

# The Perceived Successes and Failures of the Privatization Process in Zambia's Third Republic

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## Abstract

Different views have been expressed on privatization implementation in Zambia. However, there is no consensus on this subject. Some scholars have indicated that Zambia has the most successful story on privatization in Sub-Saharan Africa (World Bank, 1996; Buchs, 2003). Still, others have rejected what one would state as the success of the programme in Zambia. This paper aimed to determine some of the successes and failures of the privatization process in Zambia, spanning 1991 to date. The research is based on a secondary literature review and a desk-based study. A number of data sources have been reviewed to show the successes and failures of privatization in Zambia and they include books, research articles, Parliament Acts, newspapers, and online databases. Among the perceived success stories associated with the privatization process in Zambia include an increased flow of investments into the country, employment creation and promotion of competition among the different players in the industry. The study established some failures that came along with the privatization process, which include lack of transparency, adequacy of the arrangements for ensuring that ownership of the advertised companies is broadly distributed to Zambian citizens and failure to generate the desired economic growth and reduce poverty, in fact, the privatization process led to an increase in poverty levels. It is also associated with mass redundancies, unpaid pensions, unfair competition, poor tax system and abandonment of public services. The study further established that privatization led to increased social inequality, loss of cultural heritage, and loss of control and sovereignty. It also has an impact on Indigenous Communities. Despite different views being advocated by neo-classical economic theorists, liberal theorists and radical scholars, this study concludes that privatization in Zambia seems to have benefited only a few who have been its proponents and that its impact on the environment and social well-being of Zambians has been adverse.

**Keywords:** Privatization, Theoretical exploration, Perceived successes and failures

## Introduction

Different views have been expressed about the implementation of privatization in Zambia. However, there is no consensus on this subject. It is important to note that some scholars have indicated that Zambia has the most successful story on privatization in Sub-Saharan Africa (Sawaya, 1996, p. 3, Buchs, 2005, p. 1). Still, others have rejected what one would state as the success of the privatization programme. This paper aims to determine some of the successes and failures of the privatization process in Zambia spanning the period 1991 to date. To achieve the above objective, the paper comprises of the following sections: Section One is the introduction, Section Two is the theoretical framework, Section Three explains the methodology used in this study, Section Four presents the justification for this study, Section Five discusses the Privatization Process in

Zambia (1991 – to – date), Section Six is an analysis of the perceived successes of the privatization process in Zambia’s third republic (1991 – to – date), Section Seven is an analysis of the perceived failures of the privatization process in Zambia’s third republic (1991 – to – date), and Section eight is a discussion of the findings. The paper will further draw conclusions on the successes and failures of the privatization process in Zambia based on the three schools of thought. The conclusion is presented in section eight. Let us begin by adopting a working definition of the concept of privatization.

Privatization has been defined as the ‘incidence or process of transferring ownership of the business, enterprise, agency or public service from the public sector (government) to the private sector.’ (Mwanamwalye, 2009, p. 22). It has also been defined as the transfer of ownership and control of productive assets from the public to the private sector (Fundanga and Mwaba, 1997, p. 1). The transfer of assets can be total, partial, or functional, with the sale being implemented by methods such as private sales, leasing arrangements, employee buyouts, and share issues. Other scholars have defined privatization as ‘a form of public-private partnership in which ownership rights to an operational government asset, facility or facilities are transferred to a private sector company by a government agency either by sale or long-term lease.’ (Banda, 2010, p. 10) In this paper, privatization is used to relate to the transfer of ownership rights from the state or public enterprise to the private sector. Having defined the concept of privatization, we can now focus on the theoretical framework guiding this study. Salimu (1999) has argued that there are three schools of thought dominating the debate on privatization. These are:

### **The Privatization Process in Zambia (1991 – to – date)**

The Movement for Multi-Party Democracy (MMD) came into power in 1991. Upon being voted into office, MMD immediately adopted a comprehensive, rapid liberalization strategy. This means that the role of the government was to be limited to that of providing the right political, regulatory and economic framework for the private sector to operate in. The government’s position on privatization was made clear by the then Minister of Finance, who, in his January 1992 budget address, argued that ‘the MMD government’s intention was to promote the private sector and divest itself of investment in parastatals. The Minister further argued that privatization was to proceed expeditiously and that revenues generated will be put in a special fund to supplement the government capital budget’ (Fundanga and Mwaba: 1997:7). The minister’s words came to pass as attested to by the number of public enterprises privatized between 1991 and 1997. According to Mwinga (2003:10), ‘the period between November 1991 and December 1997 has been described as one that marked a distinct move towards a more private sector driven environment as this period saw a total of 187 state-owned enterprises (SOEs) being privatized out of a total of 280’. In order to privatize these parastatals effectively, the Privatization Act (No: 21 of 1992) was passed by parliament (Fundanga and Mwaba, 1997, p. 2, Mwinga, 2003, p. 12). The Privatization Act led to the establishment of the Zambia Privatization Agency as the major institution responsible for the privatization of state enterprises (Government of the Republic of Zambia (GRZ), 1992, p. 5). Well-thought-out objectives were articulated under the Zambia Privatization Act, but the extent to which these objectives were met is a source of concern among different scholars. According to Chanda (2009), among others, the following were the objectives of the Act:

1. To reduce budgetary expenditure in investments and subsidies to loss-making enterprises,
2. To attract private investments in sectors that had been crowded out by state enterprises,
3. To promote competition and improve the efficiency of operations of enterprises,
4. To improve management standards,

5. To create employment and to produce quality goods and
6. To encourage wide ownership of shares (Chanda, 2009, p. 2)

Mwinga (2003) observed that, between 1997 and 1999, the Zambia Privatization Agency (ZPA) was very successful in privatizing most of the country's state-owned mining assets with the exception of the two largest divisions of Zambia Consolidated Copper Mine (ZCCM), which are Nchanga and Nkana. The reasons for not privatizing Nchanga and Nkana between 1997 and 1999 were twofold: Firstly, these were the major sources of foreign exchange for the country. For example, 'Zambia's mining and quarrying activities accounted for about 5% of real Gross Domestic Product (GDP) and 80% of merchandise exports. Secondly, the mining sector was a strategic employer of the nation. This is evidenced by about 38,500 jobs, or about 8% of total employment, found in this sector' (Mwinga, 2003, p.12).

In December 1999, a consortium, which was made up of First Quantum Minerals Ltd of Canada and Glencore International AG of Switzerland, won the bid to ZPA to acquire ZCCM's Mufulira Division and selected Nkana Division assets. Thus, Mopani Copper Mines PLC first started its operations in April 2000 (Mwinga, 2003). This was not the end of privatization implementation under the Chiluba regime. In October 1999, Zambia Copper Investments Ltd (ZCI), which was owned by Anglo American Plc, acquired the Konkola and Nchanga Divisions, and this agreement was finalised in March 2000 (Mwinga, 2003).

It must be noted that the privatization process in Zambia has been ongoing. For instance, in 2007, we saw the privatization of Zambia National Commercial Bank (ZANACO) to Rabobank of Netherlands and Zambia Telecommunications Company Limited (ZAMTEL) to Lap Green though when the Patriotic Front (PF) government came to power in 2011, they had to reverse the privatization of ZAMTEL. According to Chanda (2009), two compelling reasons were advanced by the MMD government for the privatization of ZAMTEL. The first reason was that privatization was the policy of the MMD government and that the divestiture of ZAMTEL was consistent with the mandate for which it had been elected to government. Secondly, the operations of the corporation were threatened by insolvency due to a myriad of problems, including poor management and a poor balance sheet, which had constrained the corporation from accessing investment and working capital. There was a strong public reaction to the government's intentions to privatize ZAMTEL. As can be noted here, Zambia has been engaged in the privatization process since 1991. Therefore, one would ask what the perceived successes of this process in Zambia are. The next section responds to this question.

### **Analysis of the perceived successes of the privatization process in Zambia's third republic (1991 – to – date)**

In this section, we discuss some of the perceived successes of the privatization process in Zambia. As we shall establish, privatization led to an increased flow of investments into the country, it had a positive impact on the country's fiscal policy, employment creation, and increased levels of competition. These success stories are presented in the following paragraphs.

#### **Increased flow of investments into the country**

A case in point is Chilanga Cement. When Chilanga Cement was privatised, Fundanga and Mwaba (1997) noted that Commonwealth Development Corporation increased their shareholding, and the company became the first to be listed on the Zambia Stock Exchange. They further stated that 'the privatization of Zambia Breweries also proved to be a successful operation as it has also gone to the higher phase of offering shares to the public through the Zambia Privatization Trust

Fund. In addition to this, the case of Zambia Sugar clearly attests to the fact that privatization increases the flow of investments into the country. For example, when Zambia Sugar was bought by Tate and Lyle and Commonwealth Development Corporation, it received an injection of US Dollars 28 million with further additional planned investments of up to US Dollars 40 million' (Fundanga and Mwaba, 1997:7). Other scholars have argued that close to US Dollars 1.4 billion was invested into the mining industry for refurbishments of plants and purchases of spares and machinery (Fraser and Lungu, 2007, p. 48). These are not the only investors who came as a result of the privatization process in Zambia. There were other small investors from the neighbouring countries who were interested in investing in the agricultural sector. As a result of this increase in investments brought about by privatization, production also increased, especially in the mining industry. For example, 'by 2004, the production of minerals was at 400,000 tons, a figure slightly higher than that obtained between 1991 – 2004' (Fraser and Lungu, 2007, p. 19). This increase in production probably created jobs for people in the mining towns. The increased investments in the country have also led to the opening of new mines. A very good example is the Lumwana mine, which is in North Western province. Konkola Deep Mining Project is also a case in point.

It is very clear that privatization increased the flow of investments in the country, as shown above. Though this is the case, one wonders the extent to which this increase in the flow of investments impacted positively on Zambians. The question is whether the increase in investments has reduced the country's poverty levels. Furthermore, it should be noted that not all new mines have been able to invest hugely in the mining sector by purchasing new machinery. Others have preferred to keep previous operations running on old plants and old systems and, at the same time, extract huge profits as quickly as possible, which they externalize.

#### Impact of privatization on the fiscal policy

Privatization has had a positive impact on the country's fiscal policy. According to Fundanga and Mwaba (1997:12), 'modest gains have been made in that direction. For example, total receipts from privatization amounted to about US Dollars 25 million in 1995 when the process started, and by the end of 1996, the program had generated about US Dollars 200 million. By 2005, the mining industry's representative body, the Chamber of Mines, claimed that the mining companies were putting in over US Dollars 350 million a year. Thus, from such revenue gains, it was highly anticipated that the government's fiscal position would improve due to the successful privatization of mines (Fraser & Lungu, 2007). The privatization of ZANACO is another success story that has impacted the country's fiscal policy. It has been noted that the banks' regulatory capital had more than doubled from the time Rabobank bought the majority shares, and at the same time, profitability had improved substantially (Sinyangwe, 2009, p. 4). The regulatory capital was K263 billion compared to that of Barclays Bank, which was K260 billion as of June 2009 (Sinyangwe, 2009). Sinyangwe (2009) further reported that the capital position of Rabobank improved from being the lowest of the major banks in the country to being the highest. Therefore, the financial position that the bank has attained, especially after privatization, has helped shape the country's fiscal policy.

#### Impact of privatization on employment creation and labour rights

It can be stated that the privatization process in Zambia has had positive and negative effects on employment creation. Fundanga and Mwaba (1997) point out that in several ways, companies which were privatized created new jobs and, at the same time, preserved the existing jobs. One can quickly mention that privatization has a positive effect on employment. An improvement in employment levels is most likely to result in reduced poverty levels as more people are expected to

have an income. Crime levels and other negative social vices are also likely to reduce, as Mwinga (2003) argued. Though it has been argued that privatization in Zambia led to the creation of employment, other scholars have noted that it reduced employment levels. An illustration of the staff establishment at Zambia National Insurance Brokers (ZNIB) attests to this fact. According to Salimu (1999), at the time of privatization, ZNIB had a total workforce of 116. 'In the period after privatization, the total workforce came to 57' (Salimu, 1999, p. 57). The situation was similar at NIEC Overseas Agencies Ltd (NIECOS), which had a total workforce of 122 at privatization. After privatization, this was reduced to 51 (Salimu, 1999, p. 74). The point to note is that privatization, in this case, led to the reduction in staff establishment at both ZNIB and NIECOS, regardless of the reasons which have been advanced. Furthermore, Fundanga and Mwaba (1997) have argued that there are instances where privatization has impacted employment negatively in Zambia. They claim that in most situations, job losses are at the level of management, and this is probably due to the fact that the new owners prefer to infuse fresh personnel at this level rather than implement such a strategy at middle or lower levels.

Though it has been stated that privatization has contributed to the creation of new jobs, one would question the nature of these jobs and the conditions attached to them. Thus, it is important to clearly define the kind of jobs created and the employees' satisfaction levels. On the other hand, it is also important to consider employees' welfare when the state owns these companies. According to Mwinga (2003), state-owned enterprises had a large manpower level, yet they were not financially viable on their own to meet their expenditure in areas such as employee salaries. Furthermore, the state-owned enterprises depended heavily on government subsidies as a source of funds to generate income.' Thus, one can easily conclude that, before privatization, conditions of service were very poor and could not be sustained from company resources.

As already alluded to privatization processes also result in job losses. In addition to that, it leads to reduced wages and weakened labour protections. This can lead to the exploitation of workers, violations of labour rights, and challenges in ensuring decent working conditions and fair compensation.

### Privatization led to increased levels of competition

It has been noted that privatization tends to promote competition among the different players in the industry. Mwinga (2003:16) notes that 'competition brings about efficiency in the production of goods, improvements in the quality of goods and services, and ultimately if a company can compete effectively, a rise in the revenues due to the fact that sales volumes rise while production costs decline'. Competition can also eliminate monopolies by ensuring that companies operate efficiently in a market threatened by competition from efficient producers who can enter the market and start producing at a low cost, undercut the incumbents' prices, and acquire market share. A case in point is what happened in Zambia's telecommunication industry, which was at one point dominated by ZAMTEL. Service provision was very pathetic. It was not until the liberalization of this sector that service provision by ZAMTEL started to improve, probably due to competition from other players like AIRTEL and MTN. Another case worth mentioning is that of ZESCO, an electricity-producing company in Zambia. Service provision by ZESCO has been very poor and characterized by massive load shedding. It is very difficult to understand the operations of ZESCO, especially in this era where modern technology is everywhere. Therefore, the argument presented is that if such companies like ZESCO are privatized, they are likely to become more competitive, thereby improving the provision of goods and services.

One of the objectives of the Privatization Act of 1992 was to improve the quality of goods or products. Zambia scored better on this objective. Since privatization, many new products and

services have been introduced in the various sectors of the economy. For example, in the telecom industry, we saw the introduction of cell phones in the Zambian market. Modern computers, iPods and other communication devices also flood the Zambian market. Thus, Zambians no longer need to be stationed in one place to make or receive a call using a landline since they have modern communication devices. In the banking sector, privatization has come along with the use of Internet banking. For example, after privatization, ZANACO introduced XAPIT, a service that enables customers to check the status of their accounts or transact wherever they may be at that particular time using their cell phone. The introduction of Automated Teller Machines (ATMs) is another important service of great benefit that has come along with the privatization process in Zambia. Other innovative services have been introduced, such as mobile banking and the use of ATMs to deposit money.

It is very difficult to refute the claim that the privatization process in Zambia has led to producing quality goods and providing new services. On the contrary, one is prompted to question the extent to which these companies have provided these services effectively and efficiently, as well as the impact on the intended target, in this case, the Zambian public. For example, ZANACO introduced a new service called XAPIT, but there is often no network to offer this service. Furthermore, this service can only be used by people with adequate knowledge about phone use. Thus, the service is not user-friendly; it cannot be used by the majority of Zambians who are residing in shanty compounds as they lack the necessary education to understand how this service can be managed. The same applies to the use of ATMs. Most Zambians have lost money through cybercrimes due to lack of knowledge or understanding of how to operate ATMs. Those who fail to operate ATMs have ended up asking for help from any nearby person, thereby exposing their ATM PIN codes to strangers, and this has contributed to the loss of money in people's bank accounts. The point is that, in as much as privatization has introduced new technology in Zambia, the technology seemingly is not user-friendly.

Regardless of all this, the privatization process in Zambia is widely seen to be a success, especially at the international level. According to Campbell and Bhatia (1998), Zambia's programme was the most successful and provided many examples of best practices that should be followed by other countries. This conclusion was made after an examination of the privatisation programmes pursued in ten Sub-Saharan African countries and evaluated them on the basis of eight indicators (Campbell and Bhatia, 1998, p. 10). Zambia was deemed to have outperformed the other countries with six scores of 'high' and two of 'medium' (Craig, 2000, p. 359). The author now looks at the failures of this process in Zambia.

### **Analysis of the perceived failures of the privatization process in Zambia's third republic since 1991**

From the local scene, the process of privatization in Zambia has not been seen as a success. There are contrasting views with regard to the success of privatization among some NGOs, scholars, and main Zambian opposition parties. The opposition parties have generally accepted the principles of privatization, but their argument has been against its implementation, and this is a point stressed by Craig (2000). According to Craig (2000), the United National Independence Party (UNIP) argued that the programme was designed to benefit the then Movement for Multi-party Democracy (MMD) leaders and foreign enterprises rather than the majority of Zambian citizens. The failures associated with this process in Zambia are presented in the following context: lack of transparency, ownership distributions of privatized companies to Zambians, Social Inequality, Impact of privatization on the environment and heritage sites, and redundancy, privatization and Unpaid Pensions and unfair Competition, Privatization vis-à-vis Undervaluation of privatized

companies, and the Zambian tax system, Impact of privatization on Indigenous Communities, Privatization vis-à-vis loss of Control and Sovereignty, and Right to Development, Privatization, Service provisions and Service Quality Concerns. We now address each one of these beginning with lack of transparency in the privatization process.

### Lack of transparency

This is one of the criticisms advanced against privatization in Zambia. The argument is that the implementation process lacked transparency, and special reference was given to the acquisition of enterprises by members of the government and the ruling party. The argument presented by Craig (2000) is that while the Privatization Act did not prevent a political leader or public official from acquiring an enterprise, it did require that they disclose their intention to bid. This has not been the case, though a number of political party leaders and government officials, especially during the MMD reign, were implicated in the acquisition of privatized public enterprises. This clearly shows a lack of transparency in the implementation process. It should, however, be pointed out here that the acquisition of assets by political party leaders during the Chiluba regime was not unregulated. On several occasions, ZPA acted to repossess assets from government ministers who defaulted on payments (Craig, 2000).

### Ownership distributions of privatized companies to Zambians

Scholars have also criticised the adequacy of the arrangements for ensuring that ownership of the advertised companies is broadly distributed to Zambian citizens. Craig (2000, p.360) has argued that 'while it was originally expected that at least ten enterprises would be privatized through the majority of shares sold directly to the public, no enterprises were sold using this method. Though this is the case, agreements had been reached in at least fifteen cases of privatization for a minority interest to be made available to the Zambian public through the Zambia Privatization Trust Fund'. It is clear from this argument that privatization has not benefited the majority of Zambians. In other words, it has benefited only the few who are its proponents. This is the same point stressed by Chanda (2009), who argues that the privatization of large-scale enterprises, such as ZAMTEL, in Zambia has become synonymous with foreign takeover of national assets with minimal participation by citizens. Chanda further argues that the economy is seen to have been returned to foreign control, and the full economic benefits of operations of such enterprises do not accrue to the national economy. The case of ZAMTEL and ZANACO presents a clear testimony of a situation where foreigners have used the privatization process to take over national assets with minimal participation by Zambians. ZAMTEL's shareholding structure at the time of privatization was as follows: '75 per cent of the shares were sold to Lap Green, while only 25 per cent remained in the hands of the Zambian government' (Zinyama, 2010, p. 2). With regards to ZANACO, the shareholding structure at the time of privatization was as follows: The government was to own '25 per cent, 29 per cent was to be owned by the public while 49 per cent was owned by Rabo Bank of Netherlands' (Sinyangwe, 2009, p. 4). It is clear from these shareholding structures that the Zambian public has had very little ownership rights over the privatized companies. In other words, the objective of the Privatization Act, which required that there should be wide ownership of shares, was or has not been fully met.

### Impact of Privatization on Social Inequality

Privatization can exacerbate social inequality by increasing disparities in access to essential services such as healthcare, education, and utilities. It has been argued that, after privatization, the objective of State-owned enterprises (SOEs) tends to focus on profits instead of the social-

welfare and citizens interest, thereby affecting poverty and inequality (Cuadrado-Ballesteros and Peña-Miguel, 2017, p. 167, Greer and Doellgast, 2017, p. 202). Furthermore, there is a perception that privatization increases prices of commodities due to the removal of subsidies and private owners tend to raise prices to cover costs (Cuadrado-Ballesteros and Peña-Miguel, 2017, p. 167, Greer and Doellgast, 2017, p. 202). In addition to that, privatized services may become unaffordable for marginalized populations, leading to a lack of access to basic needs. Scholars like Mittleman has argued that privatization has failed to generate the desired economic growth and reduce poverty, especially in Sub-Saharan Africa (Mittleman, 1994, p. 11, Alayed et al., 2024, p. 129). With regard to Zambia, the levels of poverty have increased. For example, the incidence of poverty in 2015 was estimated at 54.4% compared to 60% in 2022 (Zambia Statistics Agency, 2023, p. 6) This increase in poverty levels has been accompanied by a wide income disparity between the rich and the poor. Thus, the benefits of privatization have not trickled down to the poorest Zambians.

### Impact of privatization on the environment and heritage sites

Some scholars argue that the Zambian government has not done enough to make sure that foreign investors are held accountable for polluting the environment. According to Simpere (2010), the regulatory dispositions for the mining sector are so weak that they do not deter polluters, and as a result of this, the Copperbelt is seriously polluted while the Kafue National Park, which has the most endangered wildlife species is threatened by the pollution of the Kafue River running through it (Simpere, 2010, p. 3). Simpere (2010) further adds that pollution also affects the local communities, which are exposed to toxic waste. This, in turn, has adverse effects on traditional activities such as agriculture, livestock, farming, and fishing. The point to be stressed is that, during the era of ZCCM, mining activities had environmental effects, but what has changed today is the rate at which the environment is being polluted and the slack legislation on those polluting the environment.

Privatization is also a major driver of Loss of Cultural Heritage. Privatization of cultural assets or heritage sites can result in the commodification of cultural resources, potentially leading to the loss of cultural identity and heritage preservation (Boniotti, 2021, p. 36, The Getty Conservation Institute, 2003, p. 36). In fact privatization has been defined as a potential problem and a threat to cultural heritage (Ponzini, 2010, p. 516). “The debate over private involvement in heritage sites is often associated with commercial and ethical issues. The closeness of corporate advertisements and structures to heritage sites can be highly controversial, especially if a company generates profits from its proximity to the site without contributing the conservation activities” (Abdou, n.d., p. 60, Benedikter, 2004, p. 373). It is imperative to note that the significance of heritage is equal to other themes in society such as education and health care. This viewpoint underscores the value of preserving cultural heritage which if not taken care of or left in the hands of the private sector could engender numerous benefits for all members of society instead of a specific group (Abdou, n.d., p. 61).

### Impact of privatization on redundancy

The privatization process in Zambia has also been associated with mass redundancies. According to Fraser and Lungu (2007), the total workforce in the mines as of 1991, when the privatization started, stood at 56,582. By 1997, employment levels had fallen to 31,000, and by 2001, total employment dropped to 19,145. Thus, it can be argued that the privatization process has tended to reduce employment levels in the country, and the Mopani Copper mine is no exception. Simpere (2010) argues that in 2008 and 2009, Mopani cut over a thousand workers in just a few months.

The reason for this job cut was the financial crisis, which caused copper prices to drop. One may argue that this was reason enough for Mopani to reduce its workforce, but an analysis of the copper price on the international market during the 2008 and 2009 financial crisis helps us to reject the above-given reason. For example, 'during the crisis, the price of copper was in excess of US Dollars 2,000 per ton, which was higher than the price of copper when Mopani bought the mine. In fact, after experiencing record prices of close to US Dollar 9,000 per ton from 2005 to 2007, Mopani Copper Mine preferred to freeze operations until they became more profitable again' (Simpere, 2010 p.16). Clearly, the levels of employment, especially in the mining sector have been dropping since the start of privatization process in 1991 and the effects of this cannot be overemphasized due to the fact that most families in Zambia are dependent on the father of the house, who in most cases is provider. Therefore, if the father is laid off, as has been the case under the privatization process, the whole family structure is changed. Thus, with all these job cuts in the mining industry, who then was employed to replace those declared redundant? Most of the new investors embarked on casualization and payment of poverty wages. According to Frazer and Lungu (2007), since privatization, almost all the growth in employment in the mining industry has been for those employed by contracting firms, and this number increased from 2,628 in 2000 to 11,536 in 2004.

### Privatization and Unpaid Pensions and unfair Competition

Privatization did not only lead to massive redundancies but also led to unpaid pensions, especially in the mining industry. This is probably due to the fact that the new company owners did not take on labour liabilities that were under ZCCM. It should also be noted that there were some new investors who were ready to pay, but in most instances, the retrenchment package was very little, as noted by Fraser and Lungu (2007).

Another criticism advanced against privatization is that it introduces unfair competition among the different players in the economic sector. Mwinga (2003) argues that privatization seems to create unfair practices in that local investors and contractors do not have the same kind of incentives that are given to foreign investors and contractors. This unfair competition has led to a situation where local companies have closed down their operations as they have failed to compete with foreign companies. Though this is the case, one thing to note is that competition is not synonymous with privatization, and in many cases, privatization on its own does not result in increased competition.

### Privatization vis-à-vis Undervaluation of Privatized Companies, and the Zambian tax system

It has been argued that most of the privatized companies were undervalued by ZPA. For example, Simpere (2010) claims that in 1991, experts estimated the minimal value of privatization of the mines to be 3 billion US dollars. Though this is the case, all ZCCM's mining assets, divided into seven units, were sold to various private consortiums for a total of US Dollars 627 million. ZIMCO, which was the company given the mandate to manage parastatals, demanded that there should be a representation of the owners of the parastatals at all levels of negotiations. It is for this reason that ZIMCO was reluctant to deal with ZPA (Fundanga and Mwaba, 1997). In other words, ZIMCO argued that ZPA was at the forefront in propagating the undervaluation of parastatals in Zambia.

Another area that requires attention in view of the privatization process in Zambia has to do with the tax system. There is a serious problem when it comes to the collection and control of tax over multinational companies, including mining companies, by the Zambian tax administration. Simpere (2010) has noted that the Zambia Revenue Authority (ZRA), a body tasked with the responsibility of collecting taxes on behalf of the Zambian government, acknowledges that the

size of the firm and the complexity of its operations make its mission of tax collection a real challenge. Furthermore, ZRA lacks resources and usually finds itself in a position of weakness when faced with a huge corporation that operates internationally and is highly skilled in tax optimization. Furthermore, Simpere (2010) observed that out of the twelve (12) mining companies in Zambia, only one (1) paid tax on its profits, as the others show no profits in terms of the tax legislation in force. With regards to other taxes, ZRA considers that the mining sector contributes no more than 10–15 per cent of the country's tax revenue, and most of this tax is from the income paid by the mines' employees (Simpere, 2010). Clearly, this situation is less desirable and makes for a sad reading, as the taxes collected are of little benefit to the development of this country.

### Impact of privatization on Indigenous Communities

In many African countries, privatization can disproportionately impact indigenous communities who depend on natural resources for their livelihoods. Privatization of land or resources can lead to displacement, loss of cultural heritage, and violations of the rights of indigenous peoples. This has been supported by Prust (2021). For example, Nestle has been buying land in tiny rural villages all over the world. Once land has been bought, Nestle taps into the aquifer and bottles and sell a million litres of water, and this trend continues until aquifers are effectively dried up (Prust, 2021, p. 2). This has serious implications on the local people as they are left without water for their crops, there is also a risk of food shortages and economic collapse if no crops are in areas that were once important crop producers (Prust, 2021, p. 2). Clearly, this stifles the areas progress especially in underdeveloped countries like Zambia

### Privatization vis-à-vis loss of Control and Sovereignty, and Right to Development

Privatization may lead to a loss of government control over key sectors of the economy, potentially compromising national sovereignty and decision-making authority in critical areas like healthcare, education, and infrastructure. In Latin American privatization programmes, preference was given to private investors to take control of the large state banks. 'In all these cases, the abuse of resources for private purposes led to brutal financial crises which forced re-nationalization of most these groups' (Bortolotti and Perotti, 2007, p. 3). The Russian case is also instructive in how captured privatization programmes can lead to loss of state control (Bortolotti and Perotti, 2007, p. 3).

Privatization policies that do not prioritize human rights and public welfare can hinder sustainable development efforts in Africa. Ensuring that privatization initiatives align with human rights standards is crucial for promoting inclusive development and protecting the rights of all individuals on the continent. Privatization affects human rights of individuals in a number of ways, for example, the privatization of social protection often results in the poor being subjected to more underfunded public sector (United Nations, n.d., p. 1). This is usually the case because the model of training social workers to recognize the specific social, psychological, economic challenges faced by individuals is replaced by a model that is driven by economic efficiency concerns (United Nations, n.d., p. 1). Regarding infrastructure projects, these are attractive to private providers where significant user fees can be charged. On the other hand, the poor are not able to pay, thus, cannot afford to use many services like water, electricity, roads, transportation, education and healthcare (United Nations, n.d., p. 1).

### Privatization, Service provisions and Service Quality Concerns

Private companies may prioritize profit over service quality, leading to a decline in the quality of essential services such as water supply, electricity, and healthcare (Alayed et al., 2024, p. 131).

This can negatively impact the overall well-being of the population, especially those who rely on these services. In the health sector, privatization is undertaken with a view to improving the quality of care through increased market competition. However, literature shows that increases in privatization corresponds with worse health care outcomes for patients (Goodair and Reeves, 2024, p. 199, Radić et al., 2005, p. 13). When the health care is privatized, provision of health services becomes the responsibility of the private entity, entailing that the government has little or no control over the provision of the said service. With regards to the Zambian case, during the days when mines were run by ZCCM, the company took care of most of the public services in the neighbouring communities, that is, schools, hospitals, recreational facilities for children, maintenance of infrastructure as well as activity centres for women. After privatization, private companies, especially those in the mining industry, discontinued or abandoned most of these social activities, and they have not been taken over by the state or municipal authorities. According to Simpere (2010), roads in the mining towns are now badly damaged due to a constant flow of trucks to and from the mines, and they are not even repaired. In addition to this, hospitals and schools now charge fees. The next section will now discuss the above findings

## Discussion

The central focus of the neo-classical theory is that a free market economy without state intervention will lead to economic prosperity that will trickle down to the poorest members of society. This ideology has not helped the Zambian government in addressing the many pressing issues facing the country. The increasing gap between the rich and the poor is a case in point. In other words, the privatization programme has not addressed the problem of social inequality, but it has exacerbated this problem. It should also be mentioned that privatization even makes it more difficult for the poor to access the privatised services, as these services become more expensive. For example, there are a number of private entities that have been providing quality health care in Zambia and these are Pearl of health, Teba hospital, Mums clinic, Dr. Argawal, Trust hospital and many others. Accessing quality health care from these private entities has always been the preserve of the elite class not until the Zambian Government intervened to introduce a national health insurance which is managed by the statutory body, the National Healthy Insurance Management Authority (NHIMA).

As in the Zambian case, before privatization, emphasis was mainly put on employment maximization and other non-economic investment choices. The neo-classical school of thought has been criticised for putting too much emphasis on profit maximization. The argument is that, most private owners have ended up exploiting Zambians in the quest to maximize profits. For example, most of the privatized companies embarked on a program to reduce the workforce in the newly privatized companies. One would have hoped that after reducing the workforce, the newly privatized companies would have improved the working conditions of the workers, for example, paying them good salaries. This has not been the case. Furthermore, most of those retrenched were not paid their pensions. On this front, the neo-classical school of thought is rendered invalid. Though this is the case, this school of thought is noted for promoting efficiency and productivity at the place of work. As shown in the Zambian case, productivity in most privatised companies seems to have increased, as is the case of ZANACO.

On the contrary, this apparent improvement in the performance of privatized companies is a source of concern for most liberal scholars. The argument presented by the liberal scholars is that improvement in the performance of privatized companies is not a direct product of privatization, there could be other factors at play which could have contributed to improved performance, and these could be leadership style, organization structure, as well as the environment in which the

newly privatized companies were operating from. It should be made clear that liberal scholars do not reject privatization outrightly but that other factors should be taken into consideration when analysing the benefits that come with privatization.

The radical school of thought rejects privatization and its perceived benefits. These scholars argue that privatization does not only increase the level of poverty, as is the case in Zambia but it is also accompanied by wide income disparity between the rich and the poor. This author supports the stand taken by the radical scholars. As noted in this paper, privatization has negatively impacted most Zambian citizens. In other words, privatization in Zambia has benefited only a few who have been its proponents but its impact on the environment and social wellbeing of Zambians has been adverse. Furthermore, it's not true that a country needs to privatize state-owned companies for it to develop. There are countries in the world that have intervened in the market economy, and these countries have been very successful, contrary to the views presented by neo-classical and liberal scholars. The Asian tigers are a case in point here. These countries achieved their breakthrough with strong state intervention in the economy. Zambia could also be cited as a case in point. When the Zambian government introduced the national health insurance, most Zambians have been able to access quality health care from private-owned hospitals. Of course, one would argue that the introduction of the insurance has created inefficiencies in private-owned hospitals due to the long queues that clients have been subjected to. However, this challenge could be addressed if more private health care givers get accredited to NHIMA. One thing to note is that private companies will only invest where they know that they will make profits, whilst the government will make an investment with the view of benefiting the general population. The government will construct roads even if the area may not bring any economic benefits to the country. Thus, uniform development can only be achieved if the state intervenes in the economy, and this is the point advanced by this author. What is needed is for state-owned enterprises to be reformed so that they operate like private companies. They should adopt principles applicable in the private sector and use them to run these enterprises effectively and efficiently. Principles of motivation, leadership, group management, decision-making, and information management are central to the attainment of organizational goals. If these principles are applied to the public sector, the provision of goods and services by the public sector will be efficient and effective. It can, therefore, be argued that despite the arguments for privatization and the perceived benefits as presented by neo-classical scholars, privatization tends to lead to a situation where essential services such as health and education are not provided to the community. Though this author supports the stand taken by radical scholars on privatization, this does not mean that privatization per se is bad in its totality. As highlighted in this paper, there is a success story to the privatization process in Zambia, and this is an important point that requires the reader's attention.

Some of the strategic development areas identified in the Eighth National Development Plan (8NDP) for Zambia are: economic transformation and job creation, and environmental sustainability. Clearly, privatization may not lead to the creation of the desired number of jobs; in fact, it may contribute to job losses as the private company might be in a hurry to maximize the profits. The same is true of environmental sustainability. Very few private companies have managed to take care of the environment where they operate from. Most of the private firms have actually polluted the environment. Therefore, Zambia's quest to effectively implement its 8NDP will largely depend on massive investments in state-owned enterprises (SOEs). Reforms ought to be introduced so that SOEs focus on meeting the economic objectives for which they were set up as opposed to social objectives. Assigning economic and social objectives to an SOE has been a source of concern and confusion for scholars and managers of these institutions.

## Conclusion

Despite different views being advocated by neo-classical economic theorists, liberal theorists and radical scholars, this study concludes that privatization in Zambia seems to have benefited only a few who have been its proponents and that its impact on the environment and social well-being of Zambians has been adverse. Zambia is still faced with a number of challenges including climate change, the energy crisis, high unemployment levels and high poverty levels. These challenges can only be ameliorated through state intervention in the economy. Privatization might just exacerbate these problems. It is on this basis that radical thinkers reject the notion of privatization.

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