ESID Working Paper No. 80

The politics of natural resource extraction in Zambia

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March, 2017

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ISBN: 978-1-908749-80-2

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Abstract

Moving beyond the mantra that 'politics matters', a range of conceptual approaches have recently emerged within international development thinking that seek to capture the specific ways in which politics shapes development. This paper critically assesses whether these approaches, including work on 'limited access orders' and 'political settlements', can underpin research into how developmental forms of state capacity and elite commitment emerge and can be sustained. It suggests that these new approaches offer powerful insights into certain elements of this puzzle, particularly through a focus on the relational basis of elite behaviour and institutional performance. However, these approaches are also subject to serious limitations, and insights from broader and (in particular) more critical forms of political theory are also required in order to investigate how the politics of development is shaped by ideas as well as incentives, popular as well as elite forms of agency, transnational as well as national factors, and in dynamic as well as more structural ways. The paper proposes an initial conceptual framework that can be operationalised and tested within a programme of primary research to be established by the Effective States and Inclusive Development Research Centre.

Keywords: Zambia, mining, political settlements, distribution, taxation, history, ideas

Acknowledgements:

We acknowledge valuable assistance in preparing this paper from Anthony Bebbington, Sam Hickey, participants of the SAIPAR research workshop and three anonymous referees.

Hinfelaar, M. and Achberger, J. (2017) The politics of natural resource extraction in Zambia. ESID Working Paper No. 80. Manchester, UK: The University of Manchester. Available at www.effective-states.org

The background research for this paper was funded by the Effective States and Inclusive Development Research Centre (ESID), based at The University of Manchester, UK. This document is an output from a project funded by UK Aid from the UK government for the benefit of developing countries. However, the views expressed and information contained in it are not necessarily those of, or endorsed by the UK government, which can accept no responsibility for such views or information or for any reliance placed on them.

1. Introduction

Copper extraction has dominated Zambia's economic and political development since the first European exploration of the region in the late 1880s under the British South Africa Company (BSAC). A classic example of a mineral-rich country, Zambia has always counted on its vast copper reserves to carry it to the status of a fully industrialised and 'modern' state. Yet, though copper accounts for over 75 percent of its current (2015) exports, the country has high poverty rates and is also one of the most unequal.[1] Despite recurrent rallying cries for economic diversification in support of the latent agricultural sector, Zambia's rural areas have remained marginal to its development.

Three key historical themes help to explain why Zambia's copper endowment has not resulted in better economic development outcomes. First, as Fraser and Larmer (2011) note, Zambia has been particularly unfortunate when it comes to the timing of mining policies. For example, just two years after the country nationalised mining operations, copper prices dropped precipitously, due to the 1976 global economic crisis. Yet shortly after the country re-privatised operations in the late 1990s – when copper prices were at their lowest and generated little revenue – a boom in prices ensued that yielded windfall profits to private firms.

Second, though the national government in Lusaka, located more than 300 km from the Copperbelt, is formally charged with the redistribution of national wealth, the Copperbelt historically produces and dominates the political sphere that determines how this is done.

Third, Zambia lacks indigenous entrepreneurship, and the state is central to class formation. With no feasible alternative income sources, such as secondary industries or a robust agricultural sector (Sutton and Langmead, 2013), state-led enterprise has remained the most important source for potential income mobility from independence in 1964 to the present (Szeftel, 1982). Yet, because government revenue depends on fluctuating copper prices, campaign promises and public expectations for wealth accumulation were never fully met, leading to a disenchantment with political parties. As a result, except for trade unions, which now represent only a small group of formal workers, constituents remain distant from the political parties that drive national policies, thus ensuring a continued marginalisation and underrepresentation of the most vulnerable sectors of society.

In this paper, we will analyse how and why these dynamics have emerged in Zambia through the lens of the political settlements framework. This framework operates on the premise that underlying conditions for development are established first and foremost by the character of inter-elite relations, and especially the ways in which elites use the power at their disposal to shape policy reforms and institutional changes (Hickey, 2013; Khan, 2010; North et al., 2009). This breaks with a more singular and

[1] For more details on indicators, see Appendix III.

apolitical focus on the role of institutions, which was a dominant theme in development theory in the 1990s. The Effective States and Inclusive Development (ESID) project[2] has employed political settlements theory to investigate central questions such as: what capacities enable states to help deliver inclusive development? What shapes elite commitment to delivering inclusive development and state effectiveness? Under what conditions do developmental forms of state capacity and commitment emerge and become sustained?

In this paper, we use a political settlements approach to explore the dynamics of the governance of natural resources and their ability or inability to bring sustainable and substantial development to a country. We do so by comparing and contrasting historical periods of high and low social and economic investments in Zambia. In addition, we investigate the consequence of political settlements on mineral income by examining Zambia's mining taxation policies, a process that is highly influenced by international actors. We operate under the assumption that an inclusive/exclusive distribution model of Zambia's mineral wealth requires a closer understanding of its political leaders' interaction with its constituents and social base.

Using the vocabulary of political settlements theory, we argue that Zambia mostly resembles a meta-settlement, which is founded on a long lineage of the power of foreign influence in shaping economic and social policies. What we propose is the equivalent of what historians refer to as the 'longue durée',[3] a long-term historical assemblage that can show signs of slowly evolving structures and incremental changes. This analysis is tied to what Bayart has called 'extraversion': a way of understanding long-term historical patterns by which 'the [African] continent has been inserted into the rest of the world and how this became 'a resource for […] internal politics and authority' (Englund, 2002: 19).

We proceed as follows. In Section 2, we describe our conceptual framework for understanding natural resource governance in Zambia. In Section 3, we give a history of natural resource extraction in the country. In Section 4, we analyse the history of political settlements in Zambia, including by identifying specific periods of political settlements, beginning with occupation by BSAC in 1896. Finally, we offer a summary of our conclusions in Section 5.

2. Conceptual framework

The existing literature on the political economy of copper in Zambia has given us insufficient insight into the historical relationship between mining governance, resource allocation and development outcomes. In this paper, we apply the political settlements framework in an attempt to address the gap in our understanding of the history of the political incentives and systems that inform this relationship. Political

[2] For further information on the ESID project, see http://www.effective-states.org/http://www.effective-states.org/.
[3] A frequently abused term, the long durée here refers to Braudel's historical methodology that puts an emphasis on long-term historical structural developments, observing underlying attitudes and thoughts. It also incorporates economic history into general history.

settlements have been defined as 'an interdependent combination of a structure of power and institutions at the level of a society that is mutually "compatible" and "sustainable" in terms of economic and political viability' (Khan, 2010: 20), or more simply, as 'the balance or distribution of power between contending social groups and classes, on which any state is based' (di John and Putzel, 2009: 4). At the core of this concept is the claim that development outcomes are shaped largely by the character of inter-elite power relations, especially the ways in which elites use the power at their disposal to shape policy reforms and institutional changes, and how these in turn shape the varied socio-economic entitlements of different actors. Specifically, with regard to countries that are rich in natural resources, Khan (2010) argues that the ability to create an open economy and prevent it from being strangled by the special interests of rent-seekers is bound up with the transformation of the economy from a natural resource-based enclave into diversified, export-based activity and especially export-based industrialisation. This emphasis on the role of exporters in moving the economy forward demonstrates a shift in the role of capital and elites away from the powerbrokers of the natural resource enclave to a more competitive system, both economically and politically (Eifert et al., 2002, quoted in Mosley, 2014).

The transition from low- and middle-income status towards high-income status is primarily propelled by the interplay between the polity and the economy (North et al., 2007). Governance institutions and, in particular, competitive political parties, create the environment for economic development. As North et al. (2007: 21) state: 'Political competition in the presence of open access to organisations provides opposition political parties with incentives to monitor the government and oppose proposals that threaten open access and competition'. Increased political competition could then arguably make a difference in response to the overall dilemma of mineral wealth and development, since ruling elites must gain legitimacy to maintain power. However, North cautions that this is a long-term process and development is not automatic.

This emphasis on political competition as a prerequisite for economic growth is in some ways paradoxical. Throughout the developing world, the 'wave of democratization has also served to highlight the blight of poverty' (Mkandawire, 2006: 9), and we can now add inequality to this. Strong economic policies are not immediately born out of democracy. Indeed, in certain contexts, democracy can take a fruitless form. In the case of Zambia, the shift from a one-party state to multi-party democracy was in fact coupled with massive economic reform that only further enhanced unemployment and inequality, as well as a decline of important countervailing powers like the trade unions. This points to the fact that in order to avoid making easy assumptions about developmental dynamics, we need to improve our understanding of the underlying forces that determine inclusive development *within* a specific context and tradition. We therefore subscribe to the idea that 'any effort to understand the governance of extraction and of its relationships to development *must* be spatially and historically explicit' (Bebbington, 2013: 2). By taking this approach, we move away from a crude resource curse analysis and give space to a detailed description of the forces and interests that have shaped Zambia's trajectory.

3. A history of natural resource extraction in Zambia

Beginning with mineral exploration by the British South Africa Company (BSAC) in the late 19th century and continuing to the present day, copper extraction has dictated not only the economic history of Zambia, but its political and social histories as well. Founded by Cecil Rhodes, the BSAC sought to develop the mining industry throughout Southern Africa. In return for effectively occupying North-Western Rhodesia and North-Eastern Rhodesia and developing infrastructure to support the mining industry, the BSAC was granted the first mining concession at Broken Hill (now Kabwe, the capital of Zambia's Central Province). The two protectorates were combined in 1911, continuing to be administered by the BSAC as a crown colony until 1924, when administrative control was taken over fully by the British government.

Zambia's copper deposits could not be exploited commercially until the Southern Rhodesian railway had extended across the Zambezi and continued northward, to reach the Belgian-Congo border, which it did in 1909. By that time, mining had started in Katanga, in southern Congo. In Northern Rhodesia, the surface ores were of poorer quality, and copper was only worked intermittently at Bwana Mkubwa, until in 1924 rich copper sulphide ores were discovered. As a result of Northern Rhodesia's preference for large-scale deals with major commercial mining companies, throughout the colonial era and into the early 1970s, all mines in Zambia was owned by two mining companies: Anglo-American Company (AAC), owned by the Oppenheimer family in South Africa, and the American Roan Selection Trust (RST), chaired by Sir Ronald Prain, a British businessman.

While copper was dominant in Zambia from early in its colonial history, Roberts (2011) notes the mining industry only began to prosper in 1949 as a consequence of the devaluation of the pound sterling against the US dollar. Because the British government based the price it paid for Northern Rhodesian copper on the dollar, revenues from sales increased due to the shift. Another important element was the outbreak of the Korean War in 1950, which led to a fresh demand for copper. Rising demand and prices meant that by 1951 all four copper mines were paying dividends for the first time. Figure 1 shows world copper prices and Zambian copper production from 1930-2010, demonstrating the importance of global economic trends for the Zambian industry. Specifically, it highlights prices and production at the key points of independence, mining nationalisation, and mining privatisation, which will be discussed in greater detail below.

Administration in Zambia underwent a massive shift in 1953, with the creation of the Central African Federation (CAF). The CAF brought together the colonies of Northern and Southern Rhodesia (present Zimbabwe) and Nyasaland (present Malawi) into a centralised administrative structure run from Salisbury, which became a mini-metropole, serving as the seat of government and industry. The CAF privileged white settlers, and those in Southern Rhodesia in particular. Northern Rhodesia was seen solely as an extractive state, particularly in terms of minerals, as well as agriculture.

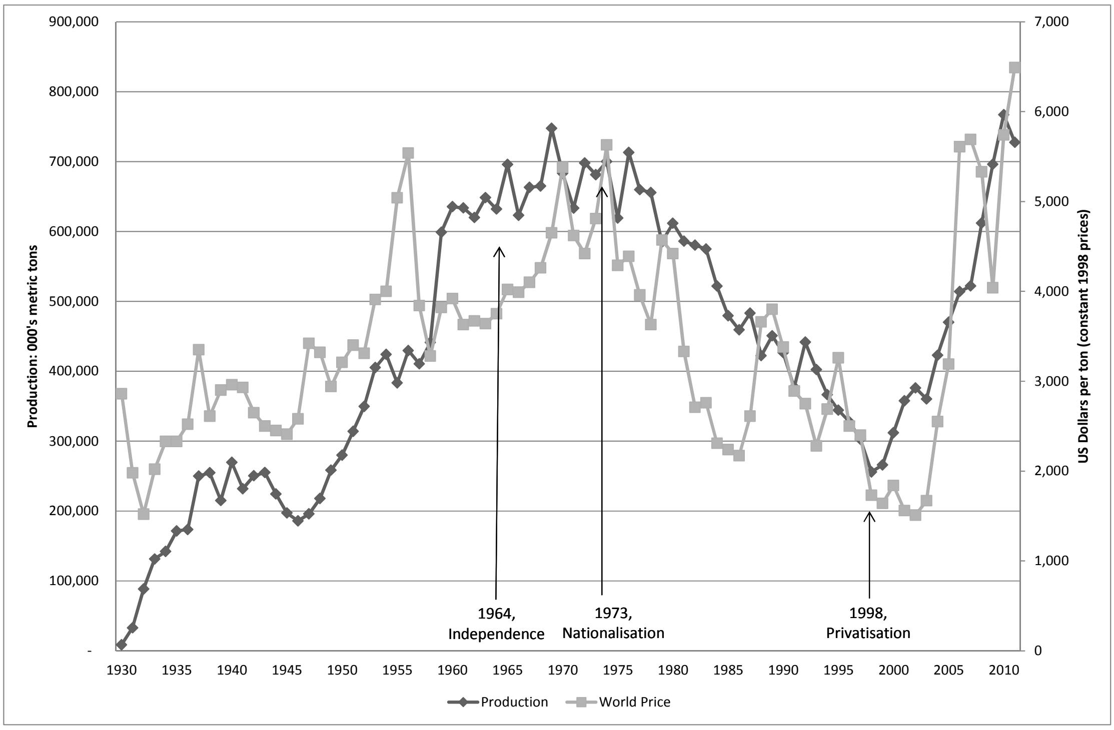

Figure 1: Zambian copper production and world prices, 1930-2011
Source: Whitworth (2015).

For the first several years after the creation of the CAF, mineral prices rose, and Southern Rhodesians prospered from the North's extraction. However, prices fell in the late 1950s, coinciding with agitations for political independence from Northern Rhodesia. The Central African Federation was dissolved in 1962, and shortly thereafter, on 24 October 1964, Zambia was granted its independence.

Expectations of a higher standard of living for all Zambians were high in this new period of independence, known as the First Republic. In the context of a stable and expanding economy, enormous investments were made in education, health and infrastructure as the governing United National Independence Party (UNIP), under the leadership of President Kenneth Kaunda, had envisioned and promised to deliver a development state. Copper at independence represented half of Zambian GDP and almost the entirety (96 percent) of exports for the country. Yet, despite high global prices, the copper wealth did not translate into countrywide development. Infrastructure, urban growth, education, healthcare and other indices of development were mostly apparent along the so-called line of rail, which included the Copperbelt (Ndola, Kitwe, etc.), Lusaka and, at a smaller level, development in the southern part (Livingstone), where there were a large number of white settler and indigenous agricultural enterprises. The map in Figure 2 shows the location of these sites, as well as others referred to throughout this paper.

Figure 2: Map of Zambia
Source: http://www.mapcruzin.com/free-zambia-maps.htm.

The emphasis in the early post-colonial years was on the 'Zambianisation' of the workforce, or the steady replacement of British and other expatriates in the public and private labour force with indigenous Zambians.

The emergence of the 'Second Republic' in Zambia in the early 1970s brought many changes that affected the structure of the extractive state. In December 1972, Kaunda signed the declaration of the one-party state, the climax of a process of the consolidation of power that began with the nationalisation of major industries beginning in 1968. It was partially driven by an external force, namely the Unilateral Declaration of Independence (UDI) in Rhodesia in 1965, which turned Zambia into a frontline state and put pressure on it to forego the influence of white settler capital. Zambia's colonial history as a member of the Central African Federation left a legacy of economic dependence on its southern neighbour. At the time of UDI, Zambia was still almost entirely reliant on shared infrastructure, particularly the line of rail, controlled by Rhodesia Railways. Zambian copper exports were exported via this line, and almost all imports were brought in on it as well. Yet, despite this economic dependency, a direct lineage of the Central African Federation, the UK placed great pressure on Zambia to participate in sanctions against Rhodesia. The pressure, carried out through the United Nations, was so great that Zambia threatened to leave the Commonwealth, and began to turn to alternative development partners to achieve economic independence.

Internally, nationalisation was driven by pressure from certain sectors of society (labour unions, party cadres, nationalist leaders, civil servants) that demanded greater material rewards from political independence than those they perceived were being handed to them by private capital. Leading up to this shift, the existing political settlement with the state and erstwhile mining companies – in existence from early colonial days – gradually broke down. The Matero Economic Reforms of 1969 resulted in the government purchasing 51 percent shares from AAC and RST, leading to partial nationalisation of the copper industry. The AAC and RST retained 49 percent of the shares and were renamed Nchanga Consolidated Copper Mines (NCCM) and Roan Consolidated Copper Mines (RCM), respectively. They remained under foreign management. Subsequently, with the full-scale nationalisation of the mines in 1970s, they were integrated into the Zambia Consolidated Copper Mines (ZCCM), now entirely under Zambian management.

The Zambia Industrial and Mining Corporation's (ZIMCO), the state holding company that was charged with the supervision of the state-owned mining enterprises under its wing, was originally structured to minimise political interference in the running of state-owned businesses by serving as a buffer between the government and its investments. In practice, however, government officials exercised increasing control over ZIMCO. Managers of sub-holding companies reported directly to the relevant government ministries, which in turn reported to Kaunda, who retained the title of company chairman. ZIMCO's process of purchasing of bonds in order to buy out the remainder of the foreign shares and management demonstrates how these dynamics led to (costly) mismanagement: when the bonds were redeemed in 1974, they effectively wiped out Zambia's foreign reserve base (Craig, 1999: 40).[4] Thus, while the government now fully controlled the mining industry, some of the fundamental problems that had prompted nationalisation remained or worsened. The global economic crisis of the 1970s placed an enormous strain on the country as it faced rapidly falling revenues.

By the late 1980s, Zambia's economy was in free fall, leading to lost mining jobs and an acute shortage of basic goods. On the heels of violent protest and an attempted coup, Kaunda yielded to pressure and Zambia held multi-party elections in 1991. Frederick Chiluba, the former president of the Zambia Congress of Trade Unions (ZCTU) and leader of the Movement for Multi-Party Democracy (MMD) was installed as the President of the Republic. Though Kaunda had started the process of structural adjustment under the auspices of the IMF/World Bank in the late 1980s, it was under Chiluba that large-scale privatisation actually took place. The Mines and Minerals Act of 1995 paved the way for the dismantling of ZCCM and the sale of individual mining

[4] Details were as follows: the government had agreed to compensate for the abrupt cancellation of the service contracts by paying K55 million and had to pay and additional K146.6 million to redeem the bonds. Additional costs were incurred in the redemption of the bonds which carried a coupon of 6 percent, with funds borrowed at 12-13 percent (Burdette quoted in Craig, 1999: 40, fn 108). There are different versions of the causes and beneficiaries of this expensive saga.

companies. In place of a uniform tax regime and code of conditions within which private mining companies were to operate, the act provided for the negotiation of unique Development Agreements (DAs) with each company. Several state officials who were involved in these closed-door negotiations have since been the subjects of corruption charges, and some have been convicted. In addition, social pacts linking the state-led industries to their workers and communities were disbanded and replaced with corporate social responsibility (CSR) programmes (Negi, 2011: 30).

The process of privatising the mines proved to be a challenging exercise for the MMD. Considering depressed world copper prices, the increasingly deplorable state of the mines and the pressure on the Zambian government to sell the mines as part of the conditionalities attached to the debt relief by the International Financial Institutions (IFI), buyers could strengthen their negotiation position. Thus, the state essentially lost its ability to extract revenues from the mining sector. The copper boom that followed shortly afterwards added to a deepening sense of the lack of legitimacy of the entire privatisation process, both for the Zambian state and the new mine owners (Fraser and Lungu, 2007). This is an important theme to which we will return below.

4. A history of political settlements in Zambia

As shown in Figure 3, Zambia's history of economic growth and decline does not

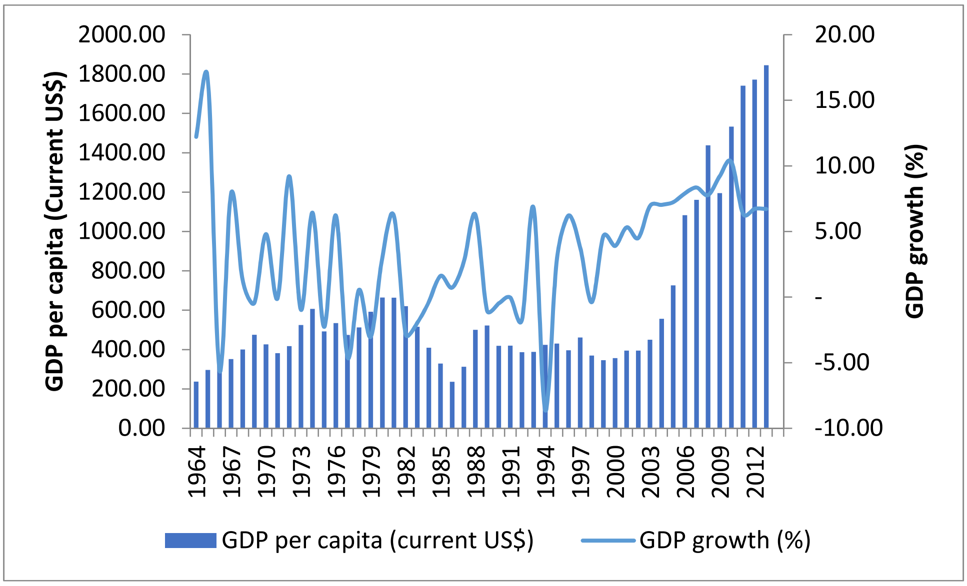

Figure 3: Real GDP growth and GDP per capita (World Bank).

necessarily follow political transitions, but rather mirrors the fluctuations of international commodity prices. However, political settlements come into play when examining the governance and distribution of natural resources affected by these commodity prices. In this section, we thus draw on the history of natural resource

Table 1: Zambian political settlements, 1896-present					
Period	**Name of ruling coalition**	**Type of political regime**	**Configuration of political organisations**	**Broader development ideology**	**Modes of inclusion in extractive industry**
1896 – 1924	BSAC	Colonial rule	Advisory council, little settler representation	Industrial capital	Hut tax/labour migration
1924-64	BSAC and CAF	Colonial rule	Political representation of white settlers	Industrial capital	Hut tax/labour migration
1964-73	UNIP	Multi-party	Dominant	Industrial capital	Tax/labour
1973-91	UNIP	One-party state	Vulnerable authoritarian	State-led	Nationalised industry
1991-to date	MMD, PF	Multi-party	Competitive authoritarianism*	Neoliberal capitalist, with some spells of resource nationalism	Tax/labour

Acronyms: British South Africa Company (BSAC), Central African Federation (CAF), United National Independence Party (UNIP), Movement for Multi-Party Democracy (MMD), Patriotic Front (PF).

* Here we depart from Levy (2012) and use the following definition: 'civilian regimes in which formal democratic institutions exist and are widely viewed as the primary means of gaining power, but in which the incumbents' abuse of the state places them at a significant disadvantage vis-à-vis their opponents. Such regimes are competitive in that opposition parties use democratic institutions to contest seriously for power, but they are not democratic because the playing field is heavily skewed in favour of incumbents. Competition is thus real but unfair' (Letvisky and Way, 2010: 6).

extraction summarised above to identify and describe five key periods of political settlements in modern Zambian history. These periods are summarised in Table 1.

1896-1924

The early period of colonial occupation under the BSAC was characterised by corporate colonialism. The colonial administration was thin on the ground, with most of Northern Rhodesia's colonial boundaries only enforced as late as the 1930s. While it was not destined to become a white settler colony like Southern Rhodesia, a small agricultural white settler community had settled in the north that began to call for representation. Colonial authorities introduced a household-based 'hut tax' to support administrative structures, leading to a migration of labourers to gold mines in Tanganyika (Tanzania), copper mines in Elizabethville (Lubumbashi), and as far afield as South Africa.

1924-64

British Colonial Rule, introduced in 1924, saw the opening of the first session of the Northern Rhodesian parliament, with limited white settler representation. The British also introduced Indirect Rule, a system in which the local chiefs became administrative agents employed by the colonial regime. These traditional leaders participated in the hut tax collection and labour recruitment. Labour migration within Northern Rhodesia now also included the rapidly expanding Copperbelt, a series of mining towns in the western part of the country that borders copper-rich Katanga (Congo). By 1930, the African labour force on the Copperbelt had risen to 32,000, where, with the gathering of various ethnic groups, a national identity was forged and the basis for a nationalist movement were laid. Traditional authority associations were present in the Copperbelt, but were less influential than the rising labour and nationalist movements. The main commercial economic interest, represented by the white settler community, was the agricultural sector – specifically sugar, tobacco and maize. The first demonstration of the political weight of the Copperbelt took place in the 1930s, when both African and European trade unions went on massive strikes after the international financial crisis led to widespread job losses. The strike was partially blamed on the Watchtower Church, which had entered the urban areas with returning labour migrants from South Africa.

The formation of the CAF in 1953, described in detail above, represented an important move toward independence. It was premised on the notion that white settlers in the region, dominated by Southern Rhodesian settlers, would work towards self-rule. Generally, Northern Rhodesia's white settlers (a paltry 3 percent of the total population) opposed the federation, as it worked against their economic and political interests. With the ever-expanding production of copper and stabilisation of the Copperbelt workforce, the influence of trade unions increased. The early nationalist movement began to form around mission-educated elite, often of royal establishments. Their positions were soon taken over by a generation of younger men, equally mission-educated but with no traditional power base. Missionaries generally favoured the nationalist movement and, as a result, the churches remained influential players in post-colonial Zambia.

1964-73

On 31 December 1963, the Federation of Rhodesia and Nyasaland was formally dissolved. Less than a year later, on 24 October 1964, Northern Rhodesia became an independent republic, now known as Zambia. UNIP's charismatic Kenneth Kaunda, a teacher born in Zambia, but from a Malawian missionary background, became its first president. His main contender, Harry Nkumbula of the African National Congress (ANC), remained an influential political player, but the settler parties almost immediately lost their erstwhile influence. Despite enormous investments in social and physical infrastructure, discontent with UNIP quickly emerged, due to uneven distribution and so-called 'thwarted expectations' (Macola, 2006: 56). Opposition coalitions take shape among groups with (temporary) common cause: unionised workers (clashes with mineworkers already occurred in 1965-66), businesspeople, marginalised rural communities, students, and intellectuals. UNIP felt especially threatened by the rise of former Vice President Simon Kapwepwe's United Progressive Party (UPP), which gained a stronghold in the Copperbelt and the Northern Province. It also faced resistance from Barotseland, which felt aggrieved by the abrogation, shortly after independence, of an agreement granting them a high degree of autonomy. This period also saw the rise of the importance of the civil service as a bargaining force. After independence, it was 'Zambianised' and increased nearly three-fold by 1974. During this period, political office became a crucial means to acquire sources from both public and private sectors.

1973-91

The Second Republic, associated with nationalisation of the mines and the declaration of the one-party state, represented an important shift in political settlements that specifically promoted social welfare. However, to call Zambia a staunchly socialist state in this period would be a misnomer. Begun in a period of economic prosperity, nationalisation was a reaction to the global shift towards government ownership for more equal economic growth seen throughout the developing world in this period. Yet, for Zambia, growth was hampered by global economic contraction, and equality was not realised.

The global economic crisis of the 1970s placed tremendous strain on the government as it worked to deal with rapidly falling copper prices. Despite a contraction in revenue, it tried to maintain a high level of support for the mining industry and the mineworkers, continuing welfare programmes and development that were begun by privately owned companies during the colonial period. Yet by placating urban workers, it further exacerbated the uneven development of the country, with most of the rural areas left behind.

Though opposition movements were banned, both underground political movements and the trade unions threatened UNIP throughout this period. Yet, unlike in Ghana (Abdulai, 2017), Peru (Sanborn et al., 2017, forthcoming), and Bolivia (Humphreys Bebbington and Huber, 2017), the military was unable to take control of the government during this era of economic decline, with UNIP successfully resisting two coup attempts in the 1980s. Unlike other countries, the military had not been part of the liberation movement in Zambia and did not become an influential factor.

1991 to date

In the late 1980s, a coalition comprised of trade unions, politicians, lawyers, students, academics and the business community came together under the banner of the MMD to call for the dissolution of the one-party state. This, combined with pressure from bilateral and multilateral donors, forced UNIP to open the country to multiparty elections in 1991. International actors deepened their neoliberal economic engagement with the new MMD government, tying debt relief to privatisation of national companies – most notably the mines. Moreover, the government was rewarded for privatisation with massive amounts of foreign aid, which came to make up more than 40 percent of the national budget in the early 1990s.

Civil society also expanded rapidly during the 1990s, and became especially influential when aligned with more established non-state actors like the Law Association of Zambia (LAZ) or the powerful mainstream churches. This period also saw the rise in influence of the independent media, especially *The Post* newspaper.

Elections became gradually more competitive from 2001 onward, rendering the MMD highly vulnerable. This dynamic created an incentive for short-term, politically motivated public spending, which arguably explains the lack of a long-term development vision for the Zambian mining sector. As Poteete (2009) argues, elite commitment to such a vision is possible only when ruling elites feel that they will stay in power long enough to reap the benefits of accumulated investments.

At the same time, debt relief and a copper boom granted the MMD increased fiscal space, with export revenue increasing from US $670 million dollars to US $4 billion. The government responded by defying the existing Development Agreements to increase mining taxation. They expanded pro-poor expenditure in the social sectors and released huge funding for political projects, such as road construction and a Fertiliser Import Support programme. These investments had a limited developmental impact, especially in rural areas and the urban informal sectors.

In September 2011, the Patriotic Front (PF), which had broken from the MMD in 2001, came to power on a left-leaning manifesto and with the support of the young, informal urban populace. The party ran on a platform opposed to the laissez-faire attitude and neoliberal policies of the previous regime, especially vis-à-vis the mining sector. In practice, Zambia witnessed a 45 percent increase in public sector wages, as well as expanded mineral royalties and private sector wages under the PF. Yet these are not solely attributable to the party, as they were conceived in the context of a number of African Union (AU) declarations that encouraged governments to adopt fixed budgetary allocations for education and health.

An interesting development is the newly introduced concept of a sovereign wealth fund in the 2015 budget, signalling that the government is thinking about a long-term national development trajectory. It also demonstrates the influence of the Norwegian cooperation partners in the field of mineral taxation. The Norwegian embassy's project aims at improving Zambia's revenue out of the copper industry, by building capacity in Zambia Revenue Authority in obtaining accurate information on production, processing and export volumes in the mining sector.

The contemporary period has been marked by an emerging geographical shift in power. While the Copperbelt region has historically been the home of opposition political parties (UPP, MMD, PF), recent elections show that it now shares that role with Lusaka, which has grown tremendously in recent decades. This is partially attributable to inter-urban migration as a result of the economic crisis in the Copperbelt in the 1990s. Decades of job losses, reliance on casual rather than contract labour, and the number of participants in the informal sector have hollowed out the powers of the trade unions. Civil society and media organisations have weakened as well and have become hyper-partisan due to their co-optation by political parties for short-term electoral gains. The liberal United Party for National Development (UPND), which was founded in 1998 and has since become the largest opposition party, has an especially strong base in the non-labour migrant areas in what used to be called North-Western Rhodesia, though it has also made inroads in Lusaka and Copperbelt.

Finally, political parties have witnessed a shuffling of allegiances in the wake of the death of PF President Michael Sata while in office in October 2014. Factionalism has led to a three-way split in the MMD, leaving it severely weakened. One group merged with the PF to support its candidate, Edgar Lungu, in the by-election to replace Sata, and another partially merged with the UPND. Lungu and the PF won the presidential by-election in 2015, as well as the controversial general election of 2016, which was marred by violence and intimidation, as well as accusations of widespread rigging.

Commonalities across the settlements

To adequately historicise the political settlements described above, we highlight here some of the more enduring characteristics that have shaped Zambia's political culture and civic norms. These ultimately determine leaders' conduct and interests, regardless of apparent (ideological) shifts in the numerous political transitions the country has experienced. Importantly, as we will spell out in the next section, these characteristics influence the natural resource governance of the country.

Two key lasting features of post-colonial Zambia's political culture are authoritarianism and a narrow elite. Macola (2008) traces this trend to the roots of Zambia's nationalism in which party and nation were seen as the same. Alternative views and political projects were viewed with suspicion and regarded as unpatriotic. This authoritarianism emerged through a simultaneous concentration of power in the hands of the executive branch and a weakening of institutions of accountability, including parliament and the judiciary. Despite the re-introduction of multi-party democracy, Zambia's ruling parties remain authoritarian and dominant. During elections, the opposition parties are given no space in the public media and the ruling party uses the (colonial) Public Order Act to limit the opportunities to campaign.

Larmer (2006b) argues that these dynamics are related to the uneven nature of Zambia's nationalist struggle, which led to political and economic divisions in the post-colonial state that were never entirely ironed out by the process of state formation. A small, closely networked political elite emerged from the nationalist movement to lead the new state. Yet it is important to note that the majority of this group had received little formal training: on the eve of independence, out of a population of 3.5 million people, Zambia counted less than 100 university graduates.

As a result, a limited choice was offered to the electorate by Zambia's post-democratisation political parties, contributing to a 'recycling' of leaders. This in turn contributed to the pattern of splits and mergers in the history of Zambia's political parties (see Appendix II). Consequently, there is a consensus among our informants that, in many respects, Zambia's political system has not undergone any fundamental changes from the time of transition from a one-party state to multi-party democracy in 1991. Instead, Zambia is de-facto still characterised by imperial or executive presidentialism. This is reified through the system's structure, in which all incentives centre around the president. The weakening of trade unions, and civil society in decline since the1990s, meant a reduction in countervailing powers.

Another salient feature of Zambia's political landscape is 'elite insecurity' (Migdal, 1988), in which ruling politicians are in constant fear of being ousted. These circumstances existed long before the era of competitive politics, with challenges to ruling authority including: the emergence of ethno-regional political movements that defied the legitimacy of the first post-colonial governments (Fraser, 2010: 191, 214) and led to the introduction of the one-party state in 1972; pressure by domestic commercial interests, trade unions and the church (1973-91); and growing electoral competition between the country's two or three dominant parties since the return to multi-party democracy (1992 to present). As Fraser (2010: 221) notes, 'just as UNIP ruled in fear of urban disorder, the MMD governed Zambia under the shadow of a constant crisis of physical security, ideological self-confidence, and political legitimacy'.

In some forms, elite insecurity could be viewed as an important democratic accountability measure. Yet it has taken on such an intensity in Zambia that politicians operate myopically, to the long-term detriment of the country. The turnover of members of parliament at each election is one of the highest in Africa, with the number of those remaining seated averaging only 30 percent. Under PF, it has been the absence of a party membership and its own campaign gimmick of 'donchi kubeba' ('don't tell' of 2011, suggesting to voters that they should accept gifts/bribes, but not tell who they will vote for) that leaves the ruling party in the dark about their actual popularity and support.

Simuntanyi (2015) notes that the short-term policy focus that this kind of insecurity generates is particularly acute under competitive clientelist settlements, where the raison d'être of political alliances is to win and hold onto state power. In such a system, an electoral strategy based on targeting benefits or applying sanctions is apparent from the new government's first day in office, and dominates the government's policy decisions thereafter. This makes coherent policy structured around a long-term vision – including and especially development – extremely difficult.

Political settlements, the state, and extractive industry governance

In this section, we present an historical overview of Zambia's copper industry in light of the salient features of the political settlements set out above. In particular, we consider the changing nature of capital and ownership in the industry, government policies regarding income (taxation) and expenditure (distribution), and the impact of political competition on policies of inclusive development. For a general overview, see Table 2 below.

Table 2. Political settlements in relation to the extractive industry (EI)

Periods	**Global market prices per tonne** **Extractive industry production per annum per tonne**	**Presence of transnational actors**	**Measures of overall state capacity in EI sector**	**Key dimensions of EI governance/ Policy**	**Patterns of resistance**
1896-1924	\$293	BSAC		Corporation is the state	
1924-64	\$293 - \$683 between 6,600-to 88,600 to 632,000 tonnes	BSAC; AAC and RST	Royalty tax of 13.5% since 1949	Colonial mining policy, revenue mostly to the centre (London)	Trade unions, nationalist movement
1964-73	\$683 - \$1,130 between 632,000-750,000 tonnes	AAC and RST; British; Non-Alignment Movement	13.5% up to 1969, replaced by mineral tax (income tax of 45% and profit tax of 35%, flat fee of 73.5%)	Zambianisation of mining workforce. CIPEC	Trade unions
1973-90	\$1,130 - \$2,410 between 700,000-228,000 tonnes	IMF/WB	Mineral tax (as above)	Nationalisation, ZIMCO, ZCCM	Trade unions

1990-2001	$2,401 - $1,690 Around 275,000 tonnes	IMF/WB	Royalty tax. Based on Development Agreements (between 0.6 and 2%), corporate tax between 25 and 35%	Liberalisation and casualisation	Trade unions, civil society
2001 to present	$1,690 - $8,950 between 251,000-710,000	China; IMF/WB	Royalty tax raised to 3%, corporate tax 25 to 35% Royalty tax 6%, increased in late 2014 to 8% (underground) and 20% (open pit). Dropped in Jan 2015 to 6% and 9%. Six tax policy changes and reversals since then.	Liberalisation and casualisation Growing resource nationalism Joined EITI in 2009	Trade unions, resistance against casualisation, civil society and community-based activity, PF opposition politics

1924-64

A key theme across both the colonial and post-colonial regimes in Zambia has been a struggle to obtain what the government considered to be a fair share of the wealth generated by Zambia's copper deposits. The determination of the level of royalties and taxation in both periods has always been a process of lengthy negotiations. For the Northern Rhodesian government, its share in the country's copper wealth was boosted by changes in company taxation by an agreement in 1949 with BSAC, whereby the government took one-fifth of the gross value of royalties paid by the mining companies.

This agreement boosted government revenue nearly five-fold, but because of the existing political settlement, it did not translate into an increase in overall living standards. The British Colonial's office attempted to pursue a progressive development ideology through a ten-year plan in 1947 committed to supporting the 'uplift of the African population'. However, white settlers, through their control of the local economy, hijacked his attempt at inclusive development and revenues were directed towards their own needs instead (Roberts, 2011: 21-22).

The establishment of the Central African Federation (CAF) in 1953 solidified the trend of state revenue flowing to the capital in Salisbury and to the white settler population (mostly in Southern Rhodesia) – who were, until the late 1950s, generally envisaged as the drivers of agricultural development (Larmer, 2011). Sir Ronald Prain, the chairman of RST, recognised the consequences of the prevailing income inequalities between the European and African workers. He argued that 'it would always be difficult to keep the Copperbelt's African miners contented in the face of the violent contrast between African wages and the exceptionally lush conditions which our European labour enjoys' (quoted in Phimister, 2011: 132). These dynamics led to high wage expectations on the part of African workers on the eve of independence. There was an additional anticipation that mining companies would provide welfare services for their workers, including housing, education and health services, just as they had done for the European workers. Because of the dominance of the mining sector, the Copperbelt trade unions became influential non-state actors, and over time obtained significant political leverage to achieve these demands. This was the setting that in large part determined Kaunda's dealings with the mining industry after independence and created a new setting of unequal distribution and uneven development.

The consequences of these structures, which can be termed a colonial labour-reserve type of economy, were long lasting. A labour-reserve economy is characterised by a dualistic formal labour market and a migrant labour system that in Zambia tied vast amounts of peasants to the white-owned mining industry and settler agriculture. Self-employment and entrepreneurship by Africans in the cities was limited, and there was little stimulus for peasant production either, since both could have undermined the supply of labour to commercial farms and industry. Combined with limited public investment in African education, the formation of an African middle class was very limited.

1964-73

The post-colonial government recognised the risk of being overly dependent on copper wealth to sustain large social and physical investments after independence, especially given the erratic nature of international copper prices, and committed to addressing it. In 1967, Kaunda brought together leaders of four of the world's main copper exporting countries (Zambia, Chile, Peru and the Congo/Zaire) in Lusaka, with the aim of establishing a price- and quota-fixing copper cartel similar to the Organisation of the Petroleum Exporting Countries (OPEC), which was formed in 1960. The group, which became known as the Intergovernmental Council of Copper Exporting Countries (CIPEC), was later joined by Australia, Indonesia, Papua New Guinea and Yugoslavia. Their effort to control prices failed, however, and in practice, CIPEC served merely as an information exchange. The fundamental barrier to controlling prices was that the member states lacked access to capital to stockpile copper reserves, which was crucial to effectively managing supply. In addition, CIPEC member states controlled less than 60 percent of world copper trade, and less than half of identified reserves, and major copper producers like Canada did not join CIPEC (Larmer, 2011). The failure of CIPEC to control copper prices led to the realisation that the global system was beyond the reach of the member states, and that only local policies and ownership patterns could be subject to conscious management by Africans (Fraser and Larmer, 2011).

As shown in the other papers associated with this study, Ghana and Peru have both earmarked varying degrees of mining revenue for specific regions, local governments, or sectors. Specifically, in Ghana, 10 percent of revenue is reserved for subnational authorities (Abdulai, 2017), while through Peru's 'mining canon', half is distributed to support development in the regions in which the mining takes place (Sanborn et al., 2017, forthcoming). Zambia is more similar to Bolivia in this regard, however. In both cases, mining revenues traditionally accrue directly to the national government, with little input from regions (Humphreys, Bebbington and Huber, 2017). In Zambia, the national government focuses mining revenues on overall national development through five-year development plans. The initial plan, launched in the transition phase of 1962, emphasised the expansion of physical and social infrastructure, especially to benefit the marginalised African population. This was followed by the First National Development Plan (1966-171), which aimed to diversify the economy away from its overdependence on copper mining, including by promoting rural development. Both development plans led to a period of sustained economic growth, accompanied by the improvement of social indicators. On paper, the high levels of revenue benefited the whole population equally; in practice, the expenditure was highly uneven.

This turned out to be a short-lived period of progressive development. A perfect storm developed in the early 1970s, which threw Zambia from a middle-income country to a low-income country status with high levels of unsustainable debts in the mid-1980s. To illustrate this: between 1974 and 1994, per capita income declined by 50 percent, leaving Zambia the 25th poorest country in the world (Fraser and Lungu, 2007: 8). Regional and international factors played an important role in the difficulties faced by the fledgling state, including the Unilateral Declaration of Independence (UDI) in Southern Rhodesia, as described above. The legacy of the Central African Federation was that of deep economic and infrastructural linkages between Zambia and Rhodesia, which made Zambian participation in UN-sponsored sanctions on Rhodesia impossible until such time that infrastructural independence, particularly in terms of transport and electricity, could be realised. Several nations played an important role in assisting Zambia with its goal of economic independence, including Western states like Great Britain (mostly as a direct reaction to UDI), China (specifically, through construction of the TAZARA railway as an alternative export route for copper through Tanzania), and Yugoslavia, through non-aligned economic development cooperation. The Cold War dictated the international geopolitical order in this period, complicating negotiations between Zambia and its potential development partners.

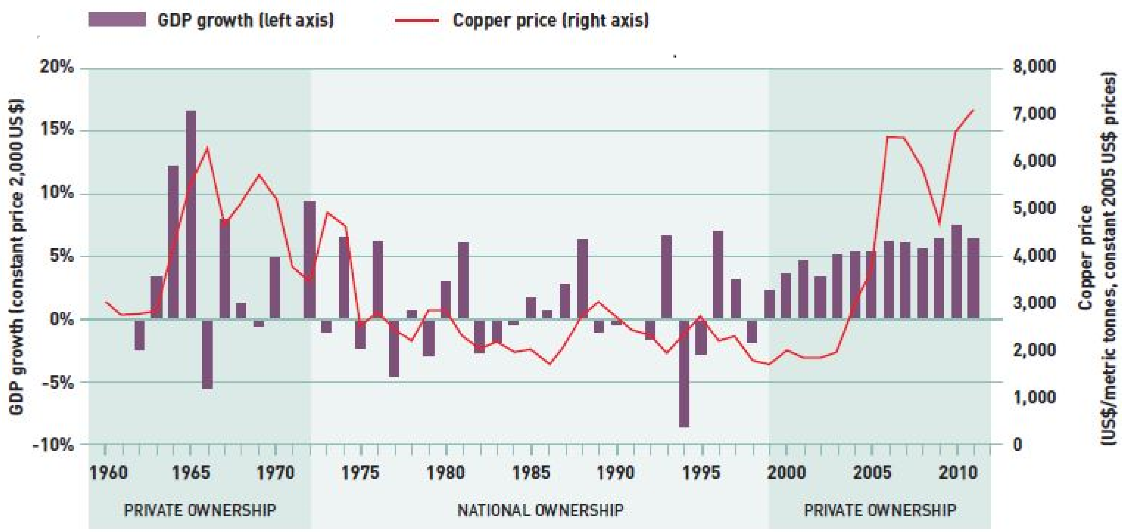

Figure 4: Copper prices and GDP per capita growth, Zambia, 1960-2012 (ICMM, 2014: 6)

1973-91

Among Zambia's neighbours, violent independence struggles and subsequent civil strife erupted not just in Rhodesia, but also in Congo, Angola, Namibia and Mozambique. At the same time, as the global economy collapsed, copper prices nosedived, with heavy consequences for Zambia's economy, as shown in Figure 4. The economic crisis made government expenditure on social and physical infrastructure and high wages for mine workers unsustainable. The nationalisation of the economy and the introduction of the one-party state was a way of dealing with these major economic and political crises of the late 1960s, as well as a reaction to changing global ideas of the state. Throughout the developing ('third') world, leaders sought ways to unify ethnically diverse states (a hangover of colonialism) and ensure equal development for all citizens, as imagined by the Non-Alignment Movement and leaders such as Yugoslavia's 'benevolent dictator', Josip Broz Tito. One-party states and nationalisation were regarded as a viable alternative to what was considered to be the disruptive outcomes of multi-party democracy. They would ensure development at all levels and reduce incidences of violence and civil war.

Szeftel (1982: 15) asserts that the centrality of the state in newly independent Zambia was one of the primary underlying factors that led to the emergence of the one-party state at this specific moment in time. He argues that the so-called 'accumulation of spoils' from the mining sector had led to factionalism and reproduced regional lines of cleavage. The allocation of senior party and government positions reflected the need to balance the claims of these contending factions. The cabinet, for instance, had been characterised by a (shifting) balance of posts between provinces. These dynamics threatened to boil over into dangerous conflict, as they did when a powerful faction from the Bemba-speaking Northern and Copperbelt provinces threatened to alter the balance drastically, first by claiming dominance within UNIP and thereafter by splitting off and setting up a powerful opposition party.

These political tensions were exacerbated by the continuing unequal distribution of (mining) revenues driven by the uneven nature of Zambia's political settlement. Economic activity was distributed inequitably and concentrated in the three provinces along the axis of the railway line that included the Copperbelt. Inhabited by 43 percent of the population, these provinces contributed 89 percent of the country's gross domestic product (Craig, 1999: 17). Ethnic balancing, therefore, was seen by the marginalised regions as cosmetic, as the resistance and political formations around the Barotseland issue and other tensions like in the North-Western Province (Larmer and Macola, 2007). In describing a detailed history of the Mwinilunga district in North-Western Zambia, Pesa (2014: 52) points out that during early post-colonial elections, 'allegiances in Mwinilunga were more easily stirred by playing on connections with Angola and Congo, than by reference to a national Zambian state with the remote Copperbelt and line of rail areas as its centre…'. Another prominent manifestation of this theme is opposition from Southern Province, which primarily represents a peasantry and cattle-keeping economy that persists through to the present, and was never appeased by the appointment of politicians from the prominent Tonga ethnic group to cabinet positions (Macola, 2010).

With the process of nationalisation of the copper mines starting in the late 1960s, the Copperbelt began to look like a mini-welfare state, with the state and the mining companies famously providing social services from 'cradle to grave' (Fraser and Lungu, 2007: 8). ZCCM provided facilities beyond the mining compounds and made the Copperbelt an attractive place to live – a veritable hub of 'modernity' (Ferguson, 1999). The mini welfare state was, in a way, a continuance of the social welfare policies of the colonial mining industry, but now benefiting a larger population. ZCCM as a state entity, however, was increasingly treated as a 'cash cow', and was milked without matching investment in machinery and further prospecting. As ore bodies within the existing mines were found deeper underground, the cost of production also rose. To illustrate the drastic decline: ZCCM production collapsed from a high of 750,000 tonnes in 1973 to 257,000 tonnes in 2000. Craig (1999: 87) notes that the drop in copper prices was not the only reason for the decline in production and income:

> In common with the rest of the Zambian economy, the mines suffered from a number of difficulties. As a bulk exporter, the transportation difficulties which afflicted Zambia were particularly severe. The situation had deteriorated to such a degree that by the second half of the 1970s the transport system was not able to carry all of the copper produced, leaving the mines accumulating stocks of finished metal. The mines also suffered from the declining capacity of the economy to fund imports. Although the companies themselves were net foreign exchange earners, their supply of currency was rationed by the Government along with other sectors and fell short of their requirements.

ZCCM was under constant pressure from the government, who needed to appease the mine workers, to keep the reductions in the workforce to a minimum. The goals of diversification into the agricultural sector had not been achieved either (Hern and Achberger, 2014).

Methods to prevent the rise of alternative centres of power affected overall productivity in the public sector. A variety of methods were utilised: powers of appointment to shuffle senior management to prevent them from developing their own power base; and non-merit appointments to maintain leaders' own support base. To prevent people from becoming entrenched, reshuffling of positions became the order of the day, with some provincial ministers staying less than half a year in one position before being 're-appointed'. Political appointments in the nationalised industry, including the copper mines, proved disastrous for its functioning, as they undermined technocrats and professionalism more generally. Zambia's first secretary to the cabinet, Valentine Musakanya, expressed disenchantment with government as early as the late 1960s, pointing out that the politically driven restructuring of the civil service was intended to effectively put UNIP in control at all levels (Larmer, 2010).

The causes of the crisis were already known at the time, as can be seen from the 1977 *Report of a Special Parliamentary Select Committee* that was appointed to examine the country's economic problems. It noted:

> With the exception of the mining sector, few parastatal bodies have exported anything of substance .... Government annually makes a large allocation of capital funds to support projects undertaken by parastatal organisations. This has arisen largely because these bodies are notable to generate their own capital for plant renewal and new investment .... Poor management, absence of inventory control, overstaffing, inadequate pricing of products and political interference have been named as some of the reasons for the poor performance of the parastatal sector (quoted in Craig, 1999: 79).

The private sector was similarly affected. Whereas the 'Zambianisation' of the economy was aimed at producing an indigenous entrepreneurial and managerial class, UNIP was ideologically opposed to capitalism and detested profit making. An independent entrepreneurial class was also regarded as a potential political threat, which came to fruition in 1980, when a group of marginalised entrepreneurs and professionals actively opposed the UNIP regime by engaging in a coup attempt.

The consequences of Zambia's political and economic plunge in the 1970s were dire. Desperate about the economic crisis and the related political insecurity, government policies became increasingly ad hoc and unpredictable. Within a space of a few years, UNIP first flirted with scientific socialism, and then turned to the business community and eventually, in 1984, secured external support in the form of a grant from the European Community and the African Development Bank for a rehabilitation programme of the mines. As a result of its substantial debt levels, Zambia had also come under the influence of the international financial institutions, which forced a structural adjustment programme (SAP) in the 1980s. These measures consisted of the removal of subsidies (especially those benefiting urban consumers), reduction of the workforce, and liberalised foreign exchange rules. The uncontrollable urban maize riots of 1986 threatened UNIP's survival and Zambia decided to break with the World Bank and reintroduce the subsidies. This measure was shortlived and the government was soon forced to re-enter the World Bank fold. Within the context of further economic weakening of the 1980s, an alignment of non-state actors came together under the banner of the MMD, and called for the dissolution of the one-party state. Faced with an international democratisation wave caused by the end of the Cold War and pressure from bilateral and multilateral donors, UNIP had to accede to the demands. It dissolved the one-party state and called for multiparty elections in 1991.

1991-

Simuntanyi (2015) characterises the period of Zambia's multi-party democracy as a competitive clientelist political system, defined as an informal or tacit agreement by the political elite that they will compete for control of the country's political and economic resources through periodic elections in which the strongest political group takes power, rather than through repression of opponents or violent conflict. Within this system, political competition takes place largely on the basis of distribution of patronage/targeted resources to allies and supporters; it is also characterised by the existence of several fragmented political factions. The authoritarian streak never left Zambian politics. While elections took place and the dominant party was ousted in 2011, generally elections remained an uneven playing field in which the ruling party allowed limited space for opposition. Whereas there is some continuation from the UNIP era, there are also some distinct features that mark the Third Republic. As Gould (2010: 11) rightly observed:

> … [T]he ambitions of various players – for power, influence, and the control of resources – had been held in check, to a large extent, by the patrimonial structures of the UNIP machinery. As the regulatory mechanisms of the Party-State crumbled, new self-interested players with a wide range of interests and ambitions emerged. Some of these are associated with the rapidly changing gallery of political parties, some with business and commercial interests. Others are linked to the mushrooming array of organizations that compete for government and donor contracts.

The 1990s could also be defined as a 'choice less democracy', in which governments had little space to determine their own budgets, given the conditionalities imposed by external financing agreements (Mkandawire, 1998). Rakner (2003, cited in Hickey, 2013: 15) suggests that economic and political reforms in Zambia, taking place during the exact same period, led to the breakdown of the organisational power of important economic interest groups, such as businesses, unions and agricultural cooperatives. The privatisation of state companies like the mines and the traditional mode of patronage made State House (the office of the Zambian president), political parties and political actors more susceptible to the special interests of politico-economic entrepreneurs, in the process undermining the formal structures that normally guide accountability and oversight of business lobbying and deals. Mosley (2014) also highlights the risk of the rise of a new class of Zambian rentiers. Because rentiers invest their wealth in the import-export business and depend on mining companies and/or government ties for procurement, their interests go against the need for policies that would advance value-added manufacturing and an overall reduction of costs.

In addition, the privatisation process of the Zambian copper mines during this period was seriously flawed. For example, the Chiluba government has not accounted for the sum of US $35 million that it was supposed to have received from the sale of the Roan Antelope Mining Corporation of Zambia in Luanshya. Similarly, the foreign accounts of the government have been utilised for personal benefit by the leadership, as well as for political patronage purposes (Osi-Hwedi, 2003). So, after decades of job cuts and declining living standards, communities on the Copperbelt, the political hotbed of Zambia, rather than simply welcoming the new boom, resented the companies' unexpected opportunity to generate profits from exceptional world copper prices (Fraser and Larmer, 2011). There were good material reasons for disgruntlement. In the five years from 1995 to 2000, as the Zambian government prepared ZCCM for sale and then sold it, employment in the mines had halved. Although new investments did create some new jobs, companies took advantage of weak unions and non-enforcement of employment laws. Casual and contract labour became the new norm. Moreover, the tax incentives 'locked in' under these terms were so generous that the Zambian state was applying an effective tax rate of zero percent. Any money made from mining was expatriated before Zambians could see the benefits of the 'boom'.

In short, many of the presumed benefits for the Zambian economy from privatisation did not materialise and this in turn became a rallying point for opposition parties in the 2000s. As happened to UNIP shortly after independence, MMD lost its hegemonic position after the introduction of multi-party democracy. Like UNIP, it was exposed to rivalling regional forces and opposition forces in the urban areas. While MMD won by a large margin in 1996 (also since UNIP boycotted the election), it lost most of its popularity in its second term (1996-2001). Its fall was a result of a combination of factors: privatisation (and its dire consequences); rampant corruption; and Chiluba's attempt to run for an unconstitutional third term in office. Defeated by opposition forces (a similar coalition of civil society, churches, trade unions and intellectuals), Chiluba stepped down and appointed Levy Mwanawasa, a lawyer, as his successor. Mwanawasa controversially won the 2001 election from UPND's Andy Mazoka, with 29 percent of the vote, thereby lacking a clear mandate.[5]

Mwanawasa's quest for political legitimacy and increased leverage within the context of a rapidly growing economy and high copper prices shifted Zambia's economic policies of mining taxation and distribution. The much-derided Mining Development Agreements were abrogated and renegotiated with a heavy hand. Higher mining tax rates and debt relief from the World Bank's Heavily Indebted Poor Countries Initiative (HIPC) (which tied debt relief to expenditure in the social sectors) led to a tentative

[5] According to a former intelligence agent and other sources, the 2001 election was rigged in favour of MMD.

reduction in poverty between 2005 and 2012, though mainly in urban areas. This slight reduction in poverty is associated with a movement towards ‘pro-poor expenditures’, which support labour-intensive activities or in other ways support poor people’s needs. We have also shown, however, that the focusing of government expenditures in this arena has been partial and imperfect, especially for two reasons: first, leakages away from the target group towards the non-poor, as with FISP; and second, political barriers which obstruct the flow of public resources into the poorest regions.

The ruling class’ resistance to increasing the tax base away from the over-reliance on copper income was closely linked to the way post-liberalisation resources were distributed. As Rakner (2003) and Di John (2010) point out, prior to liberalisation, the state was able to create rents through a series of interventions that included posts in public enterprises and parastatals, infant industry protection via trade barriers, and subsidised credit through control of the banking system, among others. With economic liberalisation, the levers of state patronage were reduced. Thus, while privileged positions in government remained important, the tax system became an ever-growing source of dispensing patronage and privilege. While the Zambian tax system is relatively effective, the demands of accommodating elites (and their allied interest with mining companies) have constrained the ability of the state to develop a more robust tax system.

Despite rhetoric surrounding the need to grow indigenous entrepreneurship under MMD’s liberal regime in the 1990s, the government did little to facilitate the growth of (independent) entrepreneurs. The structural adjustment programme did not help either, as shown by the prescribed investment incentives like tax concessions and tax rebates that favoured large, foreign companies, creating an uneven playing field. Moreover, subsequent governments have continued to feel threatened by Zambian businessmen as potential sources of opposition party funding. A successful entrepreneur commented that during the privatisation process, Zambian businessmen were sidelined because of their alleged political affiliation to one of the major opposition parties (interview[6]). A former managing director of Zambia’s Privatisation Agency remembers a specific case in which a local entrepreneur was shelved in the early 1990s, despite having obtained finance to buy one of the public companies that was in the process of being privatised. In most cases of privatisation, the government showed preference to either a foreign or a non-indigenous entrepreneur (Mkandawira, 2006). In Zambia’s case the white, Indian, and Lebanese communities still dominate the private sector (Sutton and Langmead, 2013).

[6] Various interviews were conducted for our research for this paper with interviewees from the following categories: former ministers of mines and lands; former political advisor to presidents; Vice-Presidency office; businesspeople (local and international); corporate lawyers; director of mining company; civil society leaders; diplomats; politicians; academics. Given the sensitive nature and the current political context, we have decided to keep them all anonymous.

The recent unstable settlements show the resilience of the bureaucracy. While the president continues to control decision-making regarding the allocation of substantive rents (e.g. state ownership of resources, major contracts, trade agreements, etc.), Levy (2012) suggests that patronage-relationships and rent-seeking behaviour in general have become much more decentralised throughout the hierarchy of the political and bureaucratic elite. Members of the business community testify to this. They observe that there is a class of professional middlemen who, on behalf of their businesses, traverse the political and bureaucratic elite. Businesses can choose the ‘high politics’ route – to directly influence the ministers, the vice-president, or the president himself – but this is seemingly only undertaken by large companies. Foreign multinational corporations also choose diplomatic channels, via their embassies, mostly to great effect.

In terms of leverage in wage negotiations, the civil service has overtaken the erstwhile power of the miners’ trade unions. Their role has also strengthened because of the structural adjustments programmes of the 1990s. One has witnessed a professionalisation in specific departments, especially within the Ministry of Finance, Zambia Revenue Authority, Ministry of Commerce, and Bank of Zambia. Ideas around fiscal responsibility, debt levels and macro-economic stability are quite firmly settled within these departments. Bureaucrats are immovable and a constant factor in society. With their emoluments taking over 60 percent of the national public sector budget, this all comes at the expense of much needed social investments to bridge the inequality gap.

In the period since 2001, while continuing to reflect the features of competitive clientelism, Zambia has begun to show signs of becoming a vulnerable/unstable settlement. This is caused by an expanding informal economy, demographic shifts (a large unemployed youth electorate), and low educational standards, aggravated by the death of two presidents in office, which has caused disruptive presidential by-elections. Without a clear line of succession within the political parties, the presidents’ deaths have caused deep factionalism within the parties. We have seen a high level of fluidity in Zambian governance, which, especially when compared to its neighbouring countries, makes the political scene even more unpredictable. The link between politicians and constituents becomes increasingly indistinct. Thus, political parties are shortlived and disintegrate once out of office or past the need for coalitions. The main opposition party, UPND, has a stronger link with its (rural) constituents and has been consistently liberal in its outlook, but in recent years has watered down its identity by forging coalitions. It is important to keep in mind that youth, the largest demographic group in the country (66 percent of the population are less than 24 years old) largely grew up in a post-liberalisation economy that is entirely de-industrialised and increasingly informal. They have no recollection of the welfare state and are unlikely to belong to any social movement or have membership of any political party. As the social base of the electorate changes, so does its expectation vis-à-vis the state (see Raftopolous’ parallel observations on Zimbabwe, 2014).

Despite this fluidity and many electoral cycles, especially between 2006 and 2016, we can discern shifts in the political settlement that have caused some changes to Zambia's political and economic landscape. As we noted before, change is most evident from 2001 onwards – the moment from which MMD faced opposition and eventually lost a fiercely competitive election in 2011. Civil society, fragmented and disunited in the 1990s, proved that when aligned it could still constitute a formidable force, as it did in 2001 when it united to prevent Chiluba's attempt to run for an unconstitutional third term in office. The year 2001 is significant in other respects as well, namely that it coincides with the return of Chinese capital and the turn-around of the economy stemming from the rapid rise of copper prices. Political competition and the growth of the mining sectors, as two former MMD ministers testify, put pressure on the government to increase fiscal space to allow for social expenditure. Civil society aligned itself with the then opposition party PF to influence the mining tax debate. The online leaks of secret Development Agreements (DA) by civil society campaigns also added to the pressure for urgent tax reforms. With key documents in the public realm for the first time, media and parliamentary debate focused on the injustice of the long-term tax breaks enjoyed by the companies. The Zambian government was offered technical assistance from several bilateral donor agencies who now realised that the DAs unfairly disadvantaged Zambia. All donors, however, insisted that any changes to the tax regime be endorsed by the companies, respecting the principle that a contract has legal value. In this case, both sides publicly stated a willingness to negotiate. In January 2008, President Mwanawasa surprised everyone by announcing the unilateral imposition of windfall taxes on mining companies. President Levy Mwanawasa appeared to have consulted more broadly on this issue with his ministers than others presidents had, when he reached this conclusion. This momentum was shortlived, however, as his successor, Rupiah Banda, revoked the windfall tax as soon as he came into office after the death of Mwanawasa in August 2008. Former ministers feel Banda could have easily amended the tax regime to appease the mining industry, without revoking the windfall tax altogether. While Banda introduced other measures to increase taxes from the mining sector, like a variable profit tax, these were less visible and did little to substantively increase state revenue from the mining sector.

Tax revenue and evasion was tackled head on by the incoming PF government in 2011, with a substantial increase in the royalty tax and the closing of loopholes regarding the export of the ore. News reports following President Sata's death in October 2014 indicated that mining companies were trying to renegotiate the tax rates. Possibly with an eye on the presidential by-election of January 2015, which was tightly contested and needed a popular appeal, the new mining act was passed in December 2014. In response, Barrick Gold, the Canadian company that owns the Lumwana open pit mine in North-western Province, issued a statement that it would suspend its operations. Shortly after the elections, as expected, the mining tax rates were immediately renegotiated and reversed and Lumwana continued its operations. It follows the pattern that once a new government is in place, one can almost be guaranteed that mining interests will come to the fore, in line with the prevailing political settlement and, as always, in keeping with fluctuating copper prices that hold Zambia hostage. It also points to the continued individualised negotiations and business influence over State House, as it was the president who announced the revocation of the mining act, not the minister of mines or finance. The most valuable observation from a tax political-economy analysis is that, independent of the various tax regimes with their merits and demerits, there has been one constant, namely:

> The system is plagued with incentives both for mining and across sectors. These individual deals are tantamount to an individualized tax system, which makes administration impossible, particularly when tax administrators may not have access to specific provisions of the individualized development agreements or other contractual provisions. Definitions and rules are not clear, there appears to be significant discretion about how tax provisions are applied, and public information about how the rules should be applied is scarce. This situation raises the potential for honest taxpayers to exploit the legal ambiguity for their benefit, for dishonest taxpayers to evade taxation, for corruption within the tax administration (Conrad, 2014: 15).

Following a period of sustained economic growth, the major donors had a diminished influence on government policies, including those related to mining taxation. Grants from cooperating partners to Zambia have decreased from 40 percent of the government's national budget in 2007 to 6 percent in 2013 (OECD), and to a mere 2.6 percent in 2015. In 2011, the World Bank reclassified Zambia as a lower middle-income country, though it still ranks 163 out of 186 countries on the 2012 Human Development Index. With this changing tide, political parties like PF were now able to enter the political arena on an anti-neoliberal platform and offer a return to a 'UNIP-style' developmental state, albeit without the suggestion of a full-blown re-nationalisation. Donors, on the other hand, are increasingly caught between the contradictory policies underlying the shift from 'aid to trade'. This has led to an ambiguous situation, where donor governments are funding their own activist organisations to fight the consequences of the dominance of mining capital, while at the same time protecting the investment interests of their own mining companies.

The composition of capital itself has significantly changed character as well. As mentioned earlier, we challenge the notion of a monolithic nature of international capital. The recently privatised mines were purchased by firms from a diverse array of countries, including Canada, Switzerland and China (see Appendix II). Indeed, the Zambian mining industry remains dominated by global capital, with a small percentage of shares being owned by ZCCM Investment Holdings (IH), a state-owned enterprise. In Lee's forthcoming book on Chinese capital and labour in Zambia, she makes a distinction between shareholder capitalism, which is based on shareholder value maximisation, and Chinese state capitalism, which also aims at profit, but not profit maximisation. Thus, the profit horizon of the latter is conceived to be in the long term, and its capital is therefore less footloose. Lee argues that it is thus unsurprising that when the global financial crisis of 2008 hit Zambia, the shareholder companies immediately retrenched thousands of workers, in contrast with Chinese state-owned companies that kept all workers in place. Whether this trend will continue in the current downturn will be an important test case for this proposition.

Another motivating factor for long-term commitment, Lee argues, is that China actually has a need for the copper ore for its own development. This contrasts with other holding companies, which use the copper merely as a trading commodity and have no direct use for the commodity itself (Lee, 2014). The consequence of the long-term nature of these investments is that the companies are forced to be compliant with regulations/taxation and to maintain a high level of political influence. In the Zambian context, the adaptation of the Chinese to the changing regimes and populist responses has been remarkable. Lee (2014) concluded that for Zambia, 'Chinese state capital's logic of encompassing accumulation makes it more accommodating and negotiable than global private capital to the Zambian state strategy of development, if there is a vision and political will.' Chinese state capital, however, is more vulnerable to political moods, as the Chinese were particularly targeted by opposition politicians who exploit and channel popular sentiment of resource nationalism against Chinese investment. The Zambian state has space to negotiate their relation with China, but rarely does, lacking a coherent China policy. China's long-term planning incudes bringing manufacturing to Zambia. Investment in the establishment of several multi-facility export zones (MFEZs) is indicative of this development.

Another significant shift in the mining sector in this period is the establishment of a new mining enclave in Solwezi District in North-Western Province. Two relatively large copper mines – Kansanshi and Lumwana – (re)started operation there in the last ten years, employing more than 7,000 workers. Both holding companies, First Quantum and Barrick Gold, have headquarters in Canada. Solwezi is at the centre of these developments. By 2007, Solwezi's population had grown to somewhere between 120,000 and 150,000 – triple what it was in the year 2000. This transformation is visible in the influx of allied activities – like engineering and transportation – and supporting services, both formal (such as banks, mobile phone and internet companies and retail) and informal (such as taxicabs, street vendors and sex workers), making the place a frontier of what has been labelled extractive capitalism (Negi, 2014). But unlike the old Copperbelt, Solwezi has shown no signs of emerging urban politics that link to the national level. Given its status as an opposition stronghold, throughout Zambia's political history but more especially in recent years against the PF, the central government has halted much-needed infrastructure developments in this area, most notably the Chingola-Solwezi highway.

Historically this region has been largely excluded from elite bargaining at the national level. While there has been a significant rise of political consciousness, clamouring for a percentage of the royalties from mining operations, the area lacks the political powers, the unity, the numbers (only 5 percent of national vote) and local activism to force this issue. The potential political brokers in this area are not the trade unions, as was the case in the old Copperbelt, but rather the local chiefs. Their income, however, is derived from government and mining companies and influences their decision-making. Overall, the communities feel marginalised in these areas. The lack of communication between government, chiefs and the local population in relation to the establishment of mining companies in this area reflects the top-down, centralised approach of the government and comes to the fore in the following conversation:

> Us as a community had had no role to play in the negotiations of mining investments at Kansanshi – we did not participate at all. We just saw the chief come and introduce the investors to us telling us that we should keep them well. He told us that 'you shouldn't steal from them; you shouldn't do bad things to them. If you keep them well, they will develop this region' (quoted in Cheelo, 2008: 169)

It is not clear how elite relations will develop in the context of the post-2016 general elections. It is interesting to note that an unprecedented level of campaigning by the ruling party took place in North-Western Province, which was an important indicator of the region's growing political importance. Despite these efforts, the province overwhelmingly voted opposition. For now, the mining industry in North-Western Province continues to be a classical enclave economy, where mines and mining compounds are literally fenced off from the local communities. The interface between international companies and the Zambian government takes place in Lusaka, where the corporate affairs offices are based.

5. Conclusion

Zambia's economic growth strongly depends on cyclical changes in international commodity prices. Over time, these changes have prompted reform, be it in the shape of nationalisation, privatisation, or, more recently, the abrogation of development agreements. But overall, there has been a certain amount of continuity in state–natural resources relations. This existing order was formed during the early colonial era, in which the extractive industry came to dominate the economic, social and political landscape. Designated as a labour-reserve economy, the focus of development has always been on the mining industry at the expense of the rural hinterlands. The political culture in Zambia has been shaped by urban labour migrants, the current-day urban dwellers.

Zambia's developmental outcomes then, in part, have been determined by the type of international capital that dictates the mining industry. The industry was initially dominated by what Ferguson (2006: 35) called a 'socially thick' type of capitalism, in which miners and their extended families enjoyed extensive welfare programmes. The Copperbelt, in many ways, resembled a mini-developmental state during this period. As we have seen above, this form of capitalism was replaced in the 1990s with more footloose neoliberal form and Chinese capital, in which the industry lost all erstwhile social contracts with the mining communities. The resentment about the privatisation process, the accompanying corruption by the local and international brokers, and the limited revenue derived from a booming industry led the opposition party to mobilise around the issue of resource nationalism, without the suggestion of a full-scale nationalisation of the industry. A state-led development model thus made a return, but accompanied by increasing misgivings about the potential politicisation of this process.

To what extent, then, does a political settlements approach help to characterise and explain the way in which politics, natural resource governance, and development interact in Zambia?

On the one hand, the political settlement approach to power offers a clear sense of how elite-level politics play out in Zambia, most notably by helping to identify the significance of building broad ruling coalitions that stretch across the main urban areas and the ethno-linguistic groupings. But, whereas these coalitions proved useful for establishing stability in Zambia, they have not stimulated development and pushed non-dominant groupings to the margins. Patron-client politics deepened in response to competitive pressures during the 1990s, most notably through the distribution of agricultural subsidies and the (brief) introduction of the windfall tax on mining profits. Along with the executive type of presidentialism that was institutionalised under Kaunda’s period of dominance, these dimensions also help to explain why political mobilisation has lacked any socially coherent basis that was sustained over the long term. It helps us to understand why these organisations, even with a clear manifesto and ideology, have in practice largely turned out to be clientelistic rather than programmatic. It also clarifies the failure of political leaders to form sustained followers amongst lower-level factions, as reflected in the personalised nature of political parties, which lack a persistent social basis over time. With the rise of the informal sector and young demographics (‘the post-IMF babies’), the social base is becoming even less defined and more fluid.

What the political settlement framework is perhaps less adept at explaining is why the social bases of political mobilisation matter, as these can shape the developmental tendencies of ruling coalitions. Overall, in Zambia’s history we can see short periods in which inclusive development was briefly actualised, from the 1960s until the early to mid-1970s, and again from the early 2000s to 2014. This was always in the context of high copper prices, increased fiscal space and nationalist/populist pressure to distribute the copper wealth. The recovery was never sustained for a long period and its potential was never fully realised. Besides the challenge of maximising tax revenue, proceeds were often spent in an unproductive manner. The consequence of this was that during an economic downturn, the consumptive nature of the state immediately gave rise to external and domestic debts. Neoliberal capitalism took an especially unproductive form in Zambia: it not only diffused social organisations (such as trade unions and farmers’ cooperatives), but it also undermined the processes of class formation that could, in turn, have led to class-based mobilisation. Ideas and memories matter more than the political settlements approach seems to imply. These elements are especially clear for countries that have a long mining history with a formative influence such as that of Zambia.

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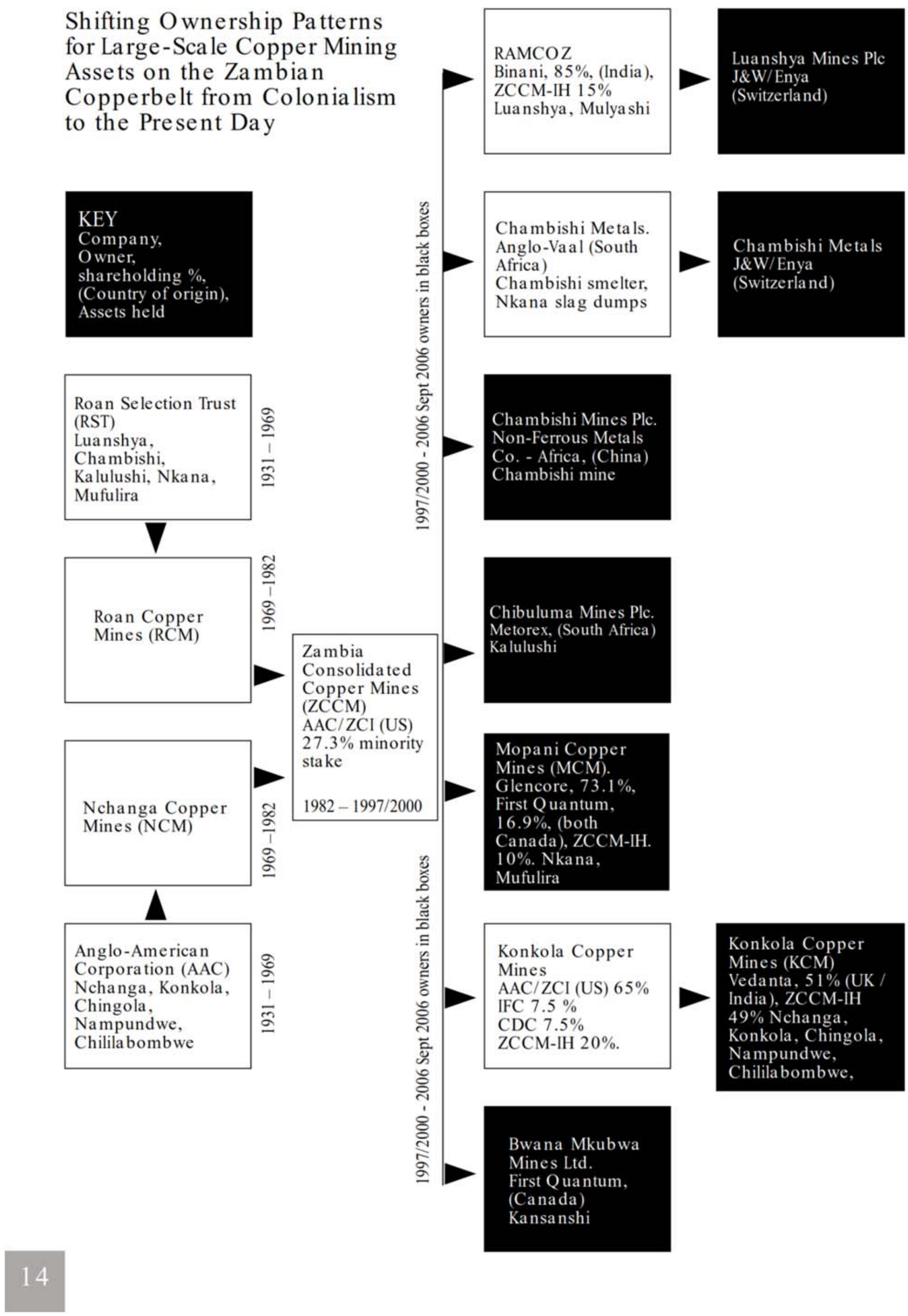
Appendix I

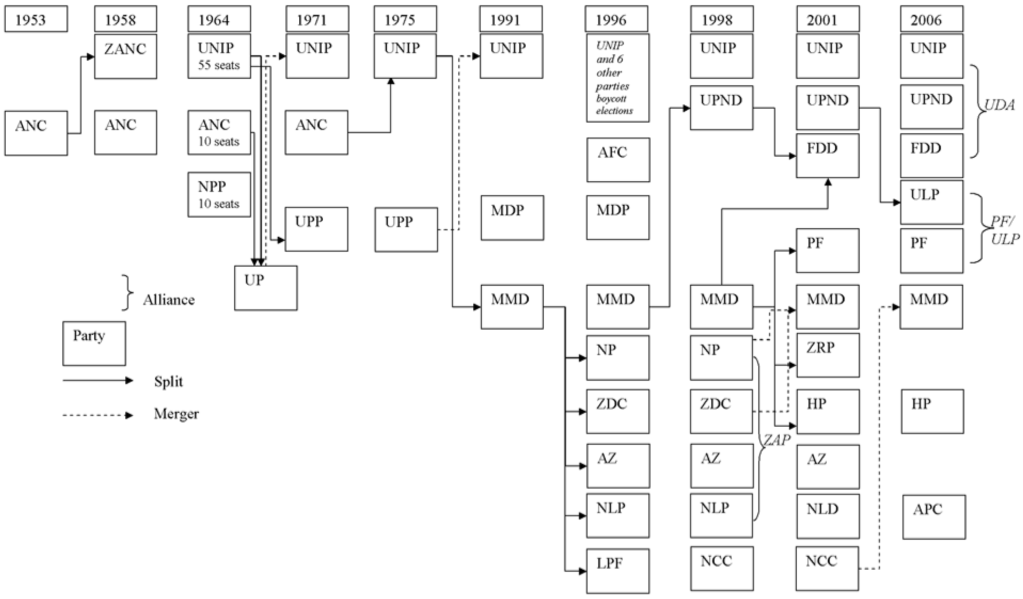
(from Fraser and Lungu, 2007: 14)



Appendix II

Parties, alliances, splits and mergers 1953-2006

(from Fraser, 2010)



Parties, alliances, splits and mergers in the Zambian party political system 1953-2006
Sources: Zambia Electoral Commission; AfDevInfo; Rakner, 2001; Electoral Institute for Southern Africa, 2008; Human Rights Watch;

Appendix III					
Indicator	**Period**				
	1964-72	1973-90	1991-2001	2002-10	2011- 14
INEQUALITY					
Gini	n.a.	n.a.	51.95	51.24	57.5
POVERTY					
Poverty headcount ratio at national poverty lines (% of population)	n.a.	n.a.	n.a.	60.5	54.
Poverty headcount ratio at $1.25 a day (PPP) (% of population)	n.a.	n.a.	61	68	60.5
Poverty headcount ratio at $2 a day (PPP) (% of population)	n.a.	n.a.	78	84	n.a.
Life expectancy at birth, total (years)	48	49	41	49	56
Literacy rate, adult total (% of people ages 15 and above)	n.a.	65	68	65	70.6.
Access to electricity (% of population)	n.a.	13	17	18.5	22.1
Primary completion rate, total (% of relevant age group)	70	83	66	86	91
Lower secondary completion rate, total (% of relevant age group)	n.a.	18.5	27	54	60
Mortality rate, infant (per 1,000 live births)	111	103	108	75	57.4
EXTRACTIVE INDUSTRIES					
Mineral rents (% of GDP)	26.08	11.51	9.25	14.03	22.06
Total natural resources rents (% of GDP)	27.25	14.84	0.00	17.92	25.14
Ores and metals exports (% of merchandise exports)	98.04	97.49	76.25	76.93	74.55

Sources: Compiled by authors from World Bank Reports, UN reports, Central Statistical Office (Zambia).

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