international policy UPDATE

No.3, 1998

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Zambia's Privatisation Continues Apace

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South Africa is set to become a major player in the economy of Zambia, according to figures recently released by the Zambia Investment Centre in Lusaka. Investment pledges have reached up to US$180 million, easily passing those of Britain, which has US$123 million in the country. In November alone, Zambia documented investment pledges of US$75 million - a record since Lusaka began its investment promotion scheme. That such events have occurred may be readily explained by a combination of two factors: the lifting of trade restrictions on South Africa following the demise of apartheid; and the rapid and successful privatisation of Zambian state enterprises under President Frederick Chiluba. It is this privatisation programme that will be examined here.

Elected to office with a manifesto committing him to privatise state-run industries, Frederick Chiluba has maintained a heady rate of sell-offs since the programme was launched in 1992. Under the guidance of respected Minister of Finance, Ronald Penza, and the administration of Valentine Chitalu of the Zambia Privatisation Agency (ZPA) - which plans, implements and controls the privatisation process - Lusaka has disposed of around 215 of the 326 previously state-run firms. Accounting in their time for nearly 80% of Zambia's economic activities, parastatals had been established and private firms nationalised under the previous UNIP government of Kenneth Kaunda, which ruled Zambia for twenty-seven years after independence in 1964. Though meant to be showcases of independent Zambia, the parastatals rapidly progressed into sinecures for incompetent and corrupt civil servants, often recruited through blatant nepotism. More importantly, they were a major drain on the increasingly deteriorating Zambian economy for they required constant bailing out by the central government. Notoriously inefficient, many of the parastatals had become an embarrassment: the brewery in Lusaka famously running out of beer is but one example of many.

However, under Chiluba's government Zambia's poor image amongst investors has been slowly reversed and confidence in the country rebuilt. Major international companies have not been slow in recognising the potential offered by Chiluba's privatisation programme and have rushed to take advantage of Lusaka's desire to divest itself of the parastatals. South Africa's African Oxygen has bought 70% of Zambia Oxygen, whilst Lonrho has bought into the breweries for US$8.5 million with an additional US$2.5 million for refurbishment. Unilever has taken over Refined Oils and Britain's Tate and Lyle and the Commonwealth Development Corporation have purchased 70% of Zambia Sugar. In addition, South Africa's Shoprite Checkers have opened six supermarkets in strategic locations. By the end of 1997, Lusaka hopes to have around 90% of the economy in non-state hands.

From this investment, Zambia expects to reap some valuable dividends. First, by receiving payment for the formerly state-run concerns, hard currency can be invested in Zambia's battered infrastructure, improving communications and transport. This investment is intended to have a knock-on effect on the economy, for Zambia's notorious roads and unreliable communications network comprise at present a major handicap on the nation's development. This was noted by the chairman of the Zambian Association of Manufacturers, Mark O'Donnell, as one of the biggest brakes on Zambia's recovery. Capital gained by the government through privatisation should go some way to alleviating this problem. Secondly, Lusaka hopes to benefit from the additional tax paid and the increased efficiency in service that is expected once experienced private business assumes management control. Again, the wider economy should benefit from this improvement in service by the ex-parastatals. Furthermore, the extra tax paid to the government will contribute to the nation's development, for the state currently spends about 35% of its Budget in the social sector.

In contrast to Zimbabwe, which is often seen as attempting to force political and racial agendas on to its own less than transparent privatisation programme, Lusaka has been at pains to avoid political interference in the programme and to maintain an aura of incorruptibility. To a large degree, they have succeeded, with a World Bank project team failing to find a single complaint about lack of transparency. Indeed, the head of the organisation that facilitates investment in the country (the Zambia Investment Centre), Dr Bwalya Ng'andu, has asserted that a primary duty of his body is to ensure that Zambia's privatisation process remains transparent, non-corrupt and credible enough for potential investors. The seriousness with which Lusaka takes the successful sell-off of its parastatals is shown by the privatisation training given to all officials involved in the programme, the establishment of the ZPA as a powerful independent body supported in law by an act of parliament, and the frequent reports issued to the public for the sake of transparency. The ZPA's technical director, Stuart Cruickshank, will be completing a report on the performance of privatised parastatals next year.

These measures have seemingly satisfied foreign businessmen so far. Zambia is now embarking on its greatest privatisation project yet, with potential investors lining up in droves. This is the sell-off of the Zambian Consolidated Copper Mines (ZCCM), reputedly the greatest privatisation contract in Africa. The huge conglomerate, for years the foundation of the country's economy, is estimated to be worth a colossal US$2.2 billion. Initial stages of the proposed sell-off began in January 1997 and attracted a whole host of potential buyers. Main bidders for a stake in ZCCM include American and Canadian companies and of course, the South African giant Anglo-American. If successful, Anglo will be returning to a country where it started the mining industry and was for years the most important player in the economy, until nationalisation under Kaunda and a dip in copper prices saw a massive drop in income from the mines. By returning the mines to private hands, Chiluba hopes to reverse this process. This is no mean feat, but the interest shown by investors indicates that it is not seen as impossible by the business community.

Though criticised by UNIP and Kaunda for 'selling off the family silver' to foreigners with resultant 'massive job losses', the privatisation programme in fact has seen only seventy of the 215 assets sold to non-Zambians and only four of the parastatals closing down after privatisation. It is said 'only' because this is far less than the doomsday prediction of mass bankruptcies critics claimed would occur when the privatisation programme began five years ago. It is true that the country does have an alarming rate of unemployment and unacceptably high levels of poverty, but much of this is a residue of the Kaunda years, which saw the economy driven into the ground amid stifling bureaucracy, incompetence and corruption. Reversing such a situation cannot be done overnight nor without pain.

Indeed, the privatisation programme is viewed as creating jobs and it is hard to argue that increased efficiency, new levels of management expertise and the removal of the parastatals from government administration is somehow a bad thing in itself. For example, an injection of US$19 million saved the Mulungushi textile factory and preserved 953 jobs, whilst investment in a formerly state-owned hotel in Livingstone created 622 jobs for Zambians. None of this would have occurred without the privatisation process. Genuine indigenisation of the economy (as opposed to cronyism) may also be facilitated by privatisation, as many of the Zambian-purchased companies were bought out by management, individual purchasers or by private local businesses. Other buy-outs were joint ventures by foreigners (notably South Africans, Britons and Indians) in partnership with Zambians. These take-overs will continue to employ Zambians at all levels but at an improved level of efficiency that should, in the long-term, support the nation's economy and thus benefit Zambia as a whole. This will be in contrast to the old days where the parastatals employed friends and family of card-carrying UNIP members with little regard for the country's needs and with virtually non-existent accountability. It should be no surprise that such people are now at the forefront of the criticism against Chiluba and the privatisation programme.

This is not to say that there have been no problems in the privatisation programme nor with Chiluba's governance, but such criticism should be seen in perspective. When he took power in 1991, Frederick Chiluba inherited an economy that was on its last legs, with inflation at 165% (now down to 16%). Consequently, the president was very much constrained in his policy options. Zambia's predicament after two decades of Kaunda meant that drastic action was needed. As a result, however unfashionable it may be to say so, Chiluba's bold privatisation programme is at present the only realistic chance Lusaka has of rising above the malaise it has found itself in. Zambia simply needs to become more efficient, less corrupt and more attractive to foreign investors.

Coupled with donor schemes to repair Zambia's ailing infrastructure, the country may have a real chance of freeing itself from the cycle of poverty and dependence it has been locked into for so long. Realism and a pragmatic approach to the problems are needed in Lusaka and must remain the foundation of Zambia's government. Chiluba's handling of the attempted coup in October and the recent reshuffling of his cabinet in such crucial departments as the Foreign Affairs, Home Affairs and Commerce ministries bode well for the future. Admittedly, Chiluba's detention of Kaunda in recent weeks has harmed Zambia's international profile, but the lasting effect this will have on the country's development is doubtful in the long term.

Chiluba summarised his philosophy towards privatisation when he quoted the famous adage of Deng Xiaoping while launching China's own economic modernisation programme: 'I don't care whether a cat is white or black as long as it catches mice'. Not only does this sum up Lusaka's current policies, but it is also appropriate in that Zambia has developed close links with the equally reforming China. Indeed, Lusaka hosts Beijing's first bank to be opened on the Africa continent. That the usually cautious Chinese to have followed South African and other businessmen into what is now one of the most attractive countries in Africa in which to invest is a big vote of confidence. With an expected annual growth rate continuing at 5-6 % the privatisation process in Zambia should be carefully noted by those interested in affairs north of the Zambezi.

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