effect on national economies, they particularly hurt the import – based segments of the economy compared with those segments which are less dependent on foreign inputs” (Van Spengen et al 1995:79).

Given the economic problems which Zimbabwe was facing, the whole essence of introducing E.S.A.P was primarily to “re-start the process of economic growth by liberalizing the economy, reducing the fiscal deficit, cutting down all expenditures and reshaping the role of government and encouraging domestic and foreign investment” (Chisvo and Munro 1993). It should be remembered that most African countries are currently implementing structural adjustment programmes, (SAPs) under World Bank and IMF tutelage, aimed primarily at their economies. The major objective of these programmes is to rekindle economic growth by increasing the mobility of production factors (including labour and raw materials) and by decreasing economic discrepancies (Muuka: SAPEM vol. No. 8 May/June 1997). What is however, surprising is that all African countries are implementing the same SAP documents and the results are almost the same.

Economic structural adjustment programme was launched in Zimbabwe under the pretext of it being “home grown”. How could it be home grown when IMF/World Bank masterminded the whole plan and attached irresistible, hard savings (conditionalities) on it. At this time most policy analysts and economists wondered why Zimbabwe had to adopt these measures because the

economy was not that bad. Some scholars argue that the time was not yet ripe for IMF/WB medicine. Zimbabwe was still alright!

It was too early, for Durevall, the move was not at all surprising because, despite the tremendous progress in the provision of social services (e.g. post-independence primary school enrolment and basic health indicators, which were good), per capita income remained low and the potential for raising the income made the vulnerable groups remained small. He argues, also that in fact, several factors made Zimbabwe an ideal country for implementing an adjustment programme with a reasonable chance of success, as compared to other countries in the region. It should be realised that the objectives of the Zimbabwean SAP include the expansion of goods for trade, the removal of balance of payments constraints and the restoration of a sustainable balance between aggregate demand and aggregate supply of goods just like what had happened earlier in Zambia.

Finally in a policy document entitled ZIMBABWE: A FRAMEWORK FOR ECONOMIC REFORM (1991 – 1995) the government declared its commitment to a programme of economic policy reform aimed at sustaining higher medium and long-term growth and at reducing poverty: - the document states that the objectives of the programme is the improvement of living conditions, especially, of the poorest groups.

The most important question to ask is whether, the programme has achieved this or it has worsened the *status quo*, by precipitating a plethora of untold, insurmountable problems on the part of the citizenry. Structural adjustment proposed that it would increase real incomes and lower unemployment by generating sustained high economic growth by transforming the economy to make it more competitive and productive involving moving from a highly regulated economy to one where market forces play a dominant and decisive role.

In the light of the Economic Structural Adjustment Programme the government has taken measures to first open up the economy by sequentially putting goods, which were previously imported under a barrage of import restrictions on the Open General Import License Scheme and decreasing import

taxes from about 29% in 1991 to 23% by 1995, the currency was then devalued in order to increase the competitiveness of local goods on the international market and to encourage domestic production of goods, as imports became more expensive this encourages switching to domestically – produced alternatives, this was followed by the relaxation of investment controls and the abolition of the foreign exchange allocation system and finally the budget – deficit is being reduced from 10% of the GDP in 1989 to 5 percent by 1994/5 mainly through reduction of subsidies to parastatals.

In a nutshell, the principal challenge for Zimbabwe, is to develop and implement a combination of macro-economic and sectoral policies that will lead to growth with equity and the protection of the vulnerable groups in society such as the poor, women and children – and the major areas targeted for action are employment and training, food subsidies, cost recovery and social services, poverty and monitoring. This was the background upon which economic structural adjustment was implemented in Zimbabwe.

Interestingly enough some issues in the Zimbabwean policy debate during adjustment, are also of significance when examining Zambia and the rest of the SADC region. However, most scholars argue that before the implementation of SAP in Zimbabwe, the economic crisis had not reached the Zambian stage – It was worst in Zambia. Ironically, the Southern African Economic Summit held in Windhoek in May 1998, established that Zambia and Mozambique in SADC have substantially been improving, albeit, the Chissano speech, in which he highlighted that the people on the ground are crying and that only if the people on the ground can be satisfied, that's when he can recognize the positive strides which ESAP is taking in the country or the region (SADC).

In terms of investor confidence “Zimbabwe scored worst in terms of state interference in business, directions of government subsidies, public-sector competence, composition of government spending and the extent to which tax system enhanced business competitiveness” (Financial Mail March 13/1998) Comparatively on the financial side Zambia had the lowest rate of gross domestic investment at 11.7% of GDP and it scored lowest on Bank soundness. All these facets combine together to make a background upon which structural adjustment policies were implemented in the SADC region. It is argued that the architects of structural adjustments in the SADC region underestimated the likely impacts, which such policies might precipitate. Events in Zimbabwe have

demonstrated beyond any reasonable doubts that economic structural adjustments caused severe results on the society. Zambia, before Zimbabwe, had implemented, these policies, also fell victims, to the whims and caprice of IMF/WB bureaucrats in Washington DC.

## CHAPTER 2

### 2. METHODOLOGY

#### 2.1. Introduction:

#### 2.2. Research Design

This chapter details the research methodology used in this study. It consists of description of research design, the population of study, data collection and the research instruments used therein. According to Johnson and Joslyn researchers conduct empirical research studies for two primary reasons mainly to accumulate knowledge that will apply to a particular problem in need of solution or to a conclusion in need of improvement (Johnson and Joslyn 1986:3). For instance this research was carried out in the light of trying to find out about how economic structural adjustment programmes have impacted on the SADC societies and possibly come out with solutions to the problems of the region in terms of development.

Researchers also conduct empirical research to satisfy their intellectual curiosity about a subject, regardless of whether the research will lead to changes in governmental policy or private behavior (Johnson and Joslyn 1986:3). It should be noted that “conducting research is not a simple process, the information a researcher chooses to use, the method that he or she follows to investigate a research question and the statistics used to report research findings may affect the conclusions that are drawn” (Johnson and Joslyn 1986:17).

In general a research design is a plan that shows how a researcher intends to fulfill the goals of a proposed study and it indicates what observation will be made to provide answers to the questions posed by the researcher, how the observations will be made, and the analytical and statistical procedures to be used on the data collected.

A research design has been defined as a plan that “guides the investigator in the process of collecting analyzing and interpreting observations and it is a logical model of proof that allows the

researcher to draw inferences concerning casual relations among the variables under investigation” (Johnson and Joslyn 1986:111).

However, it should be noted that developing the research design is just as important as developing research questions, hypotheses, and methods of measurement and it is also worth noting that a poor research design may produce insignificant and erroneous conclusions, no matter how original and brilliant the hypothesis is (Johnson and Joslyn 1986:111). In this study, Zambia and Zimbabwe have been carefully researched. These are the two case studies the research has specifically centered on.

### **2.3. Case Study Design:**

The case study approach is one of the non-experimental research designs. However, in a case study the researcher examines one or few cases of phenomenon in a considerable detail, typically using a number of data collection methods, such as personal interview, document analysis, and observation. For many years the case study was considered to be an inferior research strategy, but it is now recognized as a “distinctive form of empirical, inquiry” and an important design to use for the development and evaluation of public policies as well as for developing explanations for and testing theories of political phenomena.

According to Robert as cited in (Johnson and Joslyn 1986), a case study as an empirical inquiry that:

- 1) investigates a contemporary phenomenon within its real-life context when
- 2) the boundaries between phenomenon and context are not clearly evident and in which
- 3) multiple sources of evidence are used and a distinction is made between histories and case studies, reserving the term case study for the study of contemporary events (Johnson and Joslyn 1986:145)

It is significant to realize that a case-study allows a profound understanding of the causal processes as will be seen in the study (Johnson and Joslyn, 1986:147). The two cases of Zimbabwe and Zambia are used to explain the negative impact of the IMF/World Bank policy of economic structural adjustment in the SADC region. Case study approach is advantageous over experimental and cross-sectional designs for testing hypothesis under certain conditions and by choosing a case in which the appropriate values of the independent and dependent variables are present, researchers can try to determine whether and how the independent variable actually caused the dependent variable.

Most important of all the points is that a case-study design permits a deeper understanding of causal processes, the explication of general explanatory theory and the development of hypothesis regarding difficult to observe phenomenon according to (Johnson and Joslyn 1986:147).

By relying on the two cases of Zimbabwe and Zambia, the researcher aims at producing a detailed analysis of the impact of economic structural adjustment programmes on the SADC region. The two countries are both in the SADC region and they once shared common civilization, under the British colonial rule, existed as Central African Republic known as Rhodesia and then separated into Northern Rhodesia and Southern Rhodesia respectively. The analysis of the two case studies has enabled the researcher to have a clear understanding of the input of Economic Structural Adjustment programmes in the SADC region. They have reflected the negative input of the structural adjustment policies to these countries.

A case study approach has been made much easier by the availability of a plethora of documents available from IMF/World Bank and statistical data from other documents from non-government and government information services. The two cases given their input on SADC societies reflected that structural adjustments have precipitated an array of socio-economic problems to the citizens of the “adjusters”.

## **2.4. Research Apparatus**

### **2.4.1. Document Study:**

This study relies paramountly on document study. It uses document analysis as the main research instrument in this study. Document study relies on written records and there are of different types, in that some written records are ongoing and cover an extensive period of time and others are more episodic, some are produced by public organization at tax payers expense others are produced by business concerns or by private citizens, some are carefully preserved and indexed and other records are written and forgotten.

It should be noted that “the running record of organizations has become a rich source of political data as a result of the record-keeping activities of governments at all levels and of interest groups and research institutes concerned with public affairs” (Johnson and Joslyn 1986:255).

Documents from University of Cape town African Studies Library were intensively used and relied on for both case studies in Zimbabwe and Zambia. The following documents were *inter alia* used:

1. World Bank/IMF Documents

- (a) yearly development journals
- (b) Annual Reports on E.S.A.P. performance in Africa (ESAP 1993, 1995, 1996, 1997).
- (c) Speeches from World Bank representatives in Zambia and Zimbabwe (WB, 1990, 1995, 1997).
- (d) ADB (African Development Bank Statistical journals) (ADB, 1996).

1. Non-World Bank – IMF Documents

- (a) ZCTU publications (Financial Gazette 1994, 1996, 1997, 1998)
- (b) C.S.O. data (Zimbabwe and Zambia) (CSO 1990, 1994, 1995)
- (c) U.Z. Economic School journals
- (d) UNZA journals (University of Zambia)
- (e) P.S.C. papers (both countries) (PSC 1989,1990, 1995)
- (f) Government Gazettes (Zambia and Zimbabwe)

1. Business/Economic Magazines

- (a) African Business
- (b) SAPEM papers/magazines
- (c) Financial Gazette
- (d) Herald
- (e) Standard Chartered Bank Papers (Zambia and zimbabwe)
- (f) E.S.A.P and ZIMPREST POLICY papers

This study also relied on books, which have been published on the subject by scholars from both Zambia and Zimbabwe and the SADC region at large.

It is significant to realize that this study since it is an analysis of the impact of a policy on the societies in SADC (Zimbabwe and Zambia), relies on the documents published on the subject. In the initial stages of this study at the Honours level some interviews were conducted and the results are well documented. But it is significant to notice that this study relies heavily on the use of documents available from different information centres. The IMF/WB has materials, which are published quarterly, semi-annually and annually. This method has made this study a success.

#### **2.4.2. Limitations**

The debate on Economic Structural adjustment programme is an ongoing debate which current information comes out everyday so the researcher has tried to encapsulate as much current data as possible, to make the study more current.

Politics in the *de facto* one party state of Zimbabwe is undemocratic, sensitive data is curtailed so much so that what is reflected by the press to a larger extent is not information biased against the government. Transparency, is still a problem in Zimbabwe and some government departments like the Central Statistics Office did not welcome giving out information freely. It is significant to note that this study is a discussion on the impact of a policy on the lives of the people, thus, discussions embodied in this study are policy-related. There has been red tape in obtaining some data from both Zambian government and Zimbabwean government departments. Information was either delayed or not supplied or classified as sensitive hence not therefore accessible.

In the same breadth it should be noted that albeit all these obstacles the success of this thesis largely depended on independent paper magazines and current publications and IMF/WB documents, which were found in the African studies library of the University of Cape Town, the University of Zambia and the University of Zimbabwe.

With the unpopularity, which has resulted from the ambitions, unnecessary DRC military adventures the government of Zimbabwe tries to refuse accessibility to what might be inciting data. The same thing for Zambia, the privatization programs are very unpopular, and the government is now unpopular, so it behaves just like the de facto government of Zimbabwe, thus limiting accessibility to information. Since, government information was not the only avenue of information, other sources which were used proved successful.

## **2.5. Analysis of data and research findings**

The primary goal of this section is to *inter alia* present the data collected and analyze it in the light of the impact of Economic Structural adjustment programmes on the SADC region with specific focus on Zimbabwe and Zambia. The citizens in these two countries were affected in terms of their social life, education, health, employment and food nutrition. A lot of statistical data has been found and presented and even the information concerning the economic 'status quo' in the countries before and after the implementation of Economic Structural adjustment programme from the World Bank/IMF.

Document study reflected that real wages of the workers in the bracket of the lowest paid fell drastically, from 1982 to 1992. This is attributed in part to the implementation of Economic Structural Adjustment Programmes which in the two countries resulted in inflation and the skyrocketing of prices.

*Table 2. Real minimum wages for lowest paid workers in selected industries, 1982-1992*

(1980 = 100)

<b>Industry</b>	<b>1982</b>	<b>1990</b>	<b>1991</b>	<b>1992</b>
Agriculture	199.7	181.4	172.2	138.4
Mining	194.3	156.1	153.1	126.3
Tobacco	139.4	121.2	115.2	97.6
Clothing	128.8	100.8	97.3	71.5
Textiles	122.9	110.0	104.0	78.4
Engineering	119.5	97.2	93.6	70.5
Furniture	-	(100.0)	(97.8)	(73.5)
Commerce	-	(100.0)	(97.8)	(75.9)
Domestic workers	-	(100.0)	(88.5)	(66.6)
City Ball	104.3	87.8	82.7	-
*June				

Source: Calculated from data supplied by the Ministry of Labour (1992)

According to the above table it indicates clearly that real wages fell sharply so that had a sharp impact on the standard of living of people. People from these industries could no longer afford decent education for their children, normal diet, health facilities and rents and rates payments.

**Table 3. Industries affected by ESAP**

Agriculture  
 Tobacco  
 Textiles  
 Furniture  
 City Ball  
 Mining  
 Clothing  
 Engineering  
 Commerce  
 Domestic workers

In these industries as shown in *Table 2*, wage fell drastically.

Source: BZ5, 1995

In these selected industries in the SADC it was discovered that real wage declined steeply as a result of ESAP. Workers in these industries suffered seriously in terms of their economic status.

According to Kadenge, “a snap shot survey was done in the Zhombe and Harare, to access social awareness of manifold aspects of ESAP and societal impact. Survey covered 166 individuals categorized thus:

Number	Category
20	Peasants
20	Wage earners at a mine
20	Rural elite (teachers, health workers and agricultural workers)
14	Rural business person
42	low income urban households

(Kadenge) 1992

According to the data collected from Kadenge, 78 were males and 38 females and 80 were married, while 36 were single. The following tables give an analysis of findings tables (Tables 4, 5, 6, 7, 8).

*Table 4. Rural Elite*

	Awareness		Attitude	
	+VE	-VE	+VE	-VE
1. Removal of Price Control	80%	10%	0%	100%
2. Removal of Subsidies	80%	10%	10%	40%
3. Reduction of Duty	80%	10%	90%	10%
4. Forex Allocation and Devaluation of Z\$	80%	10%	80%	10%
5. Introduction of School Fees	80%	10%	60%	10%
6. Introduction of Hospital Fees	80%	10%	30%	50%
7. Firing Procedures	80%	10%	30%	50%
8. Mining Wages (Removal)	80%	10%	30%	50%
9. Reduction of Civil Servants	80%	10%	40%	50%
10. Parastatals	80%	10%	70%	20%

(Kadenge) 1992

*Table 5. Low Income Urban Community*

	Awareness		Attitude	
	+VE	-VE	+VE	-VE
1. Removal of Price Control	71.4%	29%	9.5%	85.1%
2. Removal of Subsidies	52.3%	47.7%	9.5%	42.1%
3. Reduction of Duty	42.9%	52.3%	47.6%	33.3%
4. Forex Allocation and Devaluation of Z\$	42.9%	52.3%	23.8%	52.4%
5. Introduction of School Fees	71.4%	23.8%	33.3%	52.4%
6. Introduction of Hospital Fees	66.6%	29%	19%	76%
7. Firing Procedures	52.3%	42.9%	33.3%	57.1%
8. Mining Wages (Removal)	52.3%	42.9%	52.4%	28.6%
9. Reduction of Civil Servants	71.4%	23.8%	52.4%	28.6%
10. Parastatals	47.7%	47.7%	52.4%	23.8%

(Kadenge) 1992

*Table 6. Mining Community*

	Awareness		Attitude	
	+VE	-VE	+VE	-VE
1. Removal of Price Control	80%	10%	0%	90%
2. Removal of Subsidies	0%	30%	10%	10%
3. Reduction of Duty	0%	90%	80%	0%
4. Forex Allocation and Devaluation of Z\$	0%	90%	0%	80%
5. Introduction of School Fees	10%	80%	30%	70%
6. Introduction of Hospital Fees	10%	80%	20%	80%
7. Firing Procedures	52.3%	90%	10%	90%
8. Mining Wages (Removal)	0%	90%	0%	90%
9. Reduction of Civil Servants	10%	80%	30%	60%
10. Parastatals	0%	90%	60%	20%

(Kadenge) 1992

*Table 7. Rural Business People*

	Awareness		Attitude	
	+VE	-VE	+VE	-VE
1. Removal of Price Control	57.1%	42.0%	57.1%	14.2%
2. Removal of Subsidies	28.6%	71.4%	28.6%	0%
3. Reduction of Duty	14.3%	85.7%	42.9%	42.9%
4. Forex Allocation and Devaluation of Z\$	14.3%	85.7%	0%	100%
5. Introduction of School Fees	51.9%	42.9%	14.3%	85.7%
6. Introduction of Hospital Fees	28.6%	71.4%	28.6%	71.4%
7. Firing Procedures	52.3%	90%	10%	90%
8. Mining Wages (Removal)	28.6%	71.4%	28.6%	71.4%
9. Reduction of Civil Servants	28.6%	71.4%	42.9%	51.1%
10. Parastatals	43.3%	85.7%	28.6%	28.6%

(Kadenge) 1992

*Table 8. Peasant Community*

	Awareness		Attitude	
	+VE	-VE	+VE	-VE
1. Removal of Price Control	10%	80%	0%	100%
2. Removal of Subsidies	10%	80%	0%	100%
3. Reduction of Duty	10%	80%	60%	10%
4. Forex Allocation and Devaluation of Z\$	10%	80%	70%	20%
5. Introduction of School Fees	10%	80%	20%	79%
6. Introduction of Hospital Fees	10%	80%	20%	70%
7. Firing Procedures	10%	80%	30%	70%
8. Mining Wages (Removal)	10%	80%	60%	30%
9. Reduction of Civil Servants	30%	60%	0%	80%
10. Parastatals	10%	80%	20%	50%

(Kadenge) 1992

All in all, Kadenge's research reflected a negative attitude towards ESAP because of the way many people suffered.

At independence there were many white-dominated positions in the public service but the government after their Prime Minister had established an inquiry, increased the number of blacks into the service thereby making it even bigger. Document study has reflected attempts to balance racial differences in the Public Service resulted in an over staffed public service.

*Table 9. Composition of the Service 1980-83 (Officers: Established posts)*

CATEGORY	1980		1981		1982		1983	
	BLACKS	WHITES	BLACKS	WHITES	BLACKS	WHITES	BLACKS	WHITES
Admin (Open)	80	410	318	196	745	175	923	142
Admin (closed)	176	850	419	456	765	300	962	198
Professional		792	501	685	753	612	907	516
Technical	116	714	614	419	907	304	1,038	227
Departmental	371	1,379	1,007	979	2,040	775	2,578	560
Health	332	362	880	223	2,721	282	3,187	181
Clerical & Executive	326	746	510	494	654	394	816	282
<b>TOTAL</b>	<b>3,368</b>	<b>7,202</b>	<b>8,711</b>	<b>5,202</b>	<b>7,087</b>	<b>5,210</b>	<b>20,172</b>	<b>4,106</b>

(Source: Public Service Review, 1989)

With the implementation of the Economic Structural Adjustment programme the civil service was drastically cut. Almost 92 000 workers faced the axe of ESAP (PSC, 1993).

Period: July – 1993 – June 1994	
Size of Service	173,408
Target for Abolition	7,360
Balance carried forward 1992/93	4,500
Total target for abolishing 1993/4	11,860

Source: PSC, 1993

As shown by the forgoing table the period July 1993 June 1994, 1,846 posts were eliminated while only 274 posts were created by June 1994 the public service had been reduced to 171,562. The diagram below shows how many posts were abolished and the ultimate effect on the civil servants.

MONTH	POST ABOLISHED			Total Abolished	Cumulative Total abolished	Balance to be abolished <u>1994/4</u>	Posts Created	Size of Service
	Voluntary Retirement	Obligatory education	Other abolition					
<b>BALANCE</b>								<b>173,408</b>
JULY			8	8	8	11,860	16	173,416
AUGUST			112	112	120	11,852	98	173,402
SEPTEMBER			1,064	1,064	1,184	11,740	53	173,4391
OCTOBER			24	24	1,208	10,676	66	173,433
NOVEMBER			10	10	1,218	10,642	41	173,464
DECEMBER			857	902	2,120	9,740	0	<u>173,562</u>
JANUARY	35	10						
FEBRUARY								
MARCH								
APRIL								
MAY								
JUNE								
<b>TOTAL</b>	<b>35</b>	<b>10</b>	<b>2,075</b>	<b>2,120</b>	<b>1,184</b>	<b>9,740</b>	<b>274</b>	

Source: Public Service Commission, 1993

<u>Adequate</u>		
1.	Ghana	***
<u>Fair</u>		
2.	Burundi	***
3.	The Gambia	***
4.	Madagascar	***
5.	Malawi	***
6.	Burkina Faso	***
7.	Kenya	***
8.	Gabon	***
9.	Mauritania	***
10.	Nigeria	***
11.	Senegal	***
12.	Togo	***
13.	Mali	***
14.	Uganda	***
<u>Poor</u>		
15.	Central African Republic	**
16.	Niger	**
17.	Benin	**
18.	Rwanda	**
19.	Tanzania	**
20.	Zimbabwe	**
<u>Very Poor</u>		
21.	Cote d'Ivoire	*
22.	Cameroon	*
23.	Congo	*
24.	Mozambique	*
25.	Sierra Leone	*
26.	Zambia	*

Source: World Bank 1994

*Table 10. Countries Ranked by Overall Macroeconomic Policy Stance, 1990-91*

An analysis of documents has found out that Zimbabwe viewed in terms of overall macroeconomic policy is a poor country and Zambia is a very poor country. Therefore, they need to improve their policies so that that will go a long way into ameliorating the lives of the people in both countries. An analysis of WB /IMF papers has reflected a drop in the employment sector, drop in intake of female students in secondary school, deterioration of health standards, ever-skyrocketing food prices, rated, tax and their constant impact on socio-economic development in both Zambia and Zimbabwe (World Bank, 1994). The rural elite, urban community, mining sector and rural business people and peasant community registered different levels of awareness on ESAP. The World Bank / IMF also reflected that these different categories were affected by structural adjustment policies differently (World Bank / IMF, 1994).

<i>Policy Options (Zimbabwe and Zambia)</i>	
1	Diversification
2	Tourism
3	Public Investment Programme
4	State-friendly and Market-friendly environment
5	Human Resource development
6	Poverty Reduction Programme
7	Popular Democracy and Institution Building
8	Regional Integration and Cooperation
Source: (Chikaodza, 1993)	

It is the conviction of this study that the SADC region should try to explore its potential items of economic diversification.

SADC region has a huge tourism base for instance Zimbabwe and Zambia all share foreign currency profits from Victoria Fall sight from tourists abroad. Apart from that they all have a wide wild life base which can be relied upon for economic development. As depicted in the study, the foregoing options should also be given a fair chance by African leaders lest the region will not cope with the yolk of the IMF/WB debt. The study has reflected that Zambia's macro-economic performance deteriorated sharply after the implementation of the structural adjustment policies as shown by in the study (see Appendices Table 68). For the people in low-income group, prices of consumer products increased exorbitantly, even for the high-income group (Table 69).

Statistics has shown that external debt for Zambia has increased since 1985 as shown by Table 71(Appendices). The study has also found out that external debt for SADC and inflation has generally arisen, with Zambia and Zimbabwe (Appendices: Tables 72 and 73). Analysis of documents has shown that there are various policy options which Zambia and Zimbabwe can give a chance, to further socio-economic development and redress the socio-economic malaise prevalent in the SADC region. With the SADC increasing its regional trade organization, inter-regional trade should be given a fair chance (Appendices Table 80).

## CHAPTER 3

### 3. THEORETICAL FRAMEWORK AND LITERATURE REVIEW

Most researches are normally undertaken within a guiding theoretical paradigm according to Burrell and Morgan (1982). According to Allast M. Mwanza, the World Bank model for structural adjustment for Africa was articulated in the 1981 Report (World Bank 1981). In this report, the World Bank acknowledged the contribution of structural and exogenous factors for the worsening crisis, but argued that the economic crisis was caused and aggravated by government policies that stood in the way of efficient markets. The result was that economic distortions were precipitated which, in turn, perpetuated and exacerbated the crisis (Mwanza 1992:3).

Furthermore, government intervention in the economy was such that it further exacerbated the vulnerability of the economy to exogenous pressures and influences. It is within this context that the World Bank further argued that there was urgent need to eradicate government-perpetrated economic distortions such as over-valued exchange rates, price controls and inefficient government intervention through implementation of SAPS, in countries that were affected by economic hardships.

The main objective of IMF/World Bank SAPS is to stabilize the economy through adjustment of domestic demand to the reduced level of external resources. Weissman argue that in order to induce long-term growth, most SAPS normally include changes in relative prices which, it is hoped, will introduce or strengthen economic flexibility and efficiency, this leading to better alleviation of resources (Weissman 1990). It should not be forgotten that “structural adjustment in Africa is based on Anglo-Saxon macro-economics” (B.Z.S. Newsletter 1994).

The most popular paradigm in the field of development economics was the interventionist approach in the 1950's and 1960's. The approach was based on the assumption that the state intervention in the economy would be viable panacea to natural economic problems, for instance, market failure. In this line of thinking a socialist paradigm to economic management was adopted by most third world countries which include SADC countries like Zimbabwe and Zambia.

The results of the interventionist paradigm to development in third World which include SADC, were not satisfactory owing to the fact that most targets and aims of the development economic policy planner were not accomplished. However, there was a dramatic shift in development economics in favour of the neo-classical, market-oriented approach. This paradigm professes a functionalist view, which generated the mainstream paradigm to development and structural adjustment. This view recommends the retrenchments, privatization, trade liberalization or, in short, free-market economic environment. This strategy also advocates limited state intervention in the economy (World Bank 1994).

Mwanza argues that the aim of adjustment is to reduce the vulnerability of the given economy to future shocks by increasing flexibility and adaptability through the interplay of market forces (Streeten 1987).

It should be noted that SAPs have an ideological side. Nearly all SAPs are focussed on reducing state participation in the economy and thus allow market forces to operate more freely. The underlying assumption is that the private sector is more efficient and flexible than the public sector and should therefore lead to the process of economic restructuring. In that aspect, SAPs are essentially “privatization” programmes in practice. Interestingly enough, the belief in the efficiency of the private sector is so great that the privatization and liberalization of the economy is carried out even when and where the necessary conditions for the efficient operation of market forces do not exist. It is significant to note that economic structural adjustment programmes are generally meant to stimulate economic growth. Noticeably the economy collapses, during the early stage of the programmes. It is argued that the liberalization of prices initially worsens the inflationary spiral and results in a repressive shift in income distribution and limitation of real public expenditure (Balasa 1984, 1987; Corbett, 1981; S. Khan and M.P. Knight 1981, 1982). SAPs in practice are an imposition by donors, especially IMF/World Bank, on most governments. In the case of “home-grown” variants, local expertise may be used. For instance, Zambia designed the New Economic Recovery Programme (NERP) in May 1987. In the case of Zimbabwe a debate was once sometimes as to whether SAPs was locally designed (Chimanikire 1991:23) or not – the IMF/World Bank refused to accept or support the home-grown programmes in Zambia or Tanzania.

Structural adjustment has caused a lot of problems in the SADC region, despite some theoretical arguments, which might be put in support of any position. It is believed that the theories and arguments, such as increased efficiency, greater demand-oriented production, increased competition, reduced inflation rates, savings in government expenditure, increases in government revenue, export promotion and encouragement of foreign investment are mostly invalid when viewed in the context of the African countries, due to the structural constraints on the application of market principles. In fact, for these adjustment measures which remain applicable, the detrimental economic consequences leading to social and political turmoil render any benefits observed worthless according to most scholars.

Given the above, it can be deduced that structural adjustment programmes are causing social stress, disruption and political risk. Reductions in per capita consumption and imports have had social costs in health education, nutrition and employment. Its insufficient attention to the human and social costs of SAPS is the World Bank's undoing. Zimbabwean case study, alongside Zambia, all former Rhodesias, will serve to prove the point.

In SADC region structural adjustment, programmes have precipitated a novel phenomenon of the informal sector. The informal sector paradigm has been so silent during the pre ESAP epoch but became more pronounced after and during the implementation of World Bank/IMF policies. Thus, an understanding of theories in that field are essential. According to Peter Gibbon, "following the discovery of the informal sector in the early 1970's and the polarization of debate on it around the dualistic ILO approach (modernity versus (informality) on the one hand and the "petty commodity production" approach on the other, view trends emerged in discussion of the phenomenon from the mid-80's onward" (Gibbon 1994:23). As recorded by Peter Gibbon, Rakowski (1994), besides the persisting ILO approach, the international literature is today dominated by three others, namely – "Underground economy" school represented most clearly by the work of A. Portes. According to Portes, approaches such as ILO's, neglect the integration of forms of production, production units, technologies and workers into local, regional and international economics (Gibbon 1995:23). The informal business paradigm, which develops more openly during the ESAP dispensation, borrows more from de Soto and Rakowski which they call microenterprise developmentalism.

It is widely believed that in Africa, although SAPS are usually designed by donors and aid recipients, the local government's role is generally weaker, in fact, IMF, World Bank, type SAPS are designed in Washington (USA) and the general practice is to bring in experts to conduct research leading to the design of the programme or bring in officials in ministries of organizations such as finance, agricultural and central banks. Significantly, economic structural adjustment programmes have been developed as an alternative to the development strategies undertaken by the international community under the structuralist theory of development of the 1960's.

The Washington bureaucrats at World Bank/IMF project liberalism and they believe in liberalization of the economy and less government intervention in the economy as opposed to Marxist economic theory. Marxist school offers conflicting assumptions to the mainstream approach. Dependence theories propound that the situation of underdeveloped countries, which are trying to develop economically, can be "understood when the decisive role of external factors is considered (Barongo 1983:181).

The social structures of "colonies, ex-colonies or new-colonies are not the results of autonomous historic development, but they are determined by Foreign, hegemony and exploitation" (Barongo 1983:181), thus according to dependence, ESAP is blamed on foreign capital. In the view of the Institute for African Alternatives' report (IFAA), many of the economic principles and theories on which the IMF/World Bank's policies and programmes are based are clearly erroneous, owing to the fact that they are based on a mixture of different and conflicting theories classified, Keynesian, monetarist and neo-classical. The hybrid and eclectic theorizing mixes up paradigms and leads to policy confusion" (Chakaodza, 1993:13).

However, it should be noted that structuralism was the established orthodoxy of development theory and policy in the 1960 and 1970's and in the crooked possible terms, structuralisation held that in poor countries the economies were structurally different from advanced industrial economies and that therefore a distinct and different set of policies from the neo-Keynianism practices in the latter was appropriate to bring about development" (C. Van der Hoeven and van der Kraaji 1994:22).

The “opponents of neo-Keynesian in industrialized countries turned to try to undermine development economies by tarring it with the neo-Keynesian brush” but this was misconceived tactic since the essence of structuralism was to insist no radical separation between the “special case” of advanced economic structures (to which development economics applied) (van der Hoeven and van der Kraaij 1994:22).

The foreign theoretical approach guides the implementation of SAP's in the SADC region. The case study of Zimbabwe and Zambia will go a long way to depicting how the World Bank/IMF involvement in these two countries has impacted on the people of these countries. Significant to note is the fact that World Bank/IMF believe it can bail out most countries in the region from their economic morass. Recently Russia, outside Africa has been assisted (Business Times October1998).

### **3.1. Literature Review (Zimbabwe)**

#### **3.1.1. Economic Structural Adjustment Programme and The Role Of The IMF/World Bank**

According to Kadenge “the problems which the Zimbabwean economy was facing when it adopted the Structural Adjustment Programme (SAP) were a result of some fundamental structural features which date back to the colonial period. Thus the post-colonial government was faced with a conflict between the need to redress the inherited social imbalances and the pressure from international agencies and the donor community campaigning for more freedom in the economy for market forces” (Kadenge 1992:1). Significantly, “these macro-economic prescriptions may seem straight forward but putting them into practice rarely is” (IMF: 1993). That was the case in Zimbabwe. On attainment of independence in 1980, the de facto one party state government of Zimbabwe pursued Marxist/Socialist policies, the government of the newly born country adopted a more welfarist approach. This was aimed at satisfying and meeting the promises made during the pre-independence epoch.

The major concern at independence in 1980 was rebuilding of social infrastructure and equity. When Zimbabwe got its independence, it was a hard time in Africa in which the region had

commenced adopting structural reform policy programmes. The new government after independence inherited an economy which was not only regulated and inward looking (i.e. import-substituting), but also settler-dominated, semi-industrialized and failed to cater for the needs of the Africans – the new government was thus faced with a conflict between the need to redress the inherited social imbalances and the pressure from international agencies and the donor community that the government should allow market forces more “carte blanche” in the economy. However, despite the existing economic status quo, the novel government decidedly did not change much of the colonial structures.

When the new government of Zimbabwe adopted socialism as a guiding social principle, there was a lot of detest from the IMF/World Bank. It is argued that by the late 1980's, the inherited structures from the colonial era were fettering the growth of the economy and collectively these basic structures led to a complex set of intertwined problems: foreign exchange shortage; low levels of investment, large budget deficits, escalating debt and inflation, high unemployment; an industrial base which was not performing efficiently both for domestic and export markets and infrastructural decay as shown by the government's expenditure decline on, and poor maintenance of roads, transport, telecommunications, dams and irrigation schemes”. (Kadenge 1993:3). Furthermore, as these macro-economic imbalances became more manifest, increasing pressure was exerted on the state to go beyond the economic adjustment process commenced in 1982 and also liberalize the economy both internally and externally. It is significant to note that the implementation of some components of the SAP as from 1983 resulted in a process of abandoning hard-line socialist approaches to a more market-oriented one assisted by the changes in Europe.

Economic structural adjustment programme in Zimbabwe became a bitter pill to swallow, especially in the light of the fact that there was a serious coincidence with the drought in the country. People felt the effects more painfully because the conditions were aggravated by the climatic situation during that epoch.

Economic structural adjustment impact is going to be assessed in the light of access to jobs, medical/health care, education, food and nutrition. However, since the inception of the SAP “the economy has shown signs of a deepening crisis characterized by higher inflation intensification. De-

industrialization, increased unemployment, stagnant salaries and inability by the citizens to meet basic needs (van Spengen et al 1995:82).

The discussion of ESAP in Zimbabwe need not take place *in vacuo* but needs to be put into perspective. According to Peter Gibbon, there are 4 main phases that can be identified as far as economic policy in Zimbabwe is concerned. He reiterated that these are –

1. From independence to 1982 in which there was an economic boom and characterized by twin phenomena of the adoption of redistributionist policies and a high level of mutual suspicion between government and capital (almost wholly white in ownership).
2. A second phase from 1982 to around 1986, contained two major economic recessions (first quite severe), a check on redistributionist policies and continuing cool relations between government and capital.
3. The third dating from 1986 to 1990 involved the resumption of a degree of economic growth downplaying of redistribution, the displacement of the conflict between ZANU(PF) and ZAPU which the political stage since independence by one between a unified ZANU and an emergent but disorganized independent opposition and a very substantial improvement in government capital relations.
4. The fourth, that of structural adjustment, began in 1990 and has been marked by a severe drought and economic construction on implicit rejection of distributionism, and an attempt to reconstruct ZANU's political power base on the foundation of new constituencies with interests consonant with liberal economic policies. (Gibbon 1995:8)

The foregoing however, is significant because it gives us a clear background upon which to examine the origins and impact of the economic structural adjustment programmes in Zimbabwe. It is important to notice that the background of anything is significant if a valid account is to be produced..

In line with the socialist policies, the Zimbabwean government, keen on a planned economic policy approach, in 1986 announced a five-year national development plan (1986 – 1990). This programme played a vital role in the shaping and making of the Zimbabwean economy. Significant measures were taken, policy-wise, to restore a lot of land from commercial farmers so as to resettle a lot of previously disadvantaged peasants. A policy on Resettlement was gazetted and passed. According to Kadhani, 50 000 peasants were resettled in the former commercial white farms (Kadhani 1986:115). This was part and parcel of a process to redress past land imbalances created by the colonial state. During the colonial epoch, a lot of peasants were thrown out of fertile lands and put to sandy areas along Gwaai and Shaangani. This was a serious blow to the black peasants. The 5-year Development Plan (1986-90), sought to address such inequalities. During that period, prior to the implementation of ESAP, Zimbabwean government was more of a welfare state. Little did they realise that such welfarist policies would impact on the economic performance at some stage in life. Interestingly, as had been the case with its predecessors of 1981 and 1982, no steps were taken to implement this plan and economic and social policy basically continued to comprise a combination of the continuation of the regime of economic controls established by the Smith government of the UDI period (1965 – 1979) and the extension of the whole population of the welfare services and employment rights previously only available to whites” (Gibbon 1995:8). Government was geared towards a state-led social engineering and it outrightly, however inappropriately, showed indifference to the interests of capital and investment. That was its greatest undoing.

All these economic defaults had a significant impact on the adoption of ESAP. During this (1985 – 1990) period, the private minority owners of the means of production were not always in agreement with the government. Most of these commercial owners of the means of production were in the (C.F.U.) Commercial Farmers Union dominated by minorities and the (C.Z.I.) which was also another “settler-colony” until even today, 1998, the (C.Z.I.) is in that state. Significantly, Zimbabwe ran into budgetary problems in 1983 and it obtained an 18 months standby credit from the IMF with ZWD 375 million. The phenomenon of conditionalities did not surface only on the adoption of ESAP but it has a history. According to Kadhani, in return to the IMF Fund, Zimbabwe agreed to devalue, restore internal and external balances and cuts in development programmes and subsidies. Unfortunately, the IMF suspended the standby in 1984. Basically this

was because of a fiasco to meet credit targets but to Stoneman and Cliffe (1989:163) the most important factor was a failure to meet budget reduction targets and for Davies, Sanders and Shaw (1991:20) the whole problem emanated from the introduction of tighter import controls in February 1984. Surprisingly, Chidzero former Senior Minister of Finance decided to cut any ties with IMF for the next 8 years.

Whatever the case may be, it is significant to notice that the relations of the IMF/World Bank with Zimbabwe came from a long way in history. One of the most striking features between IMF/Zambia and IMF/Zimbabwe, in terms of policy towards relationships, are that both countries at some point in time decided to jettison any relations with the Bank, just like what Zambia did.

Yet shockingly they all returned back to IMF/World Bank and got packages, which were attached to strenuous conditionalities. During the time when the bank was dropped as a helper, the Zimbabwean government received aid from British Commercial Banks like Standard Chartered Bank.

In 1986, UNIDO published a report drawing attention to a number of structural problems in Zimbabwe's industrial sector: inter alia, included high levels of vertical and horizontal integration of private capitals and consequent high degree of effective monopoly but also its lack of significant job creation and the low levels of investment already referred to.

However, it is against the backdrop of limited economic recovery but also on-going stagnation in investment and employment levels, the World Bank sought to get trade liberalization back on the agenda through operating a public debate on these questions and besides the need to radically improve investment incentives, the World Bank also argued for a recognition of the "exhaustion" of the Zimbabwean import substitution "experiment" which the government had inherited from UDI. It is against the background of all these conditions that the policy of economic structural adjustment was adopted.

It should be noted that structural adjustment policy was adopted in three stages, July, September and January 1991 – the July package was preceded in February 1990 by the announcement of a

major easing of price controls and the introduction of what was called “free collective bargaining” (Gibbon 1995:10). A lot of labour developments took place.

In fact free-collective bargaining meant that the “abolition of statutory wage regulation except for agricultural and domestic workers and collective bargaining was still to be regulated through the Ministry of Labour, while the right to strike remained highly circumscribed” (ILO, 1995).

The 1990 version of structural reformation stated the government’s new economic policies in a fortnight but not particularly detailed way. The government’s main focus was to de-emphasize its expenditure on social services and emphasize investment in the material production sectors such as agriculture and mining and manufacturing and other productive sectors, just like what happened in Zambia during the first Republic.

During that epoch targets were set of 5% annual growth in GDP, 20% annual nominal investment growth (later revised to 25%) and a reduction of the budget deficit by 1994-1995 from 10% to 5%, the centre-piece of the package however was the announcement that import/control/forex allocation system would be replaced by tariffs and an Open General and Labour Law.

With a view to cut budgetary expenditure, there was going to be drastic cuts in the government subsidies on health, education and transport. In the furtherance of the plans, the government upgraded the powers of the Investment Centre. Seemingly all these developments were measures to come up with a clear-cut policy on economic management. The World Bank embraced all the overtures but still it had to insist that information that is more concrete be availed prior to coming with aid financial. Summarily put, the main objective of the ESAP policy programme and its targets are envisaged in the framework for Economic Policy Reform document:

### 3.1.2. Main targets of ESAP

#### MAIN TARGETS OF ESAP (1991 – 1995) IN ZIMBABWE

- A reduction of government deficit from about 10% of GDP in 1990 to 5% by 1995;
- Complete liberalization of the foreign rate and trade regime by 1995
- Elimination of subsidies, reduction of social expenditures and levying of cost recovery rates on social services
- Rationalization of some public enterprises and privatization of others
- Liberalization of prices, interest rates and the exchange rate by 1995
- Deregulation of the economy
- Liberalization of foreign investment regulations, and
- Deregulation of the labour market by allowing for free collective bargaining and wage flexibility and by abolishing certain restrictions on retrenchments.

(Source: Peter Gibbon 1995)

According to Beyond ESAP: Framework for a long-term Development Strategy for Zimbabwe, the foregoing objectives, constituting ESAP were to be supplemented by sectoral initiatives related to population and health, education and training, agriculture, environment, energy, the informal sector and addressing issues of gender. It is very significant, given the foregoing, to examine the input of the Economic Structural Adjustment Programme on the citizens of Zimbabwe. In Zambia, the implementation of economic structural adjustment has culminated in untold suffering to all the categories of vulnerable groups in the society the same saga happened to Zambia. Since the inception of the implementation of the Economic Structural Adjustment policies, there has been a growing increase in strikes, inflation, school drop-outs, malnutrition – all these facets depicted an aura of social and economic malaise. Today, if you look at Zimbabwe, the once economic tycoon is now a dying horse as depicted by Karen Moolman (Standard Chartered Bank – Business Day 8/5/98) (See Table 11).

**Table 11. Zimbabwe's economic outlook today**

Years	1996	1997	1998
GDP % per year	7,3	3,5	1,5 to 2,0
Inflation	21,6	18,9	27,0
Prime lending rate %			
Per year	32,5	30,5	35,0
Z \$/US\$ (year end)	10,9	18,5	20,0
Trade-weighted exchange			
Rate index (year end)	94,6	60,0	54,0

(April 1998 = 64)

(Source: Standard Chartered Bank 1998/8/51)

The foregoing represents the economic "status quo" in Zimbabwe today. The economic outlook is not a viable one socially because the citizens at grassroots are facing innumerable problems. Albeit the fact that the citizens on the ground are suffering, the government seems to be bent on the issue of rising taxes. "Even with the fall in world oil prices, fuel prices must rise substantially to cover last year's devaluation, but Mugabe appears to be reluctant to face industrial unrest over increased transport costs" according to Financial Mail 13 March 1998. Did that not happen? It happened – a strike by workers organized by Zimbabwe Congress of Trade Unions took place and the economy was once again paralyzed. Thus "for their part the unions – said that last week's stayaway was both widely observed and peaceful workers still are threatening to call new stoppages if government refuses to drop last year's 2,5% point increase in sales tax to 16,5% and its 5% development levy on income tax" (Financial Mail 13/03/98) and "with inflation set to move as high as 30% before slowing and industrialists predicting wage increases of 25% - 30% this year (1998), Ministers say they cannot afford to back down on tax and fuel price hikes. If they do, any IMF agreement will be short lived and to make matters worse, business investment plans are being paired – a number of companies have announced plans to shelve proposed projects and "only this week the Edgars group said it was postponing initially all capital spending" (Financial Mail 13/03/98). Significantly all these are effects of the structural adjustment policy programme which the government adopted

from the IMF/World Bank. It must be noted that all these developments have a sharp detrimental everlasting impact on the citizens.

Therefore, when examining impacts of the economic structural adjustment programme, there are less positive economic “spin-offs”. Rather, an array of structural social problems have been precipitated which problems, the citizenry finds it difficult to come out of.

When one examines the life of the Zimbabweans after the implementation of the Economic Structural Adjustment Policy programme, it can be seen that in social aspects, their lives have gone from bad to worse. Little, at grassroots level, has been attained in terms of positive economic spin-offs, rather, untold insurmountable problems have been created which make life very difficult for the citizens, for example, if we look at medical care, a lot of changes have taken place, but to what advantage that is the most important question every researcher on the relationship between the policy of structural adjustments and the impact on some people looks at. Just like the case study of Zambia has been evaluated concentrating on social impact of adjustment policy, the same avenue is going to be used when examining the Zimbabwean case study. Thus the impact of structural adjustment programme is going to be evaluated examining all socio-economic aspects of the Zimbabwean life like medical care, education, food and nutrition and finally the human resources. In sum, all these sectors will provide an adequate evaluation of the impact of Economic Structural Adjustment policy in Zimbabwe and SADC as a whole.

### **3.1.2. Economic Structural Adjustment and Impact on Medical Care and Food**

The IMF/World Bank’s financial policy of economic structural adjustment programme had a titanic impact on the medical care in Zimbabwe. The notion of government cutting public sector spending was respected to the fullest. At the attainment of independence, the new government, keen to please its electorate, introduced free medical care programmes. The effort was part of an attempt to bridge the gap which the colonial regime had created in service delivery. The majority of the blacks in the country, while they did not have viable jobs that earned them good salaries, they were forced by the colonial Smith’s regime, to pay for their medical expenses. Their salaries and wages were not at all viable such that it was grossly unreasonable to suggest that any African worker of

that colonial epoch can eke out a viable living out of those few Rhodesian cents and dollars. They were paying for their medical expenses. Ironically today in 1998 demonstration workers reportedly said that Rhodesian currency was better than today's Zimbabwean dollar.

During the liberation struggle, which took almost 20 years, the people, campaigned against such type of segregation because their white counterparts were well catered for by the colonial state. Thus at independence, it was one of the burning issues that touched the lives of the people.

In 1981 the government introduced free medical care to all those whose monthly incomes were less than Z\$150 and to those outside formal employment with the objective of providing health for all by the year 2000. However, the post-independence economic trends in Zimbabwe were such that inflation was a daily thing because the government was always pronouncing some socialist policies almost every year.

Hence wage distribution patterns for the period 1982 and 1992 reveal that in 1982 about 46% of the formal sector employees qualified for free health care, while by 1992, less than 2% were eligible and, quite surprising – although by 1991 inflation had eroded on income of Z\$150 to just Z\$80 in real terms, thereby placing many more people in the tariff paying group, collection of fees was lax and many low income people (albeit earning more than the threshold income) continued receiving free medical care – in 1992 however, a new exemption limit of Z\$400 per household was introduced.

The foregoing scenario was worsened by the drastic cuts in health expenditure, which took place around 1991 and 1992. During these same years, Zimbabwe was severely hit by drought so the suffering of the people was worsened practically and physically. The cutting of reducing government expenditure on health care has sharply impacted on the people in the following ways according to ILO and Van Spengen et al, “first the government cut real recurrent expenditure on health by 11.8% during 1991/2 financial year and by an additional 14.5% during the 1992/3 financial year and the major consequences of these cuts was a fall of 10% in the number of nurses per person employed by the Ministry of Health between 1991 and 1992 – for more than 9%, 10 000

to just over 8% per 10 000 and by mid 1992 about 800 health workers had been retrenched and 400 nursing posts had been abolished (ILO 1993).

Another impact of the cutting of costs was the sharp decline of spending on drugs for public consumption. In line with the government cost recovery programme and with the aim of getting at least 5% through health expenditure through fees by 1993 and 8% by 1995, government initiated the above rules. Most of the employees in the health sector have been retrenched so they could no longer afford to pay medical fees and their dependents had to feel the pinch of the policy on cutting of government spending on the health services. All these were completely cost recovery policies implemented by the government in line with IMF/World Bank agreed policies.

To the poor people of Zimbabwe who constitute a greater percentage of the population, what all these adjustments meant was simply that accessibility to medical care was limited. Thus for those who were and are not on government welfare plans (who are the majority) they could not afford costs on medical hospitalization and medicines. So they rather had to resort to traditional faith or religious faith were it is and was not expensive for treatment of diseases. According to Sanders, he has identified the impact of SAP on the population this way – “the implementation of the fee collection system involving advance payment, particularly for maternity care, is likely to cause a sharp drop in the number of people utilizing modern health services, the introduction of charges of many patients and this has made life particularly difficult for those with chronic diseases requiring long-term drug therapy (e.g. for hypertension, diabetes, psychiatric illness)” (Sanders 1992). Unfortunately the introduction of drug charges coincided with a period of rapid devaluation of the Zimbabwean currency and this also had a sharp impact on the selling and importing of drugs to the country. The government now had to import these drugs at highly expensive prices and therefore the government decided to cater for that by hiking the medical health expenses. Inflation in Zimbabwe during the implementation of SAPs, was a daily bread. Thus, it is widely believed indicators reflected a steady increase in deaths from diseases which in the past had been brought under control partly because access to both preventive and curative medicines is now restricted and partly because of other factors such as poor nutrition, unhealthy living conditions and infection by deadly HIV/AIDS virus. Significantly, what this means is that the health care in Zimbabwe has been put in a state of turmoil because of these measures. The turmoil had a sharp impact on the

lives of the people in the country. Thus from the foregoing, it can be noticed that economic structural adjustment policies in Zimbabwe had a negative impact on the lives of the people hence they view it as anathema in their lives. Little has been accomplished at grassroots level. From the yoke of Rhodesian epoch a novel type of suffering, this time not political but social, had been heralded by the implementation of SAP programmes. Health care is one of the basic human needs and without it the social and economic livelihood gets completely eroded. That is Zimbabwe, which people fought for tirelessly and only to find that 10 years after independence (at a time when the country did not even need adjustment) they are in yet another war for survival or a struggle for survival, in an ever-growing competitive global political economy.

It is significant to notice that to Zambia and the MMD government “the social sector – health, education, community development – are equally cardinal in the economic recovery of the country and so they deserve attention if poverty is to be eliminated” (SAPEM Vol. 10 No. 5 1997 – February). At the recent World Economic Forum held in Windhoek, regional leaders backed by Jeffrey Sachs, the Harvard University Economist, pledged with the World Bank to cancel their debt so that they can now start concentrating on development instead of debt servicing. Sachs also supported Chiluba on canceling debt and he went to the extent of saying that the 117 conditionalities of the World Bank should be reduced to just 5 and the SADC region “must rejoin the world economy on a new basis fundamentally different from what exists today” (Business Report Tuesday May 19<sup>th</sup> 1998). Maybe this might improve and aid in reducing and softening the detrimental impact of SAPS in SADC.

### **3.1.3. Economic Structural Adjustment and Food in Zimbabwe**

According to Abraham Maslow’s Hierarchy of Needs, food is one of the basic needs in humanity and thus, any attempts to mercy with food can spark innumerable endless problems.

In 1994 a Herald article (23/10/1994) carried an article:

“thousands of Zimbabweans helpless watch their standard of living steadily drop despite the government’s promises of a better tomorrow – people are wondering whether independence

meant more suffering – chicken, potatoes and many kinds of foods were now beyond most people's reach, workers' families had stopped eating breakfast and lunch, 20 000 people had lost their jobs and 18 000 civil servants had been retrenched – what the government calls cost recovery is seen by the people as a total neglect and betrayal; of the liberation struggle” (B.Z.S. March/April 1994: 10). This is a real summary of how people suffered and are suffering as a result of the new policy of economic structural adjustment programme.

The ever-spiraling inflation had a titanic impact on the costs for the producers in Zimbabwe in terms of importing raw materials from abroad (foreign exchange) and transport costs became high. The elimination of subsidies and the deregulation of price control systems and food in Zimbabwe was inflationary. What this meant was that people suffered because their wages and the daily rises in inflation affected their purchase power in terms of food purchasing. During Rhodesia bread was at some point ten cents but now it is Z\$9.50.

According to Van Spengen et al “The rate of inflation increased from 16.1% in 1990 to 23.3% in 1991 and 42.1% in 1992 but dropped to just less than 30% in 1993 and in July 1991 consumer prices for lower income urban families were an average of 35% higher than in July 1990 and the price of subsidized plain maize meal rose by over 100% between 100 and 185% during the same period” (Van Spengen et al 1995:85). It should be noted that lower income groups suffered 47% inflation in 1992 and the higher income groups suffered 35.9% inflation according to International Labour Organization (ILO 1993).

Unfortunately during the period of drought (1991 – 1992) the prices of food skyrocketed by 53%. Thus most of these low income categories had to spend almost half of their salaries on food only and they also adopted some survival strategies like not eating three meals a day but just having two meals a day. When we look at the modes of survival for most poor and urban people, the urbaners suffered more because they are reliant on purchased foodstuffs while those in rural areas might grow the food and consume them, for instance maize and other crops. However, because of the continuous devaluation of the Zimbabwean dollar, the prices rose up to unaffordable ratios.

It should be noted that within the urban areas, however, the high food prices affected the poor and squatters, whose efforts to produce their own food on municipal soil are often thwarted by local authorities. Because the people had to live within the limits of inflation, people only eat and ate basic foods like meal-meal and vegetables twice a day. Some nutritious foods like eggs, margarine and potatoes were avoided because they were and are expensive. Their prices have been inflated so that they are very expensive and unmanageable by the low-income categories in Zimbabwe. The rates of malnutrition amongst children increased. Purchase of maize in the past was subsidized but with the removal of subsidies, the situation became very tense and unmanageable. All in all, Economic Structural Adjustment Policy has created much suffering almost similar to the suffering which people faced during the Rhodesian era. In Zambia, as will be seen later food prices also rose tremendously and affected the people.

#### **3.1.4. Economic Structural Adjustment and Education**

One of the basic operating principles of SAPS is that government has to cut its expenditure in the public sector. At independence, the government embarked on education for all programmes, which facilitated everybody to get access to education both primary and secondary. The government was following some welfarist policies. The ruling party had to pursue these policies because it has promised the citizens during the liberation struggle that these facilities were going to be made available to them. Since government was not inclined towards free-market economic system and adhering to the IMF/World Bank conditionalities, they had to cut down expenditure in education. Cutting of education expenditure was a very serious issue because of the impact it had on the society.

According to Van Spengen “the programme affected the education sector in the following ways:

1. Real recurrent educational expenditure fell by 8% in 1991/2 and by a further 11% in 1992/3.
2. Cost recovery measures were also increased in 1992 until the introduction of school fees for primary schools in urban areas, and for secondary schools throughout the country.
3. There was a substantial increase in international examination fees owing to the devaluation of the Zimbabwe dollar.” (Van Spengen 1995, ILO, 1993)

There was an introduction of school fees for primary school at Z\$12 annually in rural areas and Z\$60 in high-density urban areas and Z\$210 in low-density areas, with the exception of those parents earning below Z\$400 per month. The same story happened to the secondary schools: -

*Table 12. Fees Introduction*

Rural Areas	Z\$ 150
High Density Areas (Urban)	Z\$ 210
Low Density Areas (Urban)	Z\$ 450
Boarding Fees (Primary)	Z\$ 220
Boarding Fees (Secondary)	Z\$ 250

Source (Ministry of Education, 1994).

These fees were completely a stumbling block to a lot of parents because most of them had been retrenched from either the public or the private sector. So these payments were a serious problem because they just could not afford them. However Sanders (1992) has found out 4 main impacts of SAP on education (Sanders 1992).

1. The increased costs have already contributed to increase in drop-out rate particularly amongst girls
2. There has been a gradual deterioration in the quality of and access to educational opportunities since 1991 especially in the communal areas and the low-income urban suburbs.
3. Females have suffered particularly from the introduction of fees because most parents reason that if they cannot afford to educate all of their children due to lack of money, then it is the daughters who have to be sacrificed.
4. The reduction in the number of teachers in primary and secondary schools resulted in pupil-teacher ratio increasing by about 5% in primary schools in 1991 (Chisvo, 1993, Van Spengen 1995, ILO 1993 and Sanders 1992).

The foregoing reflects the extent to which the education sector has been affected deeply by the implementation of the structural adjustment programmes. Undoubtedly the very government they all helped to put in power impoverished the citizens of Zimbabwe. The IMF/ World Bank policies sounded like another form of cruelty after the colonial master. In Zambia the same story happened, fees were raised and became unaffordable.

In a nutshell, it can be noted that the increase in fees, the drop in the number of female students in schools, the downsizing of the civil servants and incessant devaluation of the Zimbabwean Dollar, all these facets had a great impact on the lives of the citizens. Children are the future of any normal parents, institutions and government but if removing them from schools as a result of failure to pay handicaps them, will they still be the future? Not sending children to school is a process of gradually reducing the nations' energies to uselessness. IMF/World Bank policy of SAP has impoverished people and made them slaves once again. This time it is more painful than before because of the level of civilization.

### **3.1.5. Structural Adjustment, Retrenchments and Unemployment**

The implementation of structural adjustment programmes in the SADC region has precipitated an avalanche of serious insurmountable problems for the workers in the region, President Joaquim Chissano of Mozambique said that albeit the fact that IMF/World Bank observers say that his country is at least benefiting from the IMF World Bank handouts, he reported that on the ground his people are not satisfied. (Business Report, Tuesday May 15 1998) F Chiluba of Zambia also said the same thing about the SADC IMF/World Bank influenced perestroikas. The leaders of the region said that democratization and economic development were being undermined by the servicing and repayment of national debt (Cape Times Business Report 19 May 1998). One of the most detrimental impact of IMF/World Bank SAP's was manifested in the lives of workers in the country whose social and economic livelihood was completely eroded by such policies. According to The Economist (30/01/1998), the economic management has been erratic and inept and what should have been one of Africa's healthiest economics' has become inflation ridden, debt burdened and plagued by 50% unemployment rate. The workers (human resources) have been a victim of circumstance in every circumstance in the crisis. Recently, because the war veterans had

campaigns for compensation and pension for having fought during the struggle, the government ordered the ministers to simply get the money. Around 50 000 ex-fighters were given money of approximately US\$ 4,5 billion (Z\$ 225 m) (Economist 24 – 30 January 1998). The government bought 50 new cars for the ministers. So the whole essence of cutting costs is not at all respected. But all in all the workers in the country stand to suffer the consequences because the government will either retrench them or tax them. Just like in Zambia, labour is suffering a lot. The workers in Zimbabwe suffered more than anybody else. Zimbabwe began to face increasing unemployment and about 25% of the work force lost their jobs and recently unemployment has gone up to 65%. According to BZS, employment in June 1992 was 1 221 500 which means 21 000 lower than in 1992, according to CSO figures and the average level in 1993 fell by 3,5% to 1 217 200 (BZS issue no. 95/1 Feb 1995).

According to the ZCTU, which is the official organization of workers 20 710 workers have lost their jobs since the beginning of the economic reform programme in 1991 and the ZCTU stated that it regarded such figures as gross under estimates with a total of a least 30 000 having lost their jobs. The deputy minister of public service, labour and social welfare, admitted in October 1994, that the rate of unemployment had risen from 37,2% in 1990 to 44% in 1993 or a total of 971 500 unemployed out of a total labour force (excluding commercial areas, farmers) of 2,2 million (BZS issue No. 95/1/1995).

Retrenchments, layoffs and unemployment became the order of the day. Liberalization which is one of the basic principles of IMF/World Bank's SAP's made some categories of employees slaves, women are now victims of the managers and in the public sector they are at the risk of senior civil servants. They are very prone to a lot of victimizations. The female employee is forced to look at the consequences of losing her job so some of the abuse goes unreported. As foretold by the ZCTU, with the coming of cutting of throat competition illiterate women doing unskilled work would be first targets of retrenchment. Companies would want to have manpower that is more skilled and less of general hands. Just like in Zambia, huge retrenchments took place. Employment opportunities for women, which had improved because of continued government encouragement would soon dwindle. The removal of government protection would be a blow to working women (BZS 1990 No. 55).

That kind of prediction, became complete reality in the lives of women, because women are harassed sexually and morally. The “thousands of Zimbabweans helplessly watch their standard of living steadily drop despite the government’s promises of a better tomorrow, people are considering whether independence meant suffering because, chickens, potatoes, etc. and many kinds of meat are now beyond most peoples reach, worker’s families have stopped eating breakfast and lunch – two meals or one meal a day become the order of the day” (Herald 23 October 1994).

From the foregoing statement it is clear that workers have suffered seriously due to the introduction of ESAP in the country. The standards of living of workers have steadily decreased. The new piece of legislation concerning the lives of workers placed them at the mercy of the employer. People/workers were promised that with the implementation of IMF/World Bank programmes employment would increase but that was exactly the opposite of what happened practically.

It is believed that the framework of Economic Reform (Zimbabwe Government 1991a), opened by “specifying front loaded” timetables for reducing subsidies to parastatals for ZWD 629 million in 1990-91 to 40 million in 1994-95 and for reducing non-educated and service employment by 25% (23 00 persons) over the same period) (Gibbon 1995:11). It should be noted that the forecast that at least 45 – 50 000 retrenchments in the formal sector (public and private) disproportionately affecting the lowest paid that at least half of these still employed, mainly the semi and unskilled, would face wage erosion and that a further 10% would see their incomes fall below the poverty datum line, has come to pass, for the majority of the workers also were retrenched it did not consume time before they would realize how tough life is, because the inflation which took place was serious and uncalled for.

When examining the category of the skilled and semi-skilled workers in the urban sector, it should be noticed that the demand of skilled labour in an adjusting economy were so high that they at least survived. Surviving tiny jobs did not mean anything to the employees because their salaries were hit hard by inflation, which was taking place almost on a daily basis. The category of workers, which was badly hit by the scourge of ESAP, was the unskilled and domestic workers. With sharp and fierce competition in employment the people who had no or little qualifications had problems in getting jobs.

What is critically surprising about the defacto one-part state of Zimbabwe is that at independence the government, because of some socialist principles it was following protected the workers from the abuses by the employers. Hence policies on minimum wages were introduced to protect the people. Surprisingly and much to the disappointment of workers, government by adopting SAPs seemed to have neglected the very people who brought it to power. The decontrolling of Labour regulations had a severe influence on the lives of the workers in Zimbabwe. The government officials are completely out of touch with realities of life; hence they do not understand the problems of workers practically.

The major problems which the Zimbabwean government is facing is that retrenchments are occurring at a time when the school system is producing almost a third of a million school leavers each year, the majority of whom have little prospects of formal employment and furthermore, most of the retrenchees have been unskilled and semi skilled workers with little formal education qualification or certificate experience in specific skills (ILO, 1993).

Because of the growing problems regarding accessibility to finance the workers had to alter their eating habits, for example, in Mbare, a high density suburb in the Capital city of Harare, normally 3 meals in the Zimbabwean culture, are taken but by 1993 a majority had only two, 80% of households reported changes in diet, 68% ate less meat and 59% less bread.

According to Sachikonye, many households no longer purchased bread. Another mammoth challenge which workers faced was that of fees and charges for medical attention and since most workers had been retrenched, they could not afford the high medical charges or modern hospitals instead they resorted to traditional doctors.

It should be noted that there was a clear pattern of internal differentiation within the Zimbabwean working class in the decade prior to adjustment, amongst wage workers, parastatal employees were in a relatively privileged situation with even unskilled workers earning double the income of similar workers in other sectors as well as enjoying various benefits and at the bottom wage worker hierarchy came plantation workers.

As part of the government's efforts to cut costs the public service had to retrench a lot of people from their jobs. Within the first three (3) years of the implementation of SAP, Zimbabwe, 10 000 workers lost their jobs comparatively in Zambia, there were a lot of strikes which took place during the 1990's as a result of deterioration of the standards of living for workers. If we examine the plight of workers in the Textile and Clothing industry, it will be seen that ESAP has crippled people socially. Huge retrenchments took place in this industry. There was a reduction of 50% of operating workers per shift according to Sachikonye and the job content of the workers expanded through performing tasks, formally done either by retrenched or other workers and union officials reported the automation and led to redundancies in the textile and clothing industries (Sachikonye 1992)

It has been observed that the labour regime generally under E.S.A.P. has become increasingly authoritarian and loaded against workers and economic restructuring was promised on the removal of protective safeguards for workers. Enshrined in the legal provision and security. Under the new programme the employer has been empowered to hire and fire the worker, hence the morale of workers went down, in the wake of the passing of the Labour Relations Amendment Act. During ESAP, government leaders "stressed workers the priority of increasing productivity in the new economic era and embraced the idea of the inevitability of wide spread retrenchment" (Zimbabwe Government 1991). Most people felt that Cone Textiles conducted unfair retrenchments. Most companies were liquidated just like most companies in Lusaka.

Notwithstanding, the fact that workers were feeling that the unions have been crippled and made barren, mechanically and operationally by ESAP levels of membership in both textiles and clothing industries remained relatively high.

It is normally a common feature that when a worker is still in employment, he does not forget his rural relations so he keeps in touch with them on a weekly or monthly basis. But now when these people were retrenched they went to their rural homes to stay there permanently especially after serious, hectic attempts to get other jobs (which attempts during ESAP normally turned to be a fiasco because instead of embarking on employment companies retrenched).

Owing to the continuous devaluation, the Zimbabwean dollar and the decontrolling of prices, the cost of living went up for these retrenched workers and for those who remained in employment their salaries were not healthy so they suffered heavily.

According to the 1993 wage agreements for the textile industry, the basic wage for manual labourers (unskilled workers) varied between ZWD 87,70 and ZWD 96,03 per week, while in the clothing industry it fell between ZWD 74,11 and ZWD 80,50 (Sachikonye 1992).

Amid all these problems the workers resorted to other mechanisms. They formed clubs, financial in orientation. When a worker borrows money, he/she will repay the money with interest; these financial clubs also helped the workers as far as stands for houses were concerned. In short it can simply be mentioned that during ESAP, maize meal, bread, milk, beef, soft drinks, soap, toothpaste and newspapers became unaffordable to the workers, in other words these items were no longer affordable on a daily basis. Workers are adversely affected by the SAP policies.

### **3.1.6. The Civil Service and Economic Structural Adjustment**

During the colonial epoch, when UDI was declared (1965 – 1980), the civil service was dominated mainly by the whites and blacks had no great access to the civil service jobs. Those who were lucky to have jobs were either cleaners or housemaids. There was a deep chasm between the whites and the blacks. Thus on attainment of independence, in 1980, the face of the civil service underwent a gradual surgery. Blacks, who were educated started to have access to the jobs in the civil service, most whites ran away because of threats from the new government, so they left their jobs. They were surprised by the reconciliation policy. Government of the majority flooded the civil service with its appointees and certainly the ratio of blacks in the civil service increased. But employment of a lot of workers resulted in the Civil Service being bloated.

The Herald had a headline documenting “thousands of Zimbabweans helplessly watch their standards of living steadily drop despite the government promises of a better tomorrow” (BZS March/April 1994). The late former speaker of the House of Assembly once said “unemployment is now the biggest single threat to the stability of Zimbabwe and the most serious problem facing the

nation – we cannot afford to fail, we have the skills, the professionalism, the human resources, the infrastructure, the zeal to go forward and the political will” (BZS March/April 1994). But the political will has always been in doubt. Since one of the major goals of structural adjustment was to cut costs government thought it was vital to retrench and downsize the civil service.

A report was produced which depicted that the civil service in Zimbabwe had problems of duplication of function red tape, let alone inefficiency and ineffectiveness. The ESAP programme meant that 25% of the workers were going to loose there jobs the government to remove 7000 posts and it did that by 1995. Thus, the number of non-education, civil servants would come down from 104 000 to 78000. What this meant was that 26 000 civil servants were going to loose their jobs. According to the ZCTU 50 000 workers lost their jobs from the public service. The categories of the people affected was more too non-skilled employees and semi-skilled labour. According to the PSC (Public Service Commission) the civil service was 192000 and 100 000 workers enjoyed and were guaranteed immunity from retrenchments thus 92000 were supposed to be chopped out of the service. When we look at the biggest section of the civil service, which is the teaching group, most primary school teachers were retrenched.

By the year 1996 most jobs in the civil service have been lost either through retrenchment, forced retirement or lay-offs. Given the fact that these civil servants are people just like anybody else, the titanic challenges they were and are facing are of school fees, food and health fees let alone transport fees/rates. The cost of living resulted in strikes and most teachers were fired because of strikes so just like most of the civil servants, they staged a mass exodus to neighboring countries like Botswana, South Africa, Swaziland, Lesotho and Namibia which have better standards of living. Most semi-skilled workers left the country to Botswana and they got jobs, which enabled them to sustain their families. Most University of Zimbabwe students failed to get jobs, so they traveled around the SADC region seeking greener pastures.

At the international conference the government of Zimbabwe admitted that “no significant improvement has been recorded in the countries’ economic performance over the first three years of the 1990’s and that the unemployment statistics “convey a chilling message” and it confessed that ESAP had introduced a new dimension in the unemployment equation. (CBZS March/April 1994).

Surprisingly at least one senior minister broke ranks in October, Didymus Mutasa, Minister for National Affairs, Employment Creation and Cooperatives, told a meeting in Gwanda “that he had been against ESAP from its inception – in his view socialism was within the reach of distributing wealth equitably when it was abandoned and the economy given back to foreigners, capitalism will not work for us, we have less than 10 indigenous millionaires against 10 million poor workers. With such statistics I do not believe that we will progress through a capitalism thrust, we are doomed” (Herald 2 October 1993). For saying this he was victimized politically.

Despite all these words by the senior minister, ESAP did not stop, it even went ahead. All these activities are a result of the IMF/World Bank activities in Zimbabwe. Many scholars wonder about a lot of things. Edmore Tobaiwa concludes that “foreign aid without an underlying commitment to transform this sleeping giant called Zimbabwe is simply money down the drain, on the part of donors and a recipe for economic disaster for Zimbabwe. More and more, we should start seeing and realizing sustainable solutions to our economic problems in our selves, otherwise we will become a nation of foreign aid junkies” (financial Gazette 9 July 1998). In the same breath, he argues “but how sustainable is foreign assistance in stabilizing our national economy ... according to economic literature, given that the current account deficit of the balance of payments is the difference between Zimbabwe’s national savings and investments the effectiveness of foreign assistance on domestic economic performance is *a priori, indeterminate*. Retrenchments, unemployment and forced retirements from the public services are all blamed on the IMF/World Bank policies (Financial Gazette, 9 July 1998).

### **3.1.7. Conclusion (Zimbabwe)**

Zimbabwe has recently entered a second phase of economic reformation (Financial Gazette 15/8/98) but the most significant question to ask is, with the unveiling of the new ZIMPREST (Program for Social and Economic Transformation), has Zimbabwe not given birth to yet another calamitous “perestroika”? If not will the novel policy cater for the impact precipitated by the first perestroika?

According to Edmore Tobaiwa “government institutions, the main policy implementers should be abreast of the situation and not be found lagging behind as happened under the first phase of economic reforms many opportunities were lost by private business because some government departments could not be bothered to update themselves *visa viz* policy changes” (financial Gazette 5/8/98).

So in the light of the new programme “government should not only be limited to providing an enabling environment for private business as well as public goods and services such as schools and hospitals, but it should find itself playing a crucial role through direct selective and differentiated interventions. The duty of the government is to find a mix that will best stimulate the economy, even if it means being virtually orthogonal in policy formulation style, as long as there is a response from private business and the economy generates the much needed employment” (financial Gazette 15/8/98).

Employment is needed because a lot of people has been retrenched under E.S.A.P. A lot of families have fallen apart because their working parents were axed from employment. ESAP was thought to be a instrument of improving the economy so that the much needed jobs could be generated but surprisingly “the economy is officially established to have registered a lower growth rate of 3,7% in 1997, annualized inflation ended the year 1997 at 20,1% up from 15,8% in January 1997.

On the other hand, annualized inflation this year started at 24,2% before peaking at 29,3% as of May 1998 – a two year high, indication are that inflation will go up significantly this year lie, particularly fuel and electricity, the expected rapid increases in municipal charges, wage increases, the inevitable hike in the price of consumer goods, and the increase in sales tax as the government battles to raise funds to finance unproductive war veterans tax free pensions” (Financial Gazette 2 July 1998). All these harsh conditions have a sharp impact on the workers and they have their strong origins in the IMF/World Bank stimulated SADC perestroikas.

Since the inception of E.S.A.P. government has been at pains to cut costs but it failed with large scale retrenchments in the civil service and the private sector, ever-skyrocketing rents, price of goods tax-burden on workers, poor standards of health facilities, low levels of nutrition and poor

quality food supply, let alone dwindling education standards – all these facets are a mirror reflection of the extent to which the living standards of the citizens have been eroded catastrophically by the implementation of E.S.A.P. promises that life was going to improve – have turned to be clear-crystal lies from the mouth of the ruling oligarchy who will at the end of the day say – its not all our fault! Just like in Zambia, socio-economic hardships have been precipitated by structural policies.

Given the foregoing it can be noted that E.S.A.P. had a calamitous impact on the lives of the people about 50 000 people (and the number recently has reached around 70 000) lost their jobs from the civil service and 30 000 from the private sector. At least Labour in Zambia achieved taking over the government but in Zimbabwe the ZCTU is still a toothless bulldog.

The most serious question is what will happen to the lives of people whose economic and social livelihood has been debilitated by a policy, which originate from the external. After all the country had not reached an economic crisis which warranted that medicine. It is significant to notice that “the social impact of the fall in real incomes and employment since the early 1990’s has been exacerbated by the recent sharp depreciation of the Zimbabwe dollar and the large price increases for basic food items” (African Business July/August No. 234 1998). However, the IMF says that Zimbabwe has a better future “better times ahead African Business July/August 1998 No. 234!” What better times when inflation is now over 70%. What better times when the decision to support Kabila resulted in the government using US\$ 300 000 a day, and causing the Zimbabwean dollar to crush down. It dropped from Z\$18 to US\$1 to Z\$22 to US\$1, and now the rate is Z\$37 to US\$1 (BBC Focus on Africa January – March 1999). This doe not mean that government in line with IMF/World Bank guidelines is cutting military spending. This money could have been used for improving socio-economic life crippled by the structural adjustment policies.

## CHAPTER 4

### 4. ZAMBIAN CASE STUDY

#### 4.1. Colonial Background of Zambia

The British South Africa Company (B.S.A.C.), which was administering Zambia, gave the administration of Northern Rhodesia (Zambia), to the British government in 1924 and copper mining was embarked on in earnest a few years later. Right from the commencement of the colonial epoch, copper mining, had a sturdy niche, in colonial political economy. However, its "development was largely left to transnational interest, involving South Africa, British and North America companies", (Blomstrom and Lundahl 1993:145). Interestingly, as a fundamental starting point, it shall be noted that this very same copper, coupled with other structural problems, led to a state of economic malaise, when it drastically and tragically collapsed on the international market, leading to the fall of the Zambian economy in the 1980s. The years ensuing Second World War were an era of boom, which boom, however, was short-lived.

In relation to her Southern neighbor, Southern Rhodesia (now Zimbabwe) Northern Rhodesia was regarded as something of a marginal colony. To create an ambience of cheap and plentiful supply of labour mining sector, the colony's traditional sectors were left undeveloped (Blomstrom and Lundahl 1993:146). During the colonial era the social infrastructure received low priority. However the years preceding the second world war marked the beginning of what would be called by student of the Zambian economy, dualistic development because mining was undergoing a boom while the peasant sector tried to make ends meet under a lop-sided agricultural legislation which favoured all, but capital intensive settler-farmer enclave (Fry 1979). Migration from rural areas to mining and commercial agriculture income-generating opportunities in traditional agriculture and craftsmanship were restricted by laws and other regulations (Blomstorm and Lundahl 1993: 146).

However, "the most important socio-economic impact of the mining sector was the role it played in the evolution of an urban working class (Gertzel and Szeftel 1984). Miners are "a labour

aristocracy with considerable influences on the economy at large, most notably via their impact on modern sector wages (Blomstrom and Lundahl 1993:146).

#### **4.2. Background to Structural Adjustment Policies in Zambia**

Zambia obtained its independence on 24 October 1964, from the British rule. The economy that was inherited was relatively sound economy. However, investment was concentrated largely on important-substituting industrialization in part a move to reduce dependence on the illegal regime in Rhodesia" (Van Der Geest 1994:25). From 1965-73, GDP increased at an average rate of 2.4% with the manufacturing sector growing at 9.8% (Gulhati, 1989). This steadily economic country was heavily dependent on mining sector. In 1970, copper and cobalt contributed 97% of gross export revenues taxes, on the mining sector contributed 58% of government revenue, and mining accounted for 36% of GDP. In 1975, the world's price of copper fell. This had a sharp impact on the economy of Zambia. Mining's share of GDP halved and the sector ceased to make any direct contribution to government revenue.

It should be confirmed that initially this was expected to be only a temporary shock but however, this hope proved illusory and copper prices have never recovered to their level of the early 1970s and the effect of this had permanent adverse shift in terms of trade, the most severe of most developing country in the 1970s has been calculated to represent a real income loss compared to 1974 equivalent to 22.9% of GDP over the period 1975-9 and 31.9% over the period 1980-6 (Gulhati 1989). It should be noted that this adverse shock would have presented a formidable adjustments problem even for a relatively stronger more flexible and more diversified economy. The fall of the copper price reflected fundamental weakness in this structure of the Zambian economy. While diversification of export earnings away from copper, and the promotion of the agricultural sector which absorbed the bulk of employment had both been primarily stated government objectives since independence in 1964, government investment and pricing strategies had done little to bring them about.

On the other hand agricultural growth had lagged behind the rest of the economy (amounting to only 2.0% an average from 1965 to 1973) and agricultural exports were negligible despite

considerable potential. Economically, the manufacturing sector generally enjoyed high rates of effective protection and so was uncompetitive in export markets, while being highly dependent on foreign exchange earnings from copper to finance its imports of raw materials and capital goods and consequently the copper price slump affected manufacturing at least as severely as mining. Furthermore, the development strategy pursued in the 1960 and 1970s had also emphasized the expansion of public ownership and central planning within a framework of administrative controls over price, imports, and foreign-exchange allocation.

It is very significant to notice that "price signals and incentives were accorded only a minor role in policymakers and of more critical importance is that while these controls were in part justified by the hostile relations with Rhodesia, they imposed a severe burden on a country which had extremely limited human resources in management and economic analysis at the time of independence" (Van Der Geest 1994:26). During that period pricing policies which were enacted handicapped the livelihood of public sector enterprises.

The economic situation which Zambia found itself in cannot be divorced from its colonial past, first like in Zimbabwe, the colonial past is of fundamental importance in the analysis of structural adjustment policies while these two countries implemented in the wake of irresistible economic malaise. Interestingly enough, the political leaders were meant to believe in IMF/World Bank economic Messiahship. In 1953, the central African federation, grouping the territories of Southern Rhodesia, Northern Rhodesia and Nyasaland was created.

This creation faced a lot of resistance and opposition by the nationalist from Northern Rhodesia, since it was "in toto", benefiting Southern Rhodesia and South Africa. Zambia's economic resources were milked and enhanced development in Southern Rhodesia and South Africa. It is estimated that between, 1953-1964 close to \$70 million was diverted to Southern Rhodesia from, Northern Rhodesia. Furthermore, industrial and infrastructural development was concentrated in Southern Rhodesia with the Northern Rhodesia provided the largest portion of the federal government's income tax revenue except during the years 1958 and 1959 (Hazlehood, 1967:209, UN/ ECA/FAO Economic Survey Mission 1964:9-13).

## SUMMARY OF COLONIAL LEGACY

1. Development of a technologically advanced mining sector into the mainstay of the economy, thereby laying the ground for an almost irreversible external dependence. And since mining uses capital-intensive techniques, the sector would not be relied on to generate the employment that the country yearned for.
2. Traditional agriculture was marginalized by a combination of taxation and agricultural policies, which were tilted in favour of expatriate farmers and the mining industry (Lucembe 1974).
3. Economic activity was concentrated in the line-of-rail provinces, laying the ground for vast regional inequalities after independence.
4. At independence, the wage structures were characterized by huge differentials their piecemeal adoption meant that income disparities were to continue to flourish.
5. African education and other social infrastructure were largely neglected.

Adopted from (Blomstrom and Lundahl 1993:146)

NB: These issues precipitated serious and economically detrimental problems after independence. With the collapse of copper mining and early economic policy mismanagement Zambia had an economic decline. Hence in the 1980s IMF World Bank policies were adopted as panacea.

It should not be forgotten that “from the vantage point of the crisis-ridden 1980s, the period 1964-74 was Zambia's golden age-thanks to favourable copper prices and high mineral production the country registered impressive growth rates” (Blomstrom and Lundahl 1993:146). Table 1 depicts considerable variation between the years, reached 7% in real terms. During this epoch, the contribution of mining to GDP ranged from 23 to 48% and mining and copper accounted for up to 94% of total exports and 50% of government revenue. It should be noted that variations in overall economic growth were not wholly blamed on the imports of the mining sector, but the strategy of import substitution bears much of the blame (Blomstrom and Lundahl 1993:145). Table 1 also reflects how, in total, the economy of Zambia grew and declined, prior the implementation of World Bank/ IMF policies and afterwards. This colonial background however, sets the stage for a viable analysis of Zambia's, implementation of structural adjustment policies and their impact on the Zambia socio-political and economic life. This is mainly because structural problems, which Zambia is facing, emanated from its colonial, global economic trends and government policy

mismanagement. In sum, all this led to the adoption of structural adjustment measures to remedy the situation. The following table reflects the rise and fall of the Zambian economy.

**THE GROWTH AND COLLAPSE OF THE ZAMBIAN ECONOMY FROM 1964-1990**

**THE SEARCH FOR DIVERSIFICATION IN ZAMBIA.**

*Zambia: gross domestic product (million Kwacha) and copper dependence*

Year	GDP	%	GDPC	%	CU	C/ GDP	C/G	C/X
1964	1,618	-	449	-	644	45	53	91
1965	1,915	18	518	15	686	40	71	91
1966	2,172	13	572	10	588	44	64	94
1967	2,449	13	628	10	619	39	60	93
1968	2,632	7	650	4	660	38	58	95
1969	3,123	19	758	17	755	48	59	96
1970	2,695	-14	634	-16	686	36	58	96
1971	2,697	0	614	-3	636	23	36	94
1972	2,962	10	656	7	701	24	19	92
1973	2,934	-1	627	-4	683	32	29	94
1974	3,132	7	648	3	709	32	53	93
1975	3,056	-2	614	-5	648	13	13	91
1976	3,187	4	620	1	712	17	3	92
1977	3,035	-5	573	-8	659	11	-	91
1978	3,067	2	573	0	654	12	-	88
1979	2,973	-8	529	-8	584	18	-	90
1980	3,063	4	551	4	609	16	5	94
1981	3,352	6	554	1	560	14	1	94
1982	3,155	-3	523	-6	592	11	-	93
1983	3,108	-2	498	-5	576	15	4	92
1984	3,084	-1	479	-4	551	14	6	88
1985	3,279	6	487	2	480	16	8	85
1986	3,346	2	434	-11	460	18	13	83
1987	3,503	6	465	7	483	14	7	85
1988	4,216	5	470	1	422	10	2	85
1989	4,210	0	-	-	451	12	11	88
1990	-	-	-	-	441	-	17	-

Source: Republic of Zambia (a); Republic of Zambia (b); 1986; IMF, International Financial Statistics, various issues.

Definitions: GDPC= GDP per capita.

CU	=	Copper production in thousands of tons.
C/GDP	=	Contribution of copper to GDP (per cent)
C/G	=	Contribution of copper to government revenue (per cent)
C/X	=	Contribution of copper to exports (percent)

However by the end of the colonial epoch the basic structure of the Zambian economy had been created. On the other side of the coin, "there was a thriving export enclave based on the exploitation and export of copper and this sector was served by a well-developed infrastructure" (Mwanza 1992:2). Mining development also created the resurgence of a small but active manufacturing sector. Meanwhile, the line of rail regions were host to a thriving agrarian capitalist sector based on the production and export of few crops and these farmers were propped up by colonial government intervention. Just like in Southern Rhodesia (now Zimbabwe), another type of economic survival existed, that was the peasant sector, which sector, however, produced labour for the commercial sector. This was the highly neglected rural sector.

However when examining and analyzing the evolution of Zambia's economic crisis, it is, significant to categorise the 27 years of independence into two major periods: namely 1964 to 1974 and 1975 to the present. During the first period copper prices rose, though erratically, and contributed to high mining industry profits and thus to government revenues. This was the period of boom in Zambia. The 1970s were economically bad years for Zambia. Copper prices sharply declined and this had a significant impact on the government revenues. The agricultural sector was relatively ignored during the time when there was relative economic boom in Zambia. "For instance, there was no major shift in agriculture with that of manufacturing and to this day, the nature of agricultural pricing policy and the land tenure system still bears the marks of the colonial era whilst there were designed to benefit European settlers" (Good 1976).

It should be pointed out that after 1975 there was a massive contraction of the Zambian economy brought about, by, mainly, the effects of the world recession after 1973 energy crisis and this recession led in part, to a depletion in the demand for industrial and construction input like copper. Of crucial importance is the fact that falling export prices and rising input prices and the resultant high deficits in Zambia's balance of payments and the governments budget exacerbated the economic crisis. It should be pointed out that external pressures were reinforced by internal policy mistakes, such as in appropriate pricing policies, maintenance of an over-valued exchange rate, repressive financial policies, an inefficient parastatals sector and the heavy external debt (G.R.Z 1984:17-18).

In an effort to try to uphold the impact level, the country borrowed heavily on the international money market and this resulted in a mushrooming of the debt and hence by the end of 1983, the total stock of external debt was roughly US \$3000 million which was more than 100% of the country's GDP during that time. To forget the political implications of such an economic scenario is to miss the point. It should be clearly pointed out that the pattern of economic development created a number of political stumbling blocks to economic progress and reform. Thus "the economic power of the mining unions, the expansion of the public sector, of protected manufacturing industry and of subsidized social services (predominantly provided to the urban population) created urban political constituencies which were strongly represented in the United National Independence Party which had become the sole legal party in 1972" (Van Der Geest 1994:26). By 1969, the proportion of the population in urban areas had reached 29.4% and was continuing to increase rapidly, reaching 40% by 1980, one of the highest proportions in Africa.

According to Jones, all of these groups in Zambia had much to lose at least in the short term, from significant economic reforms of the type which were recommended by the World Bank as early as 1972, aimed at improving the rural urban terms of trade. However, it should be noted that these "included restraining urban wages, eliminating subsidies on agricultural products, which benefited the urban population and the provision of incentives to diversify export and production. In 1974 and 1975 the government attempted to carry through measures to impose consumer prices increased and wage restraint but was forced to back down in the face of political opposition (Gulhati 1989). It should be noted that the result was that during the 1970s there was little concerted effort at adjustment, despite three IMF stand-bys and two World Bank programme loans. The government borrowed heavily externally to support the balance of payments deficit and internally from the banking system to fund budget deficits. The measures leading to adjustment in relative prices such as exchange-rate devaluation, the abolition of price controls, or improvements in agricultural producer prices were in the main resisted and major cuts in public expenditure were made under IMF stand-bys in 1976 and 1978, but these were poorly planned and impacted most heavily on recurrent cost, capital investment and senior grade salaries, with debilitating effects on the capacity of the government. In the same light nominal subsidies on staple foods were increased in the 1970s in an attempt to cushion the input of the national real income loss on the urban poor.

### 4.3. Summary of the causes of economic crisis in Zambia

In the post-independence era, the inherited political economies in most of the SADC region proved to be unsuccessful. Hence "there is an urgent need to transform developing economies since the economic structures inherited from the colonial era may not provide a basis for development" (Mwanza 1992:118). Thus, after independence most countries tried to break away from the colonial structures mainly through import substitution and industrialization. It should be realized that Zambia is an interesting case study in that upon achieving independence on 24 October, 1964, the country inherited a relatively sound economy, albeit solely on account of earnings from the export copper.

In the early 1970s, Zambia had one of the highest levels of per capita income in sub-Saharan Africa, and steady economic growth since independence in 1964 had funded an ambitious welfare state based on rapid expansion of health and education services and subsidies on basic foods. The crisis which Zambia faced is mainly a consequence of the erratic performance of the mining industry. The crisis is clearly a financial crisis, and in large measure foreign exchange crisis and the country lacks enough financial resources to run the economy and to finance long-term investment.

In a bid to maintain investment and consumption, the country has relied heavily on borrowing, thus worsening its debt crisis. The crisis is also a result of structural factors which have been influenced largely by the development of strategies implemented since colonial times for instance, the development strategies have not been sustainable since they relied too primarily on imports and subsidies. The fall of copper prices deeply affected the import capacity and subsidy dependent sector of the economy. The response of government to the crisis was imposition of a regime of controls in the economy, which increased inefficiency and actually contributed to the worsening of the crisis (O'Neill 1987:xix). Given the above, the main bone of contention seems to be over just what kind of economic restructuring is needed to effect long-term changes for Zambia and although the economy may benefit in the long run, concern has been expressed over the short-run risks and cost of structural adjustment.

There is a general agreement among scholars that "what has not been widely recognized is that the magnitude of the shocks and the severity of the distortions vary greatly from country to country. For example Malawi lost 5 percent of its gross domestic income owing to terms of trade movements during the same time, and its policy distortions remained relatively low. Surprisingly the terms of trade loss in Zambia was 18% of GDP and at the same time policy distortions had reached a high level. World Bank economist find it relatively easy to agree on what constitutes "policy and institutional distortions" and these are government interventions made in the name of promoting economic growth, alleviating poverty, or maintaining financial balance that prove ineffective but instead they generated adverse side-effects either immediately or over period of time. World Bank has categorized Zambia as a country that fall under countries with high magnitude of distortions (policy and institutional), and comparatively other countries are classified as medium and low.

According to World Bank Zambia, falls within the category of the 14 countries categorized as high distortion category. *Table 13* reflected that.

*Table 13. Magnitude of Distortion (policy and Institutional), End 1970s*

High	Medium	Low
Ghana	Cote d'Ivoire	Malawi
Nigeria	Ethiopia	Cameroon
Tanzania	Burundi	Rwanda
Senegal	Zimbabwe	Mauritius
Zaire	Mali	Botswana
Somalia	Niger	
Sudan	Togo	
Uganda	Mauritania	
Zambia	Burkina Faso	
Guinea	Kenya	
Guinea-Bissau		
Sierra Leone		
Liberia		
Madagascar		

Source: (Gulhati 1989)

To crown it all, however, it should be noted that the economic crisis which Zambia faced was an aftermath of a blend of colonial legacy and immediate post-independence structural distortions (policy and institutional).

#### **4.4. Theory and practice of structural adjustment programmes**

All countries in the region (S.A.D.C) have so far adopted structural adjustment programmes (S.A.P.S). It should be noted that SAPs were only short-term, but now they have become more comprehensive and long term. Not all the countries in the SADC region are implementing SAPs, Swaziland, Botswana and Namibia are exceptions. This is because the countries sustain viable economies in the region. For instance Botswana, has a rich diamond mining base which, boosts her foreign currency reserves, thus her economy is strong against the backdrop of a very small population of around 1.3 million people mainly concentrated in urban and semi-urban areas. Most donors regard the adoption of SAP as a necessary condition for releasing their aid. Thus the international monetary fund (IMF) and the World Bank are currently enjoying an unparalleled degree of eminence as they shuttle from country to country in a frenzied exercise to make the programmes work.

The recipients of aid however, have appeared to be gloomy and helpless in terms of their economic performance thus leading to further reliance on the international donor community for economic survival. Current economic trends in all the countries that adopted SAPs reflect a regional state of corrosive economic malaise in the region. The message that there is no alternative economic policy to structural adjustment is now fully embraced, albeit with reservations in some countries in the SADC region.

#### **4.5. Structuralism: An Overview.**

Structural theories have got a long history in development economics. There are not in anyway recent phenomenon. "In fact structural hypotheses were being formulated in Europe during the immediate post-World War II period" (Mwanza 1992:1). The theory of structuralism was further developed and refined in Latin America, in the wake of large-scale inflation, which the monetary and fiscal policies in those countries failed to resolve. However, 1955, the government of Chile

employed a group of American consultants (the so-called Klein-Saks mission) to advise it on how best to stabilize the economy and in 1958/59, the IMF recommended an essentially "monetarist" stabilization package for Argentina.

Thus the recommendations of the Klein-Saks mission and the IMF sparked off the monetarist-structuralist debate (Arndt 1985; Mwanza 1992:2). The United Nations Economic Commission for Latin America (led by Raul Prebisch) and at the Institute of Economics, University of Chile, further developed the theory of structuralism. However, it must be realised that during the 1950s and 1960s structuralism was used to explain the problem engulfing many Latin American countries, and the basic argument of the monetarist school was that inflation had reached serious proportions and needed to be stopped by curbing excess demand through monetary and fiscal policies, supplemented by the international financial assistance (Campos 1960). The "structuralist" further argued that inflation was caused by basic inflationary pressures which were related to structural rigidities, such as inflexibility of the economic system and immobility of production factors and other structural rigidities included export concentrations and inability to increase the amount and purchasing power of exports, stagnant food supply in face of increasing demand, the low rate of capital formation and deficiencies in the tax system (Sunkel, 1961; Seers 1962, Arndt, 1985)

Structuralists believe that the economic system was rather inflexible and that change would be inhibited by obstacles due to the interplay of structural rigidities. It should be noted that "while the structural theory was able to identify and classify the various structural factors and their inter-relationships it did not really succeed in designing a policy package that would be used to eradicate those factors in the same light it should be noted that one attempt to design an alternative stabilization programme for Chile was not a significant paradigm (Sunkel 1961).

#### **4.6. Zambia and the IMF**

The IMF/World Bank are the largest "donor" international financial institutions. They get most of their resources from quota contributions by member states, although the World Bank also sells bonds and World markets and through its international financial corporation (I.F.C) invests in member countries private enterprises (Southern African Political and Economic monthly Vol. 10.

No. 12, Oct 1997). IMF and World Bank loans may not be rescheduled since these institutions recycle the loans and only issues new loans when the old ones have been paid off. Zambia joined the IMF in 1965, but because of the economic boom the country was enjoying in the 1960s, it saw no point in using IMF resources until 1971.

Thus in order to “stop the decline in foreign exchange reserves as a result of falling copper prices and to reduce demand and encourage domestic production, Zambia agreed to set a compulsory financing facility (C.F.F) with the IMF in 1971” (Mwanza 1992:35). Fundanga lists a number of loan agreements reached between Zambia and the IMF during the period between 1973 and 1986 and as usual, the IMF imposed their conditions for these various stand by arrangements and extended finance facilities (E.F.F). Conditionally included ceilings on overall credit and credit to government as well as reduction in government deficit spreading form 12 to 7 percent of GDP. This programme was tied to a three year Word Bank investment programme to reorient expenditure from infrastructure to agricultural and industrial product.

Amongst other conditionalities that IMF/WB imposed on recipient countries was 20% devaluation of the Kwacha and the decontrolling of prices as well as imposition of wage restriction to 5%. The EFF Agreement reached between Zambia and the IMF in May 1981 place more emphasis on structures of adjustment and provided at least 3 years for the adjustment process to take place. In the mid 1982 the arrangement was suspended because the Zambian government had unsuccessfully tried to meet performance grades. It should be realized that countries that wish to avail themselves of IMF resources will have to agree on a policy framework and prepare an economic programme jointly with IMF/World Bank. Zimbabwe did the same.

However, given the strictness of the economic conditions in Zambia it was hoped that the country would make full use of the EFF, but the IMF prescriptions were too bitter for Zambia to swallow.

The World Bank IMF had imposed conditions, which included restricted public borrowing, a reduction in overseas payment arrears and a ceiling of \$1.500m on foreign debt. However, it should be noted that the history of structural adjustment policies in Zambia can be divided into distinct periods. Such periodization is essentially necessary because Zambia at some point

abandoned the IMF/WB aid again. Thus it is important to analyze each distinct period on its own and another separately. Also, this is because IMF/WB aid had varying severity at each different stage of implementation. However, it is significant to notice that the re-adoption by the Zambian government of the IMF/WB policies reflects beyond any reasonable doubts that Zambia could not do it alone. However, such phases in the adoption of IMF/WB policies are not only found on the Zambia political economy but Zimbabwe is currently undergoing the same economic saga, because now she "enters the second phase of economic reforms, the programme for social and Economic transformation (ZIMPREST), however, it is not clear what the government's main role will be that is whether to be passive and play a regulatory role or be involved in the markets places", (Financial Gazette 15/8/97).

It should be noted that "the government's role remains unclear though to a large extent the World Bank/ IMF are strong proponents of state enterprise divestiture with the government using the proceeds to retire Debt and allowing the market place through supply and demand forces to freely determine prices and many policy-oriented analyst and economist see this as the way forward". (Financial Gazette 15/8/97). Thus, given the above, it should be noted that in each of the countries Zimbabwe and Zambia, adoption for IMF/World Bank policies, took the fashion of phases or distinct periods (periodization). Each period had unique, characteristics and features, and impacts on the general populace. To say the above is not to divert from the whole issue of socio-economic impact but, it is to say adoption of IMF/WB policies on Zambian political economy has distinct phases which phases impacted on the socio-political and economic life of Zambians.

#### **4.7. Economic Management in the Immediate-Post-Independence Era (1966-1970)**

Just like what happened to Zimbabwe, in a bid to redress the colonial economic past, Zambia adopted First National Development plan popularly called the (FNDP). This development-planning paradigm clamored for intensive economic diversification and reduction of dependence on the mining and export of unprocessed copper. The government of Zambia led by Dr. Kenneth Kaunda concentrated on the improvement of infrastructure, mainly in health, energy transport and education sectors (F.N.D.P 1966-70). Zimbabwe also did the same thing after independence, the government played a "more decisive role in the public sector" (Chakaodza 1994:50). In Zambia under the

F.N.D.P, most of the targets were realized. Thus, education and health facilities expanded rapidly while and impressive social and economic infrastructure was developed and this success was based on high copper prices during the immediate post-independence era.

This implies that the Zambian government planned its economic activities and economic life. Planning of the economy was actually done in phases. The (F.N.D.P) was followed chronologically by second national development plan (1972-76). When the second National Development plan (1972-76) was established global trends were not favourable for national economies. In fact the launching of the second National Development Plan (1972-76) coincided with the emergence of the World-wide economic recession due to rising inflation mainly caused by the 1973 oil crisis and the USA commitment in Vietnam. The basic principles by which the FNNDP was based were as follows:

- (a) a modest income growth from copper mining
- (b) The stabilization of the international price of copper at 740 pounds per metric ton.
- (c) a modest import index increase of 2-3% during the plan period.

However, the chief objectives of the FNNDP encompassed, inter alia the expansion of agriculture, industrial expansion. Reduction of regional inequalities and development of tourism. The hope that the gains of FNNDP were going to be strengthened or enhanced, became a nightmare. It was the opposite, the gains of FNNDP were completely undermined by the F.N.D.P period. Statically, copper production collapsed from 712 000 tonnes in 1976 to 525 000 tonnes in 1984. That means a total difference of 187000 tonnes with a scope of 8 years. Zambian economy was beset with a lot of problems, which emanated from its colonial past. Some of the problems Zambia faced were a result of bad climatic condition. Thus, owing to unfavorable climatic weather conditions as of the 1980s Zambia had to import her food requirements, the average annual cost amounting to U.S. \$ 30 million. This kind of economic milieu had titanic effects on the future of the Zambian economic policy making.

However, as foreign exchange crisis continued to worsen, the volume of imports contracted so rapidly that by 1984 imports were only about 32% of the 1974 level in real terms. The results of this situation was that there was a serious shortage of raw material, intermediate foods, spare parts

and capital equipment, which in turn reached the supply of consumer goods and, furthermore, mineral revenue declined from the peak of K314,7 million in 1974 to K59,4 million in 1975. This also led to a decrease in mining revenues.

In response to the economic malaise, the Zambian government led by Dr. K. Kaunda, made strong efforts to broaden the tax base so as to insulate the budget from the effects of revenue instability. It should be noted that since the fiscal system failed to satisfy government expenditure requirements, the government increased its reliance on bank and foreign borrowing and embarked on subsidy reduction and price liberalization and as a result inflationary pressures increased during the late 1970s"(Mwanza 1992:5). Rising inflation culminated in the collapse of the Zambian Kwacha against major economic currencies.

As a consequence of economic decline, increase in population demography, even-spiraling inflation, the GDP in 1984 was 78% of the 1974 level. The situation was intensively exacerbated or aggravated by an increase in raw-material shortfalls, a high level of capital intensity in industry, let alone, ineffective and inefficient allocation of scarce foreign exchange resources. Given the foregoing, basically and primarily, there was thus, a great need to reduce consumption and enhance production in order to lay a foundation for sustainable economic development. It is against the backdrop of a collapsing economy that the Zambian government decided to adopt IMF/WB policies as viable panacea to these economic ills and structural stumbling blocks.

#### **4.8. Summary of structural problems facing the Zambian economy in the 1980s**

1. A highly urbanized and rapidly growing population, with stagnant formal sector employment and a high degree of dependence and subsidized consumer goods and welfare services.
2. An extremely skewed income distribution, even by developing country standards, with the richest 5% receiving a third of total income and the poorest 60% only a fifth (Joshi, and ministry 1989).

3. A political system, which to a considerable degree entrenched the interest of those who, had most to lose from the reform (Bates and Collier 1991).
4. Extremely high levels of external debt in relation to exports, and GDP by 1987 the per capita debt burden was the highest in the developing world.
5. A real effective exchange rate whose level had remained almost constant at the pre 1975 level, implying no additional incentive to promote non-traditional exports.
6. A large number of parastatal enterprises and agencies whose financial and management performance was poor, and a demoralized public service.
7. An agricultural sector whose development had been neglected and was characterized by extreme dualism between large-scale capital-intensive commercial farming and subsistence activities.
8. Continued dependence on the mining sector to generate foreign exchange and government revenues and consequent extreme, vulnerability to world price fluctuations and for the exhaustion of the main mineral deposits which is due in the early years of the next century.
9. A relatively large manufacturing sector of doubtful economic viability, generally enjoying high rates of effective protection (Gulhati 1989), dependent on receiving rationed foreign exchange at a price well below its scanty value and intermittently crippled by foreign-exchange shortages (Adapted from Van Der Geest 1994:27).

#### **4.9. Chronology of Main Policy Agreements from 1983 (Adapted from Gulhati 1989)**

- 1983      April IMF stand-by agreement (12 months) may Paris club agreement on debt restructuring.

- 1984      March World Bank export rehabilitation (copper) and diversification loan  
May consultative group agreement on external aid.
- July IMF stand-stand by agreement (21 months)
- July Paris club agreement on debt rescheduling
- December London club commercial bank restructuring.
- 1985      January IDA/World Bank agricultural rehabilitation project
- June consultative group agreement of foreign exchange auction and import liberation
- I.D.A industrial rehabilitation credit
- December Consultative group agreement on external aid.
- 1987 May Abandonment of foreign-exchange auction
- New Economic Recovery Program introduced
- 1989      January Five-year plan for 1989-93 released
- August Policy framework Paper 1989-93 released.

#### **4.10. The First Phase Structural Adjustment in Zambia (1981-1985)**

Structural adjustment programmes in Zambia have taken a unique and a very erratic fashion. The implementation of structural reforms, in Zambia, was, wholly fraught of structural inconsistency and incoherence. World Bank IMF policies in Zambia were once jettisoned by the Zambian government, in favour of a locally influenced economic-planning approach. Yet at a later stage,

Zambia re-adopted World Bank IMF aid. This approach had a great impact on the socio-political and economic life of the Zambians. At each and every phase they profoundly endured the pain. The IMF/WB panacea, instead of curing its patient, it killed her. It should be realised in mind that in order to clearly explicate the impact of these IMF/WB policies, this study will consider all the phases of adoption of World Bank aid. Basically, the overall impact of S.A.P.S in Zambia, can only be explained when examining all the phases (that is the period before and "the period following the resumption of Zambia's relationship with the two, institutions, which had been severed between 1987 and 1989" (Wallace 1997:129).

Zambia's relationship with the World Bank and the IMF goes to 1956 and 1965 respectively. However, the World Bank and IMF argue that the imbalances that Zambia started to experience in the mid-1970s apart from being direct consequences of the ensuing shocks, were due to inappropriate policies, in conjunction with narrow tax bases and poor public enterprise performance, domestic pricing policies biased against agriculture and overvalued currencies, are some of the policies cited.

However, in 1981 the Zambian government adopted a medium-term adjustment programme to cover the period 1981-3, supported by an extended fund facility arrangement of S.D.R 800 million from the IMF. According to Jones the main objective of their programme (IMF 1983) were, inter alia;

- 1). To promote the resumption of a modest rate of economic growth through the stimulation and diversification of economic activity.
- 2). To restore domestic financial equilibrium, particularly in public and parastatal enterprise finances.
- 3). To achieve a sustainable external position over the period of the programme (Van Der Geest 1994:28)

The purpose of this programme at the early stages of implementation, seemingly achieved fiscal targets but on the other hand the balance of payments and domestic credit targets were not met and the arrangements were cancelled in July 1982.

Thus, during the year 1982, considerable arrears of external payments accumulated to fund the balance of payments deficit and hence, in 1983 April a further stand-by agreement with the IMF was conducted. The chief reason for this was to make and clear an avenue for an agreement on debt restructuring to be concluded with the Paris club in May 1983. In the 1980s the plight of the Zambian people was becoming worse and worse at every stage of implementation 1982, December, the prices of 50 commodities produced or marketed by public enterprises were decontrolled (leaving only the prices of maize, wheat flour, bread and candles to be determined by government) and a devaluation of 20% and increase in interest rates occurred in January 1983 and from July the Kwacha was allowed to depreciate a further 15% against the SDR according to Jones (Van Der Geest 1994:28).

According to Gulhati, the main target of the April 1983 stand-by was (Gulhati: 1989)

- 1). Reduction in the current deficit by 10% in current prices, involving 13% reduction in imports and a 14% expansion of exports.
- 2). External commercial payments arrears to be reduced by S.D.R. 30 million and arrears on rescheduled debt payments avoided.
- 3). The Kwacha to be devalued by 20% and a flexible exchange rate policy introduced.
- 4). Reduction in public expenditure, particularly subsidies, and the imposition of new taxes.
- 5). Avoidance of general increase in Civil service pay and employment.
- 6). Calling of 10% on wage increase (Van Der Geest 1994:29)

The government of Kaunda won the general and presidential election and a new finance Minister was appointed, amid serious negotiations with unions, because they had already started to feel the pain of structural adjustment policies. The economic status quo continued to worsen with the ever collapsing of copper prices at the international market. The overall imports also fell by 26%. The standby was suspended when the government failed to meet the targets for reducing payments arrears. A further standby was agreed upon by the Zambian government with the IMF in 1984, so for, the behavior depicted by Kaunda government, indicated that "African countries recovering from economic disaster have increasingly accepted that they must persist with the macro-economic policies demanded by the IMF/WB" (Harvey 1990:130). At this time this was Kaunda's government belief. It is very significant to notice that putting the whole reform effort into different periodizations will in the end enable production of a valid analysis of the overall impact of the Zambian society.

#### **4.11. The Intensive Reform Effort 1985-1986**

According to Harvey the new policy which was introduced in 1985 in Zambia, was sprung on the government by President Kaunda with very little internal debate or preparation (Harvey 1990:130). Surprisingly, it was supported by the president himself and two of his stalwarts ministers and it was opposed publicly and consistently by the remainder of cabinet and the central committee of the ruling party, in almost daily speeches up and down the country (Harvey 1990:131). Harvey noted that "in those circumstances, producers wont have been extremely foolish to invest significant resources in increased production in the expectation that the policy would be sustained and moreover it became rational to buy not only current needs for foreign needs as well, in the expectation that the availability of foreign exchange would be restricted when the policy was reversed" (Harvey 1990:131). It should be noted that IMF/WB, required government to do other unpopular things such as restricting credit removing subsidies, increasing taxation and cutting government spending. Furthermore the first year of an adjustment was therefore extremely difficult politically, and the second year was often not much better. What was essentially imperative was persistence.

During the mid 1980s the relations of government of Kenneth Kaunda and the Trade Unions became very tense and uncompromising. The Unions in Zambia represents to a strong force that stands for the workers bloc. The ever sky-rocketing prices of consumer goods, ever-spiraling standards of living affected the lives of the Zambians and general political opposition mounted strongly during this period. During 1984 and 1985 the foreign-exchange situation became increasingly desperate as the commercial ban line of credit for all imports threatened and the government came under pressure to divert funds earmarked for the import needs of the main copper mining company, ZCCM, and relations with trade unions became worse following price increases at the end of 1984. Despite the fact that the Reform policy programme became unpopular in the country, the government went ahead with it with Kaunda and his two ministers supporting it. It is significant to outline the main focus of the reform policies of this period. According to Jones, the reform programme implemented during this period focused on three main objectives.

- 1). reduction of distortions in the economy by decontrolling prices
- 2). Improvement of incentives for greater production and diversification.
- 3). Strengthening the government's capacity for economic management (World Bank 1986).

According to (Gulhati 1989:3), Zambia was infected with a lot of policy distortions. In Sub-Saharan Africa, it ranked amongst countries like Ghana and Zaire whose magnitude of policy and institutional distortions was high and in the SADC region. It should be noted that the intensity of reforms (which Gulhati defined in terms of stabilization and structural adjustment measures), and the magnitude of policy and institutional distortions by the end of 1970s, were high in Sub-Saharan Africa as shown in Table 14. As portrayed by other countries in SADC like Malawi, Zimbabwe Mauritius and Zimbabwe, have different situations altogether. But, whatever, the case may be, the implementation of structural adjustment policies in the region, had varying impacts with different severities also. But all in all at each stage of implementation or phase, the people would feel the pinch. IMF/WB policies became bitter pill to swallow in the Third World. This explains why the unions in Zambia in the 1980s expressed large scale dissatisfaction with the whole economic status quo, IMF/WB medicine catastrophically, annihilated its patient instead of healing her, it further handicapped her. The IMF/WB, is content that at least Zambia today is making some progress in privatization programmes. Recently "a consortium led by London listed Reunion Mining is believed

to have offered \$10 million for Zambia Consolidated Copper Mines' Mufulira Division – well below the asset's estimated value”, negotiations are still taking place, the deal was not finalised (Business Day 4/1/1999).

*Table 14. Status of Policy and Institutional Reforms in Sub-Saharan Africa*

Intensity and duration Of Reforms 1980-86	Magnitude of policy and Institutional distortions end of 1970s		
	High	Medium	Low
High	Zambia	Cote d'Ivoire	Malawi
	Ghana	Togo	Mauritius
	Zaire		
Medium	Somalia	Kenya	
	Senegal		
	Madagascar		
Marginal Or none	Liberia	Mali	
		Burkina-Faso	
		Zimbabwe	
		Ethiopia	
Aborted	Sudan		
	Uganda		
	Guinea	Burundi	
New Entrants	Nigeria	Niger	
	Tanzania	Mauritania	
	Guinea-Bissau		
	Sierra Leone		

Source: (Simon : 1995)

#### 4.12. S.A.D.C Structural Adjustment Zimbabwe and Zambia – An Overview

SADC is the heir to S.A.D.C.C. (Southern African Development Co-ordination Conference). It is mainly comprised of Southern African countries. Just like the EEC (European Economic Community), has changed to EC (European Community), strikingly, S.A.D.C.C (Southern African Development Co-ordination Conference), per se, is now called SADC (Southern African Development Community). In line with global international economic trends, characterised by the irresistible hegemonic domination of IMF/ WB, in global economic systems, most SADC states,

made some policy reforms by adopting structural adjustment programmes, in response to their economic crisis. It is worth recalling that before there was structural adjustment, there was international adjustment: the dramatic changes in international prices, interest rates, financial markets and trading conditions in the 1970s created a set of new realities to which all economies had to adjust. Structural adjustment took over and it gradually acquired the meaning of wholesale economic reform in developing countries under conditional programmes agreed with international and bilateral institutions. These structural adjustment programmes were not only to achieve international adjustment but to correct the policies and practices of post economic management where these were thought to be unsatisfactory - what was known elsewhere as PERESTROIKA. It is believed that there was a great deal to correct - numerous Sub-Saharan African economies were suffering from unsustainable external and domestic debts and deficits, inflation, low levels of saving and investment, period shortages of food and consumer goods, development - equitable growth and structural transformation was not taking place.

The ideological origins of structural adjustment programmes (SAPs) can be traced back to the free-market and free-trade ethos derived from Adam Smith and David Ricardo, in the view of Simon (Simon, et al, 1995:1). In Adam Smith and David Ricardo's view "the present economic crisis in the Third World countries can be overcome only if they restructure their economies to become active players in a common strategy for world prosperity based on competition in the international export market (Simon, et al, 1995:1). S.A.D.C. region is and has already commenced doing this.

Before the arrival of adjustment, almost all governments in the Southern African development Community (S.A.D.C.) maintained food subsidy programmes, using state owned enterprises and controls over food marketing and external trade and government also provided input subsidies for agricultural and industrial producers and for health and education facilities (S.A.P.E.M, 1997: Vol. 10, No. 12). However, in the rest of the SADC region (those countries in SADC that adopted structural adjustment programmes), adjustment has implied abandonment of these welfarist policies which were the hallmark of the "socialist model" of the 1970s. The main objective of structural adjustment is to remove government perpetrated economic distortions. These economic distortions encompasses fixed exchange rates, price controls or subsidies which, in alliance with exogenous factors, tend to exacerbate the economic crisis and in the first phase the major objective is to

contain or reduce inflation through implementation of demand management policies (World Bank Vol. 18 No. 12, 1990). It is argued that demand management policies are also intended to maintain internal and external balances and include measures designed to reduce or eliminate the government budget deficit and the balance of payment deficit and other measures include monetary policy reform, price liberation and wage. In most SADC states these wage freezes, precipitated insurmountable problems for the common people, especially, in the wake of ever-sky rocketing food prices, rent and rates. Prices of food went exorbitantly high and became unfavourable for most of the non-urban and urban population in middle and lower classes of the population. Hence food riots and workers strikes were all symbolic of the large-scale loathe, to E.S.A.P., by the majority of the people. In fact SAPs in the SADC region are seen as anathema by the citizenry, owing to the fact that their implementation, culminated in not only horrendous results socially but the SAPs, precipitated detrimental effects on the public rather than yielding or producing positive economic "spin-offs". The socio-political homeostasis of the S.A.D.C. region was wholly disturbed by the implementation of the SAP policies.

It should not be forgotten that "reforms that are meant to change the structure of production (towards tradable goods) and consumption (towards controlled goods) and thus to achieve an outward - looking economy while promoting efficiency and flexibility constitute an important component of structural policies". Several questions are asked by many scholars about the S.A.D.C. region - Has poverty deepened during the adjustment phase in the S.A.D.C. region? If poverty has increased, has it been due to the impact of economic reform or would the situation have been the same without adjustment? Do the poor benefit from adjustment? How have households responded to the decline in their living standards, or in other words, what are the household's coping or adoptive strategies to adjustment induced impacts? According to the World Bank (1990) World Bank Development Report, a strong positive relationship exists between economic growth and poverty reduction. The World Bank has argued that "the rather weak economic performance of Sub-Saharan Africa, was largely caused by partial or inconsistent policy implementation (and that countries which performed well had good policies, characterised by macroeconomic stability and competitive export prices. Most of the empirical studies reflect that the record of adjustment programmes in Sub-Saharan Africa is a mixed bag, but with poverty levels having risen sharply during the adjustment period in most SADC states. For instance in Zambia whereas in 1980 the

poor constituted only about 50% of the population (ILO/JASPA, 1981) by 1993, the proportion of the poor has risen to about 80% G.R.Z 1993, Priority Survey Tabulation Report 1993, World Bank 1946) and in Zimbabwe, the percentage of the poor has risen from 33% in 1990 to 60% in 1995 (Zimbizi, et al, 1997).

However, adjustment in part is conditioned by “factors including program design existing economic and social or political structures and the nature of poverty situation in each country (Alwang et al, 1996:1711, World Development vol. 24 No. 11, 23, 1996:1711-1723).

In the SADC region seemingly, adjustment policies contribute to rising poverty levels for example privatisation of state-owned enterprises and civil service reforms lead to retrenchments thus worsening the unemployment situation and reduction of government spending, price liberation or subsidy withdrawal exposes large sections of the population to consumer price increases (S.A.P.E.M Vol. 10, No. 12, 1997). In the same breath, in most SADC states expenditure cuts were accompanied by imposition of user fees reduced people’s access to services such as health and education (Chinemann and Sanders; Lugala, 1993) in Peter Gibbon (ed.) 307-357; Seshamani et al, 1993, Zimbizi, 1997). During the adjustment programme increases in agricultural input prices weaken the position of small-scale producers, most of whom previously depended on government support and as a result most of them do not benefit from the producer price rises while some are effectively driven out of the production process” (S.A.P.E.M Vol. 10, No. 12, 1997). However, the rich-poor gap tends to widen while the ranks of the old poor are augmented by the new poor

Zambian structural adjustment saga is very stunning because of frequent policy swings or shifts it made in the adjustment process. Upon discovering that the populace has been hit hard by the SAP, in 1987 the government decided to abandon the programme so that it can try more endogenous approaches to economic recovery in the so called (N.E.R.P) (New Economic Recovery Programme). Later on Zambia returned to the IMF/ WB fold. In Zambia, according to Mwanza economic confrontation began in the 1970s and it zoomed into the 1990s and as a result Zambia’s capita income dropped from about US \$500 in 1975 to US \$290 in 1992. Poverty levels spiralled. In Zimbabwe, the economic strain in the country during the 1980s forced policy makers to implement economic reforms. The impact of these policy programmes on the citizenry was

indescribable, acute human suffering (huge retrenchments, ever-spiralling food prices reduced access to free education and health). In a nut-shell, it can be said that SAPs in SADC, failed to yield positive economic spin-offs but rather they precipitated a proliferation of chains of suffering families in the region.

However, albeit, all these economic set backs SADC leaders have not given up on efforts to ameliorate the economic conditions of their respective countries. According to Ross, “the Zambian economy is basically a mono-economy with copper mining contributing traditionally as much as 90% to export earnings and 20% to GDP. Lower copper prices last year were the main factor leading to an 18% slump in export earnings to US \$974,9m” (African Business, October, 1997 no 225). Also, “two recent privatisation now signal the beginning of a major privatisation band-wagon which will have an immense impact on the economy” according to Ross, It is reportedly said that “the break-up and privatisation of Zambia’s debt-laden mines has been a protracted affair, however it is estimated that privatisation will bring US \$2,5 billion into the Zambia economy”. This is a major amount of money when seen in light of the fact that the nominal estimate for GDP in 1996 was US \$3,87 billion (African Business, October, 1997 no 225), in the wake of increased, suffering precipitated by structural adjustment. “Hopefully, with the successful selling off of the marginal Kansanshi mine plus its exciting exploration play and the small but profitable Chibuluma West mine and Chibuluma South, the ZCCM privatisation band wagon is on its way and rapidly following in its wake, it is hoped, will be a general changing of gears in the Zambian economy and a speeding up of development” (African Business, October, 1997 no 225). A close examination of Zimbabwe, however, reflects that what should have been Africa’s healthiest economies has become inflation ridden, debt —burdened and plagued by 50% unemployment rate and in a bid to placate the public, the government had to raise Zim dollar \$ 2 bn through a 10-year 21% loan stock in December to pay the one-off Z \$50 000 gratuity per ex-combatant and a further monthly payment of Z \$2 000 to each of the 50 000 to 70 000 ex-combatants for life” (The Economist 24 January to 30th 1998; African Business, October, 1998 no 229). One wonders if this would alleviate the impact of ESAP which the government implemented in 1991-1995 or whether the newly adopted policy ZIMPREST has any impact on changing the suffering trends which have taken shape during ESAP implementation (Financial Gazette, January 1998). ESAP has caused untold suffering in both countries (Zambia and Zimbabwe), for instance in Zimbabwe the congress of Trade Union

estimated that 30 000 jobs have been lost in the public service and over 50 000 in the private sector according to Sachikonye, L (Sachikonye, 1994:16) and in Zambia OXFAM (1993) announces that the number of children suffering from malnutrition in Zambia has risen from 1 in 20, to 1 in 5 over the past decade of adjustment (Oxfam -Action for Recovery, 1993:2).

In the wake of such untold suffering, most people in the SADC countries have tended to adopt some survival strategies, which include the following:

- (a) Adoption of multiple modes of social livelihood. This includes taking a extra job or moonlighting, involving more members of the household in work or inducing children to join the labour force.
- (b) Abandonment of existing role for more lucrative one. In rural areas, this may mean abandoning food crops in favour of cash crops and or joining petty trade activity. In urban areas, it implies joining the informal sector e.g. street-vending, small-scale production or trade. At the other extreme, it may lead to increase in social vices such as crime or prostitution.
- (c) Reducing use of modern medical facilities and relying more on traditional health providers (hospitals became expensive)
- (d) Shedding off family responsibility e.g. reducing family household size, withdrawing children from schools etc.
- (e) Reducing household consumption. This usually means cutting down on the number of meals taken in a day and/or substitution, cheap but less nutritious food stuffs for the relatively more expensive, yet more nutritious ones.
- (f) Relying more on informal sector moneylenders.

Adapted from Ibbo Mandaza's ((S.A.P.E.M Vol. 10, No. 12, 1997)

According to Mwanza A “these strategies represent a desperate transitory response to adjustment induced shocks and do not significantly reduce hardship experienced by households. Furthermore, anecdotal evidence suggests that such strategies are not sustainable and are not viable alternatives for the poor and vulnerable”, (S.A.P.E.M Vol. 10, No. 12, 1997). It should, however, not be forgotten that the central focus of this study is Zambia and Zimbabwe in the SADC region. In most of the SADC states, the term “structural adjustment” has become synonymous to “severe hardship”. This is largely because of the impact structural adjustment had on the lives of people in SADC region. What possible alternative policies can be recommended to bailout SADC from its untold economic morass? Should SADC continue to rely on IMF/ World Bank, to arrest rampant economic problems in the region. If not so, what “more endogenous” strategies can be adopted to lessen the impact of structural adjustment. The point is, SAPs in the SADC region, were and are very detrimental and highly innocuous to the lives of people, rather than yielding positive economic “spin-offs”, they have impacted extremely negatively on the region. SAPs have become a medicine

that kills instead of curing.

*Table 15. Gross Domestic Production by Kind of Economic Activity in Producer's Value at Constant (1970) Prices (In K' million)*

	1977	1978	1979	1980	1981	1982	1983
1. Agriculture, Forestry and Fisheries	168	169	160	166	180	159	172
2. Mining and Quarrying	470	495	391	399	433	433	469
3. Manufacturing	152	160	163	163	180	173	182
4. Electricity, Gas and water	59	76	81	85	91	97	98
5. Construction	90	82	69	79	61	65	48
6. Wholesale and Retail Trade	97	96	90	99	99	90	87
7. Hotels and Restaurants	17	18	17	20	24	22	22
8. Transport and Communications	60	61	63	57	60	60	58
9. Financial Institutions and Insurance	49	41	45	41	40	44	36
10. Housing and Real Estate	45	48	50	53	60	64	59
11. Business services	32	32	31	39	38	38	39
12. Community, Social and Personal Services	197	198	202	210	207	205	200
13. Import Duties	20	16	15	17	20	16	13
14. Less Imputed bank Charges	11	9	10	9	9	10	8
15. Total GDP	1447	1484	1370	1418	1484	1454	1477

(Source: Government of Zambia, 1987)

*Table 16. Year-to-Year Fluctuations in Sectoral Performance of the Zambia Economy*

	1977	1978	1979	1980	1981	1982	1983	Average Annual rate Growth (+) Growth (-)
<b>I. Total GDP</b>	-4.8	+2.6	-8.0	+3.5	+4.6	-2.1	+1.5	-1.1
2. Agriculture, Forestry and Fisheries	0.6	0.6	-5.9	3.7	8.4	11.7	8.1	0.5
3. Mining and Quarrying	-6.6	5.3	-21.1	2.0	8.5	0.0	8.3	-0.5
4. Manufacturing	-10.6	5.3	2.0	0.0	10.4	-3.9	5.0	I.]
5. Electricity, Gas and Water	23.0	29.0	6.6	5.0	7.5	6.6	6.6	11.2
6. Construction	-10.0	-9.0	-9.0	-15.9	-14.5	-6.5	-26.0	-8.9
7. Wholesale and Retail Trade	-10.0	-1.0	-7.0	10.0	0.0	-9.0	-3.4	-2.9
8. Hotels and Restaurants	-10.0	6.0	-6.0	17.6	20.0	-8.3	0.0	2.8
9. Transport and communications	-9.1	P7	3.2	-9.6	5.2	0.0	-3.3	-1.7
IC. Financial Institutions and Insurance	-15.1	-16.3	97	-8.9	-2.5	10.0	-10.0	-4.8
II. Housing and Real Estate	4.6	62	4.2	6.0	14.0	7.0	-7.8	5.0
12. Business services	-9.0	3.0	3.0	14.7	-2.6	0.0	2.6	1.7
13. Community Social and Personal services	+0.5	0.5	2.0	4.0	-1.5	1.0	-2.5	0.3
14. Import Ditties	0.0	-20.5	-6.0	12.0	17.5	-20.0	-18.0	-15.0
IS. Less Imputed bank Charges	-15.4	-18.0	11.0	-10.0	0.0	11.0	-20.0	-0.8

Source: Economic Reports, Various Issues

It should be remembered that the duration of the TNDP was disturbed by the implementation of (SAP). During the 1980s Zambian economic performance collapsed. The other problem was that Zambia's trading partners were also experiencing rising inflation as a result a great portion of the inflation pressure was due to rising import prices. The real GDP of the economy was trapped in a low-level stagnation, with output of goods and services increasing in one year and falling in another but never assuming a rising trend as shown by (Table 15). Apart from this (Table 15) depicts that GDP, having declined by 5% between 1976—1973 rose by 2% in 1978 and fell again by 8.4% between, 1978 and 1979. However, Table 16 reflects the fluctuations in sectorial performance of the Zambia Economy from 1977 to 1983 and the (Table 16) indicates a lot of decline in average growth. All this contributed to the whole scenario of economic malaise.

By November 1986, the following measures had been implemented (World Bank, 1986; Gullati, 1989).

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#### **4.12.1. External Sectoral Adjustment**

“Restriction of the administrative allocation of foreign exchange and introduction of foreign exchange countries” (Van Der Geest, 1994:29). Restrictions on import licensing and prohibitions were removed. However, reform of the tariff system to rationalise the structure of protection began, including the establishment of a tariff commission and the reduction of maximum duties to 100% and the extension of minimum duties of 15% to all imports except certain essentials and The Investment Act (March, 1986) provided tax incentives to encourage businesses which were export-oriented, domestic inputs, or were located in rural areas.

#### **4.12.2. Price liberalisation and Decontrol**

Price liberalisation, is a main feature of IMF/ WB conditionalities, together with decontrolling of prices (except roller meal and fertilisers). Price liberalisation and decontrol led to the rising of prices in all spheres of Zambian economy with the result that people could not afford to purchase some of the basics. This was an entrepreneur - friendly measure yet it was not good for the consumers. Consumers were left at the mess of the business people.

#### **4.12.3. Monetary Policy**

Interest rates on deposit and lending were liberalised and a system of daily customs for Treasury Bills was introduced. The impact of the measure will be discussed later.

#### **4.12.4. Agricultural Reform**

Agricultural “producer prices were improved and a method of price setting based on border pricing and marketing and transport costs was introduced, and the government agreed to increase price margins to cover two-thirds of marketing costs by May 1986, and full costs by 1987. In the past the National Agricultural Marketing Board (NAMBOARD) had the monopoly on maize and

fertiliser. However, this monopoly was obliterated by this reform policy.

#### **4.12.5. Rehabilitation of the Copper Industry.**

The copper industry was, per se, the backbone of the Zambian economy. However, because of faltering copper prices on the international markets and the rise of oil prices, the industry was beset with an array of serious and irresistible stumbling blocks, which consequently led to its debacle. It was, desperately, imperative to revitalise the industry and restore its might. However, the costs of doing so were to be felt later. However, significant measures to improve the copper industry were implemented, including the closing of uneconomic mines, the retrenchment of 4,000 workers and the introduction of improved management planning and control practices.

The closure of the so-called uneconomic mines led to huge layoffs and retrenchments. Most miners were found in a desperate situation in which their families and their dependants suffered because the breadwinners were thrown out of employment. This led to breaking apart of some families as most of the ex-Zambian miner made an exodus to neighbouring countries like Zimbabwe and South Africa to work in mines. In essence poverty in Zambia was worsened than reduced. However, it is worth noting that in a bid to restore stability and strength of the mining sector, the Zambia government led by Dr. Kenneth Kaunda, worsened the plight of the people of Zambia since most of them were left jobless and with the ever-spiralling standards of living most of the families just could not afford. In Zimbabwe after the commencement of E. S.A.P.I, most of the mines were closed for instance, Kamativi mine and most miners lost their jobs and their economic livelihood. Most of these workers were Zambian immigrant workers who had left Zambia after the collapse of copper mining. However, it proved to be impossible to reduce the tax burden on ZCCM or meet its foreign exchange requirements to allow it to reverse the decline in output.

Jone's "Zambian uneconomic miners", were a feature not uncommon in countries that accepted IMF/World Bank policies. The same phenomenon was rife in Zimbabwe after the implementation of World Bank/ IMF policies. According to (B.Z. 5, issue No. 95/1, February 1995) "the government finally closed the tin mine at Kamativi in mid-June after 40 years of operation". This was a classic example of Jone Stephen's uneconomic mines. With a population of 5,000, the closure of the

Kamativi mine marked the death-knell for the town. However, the WB/ IMF policies of restructuring, as shown by the above, had profound adverse impact on the lives of the people in both Zimbabwe and Zambia. Instead of alleviating poverty, the IMF/ WB policies deepened it. Instead of creating an affluent/ output working aristocracy, the WB/ IMF policies precipitated the destruction of that class and worsened the plight of their households and those that depend on them. The vaccine killed the patient while the doctor (IMF/ WB), ponders what steps to take next. Rehabilitation of the copper mining sector was a fiasco in Zambia.

#### **4.13. Structural Adjustment's Auction System and Its Impact**

The foreign Exchange Auction System that was decided upon by the Zambian government as part of the Structural Adjustment Programme, had a severe impact on the lives of the ordinary Zambians, both socially and economically, since it implied "a massive devaluation of the Kwacha. For instance, the first auction resulted in at least 100% devaluation of the Kwacha. In 1986, the rate against the dollar rose to more than K8 in one week in July and K15 in early December: May be, the fundamental starting point is to define what foreign exchange Auction System is. In October 1985, the Bank of Zambia announced the new system for determining the exchange rate of the currency. The Kwacha value would be determined by foreign exchange auctioning, under the auspices of a foreign Exchange Management Committee chaired by the General Manager of the Bank of Zambia, which would conduct weekly auctions and make allocations to government, the mining companies, the oil companies, Zambian Airways and Zambia-Tanzania pipelines. These institutions not included from bidding at the rate determined by the bidding process. The actual exchange rate would be determined by marginal bid, that is, the bid that would fully exhaust the weekly allocation of foreign exchange. Applicants were to submit their foreign exchange requests through their commercial banks. This process of foreign exchange auction system implied a lot of relaxation in the country's foreign trade policy and thus a lot of risk and costs.

It should be noted that, the foreign exchange system was a distinct departure from the previous system of foreign exchange allocation. The Bank of Zambia's argument was that "the system was designed to reduce subjectivity and corruption and also implement fundamental adjustment measures in the light of the country's major disequilibrium in its external payments, and also to

distribute foreign exchange impartially on the basis of underlying forces of effective demand and through this exchange value of the currency could be established (Mwape, 1985). However, the system did not seek to increase the supply of foreign exchange but rather to allocate the little that was available in the market.

As the Kwacha continued to fall, because of this IMF/ WB advised auction system, inflation also accelerated and created economic uncertainty as business operations and planning became increasingly difficult. As level of inflation rose, the prices of daily consumables, goods, like food rose exorbitantly. Rents and rates also sharply rose to meet the inflation rates that were now common place. Moreover, because of limited inflows of foreign exchange, the exchange rate rose sharply against the Kwacha, thereby making the local manufacturing sector unable to bid for exchange because it could not raise necessary Kwacha cover (Kaunga, 1985; Mwanza, 1992:20). With such local manufacturing sector problems, the problems were abysmally felt by the working poor, who faced retrenchments from the local manufacturing companies and employment in these sectors were frozen. Towards the “end of 1985, the Zambian government regarded rising inflation as the main problem associated with the auction (Ndulo and Norton, 1987:73; Colclough, 1988)”. The government is of ability to resolve the situation was crippled by the phenomenon of conditionality that accompanied the whole system of SAPS. Furthermore, “the fear of urban discontent and the bargaining power of domestic interest groups such as the Commercial Farmer’s Bureau and the Trade Union Movement further constrained government auction. For instance, an attempt to reduce the maize meal subsidy in 1986 provoked food riots in the copper belt region” of Zambia.

The collapse of the Kwacha as a consequence of inflation which was caused by Structural Adjustment’s auction system, profoundly riddled the finances of the members of the Commercial Farmer’s Bureau, since that, per se, (inflation), resulted in the serious increase of prices of Agricultural inputs like seeds, fertilisers and other chemicals. Inflation which was precipitated by the foreign currency Auction System, gave birth to an aura of abysmal loath towards the Zambian government led by Dr. K. Kaunda. As mentioned before inflation provoked the Trade Union members since it directly affected them. Discontent and disagreement with government’s IMF/ WB led policies become very serious in the 1980s as compared to the 1970s. Strikingly, in Zimbabwe,

this time, its not the Commercial Farmers' Bureau but the Commercial Farmers Union, which suffers a lot of problem from the ruling party and government of Zimbabwe. The inflation which was precipitated by the implementation of E.S.A.P.I, in Zimbabwe, like in Zambia resulted in a critical rise of prices of farming inputs and raw materials. With the depreciation of the Zimbabwe Dollar the Commercial Farmers found it very expensive to purchase raw materials both externally and internally. Thus, they had to compensate this by freezing salary and wage increments for their workers. This culminated in a vicious circle, which manifested itself in the form of agricultural strikes and huge retrenchments from the Commercial farms. Yet these commercial farmers in Zimbabwe are facing a threat of land acquisition programme. Critics, however, argue that this is useless scapegoating, and "whichever, way he turns, Mugabe is likely to find like Kaunda did, that his way is blocked" (Sunday Times, 22/02/98). These are some of the implications of structural adjustment programmes in the SADC region. They are both short-term and long-term. Some effects are manifested earlier but others can only be seen after a long time of suffering.

According to Mwanza "the unprecedented depreciation of the Kwacha (of over 900%) gave rise to a record inflation rate of over 60% in just 2 years. Major sectors of the economy such as agriculture and manufacturing which were to benefit from the structural adjustment programme were adversely affected" (Mwanza, 1992:20). Moreover, "contrary to expectations, capacity utilisation declined drastically since many local industries could not afford to import raw materials and machinery and as a result redundancies became prevalent" (Mwanza, 1992:20). As redundancies became rife, the plight of the ordinary Zambians worsened. Poverty ratios accelerated with uncontrollable rapidity. Thus instead of ameliorating the lives and standards of living of the Zambian people, IMF/ WB policies worsened their lot. However, "an impression was created that commodities were in plentiful supply during the foreign auction system and on the contrary that was far from reality" (Mwanza, 1992:20). There was generally low purchasing power in the country. Hence, "the majority of the people simply could not afford to purchase the commodities" Mwanza, 1992:20).

The situation, in which generally, the Zambian people could not afford to buy products, was a successfully hopeless situation. The alternative of increasing wages, was also viewed a likely causation of a vicious inflationary spiral. In fact "to opt for such a move would have been disastrous in the wake of a systematic decline of productivity, in the major sectors of the economy"

(Mwanza, 1992:20). This economic status quo, precipitated a calamitous economic and social milieu in which life was wholly difficult for both the producer, the consumer and the worker and thus his dependencies. All in all it should be noted that, the foreign exchange auction system detrimentally and insidiously impacted on the lives of Zambians. This marked a complete shift in economic trends in Zambia, from the economic prosperity epoch of the 1970s to a novel era of economic and social hardship. Support and credibility of Kaunda's government started to sharply decline, in the wake of these hardships. The government of Zambia's undoing was the excess funding of welfare state in the early stages of independence because state finances, were heavily eroded. So many problems were not anticipated during the period when the IMF -inspired Auction system was introduced. One of these problems was foreign currency owned by Zambians outside Zambia. One of the conditionalities of adopting a SAP was liberalisation and under this system of liberalisation holders of funds outside the country were authorised to bring in these funds either in cash or in kind and no question was asked about how people acquired that money. Under the Liberalisation policy, the owners of foreign currency abroad were allowed to purchase goods outside and bringing them to Zambia. The major problem with this system was that small companies and individuals brought in goods into the country and sold them at highly exorbitant prices, which were certainly unaffordable by the poor section of the Zambian population. Most of the Zambian population is constituted by the local peasants, thus these, could not afford the high prices charged and consumables/ daily basics and even luxuries just like in Zimbabwe.

It was very shameful of government to fail to arrest the situation in which people were overcharged for goods by the small companies and concerns. It was not surprising, however, that these imports fuelled the depreciation of the Kwacha against foreign currencies. Some of the funds generated from the sale of these imports were used to purchase Zambia's precious minerals which were then smuggled out of the country, thereby depriving the country of the possibility of expanding the export base through the enhancement of non-traditional exports. The foreign exchange auction system worked against the objectives of the IMF/ IBRD - sponsored structural adjustment programme. It had therefore to be abandoned if the Zambian economy was to undergo a genuine structural transformation and be saved from total collapse.

One of the sad features of the foreign exchange auction system was the misery it precipitated for

the ordinary people. Zambia had an acute problem of malnutrition. This largely because the ordinary people could not afford to purchase their daily basic owing to the rapid skyrocketing of prices and inflation. Most urban and rural households could not manage to purchase daily consumables because of the depreciation of the Zambian Kwacha, which culminated into price rises in all sectors of the economy. The consumers were exploited by traders through excessive profiteering. During the time of auction system it was the traders and the marketeers who made huge profits at the expense of the standard of living of the end user and efficiency of the producer.

Fertiliser and other agricultural inputs never came in time the planting season; inadequate funds adversely affected the transport sector leading to post-harvest losses. Furthermore, the devaluation of the Kwacha from K2.23 to US \$1 down to K21.2 to US \$1 caused escalating inflation and prices of maize, fuel and fertiliser were increased and others were decontrolled. Thus, small-scale subsistence agriculturally dependent household suffered as a result of the collapse of the Kwacha, which emanated from the foreign currency auction system.

The World Bank had expressed concern about the implication of the budget deficit on the money supply in the economy due to increase borrowing from the Banking sector. However, though this concern was fortified it should at the same time be observed that a large proportion of the deficit was in respect of subsidies on maize, which in turn, depended on the level of maize production and besides, it is not always correct that deficit financing necessarily fuels inflation.

Thus, far, it should be noted that “Zambia has been carrying out structural adjustment programmes over many years and has thus acquired enough experience to be able to design its own structural adjustment programme” (ILO, 1994). Hence the establishment of the New Economic Recovery Programme, a Zambian-type home grown structural adjustment. It marked a breakaway from the IMF/ IBRD sponsored programme. Given the above, it can be deduced, that structural adjustment in Zambia at every level and stage, had detrimental effects on the lives of Zambians in all sectors of the economy. Hence they decided to debar continuity of the programme by the introduction of home grown N.E.R.P. Chidzero, former Finance Minister in Zimbabwe once said ESAP in Zimbabwe was original and home grown.

#### 4.14. Food and Adjustment in Zambia

Food is one of those basic needs, which one cannot do without, therefore food prices should be kept at acceptable levels. Any attempts to raise food prices to unaffordable rates, will, "in toto", spark large-scale natural unrest. The standards of living for vulnerable groups can be affected drastically by any rise in food prices. In Zimbabwe, "there is no doubt that E.S.A.P is having wide-ranging effects. The most dramatic of these was the protest against bread price increase of September 1993" (BZS, March/ April 1994:9). On 24 September, for instance, the Chronicle carried what reads like a war report.

"Glen View yesterday turned into a battleground as hundreds of heavily-armed police fought running battles with resident in a bid to break the 15 day bread boycott ... In another incident demonstrators got violent in Mufakose and trucks delivering mealie-meal, beef and bread were barred from coming into the suburbs" (Britain Zimbabwe Society, March/April 1994:9). This reflects how serious the problem of food is in SADC. To touch Zimbabwe, at this level is not to miss the point but it is impart a sound comparative flavour to the Zambian case. When we experience such poverty indicators and social welfare barometers such as child welfare, it can be noted that structural adjustment profoundly impacted on the lives of people. For instance, the (Oxfarm, 1993) study announced that the number of children suffering from malnutrition in Zambia has risen from 1 to 20 to 1 in 5 over the past decade of adjustment (Oxfarm - Action for Recovery, 1993:2). This was a result of food shortages because the parents were now not able to afford the prices of food as a result of food policy changes in Zambia, which culminated in removal of government subsidy on food. It should be realised that "in Zambia, as elsewhere in Africa" adjustment is a response to two macroeconomic imbalances: the balance of payments deficit and the budget deficit, removal or reduction of the budget deficit, in particular, often has strong implications for food policy, especially where a significant part of government expenditure is channeled towards subsidizing domestic food consumption" (Van Der Geest, 1994:84). The need to reduce spending and therefore food subsidies, accompanied by the desire to raise agricultural production through higher price incentives, both conflict with the long-held objective of maintaining consumer prices of food at "socially acceptable" levels.

In the same breath, it is clear, that in this context it becomes imperative to focus attention on food subsidies, to Pearce., to consider ways of intervening more effectively in food market which channel resources to the most deprived sections of the community and the appropriate choice for any government will depend not only on its objectives viz., household food security but also on the administrative and financial resources at its disposal and obviously, inevitably, any decision will involve a trade-off between conflicting goals.

It is believed that the general maize subsidy in Zambia, which had been a feature of food policy for many years, became increasingly untenable. While the subsidy was successful in maintaining food prices at tolerable levels, its costs were spiraling and an attempt in December in 1986 to shift to a more selective policy failed due to popular reaction - food riots. In this scenario the government was put in a dilemma, to curtail its expenditure or to maintain the food subsidy; the desire to placate public opinion was a significant issue in the whole equation. Just, like her neighbour, Zimbabwe, the Zambian government also shoot dead people during Lusaka food riots and in other separate urban unrests in Zambia. In short, it should be noted that as part of structural adjustment programme of 1986, structural changes in food subsidy systems sparked, untold suffering and unrests in the rest of Zambia, apart from Lusaka and Kitwe.

Most countries in SADC, upon acquiring their independence, adopted socialist/ welfarist approaches to economic management. The opposite happened under structural adjustment, where market forces are allowed to determine economic purse. The objective of many food subsidy is to redistribute income so that the poorest receive food at a lower price than would be the role without intervention, while the costs are borne by those more able to afford them. However, the food subsidy system was criticized because a substantial proportion of the benefits was received by those who were not the most vulnerable to shortage. Moreover, the high rate of inflation coupled with a shortage of government finance for development investment and the slow growth in employment opportunities, meant that the cost of providing the subsidy were borne disproportionately by the poor.

During the structural adjustment era, the government of Zambia was caught between two fires. All over, the country unrests were common place. Owing to the ever-spiraling inflation ratios, the

Zambian currency became highly depreciated in value, so producers had to increase their prices for retailers. In turn retailers increased prices, which prices were a response to shocks in the economy. This is how unrests occurred. Most families had to cut food consumption to 2 meals a day. There was a growing tendency to purchase less expensive staff, which was not very nutritious than expensive nutrition. Resultedly, most communities suffered malnutrition. Access to education was reduced by expensive school fees. Lot of Zambians lost school opportunities in education because their parents could not afford the fees.

According to Richard Pearce, the coupon system introduced in January 1989 has reduced the cost of consumer subsidies, it can therefore be seen as a success in terms of budgetary objectives although it has precipitated widespread urban unrest. The Zambian government was in a dilemma as whether to remove food subsidy or cut budgetary costs or to leave it. However, the government made an abortive attempt to extricate itself from this dilemma in late 1986, when it introduced a form of self-targeting. The intention was that only the relatively inferior roller meal would carry the subsidy, while the preferred breakfast meal was to be sold at an economic price. The whole purpose was to make a distinction between the inferior subsidized meal and the superior unsubsidized. Thus this change occurred at a time when the government had made some apparently successful efforts to raise domestic maize production through the substantial increases in real producer, prices, it was aware of the need to control the size and distribution of food subsidies. Just like in Zimbabwe, the introduction of the new scheme went badly wrong and culminated in civil disturbances. Thus in the light of the above facts it can be arguably said that the problems lay not so much in the design of the scheme itself, but in the manner in which it was introduced. It appears to have been implemented without proper attention being paid to problems of supply or to the demands for the different grades of mealie-meal which would follow the new structure of prices. The inescapable fact is, the new price fabric was expensive. Furthermore, the decision was made to channel subsidies through the millers, rather than through the marketing parastatal NAMBOARD. The millers appeared to have doubled that they would receive the subsidy payments they had every incentive to maximize production of breakfast meal rather than ensure that there were adequate supplies of the still-subsidized roller meal. Consequently, the rapid disappearance of roller meal from the retail outlets meant that the majority of consumers were faced with a de facto overnight abolition of maize-meal subsidy without any opportunity to adapt their consumption patterns. This,

per se, was a severe blow to the citizens of Zambia. The removal of food subsidy in Zambia, was itself a process of sowing the seed of discontent amongst the general population and a time bomb which exploded later in the 1980s. However, the civil unrest which resulted led to the government abandoning the scheme and returning to the status quo. Since the structural adjustment implementation, which saw the removal of subsidy, mass unrest, riots, demonstration and killing by state security agents, have become rife. This was a major challenge, which the new government of Frederick Chiluba was faced with. In Zimbabwe, eruptions of the same nature took place to such an extent that government was sufficiently disturbed to send emissaries to Mabvuku – the then Minister of Industry and Commerce, Chris Ushewokunze, and Irene Mugabe, MP for Mabvuku North. During the recent bread riots, wrote a columnist after Ushewokunze’s death, “Chris will go down in Zimbabwe history as the first political leader who stood in front of the people and instead of promising them that the government would bring down the price of bread, boldly told them that if it was too expensive, then they would rather not buy it” (BZS March/April, 1994:10). Furthermore, “Ushewokunze’s press conference on 30 September repeated the now worn-out rationale about the withdrawal of subsidies to “channel resources to the productive sector” (BZS March/April, 1994:10). However, according to Britain Zimbabwe Society, “with better coordination the demonstrations might have achieved more, but that in any case they should be taken as a serious warning – a violent nationwide uprising can easily bring down a government after all it happened to Kaunda” (BZS March/April, 1994:10).

The withdrawal of the roller-meal scheme directly preceded a major government reassessment of economic policy. Since 1981 economic policy had broadly followed IMF guidelines, easing of price controls, gradual through substantial, devaluation of the Kwacha culminating in the introduction of auction system, and attempts to curb government expenditure on subsidies and the abortive attempt to reduce the maize subsidy in December 1986 was part of a wide economic strategy. Surprisingly and in a sudden new arrangement, in May 1987 co-operation with the IMF ceased, and the Interim National Development Plan was introduced. This led to the Kwacha price control reintroduction and revaluation. Nevertheless, the IMF’s economic strategy was only temporarily abandoned and the government adopted its own adjustment programme, which included a major devaluation in November 1988. Furthermore, the growing budget deficit and escalating rate of inflation made it necessary to reduce the unmanageable burden of maize-meal subsidies (Van Der Geest, 1994:86).

#### 4.15. The Coupon System and Food Prices

One of the aftermaths of structural adjustment programme, which detrimentally impacted on the lives of the people in Zambia was the coupon system. It was a system, which facilitated a gradual removal of subsidy element in the maize price and coincided with elimination of price controls on all other commodities. Urban consumption was subsidized through the distribution of food coupons of a given value, which could be exchanged for either quality of mealie-meal. It should not be forgotten that one of the main factors contributing to the breakdown of externally sponsored reform in 1987, was 1986 food price increase which provoked rioting in the main urban areas of the Copper Belt. However, the price increase, according to Stephen Jones, was an attempt to eliminate subsidies for more highly refined breakfast meal by increasing price by 120%, while retaining subsidies for less refined roller meal which was primarily consumed by the poor. This price increase was badly mishandled, because it sparked a lot of problems later.

Within this coupon system, for rural households, with the exception of those headed by government workers, consumer subsidies were abolished and this impacted heavily on food consumption and resulted in discontent amongst rural households. Since there was no overt attempt to target the subsidy in urban districts, where all households were eligible to receive coupons, the system initially operated as a form of rationing programme, effectively restricting the quantity of subsidized mealie-meal per household. Of significance, to notice is that, the subsidy for roller meal was supposed to be administered through the commercial millers but the arrangements for how this should be done were not significantly specified in advance and the millers were not confident that the subsidy would be paid, thus the result was that roller meal production stopped, leaving all urban consumers, facing the full price increase (Thomas and Wiedmann, 1988). Such full price increase, left to the urbaners culminated in large-scale discontent about the government and food prices spiraled to unaffordable levels. Urban food consumption was drastically affected. People dwelling in the urban areas of Lusaka, Kitwe, in fact the copper belt region, had to limit the number of meals they take per day to two most important meals that is breakfast and supper. Malnutrition levels amongst the children rose unlike in the 1970s. However, in the face of intense political pressure all subsidies were reinstated and the major millers nationalized and by 1987 maize subsidy bill was larger than the total government wages and salaries. It should be noted that the average of the food -coupon

system was limited; it was restricted to urban household and registration closed after two months of inception. Moreover, limits were put on the total number of coupons issued and on the maximum number in a household for whom coupons could be claimed. In July 1989, some modifications were enforced to the coupon system in a bid to enhance the targeting system. The system now improved some restrictions on the maximum annual household mainly for eligibility.

According to Stephen Jones this income ceiling remained fixed, while the retail price increased more than tenfold from its level before the introduction of coupons until May 1990 – the value of the coupon had also fallen from 29% of the retail price to 15% and this had a significant impact on the level of subsidy: by 1989, the budgetary cost of consumer subsidies had to be reduced by two-thirds. The impact of the effective price increase on the estimated 43% of urban households with incomes below the Poverty Datum line is likely to have been severe and a further round of price increase in June 1990 provoked further riots which were followed by the implementation of a number of offsetting measures.

Finally, “the conclusion of an evaluation of the coupon system (Pearce, 1990) was that “the manner of issuing coupons appears to have been designed with a view to minimizing expenditures, rather than ensuing food security, in particular the limited number of retail outlets covered. The lack of incentives for private retailers to participate in the scheme and the limited transferability of coupons which reduced the value of the income transfer to coupon recipients” (Van Der Geest, 1994:39). Furthermore, the current reform plan envisaged the elimination of all food subsidies (including the coupon system) by 1993 under the new government of F. Chiluba.

The coupon system did little to alleviate or stop price increase in food basics rather it led to the spiraling of the food prices such that there were no longer affordable to the common people. This kind of economic restructuring, brought more harm than good to the Zambian people, who at this stage now only dreamt of the glorious glamorous economic past of the 1970s when the copper prices on the world markets were good. All these food problems precipitated a chaotic and riotous scenario in which Zambia was at some stage reduced to a police state. Soldiers were used to ward off any insurgencies. People got killed.

## CHAPTER 5

### 5. SUMMARY OF THE IMPACT OF STRUCTURAL ADJUSTMENT POLICIES IN ZAMBIA

According to A, M, Mwanza “the implementation of the Stabilization Programme and Structural Adjustment Programme (SAP) began in earnest in 1978 and the impact on the economy was so profound and far-reaching that it destabilized the very basics of the Third National Development Plan (I.N.D.P)” (Mwanza, 1992:13). However, the social and economic impact of IMF and World Bank policies and programmes of different social groups in Zambia were adversely felt by women, children, peasants and the working class in general”. According to Chakaodza, the elimination of subsidies and the decontrolling of prices resulted in the skyrocketing of prices and as a result most Zambians were not able to cope with the high cost of living. The ever spiralling of prices profoundly impacted on the people basically because the cost of living was also raised. Life was just too expensive and unbearable. Producers raised their prices the retailers did the same, so too, the other middlemen did likewise, so in the end the consumers abysmally suffered.

The auction system and the coupon system, which followed, deeply eroded both economic and social livelihood of the erstwhile noble Zambians. In fact, those in the lower stratum of the Zambian society were affected severely. The majority of workers could not make ends meet owing to the fact that their wages had become consistently and constantly static. With static wages, the workers could not cater for the families and their dependents more adequately because the prices of daily basic sharply rose to unprecedented proportions. Prices of food were inflated everyday. Inflation took its toll as well. Consequences of the incessant inflation were so calamitous to the lives of Zambians. The big business that employed some people found it “inflation”, wholly handicapping their economic viability, hence they either had to freeze wage and salary increases or left the country and opened the same industry in other neighbouring countries. This had a sharp impact on employment levels. Employment ratios did fall.

However, many adjustment policies and programmes included wage restraints or a complete freeze

on wage and salary increases in the public sector. This was the case with Zambia. This heavily affected the teachers, nurses, doctors, clerical workers and administrators thus causing untold suffering in these categories of people. It has become a norm in Third World African post-colonial state, that when government is cutting down expenditure, it begins with the freezing of salary increases in the public sector and trimming the public sector. This is done in the belief that African bureaucracies are unnecessary big and bloated. Hence, there is need to trim them to enhance efficiency and effectiveness in service delivery and at the same time cutting costs. Most of the public sector gets privatized resulting in mass retrenchments and layoffs. According to Chakaodza, women in low-income urban and rural households, women, employed in the public sector and women cultivators suffered heavily from the impact of adjustment. Muntemba discovered, after carrying out a snap study in 100 households, that many households had stopped buying beef, chicken and bread during the adjustment period. However, the goods that no household reportedly stopped purchasing were consumables like mealie-meal and vegetables. Mealie-meal was purchased at a lower rate. Inadequate food supply and consumption resulted in the acute deterioration of the children's health. During the structural adjustment epoch, child mortality rate increased largely because of increased prosperity in incidence of anemia, malnutrition, malaria and diarrhea. The situation was due to a complex of factors, including continuing decline in economic conditions, rapid inflation, decontrolling of prices deterioration in rural/urban terms of trade, population increase, urbanization and drought conditions affecting large areas of the country. According to OXFAM all these factors also resulted in malnutrition.

Thus it can be safely argued that the IMF and World Bank policies and programmes were partly to blame for the rise in malnutrition and mortality during and after the adjustment era in Zambia. The majority of the peasantry and the working class were forced to live on bare minimum means. It should be pointed out that the devaluation of the Kwacha had a negative impact on local demand and this process had destabilizing effects on income distribution. It also resulted in large black marketeering because domestic inflation rose out of proportion and interest rate policy during the adjustment period made borrowing too costly, with the result that large numbers of companies went out of business, thus increasing the already high levels of unemployment.

As depicted in *Table 17*, the levels of inflation from 1970 up to 1990, drastically rose having a sharp impact on the exchange rate policy. In turn most producers found it very difficult to purchase goods abroad because of the serious depreciation of Kwacha, so the available options were to either close the industries or freeze wages. However, as from 1974 coming to the 1 980s when adjustment programmes were implemented, employment levels fell completely as shown by *Table 18* below.

**Table 17. Inflation and exchange Rate (1970-1991)**

Year	US \$/Kwacha	Urban C.P.I		Annual	
		Low Income	High Income	Low Income	Change in C.P.I High Income
1970	1,40				
1975	1,55	100,0	100,0	10,1	8,5
1980	1,27	202,9	189,4	11,7	11,9
1981	1,15	231,3	209,1	14,0	10,4
1982	1,08	260,2	236,7	12,5	13,2
1983	0,80	311,2	278,6	19,6	11,7
1984	0,56	373,5	336,8	20,0	20,0
1985	0,37	513,5	455,0	37,5	35,1
1986	0,16	778,4	707,2	51,6	55,4
1987	0,05	938,3	850,5	21,0	21,0
1988	0,125	171,1	-	54,4	54,4
1989	0,062		-	63,1	62,5
1990	0,025		-	-	15,0
1991	0,017		-	-	80
	(July)				(July)

Source: 1) Bank of Zambia, CSO, Various Issues, 2) Colelough, 1988

It should be noted that the combined effect of price decontrol, subsidy reduction and currency devaluation resulted in high inflationary pressures in the economy and contributed to economic instability as workers fought for compensatory wage increases at the time when formal sector employment was declining. The World Bank, was aware of the adverse effects of price changes on consumers and in order to cushion the impact on the poor, it advocated a 3 year period for the elimination of the maize meal subsidy but also suggested a cross-subsidy under which the high prices for breakfast meal would subsidize roller meal (World Bank, 1985).

Notably, a combination of inflation and unemployment gripped the economy during the early 1980s. For instance, by the end of 1983, wholesale prices of all goods had risen by 30% and consumer goods by 22%. The reform programme failed to eliminate the inflationary pressure, inflation continued and rapidly accelerated. As depicted by

*Table 17* inflation accelerated during the early 1980s especially after 1983, being propelled by in part, the devaluation of the currency (Colclough, 1988) (Mwanza, 1992:17).

**Table 18. Formal Sector Employment, 1964-85 (000 persons)**

Year	Total Labour Force	Number of Employees	Percentage Labour Force
1974	1430	386	27.0
1975	1 479	393	26.6
1976	1 527	370	24.2
1977	1 586	370	23.4
1978	1 641	367	22.4
1979	1698	374	22.1
1980	1 761	381	21.6
1981	1824	374	20.5
1982	1880	364	19.5
1983	1 938	365	18.8
1984	1998	364	18.2
1985	2060	362	17.6

Source: Republic of Zambia, CSO, Monthly Digest of Statistics, October/November 1985, Vol. 21, p.5.

The main cause of rising unemployment were capacity under-utilization, labour retrenchment, foreign exchange shortages and fluctuations in the construction sector. In Zambia by 1986, some 35% to 45% of urban households were living below the Poverty Datum Line. In the view of the same author, evidence further indicated that the rural income gap had narrowed down whereas in urban areas, the rich-poor gap had widened. In Zambia the collapse of urban income, was accompanied with a sharp contraction of the formal sector employment. Thus under the scenario “the prices and incomes commission argued that elimination of the maize subsidy was counter-productive since it would reduce the incomes of the urban poor by 3 8,9%,” (Odegaard, 1986). In other words, such a move would exacerbate income inequality and lead to a worsening of the living

conditions of the urban poor.

When attention is given to the adverse impact of structural adjustment to the health of the Zambian people, it can be noted that the health sector suffered seriously as a result of this economic restructuring programme. According to Mwanawina, “the health sector was adversely affected by the government’s excesses and economic mismanagement – the delivery of medical services had almost halted due to the shortages of drugs and equipment because of service deterred qualified medical personnel” (Adepoju, 1993:74). The situation in the health sector was aggravated by “an inadequate transport system, compounded by the poor state of roads” (Adepoju, 1993:75). The Ministry of Health estimated that its fleet of vehicles had been reduced to less than half due to the unavailability of spare parts and poor maintenance (Adepoju, 1993:75). It should be noted that “there were acute shortages of drugs and medical supplies, the health infrastructure was in a state of despair, and morale of the health providers was at an all-time low owing to poor remuneration and working conditions, thus as a result there was an exodus of medical doctors, with the number of doctors dropping from 621 in 1991 to 537 in 1992” (Wallace, 1997:143).

The whole essence of structural adjustment is cutting of expenditure on behalf of government. “Total government recurrent expenditure increased by 10% in 1989 in nominal terms and more than doubled (178%) by September 1990, an average annual increase of 98% for two years as depicted by *Table 19*” (Wallace, 1997:75). The president’s expenditure more than doubled in 1989 by 120% while it marginally fell by 9% in 1990, giving an average increase in 1989 and decline drastically by 55% in 1990, giving an average decline of 18% . this indicates a shift in government’s priorities against health services, rather than the effect of a shortage of funds, according to Mwanawina (Adepoju, 1993:75).

**Table 19. Impact of Structural Adjustment on Health in Zambia (Government expenditure on health)**

Year	Total	% Change	President (state house)	% <sup>a</sup> Change	Health	% <sup>a</sup> Change
1980	11)81,966		876		65,420	
1988	8,359,350		8,496		648,074	
1989	9,700,990	16	21,725	120	895.802	19
I 990*	26,946,453	178	52,659	-9	1,110,086	-55
<b>Average change</b>		<b>98</b>		<b>56</b>		<b>-18</b>

\*Only up to September

Note<sup>a</sup>: Percentage as a proportion of expenditure

Source: CSO. Monthly Digest of Statistics (Series April/Sept. 1983; January/April 1986; August 1990 and June 1991)

Government Printers, Lusaka.

**Table 20. Major causes of mortality among adults in hospitals (15 years or over)**

Major Causes	1987		1988		
	Number of deaths	% total	Number of deaths	of	%
				total	change
Accidents & injuries	541	6	531	5	-2
Diseases of heart	1095	12	915	9	-6
Malignant, neoplasia & leukemia	438	45	1058	10	142
Respiratory disease	997	11	1228	12	23
Pulmonary tuberculosis	1209	13	280	3	-77
Genito-urinary system	115	1	555	5	38
Senility/ill-defined causes, excluding new born	598	6	188	2	-68
Ulcers/appendicitis, liver disorder	184	2	343	3	86
Non-infective gastro-intestinal disorders	445	5	572	6	29
Malaria	896	10	1298	14	45
Disorders of pregnancy/ delivery puerperium	216	2	199	2	-8
Disorders of skin/subcutaneous tissue	88	1	101	1	15
Total Major	6822	73	7268	73	7
	9,283		10,120		9

Source: CSO 1995

However, between 1987 and 1988 the total number of recorded deaths increased by 9% as shown by *Table 20*, attributable to an increase in Malaria cases. Because of the structural adjustment programme, which emphasized the cutting of government expenditure, drugs were in acute shortage. For instance the University Teaching hospital, Zambia's largest hospital, had an average of more than 20 deaths a day and at the hospital, patients slept on the floor and those who were fortunate to get beds had no bedding (Adepoju, 1993:75).

If Zambia's most biggest hospital, the hospital did not have running water and most of the equipment was in poor working conditions. The hospital did not have steam for sterilizing equipment and sanitation was non-existence (Adepoju, 1993:75). Structural adjustment had a severe impact on Zambian health, to an extent that "in early October 1991, all the operation theatres were closed down, except one for emergency cases, as they had become a health hazard's to both medical personnel and patients and some specialized clinics were also shut, while elsewhere in the country, two or more general hospitals were closed for similar reasons (Adepoju, 1993:75). However, the new government of F. Chiluba, in 1992 had embarked on restructuring the health sector based on the principle that every able-bodied person residing in Zambia and earning an income, should contribute towards the maintenance of their health with emphasis on primary health care. Additional measures, including introduction of medical fees and legislation to allow the establishment of private clinics and hospitals were introduced in 1993 (Wallace, 1997:144). However, the quest for improving health care services is ongoing.

When specifically evaluating the impact structural adjustment on education in Zambia, it can be noted that education also abysmally declined. According to Mwanza "as in the case of health sector, funding for education also declined steadily - expenditure on the education sector increased in 1989 by 66%, then drastically fell in 1990 by 20%, giving an average of 44% as shown by

*Table 21.* Thus, this, viewed against a marked increase in total expenditure averaging 97%, again indicated a shift in government priorities rather than the effect of an across-the-board monetary squeeze resulting from the restructuring exercise.

Zambia got its independence earlier than Zimbabwe, most people went to work in the Zambia Copper belt. The copper belt was a major employer. With the implementation of structural adjustment programmes which advocated for a free-market approach to economic management, it was very difficult to effect such a shift. The fundamental problem was that, at independence Zambia created a welfare state of some nature. Socialist principles were used as guidelines in the management of state affairs. With the IMF/ World Bank, packages which advocated cuts in public spending, the public service of Zambia saw many people being retrenched. Even in the private sector, many people lost their jobs so they had to migrate to neighbouring countries in search of greener pastures. Most people in the mines lost their jobs. The education and health standards, and even the nutrition levels collapsed drastically. The government could no longer afford to sustain such services. Hence, the so-called IMF-strikes became commonplace. These largely came from workers, tertiary students, and the intellectuals. However, it should be borne in mind that structural adjustment policies have caused suffering as discussed above. Privatisation of government companies, caused many people to be retrenched hence, their economic-livelihood was robbed. Just like what happened to Zimbabwe after the implementation of structural adjustment programmes, there were job losses in the public sector and in the private sector. The health and educational standards, steadily deteriorated and strikes also became commonplace. So, looking at Zimbabwe and Zambia, it can be seen that structural adjustment programmes had negative results on the populace. The World Bank believes by implementing these programmes the socio-economic lives of the people in the SADC can be improved, like what briefly happened to the Asian tigers.

*Table 21. Government expenditure on education*

<b>Year</b>	<b>Total</b>	<b>% Change</b>	<b>Education</b>	<b>% change</b>
1980	1,081,966		120,377	
1988	8,359,350		474,539	
1989	9,700,990	16	936,756	66
1990	26,946,453	178	2,274,239	-20
<b>Average change</b>		<b>97</b>		<b>44</b>

Source: (CSO, 1993)

It should always be remembered that in 1993, Zambia had a population of 8 million, with a growth rate of 3%, thus funding of the sector both capital and current expenditure should have increased in order to maintain educational standards according to Mwanawina (Adepoju, 1993:76). However, as a result of SAP in Zambia, which emphasized on expenditure cutting this did not happen. The sector suffered. The government had set its aims, which, inter alia, were providing learning materials school desks and equipment, and reduction of illiteracy in both rural and urban areas. These objectives were not achieved due to financial constraints. In fact there was a huge disparity between the objectives and output. Just like her neighbour, Zimbabwe, the conditions of service for teachers deteriorated terribly and the educational infrastructure was severely run down to the point that where pupils sat on floors without textbooks and other facilities according to Mwanawina. Illiteracy was growing very fast. The non-existence of capital expenditure meant that classroom facilities lagged well below environment figures resulting in large classes and overcrowding, particularly in primary schools (Adepoju, 1993:76). In Zimbabwe, a system of shifts was adopted. Some pupils would attend in the morning up to 10:00 a.m. to 12:30 a.m. All this was a response to an acute shortage of educational resources, which shortages were an aftermath of budget cuts in the sector.

As far as secondary schools were concerned, places were only available to less than 20% of those who completed their primary education, while higher education was available to an even smaller proportion. According to Jacob Mwanza (Wallace, 1997:144), "the education sector - with an adult illiteracy rate of over 30% .has experienced similar problems to those observed in the health sector - dilapidated physical infrastructure; lack of equipment; shortage of qualified teachers; poor

conditions of service, and hence low morale with a staff exodus; high teacher-student ratios; and donor dependence". Faced with this problematic past, the new government of Chiluba, which took power from K. Kaunda, in the wake of mass food riots and large scale labour unrest, has envisaged in its policy measures to rehabilitate the crippled education sector. For instance in 1993, the government of community participation in education and private sector involvement in education. Progress in reversing the effects of adjustment in education, has proved to be slow and highly demanding in terms of prompting the government to introduce corrective measures. In 1994, a further impetus was given to decentralization as district education management boards and school management boards were asked to take full responsibility for teachers, pupils education infrastructure, school furniture and learning materials. But the fundamental question is whether such measures will redress the adverse impact precipitated by the implementation of structural adjustment by the Kaunda regime. Most of the qualified Zambian teachers and lecturers, went to neighbouring big-currency countries during that time, these were South Africa, Lesotho, Swaziland and Botswana. In these countries, they obtained very good salaries and working conditions. This mass exodus heralded a new era in the history of Zambian education, in which mere temporary teachers were engaged to work in government schools. This had a tremendous impact on production of good results, from the students.

When revisiting structural adjustment impact on employment, it is clear that labour was sharply affected by the reform programme. Labour force, constitutes around 30% of the total population, it proliferated rapidly at an average rate of 17% in the 1980-90 period as depicted by Table 58. In face of an ever-worsening economic crisis, the capacity of the productive sector too generate more jobs decreased over the years according to Mwanawina (Adepoju, 1993:76). Government of Zambia, however, reacted to two problems by absorbing more people and the Zambian Civil Service became the largest component of total formal employment as shown by *Table 22*.

*Table 22. Formal employment by sector 1988-90*

	1988	1989	1990	%change 1989-1990
Agriculture, forestry & fisheries	37,380	37,860	39,000	14
Mining & quarrying	56,810	56,340	56,810	0
Manufacturing	49,940	50,340	50,940	1
Electricity & water	8,720	8,820	8,940	1
Construction	29,830	29,350	29,060	-1
Distribution, restaurants & hotels	29,840	30,140	30,740	1
Transport & communication	25,020	25,320	23,650	-2
Finance, insurance, real estate & business services	23,360	23,780	24,180	1
Community, social & personal services	105,610	109,440	111,630	2
<b>Total</b>	<b>369,390</b>	<b>371,840</b>	<b>376,950</b>	<b>1</b>

Source: CSO 1990

It should be noted that the “marginalization of capital 1988-90 epoch, spending over the years seriously inhibited increased employment in the formal sector” according to Mwanawina. Unemployment stood at over 60% for the whole period of 1985-90 as shown by *Table 23*.

In the private sector, producers were facing serious problems of forex. Goods from abroad became so expensive because of the depreciation of the Kwacha against major currencies like the US \$ dollar, as depicted by *Table 24*, which reflects a gradual fall of the Kwacha against major currencies.

*Table 23. Population and labour force 1980-90*

Year	Pop. (million)	% Urban pop. As % of total	Labour force (formal sector)	Unemployment %
1980	5.68	40	1.65	62
1985	6.72	45	1.99	64
1986	6.95	46	2.70	64
1987	7.15	48	3.74	64
1988	7.35	49	3.78	64
1989	7.57	50	3.82	63
1990*	7.79	51	3.86	62

\*Provisional

Source: CSO, (po.cit)

*Table 24. Exchange Rate, Kwacha to US \$*

1964-72	1973-75	1976	1977	1978-79	1980	1981	1982	
0.71	0.64	0.79	0.75	0.78	0.80	0.88	0.93	
1983	1984	1985	1986	1987	1988	1989	1990	1991*
1.51	2.20	5.70	12.70	8.00	10.00	12.90	28.99	52.49

\* 1991 only 1<sup>st</sup> two quarters

Source: IMF (1990) International Financial Statistics, Washington DC: IMF; International Financial Statistics Yearbook (Series 1983, 1987, and 1888) Washington DC: IMF.

It should be noted that “the poor economic performance of the 1980s, unfortunately has continued in the 1990s and making matters worse, the labour force has continued to grow at a fast rate – about 4% annually – current economic reforms, before yielding intended results, are likely to add to the pool of the unemployed; – already in the first half of 1994 a total of 3,669 workers were declared redundant” (Wallace, 1997:145).

### 5.1. External debt problem and adjustment

Structural adjustment programme in Zambia has thrown Zambia into a deep pool of debt. Zambia has become one of the most indebted countries in the Third World. Economic problems confronting the African continent in general and Zambia in particular include economic instability, declining employment opportunities worsening terms of trade, inadequate export earnings and low – capacity

utilization in almost all sectors of the economy. The poor economic growth and persistent imbalance of payments positions are exacerbated by the continued existence of a combination of certain structural distortions and inherent in the economy. As a result the provision of essential public services and maintenance of infrastructure such as health education, communication, agricultural marketing facilities, provision of credit and extension services have adversely been affected, amidst a general situation of extreme poverty. It can be noted that the inadequate supply of foreign exchange has been a major constraint in the implementation of key social and economic programmes and projects both at the national and Sectoral levels.

However, the nature of the economic crisis confronting Zambia today reflects a certain dimension of despair when account is taken of increasing dependence on external funds in the financing of government and private investment and consumption and the difficulties are often compounded by the fact that access to external aid has, over the years, increasingly become conditional not only upon the mere undertaking but also fulfilment of prescribed World Bank and IMF - monitored structural reforms and performance criteria. Unfortunately the mining sector after the 1970s did not perform well thus Zambia had to rely on borrowing. As a consequence of foreign borrowing is the huge total external debt, which has, become a serious constraint on economic growth and development.

*Table 25. Total Debt Outstanding and Disbursed (ITS \$ Millions)*

	1980	1985	1986	1987	1988	1989
<b>Public &amp; Public Guaranteed</b>						
Long-term	2 146	3 159	3 767	4 374	4 194	4 093
Office creditors	1 501	2 542	3 179	3 758	3 671	3 517
Multilateral	397	732	987	1 235	1198	1 218
of which IBRD	346	370	460	555	508	501
of which IDA	2	105	190	260	254	253
Bilateral	1105	1 810	2 192	2 524	2 482	2 298
<b>Private Creditors</b>	644	617	587	615	523	570
Suppliers	288	217	214	138	188	202
Financial Markets	-	-	-	-	-	-
Private Non-Guaranteed	87	0	0	0	0	0
<b>Total Long-term</b>	<b>2 232</b>	<b>3 159</b>	<b>3 767</b>	<b>4 374</b>	<b>4 194</b>	<b>4 093</b>
IMF Credit	447	801	858	991	940	900
Net Short-term	586	676	1 018	1 089	1 364	2 220
<b>Total Debt</b>	<b>3 266</b>	<b>4 636</b>	<b>5 643</b>	<b>6 458</b>	<b>6 498</b>	<b>7 213</b>

Source: World Bank, October 1990

Table 25 above indicates how Zambia's foreign debt rose from US \$3,3 billion in 1980 to US \$7,2 billion in 1989. However, such a high level of indebtedness provides an important measure of the severity of Zambia's economic crisis; that the country's external debt exerts great pressure on the economy is evidenced by the extremely unfavorable debt ratios. The total debt to gross domestic product (GDP) ratios were 522,52 and 133,95% respectively in 1989, rising from 201,03% and 84,09% respectively in 1990. Table 26 below indicates Zambia's debt ratios (Mwanza, 1992:33).

*Table 26. Zambia, Debt Burden Ratios*

	1980	1985	1986	1987	1988	1989
Debt Outstanding to Export Rates	201.03	534.19	763.84	720.17	522.53	516.81
Debt Outstanding to GDP Ratios	84.09	205.82	339.04	312.99	162.57	136.95
Debt/Service Exports	25.35	15.87	48.99	24.01	14.19	12.09
Public and Publicity Guaranteed L.T.	17.68	10.12	17.88	14.88	14.14	10.63
Private Non-Guaranteed L.T.	2.51	0.00	0.00	0.00	0.00	0.00
<b>Total long-term Debt Service</b>	<b>10.12</b>	<b>17.88</b>	<b>14.88</b>	<b>14.14</b>	<b>10.63</b>	

Source: World Bank, October 1990

Total service payments mounted to US \$170 million in 1988 compared to the level of US \$88 million recorded in 1985, respectively an increase of 100% over the 3 years period. As shown by Table 27 although debt service arrears fell from US \$ 1,64 million in 1985 to US \$0,231 billion in 1986, they rose rapidly to the high figure of US \$1,88 billion in 1987. For a country undergoing economic restructuring these numbers/ratios of debt represent serious implications for the country's on going structural adjustment programme and other growth oriented effort. However, scarce financial resources are being committed to repayment and servicing of debt, which payments she always reschedule because of inability to do so. Finally, it should be noted that the heavily indebted countries in SADC and other regions should derive collective strengths from the realization that the debt crisis that confronts them is the concern of both borrowers and lenders; needless to say that the stability of the international monetary system depends on the extend to which the debt burden of the Third World is handled.

**Table 27. Payment Arrears (US \$ Million)**

<b>Total Ext. Debt Arrears of Whit</b>	<b>1 644.2</b>	<b>231.3</b>	<b>1 875.5</b>
Official Creditor	582.1	86.2	668.3
Multilateral	455.1	31.6	486.1
Bilateral	127.0	54.6	181.6
Private Creditor	103.5	35.6	139.1
Financial	59.9	16.1	76.0
Supplier	43.6	19.5	63.1
Rescheduled Debt	135.9	109.4	245.2
Bilateral	116.4	102.7	219.1
Financial	19.4	6.7	26.1
Short-term Debt	822.7		822.7

Source: Bank of Zambia, 1987 Annual Report.

## **5.2. Political costs of reform (Structural Adjustment) in Zambia**

It should be noted that the Zambian case is a clear testimony of the need for the reform -minded governments on the donor community (especially the IMF/IBRD) to take accounts of the social, political, ideological and economic fabric of the country in which to introduce the SAPs. Apparently IMF/IBRD, SAPs tend to be similar for all situations, irrespective of the obvious differences with little regard to factors such as the capacity or willingness of the government to

implement them, the strength of domestic interest groups and the existing structure of the economy. Allast, M, Mwanza argues that, in that regard the Zambian case is an example of how not to implement a SAP.

Structural adjustments have had serious consequences for governments. For the government of K. Kaunda, it was catastrophic. This is because of the political response that SAPs generally provoked from well-organized interest groups (Hawkins, 1991; Nelson, 1989; Haggard, 1985 and 1989).

In Zambia evidence indicates that the domestic interest groups were largely responsible for the failure of the adjustment programme during the late 1980s (Hawkins, 1991; Levi and Mwanza, 1987; Mwanza, 1990). The re-imposition of the maize meal subsidy after the 1986 food riots, the abandonment of the IMF programme in 1987 and the re-imposition of the maize meal subsidy and reduction of the maize meal price after the June 1990 food riots are all indicative of the strength of urban interest groups. The Zambian government had been trapped between two forces: the interests of the international donors and the military and the strength of urban interest groups. Because workers were adversely affected and the business people, they became a strong threat to the government. Zambia Congress of Trade Unions was at the forefront of all protest against the government. Thus as inflation and unemployment increased, so too did the militance of trade union movement which was joined by restless urban-unemployed, petty traders, the intelligentsia, the commercial farmers and the businessmen. As an aftermath of all this, the MMD - Movement for Multi-Party Democracy was formed and it won the elections in October 1991.

When the new government took over, it received some pledges from the donor community largely because they thought a new wind of change has come to the SADC regions. The most significant question is can a multi-party democracy fully implement an IMF/ IBRD type adjustment programme? If, as indicated above, the implementation of SAP evokes a reaction from interest groups, what will prevent the new government from quickly loosing popularity? In a country with such a degree of urbanization (51%) the level of interest groups participation and articulation tends to be high; thus, in that case, SAP implementation seeks to build alliances around the programme. In Zambia case the state must quickly build and support new constituents while in the meantime, compensating the losers in order to blunt the immediate possibility of Anti-SAP mobilization.

Finally, it is believed that there is evidence that the practice of structural adjustment is inherently undemocratic since it relies on a large degree of coercion and if that be true, the prospects for democracy with SAP are rather bleak in Zambia and the SADC.

### **5.3. Lessons: The Zambian Experience**

The lessons, which have been drawn from the Zambian experience with adjustment, are varied and manifold. It should be noted that Zambia has not yet succeeded in reversing the trends of declining investment and per capita income and ending fiscal and monetary instability. The major problem with the Zambian economy is that it is a mono-economy, which means it relies heavily on one sector for its earnings. It should be noted that the increases in real GDP during the 1987 and 1988 can be explained largely by a combination of high copper prices which together with reduced debt service (caused by the effective loan default) relieved foreign exchange constraints and the impact of favourable weather on agriculture. However, while some progress has been made in moving towards a more rational and flexible structure of price incentives, no alternative engine of growth for the economy emerged. The reform activity in Zambia has assumed a cyclical fashion.

The IMF/ WB policies have sparked a spate of hardships to some classes of the society in Zambia. A political stalemate was reached. The government was facing a threat from the labour unions and the business. At the same time, the need to please IMF/WB was there. In general the retreat from reform never unqualified and so a number of reform measures have survived each backtracking or stabilization failure. However, the legacy of failed reform has included some increase in the political consensus on the need for reforms, greater Zambian participation in their design and learning from past policy design and implementation errors. However, the failure itself may make the next stage of reform more difficult because it weakens the political regime, democratize the public service, discredits certain policy instruments, reduces the credibility of government policy commitments, and worsens the debt and reserves position. It is believed that three main factors may explain this cyclical obstacles; inadequate external responses; and weaknesses in policy design and implementation.

### **5.3.1. Internal Political Obstacles to Reform**

The reform programme from IMF/WB was met with a lot of urban unrest, hence according to Stephen Jones, “the most obvious barriers to reform was the threat of unrest from the urban poor who had become progressively dependent on food subsidies as the government sought to protect them from the national real income declines caused by terms-of-trade loss from the mid-1970s” (World Bank, 1994). In Zambia a proof to many countries the urban workers had considerable influence in the changing events during structural adjustment. Shockingly the reform programme in Zambia was only supported by the President and only 2 Cabinet ministers, otherwise all ministers within the ruling UNIP, were opposed to reforms. It should be noted that in Zambia the technocrats who attempted to carry through market-based reforms enjoyed protection from the President but were otherwise politically marginal and were under constant threat from the Party bureaucracy which paralleled the structure of government. Politicians interfered with the implementation of policies.

Bates and Collier (1991) concluded that during the 1980s in Zambia there was a basic political bias in favour of short run consumption interest and a lack of understanding of benefits accruing from reforms such as devaluation of the part of those who stood to gain from the reform. According to Kydd (1988) this was partly the result of a failure by the external promoters of adjustment to explain and justify the policy prescriptions: the IMF and CG (Consultative Group) members made only desultory efforts to convince the Zambian political elite about the validity of their prescription” (IMF, 1995).

### **5.3.2. Inadequate External Responses**

According to Stephen Jones “the stability, unpredictability of the response of aid donors in providing support to the reform programme despite the forming of the Consultative Group of bilateral donors and the coordination between creditors in the Paris and London Clubs, can also be blamed for failure of the reform efforts” (Van Der Geest, 1994:40). It should be understood that bilateral assistance failed to increase in support of reform until 1986, at the time, when commercial bank credits, were being reduced (Gulhati, 1990). Donor aid did not dwindle after 1986 and even the amount of debt rescheduling was also adequate: by the mid 90s it was already clear that the

volume of external debt was considerably in excess of Zambia's capacity to service it. The other problem was that the IMF/ World Bank were apparently unable to exercise sufficient influence over bilateral donors and foreign creditors to ensure the level of external support envisaged as necessary. Finally, one of the chief obstacles was that the default on World Bank/IMF debt put severe limitations on the procedure of how multilateral agencies were able to operate: the first priority of reform efforts had to be to resume the flow of payments of external obligations. The foregoing, however, were some of the stumbling blocks towards reform efforts in Zambia, during the time of Kenneth Kaunda.

### **5.3.3. Weaknesses in Policy Design and Implementation**

- (i) Weaknesses in policy design categorically falls into five fold classes. Firstly insufficient attention was paid to the problem of managing transition to a desirably reformed economy, compared to that accorded to diagnosis of the problems, according to Stephen Jones. As noted by Kydd (1988b), in the context of agricultural reform:

“The thrust of the World Bank's 1983-5 analysis of Zambia agriculture was to demonstrate some of the deficiencies of existing policies and to convey some notion of what the sector might look like, in terms of crop mix, with less distorted i.e. more free market policies. But the focus on an assessment of the structure of protection for each crop shed only limited light on the question of appropriate policies” (Van Der Geest, 1994:40).

- (ii). Inadequate attention was given to the political and social effects or impact of reform, especially in the context of the elimination of subsidies. According to the World Bank/IMF the economic resources programme involve removal of subsidies over a period of 3 years (1984 - 1987). No review of subsidy elimination was included in the programme and no significant attention was paid to developing alleviating measure for the poor before 1986 and systematic identification of vulnerable groups and assessment of the impact of reform on the only began during 1990 (Prices and Incomes Commission, 1990). Furthermore, insufficient attention was also given to the possibility of compensating vested interests who stood to lose from reform and were able to block key measures.

- (iii). The reform programmes were generally perceived to be externally imposed and insufficient attention was paid to their "localization". However, "it could be that the process of formulating the N.E.R.P was around in promoting the policy learning process as it was entirely internally generated and required extensive policy analysis (Bates and Collier, 1991). Thus, this event may have been significant and useful towards the development of more effective reform policies.
- (iv). It is believed that the policy reform attempted appears to have been too complex and ambitious in seeking to achieve simultaneous radical reform in almost every sector of the economy, given the limited implementation capacity of government (Van Der Geest, 1994:41). The 1989, Policy Framework sought to continue this trend: in fact this programme is even more complex as it incorporates additional measures to alleviate the impact of reform on the poor (Republic of Zambia, 1990).
- (v). Finally, it should be concluded that insufficient attention was given to the formulation of targets and projections of assistance required to the extreme vulnerability of the economy to foreign — exchange shocks. According to the World Bank, only in 1989 Policy Framework was a financing mechanism contingent on copper prices proposed (World Bank, 1989). According to Jones if copper prices exceeded the projection, a proportion of the surplus would be allocated to reduce the financing gap and to increase reserves; but the main error on the side of policy implementation was continually to delay carrying out fundamental adjustments in relative prices, particularly exchange-rate devaluation.

The Zambian government badly managed the reform programme. Kayizzi-Mugerwa noted "the excessive attention that was paid in macroeconomic policy to the preparation of long-term plans, for a period of more than 10 years, the country was saddled with plans that had little or no impact on what was actually happening in the economy which represented a waste of Zambia's limited economic analysis capacity (Kayizzi-Mugerwa, 1990). In the same breath, the process of financing retrenchment in particular was implemented in a manner (emphasizing the cutting of recurrent departmental charges without significant reduction in the public-sector workforce) which was extremely damaging to government effectiveness.

Finally, however, it should be noted that the fiasco of the structural adjustment reform effort was that inadequate attention was given to the need for a stable policy environment in order to boost investment and business confidence. The lack of productive investment in the country, contributed to an aura of uncertainty, which in turn generated lack of confidence in the reform programme.

#### **5.4. Recommendations and Conclusion**

- (i). Democracy should be looked at in a more broader perspective in Zambia. Measures should be taken to effect a political culture of public participation in economic development. It should be realized that multi-party politics, per se, do not offer long-term solutions to economic problems of any society but rather is the content of the policies and programmes that matter more.
- (ii). Diversification of the economy is of paramount importance, if economic growth is to be achieved in Zambia. The government should shun excessive reliance on copper exports. There is need to expand the agricultural sector and the manufacturing one. This will generate employment and in turn reverse the negative inputs of structural adjustment programme in Zambia with increased efforts by government to privatize copper mines, agriculture might provide some employment to the people. For instance in 1996 “Cyprus Amax of the US bought 80% of Kansanshi copper mines from ZCCM on terms which could ratchet up payments of \$48 million over a number of years” (African Business, October, 1997, No. 225)
- (iii). It is necessary to promote regional cooperation and integration through such bodies as SADC and PTA. Trade amongst countries in the PTA may boost their economies.
- (iv). An important issue in the whole adjustment saga is how it is implemented. It should be noted that some of the policies advocated by IMF are desirable for example no-one quarrels with the idea of paying farmers more as Chern suggests or introducing multi-party democracy. However, it is essential that the IMF and the World Bank and other donors design aid programmes which focus more closely on low-income groups and the African

governments themselves must make a commitment to helping 45% or so who make the poorest section of the population but how to help the poor is an important question.

Given the foregoing it can be noted that Zambia's macro-economic performance did not improve after the implementation of IMF/World Bank Structural Adjustment policies rather it fell as depicted by *Table 28*. At independence the economy was very viable and few years later, inconsistencies and complexities, in Copper price fluctuations also contributed to the economic malaise, which Zambia faced. Real GDP per capita collapsed after the reform effort.

*Table 28. Zambia's Macro-Economic Performance*

	1986	1987	1988	1989*	1990 estimate
Real GDP (%increase)	0.9	2.2	6.3	0.1	0.9
Real GDP per capita (%increase)	-2.7	-1.4	2.9	-3.5	-2.8
Real Non-mining GDP (% increase)	5.0	-0.7	8.8	-1.0	0.4
Export Growth Rate <sup>a</sup>	-19.9	24.3	33.2	22.1	-11.5
Non-metal Export Growth	-16.7	9.8	24.7	-13.9	33.5
Import Growth Rate <sup>a</sup>	-18.2	13.3	15.2	15.1	8.7
Real Import Growth Rate <sup>b</sup>	-29.4	3.0	9.4	24.1	0.9
Gross Domestic Investment (% GDP)	23.8	13.9	12.3	8.7	14.8
Government Deficit (% GDP)	-28.6	-10.9	-12.1	-9.3	-8.0
(excl. foreign interest)	11.8	2.7	-7.1	-6.1	-4.5
Consumer Prices <sup>c</sup> (% increase)	52.4	44.4	54.3	124.6	n.a
Money Supply (M2) (% increase)	93.1	54.3	61.6	50.2	40.0
Commercial Bank Lending Rate (%)	33.5	18.4	25.0	35.0	n.a.
Debt Service (accrual) <sup>d</sup>	109.9	99.7	79.2	56.5	65.8

a Exports fob, and imports c.i.f. in current US \$.

b Imports of good and non-factor services deflated by manufacturing unit value.

c Index with 1980=100

d As percentage of exports of goods and services; it does not include reduction of arrears.

Source: World Bank (1989, 1990)

The foreign exchange auction system precipitated calamitous results for Zambia. Inflation rose drastically and prices generally skyrocketed, acutely as shown by the *Table 29*. The fundamental problem was that with huge unemployment and retrenchment that occurred as a result of structural adjustment reform, people could not afford the prices of goods. Food, clothing, rent and fuel all went up, culminating in separate but well organized yet catastrophic upstarts across the country, in Lusaka, Kitwe and the Copper belt region. The government of Kaunda lost popularity. It should be noted that inconsistencies inherent in consumer subsidy for maize as shown by *Table 30* overleaf sparked problems. The people did not accept increases in prices of maize. Just Like in Zimbabwe in 1998, when the government announced that it will increase prices, the people did not want such a move so, they resorted to strike. The Z.C.T.U the official organ of workers, also resisted tax increases by the government. In both countries structural policies, have left an everlasting mark, in terms of socio-economic development. The socio-economic fabrics have been left fragile and volatile.

Economists from the World Bank have focussed a 2% increase or rise for the economy of Zimbabwe but still they argued that without improving governance systems in Zimbabwe, and without making transparent, the policy making process, the economy is going to collapse. They further argued that its, because of the Land Policy, high tax regime and adventurous costly military expeditions to the D.R.C. (Business Report, 14/01/1999).

*Table 29. Annual Increase in Consumer Prices*

<b>Year</b>	<b>All items</b>	<b>Food etc.</b>	<b>Clothing etc</b>	<b>Rent and Fuel</b>	<b>Household Goods</b>	<b>Other items</b>
<b>Low-Income Group</b>						
<b>Weight</b>	<b>1000</b>	<b>680</b>	<b>99</b>	<b>106</b>	<b>44</b>	<b>71</b>
1981	14	15	7	9	26	5
1982	12	14	10	3	19	14
1983	20	21	11	10	36	23
1984	20	19	15	32	30	18
1985	37	36	43	26	47	47
1986	52	50	54	31	104	63
1987	43	45	58	13	57	41
1988	56	58	72	42	24	49
1989	125	131	104	84	147	205
<b>High-Income Group</b>						
<b>Weight</b>	<b>1000</b>	<b>360</b>	<b>98</b>	<b>195</b>	<b>79</b>	<b>268</b>
1981	10	13	8	2	20	6
1982	13	24	9	3	15	14
1983	18	20	13	9	27	18
1984	21	17	15	35	22	16
1985	33	38	44	9	46	36
1986	58	55	51	45	81	69
1987	54	62	55	46	78	41
1988	45	62	68	7	36	44
1989	106	140	98	9	136	137

Source: Prices and Income Commission (1990)

*Table 30. Nominal Consumer Subsidy for Maize*

Year	Subsidy (% retail price)
1970	26.0
1971	29.0
1972	29.0
1973	32.3
1974	44.1
1975	65.6
1976	61.1
1977	71.7
1978	55.4
1979	14.8
1980	39.3
1981	19.7
1982	11.9
1983	0.00
1984	5.8
1985	27.6
1986	59.5

Source: Kumar (1988)

As shown by *Table 31* below, the external debt of Zambia increased and repayment was postponed. External debt crippled Zambia's economic livelihood and investor confidence. A highly precarious economic situation was created. The social life of people considering employment, health, education and labour was impacted on. According to Mwanza, "a rather disheartening aspect of SAP, implementation was that in Zambia, the policy package appears rather contradicting and the policies not mutually sustainable" (Mwanza, 1992:45). Imagine, for example, that the objective is to reduce inflation and control government expenditure —experience shows that accompanying measures such as price decontrol and devaluation will further strengthen inflationary pressures and make it difficult to control spending, at least in nominal terms. Domestically, currency devaluation and interest rate decontrols further increase the cost of borrowing and reduce investment, indeed investment does not flourish under conditions of extreme instability and uncertainty that so often accompanies the implementation of SAPs.

*Table 31. Structural adjustment and External Debt*

External debt

(\$mn unless otherwise indicated)

	1985	1986	1987	1988	1989	1990
Total external debt of which:	4637	5707	6599	6832	6739	7223
Long-term debt	3159	3792	4428	4415	4196	4786
Short-term debt	677	1057	1179	1476	1643	1488
Use of I~ credit	801	858	991	940	900	949
Public disbursed debt of which:	3159	3792	4428	4415	4196	4784
Multilateral	733	980	1234	1210	1244	1420
Bilateral	1803	2212	2562	2580	2319	2824
Private creditor of which:	624	601	632	626	633	540
Commercial banks	70	70	70	70	70	70
Debt service of which:	139	317	153	164	177	178
Principal	72	230	90	96	112	115
Interest	68	141	63	68	65	62
Total external debt/GDP (%)	229.4	414.6	373.7	205.8	154.2	216.2
Debt service ratio(%)	16.1	50.1	17.0	13.1	12.4	12.8
Short term debt/total external debt (%)	14.6	18.5	17.9	21.6	24.4	20.6
Concessional loans/total external debt (%)	26.9	25.8	26.9	26.7	23.9	29.6
Variable interest rate loans/total external debt (%)	10.7	11.3	10.4	9.1	8.6	9.2
Interest in arrears on long-term debt	170	157	356	521	803	813

Maturity of over one year. Total debt service as a proportion of exports of goods and services.

Source: World Bank, World Debt Tables.

Adopted from the Economist Intelligence Unit

According to Mwanza, "this case study has to conclude with a somewhat bold assertion that multilateral or bilateral donors rarely, if ever, practice altruism unless they have interests to protect; for the poor countries evidence indicates that unless the SAP project undergoes a radical restructuring itself, it will not provide a meaningful solution to the economic crisis" (Mwanza, 1992:45). It is difficult for a poor country to bail itself out of economic problems within a global framework. It is believed that structural change requires time and is of unknown duration but the painful effects of SAP policies are felt almost immediately; any SAP has to include measures to soften the blows of change which are often manifested by rising inflation and unemployment and thus creation of poverty in the copper giant.

## CHAPTER 6

### 6. STRUCTURAL ADJUSTMENT AND LONG TERM POLICY PERSPECTIVES (ZIMBABWE AND ZAMBIA)

According to Rolph Van Der Hoeven and Fred Van Der Kraai, “most participants agreed that, when they were started in Sub-Saharan Africa, in the early 1980s, Structural adjustment policies were intended to deal with the continent’s external crisis as quickly as possible by bringing about internal and external balances enabling the various countries to return to a more traditional development pattern in which foreign donors would provide support through project lending and inflows of capital” (Van Der Hoeven and Van Der Kraai, 1994:181). However, as Toye indicated “in order to ‘sell’ the concept of policy-based lending within the World Bank, adjustment policies carried high expectation which were often not justified given the weak institutional capacities of many Sub-Saharan African countries and the ambiguous theoretical underpinnings of the functioning of their economies” (Van Der Hoeven and Van Der Kraai, 1994:181). The fundamental problems which most African countries in the SADC faces is in their weak infrastructural and institutional capacities. Such weaknesses, however, in terms of their effect to the success SAPs in the region, were underestimated.

In the view of Hussain for policies to be more effective and to contribute to long-term development, a distinction should be made between stabilization and adjustment policies and that stabilization should precede adjustment. In majority of cases policies for stabilization culminates oftenly in economic contraction. Hussain also argued that adjustment policies could not be effectively implemented if they were not complemented by proper investments in infrastructure by a building up of human capital and by an enabling political environment:, more specifically he stated that adjustment was not enough to bring about significant changes that would benefit the poor. In all countries in the SADC region were the adjustment policies had been implemented the poor people always found themselves to be vulnerable. Their plight never, changed but it was abysmally aggravated. The social impacts of adjustment programmes were mostly felt by the poor in the society. If we examine both Zambia and Zimbabwe, mostly the poor rural and urban people suffered. So in any future adjustment policy adoption poverty concerns, should be taken into

account when designing structural adjustment policies and programmes.

It is important to realize that “in order to encourage long-term development, social action programmes public expenditure measures, environmental sustainability and appropriate foreign investment and Sectoral lending, especially for small holder agriculture, for human resources and for infrastructure, are all important. In order for long-term development to take place, most “adjusters” in the SADC region should make a colossal endeavor to obliterate huge sums of debt they owe and reduce aid inflow. Van Der Hoeven, like many African researchers and scholars agree that SAPs should lead to equitable long-term growth in a situation in which African countries are less vulnerable than they are today. To Okeyo the most significant question was namely how the masses cope with adjustment and it is up to African countries to come forward with solutions which should not only be of a macroeconomic nature but more attention needed to be given to the interface of adjustment policies and to capabilities of institutions to carry forward the necessary changes as well as to unravel the effect of negative external shocks” (World Bank, 1994). Structural adjustment programme in SADC should take a long-term development paradigm and sturdy measures should be taken to eschew chances of the programmes impacting negatively on the people, which so far has been the case with most SADC countries including Zambia and Zimbabwe. In both countries the first phases of structural adjustments have been implemented and majority of the people are critically enduring the social effects of adjustment. Both countries have now entered second phases. In Zimbabwe, the novel-second phase has been dubbed ZIMPREST (Zimbabwe Programme for Economic Social Transformation). This programme is a new programme hoped to redress ESAPI, ills and problems. But surprisingly it has started on a more fragile and harmful angle and premise so that its very doubtful that on a long term it will remedy the impacts of the first phase. In Zambia, the Chiluba government has taken over and adjustment is in the second phase. With its increased efforts to privatize most of its copper mines Zambia’s second phase of adjustment is likely to do better. However, it should be noted that all adjustment efforts should be long-term in orientation than short-term. The adjustment policies should have a long-term flavour in terms of yielding positive “economic spin offs”.

## **6.1. The role of the World Bank in African Long Term Development – Policies in SADC.**

According to Robert Cassen and associates, “although the IMF is not an aid-giving institution, no discussion of policy dialogue can be complete without an account of the central influence of the findings on economic policy-making in deficit countries” (Cassen R and Associates, 1986:74). It is argued that although there is no formal requirement in practice a fund programme is vitally a sine qua non for countries wishing to negotiate a SAL from the World Bank. “With its command of the concessional lending facilities of IDA (now much diminished) its mandate to deal with long-term development strategy, its international and country – specific capacity for research, and policy analysis and its research, and policy analysis, and its experience of policy dialogue in donor consortia and consultative groups, the World Bank was ideally placed to establish a facility providing balance of payments lending in support of long-term adjustments for low-income countries”, argues Cassen and Associates (Cassen and Associates, 1986:80). It should be noted that the World Bank’s approach to adjustment is guided by the institution’s overriding objective: the alleviation of poverty and the improvement of people’s living standards (Van Der Hoeven and Van Der Kraai, 1994:166).

Focus in the SADC should be given to the whole issue of addressing and redressing the impact of structural adjustment. The World Bank should focus on the long-term development needs of the recipient countries. To all countries that has implemented SAPs, the consequences were calamitous, poverty has deepened, unemployment worsened because of huge retrenchments, inflation rose sharply making prices of goods totally unaffordable by the citizenry. So the primary focus of the bank should be now to address these issues on a long-term perspective lest, the level of suffering deepens. The people’s living standards should be ameliorated on a long-term basis. Adjustment lending has always been poverty-focussed albeit the fact that it worsens it. Recipient countries already have reduced people’s lives to poverty because of the World Bank’s structural adjustment policies with their conditionalities, which handicapped individual country’s livelihood to select programmes of poverty alleviation which best suits them.

As adjustment lending has become increasing poverty-focussed, attention has been given to safety nets and to restructuring public spending according to Ishrat Hussain. In majority of cases nutrition

programmes, labour intensive public works and targeted food subsidies were all used as safety nets. According to Ishrat Hussain, the restructuring of public expenditure has taken the form of maintaining or increasing the share of expenditure on social services, particularly basic social services. This approach, in toto, has led to large-scale suffering of the people in the SADC region. Reduction of public expenditure on education, health, and welfare resulted in poverty in the region. So on a long-term basis, any plan to restructure the economy should take cognizance of the likely detrimental impacts which these programmes would have on people, especially the poor in the society.

In the view of Ishrat Hussain “social funds and social action programmes were originally established to protect those adversely affected by adjustment, but they can also operate as wholesale financing mechanism that target the poor” (World Bank, 1995). These programmes can increase political support for stabilization programmes if they are run properly. The Bank has supported 19 of these interventions in 17 countries, including 11 in Sub-Saharan Africa. In most cases these programmes channel resources to small, demand-driven sub-projects proposed by local groups (usually a NGO) or a local government agency when these projects are implemented, they require the support of local government, private sector groups and NGOs.

It should be noted that the reviews of public expenditure undertaken by the Bank staff in collaboration with African governments focus on intersectoral and intrasectoral tradeoffs and contribute to the restructuring of public expenditures. However, it should be noted that possible imbalances between capital and recurrent spending, analysis of social safety net programmes for cost-effectiveness and coverage of target groups, and the impact on the conditions of the poor are issues that enter the policy dialogue between the Bank staff and governments.

In the future the Bank is strongly encouraged to consider environmental issues because the Bank loans have not seriously considered environmental issues. However, a 1989 study of adjustment lending operations found that there was no conclusive evidence that policy changes associated with adjustment lending were necessarily related to environmental degradation (World Bank, 1989b). The study apparently concluded that adjustment had a positive impact on the environment. It is believed that using a partial equilibrium approach it demonstrated that there were many potential complementarities between major adjustment policies and environmental goals - primarily through

measures designed to improve efficiency and reduce wasteful use of resources: for example, changes in producer prices for agricultural export taxes may have important consequences for soil production and erosion. It should be noted that there are arguably several reasons for the lack of consideration of environmental issues in adjustment. Of crucial importance is the inadequacy of the understanding of the mechanism through which adjustment affects the environment. However, the heightening of awareness of environmental issues and the building of in-house capacity to assess the impact of these issues are slowly and gradually enhancing the Bank's understanding.

Finally, it should be noted that "a serious misconception exists that the World Bank is assisting African countries through structural adjustment lending only. Adjustment lending accounts, on average, for only 30% of the Bank's total lending to Sub-Saharan Africa (although in 1993 it was only around 22%), while 70% goes to investment and sectoral lending" (World Bank, 1994). In 1991-92 more than 80% of total lending was allocated for investment in small holder agriculture, human resources development and infrastructure. Thus in the coming years, the Bank expects an even stronger thrust in the field of the environment and in combined population - agriculture - environment -related projects, according to Ishrat Hussain. In short, in future, the Bank will have to consider, manifold factors, which are completely long-term for adjustment purposes. There should be a drastic shift of paradigm as far as SALs are concerned, to a more long-term approach especially when looking at SADC region.

## **6.2. Policy Options for Zimbabwe and Zambia.**

Structural adjustment programmes have been arguably thought by the recipient of IMF/ WB funds as viable penance, to their economic ills. Little did these "adjusters" know that, structural adjustment would not yield immediate economic 'spin offs' but rather they precipitated untold suffering in the SADC region. Thus the adoption of SAPs, as instruments of economic healing, was their undoing. If Zambia and Zimbabwe are to be carefully examined nothing, much has been achieved. Adjustment programmes have negatively and detrimentally impacted upon the lives of the citizenry in SADC. The implementation of structural adjustment policies heralded a novel epoch, in the history of the SADC region, in which budgetary deficits, unemployment, inflation, poor health facilities, lack of drugs, inadequate education facilities and mass exodus of qualified

manpower to neighbouring, powerful-currency countries, are rife or common place. Economic development is also stifled by external debt. Most countries in the SADC region are wholly crippled by the huge sums of debt they owe international financial institutions. For instance Zambia and Zimbabwe, as depicted by *Table 32*, they are heavily indebted and surprisingly, they continue to borrow money from the IMF/WB to finance new economic programmes.

**Table 32. External Debt (SADC)**

	Current Account Balance before Official Transfer (US\$ million) Cover		Gross International Reserves in Months of imports as % of Exports.	Total External Debt as % of Exports	Total External Debt Service as % of Exports	
	1970	1993	1993	1994	1980	1994
Botswana	-35	"	"	32.3	2.1	4.3
Lesotho	-1	-376	1.8	331.9	1.5	16.9
Malawi	-46	-221	0.7	523.0	27.7	17.4
Mauritius	5	-96	4.8	68.1	9.1	7.3
Mozambique	"	-820	2.2	1,388.7	"	23.0
Namibia	"	179	0.3	"	"	"
South Africa	-1,253	1,743	1.4	"	"	"
Tanzania	-37	-935	2.1	877.5	25.9	20.5
Zambia	107	-471	1.3	560.1	25.3	31.5
Zimbabwe	-26	-295	1.8	"	3.8	31.1 <sup>1</sup>

<sup>1</sup> 1993

Source: World Bank, World Development Report 1995 and 1996

The service of their external debt is very poor, because their economies are not performing well. Nothing much has been realized after the implementation of the structural adjustment programmes. Otherwise, when profoundly looking at the negative impacts of the structural adjustment programmes, certainly inflation is inescapable. Most countries in the SADC region, which have implemented SAPs, have been riddled by high levels of inflation as shown by *Table 33*. As shown by the *Table 33* below most countries in the region including Zambia and Zimbabwe, have suffered from inflation as a result of implementing SAPs. These high levels are blamed on the SAPs because

before that the levels of inflation were very low. Accordingly to Prof Chinyamata Chipeta, rates of inflation were relatively low in Southern Africa between 1970 and 1980, when they averaged less than 10% in 4 of the countries as shown by the below *Table 33*. Between 1980 and 1993, average rates of inflation increased in all countries except in Mauritius where there was a decline to below 10% (SAPEM, April, Vol. 10, No. 7, 1997).

*Table 33. Inflation (SADC)*

	Average Annual		Nominal Interest (Avg.		Rates of Banks	
	Rates of Inflation (%)		Annual %) Deposit Rate		Lending Rates	
	1970-80	1980-93	1980	1993	1980	1993
Angola	"	"	"	"	"	"
Botswana	11.6	12.3	5.0	13.5	8.5	14.9
Lesotho	9.7	13.8	"	8.1	11.0	15.8
Malawi	8.8	15.5	7.9	21.8	16.7	29.5
Mauritius	15.3	8.8	"	8.4	"	16.6
Mozambique	"	42.3	"	"	"	"
Namibia	"	11.9	"	9.6	"	18.0
South Africa	13.0	14.7	5.5	19.8	9.5	16.2
Swaziland	12.3	19.3	"	"	"	"
Tanzania	14.1	24.3	4.0	"	11.5	31.0
Zambia	7.6	58.9	7.0	48.5	9.5	113.3
Zimbabwe	9.4	14.4	3.5	29.5	17.5	36.3

Source: World Bank, World Development Report, 1995

Still on inflation which came after the inauguration of SAPs in the region, the currencies of the respective countries were deeply affected against major currencies such as the US dollar. Many currencies depreciated drastically against the US\$. Thus it became extremely difficult for the manufactures to import goods from abroad because their local currencies had weakened severely against the mostly widely used currency in International trade. *Table 34* depicts levels or ratios of depreciation of currencies against the US\$. For Zambia it was worse and Zimbabwe, because they had been in the SAP process, which emphasized trade liberalization and liberalization of every aspect of economic life, including trade.

*Table 34. Southern African Regional Official Exchange Rate (US\$ per unit of Local Currency Unless Stated Otherwise as at the End of Each Year)*

	1990	1992	1994	1995
Botswana	0.5344	0.4431	0.3680	0.3544
Lesotho	0.3902	0.32755	0.28221	0.27416
Malawi <sup>1</sup>	2.6469	4.3958	15.2986	15.3031
Mauritius <sup>1</sup>	14.322	16.998	17.863	17.664
Mozambique <sup>1</sup>	1.038.1	2,951.4	6,651.0	10,890.0
Namibia <sup>1</sup>	2.56250	3.05300	3.54350	3.64750
South Africa	0.039024	0.32755	0.28221	0.27416
Swaziland	0.39024	0.32755	0.28221	0.27416
Tanzania <sup>1</sup>	196.30	335.00	523.45	550.36
Zambia	0.0234	0.0028	0.0015	0.0010
Zimbabwe	0.3793	0.1824	0.1192	0.1074

<sup>1</sup> Units of local currency per US\$

Source: IMF *International Financial Statistics*, January 1997

According to Prof Chinyameta Chipeta “promotion of sustained and stable macro-economic conditions has continued to elude many economies in Southern Africa and on the fiscal front there is continuing mismatch between revenue and expenditure” (SAPEM, 1997, vol. 10, No. 7). This information is shown by table, which follows (*Table 35*). The same table indicates that in many countries total expenditure as a proportion of Gross National Product (GNP) exceeds total current revenue, resulting in overall budget deficits. Because endeavours to cut budget deficits and control expenditure have turned to be a wild goose chase overall budget deficits as proportion of GNP have fluctuated according to Prof Chinyamata Chipeta. Economic structural adjustment in both Zambia and Zimbabwe has failed to stimulate economic growth cutting of budgetary expenditure and control. Hence, most SADC countries are called deficit countries.

Structural adjustment in Zimbabwe culminated in the rising of inflation. In 1992 the high inflation rate because of the combination of ESAP and the worst drought of the century, but in 1995, Zimbabwe had another serious drought and they will become more common as global warming produces that effect in this part of the world. Considering 1995, inflation did reach a monthly peak of 26,3% and since then, Zimbabwe has not been able to control its inflation. There has not been any major statistical change in inflation percentage as shown by the table below *Table 37*.

**Table 37. The monthly rates from January 1995 are:**

<b>INFLATION</b>			
		Mar-96	23.7%
Jan-95	20.8%	Apr-96	24.3%
Feb-95	24.3%	May-96	24.7%
Mar-95	21.6%	Jun-96	22.5%
Apr-95	20.9%	Jul-96	22.0%
May-95	29.20%	Aug-96	17.7%
Jun-95	19.9%	Sep-96	20.6%
Jul-95	21.6%	Oct-96	20.2%
Aug-95	23.7%	Nov-96	13.9%
Sep-95	23.00%	Dec-96	16.4%
Oct-95	22.4%	Jan-97	15.9%
Nov-95	26.3%	Feb-97	19.1%
Dec-95	25.8%	Mar-97	20.0%
Jan-96	27.9%	Apr-97	22.4%
Feb-96	26.3%	May-97	20.8%

Source: (African Business: 1997: No 225)

Given all these socio-economic and political hardships, which structural adjustment has bred for Zambia and Zimbabwe, one wonders if the new transformation which the countries are currently implementing under the aegis of the WB/IMF are viable panacea to ward off the impact of the first phases of the programmes. Attendant policies have been propounded by manifold scholars. These require serious attention from the World Bank/IMF however, they are more endogenous. But it should be recognized that whatever, approaches are adopted there is no way SADC, can isolate itself from global economic trends. SADC leaders have already, quite interestingly reflected the region will not lag behind global economic patterns.

**Table 35. Central Government Revenue and Expenditure (SADC)**

	Total Current Revenue (% of GNP)		Total Expenditure (% of GNP)		Overall Surplus/Deficit (% of GNP)			
	1980	1993	1980	1993	1980	1989	1991	1994
	Botswana	36.6	56.1	36.5	40.2	-0.2	27.1	114.0
Lesotho	17.1	27.1	22.7	32.1	-3.7	"	-0.3	"
Malawi	20.7	"	37.6	"	-17.3	-6.0	-1.9	"
Mauritius	21.0	22.6	27.4	22.2	-10.4	-1.5	0.0	-0.3
Namibia	"	34.9	"	40.2	"	"	7.5	4.7
South Africa	24.6	28.3	23.1	32.6	2.5	-7.5	0.3	-9.2
Tanzania	17.6	"	28.8	"	-8.4	"	"	"
Zambia	27.0	"	40.0	"	-20.0	-4.6	-55.0	-7.3
Zimbabwe	24.4	31.8	35.3	36.2	-11.1	-9.1	-6.9	"

Source: World Bank, World Development Report 1995 and 1996

The most important question is what SADC countries should do to export their way out of poverty? Boutros Boutros Ghali, the former UN Secretary General noted that external debt is a millstone around the neck of Africa. For African nations excluding the Arab North external debt jumped from 29,2% of GNP in 1980 to 108,8% by 1992 (Oxfam, 1993). If we look at Zimbabwe, Structural Adjustment, per se, caused serious inflation. Inflation rose from 20,3% in 1991 to 45,8% in 1992, and went down to 27,3% in 1993 and 22,3% in 1994 and it rose again to 22,6% in 1995 as shown by Table 36 below.

**Table 36. Inflation Rate**

YEAR	%
1991	20.3
1992	45.8
1993	27.3
1994	22.3
1995	22.6

Source: (Business Day 1998)

It should be noted that the economic crisis of Zambia and Zimbabwe were also characterized by the disintegration of the productive and infrastructural facilities. In the case of Zambia agricultural output, and particularly food production, was severely reduced. In the case of Zimbabwe, industries have increasingly been operating much below their expected capacities. At the same time, the physical infrastructure, social services and welfare, especially education, health and sanitation and housing have increasingly deteriorated. It should be noted that the overall assessment of "SAPs led to the conclusion that, despite their acclaimed aims of stimulating economic growth, through the achievement of fiscal and external balances and forces of supply and demand, these objectives could not be achieved without addressing the fundamental structural malfunctioning of the countries' economies in these countries. Thus need for alternative policies have become more urgent than it was in the past decades. It is the belief of this study that if the proposed options below can be taken seriously by both the WB/IMF or respective adjusters. Then, it may be possible for Zambia and Zimbabwe to export their way out of poverty and economic hardships, they are currently experiencing. The fundamental question is can Zimbabwe and Zambia export their way out of economic decomposition they are currently in? What are some of the policy considerations, in this light?

### **6.2.1. Economic Diversification**

As mentioned earlier in this study "the Zambian economy is basically a macro-economy with copper mining contributing traditionally as much as 90% to export earnings and 20% to GDP. Lower copper prices in 1996 were the main factor leading to an 18% slump in export earnings to US \$974,9m" (African Business, 1997 October, No. 225). Zambia, according to the foregoing relies heavily on its copper industry. This makes the economy highly vulnerable and fragile. There is need for economic diversification in Zambia. Zambia's excessive unoptional reliance on copper mining sector is its tragedy. It should be noted that there is need for Zambia to diversify its economy by boosting production in food, beverages, tobacco, cotton, paper, textiles, clothing, plastics, chemical and furniture. The African Review believes that "Strong reliance on copper exports has left the economy vulnerable to world market conditions. Copper mining is the key sector of the economy, accounting for virtually all foreign exchange earnings" (African Review : 1997).

Economic diversification is not only instrumental in facilitating economic growth but it will go a long way into creating employment to the Zambian people. Thus, those who have been retrenched under the structural adjustments of Kaunda and his two ministers will be able to be re-born in terms of jobs. Agriculture when handled properly, especially commercial agriculture has a great potential of generating wage employment for people. The economic sector has to be diversified so as to generate employment for the people who are falling victims of the adjustment measures. The rate of employment in the country has continued to decline (377,000 in 1990 to 334,000 in 1995) while the gross per capital consumption has fallen from K792 to K427 in 1990-1995. Worse still, poverty has become rampant, with 76% of total population of over 8,5 million people living in extremely poor conditions, according to the Central Statistics Office (CSO) (SAPEM Vol. 10 No. 5, February 1997). Agriculture and the manufacturing-sector-expansion are some of the alternative avenues to consider in the pursuance of economic growth and improvement of people's lives given the catastrophic consequences of early structural reform bids. When we examine Zimbabwe, it has multifarious economic sectors mainly agriculture and mining. What is essential for Zimbabwe is the ability to foster commercial farming of other products other than tobacco. The government of Zimbabwe, however, has a different perspective, whether it is economical or political, the economy will tell.

The Zimbabwe Government's decision to designate 5 million hectares (12,355,000 acres) of land divided between 1,770 of the most highly productive farms in the country was confirmed at the Zanu PF conference in Mutare last December" (Africa Today, vol. 4, No. 3, 1998). One of the major problems likely to be created by this, is unemployment, in a cash-strapped nation where the majority, who have been deeply affected by (E.S.A.P.I) want jobs. These commercial farms have been a major source of employment and life for majority of strong-politically disadvantaged Zimbabweans. But with their expropriation by the government, one wonders where these employees will go. The whole saga is seen as a body blow to the country's most important industry (Commercial farming mainly tobacco, is Zimbabwe's largest export earner) (Africa Today, vol. 4, No. 3, 1998). Commercial farming brings in 40% of the country's foreign exchange and contributes 30% of its production and the sector provides employment for 327,000 farm plantation workers many of whom -will lose their jobs once (and they are estimated 100,000 once some of the highly productive farms on the governments' list are appropriate, next July or thereabouts (Africa

Today, vol. 4, No. 3, 1998). The President of the Commercial farmers Union Nick Swanepoel is convinced that “acquisition and redistribution should be linked with increased agricultural productivity sustainability and the eradication of poverty” (Africa Today, vol. 4, No. 3, 1998). Any land reform programme should be targeting elimination of poverty in the country, which the economic reform programme has caused, but at the same time economic land reform should be commensurate with global international economic trends. Economist John Robertson believes “the move is against current world economic theory and trends” (Africa Today, vol. 4, No. 3, 1998). He maintains that “small holding may feed people but are much less profitable than large commercial farms and do not deliver wealth as major exporters. Europe only has 3-4% of people on the land and this is commercially viable” (Africa Today, vol. 4, No. 3, 1998).

The land reform is a sensitive issue, which needs to be addressed with caution if economic growth and sustainability is to be a priority given the blow E.S.A.P. created on the lives of people. However, Zimbabwe has a rich mining sector with all sorts of international upmarket minerals like platinum, which has been recently discovered. It is highly problematic to say that in the case of Zimbabwe, reforms can yield fruitful results because, the government spending is just unnecessarily too much and that is totally detrimentally to the economy. For instance, two major unforeseen incidents where government expended money, is government’s purchase of 50 new, Mercedes vehicles worth Z\$ 66 million and the War Veteran Compensation of Z\$50,000 each and a monthly payment of Z\$ 2000 each (Sunday Times, 22/1/98). Even the World Bank/IMF government seriously concerned with such activities, which apart from alienating support for the government from the majority of working class, destroyed the validity of the Zimbabwean Dollar (it depreciated sharply).

In all cases Zambia and Zimbabwe economic diversification is still very essential for economic growth and poverty-elimination in the two countries, whose economies profoundly declined, in the wake of natural disasters, changes in global political economy and gross-economic mismanagement by the post-independence bureaucrats and leaders. Because there is increasing global campaign against tobacco, commercial farmers have turned to flowers and Zimbabwe has become the world’s number 4 in supplying flowers to Europe, following Israel, Colombia and Kenya. According to Colin Stoneman “in 1993/94 7,000 tons worth Z\$ 290m (US\$ 35m) were supplied, mainly during

the winter. The flower-farming sector is highly profitable and labour intensive employing 30 people per hectare (BZS issue No. 95/1 February 1995). What is essential in the way of diversification, is to foster flower-agriculture since tobacco has faced titanic problems at the international market.

### **6.2.1. Popular Democracy and Institution Building**

It is widely believed that there can be no political democracy, critical economic democracy and there can be no economic democracy without the transformation of political economic, social and cultural institutions. There is therefore greater need for democratization of the decision making process that allows for greater participation of the people in production, distribution and exchange. It is significant to notice that the foregoing requires a restructuring and transformation of institutions. Chakaodza believes that democratization of the decision-making ought to be at national, provincial, district and grassroots levels so as to generate the necessary consensus and the support of the people. Most African governments have failed this criteria, they did not wish to be transformed and democratize. Zambia was a one-party state under Kaunda for 27 years and Zimbabwe is a de facto one party state although they claim there is democracy. Political activity in Zimbabwe is not democratic therefore, Zimbabwe is not democratic therefore Zimbabwe will not and cannot do well on the democratic score. The advent of Chiluba in power, scored the creation of multipartism, which is essential a factor in democracy. But the most important question is how far successful and willing are African leaders to democratize their institutions? According to a review on the performance of the government this in 1996, by the Economics Association of Zambia (EAZ), there was on the part of the government, lack of a process of consensus building an issue of national significance, a serious indictment on the MMD's state policy of upholding the principle of good governance and consultations with all segments of society (SAPEM vol. 10, No. 5 February 1997). Democracy, is the challenge, which Zimbabwe has escaped always. Opposition politics is strongly and violently handicapped by the government through the instrumentality of (C.I.O.). They simply are nasty! Thus in Zimbabwe, in practice there is no democracy as long as the ruling Zanu (PF) party is there. Yet, democracy is the most needed element of development to take place in the SADC region.

### **6.2.2. Tourism**

Both Zimbabwe and Zambia have an excellent Tourism potential. The only problem is that Zambia neglects this sector and if it is to make efforts along these lines then this means repairing some of the neglected infrastructure such as roads, hotels, game park facilities airports, city transport and national transport. Victoria Falls provides a very good site for tourists so Zambia has to develop such areas in order to attract foreign currency. Zimbabwe has realized this potential and has a specific Ministry, which deals with this sector. What is necessary for Zimbabwe is to expand the sector and democratize participation in this industry.

### **6.2.3. Public Investment Programme**

However contrary to conventional wisdom, increasing the budget deficit in the short run is not a bad idea after all. It should be noted that both the Zambian and Zimbabwean governments might want to embark on a programme of spending on public works, building roads, sewers, schools, hospitals and housing - this has the effect on employment and increasing spending power thus increasing demand, for goods and services and therefore for labour. These Public Investment programmes are very necessary in both cases because a lot of people have lost jobs under structural reforms for instance ZCTU estimated that 30,000 workers have lost their jobs, and a lot more are still to loose their jobs. The only way to cater for these people is through these public works programmes, despite the fact that government has to cut expenditure. It is believed that if the two governments cannot maintain a level of expenditure which is sufficient to reduce the level of unemployment, they must endeavour to fill the gap by spending more themselves.

However, it should be noted that some project largely financed by the private sector have started for instance, in Zambia, "the R 400m Beitbridge Bulawayo Railway (B.B.R) project is being financed by Nedcor Investment Bank (R 300m) and a R 100m contribution from the Zimbabwe government in the way of existing line. BBR will operate the route on a 30 year concession and transfer it to the Zimbabwe government after that period" (African Business January 1998: no 228). This is expected to generate some employment for the locals thus alleviating poverty to some extent. In the case of Zambia, it should be clearly understood that 35 years ago when K. Kaunda

led his people to independence he implemented his programme of “humanism” a kind of ultra-altruism that brought health, housing and education to all. Funds were channeled into social programmes at the expense of industrial and commercial development. Government became cash-strapped or bankrupt” (African Business January 1998: no 228). What efforts is Chiluba government making in a bid to lift the country from the last 35 years of economic stagnation and find a place in the global capitalist order? Zambia has become one of the most privatized country in the region.

The World Bank’s strategic adjustment programme (SAPs) of the privatization of state assets is a very big part – seeks to correct the situation with the helping capital-based economics. But it is a heart breaking journey, now seven years down the road with little or no deliverance in sight only about 400,000 by Zambia’s 5 million workers have a job and are at risk of loosing the jobs because of privatization process” (African Business January 1998: no 228). Privatization has only provided jobs to a few elites otherwise the majority are suffering. Public investment programmes are very vital especially in poverty-ridden and cash-strapped countries like Zimbabwe and Zambia, because people can secure employment to sustain their lives. In these political and economic climates surely people have to be working to survive because inflation has become high, prices of food skyrocketed and rent so the only way to survive is to, inter alia, work in these inflation-ridden and debt-ridden economies.

#### **6.2.4. Poverty Reduction Programme (P.R.P)**

Most critics of Africa always wonder if Africa can be able to export its way out of poverty? Africa as a whole has the highest levels of poverty of any developing region in the world. According to World Bank (1994), Africa alone is home to 32 (or 68%) of the 47 poorest countries in the world (SAPEM vol. 10, No. 8 May/June 1997). The Comparative Research Programme on Poverty (CROP) and the University of Botswana held a 4 day (8-11, October) workshop on “THE ROLE OF THE STATE IN POVERTY ALLEVIATION” with participants from all over Africa (Botswana, Ghana, Nigeria, Zimbabwe, South Africa, Namibia, Egypt, Tanzania, Uganda, the Netherlands, Sri Lanka and Norway). However, the presentation made reflected that “poverty is likely to remain on African continent because of poor policy-coordination and implementation: lack

of serious government commitment to redistribute resources particularly land; and inadequate support from the private sector and the donor countries” (The Role of the state in Poverty alleviation –article by R, Kamidza) (SAPEM vol. 10, No. 5 February 1997).

Most of the participants in the whole debate blamed the leaders in Africa for paying lip-service to the qualitative redistribution of resources, particularly land which support rural economy supporting over 50% of the total population. For example 18 years of independence on the subsequent amendment of the constitutional obligation of the willing buyer –willing seller clause, Zimbabwe is still using the land question as a political tool to drum-up support and sympathy when socio-economic and political events are unfolding against the ruling elite (SAPEM vol. 11, No. 2, 1997). Accordingly the above weakness implies that Africa is likely to enter the new millennium as the only continent where over 50% of its citizens are living below poverty datum line.

Finally, the workshop strongly “recommended countries to develop the necessary political will, infrastructure and strategies that effectively integrate every citizen into the mainstream of economic development. It is therefore imperative, for the state to immediately resuscitate its role in poverty alleviation strategies including meaningful distribution of resources particularly land in order to complement efforts to eliminate poverty by the non-governmental organizations, the donor communities, the private sector and various communities. All these are some of the discussion which governments are making to find out the strategies for developing the poverty-ridden Africa. It should be noted that reducing poverty should be a priority for Zambia and Zimbabwe. This can be achieved by reimposing price controls on certain selected basic commodities, which constitute the livelihood of the ordinary people. Subsidies to peasant farmers output should be reintroduced to enable them to acquire the necessary inputs and increase productivity. He also argues that in EU and USA, farmers are heavily subsidized by their respective governments. Majority of Zimbabweans live in rural areas relying on subsistence farming, but in the wake of ESAPs, it has become increasingly difficult to purchase and undertake their production activities largely because of high prices and inflation. Governments should reinstate the subsidies on farming, to reduce poverty in the region.

It is noteworthy that Zimbabwe initiated an adjustment programme in 1990, after a decade of attempting independent adjustment. Without the assistance of the Bretton Woods Institution's Pacts recent investigation (ILO, 1993) established adverse effects on the poor of the adjustment package which included

1.
  - (i). A full employment,
  - (ii). severe cuts in health and education expenditure of at least 20% in recurrent expenditure, 1990-1992
  - (iii). Worsening priority ratios (i.e. sharper fall in preventive health and primary and secondary education than for the sector as a whole)
  - (iv). A fall of 10% in the availability of nurses per person and worsening pupil-teacher ratio
  - (v). Rising charges for health and education
  - (vi). Cuts and eventual elimination of maize subsidies.
  
2. Worsening condition of the poor as evidenced by
  - (i). A household survey (urban) showing a rise in the number of people below the poverty line from 23% to 43%, with a decline in income of over 50% for the bottom quartile.
  - (ii). A fall in the use of health care facilities, and rising (BBA) (birth before arrival) and the deaths among (BBA),
  - (iii). Rising drop-out, rates and absenteeism from school and a fall in '0' level candidates" Reported by F, Stewart at a seminar, (Van Der Hoeven and Van Der Kraai, 1994:115).

Given the foregoing, there is need for direct poverty alleviation programmes (PAPs) such as the Social Dimensions of Adjustment (SDA), Social Action Programmes (SAPROGs) and Social Safety Nets (SSNs). It is interesting that PAPs are often created as a follow-up to SAPs which themselves produce the consequences which PAPs are expected to mitigate", confirms, Venkatesh

Seshamani. According to Venkatesh Seshamani, in Zambia the new government elected in October 1991 began a rapid enforcement of SAP policies in January 1992, commitment to a PAP still remains by and large at the rhetorical level.

#### **6.2.5. Development of Human Resources**

The success of anything largely depends on the manpower used. Qualified human resources is a pillar to the success of any programme. Improving human capital means a better-educated and better trained workforce, capable of lighting the growth of these two countries. In this Computer Age, where technology has gone so high, the objectives of government can only be achieved by increasing the number of the educated people in the country. It is argued that “countries that tend to invest more money in improving their workforce than in investment such as factories or machines tend to have a fairer distribution of income. The SADC must improve its human capital.

#### **6.2.6. Regional Integration and Co-operation**

Zimbabwe and Zambia fall within the Southern African region. They are both members of the Southern Africa. Development community (SADC) and the PTA (Preferential Trade Area). They should endeavour to enhance their trade with the countries in the region and eschew dependence on the (DCs) developed countries. Regional integration necessitates export-reorientation involving the widening of the existing narrow range of exports and export markets and refocusing on Sub-Saharan African markets. Furthermore, Zambia and Zimbabwe and other member states of SADC and PTA should work towards the achievement of a stable exchange rate mechanism. The development of the greater economic unity in the SADC region more likely yields greater economic spin-offs. Alongside regional integration the two countries if trade is going to yield economic ‘spin-offs’ they have to foster a state-friendly and market-friendly environment. One would argue for the creation of monopolies to cater for market imperfections. Commercialization strategies should be designed and implemented in both countries.

“At the same time, there is need for a new kind of work ethic that includes decision-making based on economic reality, accountability incentives and consumer output”, argues Chakaodza.

Commercialization and privatization should be used as instruments of change and productivity growth in the public sector. Zambia under the new government of Chiluba has made great strides in the privatization process. Almost 75% of the Zambia economy have been privatized; this has gone a long way into boosting the economy of Zambia. Most of the copper mines are undergoing privatization. According to African Business “Zambia’s economy is based almost entirely on copper. The nationalized industry, however, has never been able to ride the market-driven storms, and growth has consequently been stunted. Two recent privatizations now signal the beginning of a major privatization bandwagon which will have an immense impact in the economy” (African Business, October 1997, No. 225). At least there is a lot of effort being made in the direction of privatization, in Zimbabwe as well so many organizations including the (DMB) Dairy Marketing Board have been commercialized. Fostering a market-friendly environment is one of the basic fundamentals of economic development.

It should be noted that in the SADC the following reforms should be implemented. These are land reform, monetary and fiscal reform and exchange rate reform. These reforms have to be implemented carefully.

#### **6.2.7. Low Budget Deficits and Exchange Rate right**

Before the collapse of the Asian economies in the late 1997, the Asian economic saga was deemed a structural adjustment success story. Realistic real exchange rates and strong fiscal discipline, were the cornerstones to the success of the Asian economies. Maintaining budget deficits at low levels assist greatly in curbing inflation and goes a long way in eschewing balance-of-payment problems. According to the World Bank keeping a realistic exchange rate pays off in foreign exchange and external competitiveness. What does this mean in practice? For trade reforms, the gains in efficiency should not be at the expense of lower tax revenues” (World Bank, 1994). Furthermore, for the financial sector reform, the emphasis should be protecting the solvency of the system to avoid costly public bailouts, and for public blessing – raising revenues and lowering subsidies. The World Bank further argues that “to balance reforms that could weaken public

finances - such as higher spending on health, education and infrastructure, other expenditure must be reduced and the tax base broadened” (World Bank, 1994).

#### **6.2.8. Foster Competition at Home and Abroad**

Before the collapse of their economies, the success of the Asian adjusters was basically hinged on foreign and domestic markets (competition in the foreign and domestic markets raised and improved productivity growth). Asian economies prior their fiasco, they encouraged international competitiveness in trade. The SADC region should adopt export-led strategies. Zambia and Zimbabwe should endeavour to implement and adopt export-led strategies for economic growth. According to the World Bank from the experience of Africa so far “a top priority for reform is to increase competition through domestic deregulation, trade reform, and the divestiture of public enterprise” (World Bank, 1994).

#### **6.2.9. Government Resources**

In Zambia and Zimbabwe governance capacities are still limited and technology is still feeble. Democratic values of accountability and transparency are a dream not come true, even after so many a decades of self-rule. The state machinery has been exploited by a minority ruling oligarchy, to further and explore their selfish-ends. The ruling elite in these countries, like in Zimbabwe, often claims legitimacy from having fought the war of liberation, even if they engage in systematic corruption and nepotism. There is gradual decomposition and disintegration of the state machinery, the government integrity has been corroded by the deeds of a ruling oligarchy normally under the banner of a vanguard party. All in all this handicaps the government capacity. According to the World Bank, markets may not work perfectly, but in many SADC countries including Zimbabwe and Zambia, it is not clear that government can do better by intervening in them. “Scarce public sector capacity should be devoted to countries that markets cannot perform alone: providing infrastructure and basic social services, running the legal and judicial institutions of a market economy and protecting the environment”, argues the World Bank.

They should be a lot decentralization via the privatization route. The World Bank argues that

“reforms that reduce government intervention in areas where markets work, even imperfectly, should have high priority – for example, abolishing agricultural marketing boards rather than trying to make work better, lowering tariffs across the board rather than granting special exemption and selling off public enterprises rather than pouring money and talent into them (World Bank, 1994). It is significant to notice that, according to the World Bank Policy Research Report, no formula exists that will guarantee sub-Saharan Africa rapid economic growth and a prosperous future, but most policymakers agree on few key ingredients:

- (a) Macro-economic policies that promote stability
- (b) Agriculture policies that helps farmers
- (c) Trade policies that boost exports and liberalize imports (World Bank, 1994).

#### **6.2.10. Getting Macroeconomic Policies Right**

Zambia, Zimbabwe, and the SADC region at large should endeavour to eschew overvalued exchange rates, keeping inflation and budget deficit low – this sounds very difficult to these governments if not boring. For instance the Zimbabwean government just finds it easier to offer its War Veterans each \$50,000 gratuities and a monthly payment of \$2,000 until death takes its course, the government just purchases 50 Mercedes Benz cars worth around \$55 million. Is this cutting government expenditure or simply forgetting about it? There is need in these countries for broader commitment to structural adjustment reform than mere acceptance to implement the SAPs in the region. These countries should focus on basically three things keeping budgetary deficits and inflation low, establishing fully convertible currencies and competitive exchange rates, and increasing public savings (World Bank, 1994). The World Bank argues that given the complexity of devising additional policies to stimulate private savings, raising public savings is that most viable option in the short run. Since Africa is trapped in a vicious circle of low growth and low savings, measures should be taken to ameliorate the economic status quo.

#### **6.2.11. Incentives for Farmers**

In the Zimbabwean case farmers are the backbones of the country’s economy dating back from the

pre-colonial and colonial periods. After the attainment of independence the farmers continued to be the pillars of the economy. When looking at Zimbabwe, one wonders how the future of the economy is going to be like. In 1995 3 white farmers who were contesting the constitutionality of the 1992 Land Acquisition Act in High Court, following designation of their farmers for takeover had their case dismissed by High Court judge Godfrey Chidyausiku in November 1994, after a 3 months examination. In this case the judge maintained that it was constitutional for the government to takeover land in the “public interest” (BZS 1995 February Issue No 95/1). The Land Reform programme, far from giving farmers incentives to boost the much-needed production, is going to discourage them and the economy will suffer.

However, “in tandem with macroeconomic reforms, adjustment programmes should pursue agricultural reforms that reduce the taxation of farmers, facilitate their access to inputs and ensure the timeliness of payments to them” (World Bank, 1994:186). In most farming areas roads are increasingly becoming very poor so there is need to foster development of infrastructure. According to the World Bank, farmers are likely to respond more rapidly to improved investment incentives if rural infrastructure is good. If property rights are secure, if public and private institutions are strong, if appropriate technologies are available, and if input factor, and provident markets work well (World Bank, 1994:186). Furthermore, policy reforms and investments need to go hand in hand, and the investment agenda should not push the tasks of farming marketing systems and reducing taxation off center stage (World Bank, 1994:186).

#### **6.2.12. Export System**

According to the World Bank “because exports are so beneficial, governments considering the sequence of policy reforms should consider the needs of exporters carefully, indeed, they would do well to apply an “export first-rule” (World Bank, 1994:188). Zambia and Zimbabwe should do. To enhance the export system governments of Zimbabwe and Zambia should provide appropriate infrastructure, facilitating flexible labour markets and exporters access to credit, ensuring the enforcement of contracts and the orderly formation and dissolution of business, assisting in marketing and promotion, and establishing special export zones with tax and infrastructure

advantages - there are some of the mechanism that have worked in other regions and that are beginning to be used with some success in Africa (World Bank, 1994).

### **6.3. Conclusion and Recommendations (Zimbabwe and Zambia)**

In the SADC region colonialism, robbed the indigenous people of political and economic independence. Thus Zimbabwe in 1980 joined the World Bank and became a member, but already Zambia was a member because she had attained self-rule earlier. However, “the post-colonial government was faced with a conflict between the need to redress the inherited social imbalances and the pressure from international agencies for more freedom in the economy for market forces”, according to (Kadenge, 1992). It should be alluded that seven of the twelve SADC countries have undergone structural adjustment and the key objective of SAPs – which have become a critical feature of economic policies in Africa since the mid – 1980s – is to commit member states individually and unilaterally to implementing trade liberalization policies and macro-economic reforms that affect exchange rates policies and tariff reductions according to Development Bank of Southern Africa (Development Bank of Southern Africa, Vol. 14, no. 3, 1997). Significantly, it should be noted that SAPs have served to influence intraregional patterns, SADC countries which have not embraced SAPs (particularly Southern Africa) have higher tariff levels than those undergoing such structural adjustment, and as a result a country like South Africa has greater access to regional markets than it permits these countries to its markets and this is partly the cause of the unsustainable pattern of trade in the region, with South Africa’s ratios of exports to imports standing at 7,4% in 1995 (DBSA vol. 14, no. 3, 1997).

According to Davie “worse, the impact on the majority of the population has been disastrous with the poorest sections hit particularly hard. Indeed life has become so difficult that UNICEF has called for new policies, or Adjustment with a human face and the intention is that a kind of safety net be made available to the very poor so that the child mortality rate is reduced, and the impact on education, and health be less drastic” (Davie, 1991).

It should be noted that “these palliatives are however, rather meagre considering the rapid rise in unemployment and the steep drop in real wages that resulted from SAP, - there is now an abundance of evidence, including from the World Bank itself, that living standards have fallen drastically in Africa (the E.C.A. say 75% in the 1980’s) as a result of SAP” according to Kevin Davie. In both Zimbabwe and Zambia the life of the citizens has been catastrophically devastated because, health standards have gone down, the spiral of poverty is ever-skyrocketing, unemployment is the order of the day, inflation and high prices, all these facets are in *toto*, symptomatic of a state of political and economic malaise in both countries.

For instance in Zambia there has also emerged a phenomenon known as “IMF RIOTS” in many countries due to harsh economic conditions, Zambia has been one of the worst hit. President Kaunda was forced by the IMF to remove subsidies on mealie meal which led to doubling of prices and sparked off the worst rioting in the country’s history.

In the recent meeting held in Windhoek, Namibia on the World Economic Forum, many African leaders pleaded with the IMF/WB to cancel their debts so that they can concentrate on developing their standards of living rather than debt serving (Business Day, 15 May 1998). If we look at Zimbabwe since the implementation of IMF/WB policies inflation has calamitiously destabilized the Zimbabwean dollar, and the government has been depending on the IMF/WB for stabilizing the dollar to eschew the Asian type crisis. Recently “there has been a lot of hullabaloo following the release of a \$3,3 billion balance-of-payment rescue package by the International Monetary Fund board on June 1/1998 and this has somewhat stabilized the Zimbabwe dollar against the US unit around the \$17.95 and \$18.05 margin” (Financial Gazette, 9 July/1998). But all in all, it is significant to realize that “foreign aid without an underlying commitment to transform this sleeping giant called Zimbabwe is simply money down the drain on the part of donors and a recipe for economic disaster for Zimbabweans” (Financial Gazette, 9 July/1998).

In Zambia, the IMF policies have crippled the social and economic livelihood of the people and they resort to large scale riots which the government of Kaunda dealt with ruthlessly and drastically, but all in all the state of suffering gave rise to the emergence of organized labour since they had endured the irresistible scourge of retrenchments and unceremonious lay-offs. The MMD emerged

and ousted the erstwhile authoritarian regime of UNIP led by Kenneth Kaunda. However, the novel government, led by the MMD, still just like the government of the de-facto one party state of Zimbabwe is doing, relies on IMF/WB loans for economic revitalization and financial support.

Prorowse blame the IMF/WB for the problems in SADC, criticism even goes further on beyond the policies of the Bank – Exports complain about the nature of the Bank’s bureaucracy, poor morale, legions of useless advisors and presidential failure – in short the glossary publications of the bank, and its high international profile do not impress those with close insight into the Bank and its real policies as opposed to its rhetoric according to a symposium held at Soweto College of Education in South Africa. Given all, these problems which the SADC region countries are facing ( Zimbabwe and Zambia) South Africa should learn and find out whether or not to adopt the IMF/WB policies! As pointed out earlier, Zimbabwe and Zambia should also, for purposes of economic sustainability and growth and poverty alleviation, try to look at alternative policy options which include, exploiting their tourism, minerals and developing their human resource, among their policy option mentioned earlier. To crown, it all however, it should be noted that the impact of World Bank/IMF policies on Zimbabwe and Zambia, have been so far, calamitous and detrimental to the socio-economic livelihood of the vulnerable citizenry. IMF/WB’s role in the SADC has, sparked off, an array of social and economic hardships, which in turn have made life, in *toto*, complex and difficult in both countries. IMF/WB policies, have not yielded much positive economic spin-offs so far, rather, they have zoomed these countries into economic and social doom. It is high time the IMF/WB should alter their *modus operandi*, and consider the so-called Clinton’s partnership gospel, with recipient developing countries.

SADC region, in order to export away economic and social insurmountable hardships, precipitated by IMF/WB policies, should consider harnessing its wealth of resources and enhance intra-regional trade and maximise regional co-operation. It is worth noting that twelve years ago one of the key issues within the development debate was the demand for a New International Economic Order (NIEO), this has revolutionary changed “we hear a chorus of consent demanding that poor countries of Latin America, Asia and Africa adjust their economies and leading actors in this shift of emphasis are the so called – Bretton Woods institutions” (Dixon, Simon and Norman, 1995:1). According to the same authors, the “ideological origins of SAPs can be traced back to the

free-market and free-trade ethos derived from Adam Smith and David Ricardo, whose line of thought believes that the present economic crisis in Third World countries can be overcome only if they restructure their economies to become active players in a common strategy for world prosperity based on competition in the international export market” (Van Spengen W, 1995:1). However, contemporary social and economic conditions in Zimbabwe and Zambia, reflect a state of utmost suffering and untold hardship, as a result of implementing IMF/WB policies.

It is significant to notice that in the implementation of economic structural adjustment programmes, the following points should be taken into account according to Hideichiro Hamanaka: (IMF, 1997)

- ❖ There is a need for good governance
  - ❖ There is a need for more local responsibility taking into account the institutional capacities and the absorptive capacity of borrowing countries
  - ❖ There is a need for a result-oriented culture, replacing the approval culture that has predominated for so long. (Countries should take result oriented approaches)
  - ❖ There is a need for paying due attention to the diverse situation of countries, in terms of poverty, culture, history and different development experiences- in other words, there is a need for country and region specific policies
  - ❖ There is a need for encouraging flows and development of the private sector
- (Wallace, L, IMF 1997)

In the same breadth, the East Asian experience should be carefully noted. According to the 1993 World Bank Report called The East Asian Miracle, the following points were noted

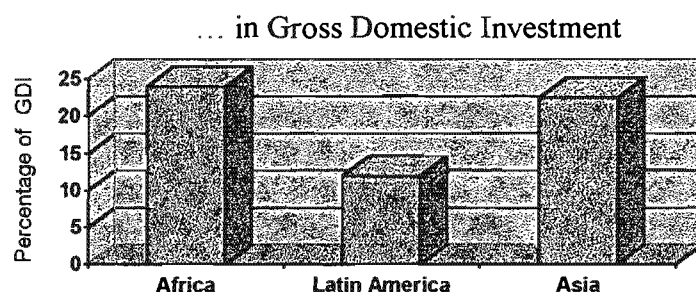
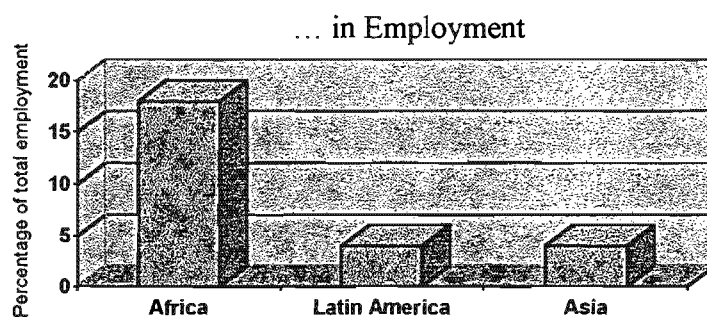
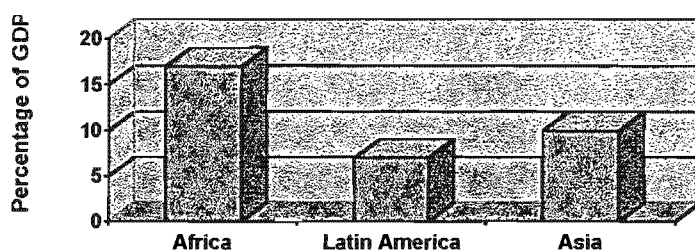
- ❖ Domestic saving are critical for development
- ❖ Human resources, among others are important when, or even before development really takes place
- ❖ Good governance and responsible administrations are necessary: and
- ❖ It is vital to have a medium- long – term growth strategy – or in other words, consistency over time

(Wallace IMF 1997)

The above points should be taken into consideration if successful implementation of the SAPs is to take place and eschewing the negative impacts on the citizens of the adjusting SADC states. Given the above South Africa should learn and analyse, how the SADC adjusters have suffered upon the implementation of the IMF/WB policies, although it is believed that GEAR, the brain-child of Trevor Manuel, has been formulated locally with some expertise and advice from external forces.

In Africa the parastatal – sector, was playing a very crucial role in terms of gross domestic investment and employment as shown below, but with the implementation of WB/IMF structural adjustment, all this was completely shattered because, in the spirit of privatisation, which the IMF preaches, retrenchments, layoffs and forced-retirements have become the order of the day in the parastatal sector. Thus, the people have been impoverished by these policies.

**Table 38. The Contribution of African Parastatals  
... in GDP<sup>1</sup>**



Source: Ahmed Galal and Mary Shirley, *Bureaucrats and Business: The Economics and Politics of Government Ownership*, World Bank Policy Research Report, Statistical Appendix (Washington: World Bank, 1995), pp. 268-97

Given the problems and difficulties which have been precipitated by the SAPs, Zimbabwe and Zambia should try to resort to intensive exploitation of their indigenous resources since both countries have got reasonable agricultural, industrial and manufacturing bases supported by viable service industries, as shown by the diagram below. These sectors have been very viable sectors in terms of the GDP percentages (See appendix for Zimbabwe, Zambia and other SADC members' economic profile)

<sup>1</sup> 1991 data for all three panels

*Table 39. Structure of production of SADC economies (as a % of GDP)*

Country Year	Agriculture		Industry		Manufacturing		Services	
	1970	1991	1970	1991	1970	1991	1970	1991
Angola	-	-	-	-	-	-	-	-
Botswana	33	5	28	54	-	4	39	41
Lesotho	35	14	9	38	4	13	56	48
Malawi	44	35	17	20	-	13	39	45
Mauritius	16	11	22	33	14	23	62	56
Mozambique	-	64	-	15	-	-	-	21
Namibia	-	10	-	28	-	4	-	62
South Africa	8	5	40	44	24	25	52	51
Swaziland	-	-	-	-	-	-	-	-
Tanzania	41	61	17	5	10	4	42	34
<b>Zambia</b>	<b>11</b>	<b>16</b>	<b>55</b>	<b>47</b>	<b>10</b>	<b>24</b>	<b>34</b>	<b>37</b>
<b>Zimbabwe</b>	<b>15</b>	<b>20</b>	<b>36</b>	<b>32</b>	<b>21</b>	<b>26</b>	<b>49</b>	<b>49</b>

Source: World Bank (1993)

It is essential to notice that the structure of the economy has been drastically impacted upon by the IMF/WB policies especially in the service industry production levels went down as IMF/WB emphasised cutting of government expenditure. Yet, this had a sharp impact on the lives of the common people because standards of the service industry profoundly declined.

Zambia and Zimbabwe are members of various regional organisations, thus this means, they stand a flexible chance of expanding their economies and enhancing the standard of living of their people but unfortunately SAPs frustrate the SADC's trade integration agenda in two critical ways: (This, detrimentally affects Zambia and Zimbabwe too, since they are SADC members).

- (1). Many countries have reduced their tariffs to levels, which may be lower than might be appropriate under a viable economic integration scheme. The result is an inability to provide a meaningful regional preference and in addition, other SADC countries may also be forced to reduce their tariffs, irrespective of their national trade and industrialisation policies and negative effects such as liberalisation may have on their economies (DBSA, Vol. 14, No. 3, 1997).
- (2). If any third state is able to obtain access to the market of a state which has lowered tariffs to an inappropriate level in terms of the region's agenda, and through it to the rest of the

region, where is the rationale for creating a preferential trade area? Creating an PTA for SADC, as envisaged in the trade protocol, appears to be superfluous if no special disposition is to be made in favour of states in the region (DBSA, Vol. 14, No. 3, 1997).

*Table 40. Membership of regional organizations*

Country	SACU	CMA	SADC	COMESA	Lome	SAPs
Angola			X	X	X	
Botswana	X		X		X	
Lesotho	X	X	X	X	X	X
Malawi			X	X	X	X
Mauritius			X	X	X	X
Mozambique			X	X	X	X
Namibia	X	X	X	X	X	
South Africa	X	X	X		X	
Swaziland	X	X	X	X	X	
Tanzania			X	X	X	X
Zambia			X	X	X	X
Zimbabwe			X	X	X	X

Source: World Bank (1993)

To crown it all, however, it should be realised that Zimbabwe and Zambia, had very viable economies, prior-adapting IMF/WB SAPs, and the standards of living of people were very high. But with the adoption of economic structural adjustment programmes, the socio-economic and political milieu of these countries changed drastically. Thus it is significant to note that Economic Structural adjustments programmes were, *ab initio*, profoundly detrimental to the lives of the citizens of Zambia and Zimbabwe, owing to the fact that, their implementation, sparked off, a plethora or an array of insurmountable hardships and complexities, ranging from , ever-skyrocketing prices of food, rents, school fees, sharp decline in female students involvement in secondary schools, malnutrition, large-scale lay-offs, retrenchments, forced-retrenchments, regional trade frustration, every-day IMF linked strikes, deterioration in health standards, and to increase in HIV contraction because of prostitution.

However, albeit, the fact that IMF/WB, policies have sparked off innumerable problems for Zimbabweans and Zambians, there is also a strong need for a political and economic willingness on the part of government officials to improve the lives of people and redress the ills precipitated by economic structural adjustments. The economic messianic promises of improving African

economic life turned to be a fiasco, thus, it is high time the World Bank/IMF, consider to change their views about facilitating economic life in the region, there should be a complete paradigm shift from viewing the SADC adjusters as simple recipients of aid and conditionalities to viewing them as economic partners whose local geo-political, socio-economic situations, should be respected and considered by the developed world, because, the region also has a viable economic resource base which if exploited profitably, then the region (SADC) will be able to carve a strategic niche, in the ever-changing, global economy and enter the novel millennium without many economic problems. All in all, SADC governments should have the political will to undertake these reforms in earnest taking into account the ever-changing global socio-economic trends.

Recently “in a surprising move, Zimbabwe is set to make far reaching trade liberalization proposals to its regional partners, including offering zero-tariff trade with South Africa (Business Day 4/1/1999). The proposal includes an “immediate reciprocal free trade” agreement with South Africa in footwear, textiles and clothing is to form part of Zimbabwe’s opening offer to free trade negotiation within the SADC this month. This will help improve regional trade, if any deal/agreement will be entered into (Business Day 4/1/1999. However, it seems that the SADC is so fractured at present that it appears to be more trouble than it is worth and to integrate South Africa’s economy into the sub-Sahara Africa means being dragged into the continent’s seemingly endemic internecine warfare, economic decline and mercantile political opportunism (Finance Week 18/12/1998). Improving regional trade is a strong recommendation but regional integration needs champions which unfortunately the SADC does not have. For instance, one of the things that carried the process of European economic integration for many years was leadership – two Frenchmen businessmen Jean Monnet and Schuman played a leading role. SADC has no champions of such stature. A glance at SADC reflects that it has a market of 173 million consumers (See Table 41).

*Table 41: SADC – Basic Indicators*

	<b>Population (million)</b>	<b>Total GNP (US\$m)</b>	<b>GNP/capita (US\$)</b>
Angola	10	4,42	410
Botswana	1.4	4,381	3,020
Congo	43.8	5,313	120
Lesotho	1.9	1,519	770
Malawi	9.3	1,623	170
Mauritius	1.1	3,815	3,380
Mozambique	16.9	1,353	80
Namibia	1.6	3,098	2,000
Seychelles	0.07	487	6,620
Swaziland	0.9	1,051	1,170
Tanzania	26.7	3,703	120
Zambia	8.5	3,605	400
Zimbabwe	10.6	5,933	540
SADC excl RSA	132.77	40,303	370
RSA	40.7	130,918	3,160
Total incl RSA	173.7	171,221	1,150
SA % of total	31%	76%	

Source: Finance Week, 18/12/1998

Thus SADC integration offers a potentially big market. So trade liberalization – the creation of a SADC common market is a necessary goal. It is significant to note that “after the Lome Convention expires in February 2000, the EU intends to replace it with Reciprocal Economic Partnership Agreements, to be negotiated between Brussels and trade blocs in, among other many places SADC, the Pacific, the Caribbean and West Africa” (Finance Week 18/12/1998). These are global economic changes, so if SADC is to be globally competitive, economically, then free trade is the way forward towards greater socio-economic development.

Finally, it should be noted that economic structural adjustment programmes have detrimentally impacted on the socio-economic fabrics of many SADC countries, including Zambia and Zimbabwe. Thus, in order to ward off, the socio-economic hardships precipitated by the structural adjustment policies many options should be considered as mentioned in the study.

SADC leaders should have the political will to implement economic development rather than pursuing confrontational policies which always lead to labour upstarts just like in Zimbabwe where the ZCTU recently was at loggerheads with government and ultimately on a major strike over tax increases (BBC Focus on Africa January – March 1999). In Zambia privatization programmes are causing problems for the government from Labour because this process means retrenchment of workers on a large scale. To this end therefore, it can be said that structural adjustment programmes have precipitated an avalanche socio-economic problems for both Zambia and Zimbabwe, and the SADC region as whole.

In any future relationship with SADC, the IMF/WB should revisit its *modus operandi*, in terms of giving aid for socio-economic development to the region. SADC countries should be treated as partners in development rather than aid receivers. The IMF/WB should cancel the debts of the SADC adjusters in order to allow them to focus on socio-economic development rather than debt servicing.

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# APPENDICES

**Table 41. Membership of IMF/World Bank. Membership and Quotas in Africa South of The Sahara (Million SDR)**

Country	August 1996
Angola	207.3
Benin	45.3
Botswana	36.6
Burkina Faso	44.2
Burundi	57.2
Cameroon	135.1
Cape Verde	7.0
Central African Republic	41.2
Chad	41.3
Comoros	6.5
Congo	57.9
Cote d'Ivoire	238.2
Djibouti	11.5
Equatorial Guinea	24.3
Eritrea	11.5
Ethiopia	98.3
Gabon	110.3
The Gambia	22.9
Ghana	274.0
Guinea	78.7
Guinea-Bissau	10.5
Kenya	199.4
Lesotho	23.9
Liberia	(96.2) 71.3
Madagascar	90.4
Malawi	50.9
Mali	68.9
Mauritania	47.5
Mauritius	73.3
Mozambique	84.0
Namibia	99.6
Niger	48.3
Nigeria	1,281.6
Rwanda	59.5
Sao Tome and Principe	5.5
Senegal	118.9
Seychelles	6.0
Sierra Leone	77.2
Somalia	(60.9) 44.2
South Africa	1,365.4
Sudan	(233.1) 169.7
Swaziland	36.5
Tanzania	146.9
Togo	54.3
Uganda	133.9
Zaire	(394.8) 291.0
Zambia	363.5
Zimbabwe	261.3

\*\*\* SADC States  
Sub-Saharan African States  
\*\*\* Countries under discussion

*IMF World Bank Conditionalities*

- ❖ Decontrolling of prices
- ❖ Deregulation of trade
- ❖ Devaluation of currency
- ❖ Removal of subsidies
- ❖ Reduction of public expenditure
- ❖ Wage restraints
- ❖ Increase in domestic interest rates
- ❖ Removal of tariffs and other controls
- ❖ Reduction of arguments
- ❖ Encouragement of foreign investment
- ❖ Removal of administrative controls
- ❖ Privatization
- ❖ Good governance
- ❖ The human rights issue
- ❖

Source: Chakaodza, (1993:17)

**Table 42. Real minimum wages for lowest paid workers in selected industries, 1982-1992**  
(1980 = 100)

Industry	1982	1990	1991	1992
Agriculture	199.7	181.4	172.2	138.4
Mining	194.3	156.1	153.1	126.3
Tobacco	139.4	121.2	115.2	97.6
Clothing	128.8	100.8	97.3	71.5
Textiles	122.9	110.0	104.0	78.4
Engineering	119.5	97.2	93.6	70.5
Furniture	-	(100.0)	(97.8)	(73.5)
Commerce	-	(100.0)	(97.8)	(75.9)
Domestic workers	-	(100.0)	(88.5)	(66.6)
City Ball	104.3	87.8	82.7	-

\*June

Source: Calculated from data supplied by the Ministry of Labour (1992)

**Table 43. Industries affected by ESAP**

Agriculture	
Tobacco	
Textiles	
Furniture	
City Ball	
Mining	
Clothing	
Engineering	
Commerce	
Domestic workers	
In these industries as shown in <i>Table 2</i> , wage fell drastically.	
Source: BZ5, 1995	

Number	Category
20	Peasants
20	Wage earners at a mine
20	Rural elite (teachers, health workers and agricultural workers)
14	Rural business person
42	low income urban households

(Kadenge) 1992

**Table 44. Rural Elite**

	Awareness		Attitude	
	+VE	-VE	+VE	-VE
1. Removal of Price Control	80%	10%	0%	100%
2. Removal of Subsidies	80%	10%	10%	40%
3. Reduction of Duty	80%	10%	90%	10%
4. Forex Allocation and Devaluation of Z\$	80%	10%	80%	10%
5. Introduction of School Fees	80%	10%	60%	10%
6. Introduction of Hospital Fees	80%	10%	30%	50%
7. Firing Procedures	80%	10%	30%	50%
8. Mining Wages (Removal)	80%	10%	30%	50%
9. Reduction of Civil Servants	80%	10%	40%	50%
10. Parastatals	80%	10%	70%	20%

(Kadenge) 1992

**Table 45. Low Income Urban Community**

	Awareness		Attitude	
	+VE	-VE	+VE	-VE
1. Removal of Price Control	71.4%	29%	9.5%	85.1%
2. Removal of Subsidies	52.3%	47.7%	9.5%	42.1%
3. Reduction of Duty	42.9%	52.3%	47.6%	33.3%
4. Forex Allocation and Devaluation of Z\$	42.9%	52.3%	23.8%	52.4%
5. Introduction of School Fees	71.4%	23.8%	33.3%	52.4%
6. Introduction of Hospital Fees	66.6%	29%	19%	76%
7. Firing Procedures	52.3%	42.9%	33.3%	57.1%
8. Mining Wages (Removal)	52.3%	42.9%	52.4%	28.6%
9. Reduction of Civil Servants	71.4%	23.8%	52.4%	28.6%
10. Parastatals	47.7%	47.7%	52.4%	23.8%

(Kadenge) 1992

**Table 46. Mining Community**

	Awareness		Attitude	
	+VE	-VE	+VE	-VE
1. Removal of Price Control	80%	10%	0%	90%
2. Removal of Subsidies	0%	30%	10%	10%
3. Reduction of Duty	0%	90%	80%	0%
4. Forex Allocation and Devaluation of Z\$	0%	90%	0%	80%
5. Introduction of School Fees	10%	80%	30%	70%
6. Introduction of Hospital Fees	10%	80%	20%	80%
7. Firing Procedures	52.3%	90%	10%	90%
8. Mining Wages (Removal)	0%	90%	0%	90%
9. Reduction of Civil Servants	10%	80%	30%	60%
10. Parastatals	0%	90%	60%	20%

(Kadenge) 1992

Table 49. Composition of the Service 1980-83 (Officers: Established posts)

CATEGORY	BLACKS	WHITES	BLACKS	WHITES	BLACKS	WHITES	BLACKS	WHITES
	1980		1981		1982		1983	
Admin (Open)	80	410	318	196	745	175	923	142
Admin (closed)	176	850	419	456	765	300	962	198
Professional		792	501	685	753	612	907	516
Technical	116	714	614	419	907	304	1,038	227
Departmental	371	1,379	1,007	979	2,040	775	2,578	560
Health	332	362	880	223	2,721	282	3,187	181
Clerical & Executive	326	746	510	494	654	394	816	282
<b>TOTAL</b>	<b>3,368</b>	<b>7,202</b>	<b>8,711</b>	<b>5,202</b>	<b>7,087</b>	<b>5,210</b>	<b>20,172</b>	<b>4,106</b>

(Source: Public Service Review, 1989)

Period: July - 1993 - June 1994

Size of Service	173,408
Target for Abolition	7,360
Balance carried forward 1992/93	4,500
<b>Total target for abolishing 1993/4</b>	<b>11,860</b>

Source: PSC, 1993

MONTH	POST ABOLISHED			Total Abolished	Cumulative Total abolished	Balance to be abolished 1994/4	Posts Created	Size of Service
	Voluntary Retirement	Obligatory education	Other abolition					
<b>BALANCE</b>								<b>173,408</b>
JULY			8	8	8	11,860	16	173,416
AUGUST			112	112	120	11,852	98	173,402
SEPTEMBER			1,064	1,064	1,184	11,740	53	173,4391
OCTOBER			24	24	1,208	10,676	66	173,433
NOVEMBER			10	10	1,218	10,642	41	173,464
DECEMBER			857	902	2,120	9,740	0	<u>173,562</u>
JANUARY	35	10						
FEBRUARY								
MARCH								
APRIL								
MAY								
JUNE								
<b>TOTAL</b>	<b>35</b>	<b>10</b>	<b>2,075</b>	<b>2,120</b>	<b>1,184</b>	<b>9,740</b>	<b>274</b>	

Source: Public Service Commission, 1993

Table 50. Countries Ranked by Overall Macroeconomic Policy Stance, 1990-91

<i>Adequate</i>		
1.	Ghana	***
<i>Fair</i>		
2.	Burundi	***
3.	The Gambia	***
4.	Madagascar	***
5.	Malawi	***
6.	Burkina Faso	***
7.	Kenya	***
8.	Gabon	***
9.	Mauritania	***
10.	Nigeria	***
11.	Senegal	***
12.	Togo	***
13.	Mali	***
14.	Uganda	***
<i>Poor</i>		
15.	Central African Republic	**
16.	Niger	**
17.	Benin	**
18.	Rwanda	**
19.	Tanzania	**
20.	Zimbabwe	**
<i>Very Poor</i>		
21.	Cote d'Ivoire	*
22.	Cameroon	*
23.	Congo	*
24.	Mozambique	*
25.	Sierra Leone	*
26.	Zambia	*
Source: World Bank 1994		

### MAIN TARGETS OF ESAP (1991 – 1995) IN ZIMBABWE

- ❑ A reduction of government deficit from about 10% of GDP in 1990 to 5% by 1995;
- ❑ Complete liberalization of the foreign rate and trade regime by 1995
- ❑ Elimination of subsidies, reduction of social expenditures and levying of cost recovery rates on social services
- ❑ Rationalization of some public enterprises and privatization of others
- ❑ Liberalization of prices, interest rates and the exchange rate by 1995
- ❑ Deregulation of the economy
- ❑ Liberalization of foreign investment regulations, and
- ❑ Deregulation of the labour market by allowing for free collective bargaining and wage flexibility and by abolishing certain restrictions on retrenchments.

(Source: Peter Gibbon 1995)

Table 51. Zimbabwe's economic outlook today

Years	1996	1997	1998
GDP % per year	7,3	3,5	1,5 to 2,0
Inflation	21,6	18,9	27,0
Prime lending rate %			
Per year	32,5	30,5	35,0
Z \$/US\$ (year end)	10,9	18,5	20,0
Trade-weighted exchange			
Rate index (year end)	94,6	60,0	54,0

(April 1998 = 64)

(Source: Standard Chartered Bank 1998/8/51)

**Table 52. Fees Introduction**

Rural Areas	Z\$ 150
High Density Areas (Urban)	Z\$ 210
Low Density Areas (Urban)	Z\$ 450
Boarding Fees (Primary)	Z\$ 220
Boarding Fees (Secondary)	Z\$ 250

Source (Ministry of Education, 1994).

#### **SUMMARY OF COLONIAL LEGACY**

5. Development of a technologically advanced mining sector into the mainstay of the economy, thereby laying the ground for an almost irreversible external dependence. And since mining uses capital-intensive techniques, the sector would not be relied on to generate the employment that the country yearned for.
6. Traditional agriculture was marginalized by a combination of taxation and agricultural policies, which were tilted in favour of expatriate farmers and the mining industry (Lucembe 1974).
7. Economic activity was concentrated in the line-of-rail provinces, laying the ground for vast regional inequalities after independence.
8. At independence, the wage structures were characterized by huge differentials their piecemeal adoption meant that income disparities were to continue to flourish.
9. African education and other social infrastructure were largely neglected.

Adopted from (Blomstron and Lundahl 1993:146

NB: These issues precipitated serious and economically detrimental problems after independence. With the collapse of copper mining and early economic policy mismanagement Zambia had an economic decline. Hence in the 1980s IMF World Bank policies were adopted as panacea.

**THE GROWTH AND COLLAPSE OF THE ZAMBIAN ECONOMY FROM 1964-1990**  
**THE SEARCH FOR DIVERSIFICATION IN ZAMBIA.**

*Zambia: gross domestic product (million Kwacha) and copper dependence*

Year	GDP	%	GDPC	%	CU	C/ GDP	C/G	C/X
1964	1,618	-	449	-	644	45	53	91
1965	1,915	18	518	15	686	40	71	91
1966	2,172	13	572	10	588	44	64	94
1967	2,449	13	628	10	619	39	60	93
1968	2,632	7	650	4	660	38	58	95
1969	3,123	19	758	17	755	48	59	96
1970	2,695	-14	634	-16	686	36	58	96
1971	2,697	0	614	-3	636	23	36	94
1972	2,962	10	656	7	701	24	19	92
1973	2,934	-1	627	-4	683	32	29	94
1974	3,132	7	648	3	709	32	53	93
1975	3,056	-2	614	-5	648	13	13	91
1976	3,187	4	620	1	712	17	3	92
1977	3,035	-5	573	-8	659	11	-	91
1978	3,067	2	573	0	654	12	-	88
1979	2,973	-8	529	-8	584	18	-	90
1980	3,063	4	551	4	609	16	5	94
1981	3,352	6	554	1	560	14	1	94
1982	3,155	-3	523	-6	592	11	-	93
1983	3,108	-2	498	-5	576	15	4	92
1984	3,084	-1	479	-4	551	14	6	88
1985	3,279	6	487	2	480	16	8	85
1986	3,346	2	434	-11	460	18	13	83
1987	3,503	6	465	7	483	14	7	85
1988	4,216	5	470	1	422	10	2	85
1989	4,210	0	-	-	451	12	11	88
1990	-	-	-	-	441	-	17	-

Source: Republic of Zambia (a); Republic of Zambia (b); 1986; IMF, International Financial Statistics, various issues.

Definitions: GDPC= GDP per capita.

CU	=	Copper production in thousands of tons.
C/GDP	=	Contribution of copper to GDP (per cent)
C/G	=	Contribution of copper to government revenue (per cent)
C/X	=	Contribution of copper to exports (percent)

*Table 53. Magnitude of Distortion (policy and Institutional), End 1970s*

High	Medium	Low
Ghana	Cote d'Ivoire	Malawi
Nigeria	Ethiopia	Cameroon
Tanzania	Burundi	Rwanda
Senegal	Zimbabwe	Mauritius
Zaire	Mali	Botswana
Somalia	Niger	
Sudan	Togo	
Uganda	Mauritania	
Zambia	Burkina Faso	
Guinea	Kenya	
Guinea-Bissau		
Sierra Leone		
Liberia		
Madagascar		

Source: (Gulhati 1989)

*Table 54. Status of Policy and Institutional Reforms in Sub-Saharan Africa*

Intensity and duration Of Reforms 1980-86	Magnitude of policy and Institutional distortions end of 1970s		
	High	Medium	Low
High	Zambia Ghana Zaire	Cote d'Ivoire Togo	Malawi Mauritius
Medium	Somalia Senegal Madagascar	Kenya	
Marginal Or none	Liberia	Mali Burkina-Faso Zimbabwe Ethiopia	
Aborted	Sudan Uganda Guinea	Burundi	
New Entrants	Nigeria Tanzania Guinea-Bissau Sierra Leone	Niger Mauritania	

- (a) Adoption of multiple modes of social livelihood. This includes taking a extra job or moonlighting, involving more members of the household in work or inducing children to join the labour force.
- (b) Abandonment of existing role for more lucrative one. In rural areas, this may mean abandoning food crops in favour of cash crops and or joining petty trade activity. In urban areas, it implies joining the informal sector e.g. street-vending, small-scale production or trade. At the other extreme, it may lead to increase in social vices such as crime or prostitution.
- (c) Reducing use of modern medical facilities and relying more on traditional health providers (hospitals became expensive)
- (d) Shedding off family responsibility e.g. reducing family household size, withdrawing children from schools etc.
- (e) Reducing household consumption. This usually means cutting down on the number of meals taken in a day and/or substitution, cheap but less nutritious food stuffs for the relatively more expensive, yet more nutritious ones.
- (f) Relying more on informal sector moneylenders.

Adapted from Ibbo Mandaza's ((S.A.P.E.M Vol. 10, No. 12, 1997)

*Table 55. Gross Domestic Production by Kind of Economic Activity in Producer's Value at Constant (1970) Prices (In K' million)*

	1977	1978	1979	1980	1981	1982	1983
1. Agriculture, Forestry and Fisheries	168	169	160	166	180	159	172
2. Mining and Quarrying	470	495	391	399	433	433	469
3. Manufacturing	152	160	163	163	180	173	182
4. Electricity, Gas and water	59	76	81	85	91	97	98
5. Construction	90	82	69	79	61	65	48
6. Wholesale and Retail Trade	97	96	90	99	99	90	87
7. Hotels and Restaurants	17	18	17	20	24	22	22
8. Transport and Communications	60	61	63	57	60	60	58
9. Financial Institutions and Insurance	49	41	45	41	40	44	36
10. Housing and Real Estate	45	48	50	53	60	64	59
11. Business services	32	32	31	39	38	38	39
12. Community, Social and Personal Services	197	198	202	210	207	205	200
13. Import Duties	20	16	15	17	20	16	13
14. Less Imputed bank Charges	11	9	10	9	9	10	8
15. Total GDP	1447	1484	1370	1418	1484	1454	1477

(Source: Government of Zambia, 1987)

*Table 56. Year-to-Year Fluctuations in Sectoral Performance of the Zambia Economy*

	1977	1978	1979	1980	1981	1982	1983	Average Annual rate Growth (+) Growth (-)
<b>I. Total GDP</b>	-4.8	+2.6	-8.0	+3.5	+4.6	-2.1	+1.5	-1.1
2. Agriculture, Forestry and Fisheries	0.6	0.6	-5.9	3.7	8.4	11.7	8.1	0.5
3. Mining and Quarrying	-6.6	5.3	-21.1	2.0	8.5	0.0	8.3	-0.5
4. Manufacturing	-10.6	5.3	2.0	0.0	10.4	-3.9	5.0	1.]
5. Electricity, Gas and Water	23.0	29.0	6.6	5.0	7.5	6.6	6.6	11.2
6. Construction	-10.0	-9.0	-9.0	-15.9	-14.5	-6.5	-26.0	-8.9
7. Wholesale and Retail Trade	-10.0	-1.0	-7.0	10.0	0.0	-9.0	-3.4	-2.9
8. Hotels and Restaurants	-10.0	6.0	-6.0	17.6	20.0	-8.3	0.0	2.8
9. Transport and communications	-9.1	P7	3.2	-9.6	5.2	0.0	-3.3	-1.7
IC. Financial Institutions and Insurance	-15.1	-16.3	97	-8.9	-2.5	10.0	-10.0	-4.8
II. Housing and Real Estate	4.6	62	4.2	6.0	14.0	7.0	-7.8	5.0
12. Business services	-9.0	3.0	3.0	14.7	-2.6	0.0	2.6	1.7
13. Community Social and Personal services	+0.5	0.5	2.0	4.0	-1.5	1.0	-2.5	0.3
14. Import Ditties	0.0	-20.5	-6.0	12.0	17.5	-20.0	-18.0	-15.0
IS. Less Imputed bank Charges	-15.4	-18.0	11.0	-10.0	0.0	11.0	-20.0	-0.8

Source: Economic Reports, Various Issues

*Table 57. Inflation and exchange Rate (1970-1991)*

Year	US \$/Kwacha	Urban C.P.I		Annual Low Income	Change in C.P.I High Income
		Low Income	High Income		
1970	1,40				
1975	1,55	100,0	100,0	10,1	8,5
1980	1,27	202,9	189,4	11,7	11,9
1981	1,15	231,3	209,1	14,0	10,4
1982	1,08	260,2	236,7	12,5	13,2
1983	0,80	311,2	278,6	19,6	11,7
1984	0,56	373,5	336,8	20,0	20,0
1985	0,37	513,5	455,0	37,5	35,1
1986	0,16	778,4	707,2	51,6	55,4
1987	0,05	938,3	850,5	21,0	21,0
1988	0,125	171,1	-	54,4	54,4
1989	0,062		-	63,1	62,5
1990	0,025		-	-	15,0
1991	0,017		-	-	80

(July)

(July)

Source: 1) Bank of Zambia, CSO, Various Issues, 2) Colelough, 1988

**Table 58. Formal Sector Employment, 1964-85 (000 persons)**

Year	Total Labour Force	Number of Employees	Percentage Labour Force
1974	1430	386	27.0
1975	1 479	393	26.6
1976	1 527	370	24.2
1977	1 586	370	23.4
1978	1 641	367	22.4
1979	1698	374	22.1
1980	1 761	381	21.6
1981	1824	374	20.5
1982	1880	364	19.5
1983	1 938	365	18.8
1984	1998	364	18.2
1985	2060	362	17.6

Source: Republic of Zambia, CSO, Monthly Digest of Statistics, October/November 1985, Vol. 21, p.5.

**Table 59. Impact of Structural Adjustment on Health in Zambia (Government expenditure on health)**

Year	Total	% Change	President (state house)	% <sup>a</sup> Change	Health	% <sup>a</sup> Change
1980	11)81,966		876		65,420	
1988	8,359,350		8,496		648,074	
1989	9,700,990	16	21,725	120	895.802	19
1 990*	26,946,453	178	52,659	-9	1,110,086	-55
<b>Average change</b>		<b>98</b>		<b>56</b>		<b>-18</b>

\*Only up to September

Note<sup>a</sup>: Percentage as a proportion of expenditure

Source: CSO. Monthly Digest of Statistics (Series April/Sept. 1983; January/April 1986; August 1990 and June 1991)

Government Printers, Lusaka.

*Table 60. Major causes of mortality among adults in hospitals (15 years or over)*

Major Causes	1987		1988		
	Number of deaths	% total	Number of deaths	% total	% change
Accidents & injuries	541	6	531	5	-2
Diseases of heart	1095	12	915	9	-6
Malignant, neoplasia & leukemia	438	45	1058	10	142
Respiratory disease	997	11	1228	12	23
Pulmonary tuberculosis	1209	13	280	3	-77
Genito-urinary system	115	1	555	5	38
Senility/ill-defined causes, excluding new born	598	6	188	2	-68
Ulcers/appendicitis, liver disorder	184	2	343	3	86
Non-infective gastro-intestinal disorders	445	5	572	6	29
Malaria	896	10	1298	14	45
Disorders of pregnancy/ delivery puerperium	216	2	199	2	-8
Disorders of skin/subcutaneous tissue	88	1	101	1	15
Total Major	6822	73	7268	73	7
	9,283		10,120		9

Source: CSO 1995

*Table 61. Government expenditure on education*

Year	Total	% Change	Education	% change
1980	1,081,966		120,377	
1988	8,359,350		474,539	
1989	9,700,990	16	936,756	66
1990	26,946,453	178	2,274,239	-20
<b>Average change</b>		<b>97</b>		<b>44</b>

Source: (CSO)

*Table 62. Formal employment by sector 1988-90*

	1988	1989	1990	%change 1989-1990
Agriculture, forestry & fisheries	37,380	37,860	39,000	14
Mining & quarrying	56,810	56,340	56,810	0
Manufacturing	49,940	50,340	50,940	1
Electricity & water	8,720	8,820	8,940	1
Construction	29,830	29,350	29,060	-1
Distribution, restaurants & hotels	29,840	30,140	30,740	1
Transport & communication	25,020	25,320	23,650	-2
Finance, insurance, real estate & business services	23,360	23,780	24,180	1
Community, social & personal services	105,610	109,440	111,630	2
<b>Total</b>	<b>369,390</b>	<b>371,840</b>	<b>376,950</b>	<b>1</b>

Source: CSO 1990

*Table 63. Population and labour force 1980-90*

Year	Pop. (million)	% Urban pop. As % of total	Labour force (formal sector)	Unemployment %
1980	5.68	40	1.65	62
1985	6.72	45	1.99	64
1986	6.95	46	2.70	64
1987	7.15	48	3.74	64
1988	7.35	49	3.78	64
1989	7.57	50	3.82	63
<b>1990*</b>	<b>7.79</b>	<b>51</b>	<b>3.86</b>	<b>62</b>

\*Provisional

Source: CSO, (po.cit)

*Table 64. Exchange Rate, Kwacha to US \$*

1964-72	1973-75	1976	1977	1978-79	1980	1981	1982	
0.71	0.64	0.79	0.75	0.78	0.80	0.88	0.93	
1983	1984	1985	1986	1987	1988	1989	1990	1991*
1.51	2.20	5.70	12.70	8.00	10.00	12.90	28.99	52.49

\* 1991 only 1<sup>st</sup> two quarters

Source: IMF (1990) International Financial Statistics, Washington DC: IMF; International Financial Statistics Yearbook (Series 1983, 1987, and 1888) Washington DC: IMF.

*Table 65. Total Debt Outstanding and Disbursed (ITS \$ Millions)*

	1980	1985	1986	1987	1988	1989
<b>Public &amp; Public Guaranteed</b>						
Long-term	2 146	3 159	3 767	4 374	4 194	4 093
Office creditors	1 501	2 542	3 179	3 758	3 671	3 517
Multilateral	397	732	987	1 235	1198	1 218
of which IBRD	346	370	460	555	508	501
of which IDA	2	105	190	260	254	253
Bilateral	1105	1 810	2 192	2 524	2 482	2 298
Private Creditors	644	617	587	615	523	570
Suppliers	288	217	214	138	188	202
Financial Markets	-	-	-	-	-	-
Private Non-Guaranteed	87	0	0	0	0	0
Total Long-term	2 232	3 159	3 767	4 374	4 194	4 093
IMF Credit	447	801	858	991	940	900
Net Short-term	586	676	1 018	1 089	1 364	2 220
<b>Total Debt</b>	<b>3 266</b>	<b>4 636</b>	<b>5 643</b>	<b>6 458</b>	<b>6 498</b>	<b>7 213</b>

Source: World Bank, October 1990

*Table 66. Zambia, Debt Burden Ratios*

	1980	1985	1986	1987	1988	1989
Debt Outstanding to Export Rates	201.03	534.19	763.84	720.17	522.53	516.81
Debt Outstanding to GDP Ratios	84.09	205.82	339.04	312.99	162.57	136.95
Debt/Service Exports	25.35	15.87	48.99	24.01	14.19	12.09
Public and Publicity Guaranteed L.T.	17.68	10.12	17.88	14.88	14.14	10.63
Private Non-Guaranteed L.T.	2.51	0.00	0.00	0.00	0.00	0.00
<b>Total long-term Debt Service</b>	<b>10.12</b>	<b>17.88</b>	<b>14.88</b>	<b>14.14</b>	<b>10.63</b>	

Source: World Bank, October 1990

*Table 67. Payment Arrears (US \$ Million)*

<b>Total Ext. Debt Arrears of Whit</b>	<b>1 644.2</b>	<b>231.3</b>	<b>1 875.5</b>
Official Creditor	582.1	86.2	668.3
Multilateral	455.1	31.6	486.1
Bilateral	127.0	54.6	181.6
Private Creditor	103.5	35.6	139.1
Financial	59.9	16.1	76.0
Supplier	43.6	19.5	63.1
Rescheduled Debt	135.9	109.4	245.2
Bilateral	116.4	102.7	219.1
Financial	19.4	6.7	26.1
Short-term Debt	822.7		822.7

Source: Bank of Zambia, 1987 Annual Report.

*Table 68. Zambia's Macro-Economic Performance*

	1986	1987	1988	1989*	1990 estimate
Real GDP (%increase)	0.9	2.2	6.3	0.1	0.9
Real GDP per capita (%increase)	-2.7	-1.4	2.9	-3.5	-2.8
Real Non-mining GDP (% increase)	5.0	-0.7	8.8	-1.0	0.4
Export Growth Rate <sup>a</sup>	-19.9	24.3	33.2	22.1	-11.5
Non-metal Export Growth	-16.7	9.8	24.7	-13.9	33.5
Import Growth Rate <sup>a</sup>	-18.2	13.3	15.2	15.1	8.7
Real Import Growth Rate <sup>b</sup>	-29.4	3.0	9.4	24.1	0.9
Gross Domestic Investment (% GDP)	23.8	13.9	12.3	8.7	14.8
Government Deficit (% GDP)	-28.6	-10.9	-12.1	-9.3	-8.0
(excl. foreign interest)	11.8	2.7	-7.1	-6.1	-4.5
Consumer Prices <sup>c</sup> (% increase)	52.4	44.4	54.3	124.6	n.a
Money Supply (M2) (% increase)	93.1	54.3	61.6	50.2	40.0
Commercial Bank Lending Rate (%)	33.5	18.4	25.0	35.0	n.a.
Debt Service (accrual) <sup>d</sup>	109.9	99.7	79.2	56.5	65.8

a Exports fob, and imports c.i.f. in current US \$.

b Imports of good and non-factor services deflated by manufacturing unit value.

c Index with 1980=100

d As percentage of exports of goods and services; it does not include reduction of arrears.

Source: World Bank (1989, 1990)

*Table 69. Annual Increase in Consumer Prices*

<b>Year</b>	<b>All items</b>	<b>Food etc.</b>	<b>Clothing etc</b>	<b>Rent and Fuel</b>	<b>Household Goods</b>	<b>Other items</b>
<b>Low-Income Group</b>						
<b>Weight</b>	<b>1000</b>	<b>680</b>	<b>99</b>	<b>106</b>	<b>44</b>	<b>71</b>
1981	14	15	7	9	26	5
1982	12	14	10	3	19	14
1983	20	21	11	10	36	23
1984	20	19	15	32	30	18
1985	37	36	43	26	47	47
1986	52	50	54	31	104	63
1987	43	45	58	13	57	41
1988	56	58	72	42	24	49
1989	125	131	104	84	147	205
<b>High-Income Group</b>						
<b>Weight</b>	<b>1000</b>	<b>360</b>	<b>98</b>	<b>195</b>	<b>79</b>	<b>268</b>
1981	10	13	8	2	20	6
1982	13	24	9	3	15	14
1983	18	20	13	9	27	18
1984	21	17	15	35	22	16
1985	33	38	44	9	46	36
1986	58	55	51	45	81	69
1987	54	62	55	46	78	41
1988	45	62	68	7	36	44
1989	106	140	98	9	136	137

Source: Prices and Income Commission (1990)

*Table 70. Nominal Consumer Subsidy for Maize*

<b>Year</b>	<b>Subsidy (% retail price)</b>
1970	26.0
1971	29.0
1972	29.0
1973	32.3
1974	44.1
1975	65.6
1976	61.1
1977	71.7
1978	55.4
1979	14.8
<b>1980</b>	<b>39.3</b>
1981	19.7
1982	11.9
1983	0.00
1984	5.8
1985	27.6
1986	59.5

Source: Kumar (1988)

*Table 71. Structural adjustment and External Debt*

External debt

(\$mn unless otherwise indicated)

	1985	1986	1987	1988	1989	1990
Total external debt of which:	4637	5707	6599	6832	6739	7223
Long-term debt	3159	3792	4428	4415	4196	4786
Short-term debt	677	1057	1179	1476	1643	1488
Use of I~ credit	801	858	991	940	900	949
Public disbursed debt of which:	3159	3792	4428	4415	4196	4784
Multilateral	733	980	1234	1210	1244	1420
Bilateral	1803	2212	2562	2580	2319	2824
Private creditor of which:	624	601	632	626	633	540
Commercial banks	70	70	70	70	70	70
Debt service of which:	139	317	153	164	177	178
Principal	72	230	90	96	112	115
Interest	68	141	63	68	65	62
Total external debt/GDP (%)	229.4	414.6	373.7	205.8	154.2	216.2
Debt service ratio(%)	16.1	50.1	17.0	13.1	12.4	12.8
Short term debt/total external debt (%)	14.6	18.5	17.9	21.6	24.4	20.6
Concessional loans/total external debt (%)	26.9	25.8	26.9	26.7	23.9	29.6
Variable interest rate loans/total external debt (%)	10.7	11.3	10.4	9.1	8.6	9.2
Interest in arrears on long-term debt	170	157	356	521	803	813

Maturity of over one year. Total debt service as a proportion of exports of goods and services.

Source: World Bank, World Debt Tables.

Adopted from the Economist Intelligence Unit

Table 72. External Debt (SADC)

	Current Account Balance before Official Transfer (US\$ million) Cover		Gross International Reserves in Months of imports as % of Exports.	Total External Debt as % of Exports	Total External Debt Service as % of Exports	
	1970	1993	1993	1994	1980	1994
Botswana	-35	"	"	32.3	2.1	4.3
Lesotho	-1	-376	1.8	331.9	1.5	16.9
Malawi	-46	-221	0.7	523.0	27.7	17.4
Mauritius	5	-96	4.8	68.1	9.1	7.3
Mozambique	"	-820	2.2	1,388.7	"	23.0
Namibia	"	179	0.3	"	"	"
South Africa	-1,253	1,743	1.4	"	"	"
Tanzania	-37	-935	2.1	877.5	25.9	20.5
Zambia	107	-471	1.3	560.1	25.3	31.5
Zimbabwe	26	205	1.8	"	2.8	21.1

1993

Source: World Bank, World Development Report 1995 and 1996

Table 73. Inflation (SADC)

	Average Annual Rates of Inflation (%)		Nominal Interest (Avg. Annual %) Deposit Rate		Rates of Banks Lending Rates	
	1970-80	1980-93	1980	1993	1980	1993
Angola	"	"	"	"	"	"
Botswana	11.6	12.3	5.0	13.5	8.5	14.9
Lesotho	9.7	13.8	"	8.1	11.0	15.8
Malawi	8.8	15.5	7.9	21.8	16.7	29.5
Mauritius	15.3	8.8	"	8.4	"	16.6
Mozambique	"	42.3	"	"	"	"
Namibia	"	11.9	"	9.6	"	18.0
South Africa	13.0	14.7	5.5	19.8	9.5	16.2
Swaziland	12.3	19.3	"	"	"	"
Tanzania	14.1	24.3	4.0	"	11.5	31.0
Zambia	7.6	58.9	7.0	48.5	9.5	113.3
Zimbabwe	9.4	14.4	3.5	29.5	17.5	36.3

Source: World Bank, World Development Report, 1995

Table 74. Southern African Regional Official Exchange Rate (US\$ per unit of Local Currency Unless Stated Otherwise as at the End of Each Year)

	1990	1992	1994	1995
Botswana	0.5344	0.4431	0.3680	0.3544
Lesotho	0.3902	0.32755	0.28221	0.27416
Malawi <sup>1</sup>	2.6469	4.3958	15.2986	15.3031
Mauritius <sup>1</sup>	14.322	16.998	17.863	17.664
Mozambique <sup>1</sup>	1,038.1	2,951.4	6,651.0	10,890.0
Namibia <sup>1</sup>	2.56250	3.05300	3.54350	3.64750
South Africa	0.039024	0.32755	0.28221	0.27416
Swaziland	0.39024	0.32755	0.28221	0.27416
Tanzania <sup>1</sup>	196.30	335.00	523.45	550.36
Zambia	0.0234	0.0028	0.0015	0.0010
Zimbabwe	0.3793	0.1824	0.1192	0.1074

<sup>1</sup> Units of local currency per US\$

Source: IMF International Financial Statistics, January 1997

*Table 75. Central Government Revenue and Expenditure (SADC)*

	Total Current Revenue (% of GNP)		Total Expenditure (% of GNP)		Overall Surplus/Deficit (% of GNP)			
	1980	1993	1980	1993	1980	1989	1991	1994
	Botswana	36.6	56.1	36.5	40.2	-0.2	27.1	114.0
Lesotho	17.1	27.1	22.7	32.1	-3.7	"	-0.3	"
Malawi	20.7	"	37.6	"	-17.3	-6.0	-1.9	"
Mauritius	21.0	22.6	27.4	22.2	-10.4	-1.5	0.0	-0.3
Namibia	"	34.9	"	40.2	"	"	7.5	4.7
South Africa	24.6	28.3	23.1	32.6	2.5	-7.5	0.3	-9.2
Tanzania	17.6	"	28.8	"	-8.4	"	"	"
Zambia	27.0	"	40.0	"	-20.0	-4.6	-55.0	-7.3
Zimbabwe	24.4	31.8	35.3	36.2	-11.1	-9.1	-6.9	"

Source: World Bank, World Development Report 1995 and 1996

*Table 76. Inflation Rate*

YEAR	%
1991	20.3
1992	45.8
1993	27.3
1994	22.3
1995	22.6

Table 77. The monthly rates from January 1995 are:

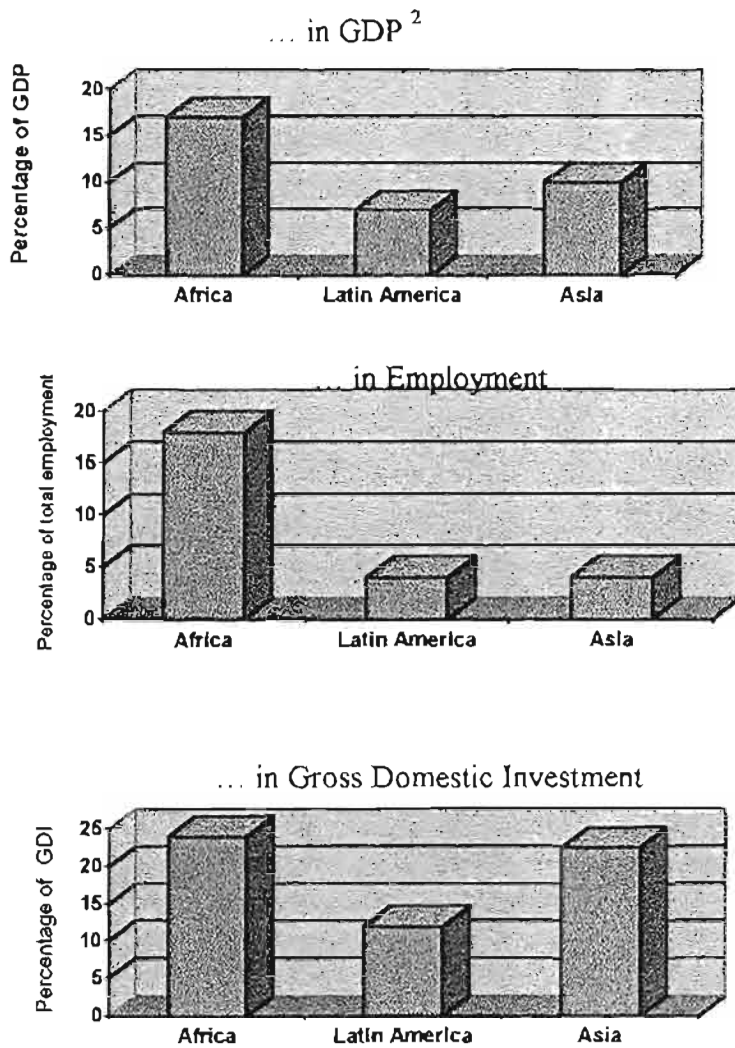
INFLATION			
		Mar-96	23.7%
Jan-95	20.8%	Apr-96	24.3%
Feb-95	24.3%	May-96	24.7%
Mar-95	21.6%	Jun-96	22.5%
Apr-95	20.9%	Jul-96	22.0%
May-95	29.20%	Aug-96	17.7%
Jun-95	19.9%	Sep-96	20.6%
Jul-95	21.6%	Oct-96	20.2%
Aug-95	23.7%	Nov-96	13.9%
Sep-95	23.00%	Dec-96	16.4%
Oct-95	22.4%	Jan-97	15.9%
Nov-95	26.3%	Feb-97	19.1%
Dec-95	25.8%	Mar-97	20.0%
Jan-96	27.9%	Apr-97	22.4%
Feb-96	26.3%	May-97	20.8%

- ❖ There is a need for good governance .
- ❖ There is a need for more local responsibility taking into account the institutional capacities and the absorptive capacity of borrowing countries
- ❖ There is a need for a result-oriented culture, replacing the approval culture that has predominated for so long. (Countries should take result oriented approaches)
- ❖ There is a need for paying due attention to the diverse situation of countries, in terms of poverty, culture, history and different development experiences- in other words, there is a need for country and region specific policies
- ❖ There is a need for encouraging flows and development of the private sector  
(Wallace, L, IMF 1997)

- ❖ Domestic saving are critical for development.
- ❖ Human resources, among others are important when, or even before development really takes place
- ❖ Good governance and responsible administrations are necessary: and
- ❖ It is vital to have a medium- long – term growth strategy – or in other words, consistency over time

(Wallace IMF 1997)

Table 78. The Contribution of African Parastatals



Source: Ahmed Galal and Mary Shirley, *Bureaucrats and Business: The Economics and Politics of Government Ownership*, World Bank Policy Research Report, Statistical Appendix (Washington: World Bank, 1995), pp. 268-97

<sup>2</sup> 1991 data for all three panels

*Table 79. Structure of production of SADC economies (as a % of GDP)*

Country	Agriculture		Industry		Manufacturing		Services	
	1970	1991	1970	1991	1970	1991	1970	1991
Angola	-	-	-	-	-	-	-	-
Botswana	33	5	28	54	-	4	39	41
Lesotho	35	14	9	38	4	13	56	48
Malawi	44	35	17	20	-	13	39	45
Mauritius	16	11	22	33	14	23	62	56
Mozambique	-	64	-	15	-	-	-	21
Namibia	-	10	-	28	-	4	-	62
South Africa	8	5	40	44	24	25	52	51
Swaziland	-	-	-	-	-	-	-	-
Tanzania	41	61	17	5	10	4	42	34
<b>Zambia</b>	<b>11</b>	<b>16</b>	<b>55</b>	<b>47</b>	<b>10</b>	<b>24</b>	<b>34</b>	<b>37</b>
<b>Zimbabwe</b>	<b>15</b>	<b>20</b>	<b>36</b>	<b>32</b>	<b>21</b>	<b>26</b>	<b>49</b>	<b>49</b>

Source: World Bank (1993)

*Table 80. Membership of regional organizations*

Country	SACU	CMA	SADC	COMESA	Lome	SAPs
Angola			X	X	X	
Botswana	X		X		X	
Lesotho	X	X	X	X	X	X
Malawi			X	X	X	X
Mauritius			X	X	X	X
Mozambique			X	X	X	X
Namibia	X	X	X	X	X	
South Africa	X	X	X		X	
Swaziland	X	X	X	X	X	
Tanzania			X	X	X	X
<b>Zambia</b>			<b>X</b>	<b>X</b>	<b>X</b>	<b>X</b>
<b>Zimbabwe</b>			<b>X</b>	<b>X</b>	<b>X</b>	<b>X</b>

Source: World Bank (1993)

Table 81

## Structure of exports by SADC countries (by main categories of export products %)

Country	Total exports \$ millions	All foods	Agricultural materials	Fuels	Ores and metals	Manufactures	Unallocated
Angola	1 296.4	16.4	0.3	82.1	-	1.0	0.2
Malawi	417.6	90.5	3.2	-	0.1	4.8	1.4
Mozambique	101.1	65.7	4.0	0.1	12.1	17.5	0.7
South Africa	18 968.8	13.6	9.2	13.9	26.4	34.4	2.5
Tanzania	284.9	49.2	22.4	1.5	14.5	11.8	0.5
Zambia	1 347.5	3.9	1.4	0.1	83.4	11.2	0.1
Zimbabwe	1 467.6	44.1	7.3	0.7	15.9	30.9	1.1
All Sub-Saharan Africa	53 688.4	18.5	8.3	36.3	16.6	18.8	1.5
All developing countries	708 947.0	11.4	3.3	26.0	4.2	53.9	1.2

Source: World Bank (1996).

Table 82

## Major exports of SADC countries, 1993

Country	Commodities as a % of total exports	Primary products and % of total exports
Angola	95.4	Oil (86%), coffee (4%), diamonds (1.6%)
Botswana	98.0	Diamonds (88.2%), copper/nickel (7.5%), beef (4.4%)
Malawi	93.4	Tobacco (75.6%), sugar (6.1%)
Mozambique	76.3	Fish (27%), cashew nuts, sugar, cotton
Tanzania	79.3	Coffee (24.8%), cotton (22.9%), cashew nuts (1.6%), sisal (4.8%), manufactures (4.9%), minerals (5.6%), petroleum (n/a)
Zimbabwe	56.9	Tobacco (20.2%), gold (14%), ferrochrome (9%), maize (6%), nickel (5.9%), cotton (5%), clothing/textiles (4.6%)
Zambia	90.0	Copper (84%), cobalt (n/a), zinc (n/a)
Namibia	95.0	Uranium (24%), diamonds (40%), base metals (n/a), beef (n/a), mutton (n/a), lamb (n/a), hides (n/a), pelts (n/a), karakul (n/a), fish (n/a)
South Africa	70.0	Precious and semi-precious metals (12.7%), base metals (12.4%), mineral products (10.6%), chemical products (4.2%), machinery and appliances (3.5%), motor vehicles & parts (3.4%), vegetable products (3%)

Source: Oxfam (1993).

Table 83

## Direction of SADC exports (1991 or most recent data)

Countries	World \$ (millions)	Europe	North America	Japan	Developing countries	Africa	Other developing countries
Angola	1 105.4	25.1	52.6	0.1	20.8	1.5	1.4
Malawi	454.0	46.9	16.5	10.0	13.6	9.5	13.0
Mozambique	239.8	31.3	13.0	6.7	48.8	12.0	0.2
South Africa	17 052.0	55.2	12.4	10.8	15.3	6.1	6.3
Tanzania	404.0	59.4	4.5	4.5	30.7	7.1	0.9
Zambia	1 347.5	34.5	1.6	29.1	21.8	11.9	13.0
Zimbabwe	1 467.6	44.1	7.3	5.5	23.9	17.2	19.2
All Sub-Saharan Africa	54 657.2	51.2	22.1	5.6	15.4	7.5	5.7
All developing countries	708 947.0	25.5	24.0	12.0	27.2	2.6	11.3

Source: World Bank (1995).

Table 84

## Summary of SADC-EU trade, 1991-1995 (ECU million)

Country	Exports*	Exports (% total) 1992	Imports*	Export/Import ratio	Main exports	Main imports	Protocols
Angola	649 678	32,5	888 462	0,73:1	Petroleum products, frozen shrimps and prawns, diamonds	Transport vehicles (12%), heavy machinery (10%), electrical machinery and equipment (7%), beverages, spirits and vinegar (7%)	
Botswana	77 653	28,6	87 532	0,89:1	Beef, diamonds, copper	Heavy machinery, electrical machinery and equipment, transport vehicles (45%), cereals, salted materials, pharmaceutical products	Beef Protocol (19 000 tonnes pa)
Lesotho	19 448	35,0	27 793	0,70:1	Textiles (48%), diamonds (20,8%), crude materials, foodstuffs and live animals	Heavy machinery (32%), electrical equipment and machinery (18%), transport vehicles (12%), cereals (9%)	
Malawi	159 898	47,3	90 006	1,77:1	Unmanufactured tobacco and tobacco refuse (66,3%), sugar, tea	Industrial plants + electrical machinery + transport vehicles + 47%, commodities, consumer goods, building materials, spare parts and tools	Sugar Protocol (20 000 tonnes pa)
Mauritius	859 450	29,1	498 534	1,72:1	Sugar (31%), knitted and woven fabrics and other textiles (18%)	Heavy industrial machinery (30%), electrical machinery and equipment (8%), pearls (5,3%), transport vehicles (4,4%), aircraft (16%)	Sugar Protocol (491 000 tonnes + 85 000 tonnes under the Special Agreement)
Mozambique	75 943	23,6	197 860	0,38:1	Frozen shrimps and prawns (50,3%), cotton (15,5%), woven fabrics, granite, copper	Heavy plant and machinery + transport vehicles + electrical machinery + 40%, foodstuffs, chemicals, pharmaceuticals, furniture	
Namibia	267 708	n/a	98 060	2,73:1	Gold, fishing products, beef, unrefined copper	Heavy machinery, electrical machinery, transport vehicles, plastic products, cereals, iron and steel, dairy products	Beef Protocol
Swaziland	124 087	n/a	26 129	4,75:1	Sugar, fruit	Heavy machinery, electrical machinery and equipment, cereals	Sugar Protocol (118 400 tonnes pa) Beef Protocol
Tanzania	182 598	46,6	375 297	0,48:1	Coffee (29%), cotton (10%), unmanufactured tobacco (9%), cobalt products, tea, frozen shrimps and prawns, knitted fabrics, sugar	Heavy machinery, transport vehicles, electrical machinery, iron and steel products, plastics, chemical products, mineral fuels	Sugar Protocol (111 000 tons pa)
Zambia	218 270	28,0	189 932	1,15:1	Copper, cobalt and cobalt products, cut flowers, tobacco	Heavy plant and machinery, transport vehicles, electrical machinery, salted materials, plastic and chemical products	Sugar Protocol (zero allocation)
Zimbabwe	568 774	41,1	397 887	1,43:1	Unmanufactured tobacco (29%), ferro-alloys (9%), gold (6%), nickel (5,6%), cotton, horticultural produce, cut flowers	Heavy machinery, transport vehicles, electrical machinery and equipment, plastic products, paper base products, pharmaceuticals	Beef Protocol Sugar Protocol

\*Average annual figures, based on data for 1991-1995.