Background Information on Zambia

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Zambia has world-class copper resources that have long been the country's main source of foreign exchange and have provided most formal sector employment.

Nationalisation of the mines and a fall in copper prices

Five years after Zambia's independence in 1964, President Kenneth Kaunda nationalised the copper mines. He said this was done to reclaim national resources from the control of foreign multinational companies. The state extended its control of the industry during the early 1970s. At that time a world-wide recession caused the copper price to collapse. Output from the mines fell and capital for investment in equipment and exploration dried up. In 1969 Zambia produced 720 000 tons of copper annually. By the early 1990s, output had fallen to 450 000 tons. By 1998 the state-owned Zambia Consolidated Copper Mines (ZCCM) had accumulated a total debt of over US$800 million and was losing an estimated $1-1.5 million a day. By the end of 1999 copper output had fallen to only 286000 tons.

Chiluba and structural adjustment

In 1991 the first multiparty elections for 23 years were held. Kaunda's United National Independence Party was defeated by Frederick Chiluba's MMD. In the same year, the new government embarked on a structural adjustment programme (SAP) which aimed to remove controls on agricultural prices, privatise over 280 state enterprises, remove controls on interest rates, float the currency, remove restrictions on imports and exports, and reduce customs tariffs.

Despite these measures, Zambia had negative economic growth between 1991 and 1995. Real per capita income declined by 20% in this period. A good growing season, which almost doubled the maize harvest in 1996, contributed to short-lived economic recovery. However by 1998 real GDP had contracted by 2%. Copper production declined sharply, El Nino affected agriculture and the Zambian kwacha depreciated by 39%. The structural adjustment programme has not been able to get Zambia out of its cycle of rising foreign debt. Zambia's total debt in 1985 was US$4.5 billion. Between 1985 and 1995, the country repaid US$5.6 billion, but in 1995 the debt had grown to US$6.8 billion. External debt in 2001 stood at 181% of gross national product.

Internationally it is recognised that, since the 1980s, SAPs have helped more money flow out of the developing world than into it. The developing world has paid out five times as much capital to the industrialised countries of the North as it has received.

The ‘free’ market

Mr Ngalande talks about the impact of Shoprite (a South African supermarket chain) on his market business. A generous government tax rebate has encouraged Shoprite to open up branches all over Zambia. According to some commentators 'Shoprite has laid waste the economies of whole towns, undercutting traders and putting family stores out of business'. To make matters worse, this company buys all its goods from South Africa and Zimbabwe; it buys no local produce.

The social consequences

The social consequences of structural adjustment have been enormous. In 1996 the World Bank estimated that about 70% of Zambians were living in poverty with 58% of the population lacking basic nutrition. Life expectancy has fallen to 40.5 years.

The Zambian government claims that it has the quickest privatisation programme in Africa. It is estimated that between 60 000 and 72 000 people have lost their jobs as result of privatisation. Given that many people depend on a single wage earner, over 500 000 people have been directly affected. The International Monetary Fund (IMF) predicted its most recent loan to Zambia in 1999 would lead to the retrenchment of another 7 000 people in the public service.

At the same time, cuts in public spending have major impacts on the poor. In 1980 the infant mortality rate was 97 deaths per 1 000 births. In 2001 it was 202 deaths per 1 000 births - a figure that is likely to increase with the current HIV/AIDS epidemic. At the same time primary school enrolment has dropped by nearly 20% - a result of the government spending only US$15 per primary school pupil in 1999 compared to US$60 in 1991. Children are also leaving school because their labour has become vital for household survival.

Structural adjustment, vulnerability and HIV/AIDS

Medact and the World Development Movement are among a number of commentators who make the link between poverty and vulnerability and HIV/AIDS. They argue that structural adjustment programmes make poor people poorer and in the process may make them more vulnerable to HIV infection.

They examine the intended results of policies pursued under SAPs. The film shows how the policies actually impact on the Ngalande household and their neighbours.

Policy	Intended results	Common impacts on the poor
Reducing government expenditure	Freeing up money for debt servicing	Government services to the urban and rural poor are often easiest to cut. Cuts in health, education and social welfare spending and the introduction of cost recovery and user fees puts health care and education beyond the reach of many ordinary people. Public sector redundancies and salary freezes reduce numbers of people in essential services.
Privatisation of state-run industries	Increased efficiency	Massive lay-offs and increased unemployment with no social security provision pushes families deeper into poverty. Services to remove and poor areas are not profitable to the private sector and are dropped or reduced.
Removal of price controls	Increased efficiency in food production	Basic food prices rise, putting even further pressure on already stretched household budgets.

Although the film is silent on HIV/AIDS as a specific threat, Mr Ngalande talks of the effects of retrenchment on his colleagues and how women 'do things that they shouldn't be doing' to make ends meet. The combination of poverty, (91.7% of the Zambian population lives on less than US$2 a day) increasing crime and desperation are all factors pushing up Zambia's rate of HIV infection, which had already infected 19.95% of the adult population in 2001.

Privatising the mines

Mining was the first sector to be targeted for privatisation. Initially, smaller mining enterprises were privatised. Peter Ngalande worked on the Copperbelt from 1975 to 1992 and was amongst the first wave of workers to be retrenched. Not surprisingly, he says his retrenchment is a direct consequence of the change in government.

For most of the 1990s the Chiluba government struggled to find buyers for the large mines that accounted for 65% of ZCCM output. While negotiations with potential buyers went on, the price of copper fell to a 13-year low. Meanwhile copper output from Zambia's mines fell further to about 300 000 tons in 1999.

These factors helped to push down the price the government wanted for the mines. Pressure from the IMF and other donors who threatened to withhold aid pushed the government into selling the mines for a low price. South Africa's Anglo-American Corporation bought the mines for only US$90 million in cash and a capital outlay of US$300 million. At the time this investment was announced, it was expected that another 7 000 miners were likely to be retrenched by the new owner. An unexpected and major blow was delivered to the entire economy when Anglo American announced in January 2002 that it had decided to withdraw from its copper interests in Zambia.

Future prospects

Some analysts had predicted that the newly privatised mining sector would recover in the next few years and this would lead to economic growth in other industries. Now that a major South African mining company will withdraw, the future is uncertain. Another factor which makes the future uncertain is the election in January 2002 of Levy Mwanawasa of the MMD as President. Will he pursue the economic policies of his predecessor? Whatever happens, the key questions will be whether the poor can bear the costs of economic restructuring and who will reap the benefits of renewed economic growth.

Statistics about Zambia cited in 'Pruned'

Until the 1990s, copper brought in 90% of Zambia's export earnings but this dropped to 50% by 1999 (Obilegwu. 1999. *Copper and Zambia)*

In Zambia at the time this film was made (2001):

- life expectancy at birth was 40.5 years in 1998 (UNDP. 2000. *Human development report 2000)*
- the estimated adult HIV/AIDS rate was 19.95% (UNAIDS. 2000. *Report on the global HIV!AIDS epidemic June 2000)*
- 91.7% of the population lived on less than US$2 per day in 1996 (World Bank. 2000. *World development report 2000/2001)*
- inflation was 19% per year (EIU. 2000. *Country profile: Zambia 2000)*
- external debt was 181% of gross national product in 1998 (World Bank. *2000. World development report 2000/2001).*

References

EIU (Economist Intelligence Unit) (2000): Country profile: Zambia 2000. London: EIU.

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