

## **Zambia Inclusive Growth Diagnostic (IGD) Screening Profile<sup>1</sup>**

### Economic Overview

Zambia is a lower middle income country of 14.1 million people, 74.5 percent of whom (9.6 million) lived in extreme poverty (below \$1.25/day) in 2010, that percentage having increased from 64.3% in 2004. Its average per capita income (PPP GNI) was \$1,590 in 2012, having grown around 4.8% annually in real terms over the previous 6 years. Its Gini index, at 57.5 in 2010, indicates a much more skewed distribution of income than in many countries, and that skew has increased over the years. Zambia's Gini index was 42.1 in 2003. The adult (ages 15-64) labor force participation rate in 2012 was 79.7%, higher than the average for lower middle income countries (60.8%) and for Sub-Saharan Africa countries (71.0%). The adult female labor force participation rate of 73.4% is also higher than the average for both Sub-Saharan Africa countries (64.9%) and for lower middle income countries (39.9%). The ratio of female to male labor participation rate is 85.5%, compared with the 84.0% and 48.7% for Sub-Saharan Africa and lower middle income country averages, respectively. [World Bank World Development Indicators (WB WDI)]

WB WDI reported Zambia's consumer price inflation as only 6.6% in 2012, down from 13.4% in 2009, and that Zambia had a fiscal budget surplus of 5.0% of GDP in 2011. However, the 2013-14 World Economic Forum Global Competitiveness Index (WEF GCI) reported a government budget balance of -4.5% of GDP. The GCI ranked Zambia a high 33 out of 148 countries for general government debt (only 26.9% of GDP, see Appendix Table 2). Services contributed 42.3% to GDP in 2012, agriculture 19.6%, and industry 38.1% (WB WDI).

Based on the readily available indicators discussed below, the vast majority of Zambia's workforce is engaged in low-income agriculture and other informal sector pursuits. The formal non-agricultural sector provides only 8.5% of total employment. While the generation of more productive non-agricultural formal sector jobs is the ultimate solution, not even a very high growth rate of that sector will be able to reduce the continued absolute growth of workers stuck in lower income jobs for the foreseeable future. Any hope of reducing the very high rate of extreme poverty in Zambia in the near future will depend on improving the productivity and incomes of those workers depending on agriculture and other informal sector activities, the residual employers of those who can't find better jobs elsewhere. Although crop and livestock production and agriculture value-added per worker have been improving, there is probably still room for further improvement, as the use of fertilizer per hectare and cereal yields are relatively low. Only 18.8% of Zambia's population had access to electricity in 2009 and 10% of the WEF business leaders surveyed listed inadequate infrastructure as the most problematic factor for doing business there (the third highest percentage). Zambia has seen much improvement in its financial sector since the early 2000s, with interest rates and the interest rate spread falling dramatically from very high levels. However, the highest percentage, 25%, of the business leaders in that WEF survey reported access to financing as the most problematic factor to doing business in Zambia; and domestic credit to the private sector was still extremely low in 2012, at only 14.8% of GDP. Despite improvements in many ease of doing business indicators, some key business and labor market policies are still problematic, especially those concerning international trade, enforcing contracts and the cost of labor. As for the employability of the labor force, while basic literacy and elementary education are improving, the country has very low enrollment in secondary and higher education. Even more worrying, however, is the very high incidence of serious disease (HIV/AIDS, TB, and malaria) and its negative impact on business. The high population growth rate (3.2%) makes it difficult to provide sufficient health and education services.

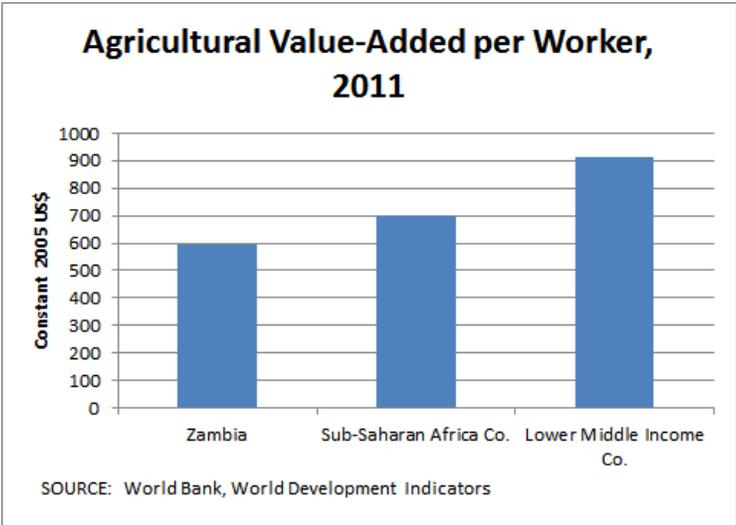
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<sup>1</sup> This country profile presents indicators available online that are relevant to the IGD analytical nodes of the "Analytic Guide for an Inclusive Growth Diagnostic (the productive employment model)," which is available from <https://dec.usaid.gov/dec>

Which of these factors, or possibly other factors as well, are the more binding constraints to more inclusive economic growth at this point in time should be the subject of more in-depth IGD analysis.

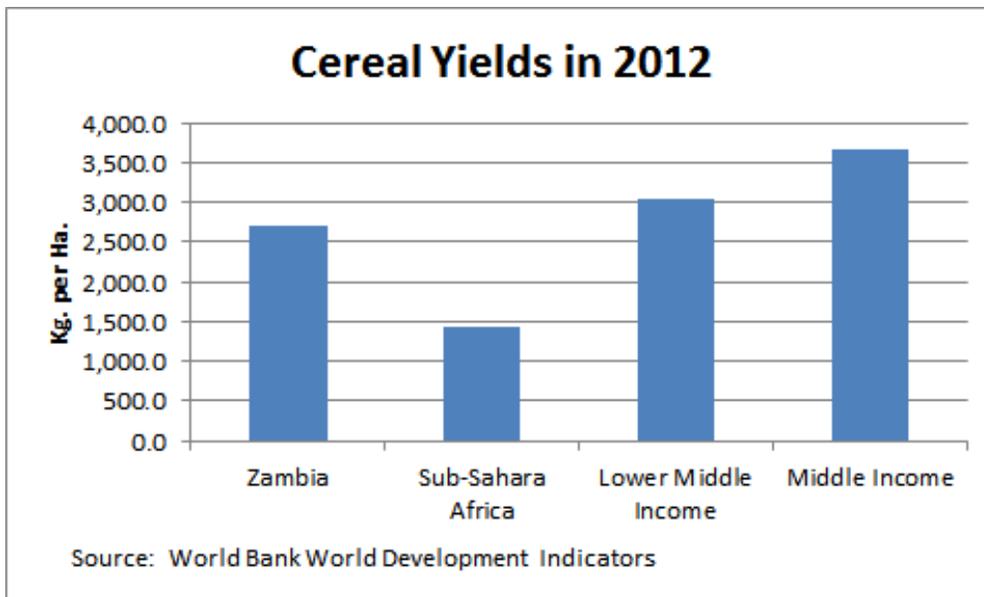
1) Potential for higher smallholder agricultural production and rural incomes

Zambia is mostly rural, with 60% of the population living in rural areas, and most of these people depend on agriculture for their livelihood. In 2005, 72.2% of total employment was in agriculture (latest data available). Since agriculture contributes less than 20% to GDP, this indicates much lower productivity per worker than in the non-agricultural sectors. Total agricultural value added per worker in Zambia was equal to only US\$592 in 2011 (in constant 2005 US\$), well below the \$702 average for Sub-Saharan Africa countries and the \$914 achieved in lower middle income countries. This does, however, represent a slow improvement (by 15%) over the \$516 achieved 4 years before in 2007. The rural population continues to grow at around 2.5 percent per year, while total population is growing by 3.2%. The urban population grew by 4.3% annually between 2009 and 2013 as people flee the rural areas looking for better jobs. (WB Databank)



The average cereal yield in Zambia was 2,693 kg. per hectare in 2012, an improvement by 48% over 2006 and higher than the average for all Sub-Saharan Africa countries (1,417 kg.), but still lower than the average for all lower middle income countries (3,029 kg.) and for middle income countries (3,653 kg.), showing room for further improvement. Total crop production has increased from year to year, with 2012 production in Zambia higher by 76% than the 2004-2006 average, a better performance than the Sub-Sahara country average of 25%. Livestock production increased by 20% over the 2004-2006 average, compared with 23% for all Sub-Sahara Africa countries. Total agricultural land in Zambia was increased by only 2.3% between the 2004-2006 average and 2011, while arable land<sup>2</sup> increased by 18.6%. Total agricultural value added increased 38% in constant price terms between the 2004-06 average and 2012, while the rural population increased by 17%. (WB WDI)

<sup>2</sup> Agricultural land refers to the share of land area that is arable, under permanent crops, and under permanent pastures. Arable land includes land defined by the FAO as land under temporary crops (double-cropped areas are counted once), temporary meadows for mowing or for pasture, land under market or kitchen gardens, and land temporarily fallow. Land abandoned as a result of shifting cultivation is excluded. Land under permanent crops is land cultivated with crops that occupy the land for long periods and need not be replanted after each harvest, such as cocoa, coffee, and rubber. This category includes land under flowering shrubs, fruit trees, nut trees, and vines, but excludes land under trees grown for wood or timber. Permanent pasture is land used for five or more years for forage, including natural and cultivated crops. -- <http://data.worldbank.org/indicator/AG.LND.AGRI.K2>



1A&B) On-farm productivity & Processing and marketing of farm products

1Aa) Agricultural research & extension services

1Ab) Access to credit for farm inputs & capital improvements

1Ac) Rural infrastructure for irrigation and farm-to-market roads

1Ad) Land tenure and land markets

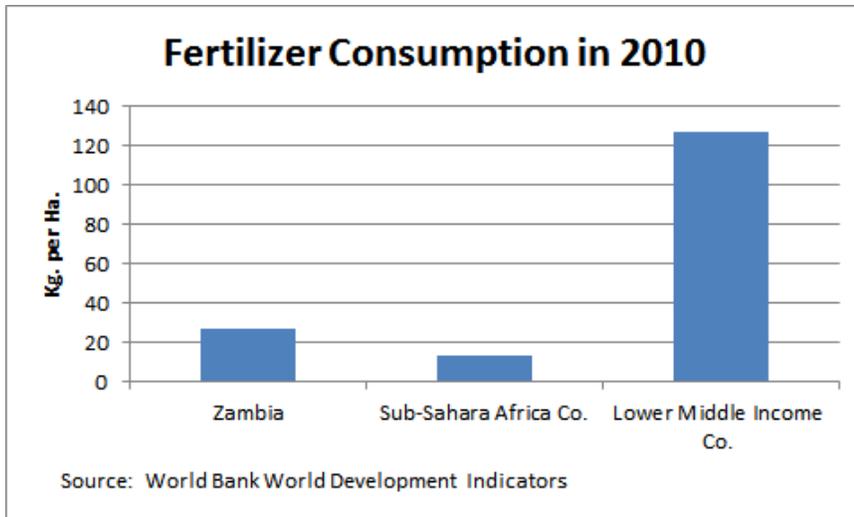
1Ba) Market and pricing policies

1Bb) Availability of information about and contacts with higher value markets

1Bc) Rural infrastructure for transport, electric power, storage, markets, communication

1Bd) Access to rural credit for agriculture product processing, storage, marketing, etc.

The EIU Global Food Security Index (GFI) indicates Zambia spends 1% of the agricultural contribution to GDP on agricultural research and development, placing it in bottom 40% of the 105 countries covered. The same index rated Zambia in the middle third in access to finance for farmers and in the middle third in agricultural infrastructure. It was scored and ranked good or in the middle range of all three components of the latter index: good in the existence of adequate crop storage facilities, in the third quintile for road infrastructure and in the middle third for port infrastructure. Fertilizer consumption in Zambia was 26.8 kg. per hectare of arable land in 2010, above the Sub-Saharan Africa country average of 12.9 kg. but much less than the lower middle income country average of 126.7 kg. (WB WDI). In 2009 the MCC scored Zambia as better than 69% of a comparable group of 81 developing countries in land rights and access. The World Bank Doing Business Indicators 2014 gave Zambia a below average score, ranking 102 out of 189, for registering property. But it received a very high score in the 2014 WEF GCI for agricultural policy costs, ranking 17 out of 148.



## 2) Potential for more productive, higher wage non-farm employment.

As noted above, adult labor force participation rates in Zambia are fairly very high. But 81% of all workers were either self-employed or unpaid family workers (in vulnerable employment) in 2005 and another 16% of the labor force was unemployed (latest figures available). (WB WDI) This leaves precious few with good jobs. The investment climate for creating more productive jobs presents a mixed picture. Zambia's overall ease of doing business rank in the World Bank 2014 Doing Business Report is in the middle range at 83 out of 189 countries scored. However, it is not doing so well in a few categories that affect its attractiveness to new investors, ranking a low 152 in getting electricity, 163 for trading across borders, and 120 for enforcing contracts.

<b>ZAMBIA</b>		Sub-Saharan Africa		GNI per capita (US\$)		1,350	
Ease of doing business (rank)		Lower Middle income		Population (m)		14.1	
<b>Starting a business</b> (rank)	45	<b>Registering property</b> (rank)	102	<b>Trading across borders</b> (rank)	163		
Procedures (number)	5	Procedures (number)	5	Documents to export (number)	7		
Time (days)	6.5	Time (days)	45	Time to export (days)	44		
Cost (% of income per capita)	26.8	Cost (% of property value)	8.6	Cost to export (US\$ per container)	2,765		
Minimum capital (% of income per	0.0			Documents to import (number)	8		
		<b>Getting credit</b> (rank)	13	Time to import (days)	49		
<b>Dealing with construction permits</b>	57	Strength of legal rights index (0–10)	9	Cost to import (US\$ per container)	3,560		
Procedures (number)	11	Depth of credit information index (0–6)	5				
Time (days)	124	Public registry coverage (% of adults)	0.0	<b>Enforcing contracts</b> (rank)	120		
Cost (% of income per capita)	198.5	Private bureau coverage (% of adults)	12.0	Procedures (number)	35		
				Time (days)	611		
<b>Getting electricity</b> (rank)	152	<b>Protecting investors</b> (rank)	80	Cost (% of claim)	38.7		
Procedures (number)	6	Extent of disclosure index (0–10)	3				
Time (days)	117	Extent of director liability index (0–10)	6	<b>Resolving insolvency</b> (rank)	73		
Cost (% of income per capita)	955.8	Ease of shareholder suits index (0–10)	7	Time (years)	2.4		
		Strength of investor protection index (0–	5.3	Cost (% of estate)	9		
				Recovery rate (cents on the dollar)	37.1		
		<b>Paying taxes</b> (rank)	68				
		Payments (number per year)	38				
		Time (hours per year)	183				
		Total tax rate (% of profit)	15.1				

From World Bank/IFC, 2014 Doing Business Report, p. 235

## 2A) Private Sector Demand for More Productive Employment

### 2Aa) Level of Private Investment (HRV Constraints Analysis)

#### 2Aai) Private returns to economic activity

Gross capital formation in Zambia has averaged 23.2% of GDP in the decade from 2003 to 2012 and registered 24.7% in 2012. This compares favorably with the 20.2% average for developing Sub-Saharan Africa countries in 2012, but is still below the 28.6% average for lower middle income countries (WB WDI). Net foreign direct investment (FDI) was equal to 5.2% of GDP in 2012. This is much higher than the 2.9% average for developing Sub-Saharan Africa countries and the 2.2% average for lower middle income countries. The 2013-14 WEF GCI survey gave Zambia a very good mark for the business impact of rules on FDI, ranking 35 out of 148, and in the prevalence of foreign ownership it ranked 32. (See Appendix Table 10.)

According to the IMF World Economic Outlook, total investment in Zambia reached 26.8% of GDP in 2012. Zambia placed 47<sup>th</sup> among 173 countries for this indicator. GDP per capita grew by 3.9% in 2012 and averaged 3.3% over the 10-year period from 2003 to 2012.

Rough incremental capital/output ratio (ICOR) calculations, based on 5-year averages of gross fixed capital formation and subsequent GDP growth rates, indicate a relatively low and decreasing ICOR, falling from 4.2 in 2000-2005 to 3.5 in 2005-2010. This indicates fairly efficient use of capital investment to achieve growth in GDP.

#### 2Aai1) Evidence of low social returns

##### Is there inadequate human capital to run a business successfully?

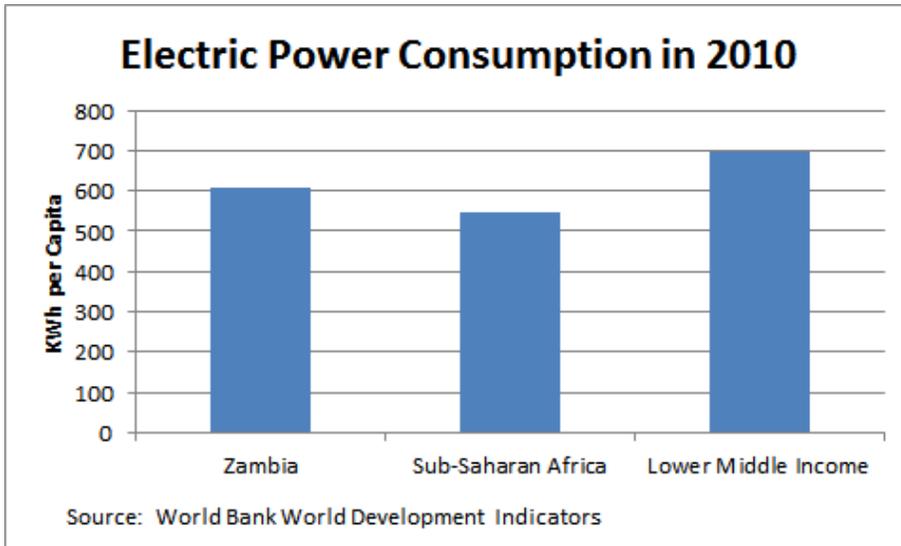
Some 61.4% of Zambia's adult population was recorded as literate in 2007 (latest figure available), on par with averages for other Sub-Saharan Africa countries (59.8% in 2011) but lower than the 70.6% average for lower middle income countries in 2011. The mean years of schooling achieved by Zambian adults was 6.7 in 2012, putting the country in 121<sup>st</sup> place out of 187 countries. (WB WDI) Only 2.0% of business leaders surveyed in the 2013-14 WEF GCI cited an inadequately educated workforce as the most problematic factor for doing business in Zambia, and only 3.0% of them cited poor public health (See Table 3 in the Appendix). However, Zambia ranked a very low 126<sup>th</sup> out of 148 countries in Health and Primary Education and 119<sup>th</sup> in Higher Education and Training in that year's GCI. (Appendix Table 1) The country ranked in the middle range at 82<sup>nd</sup> in the quality of primary education and a much higher 38<sup>th</sup> in the quality of the higher education system. It ranked 59<sup>th</sup> in primary education enrollment, with a net 95.5% of children enrolled. But it ranked extremely low for enrollment in both secondary and tertiary education, 140 and 144, respectively, and it ranked worse than 126 in all eight aspects of the health index. (See Appendix Tables 12 and 13.)

##### Is there a lack of or poor condition of productive infrastructure?

The 2014 World Bank Doing Business Report ranked Zambia very low at 152 out of 189 for getting electricity, as it costs an average of 9.6 times income per capita and takes 117 days to do so. According to the UNDP Human Development Report only 18.8% of Zambia's population had access to electricity in 2009, which placed the country 115<sup>th</sup> on a list of 126 countries for this indicator. Electric power consumption in 2010 was only 609 KWh per capita in Zambia, above the average of 546 KWh in Sub-Saharan Africa countries but below the 695 average in lower middle income countries. Private firms reported an average of 2.5 power outages per month in 2007 (WB WDI). Zambia was ranked 114<sup>th</sup> out of 148 countries for the quality of its electricity supply in the 2013-14 WEF GCI.

The country ranked 94<sup>th</sup> out of 148 for the quality of its overall infrastructure in the 2013-14 WEF GCI, with a 87<sup>th</sup> rank for the quality of railroad infrastructure, 94<sup>th</sup> for the quality of its roads, and 108<sup>th</sup> for the quality of its port infrastructure. However, it was ranked a lower 114<sup>th</sup> for the quality of air transport infrastructure and very low for fixed telephone lines and mobile telephone subscriptions (136 and 118, respectively). (See Appendix

Table 4.) Some 9.9% of the business leaders surveyed by for the 1013-14 WEF GCI listed an inadequate supply of infrastructure as one of the most problematic factors for doing business in Zambia, the third highest percentage. (Appendix Table 3)



2Aai2) Private appropriability

Government failure/poor governance

As noted above, Zambia ranked a middling 83 out of 189 in the 2014 World Bank Ease of Doing Business (DB) Index, with low scores mainly in getting electricity, trading across borders, enforcing contracts and registering property. The 2014 Heritage Foundation/Wall Street Journal Index of Economic Freedom ranked Zambia 88<sup>th</sup>, “moderately free,” out of 178 countries in the overall Economic Freedom Index, citing “notable improvements in five of the 10 economic freedoms including business freedom, investment freedom, and the management of public spending. Zambia ranked 9<sup>th</sup> out of 46 countries in Sub-Saharan Africa...” However, it ranked very low in monetary freedom (154), labor freedom (137), fiscal freedom (130), freedom from corruption (99) and property rights (93).<sup>3</sup>

The Canadian Fraser Institute, in its annual Economic Freedom of the World Report for 2013, ranked Zambia 23<sup>rd</sup> out of 152 countries in its 2011 overall “chain-linked” index. A steady improvement over the previous 21 years is evident, as Zambia ranked 110<sup>th</sup> in 1990. The worst 2011 Fraser Institute rankings were in the Sound Money and the Legal System and Property Rights categories, where it was ranked 52 and 50, respectively. In the 2013-14 WEF GCI Zambia scored well and ranked 51 out of 148 in the Institutions pillar. It ranked between 12 and 49 in 10 of the 21 Institution elements and between 51 and 72 in another 10. Its lowest Institutions score was in Irregular payments and bribes, where it ranked 93. (See Appendix Table 5)

Zambia scored -0.65 in the 2011 Government Effectiveness Estimate of the World Bank Governance Indicators, out of a -2.5 to +2.5 range, ranking 149<sup>th</sup> in a list of 212 countries. It scored a low -0.40 in the 2012 WB Rule of Law Estimate, tying for 125<sup>th</sup> place out of 212.

Zambia scored 37 out of 100 possible points in the Transparency International Corruption Perceptions Index in 2012 and tied with 5 other countries for 96<sup>th</sup> place among 176 countries scored.

<sup>3</sup> Heritage Foundation *Index of Economic Freedom*, 2014, pp. 459-460

The World Bank Governance Matters Control of Corruption estimate of 2011 scored Zambia -0.51 in the -2.5 to +2.5 range, in 134th place out of 212 countries. As noted above, the 2014 Heritage Foundation/Wall Street Journal Freedom from Corruption index ranked Zambia 99<sup>th</sup> out of 178 countries. In the 2013-14 WEF GCI the second highest percentage (17.5%) of the business leaders surveyed listed corruption as the most problematic factor for doing business in Zambia. (See Appendix Table 3)

#### Market failures in the availability of information for innovation and “coordination”

The 2013-14 WEF GCI gave Zambia mediocre scores for the Technological Readiness, Business Sophistication and Innovation pillars, ranking them 115, 66 and 60 out of 148, respectively. It received poor scores and ranked worse than 100 for internet bandwidth, fixed broadband internet subscriptions, mobile broadband subscriptions, and individuals using the internet, patent applications. The other element scores in these three GCI pillars were mediocre, except for government procurement of advance tech products, company spending on R&D, willingness to delegate authority and the state of cluster development, which had good scores, ranking better than 50 out of 148. (See Appendix Tables 6, 7 & 8.)

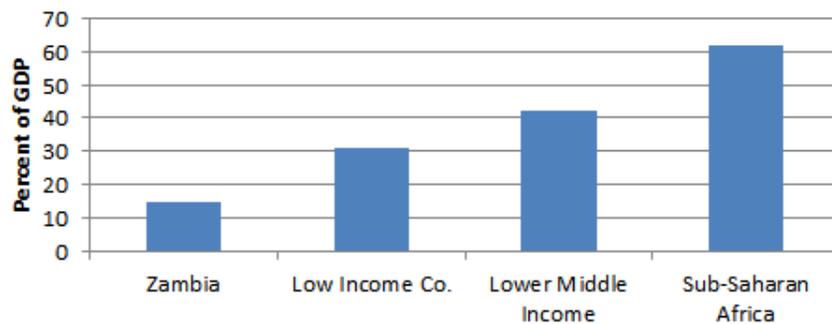
#### 2Aa) Cost of finance

Domestic credit to Zambia’s private sector was only 14.8% of GDP in 2012 (WB WDI). While this ratio has improved from a low of 6.3% in 2002, it is still way below the low income country average of 30.7%, not to mention the lower middle income country average of 42.3% and the Sub-Saharan Africa country average of 62.0%. In the 2013-14 WEF GCI survey of business leaders, access to financing was listed as the most problematic factor for doing business in Zambia by 25.1% of responses, the highest percentage. (See Appendix Table 3.)

Nevertheless, in the World Bank 2014 Doing Business Indicators the country was ranked very high at 13 out of 189 for getting credit. The lending interest rate was 12.1% in 2012, having fallen steadily from 46.2% in 2001. The real interest rate was 5.5%, and it had fallen from 21.2% in 2002. The interest rate spread was 5.1%, having also fallen steadily from 22.8% in 2001, indicating much improvement in financial intermediation. The latter was on par with the average for lower middle income countries and lower than that for Sub-Saharan Africa countries (8.6%). The world average is 6.0%. (WB WDI). Zambia was given mediocre rankings in the 2013-14 WEF GCI Financial Market Development pillar with 80 out of 148 for the affordability of financial services and 77 for the availability of financial services and ease of access to loans. Its best performance in this pillar was in the legal rights index, ranking very high at 12, financing through the local equity market and the regulations of securities exchanges. (See Appendix Table 9.)

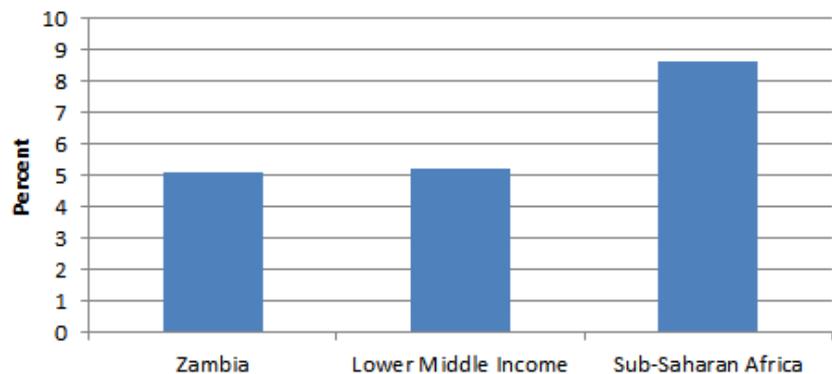
The 2014 Heritage Foundation/Wall Street Journal Investment Freedom Index and Financial Freedom Index scored Zambia 60.0 and 50.0, respectively, out of 100 possible points in 2014, ranking 80<sup>th</sup> and 69<sup>st</sup> out of 178 countries, and reported that “Foreign and domestic investors are generally treated equally under the law, but the court system can be slow-moving and unreliable. Zambia has a relatively liberal banking regime, but financial intermediation and credit to the private sector remain low. The banking sector has recorded growth, but high lending rates continue to hinder access to financing.”

## Domestic Credit to the Private Sector in 2012



Source: World Bank World Development Indicators

## Interest Rate Spread, 2012



Source: World Bank World Development Indicators

### 2Ab) Growth of the more productive Formal Sector

In 2012 Zambia reported 81% of total employment as vulnerable employment in 2005 (latest figure available), meaning self-employed and unpaid family workers. It is higher than the 73.6% averages reported for lower middle income countries in 2001 (73.6%) and 2012 (67.3%). (WB WDI) As an understated proxy for the informal sector, which does not include informal wage earners, this implies a very large informal sector. In a "Statistical Update on Employment in the Informal Economy," published in June 2012 by the ILO Department of Statistics,<sup>4</sup> 69.5% of all non-agricultural employment in Zambia was tabulated as informal, consisting of persons employed in the informal sector and persons in informal employment outside the informal sector. Since only 27.8% of total employment is in non-agriculture, this implies that 19.3% of total employment is in the non-agriculture, mostly urban informal sector and only 8.5% of the total employment is in formal, non-agricultural employment. Of total female non-agricultural employment 80.1% was informal, and of total male non-agricultural employment 62.9% was informal. As noted at the beginning of this profile, almost 75% of the population remained below the extreme poverty line for lack of better employment.

<sup>4</sup> [http://laborsta.ilo.org/informal\\_economy\\_E.html](http://laborsta.ilo.org/informal_economy_E.html)

## 2Ac) Labor Intensity of Production

Zambia's trade with the outside world totaled 83.1% of GDP in 2011. This is higher than the 72.7% average of developing Sub-Saharan Africa countries and the 63.1% average of lower middle income countries. (WB WDI). The country was ranked very low (163 out of 189) in the 2014 Doing Business Indicators for Trading Across Borders. It was ranked a low 121<sup>st</sup> out of 148 in the WEF GCI index for trade tariffs, with tariffs averaging 10.7%. The same GCI index gave Zambia mediocre marks for the prevalence of trade barriers, ranking 66<sup>th</sup>, and for imports as a percentage of GDP (43.4%), ranking 77<sup>th</sup>. It was ranked 57<sup>th</sup> for the burden of customs procedures. (See Appendix Table 10.) The World Bank Development Research Group Trade Research Unit calculated a Trade Restrictiveness Index that resulted in a poor score of 8.95 for Zambia in 2006-09 (latest).<sup>5</sup> A further enhanced ability to trade would favor a latent comparative advantage in more labor-intensive activities for both export and import-substitution goods and services.

The World Bank Country Policy and Institutional Assessment (CPIA) ratings for social inclusion-equity gave Zambia a 2012 score of 3.3 (1=low, 6=high), in the middle of the pack, but in the bottom third with a score of 3.0 for gender equality.

In the 2013-14 WEF GCI, Zambia received a relatively poor score in Labor Market Efficiency, ranking 93 out of 148. (Appendix Table 1) It scored very high in hiring and firing practices, ranking 20 out of 148, mediocre in the flexibility of wage determination, ranking 82, but very low in redundancy costs, ranking 140, requiring 50.6 weeks of salary. (See Appendix Table 11.) Of the businessmen surveyed 2.7% cited restrictive labor regulations as the most problematic factor for doing business in Zambia, perhaps because of those inflexible wage issues and redundancy costs. (Appendix Table 3) However, Zambia received a good overall score for the Goods Market Efficiency pillar, ranking 38 out of 148. Except for its high tariffs on trade and some mediocre marks in things like customs procedures and trade barriers, Zambia received relatively good marks in the effectiveness of competition and anti-monopoly policies and the extent of market dominance. (Appendix Table 10) As noted above, Zambia received a very high score in the 2014 WEF GCI for agricultural policy costs, ranking 17 out of 148.

## 2B) Employability of the Workforce:

Some 61.4% of the Zambian adult population was recorded as literate in 2007 (latest figure available), a little above average for Sub-Saharan Africa (59.8% in 2011) but lower than the averages for lower middle income countries in 2000 (67.7%) and 2011 (70.6%) (WB WDI). Some 61.7% of the women were literate in 2010, more than the 54.1 average for developing Sub-Saharan Africa countries and on par with the 62.3% average for lower middle income countries. Zambia's primary school completion rate in 2010 was 103.3% of the relevant age group, much higher than the 69.3% average in developing Sub-Saharan Africa countries and the 91.3% average for lower middle income countries. (WB WDI)

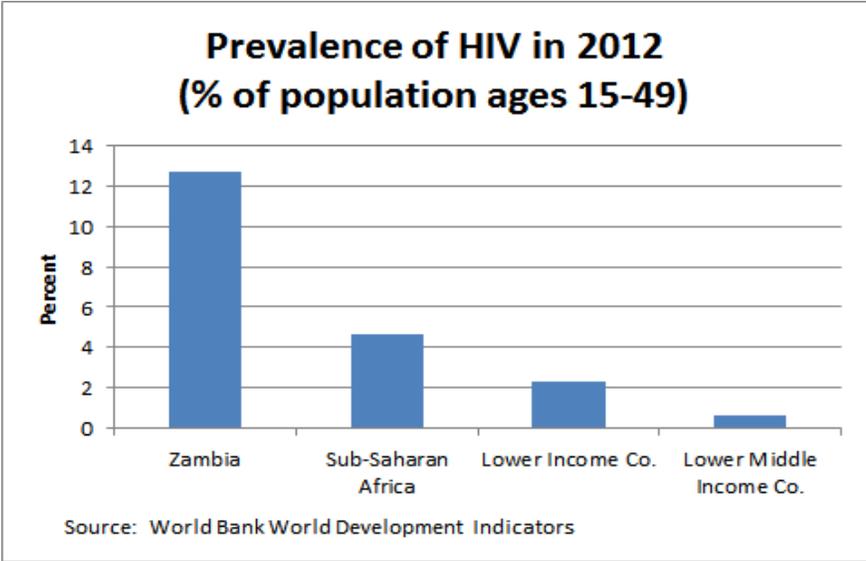
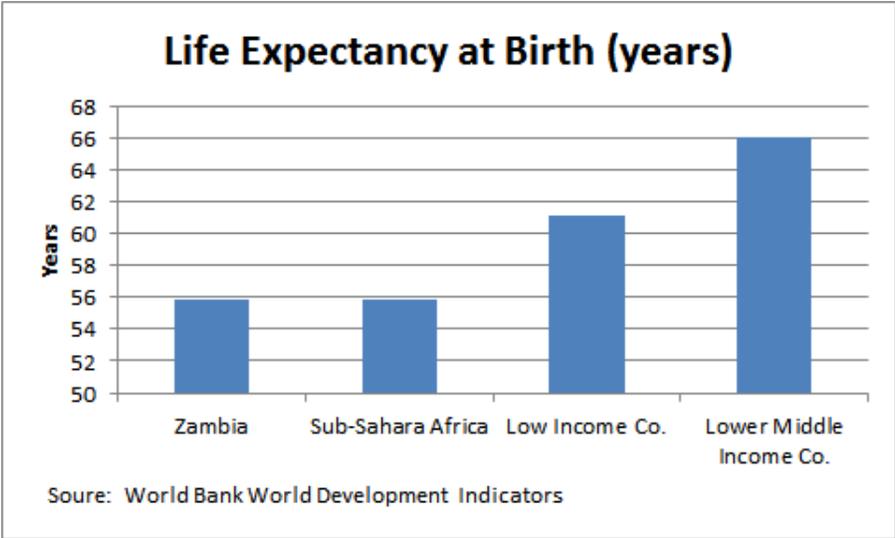
Health indicators present an alarming picture. A WB WDI table lists life expectancy in Zambia in 2011 as 55.8 years, almost the same as the average for all developing Sub-Saharan Africa countries (55.9) but lower than that for lower middle income countries (66.0). Zambia's infant mortality rate has steadily improved from 95.3 per 1000 live births in 2001 to 56.4 per 1000 in 2012, compared with a 63.9 average in 2012 for developing Sub-Saharan Africa countries and 45.5 for lower middle income countries. The incidence of tuberculosis was 427

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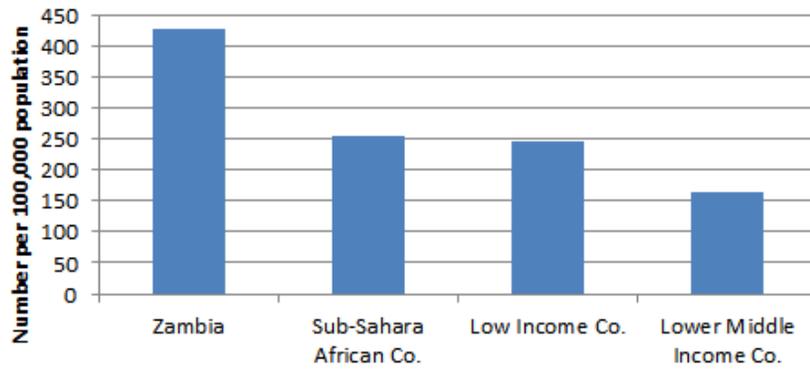
<sup>5</sup> The Trade Restrictiveness Index is an indicator of the trade restrictiveness of the MFN tariff schedule of a country. It calculates the equivalent uniform tariff of a country's tariff schedule that would keep domestic import levels constant. Product level tariffs are weighted by import shares as well as the responsiveness of imports to price changes (import demand elasticity). It includes preferential rates. It is expressed as a tariff rate. Lower is better. The higher the number, the more restrictive a country's trade policy, and the less open the country is to international competition. Desirable to be less than 7.0. <http://info.worldbank.org/etools/wti/3a.asp#>

per 100,000 people in 2012, having dropped steadily from 678 in 2001, but still higher than the 255 per 100,000 average for developing Sub-Saharan Africa countries, 246 per 100,000 for low income countries and the 165 per 100,000 for lower middle income countries. The prevalence of HIV in the adult population is the seventh highest in the world, at 12.7% in 2012, compared with 4.6% in Sub-Saharan Africa countries and only 0.63 in lower middle income countries. (WB WDI) The WEF GCI ranked Zambia 126 or worse out of 148 in all 8 health indicators in its Health and Primary Education pillar and 135 or worse in all of those dealing with disease, including the business impacts of malaria, TB and HIV/AIDS—24.5% of the population had malaria. (See Appendix Table 12.)

Zambia’s population growth rate is 3.2% per year. (WB WDI) This is higher than the average for developing Sub-Saharan Africa countries of 2.7% and the 1.5% average for lower middle income countries. It would be easier for the country to improve its health and education services fast enough to keep up with the increasing need for them if its population growth rate could be reduced.

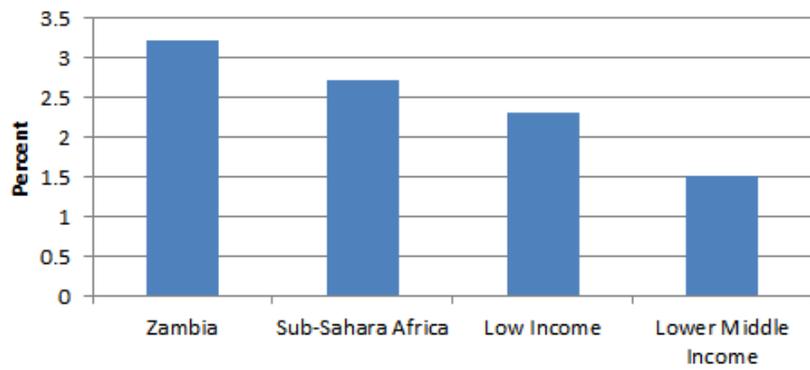


### Incidence of TB in 2012



Source: World Bank World Development Indicators

### Population Growth (annual %)



Source: World Bank World Development Indicators

## Appendix

<b>Table 1. The Global Competitiveness Index:</b>	Rank	Score
<b>Zambia</b>	<u>(out of 148)</u>	<u>(1–7)</u>
GCI 2013–2014 (out of 148).....	93	3.9
GCI 2012–2013 (out of 144) .....	102	3.8
GCI 2011–2012 (out of 142) .....	113	3.7
<b>Basic requirements (60.0%) .....</b>	<b>104</b>	<b>4.0</b>
Institutions .....	51	4.2
Infrastructure .....	118	2.8
Macroeconomic environment .....	81	4.6
Health and primary education .....	126	4.4
<b>Efficiency enhancers (35.0%) .....</b>	<b>101</b>	<b>3.7</b>
Higher education and training .....	119	3.1
Goods market efficiency .....	38	4.6
Labor market efficiency .....	93	4.1
Financial market development .....	46	4.5
Technological readiness .....	115	3.0
Market size .....	111	2.8
<b>Innovation and sophistication factors (5.0%) .....</b>	<b>61</b>	<b>3.7</b>
Business sophistication .....	66	4.0
Innovation .....	60	3.4

Source: WEF, *Global Competitiveness Report 2013–2014*, p. 392

<b>Table 2. Macroeconomic environment: Zambia</b>	Rank	Score
	<u>(out of 148)</u>	
3.01 Government budget balance, % GDP* .....	108	-4.5
3.03 Inflation, annual % change* .....	107	6.6
3.05 Country credit rating, 0–100 (best)* .....	96	34.2
3.02 Gross national savings, % GDP* .....	53	23.4
3.04 General government debt, % GDP* .....	33	26.9

Notes: Values are on a 1-to-7 scale unless otherwise annotated with an asterisk (\*).  
Source: WEF, *Global Competitiveness Report 2013–2014*, p. 393

<b>Table 3. The most problematic factors for doing business in Zambia</b>	
	<b>(Percent of Responses)</b>
Access to financing .....	25.1
Corruption .....	17.5
Inadequate supply of infrastructure .....	9.9
Tax rates .....	8.6
Poor work ethic in national labor force .....	6.8
Inflation .....	5.7
Inefficient government bureaucracy .....	5.2
Crime and theft .....	4.1
Insufficient capacity to innovate .....	3.9
Poor public health .....	3.0
Policy instability .....	2.9
Restrictive labor regulations .....	2.7
Inadequately educated workforce .....	2.0
Tax regulations .....	1.5
Foreign currency regulations .....	1.0
Government instability/coups .....	0.1

Note: From the list of factors above, respondents were asked to select the five most problematic for doing business in their country and to rank them between 1 (most problematic) and 5. The bars in the figure show the responses weighted according to their rankings.

Source: WEF, *Global Competitiveness Report 2013–2014*, p. 392

<b>Table 4. Infrastructure: Zambia</b>	Rank	Score
	<b>(out of 148)</b>	<b>(1–7)</b>
2.09 Fixed telephone lines/100 pop.* .....	136	0.6
2.08 Mobile telephone subscriptions/100 pop.* .....	118	75.8
2.05 Quality of air transport infrastructure.....	114	3.5
2.07 Quality of electricity supply .....	114	3.1
2.04 Quality of port infrastructure .....	108	3.5
2.06 Available airline seat km/week, millions* .....	104	43.5
2.01 Quality of overall infrastructure .....	94	3.8
2.02 Quality of roads .....	94	3.4
2.03 Quality of railroad infrastructure .....	87	2.1

Notes: Values are on a 1-to-7 scale unless otherwise annotated with an asterisk (\*).

Source: WEF, *Global Competitiveness Report 2013–2014*, p. 393

<b>Table 5. Institutions: Zambia</b>	Rank	Score
	<u>(out of 148)</u>	<u>(1–7)</u>
1.05 Irregular payments and bribes .....	93	3.5
1.18 Strength of auditing and reporting standards .....	72	4.6
1.16 Reliability of police services .....	71	4.2
1.14 Business costs of crime and violence.....	70	4.7
1.06 Judicial independence .....	69	3.7
1.21 Strength of investor protection, 0–10 (best)* .....	69	5.3
1.03 Diversion of public funds .....	64	3.3
1.02 Intellectual property protection .....	57	3.9
1.07 Favoritism in decisions of government officials .....	56	3.3
1.11 Efficiency of legal framework in challenging regs. ....	51	3.7
1.17 Ethical behavior of firms .....	51	4.2
1.01 Property rights .....	49	4.7
1.04 Public trust in politicians .....	45	3.4
1.15 Organized crime .....	44	5.7
1.19 Efficacy of corporate boards .....	41	4.9
1.08 Wastefulness of government spending .....	37	3.7
1.10 Efficiency of legal framework in settling disputes .....	37	4.4
1.20 Protection of minority shareholders' interests .....	37	4.7
1.13 Business costs of terrorism .....	32	6.1
1.12 Transparency of government policymaking .....	31	4.7
1.09 Burden of government regulation .....	12	4.3
Notes: Values are on a 1-to-7 scale unless otherwise annotated with an asterisk (*).		
Source: WEF, <i>Global Competitiveness Report 2013–2014</i> , p. 393		

<b>Table 6. Technological readiness: Zambia</b>	Rank	Score
	<u>(out of 148)</u>	<u>(1–7)</u>
9.06 Int'l Internet bandwidth, kb/s per user* .....	130	2.8
9.05 Fixed broadband Internet subscriptions/100 pop.* .....	129	0.1
9.07 Mobile broadband subscriptions/100 pop.* .....	122	0.7
9.04 Individuals using Internet, %* .....	117	13.5
9.01 Availability of latest technologies .....	95	4.5
9.02 Firm-level technology absorption .....	77	4.6
9.03 FDI and technology transfer .....	76	4.6
Notes: Values are on a 1-to-7 scale unless otherwise annotated with an asterisk (*).		
Source: WEF, <i>Global Competitiveness Report 2013–2014</i> , p. 393		

<b>Table 7. Business sophistication: Zambia</b>	Rank	Score
	<u>(out of 148)</u>	<u>(1–7)</u>
11.08 Extent of marketing .....	99	3.8
11.07 Production process sophistication .....	85	3.6
11.06 Control of international distribution .....	83	3.9
11.02 Local supplier quality .....	80	4.3
11.05 Value chain breadth .....	62	3.8
11.01 Local supplier quantity .....	59	4.8
11.04 Nature of competitive advantage .....	51	3.8
11.03 State of cluster development .....	48	4.1
11.09 Willingness to delegate authority .....	36	4.1

Notes: Values are on a 1-to-7 scale unless otherwise annotated with an asterisk (\*).  
Source: WEF, *Global Competitiveness Report 2013–2014*, p. 393

<b>Table 8. Innovation: Zambia</b>	Rank	Score
	<u>(out of 148)</u>	<u>(1–7)</u>
12.07 PCT patents, applications/million pop.* .....	126	0.0
12.02 Quality of scientific research institutions .....	88	3.4
12.04 University-industry collaboration in R&D .....	70	3.5
12.06 Availability of scientists and engineers .....	67	4.2
12.01 Capacity for innovation .....	52	3.7
12.03 Company spending on R&D .....	46	3.5
12.05 Gov't procurement of advanced tech products .....	28	4.0

Notes: Values are on a 1-to-7 scale unless otherwise annotated with an asterisk (\*).  
Source: WEF, *Global Competitiveness Report 2013–2014*, p. 393

<b>Table 9. Financial market development: Zambia</b>	Rank	Score
	<u>(out of 148)</u>	<u>(1–7)</u>
8.02 Affordability of financial services .....	80	4.0
8.05 Venture capital availability .....	79	2.5
8.01 Availability of financial services .....	77	4.4
8.04 Ease of access to loans .....	77	2.7
8.06 Soundness of banks .....	56	5.3
8.07 Regulation of securities exchanges .....	49	4.4
8.03 Financing through local equity market .....	42	3.9
8.08 Legal rights index, 0–10 (best)* .....	12	9

Notes: Values are on a 1-to-7 scale unless otherwise annotated with an asterisk (\*).  
Source: WEF, *Global Competitiveness Report 2013–2014*, p. 393

<b>Table 10. Goods market efficiency: Zambia</b>	Rank	Score
	<u>(out of 148)</u>	<u>(1–7)</u>
6.10 Trade tariffs, % duty* .....	121	10.7
6.14 Imports as a percentage of GDP* .....	77	43.4
6.07 No. days to start a business* .....	76	17
6.04 Effect of taxation on incentives to invest .....	66	3.8
6.09 Prevalence of trade barriers .....	66	4.3
6.16 Buyer sophistication .....	61	3.5
6.15 Degree of customer orientation .....	58	4.7
6.13 Burden of customs procedures .....	57	4.3
6.01 Intensity of local competition .....	48	5.2
6.06 No. procedures to start a business* .....	47	6
6.02 Extent of market dominance .....	39	4.2
6.03 Effectiveness of anti-monopoly policy .....	37	4.6
6.12 Business impact of rules on FDI .....	35	5.0
6.11 Prevalence of foreign ownership .....	32	5.3
6.08 Agricultural policy costs.....	17	4.5
6.05 Total tax rate, % profits* .....	8	15.2

Notes: Values are on a 1-to-7 scale unless otherwise annotated with an asterisk (\*).  
Source: WEF, *Global Competitiveness Report 2013–2014*, p. 393

<b>Table 11. Labor market efficiency: Zambia</b>	Rank	Score
	<u>(out of 148)</u>	<u>(1–7)</u>
7.04 Redundancy costs, weeks of salary* .....	140	50.6
7.06 Pay and productivity .....	91	3.7
7.02 Flexibility of wage determination .....	82	4.9
7.01 Cooperation in labor-employer relations .....	67	4.3
7.09 Country capacity to attract talent .....	65	3.6
7.08 Country capacity to retain talent .....	62	3.5
7.10 Women in labor force, ratio to men* .....	54	0.85
7.07 Reliance on professional management .....	47	4.6
7.05 Effect of taxation on incentives to work .....	33	4.2
7.03 Hiring and firing practices .....	20	4.6

Notes: Values are on a 1-to-7 scale unless otherwise annotated with an asterisk (\*).  
Source: WEF, *Global Competitiveness Report 2013–2014*, p. 393

<b>Table 12. Health and primary education: Zambia</b>	Rank	Score
	<u>(out of 148)</u>	<u>(1–7)</u>
4.08 Life expectancy, years* .....	145	49.0
4.06 HIV prevalence, % adult pop.* .....	141	12.50
4.01 Business impact of malaria .....	138	3.1
4.03 Business impact of tuberculosis .....	138	3.6
4.04 Tuberculosis cases/100,000 pop.* .....	138	444.0
4.05 Business impact of HIV/AIDS .....	138	3.2
4.02 Malaria cases/100,000 pop.* .....	135	24,518.3
4.07 Infant mortality, deaths/1,000 live births* .....	126	52.7
4.09 Quality of primary education .....	82	3.7
4.10 Primary education enrollment, net %* .....	59	95.5
Notes: Values are on a 1-to-7 scale unless otherwise annotated with an asterisk (*).		
Source: WEF, <i>Global Competitiveness Report 2013–2014</i> , p. 393		

<b>Table 13. Higher education and training: Zambia</b>	Rank	Score
	<u>(out of 148)</u>	<u>(1–7)</u>
5.02 Tertiary education enrollment, gross %* .....	144	2.4
5.01 Secondary education enrollment, gross %* .....	140	30.4
5.06 Internet access in schools .....	103	3.5
5.08 Extent of staff training .....	89	3.8
5.04 Quality of math and science education .....	76	4.0
5.05 Quality of management schools .....	71	4.3
5.07 Availability of research and training services .....	46	4.5
5.03 Quality of the educational system .....	38	4.3
Notes: Values are on a 1-to-7 scale unless otherwise annotated with an asterisk (*).		
Source: WEF, <i>Global Competitiveness Report 2013–2014</i> , p. 393		