



THEME The Role of Government

Features

- 1 The Role of Government
- 2 What Benefits Should Governments Provide?
- 4 Government Responsibility to
Business & the Economy
- 6 Central Government Condemnation will
Not Dispel Local Govt Ills
- 7 Quotations on Government

Regulars

Topical article

Entrepreneurship in Public Health

Economics without tears

Profit and Loss

Notes-

Educational Research

Future Themes

Membership Renewal

ZIPPA Board:

Muyunda Mwanalushi (Chair.), Jonathan Chileshe (V/Chair.), Murray Sanderson (Hon Sec.), Wilphred Katoto (Hon.treas.), Hopewell Chirwa, Passmore Hamukoma, Muna Hantuba, Chibamba Kanyama, Mary Kakumbi, Charles Lungu

The Role of Government

John Katepa

Ideally society forms around useable resources that include things like water, land and leadership. In the final analysis the whole of society forms the government. In the earliest democracy citizens took turns to perform the duties identified as necessary to keep order and equity in advancement. So for instance the citizens took turns to be mayor or police. While keeping the same slogans the shape of government has changed to a point where in some instances the role of the ordinary citizen is to vote once every five years and quietly suffer taxes between elections. Modern Governments run very much on a business management model that has senior mangers, middle management and workers.

If one were to make a distinction between State and Government one would say the State is of the higher order and Government is employed to manage the interests of the state. The state is the shareholder and the Government the Board of Directors of the firm. A state exists of its own with or

without a Government.

If we assume the term Government to refer to the executive, chosen mostly from popularly elected politicians, then it is a fact that the individuals will not be experts in the portfolio into which they are appointed. They should have a broad understanding of the objectives of their party and allow the experts employed in each Ministry to translate the broad ideas and objectives into everyday actions. For instance, having decided to work towards reducing unemployment to 0.5% of all employable nationals the Government should leave the technocrats to work out how to best achieve a sustainable result and ensure that the technocrats have the full backing and authority to complete their task. The Government must raise itself above the daily tasks to enable its members to objectively asses the issues arising so that they can moderate competing interests. The Government must take deliberate steps to protect the interests of the weak in the society.

The most important role of any government is to provide an environment where all its citizens and

visitors are secure and able to continually improve their livelihood. This means that it must not stand in the way of the progressive entrepreneur but must provide a safety net for those who 'fail to make it'. The Government must ensure that the strong do not exploit the weak even when this is not the economically expedient thing to do.

It is therefore correct to say that there are instances when Government should involve itself in business but this should be in the context of fulfilling the broader objectives and should be the exception and not the rule. Government must stay focused on the broad picture. The Government has the role of collecting and managing revenue in the form of taxes and levies in order to manage the affairs of the state.

A typical example might be our copper mining industry that is enjoying a boom because of the high copper price. The industry is in private hands and for various reasons we find that the country is not reaping the benefits of this boom. Foreign suppliers and contractors and the mine owners are reaping the benefits. This is due to lack of capacity in our local industry to run at the speed a booming industry requires. Industrial capacity suffered a bitter blow during the period when copper prices were low and there was little investment in the mines. Without seeming too simplistic I would expect the Government to:

- Firmly request a substantial share in the price per ton and to legislate if necessary and without delay
- Insist that foreign suppliers and contractors work with local suppliers and contractors to transfer both skills and resources to local industry.

The measures would have to be taken without going back on the commitment that governments provide a secure environment for citizens and visitors alike.

Health and education stand apart in any debate on the role of government. The government must provide a sound education and access to good health facilities for all its citizens. It really does not matter how government achieves this task but it is basic and fundamental. It is in fact so important that government should consider itself to have failed if there is not a continuous and sustained improvement in these two areas. As can be seen from our present situation our economic indicators have

been improving to a point where Central Statistical Office informs us that we have single digit inflation and we have seen the exchange rate fall below ZMK3, 000 to USD1.00. Predictably the price of cheese and cornflakes is much reduced but the price of mealie meal remains the same!

To provide an environment where citizens and visitors can continually improve their livelihoods means the Government must develop the infrastructure so that a farmer's crops can be transported to market and the costs of communication and doing business in general is comparable to global trends. Government has limitless resources and can invest where private business dare not go.

In order to break the firm down into manageable chunks the Government uses local government. The role of local government is no different from central government except that local government is closer to the people and is more responsive because it is smaller. In order to fulfill its role local government must have the resources otherwise it can become an added expense with no value addition. As with central government revenue is mainly from taxes and levies of one kind or another. It is not prudent for central government or local government to try to raise revenue from business ventures in competition with private business.

In conclusion it must be clearly stated that the Government has a duty to obey the law and any attendant regulations. Fundamental human rights enshrined in the constitution must be observed without fail. It would not be acceptable for a private citizen to break the law to steal medicine for a sick dying child. The reason for breaking the law may be good but the offender would still be taken to task. In the same way a Government cannot justify breaking the law by citing lack of resources. Government is sworn into office on the promise that they will uphold the constitution.

The Author: John Katepa is a Director of Quartz LTD

What Benefits Should Governments Provide?

Murray Sanderson

The Question

What can we expect from governments? What benefits should they provide? Ought governments to concentrate on basics, like national defence, the

rule of law and physical infrastructure? Or ought they to extend their responsibilities so as to plan and direct the economy, to care for the people, to create jobs and eradicate poverty? Among all the possible different tasks, which are the most important and the most achievable?

Demands from Government

The first thing most of us look for is security, which means protection against violence, theft and fraud, together with the enforcement of contracts.

But then what? Should governmental activity not be indefinitely expandable, subject to decision by the democratic process? That sounds reasonable. Yet to take majority rule as the unquestioned justification for government actions is risky, for it implies accepting any decision of the majority, and of the politicians they elect, including the persecution of minorities, expropriation of property and confiscatory taxation. In short, the coercive power of government is open to misuse. So government activity has to be constrained, which is why most countries entrench individual rights in a constitution.

Restraints

Constitutional prohibitions can restrain governments from doing their citizens deliberate harm. But is that enough? Should governments have the right to undertake any action which they consider will be of general benefit? May that not also do harm? Indeed, is it possible to confer any material benefits without doing some harm, if only to the pockets of citizens through levying taxes?

Nor is taxation the only way to harm people through pursuing good intentions. Regulations of many kinds can have serious effects on the freedom of individuals to engage in the production, distribution or consumption of goods and services, and upon economic freedom in general, which makes up a large part of personal freedom. In this area the economist, Amartya Sen, maintains that we tend to judge the state's actions only in the light of their intended consequences, and to ignore the case for individual liberties as the basis for delineating the admissible and desirable scope of government activity.

Proper Functions

In many countries people expect the government to create employment and to promote economic development. Certainly it is today a generally

agreed function of governments to maintain a sound and stable currency and to provide basic infrastructure for transport and communications. However, recent research has shown that economic development depends most of all upon certain vital elements of economic freedom which allow people access to opportunities for wealth creation. Key among these are secure rights to property and freedom to engage on their own terms in transactions inside and beyond a nation's borders. In short, social development and economic prosperity depend mainly on two things, security and freedom. Good governments provide both.

Social & Economic Rights

Ought government protection for individual rights to be expanded to embrace the provision of 'social' and 'economic' rights? That sounds like an enlargement of liberty. (Does freedom even exist for the destitute?) So there is a strong argument for a safety net. However, poor countries must take care not to burden their budgets with unaffordable benefits. Moreover, taxes tend to transfer incomes from the active to the less active, and to do so through costly and cumbersome procedures. Overgenerous support from the state can also discourage self-help.

Government Spending

Citizens themselves are often blind to the drawbacks of high government spending. They demand more and more from the government without realizing that higher provision entails higher taxation, whether directly, or indirectly through the inflationary printing of money. Governments cannot give more without taking more. That sounds obvious, yet it is often overlooked. Voters commonly fail to see that higher government spending is bound to drain their own pockets.

Government Organizations

Another common mistake is to assume that governments will perform more efficiently than individuals or private sector organizations, and will act with more devotion to the public interest. Here we should ask ourselves the question, 'would I rather spend money myself for my own purposes, or give it to someone else to spend on my behalf?'

Efficiency in government owned organizations is a major consideration. In Zambia we have only to look at some of them - ZESCO, ZAMTEL, Indeni, Nitrogen Chemicals to realize that we would be far

better served if the functions that such companies are paid and protected to perform were provided by private businesses, competing with one another in order to satisfy the customer.

Nor would greater efficiency be the only benefit. Most government organizations are staffed by armies of officials and need to be subsidized from public funds, while privately run enterprises are normally leaner and more cost-effective; they have to be in order to survive. And that is a basic difference. When privately owned companies lose money through waste, theft or abuse of office, the losses are not a charge on the public purse, but are borne by their own shareholders.

Central Planning

Although governments themselves have a dreadful record in business, they often claim the right to plan for other economic players. Indeed, this seems likely to be a function of Zambia's soon to be unveiled Fifth National Development Plan. Yet planning for others is not practical. The only plans which have much chance of success are those which people or organizations make for themselves in their own interest, and to which they are therefore fully committed.

Social Services

How about social spending on such benefits as health care, education and pensions? Social services, we tend to assume, are best handled by governments. But that assumption needs to be questioned. Monopolies are especially suspect. So when institutions in these areas are owned and administered by government, they should not also be protected, but should be made to face the discipline and stimulus of competition, both internally and from the private sector. This is now increasingly recognized around the world. Basic social security, for example, used normally to be a government monopoly, as it still is in Zambia. But many countries now allow private sector providers of pensions and insurance to compete against the public sector. This has improved efficiency and boosted investment, as has been notably demonstrated by Chile.

Money

Another area which needs serious examination is the issue and control of money. This was long an unquestioned government monopoly. But in recent

years many countries have given their central banks substantial independence, while mandating them to maintain currency stability through achieving specified inflation targets. The results have mostly been excellent.

Local Government

Lastly, we must change our focus. To discuss government only at national level and to ignore the role of local government, administered by urban and rural councils, would be a big mistake. For it is local authorities which perform or fail to perform some of government's most vital functions. Public health, cleanliness, water supply, refuse and sewage disposal, road repair, street lighting and the provision of facilities for recreation these essential services are required by all communities. And what citizen does not live in a local community? The country whose central government is in good shape, but whose local authorities are in a mess is not well governed.

Conclusion

Zambia today has an odd mixture of over-government and under-government. Central government is a self-important, top-heavy busy-body. Yet local government is a threadbare, incompetent nobody, unable to perform even the most essential tasks. Ask a local resident, 'What benefits should governments provide?', and you will get an ear full. What Zambians most need from their government is the identification and effective provision of priorities.

Author: Murray Sanderson is Hon. Secretary of ZIPPA

Governments Responsibility.. to Business & the Economy

Jonathan H. Chileshe

Preamble

I make it a habit of avoiding talking about things politica, because of the unavoidable temptation of coming down on one side or the other. This will be evident as we confront the issue of the Zambian Government's responsibility to business and the economy. In point of fact, it might turn out to be "one finger (representing civil society/business) of the palm pointing in the direction (of government) while its three other fingers point back in the opposite direction (of civil society/business)". It then becomes a question of establishing which of the two

has a better claim than the other. These acts will continue to exercise the minds of the Zambian society for a long time to come. They assume a degree of urgency at this juncture in Zambia's history due to the country's pending tripartite elections.

This analysis aims at providing a framework in which those to be elected or/and subsequently retained from the old stock of government operatives, coupled with the new entries, then share the electorates' dream of a Zambian economy moving from fragile to sustainable economic growth and development. It forms part of the presentation background, assuming it contributes to reducing apathy among certain quarters of the electorate, enabling them to elect men and women capable of propelling Zambia to assured prosperity politically and economically.

Inescapably, this analysis takes as point of departure definitions and parameters of certain anchor words. For example what interpretation ought to be assigned to "government", "responsibility", "business", let alone the "economy"? In the same vein, there is need to define who constitutes "government and institutions" thereof? Who are the major business community players? Similarly, how should "responsibility" be contextualised and apportioned, given that no action, however small or large can be "an island unto itself"? Added to the above are questions of level, extent, degree or simply the depth of responsibility government is expected to shoulder.

Government, according to the Oxford dictionary and analyses by political scientists, is defined as "a body or successive bodies of persons governing a State" where "the State in an agent". How sure is the electorate that this principle is adhered to in practice in Zambia? However, the analysis explores this crucial factor of governance further. To what extent is the electorate incapable of insisting on its constitutional rights, even where mechanisms exist for that course of action? Could it be that the alleged manipulative tendency of the "ruling body" is preventing citizens and the wider civil society from participation in development? These questions beg for answers.

Government Responsibilities to Business and the Economy in a Nutshell

The Zambian Government, like any agent of a

democratic state, has many responsibilities to "business and the economy" in general. It was to that end, the United Nations Economic Commission for Africa (UNECA) in 1990, assisted the African Heads of State in adopting the African Charter for Popular Participation in Development and Transformation. That Charter, among other things, declared it "a fundamental right of the people to fully and effectively participate in the determination of decisions which affect their lives at all levels and at all times". Granted, successive Zambian governments have tried, though not in a consistent manner, to involve business. The latest of these initiatives include an invitation for suggestions on possible changes to the annual budgets.

Perhaps a better way of establishing government responsibilities is in terms of how resources are allocated to the various sectors of the economy through the budget. Similarly, the way the tax burden is borne by the various categories of tax payers. In other words, to what extent does the country's tax regime encourage productive sectors, market integration and promote the private sector as well as employment creation? One is tempted to ask whether certain government actions do not parallel "killing the goose that lays the golden egg?" For instance, after all the talk about giving agriculture a head start, the country saw the slapping of withholding tax and a complicated system for selling the industry's products in the 2006 Budget. Fortunately reason prevailed, but after much damage had been done. However, certain government actions in tourism, construction, and in monetary and fiscal discipline have had a positive impact.

Business and the economy expect and require government to create an enabling environment, ensuring reliable and facilitative infrastructure in the broadest sense of the word. This is necessary to accelerate economic growth and development. There is a lot that government will continue to be responsible for. But this is not to say business can only move after government has blazed the way. To the contrary, there has to be a division of responsibilities between government and the private sector. They need to complement one another in achieving new synergies.

The blunders which followed the excitement of the immediate post independence period ought to be laid to rest. The road to HIPC Completion Point laid bare some of the pitfalls that government and the

country must avoid. In other words, government should act responsibly when entering into debt obligations both internally and externally. Projects should not be conceived on sentimental grounds. Those in the pipeline should be thoroughly scrutinised, to ensure their long time viability. Even seemingly attractive ventures, including setting up a national airline has to be viewed with a critical eye. It has great attractions, but given the very high transaction cost, it might be better to make it a private-led initiative. Government can be content as a minority shareholder.

Conclusion

As stated earlier, this analysis is not intended to apportion blame for past failures and misguided actions. Far from it, it underlines challenges for which the would-be new government must brace itself. It also stresses the need to examine the credentials of those seeking to be part and parcel of the new government. Business must sharpen and strengthen its resolve, especially through its representative institutions, and adopt a tenacious approach to monitoring government responsibilities.

Author: Dr. Jonathan Chileshe is Vice-Chairman of ZIPPA

Central Government Condemnation Will Not Dispel Local Government Ills

Maurice Mbolela

More and more voices are condemning local government for failing to deliver basic services. While there may be merit in these condemnations, what is surprising is that many of them are coming from government leaders who have contributed to making local government what it is now. Much time and energy have been spent on trying to persuade the general public that local government lacks capacity to warrant being given more resources, which would therefore be wasted. This has been the song since 1968 when the first attempt to decentralise was made, and we still hear the same sentiments today. Unfortunately the prophets of doom never indicate specific areas of local government operations where capacity to rectify the situation is lacking. This displays ignorance of the system.

Zambia has a strong and successful civic movement dating from as far back to the 1920s when the

British colonial government enacted the Municipal Corporations Ordinance (1927) and the Townships Ordinance (1929) to administer urban settlements, and the Native Authority Ordinance (1929 and 1936) to maintain law and order in tribal areas. The development of these instruments with subsequent amendments conditioned the governance and administrative apparatus through which local authorities discharged their mandates. The system gave the country basic services and infrastructure until the early 1970s, when the resource base of local government started to diminish through centralisation of key revenue sources such as electricity undertakings. Later policy reforms have greatly contributed to the problems currently faced by local government in Zambia today. This point should be appreciated by our leaders who, after spending a few years at central government level, consider themselves experts on a subject they do not understand. We have seen a number of them erroneously perceiving local government as a direct competitor to themselves when in actual fact they should view the system as a sphere of governance which exists to promote development at local level.

Over the years local government has played a critical role in rebuilding local communities and environments as the basis for a democratic and prosperous society. This role can only be enhanced if those in government appreciate its strategic position. To borrow the words of The Vice President Lupando Mwape, "Government cannot exist without local government; local government can exist without central government". Any historian of local government will agree with this assertion, in that nations started with villages, towns and then central governments.

If local government is again to play its central role in social and economic development more resources must be spent at the local level. Government should urgently address the perennial issue of local government funding, which will have to come from central government transfers and a well tailored local revenue base.

The decentralisation process currently being pursued should not only concentrate on devolution of more functions to local government, but should include a study of the shortcomings of the present funding system and propose workable solutions. Here we can learn from the experiences of some countries in the region. For example, in 2002 the

Tanzanian Government commissioned a study to analyse the problems associated with local government financing, with a view to proposing equitable, transparent and formula-based options for allocating grants to local government. Based on this analysis, the Tanzanian Government has reintroduced local government grants. This study was not confined to government ministries but included local government representatives.

In addition, the mandates and financial resources of local government must be adequately entrenched in the Republican Constitution. The provisions of the Draft Constitution on the fundamentals of local government must be supported so as to develop a local government system that will effectively provide for a decent quality of life and meet Zambia's social, economic and material needs. Continued public condemnation of the system will not help solve the operational problems facing local government. We need positive action.

We turn now from financial resources to human resources, which are of course the most important asset of any council. The media is full of accounts of the failures by local authorities to satisfy the needs of their citizens. Very often this has been blamed on poor management practices which may have led to disappearance of the work ethic and to debilitating inertia, lethargy and indifference. An appreciable number of council managers are however managing satisfactorily, even with fewer resources at their disposal. Indeed the job of a council manager demands that the holder should not only strive for the right things to be done but also show how it is done and convince the public the job is being executed properly. Providing public services with greater efficiency will of course always be the council manager's primary responsibility.

The move from central control to local democracy and governance has highlighted the need for local government to work in concert with government departments, community based organisations, local business communities and other organised groupings, to improve quality of life. This requires special strategies and radical improvements in management, community participation and governance. Local government managers will have an important role to play in shaping the new strategies and managing the changes. They will need competences, skills and qualities which must be clearly set down in a "Local Authority Management

Competence Profile". The competence approach should be based on what is needed in the job of Principal Officer, Municipal Treasurer, Municipal Engineer, Public Health Officer, etc., and what people should bring to the job in order to perform effectively. These will include skills, traits, qualities, behaviours, knowledge, etc.

Councils lack the capacity to undertake such an ambitious programme on their own. They will need the assistance of central government, which should urgently embark on capacity building initiatives.

Author: Maurice Mbolela is Executive Secretary Local Government Association of Zambia

Quotations on Government

I believe that government has some key functions, notably to define and protect property rights. This heading encompasses national and domestic security and the enactment and enforcement of a system of laws and contracts. Other important activities include ensuring (but not producing) a baseline level of education, providing a minimal welfare net, and participating in a narrow range of infrastructure investments, such as highways and airports. My belief in the appropriateness of this limited range of public functions is consistent with the view that most governments have gone much too far in their expenditures, taxation and regulations.

- **Robert J Barro**

Government is more subject to concentrated interest groups, while the market economy changes under the diffuse pressure of millions of individual consumers. Government tends to promote monopolies, whereas the market breaks them down and thus stimulates new experiment, new products and faster progress. Government substitutes the judgment of officials for the judgment of those who are supposed to benefit, and even the best-intentioned bureaucrats cannot claim to know an individual's needs as well as the individual himself.

- **Eamonn Butler**

Experience should teach us to be most on our guard to protect liberty when the government's purposes are beneficial. Men born to freedom are naturally alert to repel invasion of their

liberty by evil-minded rulers. The greater dangers to liberty lurk in insidious encroachment by men of zeal, well-meaning but without understanding.

-Justice Louis Brandeis

To govern perfectly it is necessary not to govern too much.

Chang in 'Lost Horizon'

The beneficial effect of state intervention, especially in the form of legislation, is direct, immediate, and, so to speak, visible, while its evil effects are gradual and indirect, and lie out of sight.....Hence the majority of mankind must almost of necessity look with undue favour upon governmental intervention.

- A V Dicey

The nineteenth-century conservatives imposed limitations on government activities precisely because they wanted a strong and effective government.

- Peter Drucker

Whatever non-governmental organizations can do better, or can do just as well, should not be done by government at all. What matters is not whether the activity is organized as a 'business' with profit as the aim....What matters is that it not be run by government. One way is privatization. Another way is to switch from government as a doer to government as a provider, with the work being done by outside contractors to government-set standards.

- Peter Drucker

The view that government's role is to serve as an umpire to prevent individuals from coercing one another was replaced by the view that government's role is to serve as a parent charged with the duty of coercing some to aid others.

- Milton Friedman

In economics those people who attempt to pursue only their own self-interest are led by an invisible hand to promote the public interest. In the political sphere individualswho attempt to pursue the public interest as they view it are led by an invisible hand to further private interests which it is no part of their intention to promote.

- Milton Friedman

The basic conception of classical liberalism..... is

that government must regard all people as equal, however unequal they may in fact be, and in whatever manner the government restrains (or assists) the action of one, so it must..... restrain (or assist) the actions of all others. Nobody has special claims on government because he is either rich or poor, beyond the assurance of protection against all violence from anybody and the assurance of a certain flat minimum income if things go wholly wrong.

- F A Hayek

For two centuries, from the end of absolute monarchy to the rise of unlimited democracy, the great aim of constitutional government had been to limit all governmental powers.

-F A Hayek

The competitive system is the only system designed to minimize by decentralization the power exercised by man over man.

- F A Hayek

Nowhere has democracy ever worked well without a great measure of local self-government, providing a school of political training for the people at large as much as for their future leaders.

- F A Hayek

The most important 'Agenda' for the state relate not to those activities which private individuals are already fulfilling, but to those functions which fall outside the sphere of the individual, to those decisions which are made by no one if the state does not make them. The important thing for government is not to do things which individuals are doing already, and to do them a little better or a little worse; but to do those things which at present are not done at all.

- Maynard Keynes

Marx surely provides one of the greatest paradoxes of history. ...Although the ultimate goal of humanity, in Marx's philosophy, was the freeing of the individual from the bonds of class and exploitation which had held him since the rise of capitalism, a process of liberation which was to end with the withering away of the state, every one of the regimes which profess to live by this system is a brutal tyranny, in which the individual is less free than any capitalist wage-slave, and in which the state, so far from withering away is more

obtrusive, more powerful and more ruthless.

- **Bernard Levin**

Government is no more able than individuals to create something out of nothing. When the government spends more, the public spends less. Public works are not accomplished by the miraculous power of a magic wand. They are paid for by funds taken away from the citizens. The more public works expand and the more government undertakes in order to fill the gap left by alleged “private enterprise's inability to provide jobs for all”, the more the realm of private enterprise shrinks.

- **Ludwig von Mises**

The reason the market economy can operate without government orders telling everybody precisely what he should do and how he should do it is that it does not ask anybody to deviate from the lines of conduct that best serve his own interests. What integrates the individual's actions into the whole of the social system of production is the pursuit of his own purposes.

- **Ludwig von Mises**

Millions of individuals making their own decisions will always allocate resources better than any centralized government planning process.

-**Ronald Reagan**

Without free markets, political democracy creates political control of resources. If Lincoln returned he would see government not of the whole people but of the activists busy in the political business, not by the people but by the bossy managers who are skilled in running government, not for all the people but for the groups organized to influence, blackmail or bully government.

- **Arthur Seldon**

'Job creation' and 'job protection' are retrogressive impoverishing policies that can be sustained only by the political process.

- **Arthur Seldon**

The advantages of market institutions over government institutions are not so much in their particular characteristics as institutions but in the fact that people can usually make a better choice out of numerous options than by following a single prescribed process.

-**Thomas Sowell**

Topical Article

Entrepreneurship in Public Health

Temba Nolutshungu

The Health Sector Charter originally proposed by the South African Department of Health (DOH) failed to grasp the opportunity to empower the large number of employees in the public sector. In giving evidence to the Health Charter committee, the Free Market Foundation (FMF) pointed out that the government could transfer ownership and control in the state institutions (hospitals, clinics, laboratories etc) to public health sector workers on a preferential basis, ensuring equity between public and private sector employees. This would bring about BEE (Black Economic Empowerment) on a grand scale, with the added advantage that it would be free of the undoubted economic harm that is caused when private owners are coerced into parting with their assets, invariably on less than favourable conditions. It would also help these facilities to keep staff. If correctly structured, it could even lure some former staff members back from overseas.

The very large facilities, such as major hospitals, could be split according to their functional divisions and transferred to separate companies to make the operations more manageable. The facilities would continue to carry out the same functions, serving largely the same people, under contract to the government. Such a process would provide equity in the asset empowerment process between private and public employees, and to surrounding communities, and have other substantial advantages.

State health sector employees, as owners, would have very different incentives to those they have as employees. At the outset, every facility transferred to BEE owners would be transferred together with a reasonably long-term government contract to supply services to existing patients. Thereafter, contract renewals would be subject to performance and normal tender procedures. In hiring contractors, the DOH would set strict requirements for the quality of care, insert provisions for the cancellation of contracts if the requirements are not met, and carefully monitor compliance. The dynamics within the facilities

would change dramatically due to the fact that each facility would be competing with all other similar facilities for government contracts.

Employees as shareholders would not be as easily enticed away as workers who have no ownership rights. Salaries within the new companies would be dependent on profitability and it would be in the interests of owner-employees to reduce waste, increase efficiency and increase quality of care. In addition to their contract patients, they would be attempting to attract additional paying patients in an effort to increase turnover and profitability.

Competition with all other providers for retention and acquisition of contracts and paying patients would achieve what threats and pleas do not achieve; improve the quality of service provided by health-care workers. By transferring assets to its employees the DOH would therefore simultaneously bring about BEE, and improve access, equity and quality.

Author: Temba Nolutshungu is a director of the Free Market Foundation.

Economics Without Tears with DISH

Profit & Loss

'People before profit' is a common slogan. It is used to stress that instead of concentrating on profit, businesses should give preference to the needs and interests of people. This implies that there is a conflict between profits and people. Critics assert that profits are made at the expense of people and are therefore harmful. That is bunkum.

The English word 'profit' is derived from the Latin for 'progress', and it is a fact that progress in business depends on profit. The much maligned 'profit motive' directs business investment towards activities that provide products or services which are in high demand, and away from activities which are already fully supplied, and which could therefore result in losses. Equally, the desire for profit induces efficiency, and the fear of making losses discourages inefficiency and waste. If profits really were

harmful, then losses would be beneficial!

When we recognize this we see profits and losses in a new light. We see that profits are made by providing good products and efficient services at attractive prices. And not just 'good' products and services, but the 'right' products and services, the ones people want. Nor should we forget the introduction of 'new' products and services, which potential customers may not even have thought of.

It is in order to earn profits (and avoid losses) that entrepreneurs do their utmost to serve and satisfy customers. Generally the profits will be modest, sometimes they will be large, and very occasionally they will be huge. But there is always the other side of the coin - loss, and perhaps bankruptcy. Loss is a real risk, as is clear from the fact that the average lifetime of a limited company is no more than 7 years. Loss is the penalty for failing to perform.

We can now see that the phrase 'People before profit' should be understood in a positive sense. For in a competitive market profits can be made only by serving the customer, by serving people; in fact by putting people first. People must be put first before profit can follow. Businesses which fail to do this deserve to pay the penalty of loss.

Disclaimer

The views expressed in this newsletter are those of the authors. They are not necessarily shared by members or by ZIPPA, which has no official view.

Notes

AGM

ZIPPA's second Annual General Meeting was held in Kitwe on 17th June. The following new members were elected to the board: Mary Kakumbi, Chibamba Kanyama, Charles Lungu.

Schools Survey

ZIPPA's educational research project started at the end of June. A Census of all Kiwe Schools- government, private, and community- is now under way. Examinations of the statistics

collected will lead to a decision on whether to undertake an in-depth study with a view to making recommendations.

Readers are invited to contribute news or views in the form of letters or articles. They should be sent by email, fax or post to address below.

Future Themes

Banking & Finance will be the theme for Oct/Dec edition of the Journal. Employment, Migration & Property Rights are under consideration for 2007. Please send us your views and suggestions.

Wanted - Contributions

Criteria for Contributions:

1. Interest:
Will it interest readers?
2. Theme:
Is it appropriate to the current or the previous month's theme?
3. Subject:
Is it relevant for public policy or capable of application by businesses or NGOs?
4. Clarity:
Is it clearly set out?
5. Length:
Maximum 1,000 words

Membership

Membership renewals are coming in slowly. Please give ZIPPA your support by returning the attached form with your subscription. New members are welcome.

Send applications to The Editor, zippa@zamnet.zm or mail them to ZIPPA Newsletter, P O Box 20516, Kitwe.

Note:

We believe our readers want action not words. They are tired of finger pointing. They are interested in specific and practical ideas and solutions

If you change your email address please let us know.

If there is someone you want added to the mailing list, please mail us "add to list" and give us the name and email address. If you wish to be removed from the list, please mail us "remove from list"

ZAMBIA INSTITUTE FOR PUBLIC POLICY ANALYSIS

The Hon. Secretary, P O Box 20516, Kitwe, zippa@zamnet.zm



MEMBERSHIP APPLICATION/RENEWAL

I/we wish to subscribe as a member for the year April 2006/March 2007

<u>Category</u>	<u>Subscription</u>
Individual	K100,000
Institution	300,000
Company	500,000

(Tick where applicable)

Details of Applicant

Name..... Postal Address.....

E-mail..... Phone Nos.....

Signed..... Date.....