

**USAID/Zambia
presents the**

**Fiscal Year 1999
Results Review & Resource Request**

March 10, 1997

USAID/Zambia Fiscal Year 1999 Results Review & Resource Request

Part I: Results Review - Overview and Factors Affecting Program Performance

This document attempts to capture the excitement that USAID/Zambia feels about the many accomplishments of our program. USAID's investments in Zambia are paying off in lower fertility rates, in higher agricultural production and rural incomes, in a more vibrant civil society and in attracting new investment to the region's most open economy.

These and our other successes under our four strategic objectives belie the notion that USG money spent on African development is wasted. Zambia is making good progress in getting and staying on a path of sustainable, broad-based, economic growth. Zambian ownership of this process is impressive. Our support does make a difference. It needs to be continued and built upon.

Immense challenges remain. Zambia's legacy from a generation of misrule is an unsustainable debt burden, widespread poverty and crumbling infrastructure. Neighbors to the north and west are unstable. To the south there is stability, but those economies are not open and this hampers regional economic integration.

Since 1991 Government has embraced a turnaround agenda of social, political and economic change. The commitment to political reform has not always matched its rhetoric, which led to a reduction in USG assistance in 1996, but there have been awesome changes. Zambia today is a multi-party democracy. The GRZ is getting out of the business of business. There is macro-economic stability. Social expenditures are better targeted. Two droughts were handled without derailing the GRZ budget or distorting markets. The infrastructure is beginning to recover. USAID has been key to many of these accomplishments.

But USAID is no longer able to make the kind of difference we should be able to make in Zambia. In the last year, our ability to take advantage of this tremendous development opportunity has eroded significantly. The amount of our budget and the proportion devoted to growth continue to be cut. This is most worrisome in its effect on our commitment to food security. This request solicits Bureau support for augmenting our budget by allowing Zambia to join and benefit from the Bureau's Food Security Initiative. Likewise, Bureau support for development of a possible new micro-credit effort to complement this and our privatization work is sought.

Additionally, this request makes a case for NPA to support Zambia's health program. The Zambia health sector reform program is lauded internationally as a model. It's success is seriously jeopardized by continuing FX constraints on the GRZ budget occasioned by Zambia's debt burden.

Another significant constraint to our ability to deliver results during the last year stems from the deep cuts in staff we suffered. We have gone from 11 to 8 USDHs and have taken even deeper cuts in FSN staff. Critical substantive capacities have been compromised. This request pleads for relief on proposed additional cuts.

In short, if we are given the tools we believe USAID can continue to demonstrate significant results in Zambia. A recent statement by the Zambian Association of Manufacturers encapsulates our vision; ***"Zambia at this point is very vulnerable. For once there is a country in Africa that is finally showing the world what can be done through a process of privatization, free enterprise and the liberalization of the private sector. Rather than heading towards becoming another Somalia, Rwanda or Burundi, we have a future in front of us, albeit a fragile one. Let us play our role, and ensure that the future is promoted, nurtured and given an opportunity to grow. Let us be positive about the good things that have happened so far whilst we continue to be concerned. The rest of the world needs to know about the good that is being done here in Zambia."***

Part II: Results Review - Progress Toward Objectives

Strategic Objective 1: *Reduce the State's Role in the Provision of Goods and Services*

This Strategic Objective directly contributes to the Agency's Sustainable Development Goal of "*Broad-Based Economic Growth Achieved*" by supporting the GRZ's efforts to energize the national economy through liberalization and the encouragement of domestic and foreign private investment.

In 1992, the GRZ requested USAID's assistance to build capacity and offer technical know-how to the nascent Zambia Privatization Agency (the autonomous body tasked with the privatization of State Owned Enterprises-SOEs) in the privatization of 50 of the 150 SOEs designated for divestiture. The World Bank regards Zambia's USAID-supported privatization program as the most successful in Africa and lauds the Zambian Government's efforts. (World Bank Findings, No. 72, 10/96).

Without USAID's assistance to the ZPA, the program would not be where it is today. At project inception, 80% of national productive capacity was in the hands of parastatal companies. As a result of USAID activities, 129 SOEs have been sold or liquidated. A further 40 SOEs are in the final stages of sale. Government subsidies have decreased from \$47.5 million in 1993 to \$4 million in 1996. The sale of parastatals has raised \$60 million to date. Non-traditional exports have increased from \$50 million in 1992 to \$230 million in 1996, a clear sign of private sector growth.

USAID's assistance to small and medium enterprises (SMEs) and to newly privatized companies through training and entrepreneurial support is an essential part of USAID's "Private Sector Package". Privatizing companies is not enough. After 20 years of paternalistic interference by the GRZ, businesses need to adopt modern business practices, learn about new technologies and marketing, quality control and business planning. This knowledge and practical training is what will sustain Small and Medium businesses, long after the privatization program is over. To date, assisted SME's report an average increase in profits of 25%.

S.O.1 consist of a package of five business support activities which include: 1) *Privatization Support Project (PSP)*; 2) *Regional Telecommunications Restructuring Project (RTRP)*; 3) *Private Enterprise Support*; 4) *the Human Resources Development Activity (HRDA)*; and 5) *the African Training for Leadership and Advanced Skills (ATLAS)*.

1) *Privatization Support Project (PSP)*: Technical assistance to the Zambia Privatization Agency (ZPA) in the SOE divestiture process by a team of privatization consultants (merchant bankers, property consultants, marketing experts, business analysts, and public relations consultants), including assistance in manpower development at the ZPA, and in educating the Zambian public on the process and benefits of privatization;

2) *Regional Telecommunications Restructuring Project (RTRP)*: There are two activities under the RTRP: a) assistance to the ZPA in the privatization of the Zambia Telecommunications

Company (ZAMTEL, the primary provider of telecommunications services in Zambia) through technical assistance by the USAID RTRP institutional contractor; and b) assistance to the Communications Authority (Zambia's first autonomous regulatory authority) through the services of a long-term advisor and short-term technical assistance. An umbrella activity of integrated consultancy, business skills development and management training, co-located at the Zambia Association of Chambers of Commerce and Industry (ZACCI), consists of both 3) *Private Enterprise Support*, a grant to the International Executive Service Corps (IESC) to provide hands-on technical assistance to Zambian enterprises; and 4) *the Human Resources Development Activity (HRDA)*, providing management and business skills training for Zambian firms; 5) *the African Training for Leadership and Advanced Skills (ATLAS)* project provides long-term academic degree training in the U.S. and third countries in management, economics and business law. Activities 3 and 4 focus on small and medium-size enterprises (SMEs).

Performance Analysis:

S.O. #1 Intermediate Result 1.1: Divestiture of SOEs

USAID's privatization project is an outstanding success. S.O. #1's principal Intermediate Result - Divestiture of SOEs - exceeded the cumulative 1996 Privatization Support Project target of 50 SOEs by 183% by the end of 1996. The principal reasons for the project target being exceeded by such a high margin are:

a) *Rapid, USAID-Sponsored Skills Development at ZPA:* at project inception there was little capacity or experience at the ZPA to carry out privatization. Upon their arrival in 1994, each of the long-term institutional contractor advisors was assigned a specific team or department at the ZPA. Their multi-faceted support improved the skills and capacity of ZPA management while simultaneously becoming an integral part of ZPA's operations, thereby increasing the pace of privatization dramatically;

b) *Liquidation of ZIMCO:* A major obstacle to the privatization program was removed in 1995 - due to strong pressure from both USAID and the World Bank - with the closure of the major parastatal holding company, the Zambia Industrial & Mining Corporation (ZIMCO). ZIMCO's constant interference and procrastination in every proposed privatization had held up the process for a considerable time;

c) *Dynamic New ZPA Top Management:* a new, no-nonsense, results-oriented Chief Executive Officer was recruited from the private sector to become head of the ZPA in 1995. His results-oriented management style dovetailed perfectly with the USAID institutional contractor's work methodology, and resulted in increased momentum in privatization; and

d) *a Public Awareness/ Education Campaign:* the institutional contractor's marketing expert increased public awareness of the benefits of privatization, as well as a better understanding among potential investors of the profit potential in the parastatal companies being sold, via a

public information and marketing campaign conducted through newspaper articles, radio and television programs, discussions, and even theater.

Over and above the assistance to the ZPA, USAID provides invaluable technical assistance (TA) to the nascent Communications Authority (CA) via the Regional Telecommunications Restructuring Program (RTRP). A long-term advisor (24 months' TA) is resident at the CA to advise the Board and staff on the modus operandi of a regulatory agency. Further, short-term specialized TA is provided in specific regulatory areas, as are study tours and workshops both in Zambia and abroad. Currently there is no competition to ZAMTEL, the parastatal telecommunications company. However, due to sector liberalization in Zambia's telecommunication sector, a U.S. company (TELECEL) will start operating a cellular network by March 1997. Private satellite (VSAT) networks have been licensed by the CA, and three coin-box telephone operating companies have been granted licenses. Strategic, Action and Business Plans have been developed by the CA under the impetus of the advisor and short-term TA.

The World Bank regards Zambia's USAID-supported Privatization Program as the most successful in Africa and lauds the Zambian Government, saying: "in no other country in the Africa region has a government had the confidence to place complete responsibility for privatization in the hands of one entity;" (i.e., the ZPA). Without USAID's assistance to the ZPA, the program would not have achieved its significant progress as quickly as it has. During 1996, the Zambia Consolidated Copper Mines (ZCCM), the largest parastatal and earner of 90% of Zambia's foreign exchange, was approved for private sale by Cabinet in five packages of assets (mines and ancillary facilities). A sales agreement for the first package, Kansanshi Mine, was signed in January 1997 with Cyprus-Amox, a U.S. firm. Capital investment in this package is forecast at \$300 million. ZCCM subsidiary companies are also being privatized, including Zambia Metal Fabricators, sold to Phelps Dodge in July 1996. In February 1997 a Memorandum of Understanding was signed between the GRZ, ZCCM and a consortium of international investors led by Anglo-American Corporation regarding the acquisition of 80% of ZCCM's Konkola Division (Konkola and Konkola Deep Mines and the Mufulira Smelter/Refinery) in exchange for a feasibility study of the Konkola Project (full development of the Division). **If, as expected, the Project is found to be commercially viable, the consortium will finance its development - an \$800 million investment.** USAID's institutional contractor at the ZPA is playing a major role in the ZCCM privatization - taking part in negotiations with Anglo American and the Anglo Vaal consortiums on the sale of Konkola Deep and Konkola North, as well as the analysis of tenders received, and the supervision of the ZPA Mining Team.

Zambian citizens have bought 75% of the privatized companies and have been able to participate in the growth of major former parastatals such as Zambia Sugar and Chilanga Cement through the Privatization Trust Fund, which holds up to 30% of large SOEs' shares. Exports by these two companies increased by 30% and 20%, respectively, in 1996. Capital investments to be made by the purchasers of these companies (the U.K.'s Tate & Lyle and Commonwealth Development Corporation) are substantial (Zambia Sugar, \$63 million; and Chilanga Cement, \$6 million; Refined Oil Products, purchased by Lever Brothers, is investing

\$6.5 million over the next 5 years) and demonstrate the faith that these transnational corporations have in the future of Zambia's economy. Nanga farms, which produces coffee, wheat, and sugar, has increased employment by 400 people (from 40) and is actively involved in an out-grower scheme which provides employment for up to 2,000 casual workers at certain times of the year. Prior to privatization, Nanga Farms did not export; the company is now exporting one third of its produce.

The Zambian economy recorded a growth of 6.4% Gross Domestic Product in real terms in 1996. This is an impressive improvement from the minus 4.3% in 1995. Total net privatization receipts amounted to 0.5% of the 1996 GDP. The GRZ deficit has been reduced from 20% of GDP in 1994 to 1% of GDP in 1996; strict budgetary control and the privatization program were major contributing factors to this reduction. National accounts statistics show a clear trend in private sector growth since the Privatization activities started in 1993. The manufacturing sector, which is now 90% in private hands, experienced a growth of 2.5% in 1996 against minus 2.7% in 1995; a clear indication that privatized companies are now beginning to recover from the ruinous fiscal and management policies of SOEs. Non-traditional exports rose from \$50 million in 1992 to \$230 million in 1996; a sign of continued private sector growth.

The impact of the divestiture of SOEs on the GRZ budget, through no longer having to subsidize these companies is substantial: Total GRZ subsidies in 1993 to parastatal organizations were \$47.6 million; by 1996 this had dropped to \$4 million.

The importance of Zambian popular support for the privatization process was paramount to the programs success. Zambian ownership of privatized SOEs is tracked under Intermediate Result 1.1. The selling off of state-owned enterprises (SOEs), which are seen by many Zambians as the national patrimony, is extremely sensitive. The previous government's ideology - a quasi-socialist nationalism - was hostile to private ownership of "strategic" industries; the almost thirty years during which this ideology held sway created deep suspicions of the private sector among the population. The Zambian people as a whole must therefore see clearly that privatization is a "Zambian" exercise which will ultimately benefit Zambia, not a program imposed from outside that robs people of their jobs and patrimony.

The sensitivity of privatization is illustrated by the issues surrounding the sale of 20,000 houses originally owned by SOEs. Company housing was a perquisite of SOE employees, a major benefit, and often the employees' only decent and affordable housing alternative. The sale of the parastatal housing units to their tenants at fair and affordable rates through a mortgage plan (a first for Zambia), designed by USAID's institutional contractor property specialist, resolved a situation which could have become a contentious and politically sensitive problem.

Intermediate Result 1.2: Management of Privatized SOEs Improved through Business Training and Entrepreneurial Support

The current and future business skills requirements of Zambian SMEs and large companies are an integral part of this S.O. A Price Waterhouse study of 17 privatized former parastatals carried

out on behalf of USAID in November 1996 identified the lack of both management and artisan skills as a major weakness in all the companies surveyed. Without these skills, many of the steps taken by the GRZ to liberalize the economy and put it in private sector hands will not have their intended effect. Companies will not reach their full potential, and many SMEs who might otherwise grow to become a vital part of the Zambian economy will fail.

Staff of selected SMEs have been provided with targeted TA and training through USAID. Assistance is provided to both newly privatized former parastatals and ordinary private Zambian companies. The IESC has assisted over 20 privatized companies in the last two years through a USAID grant under the Private Enterprise Support Program. **The result of assistance received by SMEs indicates an average increase of 25% in profits, increased output of 50%, and product quality improved by 60%.** This cost-effective project has provided services to all of the other Mission S.O.s over the past four years- saving Mission projects high consultancy fees. Examples include: seven IESC volunteers who assisted the ZPA in the privatization of the first eight companies (before arrival of the USAID institutional contractor); assistance to rural SMEs and the Zambia Export Growers Association; to the tourism and natural resources sectors through institution-building (Wildlife Producers Association, Tourism Council of Zambia, Tour Operators Association, Wildlife Conservation Society); and to the health sector through TA to private clinics, upgrading their administrative and financial systems, as well as to the University of Zambia Teaching Hospital's quality control program for the Bioengineering Department.

HRDA was integrated into the Zambia Association of Chambers of Commerce and Industry (ZACCI) in 1996, and the Private Enterprise Support Project is assisting in this process through TA to ZACCI. Another important entrepreneur training resource is the African Training for Leadership and Advanced Skills (ATLAS) Project. ATLAS provides university degree training. Students receive degrees at some of the best universities in the U.S.A. and come back to Zambia able to offer first class academic experience to their respective organizations. This project produces top achievers like the ATLAS participant who worked at the ZPA as senior technical officer (publicity and marketing) obtained an MBA, and on returning to the ZPA was promoted to Team Leader of one of the five Privatization Teams - the first female in this position! Another participant has been promoted twice in the three years after his return; first to senior economist, and with his last promotion to business development manager of a key bank.

As a result of USAID/Zambia's participation in the New Partnerships Initiative, as a Leading Edge Mission (NPI/LEM), it was able to craft an innovative partnership - under the ZACCI umbrella - which will result in an indigenous Zambian version of the IESC, the Zambian Management Assistance Program (ZMAP). ZACCI, HRDA and IESC are working together with prominent Zambian private-sector business leaders to develop a mentoring program under which senior Zambian executives, managers and technicians of large, successful companies volunteer their time and efforts to provide technical assistance in the areas of management, production and quality control to selected SME colleagues.

Expected Progress through FY 1999 and Management Actions:

A new agreement was signed with the Privatization Support Project's institutional contractor on February 28, 1997, extending the contract period through November 30, 1997 and enabling USAID to continue to assist the ZPA in the privatization of a further 40 large SOEs while maintaining the privatization program's momentum. It is expected that before the end of 1997 most of ZCCM will be in private hands. ZAMTEL will be privatized by early 1998 through the assistance of USAID's RTRP program. **The ZAMTEL privatization will have a ripple effect on the whole telecommunications industry, which is now open to competition.** The expected benefits include improved and diversified services, modern technology, and a transparent regulatory authority.

The ZPA's current mandate will have one more year to run at that time, and its CEO has requested further (but significantly scaled-down) USAID assistance - a request the Mission is considering providing through the end of FY98. A decision will be made as part of the current 1998-2002 Country Strategic Plan development process. The RTRP project continues to provide assistance to ZPA in the privatization of ZAMTEL through the USAID institutional contractor Price Waterhouse, and is also providing long and short-term TA to the sector's regulatory agency, the Communications Authority.

In the context of the strategy review and this exercise, the Mission is exploring possible investments in micro-credit under this S.O. and S.O.#2 in FY98 and FY99.

Performance Data Tables

OBJECTIVE: Reduce the State's Role in the Provision of Goods and Services			
APPROVED: 2/7/97 COUNTRY/ORGANIZATION: USAID/Zambia			
RESULT NAME: IR 1.1: Divestiture of State-Owned Enterprises (SOEs)			
INDICATOR: Number of Parastatal Companies (SOEs) Sold or Liquidated to Date			
UNIT OF MEASURE: Parastatal Companies (SOEs)	YEA	PLANN	ACTUA
SOURCE: Zambia Privatization Agency/Project monitoring	1992(-----	0
	1995	37	45
INDICATOR DESCRIPTION: No.of companies privatized/liquidated	1996	50	84
	1997	40	
COMMENTS:	1998	10	

OBJECTIVE: Reduce the State's Role in the Provision of Goods and Services			
APPROVED: 2/7/97 COUNTRY/ORGANIZATION: USAID/Zambia			
RESULT NAME: IR 1.1: Divestiture of SOEs			
INDICATOR: Percent of Privatized Assets Bought and/or Controlled by Zambians			
UNIT OF MEASURE: Percent of Total Privatized SMEs/Assets	YEA R	PLANNE D	ACTU AL
SOURCE: Zambia Privatization Agency - Status Reports	1992(B)	-----	0%
	1995	50%	73%
INDICATOR DESCRIPTION:	1996	50%	75%
	1997	40%	
COMMENTS:	1998	40%	

OBJECTIVE: Reduce the State's Role in the Provision of Goods and Services			
APPROVED: 2/7/97 COUNTRY/ORGANIZATION: USAID/Zambia			
RESULT NAME: IR 1.2: Management of SMEs and Privatized SOEs Improved Through Business Training & Entrepreneurial Support			
INDICATOR: Difference between pre-assistance and post-assistance net profit margins for USAID-assisted SMEs (% Increase or Decrease)			
UNIT OF MEASURE: Assisted SMEs' Net Profit (% change)	YE A R	PLANNE D	ACTU A L
SOURCE: Company Quarterly Reports, Detailed TA and Training Reports	1997(-----	
INDICATOR DESCRIPTION:	1998	25%	
COMMENTS: Baselines and indicators for HRDA	1999		

under ZACCI and for the IESC grant have been redefined and are awaiting USAID/Zambia Mission Management approval.

Strategic Objective 2: Increase the Productive Participation of Rural Enterprises and Communities in the National Economy.

Strategic Objective 2 directly supports the Agency Goal of "Encouraging Broad-based Economic Growth." S.O. activities contribute to stronger markets, biological diversity, and sustainable biological and natural resource use.

USAID/Zambia's initial work under this strategic objective focused on changing the policy environment in the agriculture sector, encouraging agricultural market and price decontrol. USAID's efforts were extremely successful. Zambia has moved from a country where virtually all prices and marketing channels were controlled by the government to one where decisions can be, and are being, made on an economic basis. Zambians are reaping the benefits of this earlier work. USAID is now focusing on consistent implementation of sound policies and practices.

Up to 1994, USAID/Zambia was the lead donor encouraging agricultural market and price decontrol. USAID's Zambia Agricultural Training, Planning and Institutional Development project increased Zambian technical capacity to conceptualize and develop liberalization policies. USAID's Agricultural Marketing Support Project (ZAMS) promoted local, private sector maize milling and oilseed processing businesses, reducing rural consumer reliance on distant, more expensive maize meal and cooking oil sources, and diversifying rural and urban food baskets. USAID's Maize Market Decontrol Program (MMDP) encouraged maize meal and fertilizer subsidy elimination, reliance on market determined commodity pricing, and privatization of agroprocessing parastatals. Institutional developments and transitory food insecurity

interventions, such as USAID's significant food aid contributions during the 1992 drought, complemented policy reforms that encouraged domestic and regional cereals trade development. The current Agricultural Sector Liberalization Project has enhanced agricultural marketing systems for both inputs and produce, and **increased food production and smallholder incomes.**

USAID's long-term policy reform assistance ended in 1994. Since then, USAID worked to do more with less to encourage consistent policy implementation. Most of the major Zambian food sector policy distortions have been eliminated. Agribusiness and rural community capacities are beginning to lead Zambian agricultural growth. Farmers, rural groups and the private agribusiness sector are showing their ability to evaluate, adopt and adapt new technologies, diversify their cropping systems, and improve food security and incomes.

USAID's financing of Africare's oilseed project, CLUSA's rural group business project and CARE's food security project have encouraged Government partnership with NGO's in rural service delivery. At a time of significant Ministry of Agriculture restructuring and the demise of heavily subsidized agricultural credit parastatals, NGO's have taken the lead in production and processing technology transfer, rural food security monitoring, disaster response, rural finance initiatives and rural infrastructure development.

With 20,000 tons of PL-480 Title II sorghum, Famine Early Warning System analysis, and strategic alliances with Zambian trade associations, the Mission showed Government that well targeted food relief could address drought-induced rural food insecurity, while commercial cereals imports effectively service urban demand. This strategy saved government and donors upwards of \$100 million in 1995/96. With \$540,000 in local currency, and in collaboration with CIDA and ODA, the Mission assisted CARE in successfully developing participatory approaches to food security improvements that are now replicated by Ministry of Agriculture staff in Zambia's most drought-prone areas.

Mission initiatives built private sector confidence that donor actions are predictable and supportive, while encouraging consistent government policy implementation. In this way, USAID contributed directly to the significant agribusiness growth described below.

With a return of good rains in 1996, USAID focused on investment and agribusiness expansion. Zambian agribusinesses are expanding quickly, providing improved services to rural families. However, after decades of central planning, many rural families do not have production, marketing and investment planning skills. Combined with Zambia's poor economic infrastructure, weak rural family business skills increase agribusiness transactions costs. Weak business skills also limit the impact agribusiness expansion has on rural economic growth, as families fail to successfully reinvest farm profits in other sustainable, income generating enterprises. Like agribusinesses throughout Southern Africa, Zambian agribusinesses lack information on and access to regional and international markets.

Although business expansion holds tremendous promise, the Mission shares Government's concern with transitory and chronic food insecurity. Effectively addressing this issue is essential to sustained liberalization.

A similar practical thrust characterizes the Mission's natural resource management efforts. USAID works with communities in protected areas to manage wildlife in ways which generate income for those communities.

The Mission's agricultural and natural resources portfolio addresses these opportunities. USAID leads in supporting rural association development, cropping diversification, agribusiness - small holder linkage expansion, the enhancement of women's livelihoods, and transitory and chronic food insecurity solutions.

In continuing USAID's 15 years of successful leadership in sectoral policy reform, the Mission creatively employs central and bilateral funding, international and local NGO capacity, private sector policy initiatives and emergency food aid to promote economic growth and appropriate assistance to vulnerable groups.

Major accomplishments under this SO include:

- Agriculture and agribusiness contributions to GDP grew from 48% in 1995 to 60% in 1996, reflecting the USAID-supported privatization of agroprocessing facilities, increased non-maize crop production (including high value crops), increased agricultural primary and processed commodity exports, and more liberal trade policies.
- With fertilizer subsidies gone, maize production has become more efficient. Farmers saved \$60 million dollars on fertilizer in 1996, and Zambia still exported maize and maize meal.
- Improved sorghum varieties and practices promoted by CARE are increasing yields by 36%, without fertilizer.
- In 1996, communities in protected areas received over \$800,000 in income from conservation activities.

S.O. #2 Intermediate Result 2.1: Efficient Product Marketing Systems Exist

Due to dilapidated economic infrastructure and low population densities, developing rural institutions and public investments to increase market efficiency is a daunting challenge. Nonetheless, in response to USAID-supported agriculture sector liberalization, private investment in input and output marketing structures is already bearing fruit. Cotton outgrowing and processing investments now provide more than 80,000 farmers with timely fertilizer and insecticide delivery and guaranteed output markets. A private sector oilseed processor pre-financed 300 sunflower producers and in November 1996 exported \$180,000 worth of oilseed meal to Zimbabwe. South Africa's largest horticulture company purchased ZAMHORT, a recently privatized parastatal, and is setting up tomato and fruit outgrower schemes. A firm that exports horticulture products to Europe and the US will increase weekly tonnage from 30 to 60 tons, with expanded volumes from outgrowers. Some observers estimate that by the year 2000, 40% of Zambia's 600,000 small farmers will be covered by outgrower schemes.

Three US NGO grantees, CLUSA, Africare and CARE, are encouraging Zambian smallholders farmers and rural enterprises to become more productive. USAID-supported CLUSA activities are directly involved with cotton, oilseed, horticulture, maize, seed and fertilizer marketing activities that contribute to or complement outgrower initiatives. CLUSA groups that understand the business of outgrowing seek ways of increasing investment paybacks. USAID grantee Africare, is the leading promoter of oilseed production and processing, providing valuable input and machinery delivery services unavailable from other sources. Although primarily focusing on crops that would provide improved household food security under increasingly drier agro-climatic conditions, CARE-supported farmers are already producing cotton under outgrowing contracts and experimenting with paprika production. In addition, the increased sorghum production that has resulted from CARE's crop diversification activities enables women to increase incomes earned from brewing traditional beverages.

The enabling environment, encouraged by USAID's earlier policy reform activities, and current implementation support, are paying off. In 1995, a drought year, Zambia doubled its non-traditional agricultural exports. Primary and processed agricultural commodity exports constituted 47% of the \$200 million in non-traditional exports. In 1996, a good rainfall year, non-traditional exports increased 15%, to \$230 million. **Agricultural primary and processed commodity exports appear to have increased 57% to \$1495 million. This represents 65% of total non-traditional exports.** Significant export increases were noted in sugar, horticulture/floriculture, maize and maize meal, coffee, cotton, tobacco, textiles and oilseed cake. All of these exports reflect contributions from smallholder production activities.

Agriculture and agribusiness growth reflect the USAID-supported privatization of agroprocessing facilities, increased non-maize crop production (including high value crops), increased agricultural primary and processed commodity exports, more liberal trade policies and government's courageous decision to "let markets work" during the significant 1995 food shortfalls.

Maize contributes an estimated 45% of agricultural GDP and 45% of agricultural value-added. In 1996, maize production increased 90% over 1995 drought year production. This increased production resulted from good rains and high 1995 planting season maize consumer prices. High consumer prices resulted from government willingness to let commercial traders service the estimated 530,000 tons cereals shortfall, while focusing donor and NGO food aid deliveries on food insecure rural families.

Compared to what happened after the 1992 drought, when food aid overhang depressed farmgate prices during the subsequent good 1993 harvest, government and donors applied food aid sparingly in 1995. The relatively high maize consumer prices that resulted from Zambia's reliance on regional supplies as opposed to food aid, provided production incentives that led to Zambia's above average 1996 food and cash crop production levels. As a result, inflation-adjusted urban maize meal prices were 50% less in December 1996 than they were during the previous year, and Zambia exported an estimated 100,000 tons of maize and maize meal. **USAID's policy and food aid contributions made a determining contribution to**

government and donor responses to the 1995 food shortfall, as well as the subsequent surge in 1996 agricultural and agribusiness contributions to GDP.

With Gemini, CARE, FEWS and PEDS analytical findings, USAID has consistently encouraged government to understand that subsidized fertilizer is not the answer to Zambia's rural finance requirements. Zambian maize cultivation is becoming more productive and environmentally sustainable. In 1989, Zambia used over 300,000 tons of fertilizer to produce 1.9 million tons of maize, or about 6.3 tons of maize for every ton of fertilizer. In 1996, Zambia produced 1.4 million tons of maize, using 84,000 tons of fertilizer, more than 16 tons of maize for every ton of fertilizer. Prior to liberalization, farmers used heavily subsidized fertilizer instead of devoting more effort to appropriate crop husbandry. **With subsidies gone, fertilizer is used more productively. Farmers saved \$60 million dollars on fertilizer in 1996, and Zambia still exported maize and maize meal.**

S.O.#2 Intermediate Result 2.2: Productive Economic Participation Increases Rural Investment

There are 168,000 SMEs operating in Zambia's rural areas; 40% are in manufacturing, mostly in agricultural processing, beverage making, forest products and textiles (not garments). These activities are primarily undertaken by women. **USAID support to Africare, CARE and CLUSA has a direct impact on rural women and increased rural investments**

Under USAID's Africare oilseeds projects, oilseed press sales increased 99% in 1996. Five Africare trained manufacturing companies sold 777 "Yenga" presses with a total value of \$166,430. The project has sold a total of 1,544 presses to date, diversifying income streams and providing employment for over 10,000 rural families. In 1996 these presses generated gross revenues of \$1.17 million from nutritious sunflower oil sales (over 660,000 liters) and \$280,656 in seedcake sales (for livestock feed). **Approximately 40,000 people consumed oil made in Yenga presses, an average of 16.5 liters per person. This is a significant achievement because rural Zambians consume less than 3 liters of cooking oil per person per year. Farmers crushing their own sunflower seed triple their harvest's value.** Africare has spearheaded the multiplication and distribution of open pollinated, high oil yielding sunflower seed and is in a coalition that will take over sunflower seed multiplication from the defunct Zambian seed parastatal, ZAMSEED.

Since May 1996 the USAID-funded CLUSA Rural Group Business Development project has assisted 103 group businesses with 1,553 members. Groups marketed over 16,000 bags of maize worth almost \$100,000. 27% of group business members are women while 22% of the 103 group businesses are predominantly made up of women. Group marketing resulted in farmgate prices that, on average, were a dollar per bag higher than farmers selling individually. Farmers selling in CLUSA groups earned \$15,500 more for their maize. CLUSA market organization activities are lowering the costs of doing business for farmers and agribusinesses alike.

The USAID-funded CARE Livingstone Food Security Project has assisted in developing 243 farmer groups and 41 Village Management Committees (VMC) with over 9,076 farmers; 1,414

farmer group members are women and 115 women occupy leadership positions either in the farmer groups or the VMCs. VMCs multiply and distribute low-rainfall sorghum, millet, maize, cotton, peanut and cowpea seed. Improved seed is loaned to farmers at 700% "interest rates," a farmer receiving a 3 kg. sorghum seed loan must repay 21 kgs. of sorghum to the VMC at harvest. This seed is then distributed to additional farmers. **With better than 99% repayment rates**, CARE-assisted VMCs are illustrating to government and others that properly oriented, village based input distribution programs can overcome Zambia's legacy of poor rural credit repayment.

Farm families planting improved low-rainfall crop varieties have extended food supplies by 3 to 5 months. For women, higher yielding sorghum and millet varieties mean higher incomes from traditional beverage brewing, while quicker maturing cowpea varieties provide food during the pre-harvest "hungry season." Although affordable commercial financing is still inaccessible to most rural businesses, there is significant evidence that investment of either retained earnings, remittances, gifts or labor is taking place in rural agricultural processing, new production technologies and new institutions.

USAID employs regional funding to support the Ministry of Tourism's Administrative Design for Game Management Areas (ADMADE) wildlife conservation activities. ADMADE has established administrative structures so that the Ministry of Tourism (MOT) can share 40% of safari hunting and park entrance fee revenues with protected area communities. Sharing these revenues with rural families encourages wildlife conservation and increases rural investment. Total safari hunting revenues were \$87,259 in 1994. As a result of ADMADE's success in marketing Zambian safari hunting, hunting revenues surged to \$1.9 million in 1995 and an estimated \$2 million in 1996. In 1996, communities used their 40% share of the \$2 million revenues for schools, clinics, waterpoints, small scale grain hammer mills and conservation education. Protected area community investments will increase in 1997 as ADMADE administers additional revenues from leasing 34 state owned tourist lodges and camps to private operators.

USAID supported the drafting of a new Wildlife Authority Act. The Act will soon be submitted to Parliament and could vest protected area communities with natural resources management authority. If the legislation passes, safari hunting, lodge leasing and other revenues will have a greater rural development impact as local communities manage natural resources on their own.

S.O.# 2 Intermediate Result 2.3: Diversified and Productive Farm Enterprise Management Practices

Significant results have been achieved in the production of non-maize crops. Sunflower (100% increase), soybeans (89.5%), sorghum (34%), and paddy rice (9.75%) production all increased significantly over 1995 levels. During the 1996-97 planting season, the cotton-planted area skyrocketed to over 140,000 hectares, sweet potato and cassava hectareage doubled and tobacco, horticulture and oilseed plantings also significantly increased.

In Zambia, the USAID-supported CARE project is taking the lead in experimenting with village-based, low-rainfall seed multiplication and distribution. CARE also uses VMCs to market commercially produced seed. As a result, in 1996, over 9 tons of low-rainfall maize seed was distributed to 915 farmers; 5.5 tons of sorghum seed was distributed to 1,350 farmers; 790 kgs. of millet seed went to 395 farmers; 5.3 tons of peanut seed went to 600 farmers; 2.2 tons of improved cowpea seed went to 1,100 farmers (improved cowpea varieties mature in 2 months, half the time of traditional varieties); 1 ton of cotton seed went to 23 farmers (this done in collaboration with a large cotton outgrowers scheme); and 540 kgs. of sunflower seed went to 1,080 farmers. (The total 5,666 beneficiaries excludes those receiving seed distributed from seed banks established in 1994-95.) Zambia's seed parastatal (ZAMSEED) is bankrupt. Without CARE's activities, families in drought prone areas would be unprepared for the next rain shortfall. **Since improved sorghum varieties and practices promoted by CARE increase yields by 36% without fertilizer**, CARE farmers now face a new challenge: how to store food stocks that last well into the next planting season.

Expected Progress Through FY 1999 And Management Activities:

USAID-supported S.O. 2 team members (Africare, CARE, CLUSA, ADMAD/MOT, MAFF, FEWS) collaborate in serving Zambia's rural families. USAID will add an "agribusiness with linkages to small farmers" development specialist to the CLUSA grant, and develop an Agribusiness Technical Assistance Center. This addition will grow agribusiness - small holder business linkages to increase Zambian agribusiness penetration into regional and international markets. The Mission will assist the Ministry of Agriculture develop rural finance policies and programs. Depending on this analysis and the availability of funds, the mission may support micro-credit investments in FY98 or FY99 under this SO and SO#1

USAID will work with SAARNET, ICRISAT, CARE, CLUSA, the MOA, donors and others in extending cassava, sweet potato, millet, sorghum and cowpea varieties and production technologies to more rural families. With lessons learned from Africare, CARE and CLUSA, USAID will enhance the new wildlife legislation's impact by assisting rural families in productively and sustainably managing natural and financial resources

USAID will broaden its support to CARE's development of sustainable community based agricultural production activities in key biodiversity resource areas of the Kalahari Sands

With FEWS, the World Food Program, the GRZ's Disaster Management Unit and others USAID will develop a "Transitory Food Insecurity Response Strategy" over the next year. With central financing, USAID may also assist WFP in addressing chronic rural food insecurity without undercutting markets.

CARE is implementing an innovative client based project impact monitoring system. CARE VMC members are asked to fill out "journals" describing the impact of CARE activities on their families. Although in its initial phase, this low-cost system of gathering continuous "customer"

feedback appears useful in focusing USAID activities on customer needs and aspirations. If successful, USAID will explore the possibility of expanding the use of this approach.

In light of Zambia's continued vulnerability to weather-induced agricultural shocks, and the positive policy climate, the Mission seeks Washington approval to be included in the Africa Bureau's Food Security Initiative in FY98. Our investments in Agriculture have been seriously under-funded for several years. Additional support would be used to accelerate crop diversification and consolidate the policy reform process.

Performance Tables

OBJECTIVE: S.O. #2 Increase the Productive Participation of Rural Enterprises and Communities in the National Economy			
APPROVED: 2/6/97 COUNTRY/ORGANIZATION: USAID/Zambia			
RESULT NAME: IR 2.1: Efficient Product Marketing Systems Exist			
INDICATOR: Agricultural Exports as a Percent of Total Non-Traditional Exports			
UNIT OF MEASURE: Agricultural exports as a Percentage of total Non Traditional Exports	YE A R	PLANN ED	ACTUA L
SOURCE: Bank of Zambia	1993 (B)	44%	44%
INDICATOR DESCRIPTION:	1996	55%	65%
COMMENTS: CSO Figures on proportion of agriculture in NTEs not available for 1996. This figure reflects Bank of Zambia reporting, industry reporting, Export Board of Zambia figures.	1997	60%	
	1998	65%	
	1999	75%	

Objective: S.O. #2 Increase the Productive Participation of Rural Enterprises and Communities in the National Economy			
APPROVED: 2/6/97 COUNTRY/ORGANIZATION: USAID/Zambia			
RESULT NAME: IR 2.1: Efficient Product Marketing Systems Exist			
INDICATOR: Agriculture and Agribusiness as a Percentage of Gross Domestic Product (GDP)			
UNIT OF MEASURE: Agriculture/Agribusiness percentage share of GDP SOURCE: Ministry of Finance, Bank of Zambia INDICATOR DESCRIPTION: COMMENTS: CSO Figures on contribution of agriculture to GDP not available for 1996. This figure represents Bank of Zambia statistics, MAFF statistics and industry reporting.	YE A R	PLANNE D	ACTUA L
	1994 (B)	51%	51%
	1996	55%	60%
	1997	60%	
	1998	65%	
	1999	75%	

OBJECTIVE: S.O. #2 Increase the Productive Participation of Rural Enterprises and Communities in the National Economy			
APPROVED: 2/6/97 COUNTRY/ORGANIZATION: USAID/Zambia			
RESULT NAME: IR 2.2: Productive Economic Participation Increases Rural Investment			
INDICATOR: Credit for Rural Enterprise			
UNIT OF MEASURE: Percentage of Total Commercial Bank Lending in Mumbwa and Mazabuka SOURCE: Project Monitoring and Commercial banks in the two Districts INDICATOR DESCRIPTION: COMMENTS: \$68,000 in input credit has been provided by fertilizer suppliers. This is 1.3% of commercial lending in the two project districts. This indicator will be reviewed.	YE A R	PLANNE D	ACTU AL
	1995 (B)	0%	0%
	1996	<5%	1.3%
	1997	10%	
	1998	25%	
	1999	37%	

OBJECTIVE: S.O. #2 Increase the Productive Participation of Rural Enterprises and Communities in the National Economy			
APPROVED: 2/6/97 COUNTRY/ORGANIZATION: USAID/Zambia			
RESULT NAME: IR 2.2: Productive Economic Participation Increases Rural Investment			
INDICATOR: Credit for Female-Headed Rural Enterprise (Percentage of Commercial bank Lending in Mumbwa and Mazabuka)			
UNIT OF MEASURE: Percentage of Total Commercial Bank Lending	YE A R	PLANNE D	ACTU AL
	1995 (B)	0%	0%
	1996	<2%	1.3%
	1997	5%	
	1998	10%	
	1999	17%	
SOURCE: Project Monitoring and Commercial banks in the two districts.			
INDICATOR DESCRIPTION:			
COMMENTS:			

OBJECTIVE: S.O. #2: Increase the Productive Participation of Rural Enterprises and Communities in the National Economy			
APPROVED: 2/6/97 COUNTRY/ORGANIZATION: USAID/Zambia			
RESULT NAME: IR 2.3: Diversified and Productive Farm Enterprise Management Practices			
INDICATOR: Increased Cropping Diversity			
UNIT OF MEASURE: Total non-maize acreage divided by total maize acreage	YE A R	PLANNE D	ACTU AL
	1995 (B)	63	63%
	1996	65%	50%
	1997	67%	
	1998	70%	
	1999	72%	
SOURCE: Ministry of Agriculture final crop forecasts			
INDICATOR DESCRIPTION: Sorghum, millet, sunflower, groundnut, soybeans, mixed beans and paddy rice hectarage/maize hectarage			
COMMENTS: This indicator does not capture significant cassava, sweet potato, cotton and horticultural plantings currently being observed.			

OBJECTIVE: S.O. #2 Increase the Productive Participation of Rural Enterprises and Communities in the National Economy			
APPROVED: 2/6/97 COUNTRY/ORGANIZATION: USAID/Zambia			
RESULT NAME: IR 2.3: Diversified and Productive Farm Enterprise Management Practices			
INDICATOR: Increased Female-led Cropping Diversity			
UNIT OF MEASURE: Female planted sorghum, millet, sunflower, groundnut, mixed beans hectarage / maize hectarage SOURCE: Project Monitoring: CARE Livingstone Food Security Project INDICATOR DESCRIPTION: COMMENTS: The Mission is primarily concerned with increased drought resistant crop planting in Zambia's lower rainfall areas where 2 million inhabitants were food insecure, and received food aid, during previous droughts. CARE is working in these areas.	YE A R	PLANN ED	ACTU AL
	1995 (B)	63%	63%
	1996	65%	70%
	1997	67%	
	1998	70%	
	1999	72%	

Strategic Objective 3: Increased Use of Practices that Improve Child and Reproductive Health

Efforts under S.O. 3 support the Agency's Sustainable Development goal of "World Population Stabilized and Human Health Protected." USAID/Zambia supports the Government of Zambia's (GRZ) impressive and far reaching health sector reform program. USAID investments have paid off in national fertility declines, higher and sustained immunization coverage, and an apparent stabilization of HIV/AIDS seroprevalence rates. **The health reforms in Zambia create an extraordinary enabling environment for achieving further results.**

Dr. Halfdan Mahler, the former Director General of WHO, and Dr. William Foege, the former Director of Centers for Disease Control (CDC), describe Zambia as a place where, in the health sector, **the government has the right philosophy, where the government workers have genuine enthusiasm and where there is a feeling that participants are pursuing a noble vision.**

USAID's Zambia Integrated Health Package (ZIHP) supports the integrated delivery of key child health, reproductive health, and HIV/AIDS interventions through the decentralized, reformed

health care system. ZIHP is designed to ensure that the process of health reform delivers **better health for the people** of Zambia through the five intermediate results described below.

Performance Analysis:

The health status of Zambians still reflects the burden of the previous government's failed health system, with high infant and child mortality rates, high fertility, and a national HIV pandemic. However, **recent data suggests that current health reforms in Zambia and USAID's nascent two-year old PHN program are already achieving desired health impacts.** Findings from the latest (1996) Zambia Demographic and Health Survey (ZDHS) demonstrate **that fertility in this country is declining.** Zambian women will have on average 6.1 children during their childbearing years which is a substantial decline from the 1992 ZDHS average of 6.5 children. Data also show that the knowledge of contraceptive methods is now virtually universal and the contraceptive use rate has increased to 26% in 1996 from 15% in 1992 (modern method use went up to 15% from 9% in 1992). Most of the growth in family planning use has been the result of the significant increases in the use of USAID-supported oral contraceptives and condoms.

Since 1992, **childhood vaccination coverage levels have improved and are now sustained** at the national target level, with nearly 80% of children receiving BCG, measles, three doses each of DPT, and oral polio vaccines between the ages of 12 and 23 months. This is contrasted with the 1992 complete vaccination coverage rate of 67%. USAID played a major role in strengthening the immunization delivery system and in the implementation of polio eradication activities.

The HIV/AIDS epidemic in Zambia appears to have evolved into a mature, endemic phase. Nationally, **HIV seroprevalence seems to have stabilized** over the past three years at 25% in urban and 13% in rural settings--with a national average between 17% to 20% in the 15-45 age group. Some preliminary sentinel surveillance data are showing a decline in new cases of HIV in persons 15-19 years old, living in Lusaka. USAID, the largest donor supporting HIV/AIDS Prevention activities, focuses support on increasing condom use and decreasing the number of sexual partners. **USAID's social marketing of condoms contributes over one-third of the total number of condoms used in Zambia.**

S.O. #3 Intermediate Result.3.1: Increased Demand for PHN Interventions Among Target Groups

The vision of the Zambia health reforms is to bring service delivery as close to the family as possible. This "Demand" Result is designed to **empower Zambians to change their behavior** to improve household child-caring, improve health seeking behavior, and to use PHN interventions within their communities.

Examples of USAID activities and results during FY96 include: USAID supported the Ministry of Health (MOH) design and launching of a new national Family Planning (FP) logo. The logo

uses local themes and represents a model, healthy, small family. The national FP logo is a crucial demand creation intervention as it increases knowledge about family planning and will allow Zambians to differentiate high quality family planning services; USAID has developed four adolescent "Peer Education and Promotion" (PEP) teams, which conduct highly interactive, role-playing FP and reproductive health educational sessions in urban/public places at times that ensure maximum audiences. In 1996, they conducted approximately 450 such sessions, reaching an estimated 100,000 persons. **Through the USAID-supported CARE project, Couple Years Protection (CYP) increased from 9,095 in 1995 to 41,486 in 1996.** Cumulative new family planning acceptors increased from 14,673 in 1995 to 56,488 in 1996.

S.O. #3 Intermediate Result 3.2: Increased Access to PHN interventions through Community Partnerships

The health reforms in Zambia are dedicated to **promoting community self-reliance and decision-making**. This has been formalized through the formation of Neighborhood Health Committees (NHCs) throughout Zambia. The "Community Partnerships" Result is designed to infuse the NHCs and NGOs with technical capacity to ensure the sustainable delivery of community-based promotive, preventive and curative PHN interventions.

Examples of USAID activities and results in this area during FY96 include: USAID, through the USPVO CARE, used an innovative PLA approach (Participatory Learning for Action) methodology to complete an assessment of adolescent (10-18 years of age) sexual and reproductive health. The key findings of the assessment were: a) Sexual activity starts at an early age (12 years for girls and 14 years for boys); b) adolescents have multiple sexual partners; c) close relatives, like cousins in the same house, have sexual relationships; and d) health clinics are adolescents' place of last resort to seek information or help. Interventions were then developed to offer community-based peer education instead of the traditional health facility-based model. The CARE example demonstrates how USAID is using innovative participatory methodologies to understand and work more effectively with target groups and developing interventions that respond to communities needs, thus improving their impact and sustainability.

USAID supported an integrated community action assessment in three districts in Eastern Province that successfully **empowered community members and the Neighborhood Health Committees to identify and solve their own health-related problems**. Communities prioritized the need for interventions on: recognizing danger signs for childhood illness, understanding how to take prescribed medications, how to feed sick children, and how to acquire information on family planning. These findings led to the joint development of an Action Plan with the health center staff that reshaped the relationships between the communities and the health service system. This activity is a model for the Central Board of Health's, Community Partnerships Centers of Learning Initiatives, a national initiative supported by USAID and Basic Support for Institutionalizing Child Survival (BASICS) for going-to-scale with community partnerships.

S.O. #3 Intermediate Result 3.3: Improved Access to PHN Interventions through Public-Private Partnerships

The Zambian government is committed to developing a pluralistic health system that optimizes its ability to **mobilize non-governmental resources** through partnerships and innovation. This "Public-Private Partnerships" Result is designed to expand private and commercial sector delivery of health services and private sector production and distribution of key PHN commodities.

Examples of USAID activities and results during FY96 include: The USAID-supported national Population Services International (PSI) condom social marketing program has **sold over 25 million condoms in the past four years**, including 7.4 million in 1996; an 18% increase over 1995. For the past four years, USAID has exceeded its annual target of social marketing its MAXIMUM brand condom. The PSI social marketing program is an example of how we are improving the distribution of critical PHN commodities through the private sector to complement the public sector distribution system. The workplace component of the HIV/AIDS project has **established sustainable workplace-based HIV/AIDS prevention programs**, including those with the families of the workers, as well as workplace-related communities in which the workers live and socialize. This is a powerful example of utilizing the private commercial sector to support USAID/MOH public health interventions.

S.O. #3 Intermediate Result 3.4: Improved Health Facility Worker Performance in Preventive and Curative Services and Management

Major changes are underway in Zambia to improve the performance of health workers, including the creation of new cadres of polyvalent health workers, the proposed abolition of the enrolled nurse cadre and the impending delinking of all health sector staff from the public service to become employees of the autonomous health boards. These changes dramatize the need throughout Zambia for **rapid upgrading of health workers and training institutions** to improve service quality. Improved worker performance is a key determinant of consumer confidence and, therefore, of consumer behavior. The "Health Facility Worker Performance" Result focusses on improving the technical quality of pre-service and in-service training activities to ensure that health workers receive adequate supportive supervision to maintain their competencies over time.

Examples of USAID activities and results in this area during FY96 include: **Zambia is the first country in the world to train national staff in the Integrated Management of Childhood Illnesses (IMCI) curriculum.** This curriculum improves Zambian health workers' performance by standardizing the protocols for the treatment of malaria, diarrhea, malnutrition, measles, and pneumonia (these diseases contribute to more than 70% of morbidity and mortality among children under-five years of age). The impact of IMCI training is demonstrated by the fact that before training only 45% of workers correctly treated children with fever (presumptive case of malaria--which is the leading cause of childhood death). After training, 74% performed

correctly. The initial follow-up assessment, two months after training, showed that 91% of health workers correctly treated fever. In collaboration with GRZ and other donors, strategies are now being developed for going-to-scale with IMCI training.

USAID contractor, John Snow Inc., is working with the General Nursing Council to develop standardized pre-service and in-service family planning training curricula. To date, 23 leading clinical instructors from 19 training institutions have successfully completed a program which trains them on how to utilize the new curricula. A Nursing Personnel Information System has been successfully developed and is now monitoring the skills, certification, and location of the 20,000 nurses and midwives in Zambia, which will greatly enhance the ability of the GRZ to rationally distribute health personnel in the reformed system.

The decentralization of planning and resource allocations has created a large demand for better information at the community, health center, and district levels. In response, the Government is launching a national-effort to introduce a new Health Management Information System (HMIS) during 1997. USAID, through the Centers for Disease Control and Prevention (CDC) is providing critical technical input in developing indicators, revising forms, and in the development and field-testing of a new integrated HMIS training curriculum. Training and supportive supervision on the new HMIS will be delivered to all the health centers in Zambia during FYs 97 and 98.

S.O. #3 Intermediate Result 3.5: Improved Technical Quality of Policies, Planning, and Support Systems for the Delivery of PHN Interventions

The massive structural and programmatic changes under way in the Zambian health reform program have created an extraordinary demand for the **development of new technical policies, guidelines, procedures, management capacity, a functioning integrated logistics systems, and an integrated quality improvement system** to support the district health boards in their new and expanding responsibilities. This "Technical Quality" Result focusses on the improving the MOH and the Central Board of Health capacity to develop policies, translate policies into user-friendly guidelines, improve the technical quality of the District Action Planning, to support the development of an integrated logistics and supply system at the district level, and to develop an integrated quality improvement system that links community perceptions of quality to technical standards to the funding of health services.

Examples of USAID activities and results during FY96 include: USAID-supported chloroquine efficacy studies which showed high levels of malarial resistance to chloroquine. Zambia depends upon chloroquine as the first-line drug to treat malaria - a leading cause of morbidity and mortality in children under five years of age. USAID and WHO supported a revised malaria treatment policy of improving the availability of the second-line drug, Fansidar, for treatment of chloroquine failures. This policy change is now incorporated into treatment guidelines and training programs and will contribute significantly to a reduction in malaria morbidity and mortality.

After nearly a year of intense, prolonged technical discussions with the national Pharmacy, Medicines, and Poisons Board which regulates registration and use of medical products and supplies in Zambia, **USAID succeeded in obtaining regulatory approval for the social marketing of a low dose, oral contraceptive, "SafePlan."** Initial sales promotions in the three largest urban centers in Zambia have been extremely successful. For the first time in Zambia, USAID reached out to private medical practitioners with updated FP service delivery information/materials in connection with the "SafePlan" promotional launch, reaching an estimated 90% of all pharmacists, 80% of all private doctors, and 60-70% of all private medical offices and nurses in Lusaka.

USAID supported critical operations research studies which are guiding the development of integrated family planning and HIV/AIDS Prevention interventions. One study tested two community-based strategies for motivating out-of-school youth to avoid unprotected intercourse in order to reduce the high incidence of unwanted pregnancies and STIs, including HIV/AIDS. Another study explored how nearly universal knowledge of HIV/AIDS shapes sexual and reproductive behavior and decision-making, as well as fertility preferences. **USAID assistance led to the GRZ passing a law in 1996 making it illegal for employers to conduct pre-employment HIV screening.**

Expected Progress through FY 1999 and Management Actions:

Zambia is at the forefront of all African nations in its bold restructuring of its health care system. USAID/Zambia is adapting funding policies, contracting mechanisms and program management to better support the delivery of an integrated package of PHN interventions. **USAID's program is now seen as an integral part of the Central Board of Health activities.** USAID/Zambia will provide \$500,000 of FY97 HIV/AIDS Prevention resources for a common "basket" of government and donor funds that supports the HIV/AIDS activities of the Annual District Action Plans in selected districts. The basket concept supports the health reforms and the whole health system, rather than supporting specific geographical areas or vertical programs. In addition, USAID/Zambia is utilizing innovative coordination mechanisms to ensure that all cooperating agencies are supporting the delivery of an integrated package of PHN interventions and to support the Zambia Health Sector Investment Program (SIP).

USAID is planning to finalize the **Zambia Integrated Health Package (ZIHP)** in the second half of FY97. The package is planned to be the basis of a new S.O. agreement between the USG and GRZ. USAID will also use ZIHP as the basis for a Request for Proposal (RFP) to support the performance-based implementation of the USAID PHN program. The RFP contract(s) will replace the existing management structures implementing the PHN program during FY99.

The new Results Package defines a strategic vision and implementation priorities for the USAID PHN program. The management restructuring of the portfolio is being designed to build on the successful aspects of USAID/Zambia's PHN program, and to remove the contractual and management barriers that have inhibited it from reaching its full impact potential.

USAID/Zambia expects that the successful transformation of the content and structure of the PHN program will greatly enhance its ability to achieve its Strategic Objective.

The health reform program in Zambia remains seriously under-funded because of continuing resource stringencies caused by the GRZ macro-economic reform program and Zambia's debt burden. In light of this reality, and the awesome reform agenda undertaken by the GRZ, the Mission strongly believes that Non-Project Assistance (NPA) resources are needed. The Mission seeks Bureau support for augmenting its resources in FY98 and beyond to do so.

Performance Tables

OBJECTIVE: SO 3: Increased Use of Practices that Improve Child and Reproductive Health			
APPROVED: 2/7/97 COUNTRY/ORGANIZATION: USAID/Zambia			
RESULT NAME: IR 3.1: Increased Demand for PHN Interventions among Target Groups			
INDICATOR: Number of New Family Planning Acceptors in USAID-Supported Clinics			
UNIT OF MEASURE: # Individual	YE	PLANNE	ACTU
SOURCE: Service Delivery Sites	AR	D	AL
	1996		41,815 (B)
INDICATOR DESCRIPTION:	1997	60,000	
COMMENTS:	1998	80,000	
	1999	100,000	

OBJECTIVE: S.O. #3: Increased Use of Practices that Improve Child Health and Reproductive Health			
APPROVED: 2/7/97 COUNTRY/ORGANIZATION: USAID/Zambia			
RESULT NAME: I.R. 3.2: Increased Access to PHN Interventions through Community Partnerships			
INDICATOR: Proportion of mothers who demonstrate behavior change in one or more of the key home health practices/ behaviors in target communities			

UNIT OF MEASURE: Community SOURCE: Quantitative Assessment and Qualitative Assessments	YEA R	PLANNED	ACTUA L
	1996	0	0
INDICATOR DESCRIPTION: COMMENTS: Neighborhood Health Committee's are being formed throughout Zambia as part of Health Reforms. We are assuming that the majority of IEC will be implemented through community mechanisms.	1997	10%	
	1998	20%	
	1999	30%	

OBJECTIVE: S.O. #3: Increased Use of Practices that Improve Child and Reproductive Health			
APPROVED: 2/7/97 COUNTRY/ORGANIZATION: USAID/Zambia			
RESULT NAME: IR 3.3: Improved Access to PHN Interventions through Public-Private Partnerships			
INDICATOR: The number of socially marketed condoms sold in 12 months			
UNIT OF MEASURE: # (millions) SOURCE: Project Reports <hr/> INDICATOR DESCRIPTION: COMMENTS: Socially marketed condoms now make up over 1/3 of the total condom market. The proportion of market share will also be monitored by USAID.	YE AR	PLANNE D	ACTU AL
	1995(B)		6.8
	1996	7.0	7.4
	1997	8.5	
	1998	9.0	

OBJECTIVE: S.O. #3: Increased Use of Practices that Improve Child and Reproductive Health			
APPROVED: 2/7/97 COUNTRY/ORGANIZATION: USAID/Zambia			
RESULT NAME: IR 3.4: Improved Health Facility Worker Performance in Preventive and Curative Services and Management			
INDICATOR: % of IMCI trained health workers that correctly diagnose fever 2-4 months after training			
UNIT OF MEASURE: Health Worker SOURCE: Follow-up supervisory evaluations/health facility surveys <hr/> INDICATOR DESCRIPTION: COMMENTS: The total of trained health workers will also be monitored. The GRZ is in the process of developing a strategy for going-to-scale with IMCI training. The numbers of workers trained for 1998 and beyond will depend on how this strategy develops.	YEA R	PLANNED	ACTUA L
	1996	80% n=100	91% n=120
	1997	80% n=200	
	1998	80% n=to be determine d	

	1999		
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OBJECTIVE: S.O. #3: Increased Use of Practices that Improve Child and Reproductive Health			
APPROVED: 2/7/97 COUNTRY/ORGANIZATION: USAID/Zambia			
RESULT NAME: IR 3.5: Improved Technical Capacity for Policy Analysis, Planning and Support Systems for the Delivery of PHN Interventions			
INDICATOR: Proportion of districts that conduct a self-assessment of their integrated logistics systems (drugs, vaccines, contraceptives, laboratory supplies and IEC materials) and take actions to improve their system.			
UNIT OF MEASURE: Performance Audit of Districts SOURCE: Central Board of Health INDICATOR DESCRIPTION: COMMENTS: Districts are now responsible for implementing their own logistics.	YE A R	PLANNED	ACTUA L
	1996	0	0
	1997	10	
	1998	20	
	1999	30	

Strategic Objective 4: A More Sustainable Multi-Party Democracy Built

Efforts under S.O. 4, which relate directly to the Agency Goal of "*Sustainable Democracies Built*," have concentrated on consolidating the transition to multi-party democracy marked by the elections of 1991. The major vehicle for this has been the five year Democratic Governance Project launched in 1992. Accomplishments in past years included assistance with the reorganization of the Cabinet Office in July 1993; provision for training of independent journalists, beginning in 1994; and support to the Constitutional Review Commission. During 1996 attention focused on the second multi-party elections, held amidst controversy, in November. **The outcome of these elections demonstrated the persistence of the democratic spirit of 1991, but also revealed some of the difficulties in effecting a sustainable transition.**

While confrontation dominated much of Zambia's political scene during 1995/96, there were quiet but important D/G Project accomplishments:

- **the conclusion of the Constitutional Review process;**
- **the complete overhaul of the Civics Curriculum for secondary schools;**
- **the formal autonomy of the Zambian Institute for Mass Communications (ZAMCOM), delinking it from central government;**
- **the improved policy processes in the Cabinet and the issuance of a Cabinet Handbook;**
- **the number of women parliamentary candidates increased from 10 in 1991 to 56 in 1996; and last, but not least,**

- **the peaceful conduct of the November 1996 elections.**

There are three S.O.4 Intermediate Results: 4.1) Improved Citizen Awareness of Rights and Responsibilities; 4.2) Independent Journalism; and 4.3) Improved Public Policy Implementation.

Performance Analysis:

S.O. #4 Intermediate Result 4.1: Improved Citizen Awareness of Rights and Responsibilities

Consolidation of multi-party democracy requires changes in citizens' awareness of both their rights and responsibilities. In Zambia's case this entailed a review of the constitution, a process which USAID supported directly, and by mobilizing other donors. This process culminated in May 1996 when President Chiluba signed an amended constitution into law. While the constitution was amended, it was a mixed success. The constitutional review process was successfully completed, but the substance of the amended constitution generated discord both in Zambia and abroad. The constitution was amended to impose a retrospective presidential two term limit and, more controversially, to require that presidential candidates be third generation Zambians. Both amendments barred former President Kenneth Kaunda from running. He had served as president for twenty-seven years but his parents were born outside Zambia. The United States objected to this restriction on the democratic choice available to the people of Zambia, and registered its objections by reducing its assistance program. Kaunda's United National Independence Party (UNIP), other opposition parties, and a number of Zambian civil society organizations objected both to the substance of the amendments and to the ruling Movement for Multiparty Democracy (MMD) government's insistence on having the amended constitution enacted by parliament rather than by convening a constituent assembly, as had been unanimously recommended by the Constitutional Review Commission.

Pre-election discontent, stemming from the constitutional amendment, was aggravated by a government mandated voter re-registration process which, in the end, managed to register fewer voters than had been on the rolls in 1991, and was conducted in a manner which led the opposition to suspect that the MMD government was preparing to rig the November elections. Kaunda announced that UNIP would boycott the elections, and other members of the opposition alliance joined UNIP in a campaign to collect voter registration cards from citizens, in an effort to undermine the election. Tensions ran high. There was widespread anxiety that the elections would be marred by violence and non-participation. As such, a major USAID focus became trying to ensure that the elections were as successful as possible, under difficult circumstances.

USAID had previously supported an array of civil society organizations in civic education activities. Apart from support to the Foundation for Democratic Process (FODEP), an NGO with country-wide membership, by the end of 1996 a total of 73 small grants had been made to 57 different civil society organizations for activities, which included combatting voter apathy, which had emerged as a serious problem during parliamentary by-elections.

Another focus was support to the Women's Lobby Group in its efforts to increase the number of women candidates in the 1996 elections. **This USAID-supported effort was very successful: the number of women candidates increased spectacularly from 10 in 1991 to 56 in 1996.**

As election fever grew, these efforts were supplemented when the National Democratic Institute and USAID catalyzed donor support to a coalition of some 18 Zambian civil society

organizations which joined together in April 1996 to form the Clean Campaign Committee (CCC), dedicated to promoting the success of the elections.

The verdict on whether the elections of November 1996 marked a milestone in the consolidation of multiparty democracy in Zambia must be mixed. The majority of domestic monitoring groups, taking into consideration the electoral process as a whole -- including the flawed voter registration and manipulation of the constitution -- found the election process to have been unsatisfactory. The absolute numbers of those registering and voting were down, but the percentage of those registered and who voted rose from 46% in 1991 to 55% in 1996. Five candidates contested the presidency, compared to 2 in 1991. 748 candidates representing 11 parties, contested the 150 parliamentary seats, contrasted to 330 candidates representing 6 parties in 1991. Four parties won seats in parliament, contrasted to 2 in 1991.

These were impressive results in the face of the controversy which preceded the election and the boycott. Moreover, **the elections were conducted peacefully**, which must be seen as a major accomplishment for the CCC and other USAID-supported organizations which worked hard to discourage violence in the run up to the election. The governing MMD retained the presidency while significantly increasing its Parliamentary strength at the cost of the opposition parties, posing the possibility of a de facto reversion to a one-party state.

The task of improving citizen awareness of rights and responsibilities is work-in-progress. **USAID has made a major long-run investment in education for the young. The civics curriculum in secondary schools has been thoroughly overhauled for the first time since independence in 1964.** Preparation of materials and in-service training of teachers for the new curriculum, which includes among its "general aims" such values as "upholding constitutional rights and freedoms for oneself and others" and "developing gender sensitivity in social, cultural, political and economic development," was accomplished during 1996. The new curriculum is being introduced in the 1997 school year.

S.O. Intermediate Result 4.2: Independent Journalism

Emphasis continued on raising the professional competency and standards of journalists in both the state-owned and private media--especially the latter. A major USAID landmark during the year was the granting of autonomy to the Zambian Institute for Mass Communication (ZAMCOM), a mid-career training facility previously attached to the Ministry of Information and Broadcasting Services. When ZAMCOM became an independent educational trust, the GRZ handed over to it land, plant and equipment valued at more than \$500,000--a particularly significant contribution, given the financial pressures under which the government operates. The pressures of an election year placed strains on relations between government and the private media, but **Zambia continued to have a generally free press.** The market share of private print media decreased slightly, but the proportion of practitioners working in private print and electronic media increased.

S.O. #4 Intermediate Result 4.3: Improved Public Policy Implementation

The best and most democratically arrived at government decisions amount to nothing unless transformed into action. A major focus of USAID's efforts to consolidate multi-party democracy in Zambia has been support to improve the policy process at the Cabinet Level. Early in the life of the DG Project, Cabinet Office was reorganized to establish a new Policy Analysis and Coordination Division (PAC). Prior to the termination of support for PAC in July 1996, prompted by US objections to the substance of Zambia's amended constitution, considerable progress had been made in improving the cabinet process. A moribund committee system was revived, with a reduced number of committees. A number of procedural improvements devised by PAC and USAID consultants working together were published in a new Cabinet Handbook completed during 1996. For the first time in Zambia's history the Cabinet Handbook is a public document, marking an important symbolic advance in transparency. Cabinet now functions more efficiently due to the combined impact of new procedures for consultations and the rejuvenated committee system. **The Secretary of the Cabinet termed USAID assistance to his Office so successful "that we should plant the American flag on it."**

Expected Progress Through FY 1999 and Management Actions:

To the extent that the 1996 presidential and parliamentary elections were a success, they demonstrate what has already been achieved in rendering multi-party democracy in Zambia sustainable. To the extent that they were problematic, they demonstrate the difficulties in overcoming the habits of decades of single-party rule. The current Democratic Governance Project concludes in September 1997. USAID/Zambia is well advanced in planning follow-on activities as part of its new 1998-2002 Strategy development. Attempts to engage the GRZ in dialogue to help to resolve some of the problems with the electoral system, centering on the voter registration process, will continue.

If feasible, USAID will assist in seeing that future elections--perhaps including the postponed local government elections -- are conducted in a way which commands broader respect. There may continue to be support to the civil society organizations which contributed so much to the positive outcomes in 1996. In the turmoil which surrounded the 1996 elections, the judicial system stood out as a major bulwark of democratic values. It is expected that ways of strengthening the rule of law and supporting the judiciary, as well as opportunities in decentralization and NGO strengthening may be identified.

Performance Tables

<p>OBJECTIVE: S.O. 4: A More Sustainable Multi-Party Democracy Built APPROVED: 2/6/97 COUNTRY/ORGANIZATION: USAID/Zambia</p>
<p>RESULT NAME: IR 4.1: Improved Citizen Awareness of Rights and Responsibilities</p>
<p>INDICATOR: Eligible Voters Registered</p>

UNIT OF MEASURE: Percentage of all Eligible Voters	YEAR	PLANNED	ACTUAL
SOURCE: Election Office Statistics combined with population statistics extrapolated from Central Statistics Office 1990 Census Data	1991 (B)		87%
INDICATOR DESCRIPTION: Percentage of citizens of voting age (18 years and over) registered to vote	1996	50%	54%
COMMENTS: Voters rolls were compiled in 1987-88, with limited revision in 1990, and again in 1996. Failure on the part of the GRZ to carry out annual updating of voters rolls, as required by law, reduces the utility of this indicator. Whether targeted increases can be accomplished depends on whether the GRZ is prepared to re-open voter registration, a matter currently under discussion.	1997	60%	
	1998	65%	

OBJECTIVE: S.O. 4: A More Sustainable Multi-Party Democracy Built			
APPROVED: 2/6/97 COUNTRY/ORGANIZATION: USAID/Zambia			
RESULT NAME: IR 4.1: Improved Citizen Awareness of Rights and Responsibilities			
INDICATOR: Voter Turn-Out in Parliamentary and By-Elections (percentage of registered voters)			
UNIT OF MEASURE: Voter Turn-Out (as a percentage of all registered voters) SOURCE: Elections Office INDICATOR DESCRIPTION: Percent of registered voters who vote in particular elections and by-elections COMMENTS: 1991 and 1996 data for general elections for 150 seats in National Assembly. 1995 data for 19 parliamentary by-elections occasioned by death, resignation, or expulsion of MPs.	YEAR	PLANNED	ACTUAL
	1991 (B)		45.5%
	1995	30%	14%
	1996	75%	59%
	1997	30%	

OBJECTIVE: S.O. 4: A More Sustainable Multi-Party Democracy Built			
APPROVED: 2/6/97 COUNTRY/ORGANIZATION: USAID/Zambia			
RESULT NAME: IR4.2: Independent Journalism			
INDICATOR: Private-Sector Share of Newspapers			
UNIT OF MEASURE: Percentage of total publications per week SOURCE: United States Information Service (USIS) INDICATOR DESCRIPTION: Private newspapers as percentage of total newspapers published COMMENTS: The decline in 1996 is attributed to increased costs of newsprint and resulting increase in prices of papers.	YEAR	PLANNED	ACTUAL
	1993 (B)		19%
	1995	>19%	62%
	1996	>62%	50%
	1997	>50%	

OBJECTIVE: S.O. 4: A More Sustainable Multi-Party Democracy Built			
APPROVED: 2/6/97 COUNTRY/ORGANIZATION: USAID/Zambia			
RESULT NAME: IR 4.2: Independent Journalism			

INDICATOR: Private-Sector Share of Working Journalists			
UNIT OF MEASURE: Percentage of total working journalists	YEAR	PLANNED	ACTUAL
SOURCE: USIS	1993 (B)		24%
INDICATOR DESCRIPTION: Independent journalists as percentage of total journalists	1995	>24%	44%
COMMENTS:	1996	>44%	48%
	1997	>48%	

OBJECTIVE: S.O. 4: A More Sustainable Multi-Party Democracy Built			
APPROVED: 2/6/97 COUNTRY/ORGANIZATION: USAID/Zambia			
RESULT NAME: IR 4.3: Improved Public Policy Implementation			
INDICATOR: Number of Cabinet Sub-Committees Functioning Effectively out of the Total Number of Sub-Committees			
UNIT OF MEASURE: Ratio of Effective Sub-Committees to Total Number of Sub--Committees	YE A R	PLANNE D	ACTU A L
SOURCE: Cabinet Office	1993 (B)		2/14
INDICATOR DESCRIPTION:	1995	5/7	5/7
COMMENTS:	1996	6/7	7/7
	1997	7/7	

Part III: Status of the USAID/Washington-USAID/Zambia Management Contract

USAID/Zambia is now in the last year of its current (1993-1997) Country Strategic Plan. During 1995 and 1996, USAID/Zambia changed the wording and focus of its Strategic Objectives, from the original six in the 1993 Management Contract to the current four, for the following reasons:

S.O. #1: Reduce the State's Role in the Provision of Goods and Services

The original S.O: "The State Removed from Provision of Private Goods and Services," was simply unrealistic, given the PACD (even when extended to 11/97) and the Zambian political and economic environment. The new S.O. better reflects the Mission's manageable interest, and the privatization grant agreement itself, which calls only for the privatization of 50 parastatals by the PACD, not the removal of the GRZ from the provision of private goods and services. Only the S.O. language was changed, not the activities or indicators.

S.O. #2 - Increase the Productive Participation of Rural Enterprises and Communities in the National Economy

The original S.O. was "Appropriate policies, laws and regulations promulgated and enforced for increased agricultural production." The S.O. focus changed with the completion of the ZATPID, ZAMS and MMDP projects and the agricultural sector liberalization measures put into place by the GRZ over the prior three years. Zambia's agriculture policy and enabling frame-work; its recent economic performance and current economic infrastructure; public institutional capacity; and weather, all act to place the burden of policy implementation on the private sector. It is the private sector that must revive Zambian agriculture, in response to the more enabling environment arising from public policy reform.

The current activity under S.O. #2 - Agricultural Sector Liberalization Project - focusses on rural small-holders and agribusiness. The changed indicators reflect this S.O. shift from improving government sector-level policies and regulations to village- and business-level capacities.

S.O. #3 Increased Use of Practices that Improve Child and Reproductive Health

In conjunction with USAID's re-engineering tenets, and in the manageable interest of the Mission, the original two S.O.s ("Increased Use of Modern Contraceptives" and "Improved HIV/AIDS/STD Control Practiced by High Risk Individuals") and one Target of Opportunity ("Child Survival Enhanced") have been combined to form a single, comprehensive PHN S.O., "Increased Use of Practices to Improve Child and Reproductive Health." This new S.O., and the six IRs developed in the process, support the GRZ's ongoing efforts to integrate and decentralize Zambia's health-sector services and intervention packages. In addition, the S.O. and IRs reflect the changes in the Mission's PHN programming. It no longer supports health activities through vertical national programs; instead, all of its efforts now support Zambia's Health Reform process, which has decentralized decision-making to the district level where the integration of child survival, family planning and HIV/AIDS services is essential.

S.O. #4 - A More Sustainable Multi-Party Democracy Built

The original S.O. was: "Increase the Participation, Transparency and Accountability of Zambian Institutions in Civil Society." The change (in activities as well; see the S.O.#4 section of the Results Review) was made because the original S.O. described a process, not an objective, and the Mission believes that the emphasis should be on the consolidation of the democratic transition that Zambia began after the 1991 elections. "More sustainable" recognizes that the process is a continuing one: Zambia still requires much in the way of developing the attitudes and institutions which make a democracy sustainable. "Multi-party" is specifically included to acknowledge Zambia's 1991 transition from a one-party state to a multi-party one.

Part IV Resource Request - Fiscal Years 1998 and 1999

Prioritization of Strategic Objectives - While the Mission is equally committed to all of its S.O.s, the different performance levels and the Zambian development context call for the following ranking in descending order of performance and criticality to the Mission program:

1) S.O. #1 Private Sector Development: The Privatization component of this S.O. exceeded its performance targets by almost 200%. It is the linchpin of the GRZ's efforts to overcome the country's underdevelopment and economic stagnation by deregulating the economy, selling or liquidating state-owned enterprises, and encouraging large-scale private domestic and foreign investment. The principal activity under this S.O. is held up as a model for Africa and merits classification as priority #1 on both Mission program and U.S. foreign policy grounds.

2) S.O. #2 Agricultural Sector Development: This S.O. has played a critical role in reforming the GRZ's agricultural sector policy and is in its crucial second phase of translating policy reform into real gains in incomes and food security among Zambia's severely impoverished smallholder farmers and rural populations. Revival of Zambian agriculture is essential to the country's long-term growth prospects and its ability to overcome recurrent food security crises caused by periodic droughts. It is complementary to the Privatization S.O.

3) S.O. #4 Multi-party Democracy Development: The controversial constitutional amendment rushed through the National Assembly last year is a powerful indicator of the long way Zambia's political culture has to go before a truly democratic system takes root. This S.O. focuses on the keystones of democratic civic culture and the bulwarks against Zambia's relapsing into the abusive government practices of the recent past; namely, rule of law, free and independent news media, civic groups and NGOs dedicated to the protection of basic human rights, and a civic culture that will hold government accountable.

4) S.O. #3 Increased Use of Practices that Improve Child and Reproductive Health: This S.O.'s performance has, despite the Mission PHN staff's best efforts, been hampered by inadequate technical-managerial capacity at the GRZ Ministry of Health, as well as by Mission staffing, programming and contracting difficulties. While the Mission recognizes both the importance that Congress and the Administration attach to the health sector, and the scale of the health problems in Zambia, the S.O.'s performance to date and the relatively greater short- and medium-term urgency of economic and political reform as pre-conditions to growth-with-equity, lead USAID/Zambia to place the health sector last in its ranking.

S.O. #1: Reduce the State's Role in the Provision of Goods and Services - Resource Request

Environmental Compliance: S.O. #1 is in full environmental compliance.

BHR Requirements: There are no BHR requirements under this S.O.

Both the Privatization Support Project and IESC Grant are scheduled to be completed in November 1997. The ZACCI/HRDA program is scheduled to end in September 1998. The rationale for providing a further one year of assistance to the ZPA beyond the current contract extension is that during the extension period the institutional contractor will assist in the privatization of a further ten large companies, including the largest and most complex of the parastatals: the major mining, telecom, coal, fertilizer, forest, and financial institutions. **This is the final and most critical phase of Zambia's privatization process. The Mission wants to ensure that current momentum can be maintained; that no slippage occurs and that it can be finalized on time.**

ZPA's request for further assistance is based on the extended ZPA mandate, which will include the privatization of Council (local government-owned) assets, e.g., development sites, hostels, the water and sewerage utilities, and GRZ-owned tourism sites and lodges. The implementation of a national privatized housing initiative will still be in its infancy, and will require continued expertise, which is not now locally available. ZPA's CEO is concerned about the availability of expertise in tying up the complex mining and financial institutions privatization transactions. He believes that although his Agency's staff have made a quantum leap in technical skills, they do not yet have the depth and breadth of skills, nor the professional experience and judgement of the USAID team. USAID's assistance to ZPA has changed the face of the Zambian economy. The extraordinary success of the program to date is a very real and strong incentive to see our assistance to this activity continued through to its timely conclusion.

Ongoing IESC and HRDA activities, as well as ATLAS scholarships, are an integral part of this successful private-sector initiative. These programs should continue until Zambia's private sector has reached a stage where it can "walk rather than crawl." Assistance to SMEs, women-owned businesses, and to the newly privatized companies is an effective way of consolidating the momentous transformation from a public to private sector-led economy.

A further area being explored by the Mission, and of vital importance to SMEs is **access to credit**. A targeted Microenterprise-finance program for urban and rural SMEs (predominantly women-owned) is being considered in conjunction with the Agricultural Sector SO, and together with ongoing IESC, HRDA and ATLAS programs to complement and build on current activities. It has become increasingly obvious in Zambia that SMEs will pay market rates for credit, however, many are unable to obtain access to credit. A new activity may be designed, and become an integral part of "the Private Sector Program", to facilitate access to credit by urban and rural SME's.

Assistance to the Communications Authority: The current USAID-funded activity terminates by the end of 1997. The telecommunications sector is being extensively liberalized by the GRZ. The impending privatization of ZAMTEL, and the complex regulatory procedures that need to be developed and put in place before ZAMTEL is sold to a strategic investor, underscore the importance of USAID's assistance in this area. Much work still needs to be done, as this will be the first autonomous regulatory body in Zambia and it is one for which there is currently no skills base available in-country. Successful and in-depth capacity building at the CA is essential for the

newly liberalized telecommunications sector in order to ensure transparency and equal opportunity to all new telecommunications services providers who wish to start operations in Zambia in the future - but who will only do so if an equitable regulatory system is in place.

**Financial Requirements
(Private Sector- S.O.1):**

	<u>FY97</u>	<u>FY98</u>	<u>FY99</u>
Privatization Support Project		2,050,000	1,500,000
0			
Private Enterprise Support	500,000	500,000	500,000
Human Resource Dev/ZACCI		500,000	500,000
500,000			
Assistance to the Communication Authority (if not provided by RCSA)	0	0	400,000
New Private Sector Initiative (to be determined during 1997 CPSP)	0	0	1,500,000
Microenterprise-Credit Activity	<u>0</u>	<u>0</u>	<u>750,000</u>
Total	3,050,000	2,500,000	3,650,000
Central Funding*		750,000	

* Under S.O. 1 and S.O. 2 the mission is seeking approval for additional resources to possibly initiate micro-credit activities in FY98. Notionally, this request is shown by this line item.

S.O.# 2: Increase the Productive Participation of Rural Enterprises and Communities in the National Economy

Environmental Compliance: S.O.# 2 is in full environmental compliance.

BHR Requirements: There are currently no BHR requirements under this S.O.

Zambia's abundant land, political stability and relatively good rainfall are drawing agribusiness investors seeking to penetrate Zairian, Angolan, Malawian, Tanzanian and international markets with primary and processed commodities. However, the provision of agribusiness services to small farmers is expensive. Rural population densities are low and economic infrastructure is poor. Rural group business and village management committee development has illustrated how rural families can profitably work with agribusiness. Mutually beneficial rural associations - agribusiness linkages limit transaction costs and speed technology dissemination.

USAID/Zambia has made major contributions to agriculture sector liberalization in Zambia as a result of the earlier ZAMS and ZATPID projects. The current ASLP activity builds on previous accomplishments and constitutes the follow-on phase of the Mission's efforts in supporting increased agricultural production, food crop diversification (to mitigate effects of periodic droughts), the promotion of cash crops and export crops, and on rural-based small enterprise agricultural processing.

The five year, \$5 million Cooperative League of the USA (CLUSA) Rural Group Business Development Project began in May, 1996. A third district will be added in 1998. An agribusiness assistance component will be added to the grant to speed up development of rural group business linkages to regional markets. In accordance with the New Partnership Initiative, CLUSA will mentor an indigenous NGO to mirror CLUSA's activities with groups outside its three pilot districts. To support establishment of this local NGO, and fully fund the agribusiness component, USAID will need an additional \$1 million for the CLUSA grant in 1998 and \$2 million in 1999.

CARE's five year, \$3.65 million Livingstone Food Security Project began in October, 1996. In building rural associations that manage the multiplication and distribution of low rainfall crops. CARE is developing community based approaches to the sustainable cropping of Kalahari Sands wetlands. As Kalahari Sands communities pursue food security under increasingly drier agroclimatic conditions, these key biodiversity areas are threatened with unsustainable cropping practices. To fully finance the CARE grant, and to expand applied research in developing community based Kalahari wetlands management approaches, CARE's grant will require \$750,000 FY98 and 750,000 in FY99.

CLUSA and CARE applied research is yielding answers to Zambia's seeming intractable rural finance challenge. By limiting the transactions costs of doing business, rural associations and village management committees foster group savings, commercial borrowing and profitable linkages with agribusinesses. In building on this research, USAID has responded to GRZ requests for assistance in developing rural finance policies and programs. To provide short term analytical assistance and local analytical capacity building will require \$750,000 in FY98. Additionally, in FY99 and beyond, the mission hopes to initiate support for micro-credit activities.

The Regional Natural Resources Management Projects provides \$4.3 million of support to the Ministry of Tourism's ADMADE approach, and has a PACD of August 1997. ADMADE generates about \$800,000 (40% of \$2 million) a year for 34 protected area communities. With the passage of new wildlife legislation, the impact of this significant investment can be increased by developing sustainable rural community natural and financial resource management capacity. Increased community capacity will enable rural families to develop management structures and management plans to create and operate group or individual business. Zambian NGO capacity to deliver community capacity building services will also require assistance. Natural resource management, environment protection, and NGO and community building will require \$2 million in FY98 and \$2 million in FY99.

**Financial Requirements
(ADO- S.O.2):**

	<u>FY97</u>	<u>FY98</u>	<u>FY99</u>
ASLP (CLUSA, CARE)		750,000	2,250,000
2,000,000			

CBNRM	400,000	2,000,000	2,000,000
Micro-Credit Activity	<u>0</u>	<u>0</u>	<u>750,000</u>
Total	1,150,000	4,250,000	4,750,000
Central Funding*		750,000	

*Under S.O. 1 and S.O. 2 the mission is seeking approval for additional resources to possibly initiate micro-credit activities in FY98. Notionally, this request is shown by this line item.

S.O. #3 Increased Use of Practices that Improve Child and Reproductive Health

Environmental Compliance: S.O. #3 is in full environmental compliance.

BHR Requirements: There are no BHR requirements under this S.O.

The vision of Zambian health reformers is no less than to transform Government in order to attempt a massive revision of Zambia's health delivery system.

The projected health reforms set the stage for more equitable distribution of health resources, a more business-like approach to determining needs, planning for interventions and developing accountability. The health reform efforts are unique, not only in scope, but in philosophy. The stated objective is equity in access of health resources. Primary health care has been chosen as the means to achieve this. Dr. William Foegen, the former Director of the Atlanta-based Centers for Diseases Control and Prevention (CDC), has written recently: "It is not clear that Zambia will be successful in implementing health reforms. However, the implications are so significant and hopeful that this is a process worthy of major USAID assistance. The USG has an opportunity to invest in a program that has the potential of being a showcase for African countries".

The PHN Results Package financial projections, as currently projected below, with a straight-lining of FY97-99 PHN budget resources of less than \$12 million annually (through FY 2002) contain significant shortfalls. While the current proposed funding levels for Child Survival will enable us to fully fund the Zambia Health Project (611-0237) through FY 2001, they do not contain any NPA resources. In addition, although the FP Services Project (611-0235) will be fully funded at currently authorized levels by FY99 and the CARE Community FP grant (611-0234) by FY 2000, no Pop Field Support funds will be available for population activities in FY98 and FY99. And finally, the recently-amended HIV/AIDS Prevention Project (611-0221) will have a \$4.482 million mortgage shortfall at the end of its FY02 PACD, also with no HIV/AIDS Field funds from FY98-FY02.

REQUEST FOR HEALTH NON PROJECT ASSISTANCE (NPA)

It is a sad and unfortunate fact that the GRZ currently spends four times more on external debt servicing than it spends on improving health standards in Zambia. In 1970, GRZ spending on health was five times larger than in 1993 measured in constant 1995 prices, even though the share of the 1994 budget allocated to health almost doubled to 12 per cent and has remained constant since then. The minimum "essential package" of basic primary health care services (from the community to district level) costs approximately US \$12 per capita. However, total GRZ and donor "common basket" support at the district level is about \$4 per capita-creating a staggering 67% gap. In addition, the level of poverty is serious and widespread in Zambia. A 1991 World Bank study showed about 69 per cent of all Zambians were living below a level sufficient to provide basic needs. The ability of Zambians to help pay for their basic minimum "essential packages" of basic primary health needs is severely constrained.

Therefore, during this R4 review process, USAID/Zambia seeks USAID/W approval to develop a \$20 million, five-year "Non Project Assistance" (NPA) budget support proposal to facilitate the implementation of health reforms and other actions to alleviate health sector financial constraints and obtain measurable development results. The GRZ has accomplished much with limited resources in a relatively short period of time. We and other donors should help meet this financial gap. This proposed NPA initiative will enable the GRZ/MOH to offset part of the short-term costs of its radical health sectoral policy reform.

An illustrative list of potential health reform conditionalities (e.g. retrenchment of excess personnel; rural service contracts for medical personnel; decentralization of medical education; promotion of the private sector; and change of malaria drug policy) is contained in Annex E of the approved Project Paper for the Zambia Child Health Project (611-0237) dated May 12, 1995. This illustrative list of reform conditionalities will support reforms that are underway, planned, or desirable to accelerate the realization of the GRZ/MOH's ambitious health reform program. This will enhance Zambian ownership of the process.

Financial Requirements*
(PHN- S.O.3):

	<u>FY97</u>	<u>FY98</u>	<u>FY99</u>
Child Survival	4,000,000	4,400,000	4,400,000
HIV/AIDS	3,600,000	3,400,000	3,400,000
Family Planning	<u>3,300,000</u>	<u>4,000,000</u>	<u>4,000,000</u>
Total	10,900,000	11,800,000	11,800,000

*Note: The financial requirement estimate table above does not contain the NPA fund. Therefore, as this is a FY99 R4/PBBS document and it may be too late to receive additional FY98 funds now for NPA, we request that the Mission be permitted to explore "borrowing" from our final FY98 S.O. #3 funding allocations, in order to provide up to \$5 million to initiate the NPA in FY98. We would expect that the \$5 million could be restored as additional OYB funding in FY99 and beyond up to the \$20 million. The proposed five-year FY NPA allocation will be \$5 million in FY98, \$4 million each in FY99- FY 2001, and \$3 million in FY02.

S.O. #4 - A More Sustainable Multi-Party Democracy Built

Environmental Compliance: S.O. #4 is in full environmental compliance.

BHR Requirements: There are no BHR requirements under this S.O.

The Democratic Governance Project initiated after Zambia's transitional multi-party election in 1991 is scheduled to end in September 1997. In spite of stresses caused by the constitutional review process and 1996 national elections, and in spite its tarnished democratic image, **Zambia still survives as a democratic model in Africa.** There is a vigorously independent press, albeit that its vigor causes it to be leaned on by the GRZ from time to time. Its Parliament functions, and notwithstanding dominance by the ruling party back-bench, opposition members speak out and can influence government policy. While instances of corruption and inefficiency are still found, anti-corruption legislation has recently been overhauled and a sweeping reform of the public service is underway. The judicial system, although severely under-resourced, continues as a bastion for protecting democratic values. While elections have been flawed by an opposition boycott, under-registration of voters, and voter apathy, the electoral system works. Zambian civil society organizations have multiplied and, while there have been instances of some of these running afoul of government, a constructive dialogue between government and NGO's has recently been initiated. In short, **while the Zambian democratic transition has not lived up to the perhaps unrealistically optimistic hopes of 1991, it is continuing and deserves continuing support.**

USAID/Zambia is in the midst of a thorough-going democratic governance sector review, which is expected to employ state-of-the art techniques developed by USAID's Global Bureau Democracy Center. The specific mix of interventions will derive from this review, and will be meshed with those of other donors through the highly successful D/G donor coordination relations which have characterized Zambia. It is anticipated that activities may focus in three areas: 1) on-going support for civil society organizations, including capacity building, to further strengthen the voices of citizens between elections; 2) rule of law strengthening, including improving the efficiency of the courts by assisting with the installation of presently lacking court reporting and management information systems and supporting the efforts of the Law Development Commission to bring legislation into line with the values of political and economic liberalization; and 3) electoral support in preparation for local government elections postponed sine die since 1995 and the next general elections to be held no later than 2001. If the GRZ demonstrates a willingness to overhaul its seriously flawed voters registration rolls, the United States, in concert with other donors, might position itself to deliver timely support.

Financial Requirements

(D/G-S.O.4):

	<u>FY97</u>	<u>FY98</u>	<u>FY99</u>
Civil Society Capacity Building and Activities		1,300,000	500,000
500,000			
Rule of Law Strengthening	200,000	200,000	500,000
Electoral Support	0	100,000	2,000,000*

Decentralization	<u>0</u>	<u>161,000</u>	<u>500,000</u>
Total	1,500,000	961,000	3,500,000

*Contingent on successful outcome of dialogue discussion with GRZ.