USAID/ZAMBIA PROGRAM IMPACT INDICATORS: PRIVATIZATION

Objective	Indicator	From	To	Source
Subgoal 1: Market-oriented economy, with broad participation	Increase in private sector share of gross domestic investment • mining (% of GDI) • non-mining (% of GDI) Increase in private foreign investment • mining (U.S.$) • non-mining (U.S.$)			Central Statistical Office (CSO) CSO
Strategic Objective 1: The state removed from provision of private goods and services	Increase private sector share of: • GDP (% of total) • employment (% of total) Value added, by: • formal private sector (U.S.$) • parastatal sector (U.S.$) Number of parastatals declining	 170 (1992)		CSO CSO ZPA records

COUNTRY PROGRAM STRATEGIC PLAN
USAID/ZAMBIA
June 1993

TABLE OF CONTENTS

List of Tables

List of Figures

Bibliography

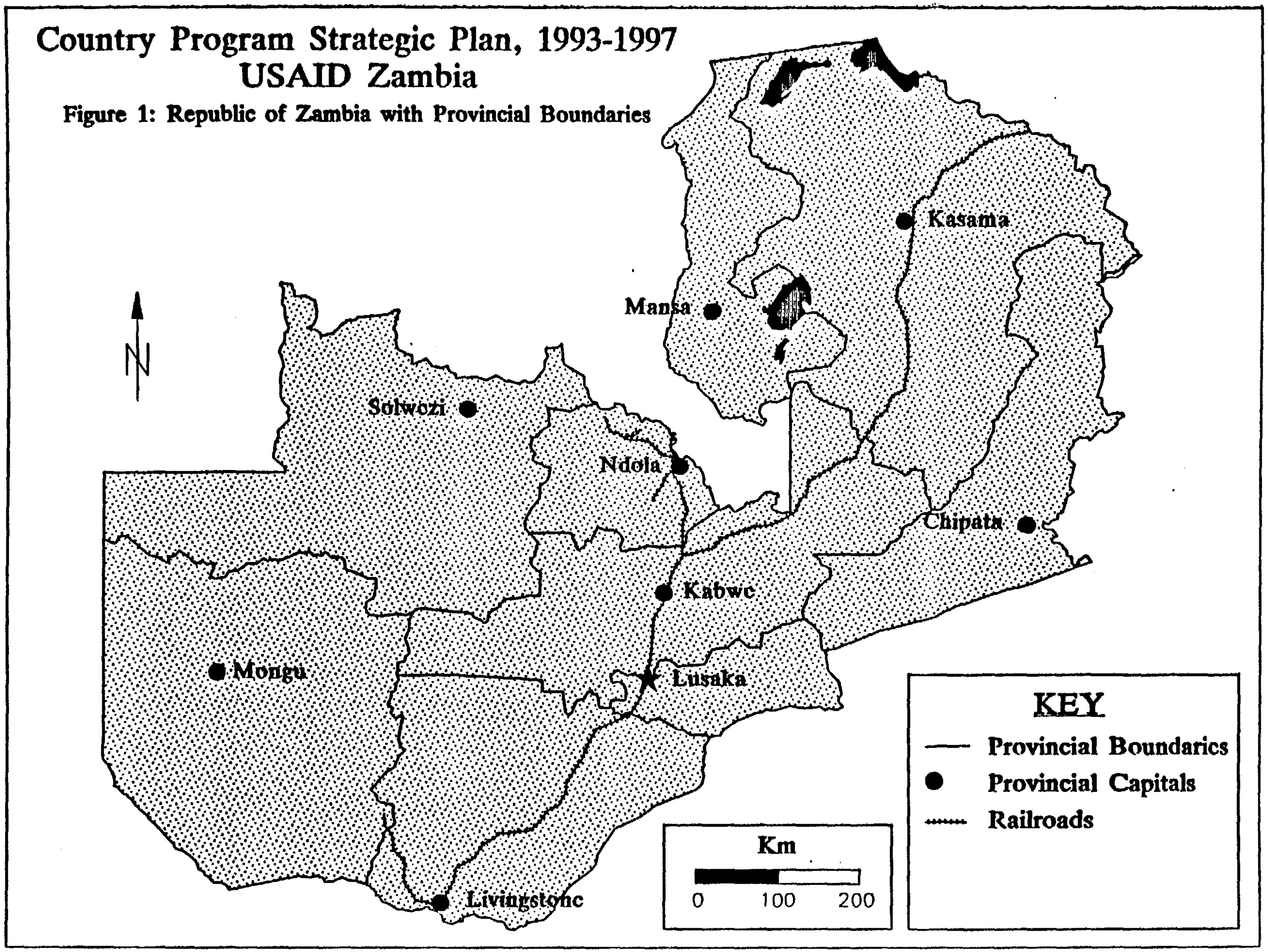
List of Annexes

ACRONYMS

AfDB	Africa Development Bank
A.I.D.	Agency for International Development
AIDS	Acquired Immune Deficiency Syndrome
ARI	Acute Respiratory Infection
BOZ	Bank of Zambia
CFTC	Commonwealth Fund for Technical Cooperation
CG	Consultative Group
CIDA	Canadian International Development Agency
CSO	Central Statistical Office
DAC	Development Assistance Committee
DANIDA	Danish International Development Agency
EC	Delegation of European Communities
ESF	Economic Support Fund
GTZ	German Agency for Technical Cooperation
FAO	Food and Agriculture Organization
FINNIDA	Finnish International Development Agency
GDP	Gross Domestic Product
GNP	Gross National Product
GRZ	Government of the Republic of Zambia
HIV	Human Immuno-deficiency Virus
IBRD	International Bank for Reconstruction and Development
IMF	International Monetary Fund
JICA	Japanese International Cooperation Agency
MMD	Movement for Multiparty Democracy
MCH	Maternal and Child Health
MOH	Ministry of Health
NORAD	Norwegian Agency for Development
ODA	Overseas Development Administration
ORS	Oral Rehydration Salts
ORT	Oral Rehydration Therapy
PHC	Primary Health Care
SADCC	Southern Africa Development Coordination Conference
SARP	Southern Africa Regional Program
SIDA	Swedish International Development Agency
TAZARA	Tanzania/Zambia Railway
UNDP	United Nations Development Program
UNFPA	United Nations Fund for Population Activities
UNIP	United National Independence Party
USAID	United States Agency for International Development in Zambia
WID	Women in Development
ZAMARE	Zambia Agricultural Research and Extension Project
ZAMS	Zambia Agribusiness and Management Support Project
ZATPID	Zambia Agricultural Training, Planning and Institutional Development Project
ZIMCO	Zambia Industrial and Mining Corporation
ZPA	Zambia Privatization Agency

Country Program Strategic Plan, 1993-1997
USAID Zambia

Figure 1: Republic of Zambia with Provincial Boundaries



I. An Overview of the Environment For Sustainable, Broad-Based, and Market-Oriented Economic Growth

A. Political and Institutional Setting

1. Regional Context

Zambia is a landlocked country, situated in the savannah belt of Southern Africa on a plateau which ranges from 2,000 to 4,000 meters. It has exceptionally rich mineral resources, being the fourth largest copper producer in the world. There is abundant crop and grazing land, a relatively constant rainfall and one of the highest potentials for irrigation in sub-Sahara Africa. Zambia uses only 1.2 million hectares of its approximately 9 million hectares of available arable land.

Zambia shares borders with Angola, Botswana, Malawi, Mozambique, Namibia, Tanzania, Zaire and Zimbabwe. Trade and communication links tie Zambia predominantly to its neighbors to the south and east which have formed the Southern Africa Development Community. Southern Africa is a region of over 100 million, primarily rural based people, who depend on small scale farming for their livelihood. Agriculture represents 35 percent of GDP and accounts for 26 percent of export earnings. Per capita GDP ranges from just under $2,000 in South Africa to approximately $80 in Mozambique. The Republic of South Africa's economic dominance is evidenced by its overall GDP which is larger than that of the rest of the region combined, though South Africa's population is only one-third of the total.

Public focus on southern Africa is usually on the internal and external policies of South Africa, or civil strife in Mozambique and Angola. These events typically attract more attention than the less well publicized political and economic reforms now occurring in Zambia. Yet Zambia's reforms are notable in a region where stability has been a consistent U.S. concern.

For a country that has supported all of the region's armed liberation and black majority rule struggles, it stands out for its peaceful transition from a one party state to a functioning democracy. It is well on the way to transforming itself from a poorly managed socialist oriented economy to a market economy.

While the Zambian transition is not complete, it far exceeds any movement towards pluralism in seven of its eight neighbors, where the norm is one party rule and, more often than not, a state dominated economy.

2. Political Commitment to Economic Reform

On October 31, 1991 the Zambian electorate soundly rejected "development dictatorship" in Zambia's first multiparty election. Consequently, Zambia now possesses the three attributes which have been identified as the "reform syndrome" within which successful economic restructuring is most likely to occur: 1) severe and long-standing economic decline; 2) widespread perception of the need for change even in the absence of a consensus of what the change should be; and, 3) a new government unconstrained by the baggage of the past.

The new government of President Frederick Chiluba and the Movement for Multiparty Democracy (MMD) made economic restructuring a part of its campaign, and has boldly followed through on its promises. In its Manifesto of 1991,[1] MMD announced its economic plans to privatize public corporations, and redefine the government's role as a creator of an "enabling environment" for a market economy. Since taking power in November 1991, the MMD government has adopted reforms aimed at balancing the budget, encouraging exports, liberalizing the economy, reducing the size of the civil service, and embarking upon an aggressive plan to privatize the parastatal sector.

Even though these reforms will cause initial socio-economic hardships, the MMD government remains committed to building a market-oriented economy. To achieve visible impacts of its reform program and to address the adverse impacts on vulnerable groups, the government plans to increase spending for public health, education, and infrastructure, while reducing expenditures in other areas, such as military spending.

3. Constitutional Basis for Democracy and Governance

While Zambia's current political commitment and public support for economic reform is solid, the constitutional and legal basis for the reform process is presently open to question.[2] Both constitutionally and in practice, the legislative branch of the government is weak relative to the executive branch, freedom of association is not guaranteed for civic associations and political splinter groups, and freedom of expression is limited by numerous laws hostile to a free press.

The GRZ intends to draft a new constitution which, among other things, is expected to provide a bill of rights and incorporate checks and balances among the three branches (legislative, executive, and judiciary) of government. A national referendum is expected to be conducted to consider and adopt a new constitution. Until that time, though, the GRZ will formulate and implement the economic reforms it promised during the campaign on the basis of legislative proposals generated within the Cabinet of the executive branch.

In addition to the constitutional basis for economic reform, the overall business and investment climate is complicated by the existence of two parallel systems of law: customary and statutory. Customary law is based on the synthesis of separate and distinct bodies of ethnic-specific law, rooted in the customs and traditions of Zambia's indigenous people, divided into seven principal ethnic groups. Statutory law is based upon the model as "implanted" during the colonial period and can be divided into public and private law.

---

[1] The basic strategic direction of the Chiluba government is set forth in the Movement for Multi-Party Democracy Manifesto of 1991. Its key tenets include: - respect for fundamental human rights, including rights of expression, of political organization, of the rule of law, of property, an independent judiciary, freedom of religion, of movement, and of conscience; the end of discrimination against women and minorities; the decentralization of government to local units responsible to the people they serve; privatization of public corporations and a redefinition of government's role as creator of an "enabling environment" for a market economy; progress toward steady economic growth and improved social welfare; and, the end of the 27 year old state of emergency.

[2] See Wunsch J., Bratton M., Kareithi P., Democracy and Governance in Zambia: An Assessment and Proposed Strategy, USAID/Zambia, June 1992.

Public law covers areas such as constitutional status, citizenship/domicile, travel, employment and income tax obligations. Private law covers marriage, maintenance, custody of children, and access to property and its dispensation under conditions of divorce or death. Customary law pertains to areas covered under private law and is superseded by statutory law in matters covered under public law. An individual may seek redress under customary or statutory law on matters of private law but not both concurrently, nor in sequence regarding the same issue.

B. Economic Performance and Policy Framework

1. Economic Performance Since Independence in 1964

Nine years after independence, Kenneth Kaunda's United National Independence Party (UNIP) established itself as the nation's only political party and sought to control the economy through nationalization, parastatal proliferation, trade and exchange restrictions and price controls. Throughout the tenure of the UNIP regime (Second Republic 1973-1991), the economy was characterized by its dependence on the mining industry, dominance of parastatals, and gross macroeconomic mismanagement.

One of the most striking features of the economy since independence has been the marked decline in the nation's wealth. By nearly all measures, the standard of living today is half of what it was in 1965 (see Table 1). Real per capita income has fallen by an average of 2 percent per year since independence.

Real gross domestic investment has declined from a high of 51.9 percent of GDP in 1975 to 27.1 percent in 1991. Since 1965, investment as a percentage of GDP, in constant terms, declined at an average annual rate of 1.2 percent. Foreign exchange reserves have dwindled from $7.6 billion in 1965 to a mere $150 million today.[3] Other national assets have also depreciated; it has been estimated that over the last few years the deterioration of the nation's road system, due to inadequate maintenance, is valued at over $400 million. The depreciation of assets within the educational and health sectors exceed a billion dollars at present day replacement costs.

The public sector has dominated the economy since the 1970s when the socialist-oriented government began nationalizing hundreds of existing private companies and creating parastatals. Heavy foreign and domestic borrowing both to supplement falling copper earnings and to subsidize inefficient parastatals has left the country saddled with high inflation and a massive debt burden. Overvalued exchange rates have been a persistent problem, stimulating imports and discouraging exports, and resulting in chronic shortages of foreign exchange in the official market.

Economic stagnation has severely affected employment growth. The economy has been unable to generate a sufficient number of new formal sector jobs to keep pace with the country's average annual population growth rate of 3.2 per cent. The economy created only 17,000 jobs in the formal sector between 1970 and 1991, while population

---

[3] See Peter Boone, et al. Zambia Private Sector Assessment, Coopers and Lybrand, AID/W ONI, November 1992.

increased by almost 4 million during the same period.

Table 1: Zambia Key Economic Indicators
Millions of Kwacha in Constant 1977 Prices

	1965	1970	1975	1980	1985	1990	1991	Average Annual Percentage Change 1965-91
Real GDP	1,619.3	1,743.3	1,959.5	1,995.8	2,044.5	2,213.6	2,174.4	1.1%
Real Total Consumption	1,183.0	1,389.5	1,410.7	1,635.3	1,697.0	1,654.6	1,603.9	1.2%
Population (000)	3,700.0	4,159.0	4,836.0	5,647.0	6,753.0	7,803.8	8,111.0	3.2%
Per Capita Real GDP	437.6	419.2	404.4	353.4	302.8	272.9	259.8	-2.0%
Per Capita Real Consumption	319.7	334.1	291.1	289.6	251.3	204.0	191.6	-1.9%
Gross Domestic Investment	N/A	N/A	N/A	439.1	261.2	339.5	588.3	
Investment/GDP	36.7	49.3	51.9	22.0	12.8	15.3	27.1	-1.2%
No. of formal sector employed (000) 1/		343.0	394.0	379.0	362.0	377.0		
Debt outstanding ($US millions)		623.5	1,143.3	2,140.7	3,140.8	4,858.5	4,954.2	
Per capita debt ($US)		149.9	235.9	379.1	465.1	599.0	591.9	
Current account balance ($US millions) 2/		107.0	-133.0	-545.0	-324.0	-402.0		

Source: CSO
1/ Economic Reports, National Commission for Development Planning, Various Issues
2/ IMF

The balance of payments has been strongly influenced by copper market fluctuations. While imports remained fairly stable until 1992, export earnings have risen and fallen with the price of copper. Over the past two years the current account balance has worsened by over $500 million due to low prevailing copper prices.

GDP growth has also fluctuated with the shifts in the world copper market. High copper prices helped generate an annual GDP growth rate of 4 percent until the mid-1970s when reduced export earnings, combined with worsening macroeconomic policies, precipitated a prolonged economic decline from the late 1970's until the mid-1980s. After a temporary 6 percent rise in GDP in 1988, the economy slid into a deep recession with four consecutive years of economic decline from 1989 through 1992.

2. Current Macroeconomic Situation

The new government inherited a dismal economic situation made more difficult by a drought that decimated the 1992 maize crop, the country's principal food. While the government has initiated free market policies at an unprecedented rate, the policy changes are currently too new to measure the impact on the economy.

GDP fell by a disastrous 9.6 percent in 1992 mainly because the drought affected production of maize, cotton and hydroelectric power. Even though mining accounts for 93 percent of exports, the mining sector accounts for only 7 percent of GDP. Value added from the services and manufacturing sectors is approximately 37 and 36 percent of GDP respectively. The country's investment share of GDP at market prices was estimated at 12 percent in 1991, while total consumption accounts for 74 percent of GDP.

Low levels of investment are expected to be a major constraint to achieving growth over the medium term. Economically accessible copper reserves are being rapidly depleted. The mining sector, for example, must invest annually about 5 percent of GDP in rehabilitation of mines just to maintain existing levels of production. Approximately $600 million will be required to develop new mines to offset the closing of the largest mine soon after the year 2000.

Parastatal firms account for about 80 percent of gross fixed investment. The low return on this investment is evident from the fact that parastatals contribute only about 50 percent of GDP. The non-parastatal sector is largely concentrated in agriculture, service sector activities such as wholesale and retail trade, banking (13 commercial banks of which only one is majority government owned), travel agencies, and insurance. In manufacturing, private companies currently account for 40 percent of the sector's value added.

Among African countries Zambia does reasonably well in collecting revenues, which in 1991 were approximately 19 percent of GDP. Government expenditures in 1991, however, were approximately 25 percent of GDP. With grants and non-tax revenues providing about 5.4 percent of GDP, the budget deficit was 0.6 percent in 1991.

After a good fiscal performance in the first quarter of 1992, the GRZ allowed its expenditures to exceed program targets in the second and third quarters. Government spending in 1992 was higher than projected, due to a large public sector pay increase in April, unforeseen government spending on drought relief, and continuing subsidies. The overall budget deficit for 1992, including drought expenditures, was 2.2 percent of GDP.[4]

Inflation in 1990 was approximately 100 percent, rising to 111 percent in 1991 and accelerating to over 200 percent in 1992. The principal sources of inflation during 1992 were: excessive central government borrowing from the banking system and rapid monetary expansion; higher maize meal prices resulting from decontrols over the past year; higher import prices associated with the sharp nominal depreciation of the kwacha against the dollar; and, the high velocity of circulation of money due to inflationary expectations and negative interest rates which induced businesses and consumers to spend money as soon as it was earned.

Domestic credit is estimated to have grown by 93 percent in 1992, compared with 147 percent in 1991. Government borrowing from the Central Bank created the liquidity that allowed commercial banks to expand lending, in the first half of the year. Later the Central Bank increased the statutory deposit requirement and the liquid asset ratio to reduce commercial bank lending to 37 percent of deposits, down from 52 percent before the measures were implemented.

---

[4] See Budget Address by the Minister of Finance, the Hon. E.G. Kasonde, MP, January 29, 1993.

In 1992, export receipts were roughly the same as 1991. Imports rose dramatically, due to drought related maize imports and the capital requirements of the metal sector. The unification of the exchange market in December 1992 and the introduction of Bureaux de Change have made it easier to import.

Zambia's outstanding external debt is one of the highest in the world on a per capita basis. Despite extensive debt forgiveness, total long-term outstanding external debt stood at over $7.0 billion (including interest arrears) at the end of 1992, equivalent to almost $700 per person. After running into arrears in 1991, Zambia resumed repayments to the World Bank and has rescheduled debt owed to several bilateral lenders. A special rights accumulation program has been established with the IMF which effectively "reschedules" arrears to the IMF.

In sum, Zambia's overall macroeconomic status remains unstable. Despite significant adjustments undertaken in 1992, and during the first half of 1993, Zambia currently faces a high external debt, triple digit inflation, a heavy dependence on copper, and a parastatal economy that is a maze of non-performing companies, non-paying suppliers, invisible workers, and economic losses.

The impact of almost two decades of misguided policies cannot be immediately factored out of the economy, even if measures to reverse them are currently being implemented. While the prior government attempted to revise some of its policies in 1990 and 1991, it did not have the political will to follow through. The MMD government has demonstrated the political will to stabilize and restructure the Zambian economy.

3. Policy Framework for Development

The government's economic stabilization policies and plans are set out in "Economic and Financial Policy Framework 1992-1994" of March 1992. The economic reforms planned by the government in 1993 focus on a short-term macroeconomic stabilization plan to reduce dramatically inflation, and a long-term structural plan to reduce the size and inefficiencies of the public sector. The Government has set GDP growth targets of 3 and 4 percent in 1993 and 1994. To achieve these growth rates the government is depending on stable copper prices, a full recovery from the drought, as well as increasing investment to 20 per cent of GDP via increased public savings and private sector activity.

The Government has initiated a series of tax reform measures designed to reduce tax rates and simplify the existing system and provide private investment incentives. Recently adopted reforms include consolidating and reducing import tariff categories to 15, 30 and 50 per cent (1991); the introduction of a reduced uniform sales tax of 20 per cent for imported and domestically produced goods (1992); and a reduction of the corporate tax rate from 45 to 40 per cent (1992).

In the 1993 Budget address, the Minister of Finance proposed further revisions in the tax structure that included: lowering the income tax rate on manufacturing, trading and other companies from 40 to 35 percent; abolishing three minor taxes with high administrative costs (Selective Employment Tax, Education Levy, and Mineral Export Tax); and extending accelerated depreciation allowances, previously allowed only for agriculture, to manufacturing and tourism. The Minister also proposed to abolish the Import License

Levy and further streamline import duties with a maximum tariff of 40 percent. To encourage foreign investment, the Minister proposed a revision in the Investment Act to allow 100 percent repatriation of after tax profits, while abolishing investment tax credits.

The budget deficit averaged 12.4 per cent of GDP during the 1980s. The government's fiscal targets in the stabilization plan are to achieve a balanced budget in 1993, and a small surplus in 1994.

To foster monetary restraint as an instrument to contain inflation, the government stated, in January, its intention not to borrow from the Central Bank. One of the objectives of the government's stabilization plan is to achieve positive real interest rates, thereby rationing credit to its most productive uses, and mobilizing additional savings. In September 1992, the Bank of Zambia (BOZ) liberalized interest rates by permitting commercial banks to set their own deposit and lending rates. In January 1993, the BOZ introduced a Treasury Bill tender (auction) to further liberalize interest rates and to reduce kwacha in circulation. Current short-term deposit rates are about 50 percent and short-term lending rates about 63 percent; therefore interest rates remain strongly negative in real terms.

Progress in lowering inflation and therefore reaching positive real interest rates has been weak due to lapses in fiscal and monetary control. The target for broad money supply (M2) growth for 1992 was set at 25 percent. The projected M2 growth rate for 1992 was about 100 percent. New targets for inflation and money supply growth were agreed to with the IMF during February 1993. Inflation is targeted to be down to a forward annualized rate of 15 percent by December 1993.

C. Productive Sectors; Overview and Trends

1. Mining

Mining has long been the backbone of Zambian industry and the country's principal export earner. Mining accounts for 7 percent of GDP. Copper alone counts for more than 80 percent of export earnings and copper and its by-product cobalt account for more than 90 percent of metal production. The copper/cobalt operations are run by Zambia Consolidated Copper Mines (ZCCM) which is 60 percent government-owned.

In spite of Zambia's tremendous mineral reserves and mining's traditionally dominant role in the economy, new investment in this sector has been disappointing in recent years. Because there is often a 15-25 year lag between prospecting and actual mining, the mining sector will experience a stagnation phase over the medium-term. For example, production levels that averaged 700,000 tons/year have now dropped to approximately 400,000 tons annually. Within five years, production is expected to decline rapidly to about 200,000 tons per year. Investment is needed for the rehabilitation of existing mines, development of new ones, and for exploration.

Gemstone mining is a potential growth point in the sector. The three most important gemstones mined in Zambia are emeralds, amethysts and aquamarines. Two parastatals account for the bulk of legal gemstone mining. Apart from these two companies, there are several hundred licensed small miners and countless individuals who engage in gemstone mining without licenses. Government licenses for gemstone mining are limited to Zambian citizens.

Table 2: GDP Composition 1965-1990
(%)

	1965	1975	1985	1988	1989	1990
GDP by Sector	100.0	100.0	100.0	100.0	100.0	100.0
Manufacturing	6.3	16.8	22.9	31.6	36.5	31.9
Mining	40.1	13.6	15.6	10.5	12.9	9.0
Agriculture	14.2	13.1	13.1	16.8	17.6	18.2
Construction	5.4	9.5	2.6	2.1	1.5	3.9
Services	31.9	44.6	44.9	37.9	30.9	30.3
Other	2.0	2.4	1.0	1.0	0.7	6.7

Sources: Central Statistical Office; World Bank

2. Agriculture

Agriculture is the main livelihood of half of Zambia's population but typically accounts for less than 15 percent of GDP and roughly one percent of total export earnings. Until recently maize (corn) was the principal cash crop as well as the staple food. It accounts for 70 percent of the land area planted and almost 85 percent of crop production in the country. Other important crops include groundnuts, soybeans, cotton, sugar, sunflower seeds and tobacco; all of which experienced major increases in production this past year. Zambia has a large cattle herd, mainly targeted for local consumption.

The relatively small contribution of agriculture to GDP masks its real importance to the economy. Agriculturally-related activities make up most of the manufacturing, transportation and service sectors. Since 1986, the sector has performed better than most others in the economy despite a serious drought and an extremely restrictive economic environment. Until this past year policy constraints included distorted prices due to pan-seasonal and pan-territorial price fixing, a prohibition on exports of maize, export tariffs, and - most inhibiting of all - a seriously overvalued exchange rate and a severe contraction of credit. These restrictions are now gone, and the agricultural sector presents the best opportunity for achieving real growth over the medium term.

3. Manufacturing

The manufacturing sector accounts for 20 percent of GDP and is the second largest formal sector employer after mining. Zambia's manufacturing sector has long been import-substitution oriented with protection provided by high import tariffs and shortages of foreign exchange. Over 60 percent of inputs to the manufacturing sector are imported. Much of the manufacturing sector includes inefficient parastatals slated for the auction block. Principal manufacturing industries include textiles, pulp and paper products, food and beverages, and tobacco. There are only a few export-oriented firms. Plant capacity utilization in 1992 was estimated at only 25 percent.

In 1986, small-scale, nonagricultural industries were a source of employment equal to that of the formal sector. An estimated 211,000 small-scale nonagricultural enterprises employed almost 300,000 people. Approximately 84 percent of these firms were in rural areas, with two-thirds of these being part-time or seasonal activities of farmers seeking supplementary non-agricultural income. Small scale enterprise in rural areas is dominated by beverages (beer brewing) and forest-based industry (basketry and mat weaving, pitsawing, carpentry, furniture making, and charcoal or fuelwood production).

4. Services

The services group includes trade, transportation, communication, business, tourism and the traditional government services. Minority Asian-Zambians account for an important, but unmeasured, percentage of formal sector commercial trade. Half of all nonagricultural informal sector workers are in sales and many of them are considered underemployed. Over 42 percent of the labor force is engaged in petty commodity activities, but the income-generating potential of this subsector is shrinking. Effective demand has declined while the pool of competing traders and vendors has grown. Most small-scale trading and vending occurs in the urban and peri-urban areas.

Government public service is characterized as bloated, ineffective and expensive. Civil service reform, including retrenchment, is planned.

Zambia's potential for tourism is significant, but largely underdeveloped. The principal attractions are Victoria Falls and an extensive national park system with abundant wildlife and remote wilderness. Tourism revenues in recent years have been depressed with some of the main hotels experiencing losses. The main causes of the downturn in tourism receipts have been the recession in the industrialized countries, reports of cholera, drought, security concerns, and elephant and rhino population decline due to poaching.

D. Socio-Economic Situation[5]

1. Social, Cultural and Institutional Values

Distinctions in the composition of Zambia's social-cultural population occur along two dimensions: differences between the African and non-African groups, and differences within the overall African group. The vast majority of the population (over 99%) is of indigenous African origin. Although this group can be sub-divided into 80 distinct linguistic groups, sufficient cultural similarities exist to permit clustering into seven distinct categories.

Few sharp cultural boundaries exist among the indigenous ethnic groups apart from traditional political organizations, methods of kinship affiliation and traditional economic activities. These distinguishing variations continue to be important to social interaction and development activities in spite of the high degree of urbanization and the emergence of a national identity. The majority of Zambians continue to identify themselves in terms of ethnic and regional affiliation (albeit less than other African

[5] For sources throughout this section see: Elizabeth Blake, Cownie D., and Siamwiza R., Social and Gender Analysis Strategic Plan, SIAPAC, USAID/Zambia, January 1993.

countries).

Traditional political systems continue to co-exist with the modern form of government, sometimes dividing people's loyalty between the two. Adherence to tradition is abetted by the government through division of rights and obligations to the people as citizens of the state and as subjects of traditional leaders. Traditional leaders (chiefs and headmen) mediate local disputes, allocate traditional (reserve) land for settlement and agriculture, and serve as power brokers in local affairs. The government provides national security, a few social services and protection of civil rights. For most people, the former issues such as access to land and association with an immediate protector or benefactor are more important than those falling under governmental auspices.

Kinship affiliation is important, regardless of place of residence. The absence of a formal social security system and emergency welfare services makes people dependent upon kinship ties for assistance in times of need. Most ethnic groups are matrilineal with a few patrilineal groups existing (however, patriarchy prevails in both types of descent groups). The reckoning of descent through matrilineal or patrilineal lines is important because it determines rights and entitlements to family property and support. It is also important because it affects the custody and maintenance of children should divorce or death dissolve marriage. In particular, it has undermined women's access to productive land under secure title and precluded them from obtaining inheritances.

The combination of traditional political allegiances combined with strong kinship obligations have been associated with political patronage and nepotism. Reciprocity and obligation exists in all relationships serving as an added dimension to formalized roles and structures in government, parastatals and business. Objective criteria of fair-play, equity and non-favoritism is observed when dealing with "strangers" but a special set of criteria, emanating from tradition, is to apply to relatives, people from similar ethnic affiliation, and friends. The continuing centrality of lineage, clan and ethnic groups helps to promote these types of relationships, and raises concerns about bureaucratic structures that rely on performance and qualifications.

2. Distribution and Control of Resources

a. Income

Income levels have shown a steady decline from the mid-1970s, while the distribution of income has levelled as the economy has declined. Recent estimates suggest that 70 percent of all households fall below a poverty datum line (mean annual national per capita expenditure).[6] Thirty-two percent of all households have incomes which are less than half the poverty datum line, with 97 percent of those living in rural areas. These conditions put Zambia in one of the worst poverty positions in Southern Africa.

---

[6] See S.R. Johnson, et al, A Profile of Poverty in Zambia: Based on the 1991 Household Expenditure and Incomes Survey, Nathan Associates, Inc., USAID/Zambia, October 1992.

The Gini coefficient, an index of the equality of the distribution of income in a population, equals 0.4 evaluated over individuals on a per capita expenditure basis. The overall decline in incomes has narrowed the gap between rural and urban populations, with rural income increasing from just under one-third of urban income to over half. Poverty in Zambia is still a rural phenomenon. The percentage of income spent on food has risen for all social classes in both urban and rural areas.

b. Employment

Formal employment as a percentage of the total labor force was just over 26 percent in 1969, climbing to 29 percent in 1974, but declining to only nine percent in 1991, totalling 359,600 employees of a total labor force estimated at 4 million. Unemployment among those actively seeking work rose to 20 percent in 1986; for females, the rate was 32 percent. Of all unemployed persons in 1986, two-thirds were female and one-third were male.

Women represent less than 10 percent of all those employed in the formal sector. Of those women in the formal sector, wages are, on average, 22 percent lower than for their male counterparts. This is due in part to men occupying higher-paid positions (85 percent of all employers and/or supervisors are male), despite formal sector employed women having higher levels of education.

Approximately 80 percent of all formal sector employment is in the public (39 percent) and parastatal (41 percent) sectors.[7] Productivity is considered to be a major problem, while the system of distributing jobs through party channels under the UNIP Government, coupled with the worsening incomes situation, has fostered a serious corruption problem. Almost all formal employment opportunities are concentrated in urban locations in Lusaka, Copperbelt and Central Regions; fewer formal sector employment opportunities exist in the rural areas (approximately 35 percent, despite 58 percent of all Zambians living in rural areas), particularly in the more remote and underdeveloped North Western, Western, Northern and Eastern provinces.

c. Informal Sector

The large informal sector, defined to include subsistence farming, self-employed workers, and private enterprises and cooperatives with five or fewer employees, provided 267,000 urban jobs and 1,589,000 rural jobs, or 77 percent of the total work force in 1986. Since then, the formal sector has continued to stagnate, while the informal sector has probably added another half million jobs. With 211,000 enterprises employing almost 300,000 people, informal sector nonagricultural enterprises employ almost as many people as the formal sector enterprises. Approximately 84 percent of these firms were in rural areas. With the lack of growth in the urban formal sector, the informal sector has become an increasingly important employment option for the urban unemployed. Further, a number of formal sector workers occupying low-paying jobs have resorted to the informal sector to earn sufficient funds to survive. Many households with a member in formal sector employment also have members in the informal sector.

---

[7] CSO 1992 "Quarterly Employment and Earnings Survey," Labour and Manpower Division, Central Statistical Office, Lusaka.

Women own 60 percent of all informal enterprises, and comprise 54 percent of all informal sector employment. Women are heavily concentrated in beer brewing, ceramics, cooked food, garments and the selling of horticultural crops. Men predominate in carpentry, metalwork, and repairs. Women predominate in both rural (53 percent) and urban (57 percent) informal sector activities.

Support for informal sector development has had a checkered history in Zambia, in common with other Southern African countries. Although it was more or less suppressed for two decades, signs of a vibrant renewal of informal entrepreneurial activity are already springing up throughout the country. Government policy statements are now supportive of the sector. The current policy environment is not a barrier for creative and motivated micro-entrepreneurs.[8]

3. Demographics

Zambia's population has grown rapidly over the past twenty years, from 4.0 million in 1969 to 7.8 million in 1990. Annual rates of growth have remained steady over this period at 3.0 percent and 3.2 percent per annum between 1969-1980 and 1980-1990, respectively. If the population continues to grow at this rate, it will nearly double in size over the next 20 years.

Continued high fertility in combination with declining mortality has contributed to this rapid rate of population growth (see Table 3). Life expectancy at birth has risen from 43 years in 1969 to 48 years in 1980, and is projected to have reached 54 years in 1990. Results from the recently completed Zambia Demographic and Health Survey (DHS) suggest, however, that past trends in improved health status may be reversing. The survey indicates that infant and child (under five) mortality rates, in fact, have been increasing over the past 5 years-- an alarming trend that runs counter to that observed in most other sub-Saharan countries.

Fertility has remained stable over the past several decades. Estimates of the total fertility rate (TFR) are about 7 children per woman for the period 1969-1980. 1990 census estimates are not yet available, but the DHS estimates a TFR of 6.5 for the period 1989-91. This suggests that fertility may be starting to decline, although use of family planning services remains low. Only about 15% of currently married women are using contraception (DHS, 1992). Even with a dramatic decline in fertility, however, the population would continue to grow over the next several decades due to the young age composition of the current population. Roughly half of Zambia's population is under 15 years of age.

Zambia has the most urbanized population among countries of the Southern African Development Community (SADC), with 42 percent of the population residing in urban areas in 1990. There has been continuous migration of people to mining towns and urban centers over the past two decades. The pace of migration to urban areas, however, has slowed considerably. Population growth in urban areas is estimated at 3.7 percent per

---

[8] See Eric L. Hyman, Strauss R., Gayne R., A Microenterprise Development Strategy for A.I.D. in Zambia, Appropriate Technology International, AID/W GEMINI, August 1991.

annum during 1980-1990, while it was 5.8 percent during 1969-1980. Chances of survival are much greater among infants and children in urban areas compared to rural areas. Infants in urban areas have a 50 percent greater chance of survival than their rural counterparts (IMR for 1981-91 is 78 and 116 deaths per 1,000 births for urban and rural infants, respectively). This may be explained in part by the limited availability of antenatal care and delivery services in remote rural settings. While the fertility rate is higher in rural areas compared to urban areas (7.1 and 5.8, respectively), urbanization per se has not led to significant declines in fertility.

Table 3. Demographic Indicators

Indicator	1969	1980	1990
Population (millions)	4.0	5.7	7.8
Crude birth rate (per 1,000)	47.7	48.0 (1979-84)	49.7[a] (1985-90)
Crude death rate (per 1000)	19.7	17.0 (1979-84)	13.2[a] (1985-90)
Annual rate of growth Total Urban Rural		1969-80 3.0% 5.8% 3.7%	1980-90 3.2% 3.7% 2.8%
Percent urban	29.4%	39.9%	42.0%
Total fertility rate Urban Rural	7.1	7.2	7.0[a], 6.5[b] 5.8[b] 7.1[b]
Life expectancy at birth Total Males Females	 43.4 41.8 45.0	1979-84 48.3 46.7 50.0	1985-90 54.0[a] 53.0[a] 55.0[a]
Infant mortality rate (deaths per 1,000 births) Total Urban Rural	 147	 97	1980-91 98[b] 78[b] 116[b]

Source: Selected Socio-Economic Indicators, 1992, Central Statistical Office.

[a] Projections based on 1980 population census.
[b] DHS estimates, 1989-91.

4. Health

The health status of the Zambian people is poor and continues to deteriorate as demonstrated by several key indicators. The infant mortality rate, which had declined from 141 deaths per 1,000 livebirths in 1969 to 97.0 per 1,000 livebirths by 1980, has increased to 107 per 1,000 livebirths in 1991. Immunization coverage rates have been declining, the incidence and case fatality rates for malaria have increased steadily since 1978. Forty percent of children under 5 years of age were chronically malnourished. The major health problems facing Zambians, especially infants and children, include diarrheal diseases, malaria, acute respiratory infections (ARI), HIV/AIDS, and malnutrition.

Case fatality rates from diarrhea have been on the rise since the mid-1980's and in more recent years cholera epidemics and dysentery outbreaks have substantially increased the risk of death due to diarrheal diseases. The contribution of diarrhea illness to wasting in Zambian patients with HIV/AIDS is currently being studied at the University of Zambia in collaboration with the University of Texas, Houston. The 1992 Demographic and Health Survey reported that more than half of the children who recently had diarrhea were given a solution prepared from ORS packets and 23 percent were given a homemade solution of salt, sugar and water. Despite these results, it is important to note that one-quarter of the children with diarrhea were not given either ORT or increased fluids and that ORT knowledge and use is less common among the uneducated rural mothers compared to the most educated and urban mothers.

Malaria is endemic throughout Zambia and is the most common cause of hospital admissions and death in health facilities. The 1992 DHS reported that 44 percent of children under five years of age were reported to have had fever in the two weeks prior to the survey. Cases reported in health facilities more than doubled during the period 1978 - 1988 and hospital case fatality rates also doubled during the 1980's. The National Malaria Program of the Ministry of Health has not conducted regular anti-mosquito seasonal spraying around households for the past 17 years due to financial constraints. This inaction along with an erratic drug supply, increasing malaria parasites resistance to a number of antimalarial drugs like chloroquine and to a somewhat lesser extent, fansidar and mefloquine, and an observed increase in cerebral malaria are implicated in the rising trend of malaria deaths.

Pneumonia is one of the major causes of infant mortality in Zambia. It is the third most common cause of hospital admission in the infant population and accounts for about 8 percent of the deaths in children aged 1-14 years. Approximately one-half of children with diarrhea at the Diarrhea Training Unit, University Teaching Hospital Lusaka, have acute respiratory infection (ARI) while about 20 percent of all ARI deaths are directly linked to immunizable diseases.

HIV/AIDS is considered by many to be the most serious threat to development in Zambia. The country's HIV sero-positive prevalence rate is among the highest in the world and will increasingly contribute to Zambia's economic problems. Zambia can expect that a significant proportion of its skilled labor force will succumb to the disease over the next decade. Sentinel Surveillance Data in 1990 indicated a HIV-positive rate of over 25 percent among antenatal clinic attendees in the urban/peri-urban areas; an increase from the 8 percent in 1985 in the same population. This infection rate is having an impact on child mortality; however, studies to look at this age group have yet to be completed. Some experts estimate HIV seropositivity of 200,000 to 400,000 among the general population.

The interaction of HIV and tuberculosis has created problems associated with an increased demand for T.B. drugs, X-Ray films and hospital beds. The presence of sexually transmitted diseases (STDs) particularly when accompanied by genital ulcers, have also greatly facilitated the transmission of HIV. Of the approximately 170,000 cases seen annually in STD clinics, an estimated 55 - 75 percent are HIV positive. The DHS, reported that knowledge of AIDS is practically universal among women (99 percent) and that this high level of knowledge is evenly distributed among all age groups, educational levels and geographic locations.

Protein Energy Malnutrition (PEM) is a major cause of morbidity and mortality in children between the ages of birth and 5 years with 25 - 30 percent of this age group reported as under weight. Malnutrition in the 1 - 14 age group is the leading cause of death accounting for 31 percent of reports. Weight for height, an index pointing to recent nutrition status, indicated that 5 percent of the children are reported as wasted with little variation by demographic characteristics of the child.

Malnutrition in Zambia is closely linked with other infectious diseases such as malaria, diarrhea, and parasitic diseases. Vitamin A deficiency remains a preventable cause of blindness in Zambia, this deficiency being frequently associated with PEM and measles disease. As a general statement, rural malnutrition in the country is primarily of a chronic nature due to children suffering through long periods without sufficient food intake as urban malnutrition cases are more acute, often requiring hospitalization.

5. Education

Tremendous gains were made after independence in expanding school enrollment, particularly primary school. From 1985, however, serious declines in enrollment levels were registered. First Grade, which had expanded by more than 35 percent from 1980-1985, expanded by only 4 percent from 1985-1990, well behind the average annual population growth rate of 3.2 percent.

Inequalities in expenditure by level of education has increased over time. The cost of one year of University training now exceeds the cost of providing one year of primary education by a factor of 186. In 1980, spending on education was about 4.5 percent of GNP, as compared to 3.5 percent in Malawi, 4.2 percent in Tanzania, 6.9 percent in Kenya, and 7.1 percent in Botswana. By 1990, this figure dropped to 2.5 percent, one of the lowest education expenditure levels in the world. To make the sector more self-sustaining, the GRZ will have to, among other things, obtain funding from the non-government sector and local taxation.

The number of illiterate adults is also beginning to rise, due to the contracting of the adult education program (by 75 percent from 1970 to 1989) and lower formal school enrollments. Illiteracy for women is estimated at 35 percent, compared to 20 percent for men.

Gains in female enrollment at the primary level, from very low levels at independence, have occurred, doubling enrollment to 47 percent by 1990. However, girls tend to drop out at a higher level prior to entering (and during) secondary school, with the percentage of girls entering secondary school down to 36 percent. At the post-secondary level, only 20 percent of those enrolled are girls. The greater reduction in female enrollment can probably be explained in part by the economic decline that has occurred over the past as the higher opportunity cost related to their labor withdrawal at the household level, coupled with the lower return on investment for female education in the marketplace, make their education less attractive in times of economic stress.

These trends in the education sector are expected to further undermine the status of women in the economy, already at a tremendous disadvantage. Declining female enrollments also means a lack of family life education in a situation of increasing teenage pregnancy, and threatens to reverse gains which correspond to improved female education (e.g., health practices, family planning, etc.).

E. Prospects for Growth and Investment

1. Key Factors Affecting Comparative Advantage

Zambia's prospects for growth and investment are mixed. While the country has low wage rates and an abundance of land, it also has low labor productivity, severe land tenure constraints, deteriorating infrastructure and weak financial markets.

a. Labor

Given Zambia's high un- and under-employment rates, there is no shortage of unskilled labor. Wage rates are among the lowest in the world but labor productivity is correspondingly low. Low productivity is attributable to poor incentive structures and limited training and educational programs. Illiteracy is estimated at 27 percent and less than 40 percent of higher education graduates have pursued studies in technical, scientific, medical, agricultural, or managerial fields. Artisans are in very short supply. Technical schools and vocational colleges are lacking. Ironically, poor economic opportunity has led up to 50 percent of the nation's university graduates to reside outside Zambia. AIDS has further complicated the labor picture in Zambia, hitting the educated middle and upper management levels disproportionately hard.

b. Land

Of Zambia's 75 million hectares, approximately 16 million are considered suitable for livestock grazing, and 9 million hectares are classified as arable with good potential for crop cultivation. Although rainfall can be erratic in the south of the country, the climate and variations in topography mean that a wide range of crops can be grown. Despite its potential, however, only about 14 percent of arable land is currently utilized, the majority of it under rain fed maize production.

About 370,000 square kilometers, or 50 percent of Zambia's land area, is covered by forest, much of it virgin bush with only a few commercially exploitable species. Sizeable plantations have been established to form the basis of a plywood and paper industry, but the indigenous forests continue to be the chief source of sawn timber, poles, mining timber and fuelwood. There is not as yet a national forest or land use policy.

Land in Zambia cannot be easily sold, transferred, or subdivided; four percent is state-owned with the rest being communally held. By law, land has no intrinsic value and cannot be bought or sold on a permanent basis. The land tenure system is complex and has not evolved with the rapid economic, sociological, and demographic changes occurring in the country. An overhaul of land legislation and the establishment of a land market would be the single most important contribution which the GRZ could make to support the growth of commercial farming and outgrower schemes, and prospects for emergent farmers generally.

c. Transportation and Infrastructure

Because Zambia is landlocked, air and land transportation routes are important. Existing rail and road networks have nevertheless deteriorated from lack of new investment and maintenance. The parastatal Tazara and Zambia Railways provide poor quality service at high rates. Frustrations with the Tazara Railway has meant that increasing amounts of traffic are being handled by the southern route or by truckers. The trucking industry is primarily private, very open and extremely competitive. Zambia has been much less restrictive in granting foreign truckers licenses than has Zimbabwe and Namibia and there are hundreds of trucking firms operating in Zambia, many from Somalia and Tanzania. Air cargo prices to Europe generally range between $1.58-$2.05/kilo which is high compared to other exporting countries.

Water and electricity have generally been reliable services, with Zambia historically a net exporter of hydroelectric energy. There is a substantial waiting list for telephones, taking up to one year to be put into service. The direct dialing system does not always work well and quality of phone service appears to vary somewhat by location. Nevertheless, Zambia has one of the better telecommunications systems in the region.

d. Finance

Commercial banks and other financial institutions have not been able to fully serve the private sector's need for investment and working capital. Having operated under varying levels of government involvement and interference for more than two decades, the financial sector currently lacks the depth, capacity and flexibility to effectively mobilize savings and allocate credit to productive uses. Apart from inflation, the principal constraint to the development of a capital market in Zambia is the legal ambiguity surrounding the existing banking and other commercial rules and regulations.

2. Export Market Opportunities

Zambia is a member of the Southern Africa Development Community (SADC) and the Preferential Trade Area (PTA). Potential exists in Zambia for export oriented businesses to service some niche markets in Southern Africa and Europe. Zambia's competitiveness is however reduced by a number of factors. These include: high cost of raw material imports; high rate of inflation; relatively poor quality of Zambian products; high freight charges; border difficulties; external policy constraints; and, poor transport modes.

3. Productive Potential

a. Agriculture

Although real agricultural growth averaged only 2.2 percent a year between 1965 and 1991, the growth rate reached 7 percent during 1983-1990. This recent impressive growth is indicative of the sector's capacity and potential, provided both macroeconomic and agricultural market distortions are corrected. Overall, Zambian agricultural growth remains fragile because of its dependence on weather conditions, over-dependence on maize, high degree of subsistence production, and the present narrow export base. While intensification of crop production will be a central strategy in the long term to increasing sectoral growth, the greatest increase in output will likely come from area expansion over the next 10-15 years. Cotton, tobacco, coffee and maize are the best prospects for regional export earnings. Cut flowers and horticultural products access European markets, particularly during the northern winter season.

b. Mining

If the large-scale mining sector is privatized and/or opened for competition, and current tax levels reduced, levels of investment necessary for the sustainability of the sector could be attained. Additionally, the mining of gemstones presents a viable economic activity with valid growth potential for a large number of small artisanal miners.

c. Manufacturing

In the wake of import liberalization, the manufacturing sector has been hard hit by a number of factors. Manufacturers in other countries benefit from more attractive policy regimes, economies of scale, more modern technology, and more efficient management and labor forces. Given Zambia's small and relatively poor population, many of the manufacturing firms in the country can be expected to fail in the face of highly competitive imports.

Formal sector manufacturing firms which may be expected to survive and grow with export potential include: firms utilizing local raw materials, such as agro-, wood-, and mineral-processing capabilities; labor intensive operations, such as apparel, footwear, and sewn sporting goods; and high value-to-weight niche items, such as wig-making and natural cosmetics. A number of local firms will survive and prosper through serving the local market, particularly mine-related activities and bulkier consumer goods. But even with these products, greater competition will be encountered. Moreover, as state-owned enterprise is divested the close supplier relationships built on proximity and systemic bonds will likely be reduced, resulting in further shake-out.

For micro-enterprise, the following subsectors may present particularly good profit potential: food processing, metal working and blacksmithing, building materials and construction, ancillary industries related to mining, processing of forest products, textiles, and processing of fishery products. In many of these subsectors, comparative advantage lies in the substantial cost savings gained by processing near the raw material source. Economies of scale foregone may be outweighed by the lower labor costs of informal rural enterprises, flexibility of adaptation of small firms, and the use of more appropriate technologies.

d. Tourism

Increasing world interest in conservation, coupled with the depreciation of an overvalued exchange rate, has made tourism a potential growth industry. Key areas for wildlife viewing - the major drawing point - are the Lower Zambezi River, the Kafue Basin, the Northern and Southern Luangwa river valley, and the Nyika Plateau in the far north.

Most safari activity is by vehicle, with night viewing a special attraction since it is not allowed in other countries in the region which have game.

The growth potential is in eco-tourism and medium to high cost tourism, with game viewing and selected hunting as the attractions. Zambia's rivers have proven a draw for canoeing and white-water rafting. The limitations to this will be due to lack of sufficiently developed infrastructure and of park use planning.

Associated with tourism, artifacts and modern art markets are expected to continue to develop. Zambia could build on these for export using the Zimbabwean model.

II. Analysis of Key Constraints to Growth and Opportunities for Realizing a Better Life for the Next Generation of Zambians

For presentation purposes the key constraints are divided into three categories: Economic; Political and Legal; and Social Constraints. The Economic Constraints section identifies the problems that must be resolved for sustainable economic growth to occur. The Political and Legal Constraints section identifies technical, political and legal problems that, if addressed, will support a stable economic environment and accelerate growth. The Social Constraints section identifies problems with population growth, health, and education that are having an immediate adverse impact on Zambians.

A. Economic Constraints

1. Inflation

Inflation is currently Zambia's number one economic problem. Apart from acting as an implicit tax on liquid assets, the high rates of inflation have had far-reaching impact on nearly every aspect of business. Of all the distortions present in the economy, inflation is the most adverse and its impact the most profound.

Although one could list the myriad ways in which inflation affects economic growth, it is worthwhile to note the principal problems inflation has created for investors:

- Inflation makes long-range planning difficult. High rates of inflation have made long-term revenue and cost projections highly subjective.
- High inflation and real negative interest rates have meant that there are virtually no deposits longer than 12 months in duration, which precludes commercial banks from offering long-term capital financing.
- Inflation encourages firms to increase inventories and debt. Where possible, firms that can are accumulating physical stocks and maximizing their overdrafts.
- Even given the recent increase in the income tax exemption and reduced tax rates, inflation still represents a heavy implicit tax burden on all households, falling heaviest on the poor.

The GRZ is well aware of the problem and the solution. Current inflation is generated by excessive monetary expansion which in turn is driven by the fiscal deficit. The GRZ expects to reduce the deficit in 1993, thereby containing monetary expansion. Since the beginning of the year the Government is operating on a cash basis, to fund all public expenditures, eliminating remaining budgetary subsidies, and reducing public spending for all areas except primary health, education, and infrastructure.

2. Inadequate Foreign Exchange

Resuming and sustaining economic growth will require high levels of imports and consequently foreign exchange. Provision of the required levels of foreign exchange is constrained by large debt service obligations. In addition, foreign exchange earnings are largely dependent on mining exports (copper, cobalt, zinc and lead) which account for roughly 95 percent of Zambia's exports. While mineral export earnings are projected to decline, a variety of estimates and projections indicate that even with a 15 percent annual growth in non-traditional exports over the next decade, additional resources will be required if there is to be any hope of sustained economic growth and balance of payments viability.

The GRZ has implemented several reforms to encourage exports. These include increasing export retentions from 50 to 100 percent and unifying and floating the exchange rate. The incentives cover not only non-traditional exports, but the metal sector as well. Zambia is now entering a new era in which exporting can be profitable. It has already stimulated new interest in exporting tobacco, oil seeds, textiles and maize.

Manufacturing, having developed behind high walls of protection, will probably not be able to contribute significantly to exports, except in the area of agro-industry. The most promising area is agriculture because of the availability and quality of under- and unutilized land, previous agricultural export experience, and the existence of a large commercial farm sector that can take advantage of the new incentives. Land tenure reform (see below - II.B.2. - Legal/Regulatory) and continued improvement in the enabling environment are the most important measures to be taken to increase investment and output in agriculture to insure significant increases in agricultural exports in the medium to long term.

Zambia's long-term external debt is over $6.0 billion larger than any other low-income country. For the periods when Zambia has been involved in adjustment programs, debt rescheduling has been a way of life. Paris Club rescheduling on enhanced Toronto terms in 1992, totalling $900 million, reduced service payments (principal and interest) for the 1992 through 1994 period from 60-65 percent of exports and non-factor earnings to about 20 percent in 1992 and about 30 percent in 1993 and 1994.

Beginning in 1995 Zambia will have to resume making large external debt payments or negotiate another rescheduling agreement with the Paris Club. These payments will limit Zambia's ability to finance the imports required to sustain economic growth. Further rescheduling, however, could maintain debt service payments in the range of 30-35 percent of export earnings. In lieu of further rescheduling or even more significant growth in exports, Zambia requires increased foreign investment to meet its foreign exchange needs for key imports.

3. Dominance of Parastatals

Parastatal firms account for about 42 percent of formal sector employment while private firms account for just under 20 percent of formal employment. Parastatal firms also account for 80 percent of formal sector investment in mining, manufacturing and agriculture, and capture the lion's share of available credit to finance this investment. However, parastatals contribute only fifty percent of GDP in spite of their dominant position.

The much larger informal sector, defined to include subsistence farming, self-employed workers, and private enterprises and cooperatives with five or fewer employees, provided 43 percent of urban jobs and 91 percent of rural jobs, or 77 percent of the total work force in 1986. Three-quarters of informal employment is in agriculture. Since then, formal sector employment has stagnated and the Zambian informal sector has absorbed all the labor force growth of a rapidly growing population.

Has informal growth simply not been captured in national income accounts and in reality Zambians are better off than it appears from official data? While not impossible, this does not square with the results of household expenditure surveys and the DHS, which show respectively, a greater average share of expenditure on food as a proportion of household spending than in the past, and increasing mortality rates for infants and children. Neither of these observations would seem to be consistent with a hypothesis of unmeasured increases in income levels. Rather, it would appear that the informal sector has helped Zambia avoid a much worse economic condition. More rapid private sector-led growth is possible only if the state's dominance of the formal sector is reduced.

The parastatal firms include basic utilities like electricity and rail transport, plus the most important industrial, commercial and service firms. Many are inefficient, quasi monopolies. One holding company, Zambia Industrial and Mining Corporation (ZIMCO), is estimated to have received $445 million in hidden subsidies between 1985 and 1989.

The MMD platform clearly stated its intention to privatize parastatals to "optimize resource utilization, enhance the productivity and profitability of the private sector and assist in the reduction of the Government deficit." Realizing that parastatals have resulted in a major diversion of resources, and are a primary obstacle to economic growth and private sector development, the GRZ has begun implementation of a privatization plan to divest the government of almost all its holdings.

The speed at which the MMD administration has moved to privatize is indicative of its commitment to implement the divestiture plan. However, this political will could evaporate if the effects of divestiture-related unemployment are not dealt with in rapid order, or if momentum is lost in the debate over the "right sales price." Although potential investors are showing interest in the purchase of SOE's and new investment, continued enthusiasm will be related to further improvements in the enabling environment. Key areas mentioned by investors include inflation, legal framework/protection, and customs/tax structure.

4. Low Savings and Investment

Declining per capita growth in GDP since 1975 has been accompanied by measures to subsidize and promote consumption to partially offset the decline in national income. The consequence has been a steep decline in gross domestic investment; from well over 20 percent of GDP in the first decade after independence to less than 10 percent in recent years, which means that net investment may be minimal or negative.

The disincentives to produce and save, including negative real interest rates, inflation and the wasteful use of parastatal resources for consumption have all contributed to deterioration in the rate of investment. In 1993, if the budget deficit is reduced as planned, the GRZ can expect less diversion of savings to the public sector as well as the beginning of greater profitability in parastatals. The switch to market-determined interest rates through Treasury Bill Tenders should result in more attractive interest rates for lenders and ultimately investors. If price reform is consolidated by price stabilization, then the preconditions for increased savings and investment will have been created.

Investment will be held back initially by the lack of domestic financial instruments, particularly longer maturities and lack of equity markets. Since the country is bankrupt from the point of view of commercial credit of more than 3-6 months, foreign equity investment will have to play a key role if a real upswing is to be underpinned. This can take such forms as: wholly-owned or joint ventures, the repatriation of Zambian owned assets held abroad and use of foreign cover for protection.

At a sectoral level, it is imperative that government in collaboration with the private sector identifies the legal, regulatory and institutional obstacles to investment. The GRZ then must eliminate them as soon as possible.

B. Political and Legal Constraints

1. Political

Political structures established since independence were based on the need to meld traditional forms of participation, through chiefs and village headmen, with the introduction of Western representational forms of government. The tensions arising between the two led former President Kaunda to institute major political changes. Although the creation of a one-party state in 1973 helped to ameliorate some of the problems caused by internal bickering and regional political alliances, increased centralization of decision-making continued to be the principal approach used by the Kaunda government to deal with power struggles. As a result, by the 1980s mass participation was only allowed in issues of peripheral or local interest. On substantive issues or issues of national interest, the power of the people to participate was usurped. Political patronage and the one-party structure became the primary mechanisms through which centralized authority was maintained.

Although multi-party politics re-emerged during the 1992 national political campaign, the opposition today is weak, largely as a result of the MMD's landslide victory on October 31, 1991. An opposition has not developed into a viable political force over the past 13 months, as evidenced by the very poor showing of opposition candidates during the local elections that were held in December 1992. As a result, local level structures for political participation and the emergence of a viable opposition remain weak.

The MMD-dominated government is, however, subject to restraint as evidenced by an independent judiciary, the growing independence of the press (which was a key element in the MMD Manifesto) and the fact that, unlike under the former regime, the

Parliament is not a rubber stamp for policies emanating from State House or the Cabinet. Examples include the far-reaching debate and resulting revisions in the Privatization Bill before it was finally enacted into law, and the open debate on the defense budget that resulted in reduced military spending for 1993.

2. Legal/Regulatory

One of the primary factors responsible for an unstable investment environment is that many important laws relating to the conduct of business require revision. An urgent need exists in Zambia to bring commercial law and business regulations in line with liberalization and decontrol, i.e. the protection of individual property rights. Most importantly, the capability to make and enforce business contracts is needed for the long-term viability of the market economy. The Companies Act, essentially unchanged from its enactment in 1910, is the basic legislative foundation for commercial law in the country. The government is in the process of modifying other related acts such as the Marketing Act, Investment Act, and Banking Act.

It is a governmental responsibility to establish the legislation within which free markets can operate. Key provisions would include an unambiguous statement of the role of government in private input and commodity markets; a legal framework (including the specific provisions) that promotes and protects the integrity of competitive markets as well as the property rights of buyers and sellers; definition of rights of individuals entering into private contracts with the necessary legal protections; and provisions which specify the role of markets in price determination.

To promote the necessary private investment in input and commodity markets, revised marketing and credit legislation is urgently required. In addition, new legislation is required to establish grades and standards for commodities entering domestic trade and export markets; as well as technical certifications and health standards for the sale and distribution of agricultural inputs (e.g., all forms of chemical inputs used in production and marketing).

Reforms in land tenure legislation are considered a very high priority by Government. It is very difficult to see how the various programs aimed at increasing private sector development, increasing private and foreign investment, or increasing the capitalization of the farm and non-farm sectors can proceed without fundamental revisions in land tenure policy.[9]

An extremely high rate of expansion of cropped land area is partly responsible for the priority government is placing on land tenure reform. Since the 1970's increased agricultural production has occurred as a result of opening up new lands. The cropped area has expanded at a rate of about 12 percent per annum, resulting in a doubling of crop area every 6 years. While intensification of crop production will be a central strategy in the long term to increasing agricultural productivity, the greatest increase in output will likely come from crop area expansion over the next 10-15 years. Such a rapid rate of area

---

[9] This draws from Michael Roth, "Land Tenure, Agrarian Expansion, and Credit Demand in Zambia: A Proposed Action Plan for USAID Assistance," June 6, 1993.

expansion and growth in output raises important questions about the sustained preservation of land reserves for forests, parks and wildlife; environmental concerns of deforestation, and declines in soil and water quality; and whether the land tenure system is efficiently and clearly delineating and enforcing property rights.

The Zambian land tenure system is complex and, as is evident, has not kept pace with the recent demands on the economy. Most land falls under customary land tenure, under the auspices of local chiefs and is known as "reserve and trust lands." The remaining land falls under a statutory tenure system and is known as "state lands." State land under a leasehold property system makes up 6 percent of the total land of the country, comprising some of the highest quality land available.

A large and growing demand for title in Zambia today can be attributed to two reasons: the demand of the leaseholder for enhanced tenure security for investment; and the greater security afforded to lenders of capital from title as collateral. There is also no doubt that perceptions of title being needed to gain access to credit has been an important factor driving demand for leaseholds. Banks feel that land title is a strong form of guarantee, and that a strong land market enables easy liquidation of foreclosed property, thereby reducing lending costs.

Should the pace of title issuances outpace the growth in credit supply, future credit access will depend heavily on three factors: title ownership, farm size, and non-farm incomes or other forms of collateral that Banks might use as a guarantee. Larger farms with title and other sources of capital will continue to get credit. But small "emerging" farmers will be squeezed on the one hand by tenure insecurity from lack of title (due to administrative bottlenecks), and on the other by lack of capital that is necessary to undertake the land improvements to make farming profitable.

The Government's proposal to liberalize the land market and to significantly expand the supply of leaseholds in the country is sound policy. Leasehold tenure of 99 years, while less satisfactory than freehold tenure, is adequate security to encourage long-term investment, and is generally acceptable security for loans.

In areas with higher population densities and a better developed transportation network, the customary tenure system does not appear to be providing the tenure security necessary for long-term investment. Customary systems seemed to have weakened out of three causes: (1) rising land values, increased competition for land, and increased rent-seeking by Chiefs and others controlling land allocation; (2) inadequate incentives to make lon-term improvements without clearly defined long-term land use and testacy rights; and (3) increased central government control and reduced powers of local leaders have resulted in a rapid expansion of the cultivated land base, placing common property resources such as grazing lands, forests and wildlife at risk.

While the State Lands will continue to constitute a strong focus for programs aimed at intensification, the long-term future of Zambian agriculture lies in the far more extensive Trust and Reserves lands. Here the most fundamental tenure issues remain unresolved and any resolution will need to go hand in hand with the major public investments required for the extension of infrastructure, facilities, and market access to these areas. The real challenge lies in planning the effective development of these lands.

C. Social Constraints

1. Population Growth

Zambia's birth rate has varied little since independence while the death rate has declined steadily. Combined, these two trends have produced a population increase of about 3.2 percent per annum in the last decade. The average mother has over seven children. Urbanization seems to have had no dampening effect on rapid population growth. The population is young with a large cohort of women at child-bearing age. Teenage pregnancy rates are high (over one-in-three), and many mothers suffer from high-risk pregnancies.

The availability of vast underdeveloped land is often given as the reason for no sense of urgency to promote family planning. But, with a population growth rate far exceeding economic growth the government needs to reconsider the priority of its population policy. Although a National Population Policy was promulgated in 1989, family planning service delivery efforts have been slow to gain momentum. Less than 10 percent of all married women currently practice modern forms of birth control, while approximately one-in-three have used modern forms of birth control at some time in the past. Only half of all health facilities offer family planning services.

The economic crisis has adversely affected the public and private sectors' ability to offer family planning services. Limited funding for family planning has manifested itself in: an inadequate number of service outlets and providers; poorly trained providers; weak administration and management; inconsistent, insufficient and incomplete mix of services; and poor quality information and education materials. High morbidity rates and increased demands for household labor under the growing economic crisis suggest that birth rates will rise before they fall.

Family planning activities are difficult in a complex social environment which places an emphasis on fertility, and allows men to determine the when and how of sex. Women know about family planning methods (close to 90 percent of all women know of a modern method of contraception), but do not necessarily use modern contraceptives. This disparity has been referred to as the "KAP Gap," and requires research to ascertain the non-logistic reasons for the low CPR.

The very long lead times between planning, action and impact in this area suggest that if the program goal includes a broad-based improvement in the standard of living for the next generation, then measures must be taken now to reduce population growth. The groups most affected by continued inaction are the poor, especially rural women who are often farming on their own.

2. Health

Over the past twenty years, the deterioration of the economy along with poor management of the health care budget has greatly contributed to the worsening health status of Zambians. In the decade from 1976 to 1985, government per capita recurrent expenditures for health declined by 57 percent in real terms. The decreased expenditure and investment in the health sector has created a health care system of poor physical infrastructure, a chronic shortage of drugs, underfunding of services and a leadership unable to respond to community health needs.

Because of inadequate funding, primary health care programs have developed, usually with donor support, independent (vertical) of each other at the national, district and health center level. This has led to duplication of coordination and supervision efforts, and, training being restricted to specific programs and fragmented service delivery at the clinic level. Poor funding has severely impaired the government's ability to retain qualified health personnel. The scarcity of qualified health workers has been exacerbated by the problems of inadequate training, in-service education and learning materials. Supervisory skills training workshops are almost non-existent and patient management expertise is lacking in many program areas. Other constraints include poor distribution of manpower (most physicians are unwilling to work in areas without immediate access to urban areas), communication problems and a totally inadequate system for analysis and feedback of basic health information.

The GRZ has initiated a decentralization reform program designed to address the operational and financial constraints to improved health care delivery. The decentralization program will delegate planning, management and administration of health programs to district health boards. The management of general hospitals will also be turned over to autonomous hospital boards. Some of the major hospitals have begun charging beneficiaries for outpatient services. Under the GRZ reform program, everyone is expected to contribute to the funding of good quality health care. Decentralized management, equitable cost recovery schemes, and other health care financing activities will be problematical given the scope of the reforms.

Consequently, the GRZ will be required to rely on donors for funding of its primary health care/maternal child health system over the next five to ten years. Donor assistance, currently amounting to 31 percent of all health funding, will continue to be critical in supplementing the GRZ health care budget and in supporting cost-effective programs that address the leading causes of preventable disease. In the long run, improved health care financing will be a necessary condition if the GRZ is to provide its citizens with sustained access to a basic package of health care. Traditional budget allocations favoring urban over rural and curative on a preventative will have to change.

The unsatisfactory health status of the Zambian population can also be attributed to a high population growth rate. Zambia's population growth of 3.2 percent remains unreasonably high as a result of a fertility rate that has declined only 9.2 percent over the past two decades, while the death rate declined over 30 percent for the same period.

3. Education, Training, and Management

Education and training promote development in two ways: by the transfer of basic skills and the mental discipline required to absorb them, and the diffusion of specific skills to master vocational, technical and professional tasks. Since independence, primary education has become almost universal. Primary school attendance (grades 1-7) in 1990 was 88 percent of the primary school aged population. Comparable statistics for secondary and university levels are about 20 and less than 1 percent, respectively. The literacy rate was 75 percent in 1985.

School attendance was higher in 1985 when the primary school attendance rate reached 96 percent and spending on education averaged 5 percent of GDP. The number of children in primary school has stagnated in the past few years because the government did not have the resources to build and staff more schools. Furthermore, for those in school, quality of education has dropped sharply due to the lack of desks, textbooks, instructional materials, and the frequent absence of poorly-paid teachers. Budget stringency pushed down expenditure to 2.5 percent of GDP in 1990. As a consequence, there is a great deal of donor interest in supporting universal primary education in Zambia.

The current GRZ policy on financing education is for the central government to pay teacher salaries, and allowances for all grades. For primary schools all other expenses are to be covered by either the local councils, other donors, or parents. For secondary schools and universities, the Government continues to provide resources, albeit at a reduced level of funding, for textbooks, school equipment, furniture, renovations, and living allowances for boarders.

In the next 5-10 years, the issue is not literacy and the extent of general education but whether the number of people having the requisite vocational, technical and managerial skills is adequate and whether those who have the appropriate training are being effectively employed. A better trained work force and the more efficient use of the talents Zambians already possess will have far more effect on economic growth than the marginal improvements in primary or even secondary education that limited additional investment will bring about.

It is a common, but difficult statement to document statistically, that the work force has a serious shortage of skilled individuals. More alarming has been the out migration of trained professionals, (e.g., doctors, pilots, and university professors) to other countries in Africa for many years. The causes of out-migration have been lack of employment opportunities in the domestic economy, political repression (under Kaunda), the increasing compression in the salary structure, the increasing differential between domestic and foreign salaries, and the poor quality of education, medical care and other services for those who do have higher incomes. Until the economy starts to grow and inflation comes under control, the growth in employment, and improved conditions of employment cannot be expected to occur.

If the shortage of skilled personnel continues, it will certainly be a brake on growth. For the medium and certainly longer term, this situation is clearly a constraint that has to be resolved. More attention must be focused upon the linkages between a skilled labor force and economic growth, particularly the skill requirements necessary to stimulate investment and productivity increases in the private sector over the medium term.

III. Restoring the Conditions for Growth and Relieving Medium Term Financing Constraints

A. Sources of Growth in the Zambian Economy

With good policies and realistic assumptions about the rest of the world, economic growth in Zambia is both possible and not inconsistent with the constraints of internal and external financing.

Negative growth overall (-1.1 percent per year GDP growth from 1989-91) characterized the Zambian economy even before the disastrous 9.6 percent decline of GDP in the drought year of 1992. There have been declines in all sectors since 1989, with the exception of agriculture in the crop year 1992/93. With the exception of an unmeasured informal economy, there have been no consistent sources of growth in the economy since the rapid growth of import-substituting industry from 1965-1974, and a brief period of rapid agricultural sector growth from 1985 to 1988. Per capita output and income have declined steadily since 1965. Seventy percent of Zambians were below the poverty line in 1991 compared to about 60 percent in 1974-75.

To restore fundamental conditions in which growth can occur, the GRZ is implementing macroeconomic policies designed to bring down inflation sharply and maintain a market-determined exchange rate. However, as Chile and other Latin American experience shows, it can take years to reduce inflationary expectations, and following triple digit inflation such as Zambia has experienced, the rate of inflation can persist for many years in the 10 to 30 percent range even with sound, consistent fiscal policy. To bring down the budget deficit, the GRZ announced a cash basis for its operations in 1993. The Bank of Zambia has been instructed to deny any GRZ transaction unless there are adequate funds in the appropriate accounts so as to avoid the tendency for ministries to lobby for (and usually obtain) supplementary appropriations. The GRZ has also permitted interest rates on loans to rise to above 100 percent and is now issuing, since January 1993, Treasury Bills to mop up excess liquidity.

Prices for petroleum products and electricity have been raised to world price levels. Subsidies on fertilizer and maize meal have been eliminated, maize meal handling subsidies will soon be eliminated, and most price controls been removed. The GRZ is ending the practice of guaranteeing loans of state-owned enterprises and has eliminated budget subventions. Tariffs have been narrowed to between 20 and 40 percent (from 15 and 50 percent previously).

All of these policies, if strictly implemented, will put severe pressure on the state-owned enterprises prior to divestiture. The new economic policies should also begin to increase confidence that the GRZ can bring down inflation and create an environment where profitable private investment can take place.

Where then will growth occur in the Zambian economy? Scenarios prepared by the IBRD for the 1993 consultative group meeting show the most rapid growth in the agricultural sector through land expansion within the existing holdings of land in both commercial and smallholder agriculture. This growth is in response to the radical shift in the urban-rural terms of trade following devaluation of the kwacha, liberalization of the maize market and abundance of underutilized arable land. The rebound in production of maize this year to 18 million bags (1.62 million metric tons) exceeds domestic consumption requirements of 15 million bags (1.35 million metric tons). In the base case, agricultural GDP increases 8 percent per year through 1997. Overall, the mining sector does not grow as significant investment is required to bring on new capacity and prevent an overall decline in copper production. However, there are significant opportunities for smaller private mines in gemstones and other minerals. Manufacturing is projected to grow at 4.0 to 5.5 percent per year and services also grow at 4 to 5.5 percent per year. There is considerable potential for expansion of tourism in private hands. Construction activity booms, making up for years of neglect and unsatisfied demand. Government does not grow at first and then only at 1.0 percent per year through the CPSP period. The combination of these sectoral growth projections result in total GDP growth of over 5 percent per year.

B. Financing Medium-term Growth

One of the principal constraints to achieving a 5 percent annual growth rate is the availability of foreign exchange to finance the imports required. Financing is achieved through foreign direct investment, particularly in mining but also in commercial agriculture, rescheduling of Paris Club debts and equivalent reductions in non-Paris Club bilateral debt, elimination of commercial debt, replacement of IMF arrears by new IMF drawings (in 1995), continued but declining balance of payments support and increased investment levels as a percentage of GDP (from 13 percent in 1991 to 26 percent by 2002). Even with good export performance, increasing direct foreign investment and continued substantial donor support for the balance of payments, achievement of 5 percent annual GDP growth rates will require additional financing over the period 1993 to 1997 of about $200 million per year. If this level of additional or "gapfill" financing is unavailable, then growth prospects are likely to be more modest and could result in declining per capita income levels in the short term.

Key to the resumption of growth is increased efficiency of resource use and quantity and efficiency of investment. Also important are availability of imports, which are significantly constrained by availability of financing, and access to available land. We emphasize increased efficiency of resource use which current GRZ policies promote with the rapid move to market prices, and efficiency of investment which should be promoted also by the elimination of GRZ budget subventions and loan guarantees for the state-owned enterprises to be privatized.

Achievement of growth depends on sustained fiscal and monetary discipline, successful promotion of non-traditional exports, debt service rescheduling pushed to its limits, higher than average levels of aid, and compression of the demand for imports through maintenance of a competitive exchange rate. The reduction of imports will not reduce growth of output to the extent that a correctly valued exchange rate encourages lower import intensity of investment, more investment in agriculture and small-scale manufacturing, and less capital-intensive techniques.

C. Debt Service

Since Zambia's debt burden is one of the highest in Africa, debt rescheduling must be pushed to its limits to achieve growth in the medium term. The stock of public and publicly guaranteed long-term debt outstanding stood at over $6 billion as of the end of 1992, or almost $700 per capita in an economy with a SDR 315 (about $430) income per capita in 1992. There is also $917 million in short-term private debt, bringing total short and long term debt to $7.1 billion.

Extraodinary measures must be taken to keep the debt service from being too great a drag on growth. Before rescheduling, the total debt service gradually declines from

$663 million in 1993 to $403 million in 1997 before rising again to $712 million in 2001. Rescheduling was exceptionally high at $567 million in 1992 as donors helped Zambia clear its arrears to the World Bank. Rescheduling is projected to be $348 million in 1993 declining to just under $100 million in 1997. The total amount rescheduled by the Paris Club, other bilaterals, and from the private lenders between 1993 and 1997 will equal $1.057 billion.

Before rescheduling, debt service would require over 60 percent of export earnings in 1993 and close to 60 percent in 1994. Thereafter it would fall slowly to 34 percent of exports in 1997 and then rise again to between 38 and 43 percent of exports through 2002. After rescheduling, debt service will still take over 30 percent of exports in 1993 through 1995 and will only reduce this ratio by about 5 percentage points in the out years.

This level of relief is critical to the achievement of economic growth. It will only be achieved if debt is rescheduled on the following terms:

(1) Paris Club reschedulings are on Toronto terms (or better),
(2) a buy back of $450 million in private debt is financed by donor contributions in 1993,
(3) new donor funds are at least 80 percent grant and 20 percent soft loans
(4) non-Paris Club bilateral debt is reduced in the same proportion as Paris Club debt, and
(5) the IMF eliminates the stock of arrears in 1995, two-thirds with ESAF resources and one-third with ordinary resources.

The Multilaterals currently hold nearly $3 billion of Zambia's debt. The IMF ($1.3 billion or 21 percent of long-term debt), the World Bank ($1.0 billion or 16 percent of long-term debt) and the ADB/ADF ($284 million or almost 5 percent of long-term debt) account for 42 percent of Zambia's long-term debt stock. Rescheduling this debt has always been out of the question for any member country since it would raise the cost of borrowing for other member countries of the World Bank and African Development Bank. The multilaterals also account for 30 to 35 percent of the debt service before rescheduling. After rescheduling, since the multilaterals cannot reschedule, repayments to the multilaterals will make up almost 60 percent of the debt service, falling to just under 50 percent in 1996 and 1997 before rising to just over 50 percent for the remainder of the century.

D. Donor Resources

1. Aggregate Assistance

Zambia has received strong donor support over the past two years. Even before the Chiluba administration, the Kaunda Government's luke warm conversion to reform attracted new donor interest and aid. General balance of payments support including debt relief equaled about 75 percent of exports in 1991 and over 100 percent in 1992. Table 4 below presents a complete picture of donor pledges (both grant and loan) for non-project and project assistance for 1991 and 1992, plus the GRZ's preliminary requirements for 1993. Table 4 presents the 1992 pledges by donor.

During 1992, balance of payments support was the predominant form of economic assistance. The World Bank, EC, USG, Japan and Germany provided the most foreign aid in 1992. All donors except the U.K provide all forms of assistance. The U.K. has no project aid but maintains a large technical assistance program. The breakdown of aid for 1992 is somewhat misleading because of the importance of food aid in response to the drought. Without food aid the U.S. would have been among the smaller donors. In terms of project and technical assistance, Sweden, Norway and the U.K. have the largest assistance programs.

Balance of payments assistance increased dramatically in 1992 because of the extraordinary donor response in financing maize imports in 1992. Normal levels of food aid would be a fraction of the amount committed in 1992. The outlook for 1993 is for a return to normal agricultural production and no new resources will be required to finance maize imports in 1993.

Tables 4 and 5 do not reflect actual annual disbursements of external aid. However, technical assistance from all sources is believed to be from $50-100 million per year and employs some 1,700 foreign experts. A comprehensive inventory of projects and technical advisors is underway but will not be available until mid-1993.

Projections of assistance levels by donor are not available. Given the budgetary pressures that all donors are facing, prospects are not good for any significant expansion of aggregate donor assistance to Zambia. In fact, it is highly likely that assistance levels will decline in real, if not nominal, terms over the CPSP planning period. As pointed out above, this implies that financing gaps will continue and per capita growth will be threatened unless additional resources become available.

Table 4: External Assistance 1991-1993
(in millions of dollars)

		1991	1992	1993
1.	Non-project assistance	522	582	640
2.	Food and relief	6	203	0
3.	Project assistance	260	207	250
4.	Sub-Total	788	992	890
5.	Debt relief	295	451	337
6.	Total	1083	1443	1227
	(Excluding relief)	(1077)	(1240)	(1227)

The data for 1991-2, are firm commitment figures not disbursements; the 1993 column shows preliminary estimates presented to the Pre-CG meeting held in Paris on December 11, 1992.

Source: GRZ Ministry of Planning and Development Cooperation

Table 5: External Aid By Donor, 1992
(in millions of dollars)

Donor	Non-Project	Relief	Project	Total
ADB	10.2	0.0	35.0	45.2
Canada	16.3	10.6	4.0	30.9
EC	59.2	52.8	20.0	132.0
Finland	6.4	3.5	16.0	25.9
Germany	56.0	15.0	20.0	91.0
Japan	69.2	13.3	20.0	102.5
Netherlands	4.1	12.6	10.0	26.1
Norway	19.6	7.0	10.0	36.6
Sweden	43.7	0.4	16.0	60.1
UK	70.8	0.0	0.0	70.8
USA	10.0	79.4	14.0	103.4
World Bank	211.4	0.0	30.0	241.4
Other*	4.6	9.3	11.7	25.6
Total	581.5	203.3	206.7	991.5

Source: GRZ Ministry of Planning and Development Cooperation
* Australia, Belgium, France, Italy and Switzerland.

2. Sectoral Investment

Addressing economic restructuring--principally privatization and the requirements for sectoral reform and investment--is the joint program responsibility of the GRZ and the World Bank in collaboration with bilateral donors.

GRZ resources for sectoral investments are limited. At over $200 million per year, bilateral and multilateral project aid is equivalent to 5 percent of GDP and represents a large percentage of total investment in Zambia. Sixteen multilateral and bilateral donors, together, committed $206 million in project aid in 1992. At only $14 million, USAID ranked 7th among all donors and 5th among the bilaterals (Table 3) during 1992.

From the development point of view, project aid, if properly targeted and designed, should have the strongest long term impact. However, project designs in Zambia have not always adequately diagnosed existing economic and institutional constraints, taken into account the policy environment or incentive system required to effect change, or adequately considered the key socio-economic factors that influence behavioral change at the enterprise or household level. The policy environment is less of a problem now, but implementation capacity of Zambian institutions if not immediately addressed will continue to be a major constraint on program impact. In fact, overall project aid has declined from 1991 to 1992 in part because of implementation problems and the need to divert resources to finance maize imports in response to the 1992 drought.

Significant donor activity is found in every economic and social sector of Zambia. Agriculture, health, education and infrastructure are the major classifications receiving support.[10]

a. Agriculture

Donors generously assist Zambia's agriculture sector with project funding. At last count there were over 100 active projects. Agricultural research accounted for the largest number of these activities, followed by livestock, integrated rural development, and agricultural extension. Concerned by the evident low return on project investments and the overall high number of outright failures, the World Bank is proposing tighter coordination and greater government involvement in the planning of agriculture sector investments. The belief is that too many donor projects have objectives which exceed local management and financial capacity.

The Minister of Agriculture appointed an Agricultural Sector Investment Program (ASIP) Task Force in late 1992 to prepare a well-conceived sectoral investment program, and identify a policy and institutional reform program to support market-led growth. The task force has, with USAID assistance, already delineated the critical policy and institutional policy changes, and priority investments needed. The reform agenda is lengthy and includes policy and institutional changes in the following areas: marketing, trade and pricing; rural finance; land use and tenure; livestock; farmer organizations; and implementation processes. Public sector investments are proposed to focus on agricultural research, extension, animal production and health, and fisheries development. Private investment is expected to provide credit, support contract farming, and diversify exports, particularly through development of an export-led horticulture sub-sector.

The ASIP approach requires that government and donors reach agreement on a sector policy framework and investment program. If implemented, the investment program would require that the existing project portfolio would over time be reduced and restructured to gradually conform to sector priorities.

The important donors in agriculture are the World Bank, EEC, Sweden, Netherlands and USAID. The World Bank has returned to agriculture with a major loan ($33 million) devoted mainly to credit for crop marketing and processing. It has also extended the "PACD's" to 1995 of two loans originally authorized in 1987. (One was for agricultural credit and the other for development of coffee production and processing.) Integrated rural development projects have been a high priority for Norway, Sweden, Finland and the Netherlands. Construction and the rehabilitation of storage facilities for grain and fertilizer is supported by Canada, Japan and Germany. These donors, along with the FAO, and UNDP provide technical assistance to improve extension services to farmers, training and research. The EEC supports several projects related to animal disease control;

---

[10] See Annex D for an expanded description of donor assistance to Zambia.

and, has just authorized an $11 million grant to provide credit and marketing assistance to producers associations in promising product areas: coffee, selected horticulture crops, flowers, tobacco, cotton and cotton textiles.

b. Health

Recognizing the poor health status of Zambians, the MMD government drafted the National Health Policies and Strategies (Health Reforms) that establishes the GRZ health care goals and describes its strategy for achieveing them. As mentioned above, the document proposes a complete decentralization of health care delivery that will remove the MOH as a provider and place management of health care as close to the community level as possible.

Donors have indicated that they will not provide massive investments in the health sector until the restructuring of the Ministry of Health has been completed. In the interim, donors are generally interested in focusing on strengthening services for communicable diseases and supporting the process of decentralization to the health district level. The GRZ expects donors to support the health sector in line with the National Health Policies and Strategies.

The following is an overview of donor support targeted at the areas of addressing specific health problems, health policy/management and health service delivery at the community level:

- The World Health Organization (WHO) is assisting in the control of cholera epidemics, the control of HIV/AIDS, in the development of a legislative framework for implementing the GRZ health reform package and training for health center staff.

- DANIDA's support to the Ministry of Health is through two main projects, support to the recently decentralized health districts for the development and implementation of health plans and a quality assurance project to improve the quality of health services. DANIDA also supplies drug kits for urban health centers.

- UNICEF is involved in the control of vaccine preventable diseases, control of diarrheal diseases, nutrition and water and sanitation. This organization is also supporting the development of financial policy within the framework of health reform to include the costing of primary health care services and household expenditures for health care. UNICEF is committed to the decentralization process and to the integration of program functions such as health information systems and community planning.

- SIDA proposals include a collaborative effort with USAID and NORAD in the control of HIV/AIDS, in the development and implementation of a new health care budgeting system and in the provision of essential drugs. Along with the Netherlands, SIDA is also providing ongoing assistance to improve service delivery at the health center level.

- ODA support to the Ministry of Health is directed at strengthening the workforce (manpower planning and policy) and decongesting hospitals. ODA is also planning to assess availability and access to health care in the urban setting.

- Other donor support includes NORAD in the areas of water and sanitation and cholera control; the Netherlands in the funding of the tuberculosis program, World Vision in the rehabilitation and construction of health centers, World Bank in improving nutritional health status and policy development and Irish AID in the strengthening of water and sanitation systems.

c. Population

USAID, UNFPA, and IPPF have been the primary donors in population planning to date. UNFPA is supporting the compilation and analysis of the 1990 census; assisting the MOH and NCDP to integrate and implement Zambia's National Family Planning Policy; supporting the demography program at UNZA; and providing technical assistance in IEC to and through various Ministries (e.g. Labor, Information). IPPF is supplying 30 percent of all contraceptives in Zambia, and supporting its affiliate, PPAZ, in program management, IEC, and training activities.

Recognizing the importance of controlling the population growth rate in Zambia, the World Bank and ODA have indicated that they will initiate family planning programs in 1994. ODA has earmarked approximately $1.4 million for contraceptives in 1994 and an additional $3.5 million beginning in 1995 for expanded population activities, based on the outcome of an ODA-funded PPAZ strategic planning exercise. The World Bank has indicated its desire for a major population effort, although its specific strategy and proposed funding have yet to be determined.

d. Education

The government, recognizing the deplorable state of the education sector is taking major steps to redefine priorities and institute major reforms under a planned $33 million 5-year IDA Education Sector Rehabilitation Loan. The investment program will finance capital expenditures and technical assistance to improve the quality of education and provide guidance for policy reform and restructuring the administration of the Ministry.

The other major donors, among 19 external agencies providing assistance to education, are SIDA, FINIDA, ODA, JICA and the AfDB. These ongoing projects are mainly directed to primary and secondary education involving school construction, facility maintenance, provision of books and other educational materials and teacher training. In sum, the educational sector has more donors involved than any sector other than agriculture.

e. Infrastructure

In infrastructure projects, emphasis has been on road rehabilitation, railway reconstruction, water supply and power distribution. The dilapidated state of Zambia's roads has attracted numerous donor projects. The EC and Norway have worked on feeder roads. They have also improved trunk roads, as has USAID, while the Japanese are building a major road bridge. Germany has been active in railway improvement, but puts more money into rural water supplies. Norway is also active in this area and the African Development Bank (AfDB) will undertake new projects in the same sector. Finland has a large power distribution project in Lusaka and the AfDB has plans for investing in this sector as well.

f. Privatization

The World Bank has $50 million left from a $200 million Privatization Credit dependent on the GRZ's progress toward privatization. There is a companion credit of $10 million, for residual financing of privatization requirements not covered by other donors or the GRZ. USAID is the lead donor in the privatization process, providing $18 million in technical assistance. GTZ ($2.5 million) is providing mixes of long-term and short-term assistance for social aspects and company assessments. Other donors providing technical assistance include ODA ($0.6 million), Norway ($0.6 million), CFTC ($0.3 million) and SIDA, Finland, and the EC for small studies.

The GRZ and donors are still developing approaches to deal with the social aspects of privatization. The core issue is how to handle the retrenchment of anywhere from 25,000 to 40,000 persons. The World Bank has been assessing the probable numbers of retrenchees, and the potential of using non-cash payments for retrenchment (land, houses, cars, company assets, shares, etc.) or paying income streams via annuities in lieu of lump-sum payments. It has also contracted an American firm to perform initial training and assessments of redundees using the same program as established under their Civil Service Reform assistance. GTZ will provide a long-term advisor for this area to ZPA, along with some short-term consultancies. USAID, while not programming direct assistance for retrenchments, will continue to monitor GRZ and other donor arrangements in this area.

g. Legal and Political

There are a number of donors providing various forms of assistance to promote legal and political reform. The World Bank is expected to provide support in the following areas: development and deepening of financial markets to promote privatization and private sector growth; revision of the 1991 Investment Act; assessing the potential for the privatization of ZCCM (the mining conglomerate) and selected public utilities. UNDP will provide technical support for legal reform and the development of a one-stop Investment Center.

The UNDP will concentrate support in stock market development, institutional development of the Investment Center, and some legal drafting assistance. Through UNIDO, UNDP's contribution to the support of the Investment Center will include provision of short-term consultants, including short term training courses in project promotion, market assessment and contract negotiation.

NORAD is funding a study aimed at providing institutional support to the Registrar of Companies. NORAD is also funding a number of studies in the small industries sector. It is likely that this assistance will focus on credit problems after specific needs have been identified through the studies. NORAD funded a study which assessed the potential of establishing a mutual fund; however, no decision on establishment of the mutual fund has been made.

Ireland has committed funding to the Investment Center by financing the position of the Director General of the Center for a period of 48 person-months. Additional short-term assistance (20 person-weeks) is also envisioned.

Swedish SIDA has developed a highly successful firm level assistance program. This program is primarily oriented towards the creation of business relationships between Swedish and Zambian firms. SIDA has been assisting the Ministry of Lands to ease survey and registration bottlenecks. They have recently lessened their involvement owing to the impossibility of the problems given existing laws and regulations.

h. Governance

The major donors to Zambia investing in good governance are the British, Sweden, UNDP, IBRD and the United States. USAID is the only donor with a project and specific agenda which addresses the subject as a whole, i.e. the key dimensions of accountability, the legal framework for development, and information and transparency. This is not to say that the USAID intervention is all encompassing. Rather, in contrast, the other major donors are working on narrower more specifically defined dimensions of the subject. UNDP has, for example, undertaken an important series of initiatives in civil service improvement; the World Bank is concerned with public finance management (as are the British); ODA is leading decentralization efforts; and the Swedes are active in human rights. Germany, Canada, Norway and Finland have all supported discrete activities in the recent past, but have no longer-term initiatives in place or planned.

E. Donor Coordination

The formal apparatus of donor coordination is the annual Consultative Group Meeting chaired by the World Bank. Between CG meetings, coordination takes place periodically between the Government of Zambia and the donors, and among the donors on a regular basis, however all donors express the need for much better systems to coordinate donor assistance. The coordination of technical assistance has not been part of the consultative group system. There does not exist a comprehensive inventory of donor provided technical assistance, although UNDP is preparing such an inventory.

The World Bank has held numerous sector level meetings involving in-country donor representatives and TA missions over the past two years. The purpose of these meetings has been upon arrival to elicit from the bilaterals views on problems and needs and prior to departure to present the Bank's diagnosis, plans for new assistance, as well as to firm up bilateral plans and potential interest in co-financing arrangements. While a sense of coordination is achieved between the bilaterals and the Bank there is a need for better ongoing collaboration and coordination among the bilaterals. The Agricultural Sector Investment Plan (ASIP) is one attempt to improve donor collaboration and coordination.

The USG is actively involved in informal dialogue with counterparts in the donor community. This takes place at the Chief of Mission and the Aid Representative levels where issues of common interest and concern are discussed. Both have proven to be highly productive vehicles to facilitate greater coordination of donor assistance programs.

USAID will continue to strengthen its efforts to collaborate with other donors at the strategic objective and target levels. The purpose will be: (a) to more rigorously define in collaboration with public and private sector officials the framework (technical and policy) which should drive donor assistance at the objective and target levels, and (b) to achieve greater coordination in project planning and implementation in order to achieve stronger cross-linkages among donor-assisted interventions in the areas of planned program focus.

IV. Strategy Formulation

A. USAID's Role and Experience in Zambia - Lessons Learned

U.S. Government economic assistance predates independence. In the mid-1950's small numbers of Zambians received scholarships to study in the U.S. In the 1960's, a slightly expanded AID-financed program, run out of the Embassy, provided more training funds as well as resources for limited commodity procurement. A larger bilateral program was established in 1977.

Since 1977, the A.I.D. program has encouraged economic reforms, when possible under the former government and, when not possible, funded more traditional projects with a strong emphasis on agriculture. The overriding lessons learned since 1977 are that A.I.D. can provide policy guidance, technical assistance, balance of payments support and specialized training, but without long-term GRZ commitment to sound economic policies and adequate A.I.D. resources when they are most needed, our programs are too often stop-gap measures that achieve neither impact nor long-term significance.

Most non-policy activities have had only a short-term impact with little or no increase in long-term economic gains. The two main reasons for low returns to A.I.D.'s efforts have been the persistent and overwhelming negative effects of the past anti-market policies, the lack of concentration on the part of A.I.D. resources, and the minimal level of resources the Mission could plan on to design targeted and sustainable interventions.

Over the past 5 years, A.I.D. has been a minor donor in Zambia. There has, however, been a steady increase in total annual funding (OYB, SARP and PL 480) reaching $34 million by the end of FY 91. With the advent of the October 31, 1991 election, coupled with the USG response to the devastating 1992 drought, total obligations reached $107 million by the end of FY 92. (An additional $80 million was mobilized from five other bilateral donors to co-finance the 522,000 MT USAID-managed maize import operation.)

1. Agriculture

Since 1977 USAID has funded two types of projects in the agricultural sector, one in the area of research and extension (ZAMARE), and the other related to agricultural policy training, planning and institutional development (ZATPID and ZAMS). Although it is widely accepted that the ZAMARE Project was successful, recent research has pointed out that the economic rate of return to many of the investments made in seed development under ZAMARE were constrained by the highly unfavorable policy environment which existed at the time. The rates of return on the investments made would have been considerably higher if maize markets were not so severely distorted. This reinforces the view that the Mission was correct in placing its principal and overriding focus during most of the 1980's upon "getting prices right" and in not continuing the ZAMARE Project into a second phase. Research and extension remain, nevertheless, as areas of needed investment if the potential of the agricultural sector is to be fully realized.

Throughout the late eighties and early nineties, the Mission used a combination of project and non-project activities (i.e., the ZATPID projects, PL 480) and much of its non-program assistance (Zambia Multi-Channel Agricultural Marketing Program, Maize Market Decontrol Program, etc.) to achieve policy change leading to the liberalization of maize and other agricultural markets. Real change only occurred after 1991, however, when a market-oriented government wanted the type of technical guidance and financial support which USAID could offer. Consequently, one of the principal lessons learned is that unless the government is both clearly and unequivocally committed to market-based development, and unless there is a demand for outside technical guidance to support the changes which the government wishes to initiate, project and non-project assistance designed to achieve market-oriented development will not achieve the desired results.

2. Health and Population

The USAID portfolio has never included large initiatives in health but rather has supported a panoply of relatively small, disconnected, often quite unrelated centrally-funded health initiatives in such areas as AIDS research, AIDS prevention, population and family planning, child survival (diarrheal research), vitamin A research, demographic health surveys, and health training. In 1993 the Mission was managing 8 centrally-funded health projects and sub-projects.

A.I.D.-financed innovations in family planning service delivery in community-based distribution have paved the way for its adoption and expansion into a national level program for family planning. The PRITECH resident advisor has been particularly effective in getting CDD policies adopted, communications materials disseminated, and a diarrhea training unit functioning. Research studies through the STD services program have improved diagnosis and treatment of STDs, understanding of peri-natal transmission of HIV, and understanding of HIV risk factors, such as prior infections.

3. Education and Training

A.I.D. has provided extensive long and short-term training, both degree and non-degree. It is quite clear that long-term degree training has provided lower returns to Zambia than the shorter-term, non-degree, usually in-country training. A.I.D training programs for the period 1993-97 will de-emphasize long-term training in favor of more narrowly targeted short-term in-country workshops and training programs designed to increase the functional capacities of already employed or soon to be employed persons.

Zambia currently lacks the necessary incentive system to motivate productivity, dedication and commitment of trained public sector professionals. USAID has consequently become completely frustrated in institutional development efforts. Investments in this area will necessarily be limited until civil service reform is achieved.

A.I.D. has provided no assistance to the formal educational sector. The sector is in disarray and needs massive funding for capital improvements, teacher training, staff retention, and curriculum redesign, while recognizing a potential gap in vocational training, A.I.D., due to limited managerial and financial resources, has left this field to other donors.

4. Private Sector

The only sizeable A.I.D. initiative in the private sector has been to contribute to the development of agribusiness opportunities, particularly in the small scale sector. The ZAMS project was originally designed to provide entrepreneurs with access to foreign exchange to invest in new small scale business ventures. However, the inability of project beneficiaries to raise sufficient local cover to access foreign exchange adversely hampered project implementation. The project was scaled-back and refocused in 1991 to eliminate the C.I.P. component and greatly enhance technical assistance and training for hammermill operators. The principal lesson learned was that despite the view during project design that price distortions and macroeconomic imbalances were in the process of being corrected, interventions requiring a stable economic environment should not be initiated until it is clear such conditions have been achieved and are sustainable. After refocusing the project, the experience and data since gathered has offered important insights into the problems and opportunities of the rural sector, particularly the potential for nascent small-scale milling to lead rural market development in an increasingly liberalized economic climate.

B. Strategic Choice

1. Program Complementarity

USAID's initial objectives in maize market liberalization have essentially been accomplished over the past two years. The question now is whether a second generation of project assistance is needed to assist the GRZ to enhance the enabling environment to further stimulate a private sector investment in the agriculture sector. Certainly, additional refinements in public policy are required, institutional changes are needed, and increased investment in research, extension and infrastructure will also be required in the immediate years ahead.

Similarly, in rural industry, USAID has effectively achieved what was intended with investment in the GRZ's hammermill program. More recently, the ZAMS project emphasis has begun to shift to oilseed presses as the next promising investment area in rural market crop processing. Africare is gearing up and could easily be positioned to replicate program successes with oil seeds processing over a wider proportion of the country. Outside these two specific activities, USAID has identified a host of possibilities in the small-scale subsector as potentially viable for growth. But, pre-feasibility and feasibility studies are necessary before substantive investment can proceed; and, the foundation of an enabling environment remains problematic.

In regard to the overall enabling environment for private sector investment, USAID is finding other donors slow to provide needed technical assistance for legislative, regulatory and systemic change. Business activity, both small and large, and rural and urban, would benefit from changes in contract law, registration and licensing requirements, and land use controls and land tenure legislation. USAID investments in these areas would complement recently authorized projects with objectives of privatization and democratic governance, and the on-going Human Resources Development project.

2. Market-oriented Economy

While the GRZ is taking strong measures to deal with uncertainties over the course of the economy and removing parastatals from their dominant position, investors are waiting to see if the GRZ can carry through with its announced commitment to achieving economic stability and privatization of nearly all state-owned enterprises. The transition to a market-oriented economy is far from a fait accompli. Rather, it is fraught with risks which private investors must continuously reassess. Will the GRZ get cold feet at the prospect of increasing unemployment and reverse its announced policy of no subventions to enterprises? Will the GRZ reverse its new policy of no longer guaranteeing loans by the commercial banks to state-owned enterprises? Will closing down uncompetitive enterprises cause more unemployment than can be absorbed by the informal sector and new private investment in the formal sector? Is it as yet too risky to invest in plant and equipment to compete with dying state-owned enterprises because the GRZ might decide to renationalize enterprises (as France did) and revive the public competitor after all?

The GRZ must carry through with its announced policy of privatization to establish the credibility of its policies. In sub-sector after sub-sector, this is critical to creating an environment in which private investors will have confidence about the GRZ's true intentions. Donor assistance to promote private enterprise will not be sustainable if privatization and market liberalization are not implemented and strengthened.

An excellent example of this is the successful spread of hammermills for grinding maize. There are 30 large-scale industrial mills. The divestiture plan will privatize the ten milling companies which own all the large-scale mills in the second tranche of privatizations later this year. The three largest milling companies employ almost 2,300 workers. In comparison, there are now about 4,000 hammermills employing about 8,000 to 10,000 workers. The large-scale mills are already functioning at below capacity as a result of changes in official pricing and reduced official procurement.

The maize market will shortly be fully liberalized with the elimination of the residual maize-meal handling subsidy. This liberalization will reinforce further decentralization of maize milling. If the GRZ were to reverse its market liberalization as a result of pressures from the commercial millers or consumers, or if it were to back off from privatizing or divesting its large-scale commercial mills, the livelihood (and return on investment) of several thousand hammermill operators and the two to three workers employed at each hammermill would be jeopardized. Any sign of reversal of policy would put a chill into the expected near-term addition of at least 500 more hammermills going out into the provinces. These hammermills will employ another 1,000 to 1,500 workers.

It is uncertain how many of the large-scale mills will continue to operate in a liberalized maize market, but they will clearly have to adapt to the now ever changing cost structure. Nonetheless, there is a taste preference for the more refined product produced by the large-scale mills and potential cost savings from private management, so one would not expect all large-scale mills to cease operations. There should be a net gain in employment overall in the milling sub-sector. Gains in employment through hammermilling should more than offset likely employment losses in the large-scale mills which fail to adjust to the new market conditions.

The effects of market liberalization and divestiture in other sub-sectors are less well understood than the milling sub-sector. However, there are clear opportunities for increased efficiency and price competition from breaking up the manufacturing monopolies in beer, cement, cooking oil, sugar, maize milling, fertilizer, seeds and other. The privatization program will eliminate monopolies and enhance competition by minimizing concentration of ownership.

The implementation of privatization in Zambia faces the classic problems of resistance from trade unions whose members are threatened by retrenchment, concerns about political interference and/or a small private groups benefitting disproportionately from privatization or acquiring economic power, public opposition to government "giving away" the nation's patrimony to private parties, fear of foreign domination of the economy, and lack of transparency contributing to suspicions about privatization. The Zambia Privatization Agency (ZPA) must deal transparently and forthrightly with these issues to maintain public confidence in and support for the privatization program. For the privatization program in Zambia to succeed, the Mission will devote considerable management resources to monitoring its implementation and assisting the GRZ to deal with issues beyond the narrowly technical problems of valuation, arms-length negotiations, employee stock ownership plans, public offerings and the like.

USAID has decided to play a key role in the privatization of state-owned enterprises because the analyses show state dominance through ownership and management of productive enterprise in the economy is the greatest bottleneck at this time to the expansion of private sector activity in Zambia. Direct programs to promote small and medium-scale enterprise in the absence of privatization are not sustainable at present. The Mission believes that the constraints to private sector expansion cannot be overcome through promotional programs without first eliminating the dominant positions of state-owned enterprises in a long list of industries including: farming, food processing, marketing, transport, tourism, construction, chemicals, retail trade, mining, finance, energy, packaging, engineering and manufacturing. The example of hammermills' successful expansion is an example of where a promotional program can contribute to success once a market is liberalized and the monopoly of the large-scale mills is broken. The Mission will monitor progress of privatization to identify possibilities for similar promotional programs, but the major effort over the next five years must be to create the conditions for effective direct promotion of private enterprise.

3. Agriculture-related Enterprise

As the analysis of growth sources showed, the greatest prospects lie in agriculture. Given a reasonably stable macroeconomic environment and improvements in the business climate through market liberalization and enabling environment improvements, projects could be expected to have attractive returns. The constraints to project success, however, continue to be uncertainty over macroeconomic stability, dominance of the formal economy by state-owned enterprises, and crowding out of private firms from credit markets by dominant state-owned enterprises.

With respect to the agricultural sector, the World Bank's agricultural sector assessment comes to the following conclusions, inter alia:

> "In the short run, institutional changes needed to improve participation of all categories of farmers, particularly disadvantaged smallholders, should focus on liberalizing the provision of crucial services, namely marketing, input distribution, agroprocessing, and rural financial services, most of which are monopolized by cooperatives and parastatals. The options for achieving institutional changes include: (i) elimination of cooperative and parastatal monopolies in marketing inputs and produce; (ii) reduction in state monopolies in agroprocessing for key products (e.g., maize, cotton, oilseeds, and stockfeed; (iii) development of private sector participation in marketing and agroprocessing; (iv) improvement of rural infrastructure to attract private sector investment; and (v) formulation and implementation of plans to improve the performance of agricultural cooperatives and credit institutions."

The Mission believes the elimination of state-run monopolies in marketing of inputs and outputs, and the elimination of monopolies in agroprocessing are preconditions to the development of private sector participation in these activities, and necessary first steps before satisfactory returns can be achieved on investments in rural infrastructure and improvement of rural financial markets. The Mission's participation in privatization and divestiture of parastatals will contribute importantly to the elimination of these monopolies.

4. Alternatives Not Selected for Economic Growth

The Mission considered and rejected some of the many programming options suggested by analyses conducted in the past year and a half such as those identified in the (a) Zambia Private Sector Assessment, (b) A Microenterprise Sector Assessment and Development Strategy for A.I.D. in Zambia, (c) USAID's Zambia Agricultural Sector Assessment and Strategy, and (d) the World Bank's Zambia Agriculture Sector Strategy: Issues and Options. Apparently promising options outside the Mission's manageable interests included:

(1) accelerating growth of non-traditional exports through improving export procedures, policies and incentives;

(2) non-project assistance to support key policy reforms such as import duty reduction and foreign exchange liberalization;

(3) establishment of a venture capital fund;

(4) direct assistance to privatized and export-oriented firms.

Still more options considered include direct support to rural enterprises to build on the successful introduction of hammer mills and oil seed presses, financial market deepening, assistance in creation of a stock market, review and revision of commercial law (particularly improvement in contract law), direct assistance to micro-enterprise such as financial training for entrepreneurs, provision of credit programs through existing credit unions, housing plot development, market information programs, and commodity-specific projects in such crops as castor, paprika, sunflower, peanuts (gourmet quality), processing of cassava into starch, and other promising products.

5. Health

Some serious problems remain in the health sector, including continuously increasing morbidity and mortality in the under five year age group, ineffective health policies/management, and health delivery systems unable to meet the basic needs of the mothers and children they serve. The following is a listing of gaps in external support needed to resolve these problems:

- Health problems: As noted earlier, pneumonia is one of the major causes of infant mortality and is the third most common cause of hospital admissions in the infant population. At this time, no formal national program exists to address this health problem.

  The Control of Diarrheal Diseases (CDD) program is well established in Zambia thanks in great part to PRITECH, UNICEF and WHO. The program officer assigned to CDD by WHO has recently departed Zambia and may not be replaced. The PRITECH Project is due to end in September, 1993. The Ministry of Health feels that additional support also is required in the area of cholera and dysentery control. Prior to 1990, cholera was limited to sporadic small outbreaks in rural areas of northern Zambia. Since that time, over 25,000 cases have been reported with a case fatality rate approaching 100/1,000 cases. Dysentery also continues to exist in urban areas as well as the Western, Northern and Southern Provinces. The local production of Oral Rehydration Salts (ORS) and intravenous (IV) solutions is another gap identified during discussions with donors. The Government parastatal responsible for local ORS production is presently looking for a private sector buyer. The need to respond rapidly to cholera epidemics supports the need for local production of I.V. fluids such as Ringer's lactate or Dacca solution. Without support, the future of local production for O.R.S. and I.V. solutions for diarrheal diseases control looks bleak.

  Malaria is endemic throughout Zambia and represents the most common cause of hospital admission and death in health facilities. Malaria interventions are presently limited to sporadic treatments and some localized spraying in the copper mining regions. There is a need for development and application of treatment protocols, pilot control projects and initiatives targeted at the private sector such as the mass distribution of impregnated bednets.

- Health Care Financing and Management: There is little information available on what it costs to deliver health services, what the community is able and willing to spend and what are the best options for developing a health insurance or user fee plan. UNICEF and SIDA have indicated an interest in supporting this area but are in need of additional support. The Ministry of Health has limited expertise in health care financing and other donor organizations, if addressing this issue at all, are doing so on a piecemeal basis. In the process of implementing national health reforms, many policy decisions will be made and hundreds of community action plans developed in Zambia. A major weakness in these processes will be the lack of accurate and timely information on health service delivery and community health status. There is little consistent donor assistance in strengthening HIS except on a program by program basis.

- Service Delivery: Training and supervision of the peripheral health worker is a major constraint to effective delivery of services. Quality assurance is an issue being addressed by several donors and the Ministry of Health through the development of practice protocols and improved equipment and supplies. However, pre-service and continuing education remains an issue in the linkage and capacity building of local training facilities, materials development and financial support. This is another area where that the Ministry of Health has limited expertise. Logistics and supply problems also affect service delivery. Even though other donors are addressing this constraint, the inability of the Ministry of Health to maintain a continuous supply of drugs, equipment and supplies at the provider level remains a problem. There appears to be an opportunity for private sector involvement in this area. This is especially true as the newly restructured decentralized health districts will have the responsibility for budgeting, ordering and distributing most of the drugs and supplies required by health centers and hospitals.

6. Population

The population policy statement established under the previous (UNIP/Kaunda) government laid out a comprehensive set of strategies, dependent primarily on the public sector, including: IEC; training of service providers; integration of family planning with enhanced delivery of primary health care; and strengthening MOH planning and management capacities. To date, implementation of the policy and strategies has been slow, in large part because of insufficient resources, and experimentation with new approaches to health care delivery.

Because of the current policy and institutional uncertainties, a recent (March 1993) World Bank population team concluded that it was premature to embark on a public sector-based family planning project. Nonetheless, the Bank and U.K. are committed to support family planning activities in the public sector as the circumstances justify. Although there is an important private sector health care delivery system in Zambia, no other donors have expressed interest in stimulating the supply of family planning services through this channel. While social marketing of contraceptives has become a conventional approach, the only such activity being undertaken in Zambia is the USAID-financed condoms social marketing campaign for HIV/AIDS control and prevention. More generally, and importantly, no other donor is tackling the policy constraints to increasing contraceptive use.

These are all critical gaps which A.I.D. has a comparative advantage to address, and such assistance can make a valuable contribution to extension of family planning services. Moreover, these are approaches and improvements which can be initiated now. USAID activities will effectively address two strategic issues identified by the World Bank population team in its aide memoire: "fostering complementary service delivery systems" and supporting the GRZ's intention "to encourage a multiplicity of family planning service providers in order to increase the use of these services"; and helping ensure the "continuity of contraceptive supplies".

C. Program Implication for the 1993-97 Period

A.I.D. has come to be seen as one of the major bilateral donors in agricultural policy reform, as virtually the sole bilateral with both the resident technical skills and the program capabilities to successfully influence GRZ decision makers to institute key policy reforms. While A.I.D.'s portfolio is expanding in accord with GRZ commitment and emphasis on private sector growth, the USAID program will continue to emphasize agriculture as the productive sector with the greatest potential for improving Zambians' welfare. USAID will address particular attention to privatization of agriculture and agriculturally related enterprises with a goal of assisting the public and private sector to develop competitive input and coarse grain markets. The portfolio will also emphasize population planning, health care delivery, and democratization-governance. Projects in Privatization, HIV/AIDS Prevention and Democratization/Governance have just been started. New projects will be designed for assistance to the health sector, vitally necessary to ensure a stable human resource base, and to the agriculture sector. Legal and regulatory reforms for agricultural production input, coarse grain, and land markets will be supported to provide farmers and marketing agents with both improved financial incentives and access to resources that will stimulate increased output and income in the smallholder sector.

Lessons learned from past health/population activities suggest that only substantial, well-funded and nationally coordinated measures are likely to positively effect changes in the currently bleak areas of AIDS, population growth and health care delivery. A.I.D. will continue to shun the numerous small health project approach of the past and will work instead to provide country-wide programs involving substantive resources. Both the HIV/AIDS prevention and the population/family planning activities will incorporate not only substantial technical assistance but policy reform elements as well. The major initiatives in these two areas will call, in large part, for de-emphasis of the public sector as an avenue for implementation and will instead channel activities mostly through private groups and organizations.

V. The Proposed Country Development Assistance Strategy and Program Logical Framework

Goal Statement: Socially Stable, Economically Productive, and Politically Active Population

The last year and a half has been a period of accelerating change for Zambia. When Frederick Chiluba's Movement for Multi-Party Democracy (MMD) Government was popularly elected in October 1991, Zambia became the first English-speaking country in post-colonial Africa to undergo a democratic transition. Since taking power, it has aggressively pursued an economic and political restructuring program designed to dismantle the state economy.

The GRZ has held local elections, deregulated prices, planned the sale of nearly all parastatal corporations (first two parastatals were sold on June 7, 1993), exercised tighter control over the money supply, unified the exchange rate and allowed the kwacha to seek a market clearing exchange rate, and began to liberalize interest rates through the introduction of a Treasury Bill Auction. The GRZ has pursued this aggressive reform program in spite of last year's worst drought of this century, and the adverse short-term impacts (rising unemployment and higher prices) of the structural adjustment program.

The management of the transition to a market-oriented economy will be a major challenge for the government. Poor implementation of reforms or lengthy delays in demonstrating the benefits of reform could result in political instability. Political and social pressure to reverse key reforms would result in lower productivity and economic growth. However, increasing debate and participation of the public in policy formulation should reduce the likelihood of the program being derailed. It is on this basis that the Mission has developed its Program Logical Framework.[11]

The Mission's goal recognizes the changes taking place in Zambia today and the social and political factors necessary to make the changes successful. While the primary goal indicator, GDP per capita, will measure economic growth and productivity of the population, the Mission will also monitor living standards as reflected by the incidence of poverty, and public stewardship in the interest of consolidation of democratic processes. Visible improvements in the quality of life are critical during the period of economic restructuring to reinforce public confidence and attitudes for a continuation of the program. Because the change to a market driven economy and improvements in the quality of life need to occur simultaneously, the Mission is supporting two subgoals: a market-oriented economy with broad participation and sustainable improvements in general health status.

A. Subgoal No.1: Market-oriented Economy with Broad Participation

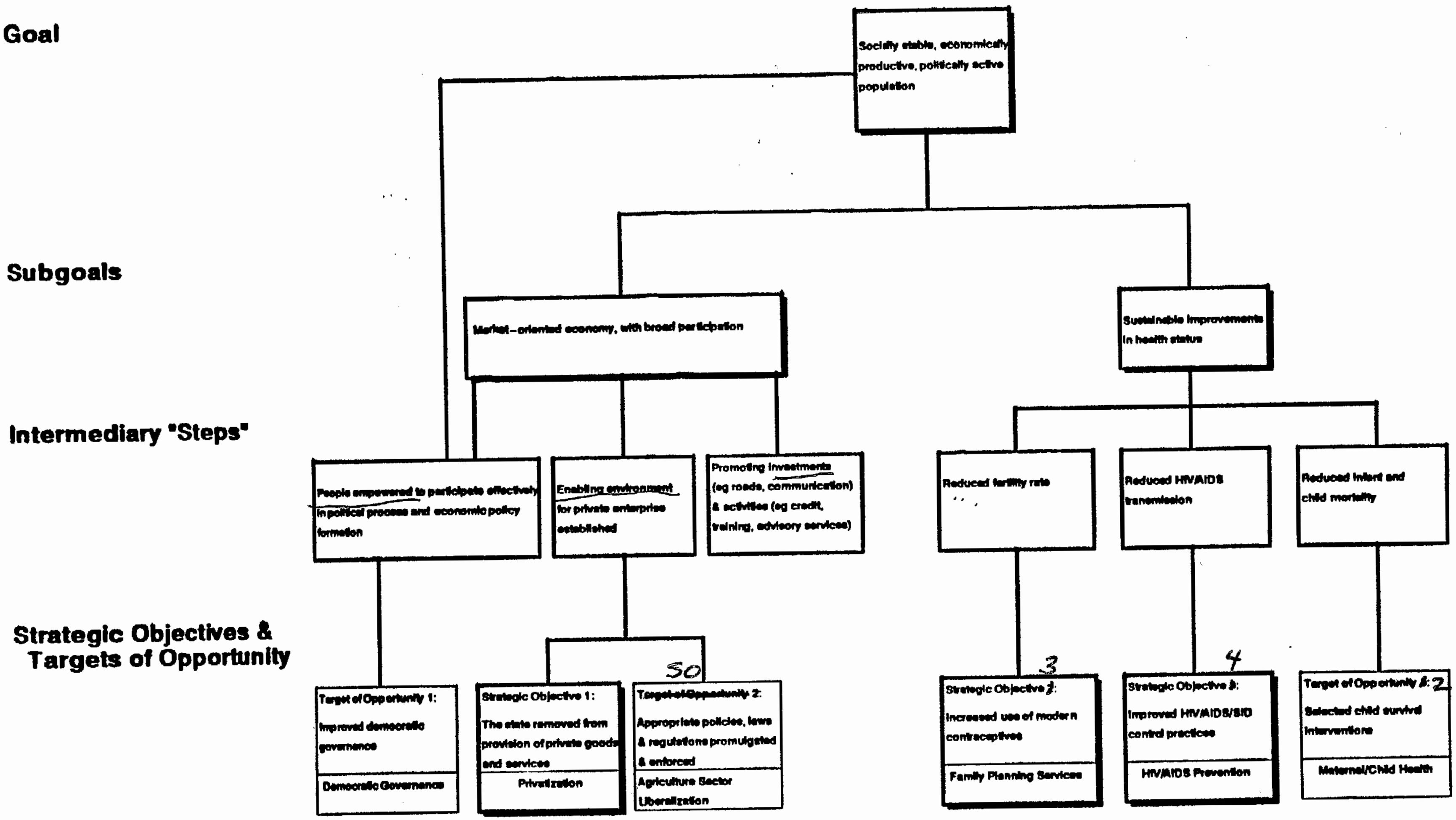
The importance of a market economy for economic growth and development is well established. Getting to one is the problem. The transition is fraught with pitfalls and danger. There is a clear potential for temporary adjustment problems, which if not anticipated and addressed promptly, could discredit the entire liberalization movement and potentially lead to political instability and backtracking on the reform program.

The political basis for change is tenuous, considering Zambia's limited democratic experience. Recognizing the role that transparency and popular participation in decision making will play in facilitating the transition to a market economy, the Mission identified improved governance and the consolidation of democracy as a key target of opportunity in late FY 92 with the authorization and initiation of the Democratic Governance (611-0226) project.

The critical part of a well managed transition is the ability to achieve visible results and timely increases in per capita consumption. The rate of increase in per capita consumption will ideally be determined by increases in job creation, worker productivity, real wages and therefore income levels, and not by borrowing. Increased productivity will depend on how rapidly privatization takes place and how rapidly the private sector responds to an improving enabling environment with new investment. The danger is that delays in attracting private investment and achieving a dramatic supply response will postpone increases in per capita consumption, which in turn will erode public confidence in

[11] See Program Objective Tree on following page, and Program Targets in Annex A.

FIGURE 2: USAID/ZAMBIA PROGRAM OBJECTIVE TREE



48

the transition now taking place.

The parastatals are at the heart of Zambia's low productivity, inferior quality and high cost output problem. The legislative and regulatory system that supports the parastatals effectively blocks private sector investment and competitive enterprise. Analysis clearly indicated a lack of institutional capability to carry-out an accountable, transparent operation for the efficient and effective divestiture of state-owned enterprise. For this reason, and upon the request of the government, USAID initiated technical support to the Zambia Privatization Agency in late FY 1992 (Privatization Support 611-0230).

As a critical prerequisite to the establishment of an enabling environment for the establishment of a market economy, USAID has identified as a strategic program objective the removal of the state from the provision of goods and services that would otherwise be provided by the private sector. Supporting this objective, USAID will seek legal, regulatory and systemic changes to deepen policy reform; and, recognizing agriculture as the economic activity with the highest potential for growth with broad participation, USAID will focus on the agricultural sector as program target of opportunity two.

1. Target of Opportunity No.1: Democratic Governance

In the electoral landslide, the MMD party secured 125 of the 150 parliamentary seats and President Chiluba won 75 percent of the presidential vote. The convincing victory endowed the current government with a valuable resource: namely a political mandate for change. To maintain the mandate during the transition period will prove harder than earning it.[12] The public must see that they have an opportunity for genuine participation in decision making, and that they are participants in the transformation process.

USAID will emphasize the coequal importance of both civic society and the governmental sector in a "demand/supply" relationship in assisting the institutionalization of democratic governance. USAID will support "demands" for accountable government from civil society and enable a "supply" of accountable government by the public service. Effective public policy implementation and popular access to governmental decision-making are targeted.

Throughout almost all of the CPSP planning period, the Mission will support efforts to increase public participation in government by promoting citizen awareness, a free press, improved legislative performance, and improved policy coordination. The Mission will measure the success of its support through public surveys of citizen perceptions and confidence in their government's ability to bring about positive long-run change in the manner in which political, economic and social institutions function.

2. Strategic Objective No.1: Remove the State from the Provision of Private Goods and Services; Privatization

---

[12] See Wunsch J., Bratton M., Kareithi P., Democracy and Governance in Zambia: An Assessment and Proposed Strategy, USAID/Zambia, June 1992.

Gross domestic investment in real terms is approximately where it was in 1965. It began falling sharply in 1975 and has remained low, primarily because of inappropriate economic policies and excessive state intervention in the economy. Undoing the inappropriate policies of the past and extracting the state from what should be private markets is the first step in reviving private sector investment in Zambia.

Realizing that parastatals are a drain on the national budget and a barrier to private sector growth, the Government has committed to divestiture of the 170 parastatals which currently dominate 80 percent of economic activity. Specifically targeted is the Zambia Industrial and Mining Company (ZIMCO), which manages 152 parastatals involved in every sector from mines to bakeries. All of these parastatals are to be sold, liquidated or contracted out to private management within five years. Five tranches of sales have been scheduled, and the first tranche of 19 firms is now being negotiated with bidders. Sale agreements were reached and title on two of these firms passed to private buyers in early June, 1993. Tranche one sales are expected to be completed before the end of July, 1993 and tranche two processing has begun.

USAID is assisting the GRZ with the divestiture process in accordance with the program strategic objective of removing the state from the provision of goods and services which the private sector can otherwise provide. In doing so, three specific targets have been specified: a) necessary conditions for privatization created; b) firm or assets prepared for privatization; and c) sale or transfer of firm facilitated.

The first step in the process of privatization is establishment of the proper legal and regulatory framework. The Privatization Act was passed in mid-1992, but numerous other alterations in the legal framework are required to support privatization, e.g. in such areas as new investment, monopolies, securities exchange, and financial institutions. Some of this will occur in an upcoming parliamentary session, but much more remains to be done to overhaul the antiquated laws of the former socialist system. While the World Bank spearheads this activity, USAID technical assistance will contribute to the establishment of an enabling environment for both the privatization process and the development of post-divestiture competitive markets.

A fundamental requirement for achievement of the Strategic Objective is an effectively managed, technically competent and fully operational Zambia Privatization Agency (ZPA). ZPA is still in its formative stages, recruiting staff and procuring computers. USAID as lead donor is providing experts to assist with gathering of critical information, selection of modes of divestiture, packaging of firms for potential investors, evaluations of bids, and providing assistance to negotiations for sale, as well as the determination of environmental impacts of firms being sold. Post-sale monitoring is planned. USAID is concentrating as well on upgrading the technical capacity of all ZPA officials through on-the-job training and upcoming seminars in organizational management and business negotiations skills. Supplementary short-term consultants are being provided by NORAD and GTZ for packaging of selected SOEs to be sold.

In order to facilitate the sale of SOEs to Zambian investors, as well as mobilize domestic capital for new capitalization, post-divestiture, significant progress must be achieved over the next year to establish the planned stock market. In addition, the Zambian financial market requires both broadening and deepening, including effectively integrating into financial markets existing pension funds and the financial assets of local insurance companies.

GTZ is providing a long-term financial markets advisor to ZPA. The World Bank's Structural Adjustment Program and Privatization and Industrial Reform Credit (PIRC) are expected to provide the required assistance to develop a viable financial market to assist in financing parastatal buyouts and post-purchase investment and operating capital requirements. GTZ and CDC have discussed co-financing this fund. UNDP is expected to assist with development of a stock exchange, and USAID has also been requested to provide modular training for broker registration.

Supportive public opinion is critical if privatization is not to be derailed. Recent research and press show that there is suspicion of foreign investors and of some domestic minority groups buying SOEs. USAID will provide short- and long-term assistance in the areas of publicity and international relations, and ZPA (through the World Bank) has also contracted an American firm to develop an effective public relations strategy. Preliminary evidence of movement in this area is the request by the ZPA Chairman for a recent USAID consultant to deliver a one-day presentation to the entire Parliament on privatization.

Loss of jobs is a very sensitive issue, where housing, vehicles, and other perquisites are part of employment conditions. Retrenchment can be disastrous when savings have been eroded by inflation, and the affected individuals have nowhere to live and few employment prospects in a hard-pressed economy. While USAID is not involved directly in this area, the World Bank has funded two retrenchment studies and an American firm has been contracted to provide training in entrepreneurial and job-search skills to retrenchees. GTZ has provided long-term advisors to address retrenchment needs and alternatives. UNDP is expected to provide assistance in the area of small business extension services.

Complementing the major initiative in privatization, the Mission will continue its Human Resource Development Assistance (HRDA) through the CPSP planning period to continue training that promotes the growth and development of private sector activity. Target beneficiaries are primarily individuals in the private sector, and efforts aim to enhance business skills in anticipation of evolving free market opportunities. Efforts are also planned to sensitize policy-makers and the general public about the benefits of economic liberalization and economic restructuring and market development in order to build broader consensus on the merits of a free and open economy.

3. Target of Opportunity No.2: Appropriate policies, laws and regulations promulgated and enforced; Agriculture Sector Liberalization

To achieve a market-oriented agricultural economy with broad participation by large numbers of producers, the structure of incentives to increase production (and marketing) must become more positive and remunerative. To increase the supply response from agriculture, economic stabilization (market-determined exchange rate, positive interest rates and minimum inflationary pressures) must occur. In addition, economic restructuring must proceed to reduce the role of the state in direct production and marketing activities, eliminate state monopolies, encourage private sector investment, and increase the private sector's access to credit. However, these changed conditions alone will not result in the behavioral changes, at the sectoral and firm levels, necessary for sustained growth in output and income within agriculture, particularly within the small-scale subsector.

The Mission has selected a target of opportunity to create the necessary enabling environment to promote expanded output and increased commercialization of smallholder agriculture and the larger and somewhat more advanced emergent farmer.

A program focus over the next 3-4 years will be on assistance to formulate appropriate policies, laws and regulations to provide farmers and marketing agents with access to information resources and financial incentives. The purpose is to encourage the investment necessary to achieve an agricultural growth rate that ultimately exceeds Zambia's high rate of population growth. The desired outcome will be to provide Zambians with a readily available supply of food at affordable prices, generate an exportable surplus of commodities and processed products in which Zambia has a comparative advantage, and provide necessary incentives to insure sustainable food security, export earnings and agricultural growth and development. The Mission has determined that this target of opportunity can most effectively be attained by focusing upon agricultural input and commodity markets.

The experience of the ZATPID and ZAMS projects and recent analyses[13] strongly support targeting three specific markets where appropriate policies, laws and regulations, if promulgated and enforced, could lead to broad participation by the rural population. These are the agricultural input, coarse grain, and land markets. The government has stated its intention to liberalize all three markets. For liberalization in the input and commodity markets to occur and be sustained, state-owned firms will need to be privatized, subsidies fully eliminated and/or not reintroduced, and greater access to markets achieved, with increasing competition occurring over time. In the case of the land market, USAID analysis shows that new legislation is required to permit the sale or transfer of leasehold titles, protect smallholders' land rights, and expand women's inheritance and access rights. (For a fuller discussion of the Zambian Land Tenure System and needed reform, see Annex F).

By assisting with reforms that are targeted on these markets, the Mission can positively address Zambia's poor majority and important Congressional interests. Since the majority of the poor reside in rural areas and are engaged in agriculture, albeit at a low level of productivity, this initiative will be designed to provide the target population with access to off-farm inputs and commodity markets that can together generate increases in output, employment and income necessary to elevate this segment of the population not only above the "poverty line," but ultimately into a commercial sub-sector that will benefit not only the targeted participants but also agribusiness firms and Zambian consumers at all income levels.

B. Subgoal No. 2: Sustainable Improvements in General Health Status

13 See Brown, Don, James Chapman, and William Kidrock, Agriculture Sector Analysis and Strategy, Chemonics, AID/R&D/EID, February 1993.

Market-driven economic growth is the GRZ's chosen means for improving living standards. Conditions for the average Zambian have been declining for the last two decades. Even though domestic production has increased at times, the population growth rate (3.2 percent) has consistently risen faster. The decline in Zambia's living standard places it in the category of other very low-income countries. This is most striking when examining the deterioration of health care and education in Zambia.

The MMD government is committed to both a market-driven economy and marked improvements in health and education. The GRZ and the Mission recognize that while increasing per capita consumption will require some time, improvements in the delivery of health care can be immediate. Consequently, the Mission will continue its support for health by selecting sustainable improvements in health status as its second CPSP subgoal. The Mission will achieve this subgoal by assisting the GRZ in three strategic areas with the potential for rapid improvements, namely: family planning, HIV/AIDS prevention, and child survival.

1. Strategic Objective No. 2: Increased Use of Modern Contraceptives

USAID/Zambia proposes to obligate a FY 93 family planning project that will work to increase both the demand for and supply of modern contraceptive services. This will be done through: social marketing of oral contraceptive and condoms; demand-driven, clinic-based services delivery; and reform of policies which constrain contraceptive use.

The GRZ adopted a population policy in 1989 which among other objectives specified the following: reduction of population growth to 2.5 percent by the year 2015; and decline in total fertility rate from 7.2 births to 6.0 and 4.0, by the years 2000 and 2015, respectively. USAID will assist the GRZ in meeting these targets by increasing the demand for family planning and improving the supply and quality of service delivery.

a. Target 2.1. Increased demand for family planning services

The recent Demographic and Health Survey (DHS) indicates that there is a large-scale unmet need for family planning, by as much as one-third of currently married women. This is in large part the result of failures on the supply side--lack of access on acceptable terms to reliable supplies of high quality services. Lack of accurate knowledge, weak motivation, and socio-cultural barriers, however, also constrain wider use of modern contraception. While USAID's focus will be to improve service provision, program resources will also work to stimulate demand through IEC and social marketing of contraceptives.

The extent of the market for contraceptive services will depend not only on the price and availability of services, but also on household incomes. Initial analysis, based on a 1991 household expenditure survey, suggests that household income will not be a constraint per se to a social marketing system achieving significant increased use of contraceptives.

A significant constraint to increasing the demand for family planning is the current restriction on the advertisement of prescription contraceptives, including oral contraceptives. Initial discussions with the MOH have indicated a willingness on the part of government to redress this and other policy constraints. USAID intends to analyze the impact of proposed policy reforms and work to facilitate their implementation.

b. Target 2.2. Increased access to family planning services

Medical Stores Limited (MSL), the government's procurement and distribution system, is fraught with problems endemic to such organizations (eg. outages, lack of accountability, cost inefficiencies). While other donors have indicated a willingness to try to rehabilitate MSL, USAID believes it would be more effective and efficient to supply family planning commodities through private sector channels. Anticipated outlets to be utilized and supported for oral contraceptives and condoms include drug stores, pharmacies, and community-based distributors.

As part of the social marketing scheme, USAID will undertake: information, education and communication (IEC) activities to increase demand for family planning services, as well as improve access; training of service providers to ensure quality services; establishment of management systems, including monitoring and evaluation systems; and, operations research. An AIDS/STD message may be included in the IEC activity to reinforce efforts to control the spread of these diseases.

c. Target 2.3. Improved quality of family planning services

Beginning on a pilot basis, USAID will test the hypotheses that a demand-driven system with incentives (i.e. fees) to the provider will result in better quality services and that provision of family planning services in this manner will be more sustainable. (Note that the current public sector delivery system is figuratively and literally bankrupt).

The project will deliver those services which will continue to require prescription-- IUDs, diaphragms, spermicides, injectables (i.e. Depo-Provera), and implants (i.e. Norplant) -- through a variety of clinical mechanisms, on a full or partial fee basis. The project will also work with MOH to revise as necessary policies which constrain quality service delivery (including prohibition of the provision of injectables and implants, and written spousal consent in order to use contraceptive methods), and to implement established MOH guidelines and revisions. Training also will be provided to enable all health care providers to assume their new responsibilities under these policy reforms.

Potential family planning service delivery outlets to be selectively utilized include: government clinics, private clinics, NGO/mission clinics and company-based clinics. In utilizing both public and private sector clinics on a fee-for-service basis, USAID/Zambia's proposed approach is consistent with the GRZ's recently promulgated national health policies and strategies. Germane to this project is the GRZ's stated objective of moving the MOH system away from the concept of free health services for all towards a system based on cost recovery, at progressive rates from the primary health care center to the central hospital, and which entails greater reliance on the private and NGO sectors for provision of health care.

As with the social marketing component of the project, a private sector entity will be used for the procurement and wholesale distribution of commodities. The initial supply will be free but the clinic would then pay for replenishment stocks with part of the revenue generated by fees. So that personal income is not a barrier to access to health services, the Government may classify certain people to be medically indigent. USAID's project will provide a trial run for this approach for family planning. Services provided by public or private health care facilities to indigent family planning users will be reimbursed by the project.

Initial and refresher training will be given to the providers to ensure the quality of these family planning services which will also reinforce demand. This training will pay particular attention to protocols to ensure safe delivery of clinical methods in light of the high rate of HIV/AIDS. Operations research and quality control monitoring will be critical components to learn what works and what doesn't in terms of the cost effectiveness of the GRZ providing health care (more specifically, family planning) services itself vs. "purchasing" them from other providers, and in terms of the impact of this approach. This operations research is, potentially, a very valuable benefit of the project because it can be a source of information needed by GRZ decision-makers as the broader reform or restructuring of public health care services is undertaken.

2. Strategic Objective No.3: Improved HIV/AIDS control practices

The AIDS epidemic in Zambia is among the worst in the world. Although epidemiologic data concerning HIV/AIDS are not comprehensive and, at times, are conflicting, GRZ Sentinel Surveillance Surveys conducted in 1990 indicate HIV prevalence rates ranging from 13 percent (Mukinge rural) to 30 percent (Solwezi peri-urban) among pregnant women attending antenatal clinics.[14] Prevalence rates among patients attending STD clinics in the provinces ranged from 33 percent to 71 percent in 1991. As of September 1992, 26,625 cumulative cases of AIDS and AIDS-Related Complex and 1,650 deaths had been reported.[15] It has been estimated that there will be over 233,000 cumulative AIDS cases by 1995. There is no evidence that the rate of transmission is slowing.

HIV/AIDS is certain to have a continued adverse impact on Zambia's development in the years to come. It poses serious threats to improvements in health status among adults and children, as well as placing tremendous burden on the fragile health care system. Those most affected include the young, mobile, and better educated sectors of the population resulting in reduced labor productivity and tremendous loss in human capital investment.

In FY 92 USAID/Zambia obligated the HIV/AIDS Prevention Project to improve public health education, provide greater access to condoms, reduce HIV transmission through cost-effective STD treatment, and strengthen multi-sectoral support for implementation of the National AIDS Prevention and Control Programme.

a. Target 3.1. Improved knowledge of behaviors to reduce transmission

Four priority groups have been identified as targets for prevention activities:

---

[14] Source: U.S. Bureau of the Census, HIV/AIDS Surveillance Database, 3/8/93

[15] Source: Overview of the HIV/AIDS Situation in Zambia, MOH, 11/9/92

the workplace, traditional healers and their clients, out-of-school youth, and the public seeking voluntary HIV testing and counseling. Education programs will be developed and conducted for each of the target groups. Baseline and post-intervention surveys will be conducted to assess changes in knowledge and reported behavior practices. HIV testing will be performed to assess the impact of program interventions on the incidence of HIV in the targeted populations and to measure correlations among knowledge, reported practices, and actual behavior.

In addition, the project will work with mass media and journalists to: enhance skills to identify and report accurate information about HIV/AIDS; expand depth and coverage of HIV/AIDS reporting; and, strengthen the media's motivation to support communities in HIV prevention.

b. Target 3.2. Increased availability of condoms

Condom promotion will be an integral component of the targeted intervention programs. Additionally, condoms are being distributed through a social marketing scheme in order to make condoms widely available and affordable, and to promote their proper use. A new brand of condom is being marketed to a wide array of formal and informal retail outlets. By the end of the project, it is expected that: a minimum of 30 million condoms will have been sold; distribution will have been sustained in over 3,000 retail outlets, STD clinics, and each of the targeted populations; 80 percent of the target consumers will know of the condom brand; a sustainable private-sector based social marketing infrastructure will be in place to continue condom distribution.

c. Target 3.3. Cost-effective STD control strategies identified

Recent studies have found that the presence of sexually transmitted diseases (STDs) greatly facilitates the transmission of the HIV virus. Of the approximately 170,000 cases seen annually at the 47 STD clinics under the MOH STD Control Programme, an estimated 55-75 percent are HIV positive. Since the MOH established the STD Control Programme in 1986, 54 clinics have been established to diagnose and treat STDs.

Although costs of preventing the spread of HIV and treating AIDS are not well understood, the cost to the health care system, individual families, and the overall economy are certain to be enormous. Budget constraints and movement to cost recovery in health care are expected to increasingly strain service delivery at STD clinics. In an effort to make best use of resources, the Project will fund a pilot program in three clinics to identify cost-effective strategies in STD control. The goal is to reduce the number of future cases of STDs, and thereby reduce HIV transmission by improving the resource allocation of the STD program.

d. Target 3.4. Effective policies developed and supported

The GRZ has done an excellent job of designing a program for prevention, monitoring, and the care of HIV/AIDS related diseases. While top leaders have voiced their support for the National AIDS Prevention and Control Programme there are still many obstacles to its successful implementation. In particular, multi-sectoral commitment to a comprehensive approach is lacking. USAID will help to facilitate policy development and strengthen policy support by raising awareness of the demographic, health, social, and economic impact of AIDS among decision makers, opinion leaders, and program managers.

3. <u>Target of Opportunity No.3</u>: Selected child survival activities

Given high levels of infant and child mortality and the gaps in donor funding, there is an appropriate role for USAID to assist the GRZ in developing programs to improve the health of children. Such assistance can complement the GRZ health reform program and address sustainability issues of primary and maternal child health care.

This target of opportunity will focus on three major causes of infant and child mortality: diarrheal diseases, malaria, and acute respiratory infection. In addition, USAID will become proactive in public policy development affecting health care financing.

USAID anticipates providing support for the control of diarrheal diseases, cholera and dysentery, possibly by providing long term technical assistance to the MOH and through strengthening private sector capacity to produce and supply products such as ORS and I.V. fluids. This includes the potential for coordinating ORS distribution/social marketing with the Mission's social marketing campaigns under the Family Planning and HIV/AIDS Projects. The approach would also build upon the accomplishments of the PRITECH Project that is scheduled for completion in 1993.

USAID also expects to support the emerging ARI Program of Zambia. This program will address one of the major health problems confronting improved child survival in the country, a high priority of the Ministry of Health and a problem other donors have elected largely to ignore. The CDD and ARI Programs of the MOH have recently been integrated into a single CDD/ART program owing to the similarities in target population and intervention strategies.

USAID will consider support to control malaria by assisting the private sector in the manufacture and local distribution of impregnated bednets and through assistance in the development of national policy.

The development of improved health care financing strategies are critical to the sustained delivery of primary health and maternal child health programs. USAID will assist the GRZ and work with other donors to explore various methods of raising and appropriating more resources for PHC/MCH programs. USAID will fund operational research into cost recovery and reimbursement strategies that explore charges in peripheral facilities for child-survival services, and elsewhere in the system, especially in-patient hospital facilities, where a disproportionate share of the MOH budget is spent. Pilot activities in selected hospitals are expected to demonstrate that by implementing cost recovery for in-patient care the GRZ can reduce subsidies for hospitals and free up resources for PHC/MCH programs.

For health care financing strategy to be effective, there is a need to know the cost of producing child-survival services. This will also require a special research effort. Specified practice standards will be developed for each child-survival service under consideration. When appropriate care standards have been determined, unit costs will be calculated to ascertain affordability.

VI. Plans for Implementation: Level and Use of Resources, Monitoring, Reporting and Evaluation, and Policy Agenda

A. Overview

The major assumption in establishing strategic parameters and resource levels for the bilateral economic assistance program over the planning period is the continuation of the Chiluba Government. The next national elections are not scheduled until late 1996, which corresponds closely with the CPSP period. Any serious change of MMD policy, or change of government before 1996 would necessitate review and probable revision of the proposed strategy.

A.I.D. program resources will, over the five year planning period, be equally dedicated to economic growth and social development. Growth will be sought by addressing a major prerequisite to the establishment of a market-oriented economy, i.e the removal of the state from the provision of goods and services which the private sector can otherwise provide more effectively; and, an improved social condition will be sought through a health sector program which aims to: 1) reduce fertility rates, and 2) reduce HIV/AIDS transmission rates. Complementary program investments will be directed to improving democratic governance for the purpose of improving access to and effective decision making by government; legal, regulatory and systemic changes to deepen economic reform and support agricultural sector liberalization; and, selected child survival activities to reduce infant and child mortality rates.

An important consideration influencing USAID's selection of strategic options was one of program depth. USAID has sought to limit and focus program objectives such that behavioral change at the firm and/or household level can be effected. Such change is critical to the success of GRZ efforts to develop a viable market economy with broad participation and to realize a better life for the next generation of Zambians. The ultimate impact USAID seeks is to improve individual and group welfare in accordance with the program goal of a socially stable, economically productive and politically active population.

USAID's plan recognizes the importance of the political environment as well as the economic, the role of the private sector as well as the public, and the short term as well as the long run. USAID is confident that effective implementation of the CPSP will heighten the impact of the U.S. bilateral economic assistance program, and facilitate higher productivity and improved welfare.

Effective implementation of the CPSP depends upon both USAID and the GRZ. Any faltering of effort on the stabilization and adjustment program risks the breakdown in relations between the donor community and Zambia. Social stability and political sustainability are key concerns. Investment in the social sectors, e.g. USAID's interventions in the health sector, an exceptional response to the 1992 drought, and ongoing support for drought recovery activities, help alleviate the effect of economic crisis and expected short-run negative consequences of the adjustment program.

B. Implementation Priorities

Implementation of the proposed strategy began late in FY 92 with the authorization of three new major program initiatives, i.e. Privatization, Democratic Governance, and HIV/AIDS Prevention. These projects, together with the ongoing Human Resource Development Project, form the initial core of the portfolio proposed for delivery over the next five years. To this core, USAID is proposing to add one new major project this year, Family Planning, and two in 1994, i.e. Agriculture Sector Liberalization and Maternal /Child Health. Preliminary design work is underway on the proposed Family Planning Project.

USAID's current agricultural portfolio will expire early in the CPSP period with the planned completion of the ZATPID II (Zambia Agricultural Training, Planning and Institutional Development) and ZAMS (Zambia Agribusiness and Management Support) projects. The extension of current year completion dates is planned for both. In the case of ZATPID, the plan is to extend the PACD and retain one resident expatriate through a personal services contract for the provision of ongoing assistance to the Ministry of Agriculture's task force on sectoral strategy development. This no cost extension will be effected through October 1994 by which time the planned Agriculture Sector Liberalization Project is expected to be authorized and funded for carry-on assistance. Similarly, ZAMS is being extended for up to two years with no new funding requirement. The purpose is to ensure sustained dividends of past year investments in hammermills and new expansion of small scale oil seed processing, both of which form the core agro-processing ventures of the rural economy. USAID's main vehicle for the delivery of NPA and promotion of policy change in the agricultural sector during 1992, the highly successful Maize Market Decontrol Program, ends this year.

C. Policy Agenda

Economic reforms planned by the Chiluba Administration are focussed on a short-term macroeconomic stabilization plan to control the budget deficit and inflation, attain a stable equilibrium exchange rate and achieve positive interest rates, and a longer-term restructuring plan to reduce the size and re-orient the public sector towards functions which support a market-oriented economy. Well managed implementation of announced and planned reforms is key to achieving this purpose.

Annex C to this document provides a matrix which delineates policy issues of importance to USAID's implementation of the proposed strategy. Among these key policy issues, USAID will focus attention on those most pertinent to acknowledged areas of USAID leadership within the donor community. Broadly classified these are: divestiture of state-owned enterprise, agriculture market liberalization and land tenure reform, and public sector management (good governance).

Chiluba Administration policies for the health sector are sound, and U.S.-trained leadership in the sector is taking an aggressive approach to implementation. Decentralized health care administration and sustainable financing are fundamental elements of GRZ sectoral plans which USAID intends to encourage. In the areas of family planning and

AIDS prevention, a concerted effort on the part of the Government and, until recently, other donors has been lacking. USAID is cooperating closely with the Ministry of Health and relevant donor agencies and assuming a leadership role. A specific agenda for policy action to advance family planning initiatives is included in Annex C.

D. Level and Use of Financial Resources

Availability of the following resources has been considered in formulating the CPSP, determining an appropriate program funding level, and developing an indicative five year budget.

1. Development Fund for Africa

The primary source of funding for implementation of the Mission strategy will be the Development Fund for Africa (DFA). An assistance planning level of $20.7 million annually has been given. Of the $103.5 million programmed over the five year period, $81.5 million will be dedicated to project investment, and used for the provision of technical, commodity and training assistance. The balance of $22 million is proposed to be disbursed as non-project assistance in support of sectoral policy reforms. Table 6 presents the program budget for the period of 1993 through 1997.

2. Public Law 480 Commodity Resources

The United States was the major supplier of Zambia's large drought induced maize import operation in 1992. USAID procured and managed the importation of 522,000 MT through direct procurement procedures utilizing PL 480, Section 416(b), DFA, ESF, and $80 million in co-financing resources mobilized from other bilateral donors.

Current indications suggest that Zambian farmers are responding to increasingly favorable market conditions with increased production of the primary food stuffs (maize, sorghum, rice and wheat) and other cash crops. Staple commodity food aid is thus not expected to be required in the planning period because Zambia has historically been self-reliant in cereal production and attainment of pre-drought production levels were achieved in 1993. Given an appropriate enabling environment, combined with appropriate agricultural sector investment, supplies should exceed domestic consumption requirements during the CPSP period, given expected levels of income.[16]

There are, however, no plans to utilize P.L. 480 resources over the CPSP period. Should Zambia experience another major drought during the planning period or should some other form of natural disaster occur, the Mission would consider, in collaboration with AID/W, reactivating PL 480 imports.

3. Southern Africa Regional Program Resources

Congress has, since 1987, annually appropriated $50 million for Southern Africa

[16] See Martella D., USAID/Zambia Food Aid Strategy, REDSO/ESA, December 1992.

APRP? not in area of major strategic concern

TABLE 6
APPROVED ASSISTANCE PLANNING LEVEL ($ 000)
FISCAL YEARS 1993 THRU 1997

Project/Program	LOP Cost	Mortgage 09/30/92	Proposed Obligations 1993	1994	1995	1996	1997	Mortgage 09/30/97	PACD
Bilateral Resources									
Subgoal #1									
1.1 Democratic Governance (611-0226)	15000	13000	2500	3000	2000	2500	3000	--	09/30/97
1.2 Privatization (611-0230)	18000	15400	5500	5500	4400	--	--	--	09/30/97
1.3 Agriculture Sector Liberalization (611-0231)	10000	planned	--	1700	1100	1500	1500	4200	09/30/01
1.4 Agriculture Sector Liberalization NPA (611-0232)	20000	planned	--	--	3000	5000	5000	7000	09/30/01
1.5 Human Resource Development (698-0463)	NA	NA	1700	2500	1500	1300	1500	--	09/30/05
1.6 Private Enterprise Support (IESC) (611-0220)	NA	NA	500	--	--	--	--	--	09/30/94
[1.4 Agriculture Sector Liberalization NPA/AEPRP]	[10000]	NA	--	[10000]	--	--	--	--	
SUBTOTAL	(63000)	(28400)	(10200)	(12700)	(12000)	(10300)	(11000)	(11200)	
Subgoals #2 and #3									
2.1 Family Planning Services (611-0235)	15000	planned	1500	1000	4000	2000	6500	--	09/30/03
2.2 Family Planning Services NPA (611-0236)	9000	planned	3000	3000	--	3000	--	--	09/30/96
2.3 HIV/AIDS Prevention (611-0221)	19700	14200	5500	2000	2700	3000	1000	--	09/30/97
2.4 Maternal/Child Health (611-0237)	12000	planned	--	1500	1500	1900	1700	5400	09/30/01
SUBTOTAL	(55700)	(14200)	(10000)	(7500)	(8200)	(9900)	(9200)	(5400)	
Other									
X.1 Program Development & Support (611-0218)	NA	NA	500	500	500	500	500	NA	NA
TOTAL BILATERAL PROGRAM FUNDING LEVEL	118700	42600	20700	20700	20700	20700	20700	16600	
	=====	=====	=====	=====	=====	=====	=====	=====	
Proposed AEPRP (non-add)				[10000]					

CPSP3.WK1

Development Coordination Conference (SADCC) solutions to the region's development problems. The expectation is that funding of this level will continue to be programmed on a regional basis.

SARP resources have, to date, been expended in Zambia primarily to improve road and rail transport infrastructure. A significant second area of concentration is innatural resources management. Fifty four kilometers of trunk road between Lusaka and Kafue are presently being rehabilitated through the Regional Transport and Storage Development Project; and, a sustainable community-based wildlife conservation and utilization program is being supported under the Regional Natural Resources Project. Investment opportunities in telecommunications are presently under study as a possible new area of SARP funding.

Employment of SARP resources in Zambia will, as has been the case up to now, be dictated by regional strategy and priorities. Compatibility with the bilateral strategy will be a consideration but not a precondition to Mission clearance of proposed SARP-sponsored activity. Based on experience over the past decade, SARP resource commitments to Zambia may be expected to total on average $5 million annually over the CPSP planning period. Mission staff capabilities and management work load must necessarily be a key element of consideration in determining future SARP activities.

4. Bureau and Centrally-managed Projects

Of the dozen or so centrally-funded projects which have some element of ongoing activity in Zambia, the bulk are found in the health sector. USAID's bilateral program expansion into the health sector has been facilitated by the experience of these activities. Some, e.g. AIDSTECH and AIDSCOM, will however become redundant, and therefore unnecessary, against the much larger initiatives of the bilateral program at full implementation. Others, such as Pathfinder, may provide an option through the "buy-in" procedure for bilateral program implementation; or, continue to offer support to the bilateral program, such as the Demographic and Health Survey. Outside the health sector, 116e funds remain useful as a supplement to the Democratic Governance project because they provide means for inquiry and pilot activities in areas which presently lie beyond the authorized parameters of the D/G project, e.g. matters dealing with the judiciary or devolution of power.

5. Local Currency

The Mission subscribes to SPA guidelines and intends to fully attribute any local currency generations to the GRZ budget. Planned non-project assistance will, however, likely be provided as cash transfers for the payment of Zambian debt to the IMF or World Bank with no conditions for payments of local currency of corresponding purpose. Consequently, publicly controlled local currency generations over the life of this CPSP are expected to be insignificant. Only relatively minor amounts of local currency will be generated as a result of project activities, e.g. contraceptive social marketing sales. Planned revenues of this sort are projected during activity design, and programmed for expenditure in accord with project implementation plans and the project purpose.

6. GRZ Contribution Requirement

Section 110 of the Foreign Assistance Act requires that as a recipient of assistance under the Act, Zambia must "...provide at least 25 per cent of the costs of the entire program, project, or activity " to be financed. At the approved assistance planning level of $103.5 million for the five year period, a total counterpart contribution of almost $35 million would thus be required (35/138.5 = 25 percent). In view of Zambia's severe budgetary and balance of payments difficulties, and the projection that these circumstances will not change demonstrably early in the planning period, special consideration is warranted for the continuing waiver of Zambia's counterpart contribution requirements. Past attempts to fulfill the counterpart requirement with in-kind contributions have proven impossible for the GRZ and not practical for USAID. The in-kind contributions, while genuine, are normally insufficient to meet the 25 percent objective and almost impossible to record in an accountable fashion.

7. Debt Relief

A phased discharge, beginning in 1991, of eligible official developmental debt owed to the United States was accomplished earlier this year. The amount forgiven was $174.5 million. Remaining official debt to the USG consists of approximately $120 million in PL 480 loan principal and accrued interest, and Exim Bank loan principal and interest accruals totalling almost $16 million. Use of program funds to buy-down the PL 480 debt at a discount has been considered and rejected given current consideration by the Congress to enact legislation for the forgiveness of this debt.

E. USAID Management

Eight USDH employees and a complement of another ten professional staff members are required, at a minimum, to implement the program as specified. The following figure and accompanying summary position descriptions detail the mix of skills and associated responsibilities for all 18 professional staff positions.

As shown in the referenced table and diagram, the General Development Office will be staffed to manage achievement of Strategic Objective No.1, and target of opportunity two. A new Health and Population Office will be staffed and charged with responsibility to effect achievement of Strategic Objectives two and three and target of opportunity three. The Program Office will manage activities within the target of opportunity one and otherwise be concerned with overall sub-goal level achievement.

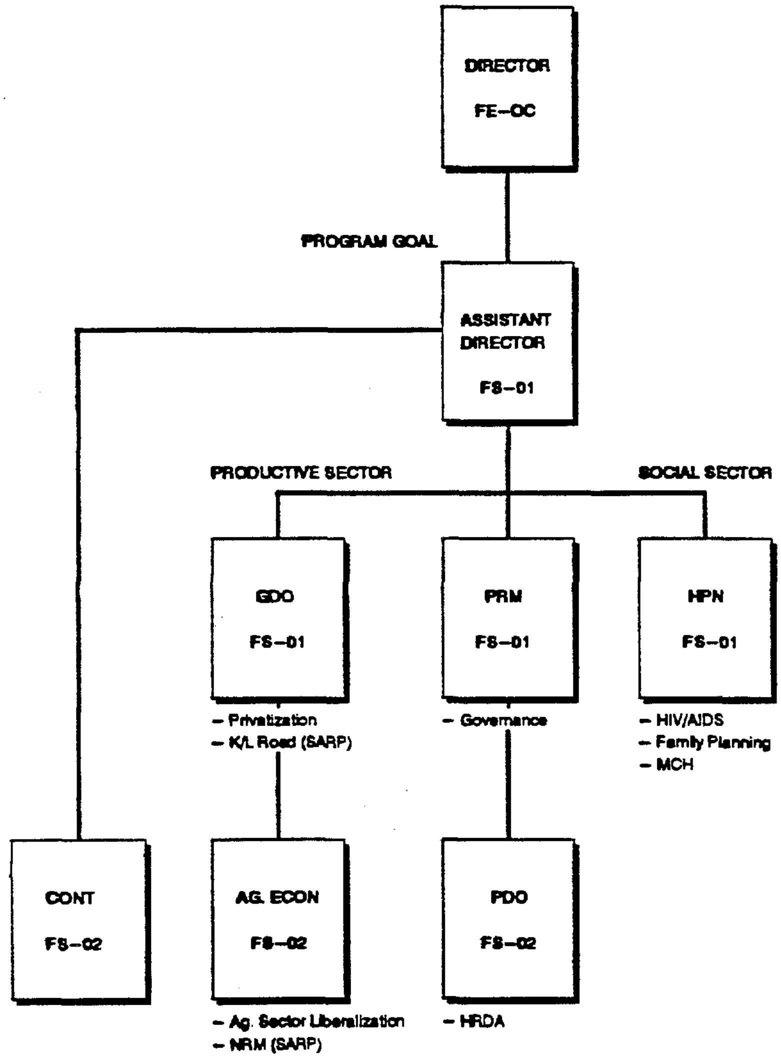
USAID's professional staffing pattern for the planning period assumes the continued availability of periodic assistance from REDSO/ESA, SARP, AFWID, and AID/W personnel. REDSO legal and contract officer assistance is needed regularly. Other professional technical skills (such as monitoring and evaluation and select sectoral analysis) will be required on a specifically scheduled basis. USAID will require SARP personnel assistance on all SARP-funded activities undertaken in Zambia. This particularly applies to any new project proposals emanating from Harare. The regional WID Officer will be called upon for maintenance and monitoring of the Mission WID plan. Among AID/W offices, USAID has relied predominately upon AFR/ONI for assessment and design assistance in the new program initiatives of democracy and governance, and privatization. Ongoing advisory and consultative assistance will be useful to keep the Mission current on state-of-art applications and lessons learned in these relatively new and riskier endeavors. R&D/EID-managed centrally-funded projects and IQCs have been useful for analytical

Figure 3

ORGANIZATIONAL MANAGEMENT

USDH STAFF AND POSITION GRADES

USAID/ZAMBIA



OPSPRD2D WK1

Table 7: Summary Position Descriptions

PROFESSIONAL STAFF	
1. Mission Director (USDH)	Principal officer responsible for the bilateral economic assistance program to Zambia.
2. Supervisory General Development Officer (USDH)	Serves as Assistant to the Mission Director, and acts in the absence of the Mission Director. Responsible for donor coordination.
3. Program Officer (USDH)	Serves as chief of a combined program and project development office. Responsible for the full range of activities which comprise program analysis, budgeting, design, authorization, implementation, reporting and evaluation. Concerned with achieving progress toward attainment of CPSP goal. Serves as project officer for Democratic Governance and PD&S.
4. Project Development Officer (USDH)	Provides advice, guidance, and direction in planning, design, development, negotiation, financial analysis and implementation of projects. Serves as Mission Evaluation Officer. Manages Mission project implementation review process. Performs project officer functions for Human Resources Development Assistance project. Coordinates liaison with REDSO/ESA and SARP. Reports to the Program Officer.
5. Democratic Governance Advisor (PSC/project)	Principal advisor in the field of democratization and governance. Responsible for policy and programmatic direction of the Democratic Governance project and concerned with achievement of this bilateral program target of opportunity. Reports to USDH Program Officer.
6. Human Resources Development Officer (FSNDH)	Provides expertise and leadership in the human resources field. Develops and maintains annual training plans. Manages the Human Resources Development Assistance project. Reports to USDH PDO.
7. Training Specialist (FSN/PSC/OE)	Responsible for planning and administering participant training. Reports to FSNDH HRDO.
8. General Development Officer (USDH)	Responsible for attainment of CPSP strategic objective #1. Principal advisor regarding policies, laws and administrative practices relating to private enterprise development. Performs project officer functions for Privatization and SARP K/L Road Project.
9. Privatization Project Manager (PSC/project)	Manages Privatization project. Reports to USDH GDO.
10. Agricultural Economist (USDH)	Principal advisor and analyst for agriculture sector development. Responsible for policy and programmatic direction of the Agriculture Sector Liberalization project. Performs project officer functions for Agriculture Sector Liberalization and SARP/Natural Resources Management Project. Reports to GDO.
11. Engineer (TCN/project)	Principal advisor and analyst on all engineering related matters. Manages SARP/K/L Road project. Reports to USDH GDO.
12. Health/Population Officer (USDH)	Plans and administers the combined health and population planning program. Responsible for achievement of CPSP strategic objectives #2 and #3 and target of opportunity #3. Serves as project officer of Family Planning Services, HIV/AIDS Prevention, and Maternal/Child Health projects. Supervises portfolio of centrally-funded projects active in health sector.
13. Health/Population Specialist (PSC/project)	Assists with the management of the Health/Population Office project portfolio. Reports to USDH Health/Population Officer.
14. Controller (USDH)	Administers the financial management program. Reports to the Assistant Director.
15. Financial Analyst (TCN/PSC/OE)	Advises on fiscal and financial management considerations on projects, and participates in planning and maintaining Mission accounting systems and records. Reports to USDH Controller.
16. Executive Officer (PSC/OE)	Directs management services and logistics support operations. Reports to the Assistant Director.
17. Assistant Executive Officer (PSC/OE)	Assists the Executive Officer. Coordinates logistics and administrative support service functions.
18. Project Specialist (TCN/PSC/project)	Coordinates project procurement actions for all offices. Prepares earmarking documents and project budget plans. Performs administrative and backstopping functions as required. Reports to Executive Officer.

purposes. USAID expects to access R&D/EID, AFR/ARTS, HE, and POP-managed centrally-funded projects for continuing assessment work on the macroeconomic situation, agriculture markets, land tenure, health care policy development, and population planning.

F. Monitoring and Evaluation

USAID's objective tree is a depiction of USAID strategy expressed in terms of a hierarchy of objectives, i.e. goal, sub-goal, strategic objectives and targets. USAID projects designed to contribute to the achievement of the strategic objectives will necessarily have purpose statements closely aligned with the relevant program objective statement for an unambiguous linkage. Achievement of project purposes will thus translate directly into strategic objective attainment. This being the case, USAID's program monitoring, evaluation, and reporting system relies primarily on good project monitoring, evaluation and reporting systems.[17]

1. Project Level

The substance of USAID's main monitoring and evaluation activities is composed of baseline surveys, management information systems, and evaluations. Baseline studies generate benchmark data against which progress in the achievement of project purpose statements can be assessed during scheduled formal evaluations. Mid-term and final project evaluations are the norm.

A project management information system consists of a set of performance indicators tied to specific task objectives, together with a timetable of reporting procedures. Quarterly reports are an integral element of implementation contracts which are used as a management tool. USAID conducts bi-annual project implementation reviews (PIRs) as an institutionalized means of ensuring project manager accountability for program results and Mission-wide monitoring. The Mission PDO is the designated Evaluation Officer with responsibility for the conduct and reporting of PIRs.

Special studies and research supplement regular project monitoring and evaluation. Such undertakings may be conducted when more specific knowledge is sought on a subject, e.g. lessons learned; or, when special data collection is needed for project or program appraisal purposes.

2. Program Level

At the project level, first line monitoring tasks are mostly delegated to contractors and cooperating agencies. Program level concerns are those of USAID Project Officers. The General Development Officer has responsibility for the attainment, and reporting on progress thereof, of Strategic Objective No.1 and target of opportunity two; the Health/Population Officer is responsible for objectives two and three and target of opportunity No.3; and, the Program Officer is responsible for target of opportunity one. They, together with the Evaluation Officer, ensure that program level concerns are properly addressed in project monitoring and evaluation plans.

Provisional program performance indicators are presented in Annex B. Upon approval of CPSP objectives, USAID will conduct more extensive study to: confirm or better specify indicators to be used to measure strategic objectives and program targets; identify data sources for all indicators;

---

17 See Thompson R., Program MER Plan for USAID/Zambia, REDSO/ESA, January 1993; and, Thompson R., Establishing a Sustainable Project/Program MER System for USAID/Zambia, November, 1992.

develop a detailed plan for obtaining the data; and, establish quantitative/qualitative performance targets to be achieved annually.

3. People Level Impact

USAID's performance over the planning period shall be measured on the basis of beneficiary impact. The participation of women in the development process, both as contributors and as beneficiaries, will be specifically measured.

At the goal level, USAID proposes to track the percentage of Zambians living in poverty as the broadest measure of social stability; GDP per capita as the ultimate aggregate measure of economic productivity; and, participation of the electorate in contested national, local and special referenda as the overall indication of political pluralism.

a. Subgoal one, Strategic Objective No.1, and Targets of Opportunity one and two

Private domestic and foreign investment shall be monitored as broad indicators of progress toward the program subgoal of a market-oriented economy, with broad participation. The Mission will judge progress toward the strategic objective of removing the State from the provision of private goods and services by the contribution of the private sector to total output (GDP) and employment, value added by formal private sector firms versus parastatal firms, and the total number of parastatals.

The Mission also plans to administer periodically a questionnaire by which a rough index of the business environment can be determined. As the business environment is essentially determined by policies - rules and regulations - and their implementation, the scale variable indicator which the Mission expects to devise and employ will measure constraints to business activity attributable to continued State-imposed inefficiencies; and, more positively, means by which the State is facilitating private sector activity. Surveys will address such considerations as the availability and efficiency of necessary public services and infrastructure, import/export regulations, local hire and content rules, corruption, systemic delays etc.

The indicators under target of opportunity 2, appropriate policies, laws and regulations promulgated and enforced, all relate to liberalization in the agriculture sector. For input and output markets, the target indicators measure the movement toward removal of remaining subsidies, licensing, export controls or privatization of state-owned firms. For the land market, the target indicators measure the protection of smallholder rights, creating women's inheritance rights and the ability to exercise property rights through the sale or transfer of leasehold title.

Because the income generation and employment effects of the privatization and agriculture sector liberalization programs are critical, the Mission will monitor both the direct employment effects in the privatized companies and employment in private companies, small-scale enterprise creation and changes in employment in selected sub-sectors. Because of its focus on agriculture, the Mission will concentrate on the effects of privatization and liberalization in input and output marketing and agroprocessing industries.

The impacts will be examined at industry and firm levels as well as the impact on the demand for outputs of and use of inputs by commercial farmers, emerging farmers and smallholders. Impacts to be monitored will include employment gains and losses and profitability of affected industries and farm employment and incomes. This extensive monitoring is necessary to understand the effects of market liberalization in terms of people level impact, and to review the opportunities to relieve other constraints to private sector participation in a changing economic structure.

The Mission will also carry out a study of how retrenched workers from privatized companies adapt to the loss of employment and how they make use of the redundancy benefits and training they receive. Examples of such studies are the sample surveys conducted in Guinea and Ghana for civil service retrenchment. The Mission will investigate the effectiveness of programs for assisting retrenched workers in order to determine how best to modify programs which are being developed to improve retrenched workers' opportunities to find new employment.

A political knowledge/attitudes index is proposed to measure progress toward the target of opportunity of accessible government and effective government decision making. The index will reflect population awareness of civil rights; and abilities to access and influence government policy, and act on grievances.

b. Subgoal two, Strategic Objectives No.2 and No. 3, and Target of Opportunity three

Mission performance against subgoal two, sustainable improvements in general health status, will be indicated by reduction in total fertility, infant/child mortality, HIV prevalence among women attending ante-natal clinics, and HIV incidence among targetted populations by gender.

The primary indicators for Strategic Objective No. 2 are couple years protection, and the contraceptive prevalence rate among women. The target indicators will measure intent to use family planning, beneficiary satisfaction with access to family planning, range of services offered, and retention rates among family planning acceptors.

Achievement of Strategic Objective No. 3 will be measured by a decrease in the reports of high-risk sexual behavior. The target indicators will measure knowledge about ways of protecting against HIV infection, access to condoms, cost-effective control of STDs, and improved policies which will facilitate implementation of the National AIDS Prevention and Control Program.

Finally, the indicators for the Child Survival Target of Opportunity will measure improved quality of care and treatment of diarrheal diseases and ARI, improved treatment protocols and diagnosis of malaria, access to bed nets, and identification of a strategy to increase the funding available for PHC/MCH programs.

4. Annual Assessment of Program Impact

The Mission Program Officer is responsible for the annual reporting of Mission progress toward attainment of real program impact. The intention is to rely primarily on indicators at the objective and target levels for demonstrable impact, as these will be relatively more sensitive to year to year achievements.

ZAMBIA

COUNTRY PROGRAM STRATEGIC PLAN

FY 1993 - 1997

ANNEX A

Program Objective Tree; Targets and Sub-targets

JUNE 1993

69

USAID/ZAMBIA STRATEGIC OBJECTIVE 1: PRIVATIZATION

Strategic Objective

- **The state removed from provision of private goods and services**

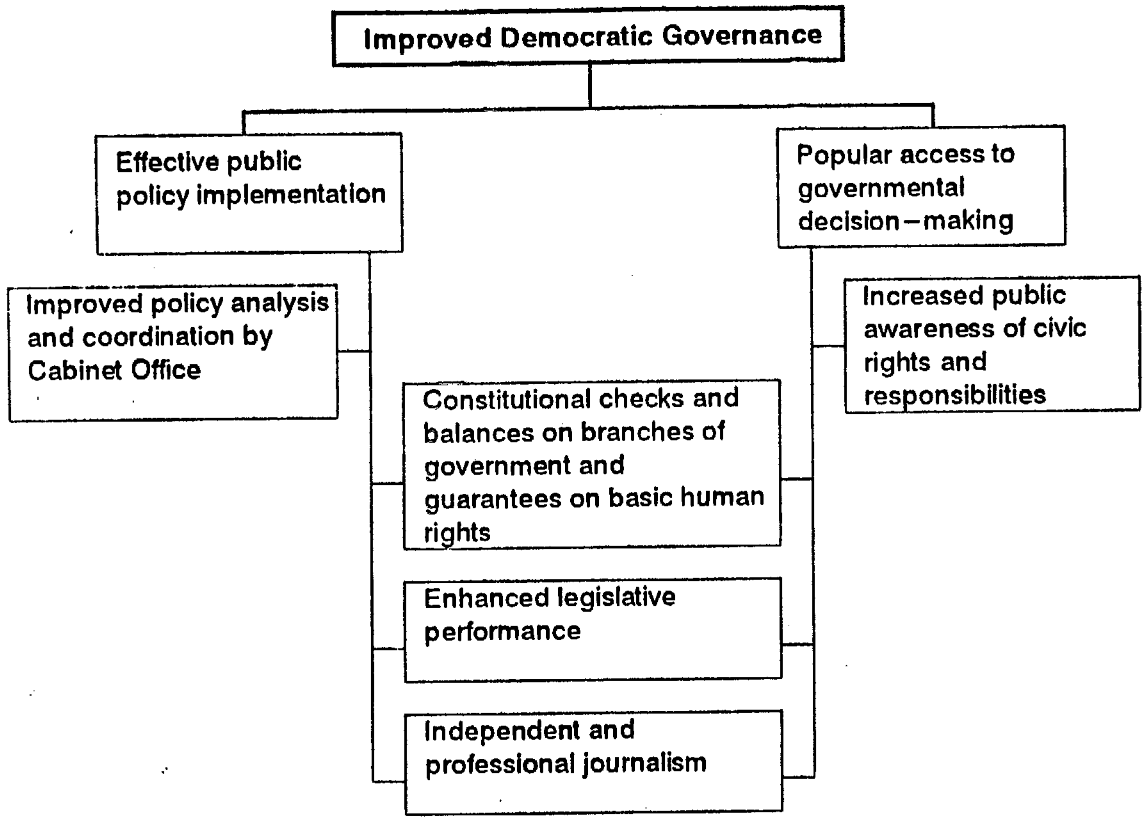
Targets / **Sub-targets**

- **Necessary conditions for privatization created**
  - ~~Legal and regulatory framework established~~ World Bank UNDP
  - Zambia Privatization Agency capacity strengthened AID's principal role
  - ~~Financial market development~~ WB African Dev. Bank
  - Supportive public opinion AID & others
  - ~~Labor/Social Issues Program~~ EC GTZ
  - Environmental Assessments AID & others for Zambian firms
- **Firm (or assets) prepared for privatization**
  - Collection of relevant firm/market data
  - Strategy for sale or transfer
  - Packaging (including valuation)
  - Consolidation
  - Rehabilitation
- **Sale or transfer of firm (or assets) facilitated**
  - Identification of prospective buyer/marketing
  - Negotiation of sale
  - Legal and public relations support to actual transfer
  - Post-sale/transfer monitoring

Mission provides consultants for training

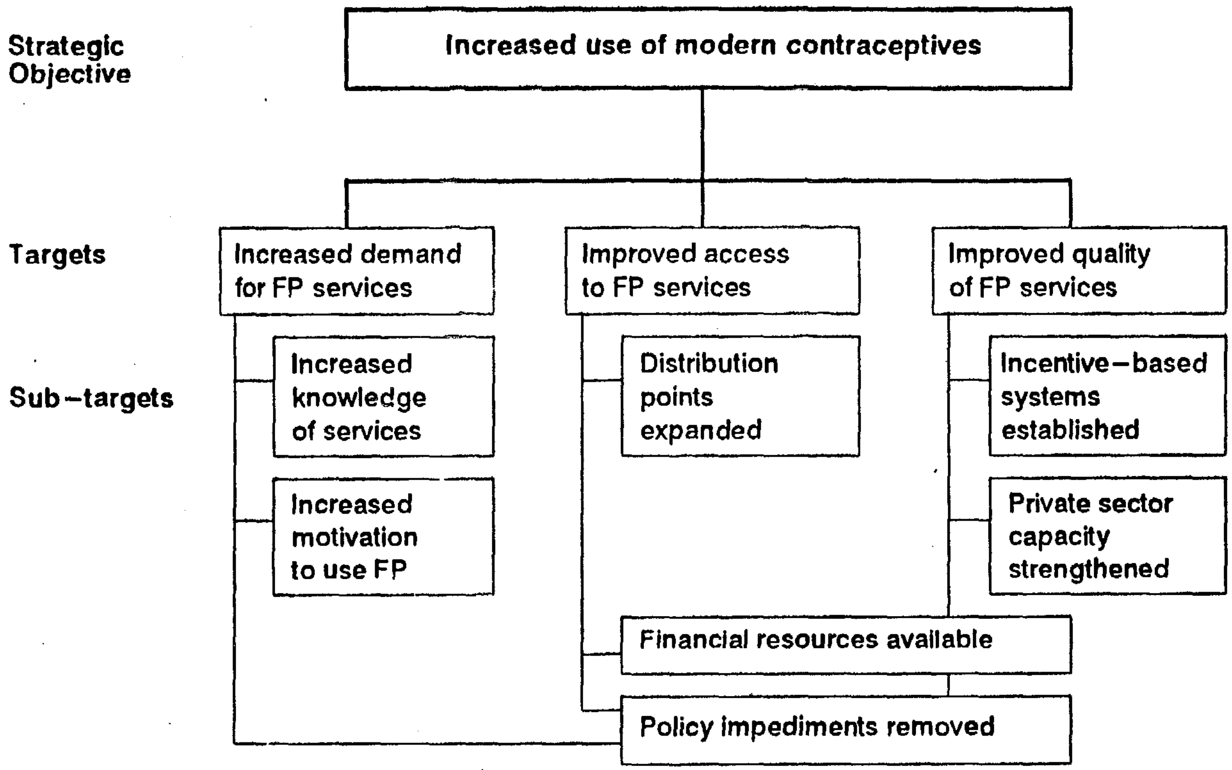
CPRD1.WK1

USAID/ZAMBIA TARGET OF OPPORTUNITY 1: DEMOCRATIC GOVERNANCE



CPRD6.WK1

USAID/ZAMBIA STRATEGIC OBJECTIVE 2: FAMILY PLANNING



CPRD3.WK1

USAID/ZAMBIA TARGET OF OPPORTUNITY 2: AGRICULTURE SECTOR LIBERALIZATION

Appropriate policies, laws and regulations promulgated and enforced

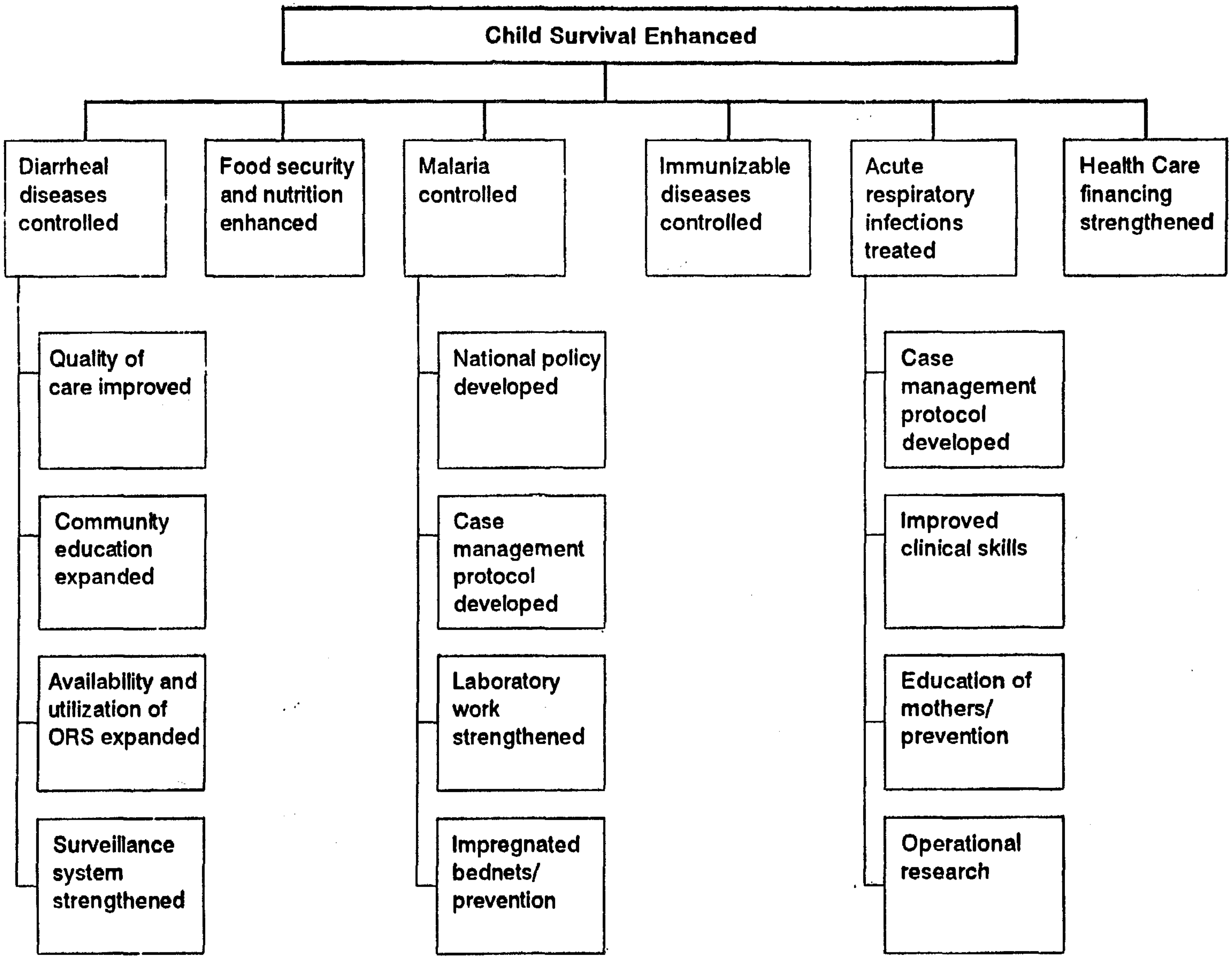
Agriculture sector liberalization

- Competitive agricultural input markets established
  - Government-owned fertilizer, seed and other input supply monopolies privatized
- Competitive coarse grain market established
  - State-owned mills privatized
  - Hammermill industry strengthened
  - Export controls eliminated
  - Entry barriers prohibited
- Land market established
  - Policy relevant research conducted
  - Land tenure reform commission supported for review and drafting of new legislation
  - Land registration system improved

Common to "Competitive agricultural input markets established" and "Competitive coarse grain market established":

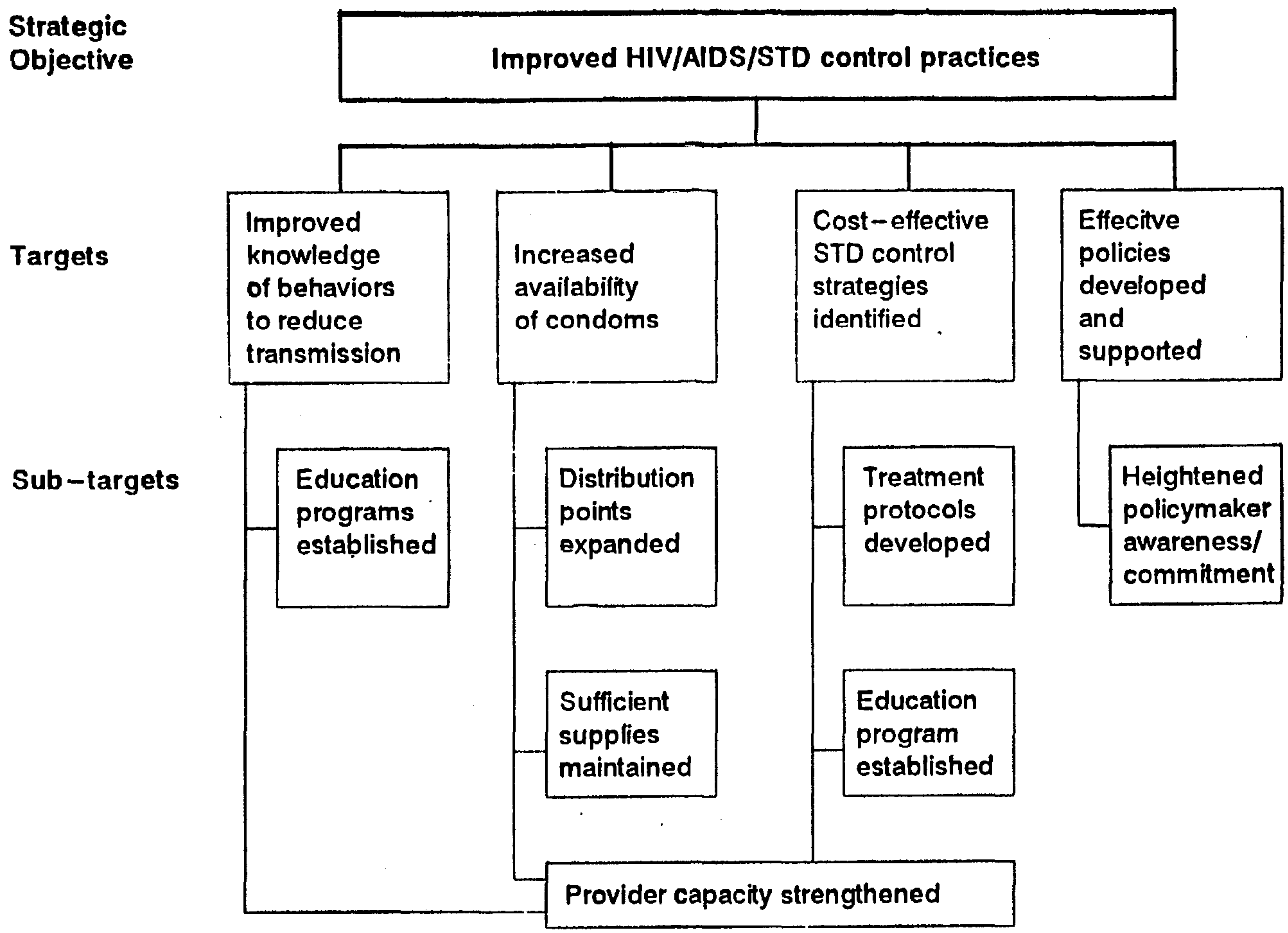
- State monopolies removed
- Credit constraint redressed
- Subsidies eliminated or not reintroduced
- Market-led pricing facilitated

USAID/ZAMBIA TARGET OF OPPORTUNITY 3: SELECTED CHILD SURVIVAL INTERVENTIONS



CPRD5.WK1

USAID/ZAMBIA STRATEGIC OBJECTIVE 3: HIV/AIDS



CPRD4.WK1

ZAMBIA

COUNTRY PROGRAM STRATEGIC PLAN

FY 1993 - 1997

ANNEX B

Preliminary Performance Indicators

JUNE 1993

16

USAID/ZAMBIA PROGRAM IMPACT INDICATORS: PRIVATIZATION

Objective	Indicator	From	To	Source
Subgoal 1: Market-oriented economy, with broad participation	Increase in private sector share of gross domestic investment • mining (% of GDI) • non-mining (% of GDI)			Central Statistical Office (CSO)
	Increase in private foreign investment • mining (U.S.$) • non-mining (U.S.$)			CSO
Strategic Objective 1: **The state removed from provision of private goods and services**	Increase private sector share of: • GDP (% of total) • employment (% of total)			CSO
	Value added, by: • formal private sector (U.S.$) • parastatal sector (U.S.$)			CSO
	Number of parastatals declining	170 (1992)		ZPA records

USAID/ZAMBIA PROGRAM IMPACT INDICATORS: DEMOCRATIC GOVERNANCE

Target of Opportunity	Indicator	From	To	Source
Subgoal 1: Market-oriented economy, with broad participation				
Target of Opportunity 1: **Improved democratic governance** 1.1 Effective public policy implementation - Increased governmental accountability	• Constitution revised to, <u>inter alia</u>: o enhance human rights o expand legislative powers	(1993)	(1994)	Revised constitution and Gazette
	• Legal and institutional constraints on media removed	(1993)	(1997)	GRZ legislative and administrative changes
- Improved governmental effectiveness	• Increased volume of legislation, with MP's exercising greater independence from the executive branch			Gazette
	• Cabinet Office has greater coordination of policy formulation and oversight of policy implementation		(1995)	Notice from Secretary to the Cabinet; Policy implementation plans
1.2 Popular access to governmental decision-making - Increased citizen access	• Enhanced legislative body, responsive to electorate		(1995)	Legislative debates/committee hearings
	• Journalists have open access to independent media resources		(1995)	
- Increased citizen awareness and involvement	• National civic education campaign implemented			Project records
	• Citizens' increased commitment to democratic and market values and increased political participation	(1993) 0 (1993) 0 (1993)	(1997) ? (1997) 5000 (1997)	Project surveys
	• Civic action projects undertaken by NGOs, with citizen participation			NGO records

78

USAID/ZAMBIA PROGRAM IMPACT INDICATORS: AGRICULTURE SECTOR LIBERALIZATION

Target of Opportunity	Indicator	From	To	Source
Subgoal 1: Market-oriented economy, with broad participation				
Target of Opportunity 2: Appropriate policies, laws and regulations *promulgated and enforced*				
2.1 Competitive fertilizer and other markets established	● No input subsidies are reintroduced ● State-owned input distributors privatized ● Increase in number of firms producing and trading in inputs			GRZ budget ZPA records Gazette
2.2 Competitive course grain markets established	● Licensing of coarse grain traders discontinued ● Maize export controls eliminated ● Maize producer prices remain liberalized: "floor price" discontinued (or, alternatively, maintained at or below import/export parity price)			Gazette MOA Planning Div.
2.3 Competitive grain milling established	● Maize consumer subsidy fully eliminated ● State-owned mills privatized ● Increase in the number of viable hammermill operators	10 (1993)	0 (1997)	GRZ budget ZPA records
2.4 Land market established new area	● Smallholder lands rights protected under new laws and regulations ● Women's inheritance rights expanded ● Sale/transfer of leasehold title permitted ● Increased capital improvements in land			Gazette Gazette

USAID/ZAMBIA PROGRAM IMPACT INDICATORS: FAMILY PLANNING

Objective	Indicator	From	To	Source
Subgoal 2: Sustainable improvements in health status	● Total fertility rate *Other indicators for this subgoal include those specified for:* *-Strategic Objective 3: HIV/AIDS* *-Target of Opportunity: Child Survival*	6.5 (92)		ZDHS
Strategic Objective 2: **Increased use of modern contraceptives**	● Couple years of protection ● Contraceptive prevalence rate among married women: *All methods* *Modern methods*	 15% (92) 9% (92)	 1%/p.a.	Service statistics ZDHS
Target 2.1: Increased demand for family planning services	● Intent to use FP: *% of married women aged 15-49 who currently are not using family planning, but intend to do so in the next 12 months*	48% (92)		ZDHS
Sub-target: Increased knowledge of services	● Know source for a modern method: *% of all/married women aged 15-49 who can identify a source for modern contraceptives* ● Know how to use a modern method: *% of all/married women aged 15-49 who know how to use a modern method among those who know a method*	81%/88% (92)		ZDHS KAP survey

Objective	Indicator	From	To	Source
Sub-target: Increased motivation to use family planning	• Don't want a child now: *% of non-pregnant, non-amenorrheic women (and % of men) who want no more children or want to wait at least 2 years before a (next) child* • *Approval: % of non-sterilized women aged 15-49 (and % of men) who say they approve of FP among those who know a modern method*	33% (92) 81% (92)		ZDHS ZDHS
Sub-target: Policy impediments (to increased demand) removed	• Restrictions on advertising • Amount of advertising by method	Yes	No	
Target 2.2: Improved access to family planning services	• Client satisfaction: *% of married women aged 15-49 who report "satisfactory access" to family planning services* • Range of services offered: *% of delivery points providing 3 or more methods*			KAP survey/ Client survey Provider survey
Sub-target: Distribution points expanded	• Number of service/distribution points In public sector In private sector			Provider survey
Sub-target: Financial resources available (Also refers to improved quality of services)	• Funds allocated to/expended in family planning Private sector (govt reimbursement) Public sector			GRZ annual budget

Objective	Indicator	From	To	Source
Sub-target: Policy impediments removed (These also refer to improved quality of services)	● Regulations on prescription of oral contraceptives and other modern methods, provision of injectables			
Target 2.3: Improved quality of family planning services	● Client satisfaction: *% of new acceptors who continue to use FP; return visits*			Service statistics
Sub-target: Appropriate incentive-based systems established	● Number of new incentive-based service providers			Provider survey
Sub-target: Private sector capacity strengthened	● Source: *% of current users among married women aged 15-49 whose source of supply is private sector* ● Number of private sector delivery points ● Number of commodities provided through the private sector (by method)	33% (92)		ZDHS Provider survey Service statistics

USAID/ZAMBIA PROGRAM IMPACT INDICATORS: HIV/AIDS

Objective	Indicator	From	To	Source
Subgoal 2: Sustainable improvements in health status	● HIV prevalence rate among women attending antenatal clinics Lusaka urban Mukinge rural Solwezi periurban ● HIV incidence rates among targeted populations by gender Employees in workplace Clients of traditional healers Out-of-school youth Clients of counseling center *[Other indicators for this subgoal include those specified for: -Strategic Objective 2: Family Planning -Target of Opportunity: Child Survival]*	 25% (90) 13% (90) 30% (90)	30% reduction	WHO weekly Epid Rec (1992): surveillance points Project monitoring
Strategic Objective 3: Improved HIV/AIDS/STD control practices	● Reported non-regular sex partners: *% of sexually active women/men aged 15-24 who report one or more non-regular partners in past 3 months* ● Condom use in high risk relationships: *% of women/men aged 15-24 who report having sex with a non-regular partner in past 3 months who used a condom during most recent high risk sex act*			KAP surveys KAP surveys

7

Objective	Indicator	From	To	Source
Target 3.1: Improved knowledge of behaviors to reduce transmission	• % of women/men who can cite at least two effective ways of protecting against HIV among: Women/men aged 15-24 Employees of targeted workplaces Clients of traditional healers Out-of-school youth			ZDHS analysis: 1992 KAP surveys /project monitoring
Sub-target: Education programs established	• Number of training workshops conducted and number trained among target populations			Project monitoring
Target 3.2: Increased availability of condoms	• Condoms distributed: *% of male population aged 15-24 to whom a condom was distributed in past 12 months* • % of total distributed condoms that were "sold" through social marketing			Project monitoring Service statisitics
Sub-target: Distribution points expanded	• Number of distribution points that provide condoms • % of total distribution points providing condoms that are social marketing points			Provider survey Provider survey
Sub-target: Sufficient supplies maintained services	• Continuous supply: *% of condom distribution points with uninterrupted supply during past 6 (or 12) months* • % of distribution points with continuous supply that are social marketing points			Service statistics Service statistics

Objective	Indicator	From	To	Source
Target 3.3: Cost-effective STD control strategies identified	• STD prevalence-women: *% with positive syphilis serology among tested pregnant women aged 15-24 attending antenatal clinics* • STDs-men: *% of sexually active men aged 15-24 with reported urethritis in past 3 months* • Cost-effectiveness: *Number of return visits (and % of total visits) for treatment by gender*			??Tests done at surveillance sites? ??? Project monitoring
Sub-target: Treatment protocols developed	• Operations research findings used to develop protocols			Project monitoring
Sub-target: Education programs established	• Number of training workshops conducted and number trained among targeted providers			Project monitoring
Target 3.4: Effective policies developed and supported	• Policies developed and implemented to facilitate implementation of the National AIDS Prevention and Control Programme			
Sub-target: Heightened policymaker awareness/commitment	• Accurate and supportive public statements made by key leaders • Multi-sectoral council established with active participation			

USAID/ZAMBIA PROGRAM IMPACT INDICATORS: CHILD SURVIVAL

Target of Opportunity	Indicator	From	To	Source
Subgoal: Sustainable improvements in health status				
Target of Opportunity 3: **Child Survival enhanced**	• Decrease in prevalence of o diarrheal disease o ARI o malaria			DHS; MOH HIS; Surveys
3.1 Diarrheal disease controlled	• Increase in percentage of mothers treating correctly • Improved quality of CDD care in health facilities • Improved environmental conditions • Increased availability of ORS, including higher proportion produced locally Increased political participation			DHS Supervisory visits and surveys MOH water and san. reports MOH logistics and supply reports; private pharm. records
3.2 ARI treatment improved	• Increase in percentage of mothers treating correctly • Improved quality of ARI care in health facilities • Improved efficacy of treatment through OR			DHS Supervisory visits and surveys Research reports
3.3 Malaria controlled	• Strengthened lab diagnosis • National policy and case management protocol developed • Bed nets extended through private sector			Supervisory visits and surveys MOH records Supplier records
3.4 Health Care Financing	• Identification of sustainable funding strategies for PHC/MCH programs			

96

ZAMBIA

COUNTRY PROGRAM STRATEGIC PLAN

FY 1993 - 1997

ANNEX C

Policy Matrix and Non-Project Assistance, FY 93-97

JUNE 1993

Annex C: Policy Matrix and Non-Project Assistance, FY 93-97

A. Economic Stabilization and Restructuring

As the main body of the CPSP has described, the MMD-led government is pursuing an aggressive program of economic and political pluralism. The overriding strategy is to dismantle the overburdensome and inefficient State economy, and to increasingly involve public participation in government decision-making.

The MMD-led government took over an economy riddled with macroeconomic imbalances and deep-rooted price distortions. Moreover, soon into the Third Republic the new regime was confronted with the most devastating drought of the century. Despite the drought, in early 1992 the GRZ eliminated maize milling and fertilizer subsidies, and increased throughout 1992 and into the first two months of 1993 the into-mill price of maize well over 900 percent in nominal terms. In addition, the government pursued an aggressive economic stabilization and restructuring program.

The major stabilization and restructuring actions taken up to June 15, 1993 include the following:

- an orderly devaluation of the exchange rate and ultimately, on December 11, 1992, unification of the exchange rates, creating a market determined rate (MER);
- liberalization of interest rates, including the introduction of a Treasury Bill tender system;
- initiation of a privatization program with the establishment of the Zambian Privatization Agency, the passage of the 1992 Privatization Act, and first divestitures;
- reform of tax rates by lowering or abolishing specific taxes, including allowing for full repatriation of after tax profits to provide a stimulus for private sector investment;
- elimination, with few exceptions, of budget subsidies to parastatals;
- initiation of civil service reform that will involve major retrenchment in the public sector and reduce the size of the government;
- placed the government on a cash basis, thus not permitting the Ministry of Finance to borrow from the Central Bank; and
- modified the existing OGL system for foreign exchange to increase access and make the system more efficient and transparent.

On the side of improved governance, the GRZ has taken important steps to consolidate democracy and increasingly involve Zambians in the affairs of state.

- The process of constitutional reform has been initiated with the appointment of a task force, scheduling of public hearings and establishment of a timeframe within which a national referendum is to be held to adopt a new constitution. MMD objectives are to incorporate a bill of rights and a system of checks and balances among the three branches of government.

- Parliamentary reform is under study. Considerations include: constituency relations; parliamentary administration, including personnel; the structure and procedures of the National Assembly, particularly the committee system; and, the relationship of the National Assembly to other decision-making bodies, particularly the Executive and the Judiciary.

- Cabinet Office has been restructured to accommodate a new Policy Analysis and Management Unit. The purpose is to enhance government's ability to formulate, coordinate and implement policy.

- Studies on the legislative environment under which the media operates and on the pros and cons of privatization of the media have been commissioned for Cabinet consideration.

- Contested local-level elections were successfully carried out nationwide in December 1992. Necessary by-elections have also been conducted in a free and fair manner.

- A State of Emergency which was imposed in the belief that democratic processes were under threat, proved to be focused and short-lived, as promised.

B. Implications for Growth and Development

Clearly, Zambia is undergoing major changes on both the economic and political fronts. The political-economic transformation, if sustained, will provide the foundation for significant growth to take place over the remainder of the decade. However, as USAID's analysis of Zambia's economic circumstances clearly concludes, it will take more than policy adjustment and major institutional restructuring to place the Zambian economy on a <u>sustainable</u> growth path.

After achieving an initial anticipated positive growth rate in 1993/94, there are several factors that could be responsible for creating a "brake" or at least a strong dampening effect on growth. These could take several forms -- lack of adequate foreign exchange to finance imports; persistent, higher than acceptable rates of inflation; limited foreign investment; rising unemployment; shortages of trained and experienced manpower in key sectors; and inadequate growth in employment, which in turn impacts upon and weakens the effective demand for goods and services.

C. Expanding USAID's Role

USAID's proposed strategy is based upon a program guided by three strategic objectives and three complementary targets of opportunity. The CPSP proposes straightlining core funding at the FY 93 AAPL level of $20.7 million over the next five years.

The achievement of the planned program impact will, in part, depend upon a sustainable improvement in the enabling environment as well as an increase in donor resources. Significant domestic resource mobilization in the form of investment by the private sector and increased tax revenues to support public expenditures in economic infrastructure (e.g., roads, railways and telecommunications) and the social sectors (e.g., health and education) will be required. However, as our analysis shows presently projected foreign exchange needs to support a 2 percent growth level in GDP are beyond currently projected levels.

Clearly, Zambia will require continued balance of payments support from the donors over the CPSP planning period if its program is to be adequately funded. The unacceptable alternative is continued contraction of the economy, and continued decline in living standards, or growth rates that do not contribute to a growth in per capita income.

These alternatives are not acceptable to the USG given our levels of assistance to Zambia over the past two years. The United States, in collaboration with leading donors, has encouraged the sea change taking place in Zambia today. The USG has, for example, promoted multi-party politics and free and fair elections; supported stabilization and liberalization of the economy; and, assisted with the mobilization of $160 million (50 percent USG) to procure and deliver 60 percent of Zambia's 1992 maize import requirement in response to the drought-induced supply deficit.

To fully achieve the returns and sustain the benefits of these recent "investments" in Zambia and Zambians, the United States must be prepared to: first, remain active in its ongoing political and economic policy dialogue with key counterparts within the government; and second, invest additional targeted grant aid to Zambia over the next five years.

D. Rationale for Non-Project Assistance

Non-project assistance offers double benefit upon effective delivery: first, policy change in accord with stabilization and restructuring plans should generate the largest share of the benefit stream; but, the resource transfer is important, in and of itself, because it makes additional resources available to finance investment which will be necessary if the economy is to reach a higher growth rate.

1. Resource Transfer

The requirements for the GRZ to effectively dismantle the State economy will involve first and foremost the effective implementation of its ongoing economic stabilization and restructuring program. This will create the underpinning for an improved enabling environment for private sector growth and development. However, the private sector will require in addition substantial resources to finance investment, create jobs, and produce the goods and services that an expanding economy requires.

Private sector fixed investment, as well as recurrent costs in the form of raw materials and inputs in the agricultural and manufacturing sectors, will require (not to

90

mention the requirements in the legitimate public sector) substantial foreign exchange to finance imports. It is clear from our CPSP analysis and that of the World Bank that neither copper exports, non-traditional exports, nor currently projected donor balance of payments support will be adequate over the short-to-intermediate term to adequately finance Zambia's anticipated import requirements. Thus, there is clearly an identifiable requirement for continued donor financed BOP support.

Given the fact that the GRZ has unified exchange rates and is operating with a market determined exchange rate (MER), the institutional mechanism to assure an efficient allocation of foreign exchange resources bodes very well for Balance of Payments support. The key is to insure the exchange rate regime continues to be market determined and supported with adequate (as defined by demand) resources.

2. Sector Assistance and Policy Change

Another key will be the GRZ's continued progress on economic stabilization and restructuring. The United States in concert with the IFI's and the major bilateral donors can, based upon its policy dialogue record of the past two years, be an effective influence and/or supporter of continued economic reform. This means there is significant scope for effectively conditioning non-project assistance over the CPSP planning period. A coordinated effort between the Embassy and USAID in terms of underlying analysis and a directed ongoing dialogue can, as the recent record demonstrates, insure that conditioning of funds can achieve the desired results.

The proposed program portfolio as illustrated by the Program Logframe lends itself well to conditioned non-project assistance. Each identified objective involves key GRZ actions or milestones upon which non-project assistance could be effectively conditioned. Importantly, and as indicated earlier, Zambian authorities are themselves pushing aggressively on stabilization and restructuring measures. USAID is confident. therefore, that an appropriate policy framework justifying non-project assistance can be easily identified, and successfully implemented. Subject areas appropriate to the USAID program upon which non-project assistance could be conditioned are presented in the following policy matrix of this annex.

As evident, USAID's policy agenda is extensive, in accord with the fast pace of change which the MMD Government is pursuing. As such, it offers opportunity for the formulation of a NPA policy framework consistent with any one of the three types of NPA programs currently supported in Africa, i.e., those with aims to: a) improve efficiency in the private economy; b) improve efficiency and equity in the delivery of social services; and, c) improve the environment for private sector activity and thus engender greater investment. Implementation of the policy agenda is critical to the achievement of USAID's strategic objectives and beneficiary impacts of increased incomes, higher investment levels, improved individual liberties, and efficient and equitable delivery of health and population services.

In sum, USAID believes Zambia meets all prerequisites and considerations for the provision of non-project support as defined in Bureau NPA guidance. The GRZ clearly intends to tackle both macroeconomic and sectoral constraints which have long plagued growth and development; and, analysis clearly indicates significant resource gaps to overall growth. The dual benefit of NPA is needed and justified.

91

CPSP POLICY MATRIX

POLICY AREA	1993	1994	OUTYEARS
Legal, Regulatory, & Policy Framework for Business	1. Revision and passing of Investment Act, Foreign Exchange Act, Banking Act, Stock Exchange Act, anti-trust legislation, and tax reform to stimulate investment. 2. Issuance of key policy documents on taxation and on private sector relationship to government and the latter's role.	1. Revision of legislation governing employer-employee relations, including union activity. 2. Issuance of guidelines on trading of equity shares and money market/capital market transactions. 3. Issuance of environmental regulations.	1. Law/regulatory system for commercialized utilities revised and passed. 2. Completion and acceptance of policy statement on small business activity, including revision of SIDO Act. 3. Simplification of business and company registrations.
Financial Sector Reforms	1. Inflation cut by 25% or more of the previous year's annual rate. 2. Stock market formed and operational for public offerings of Government-owned companies. 3. Government deficit cut to less than 2% of GDP. 4. Foreign Exchange Auction Operational	1. Inflation less than 50% p.a. 2. Bank of Zambia supervisory capacity strengthened; policy statement on supervision of financial institutions issued. 3. Commodities and money/capital markets regulations in place and operational as demand allows.	1. Positive real interest rates dominate a more active market. 2. Available credit increase of at least 10% over inflation rate.
Privatization	1. Zambia Privatization Agency operational with at least 75% of the professional staff performing to required level of competency. 2. Thirty companies divested. 3. ZCCM preliminary assessment for divestiture completed. 4. Holding companies purchased.	1. Another thirty companies divested. 2. Major utilities ZESCO and PTC evaluated for commercialization potential.	1. Assessment for divestiture completed on refinery and railways in 1995. 2. Action plan complete for non-ZIMCO parastatals in 1995. 3. Thirty companies divested annually with all targeted 152 companies divested by 1998.
Agriculture Market Liberalization and Land Tenure Reform	Maize Marketing Legislation – 1. Legislative reform to fully liberalize crop marketing. 2. Enactment of the Food Security Act and establishment of Food Grain Reserve. 3. Enactment of the Agricultural Credit Act of 1993.	1. Land Tenure Reform Plan GRZ task force formed and charged with development of clear land policy and design of a systematic process for implementing this policy. 2. State-owned mills privatized.	1. Land Tenure Reform – Legislative reform of land tenure system; and, accompanying institutional reform for the regulation of a land market. 2. Land Survey – Survey of all land using private sector means.

CPSP POLICY MATRIX

POLICY AREA	1993	1994	OUTYEARS
Democratic Governance	Cabinet Office Restructuring – Institutionalization of a Policy Analysis and Management Unit in the Cabinet Office. Purpose is to restore the primacy of the Cabinet as the constitutionally-mandated center of executive branch decision-making.	Constitutional Reform – New Constitution drafted; public referendum held for adoption. The aim is to expand protections for individual citizens under a Bill of Rights and to embody checks and balances on executive power, for example by enhancing the independence of the legislature.	1. Parliamentary Reform – National Assembly rules and procedures amended to enable performance in accord with the constitutionally-mandated role of sovereign policy-making body. 2. Enabling a Free and Independent Media – Legislative change to remove excessive government control of the print and broadcast media. 3. National Elections – Presidential and parliamentary elections to be conducted in late 1996.
Population	Service Delivery – License nurses to insert IUDs License nurses to perscribe OCs Ban all requests for male spouse/partner consent for fp services Ban parental consent for fp services Commodities – License/Approve Depo-Provera and other injectibles		
Health Care	Health Care Reimbursement – Cabinet-level analysis and decision re PPS Preparation of draft Health Care Financing Legislation	Health Care Reimbursement – Passage of Health Care Financing Legislation	Health Care Reimbursement – Implementation of prospective reimbursement system through a private sector intermediary.
Infrastructure	Transportation – Introduce user fees for maintenance and construction of roads by dedicating transit fees, license fees, and gas taxes to an autonomous trust account. Establish an autonomous Roads Authority for organization and maintenance of national network of roads. Raise penalties on vehicles exceeding the maximum allowable weight and dimensions, to realistic levels which reflect the cost of damage to the roads. Develop a national road rehabilitation program.	Transportation – Amend legislation (Statutory Instrument No. 84 of 1990) to raise the maximum laden weight from 24,000 Kg. to 48,000 Kg. in line with neighboring PTA PTA countries.	

ZAMBIA

COUNTRY PROGRAM STRATEGIC PLAN

FY 1993 - 1997

ANNEX D

Expanded Description of Donor Assistance to Zambia

JUNE 1993

DONOR ACTIVITIES IN HEALTH, NUTRITION, AND POPULATION IN ZAMBIA

Background:

Donor governments and agencies have played a significant role in supporting health-related programs in Zambia, accounting for over 30 percent of all health expenditures. The GRZ wishes to reduce its dependence on donors for health care and at the same time raise additional revenues to achieve national health care objectives. The following provides a summary of major donors in health and nutrition, and population.

Other Donors in Health and Nutrition:

Sweden (SIDA): Swedish SIDA has historically been the major donor in health. Current programs include health planning, management development, health information, primary health care (PHC) training, Essential Drug Program (EDP), transport, and AIDS. Sweden spends approximately $5 million per year on health. Efforts to implement the GRZ's health reform program include initiatives in national planning and policy development and district capacity building. Drug policy, urban PHC strategy, gender perspectives in planning, program budgeting systems, resource base systems, health information systems, and management strengthening at national and provincial levels are planned. HIV/AIDS, a phase-out of the transport program, and support to external procurement of goods and services are other components of SIDA's 1993 and 1994 program. Sweden supports some nutrition activities through small grants to NGOs.

The Netherlands: The Dutch support PHC activities primarily in Western and Northern Provinces. Technical assistance is offered via 25 physicians placed in both provinces. Import support is provided through $3 million to the Essential Drugs Program and $2.5 million to procurement of TB drugs in 1993. The Dutch also support AIDS prevention through the WHO/GPA.

European Community (EC): The EC will provide $8 million beginning in July 1993 to 5 districts in Luapulu, Eastern and Northern Provinces for physical rehabilitation of health facilities, training of District Management Teams, and cholera/water and sanitation projects. The EC currently assists in the Essential Drug Program, providing drug kits to district hospitals and rural health centers (RHC).

Japan (JICA): The Japanese currently have three projects at University Teaching Hospital (UTH) in Lusaka: support to pediatrics department through training, research, and the diarrhea center (CDD); training in diagnostic techniques for the biologic laboratory, and; maintenance and repair of hospital equipment. JICA also supports the Expanded Program of Immunization (EPI) through UNICEF, with provision of BCG and measles vaccines, and vehicles. Japan also provides equipment to several UTH departments.

United Kingdom (ODA): Currently, the British support UTH with gap-filling personnel for the Medical School, provide clinical officers in the provinces, provide various training programs, and donate $150,000 to the WHO/GPA for AIDS prevention. Future activities will be developed to coincide with and support the GRZ's decentralization process. Human resources development, urban health, and AIDS are envisioned areas of support. The British spend between $2 and $3 million per year on health.

95

Denmark (DANIDA): Denmark will begin in 1993 the first phase of a longterm program of support to the decentralization of the MOH process. Initial support, covering 18 months, will attend to capacity building and institutional development at the district level as well as development of a system for assuring managerial and clinical quality of care and service. Financial and material resources will be available for recurrent expenditures in all 58 districts (district hospitals, rural health centers, and District Health Management Teams) including salaries, maintenance, drug kits, office equipment, and vehicles. Crash training of district managers and systems for health information and accounting will be developed. A substantial follow-on 5-year project beginning in 1995 is under development by DANIDA which will continue to foster the decentralization reform of the MOH.

- World Bank: In its Aide Memoire of 1992, the Bank detailed a 7-year plan for assisting in the MOH in its reform process. The Bank may contribute $20 million in 1995 to support primary health care reform. The Bank is expected to be heavily involved in guiding the DANIDA initiative (see above), in collaboration with WHO, UNICEF, and other health sector donors.

United Nation Children's Fund (UNICEF): Between 1991-1995, UNICEF expects to spend approximately $29 million in the areas of primary health care, basic education, integrated area-based development, and water systems. Food security and gender concerns are cross-cutting for primary health care, basic education, integrated area-based development, and water systems.

UNICEF will supports several activities which UNICEF classifies into Primary Health Care Programme, Maternal Health/Safe Motherhood Programme, Universal Child Immunization Programme, Control of Diarrheal Disease Programme, and Nutrition Programme. The Primary Health Care Program hopes to improve the delivery of services at the district and health center levels, and develop systems for community management and financing. The Maternal Health/Safe Motherhood Programme will improve the coverage and quality of care by providing equipment and diagnostic facilities and giving priority to high-risk individuals and groups for the use of this equipment. It will also train traditional birth attendants to provide safe deliveries and play an important role in public health education.
UNICEF will continue to maintain and improve the coverage of its support for immunizations, with special emphasis on the elimination of neonatal tetanus and polio in this decade. Attention to the control and maintenance of the cold-chain system will assure vaccine efficiency, while studies of vaccine efficacy are planned. UNICEF funding for the Control of Diarrheal Diseases will be for training and managment focussed on better case management, ORS supply chain, and community education. The nutrition program will address the high incidence of childhood malnutrition through early detection and monitoring.

Other primary health care activities involve improving and building on existing community-financing mechanisms, and analysis of the socio-economic impact of AIDS for women and children. UNICEF will spend approximately $15 million on health between 1991 and 1995.

UNICEF will also continue its Community Based Child Survival activities. UNICEF will select disadvantaged communities with a disproportionate share of households headed by women and the highest malnutrition rates in the country. For these selected communities, UNICEF will encourage policy advocacy for greater decentralization of health, education, and social services to address the serious development problems the selected communities face.

96

The advocacy component of this effort will also support research and sensitize decision makers on issues concerning women, vulnerable groups, orphans, education (especially for girls) and the environment. Between 1991 and 1995, UNICEF will spend approximately $3.8 million for Community-based child survival and development.

UNICEF has recently added water as one of its concerns. UNICEF expects to assign a contract social worker to the Community Monitoring and Maintenance Unit. Initially, this advisor will compile an inventory and data base on the water wells in Zambia. UNICEF has yet to include an estimated cost for this activity in its five year budget.

World Health Organization (WHO): WHO in Zambia will focus on helping the GRZ achieve its goal of strengthening PHC at the district level and district health management teams.. Support to Zambia is being intensified, especially in manpower training and the control of endemic diseases such as cholera. Current and on-going projects include: general PHC program development, health situation and trend assessment, managerial process for national health development, organization of PHC systems, human resource development, research promotion and development, community water supply and sanitation, clinical laboratory and radiological technology, essential drugs and vaccines, EPI, malaria and control of diarrheal diseases. The budget for 1994-1995 is US$ 2.6 million, with an additional US$1.1 million from the Geneva-based WHO/GPA for AIDS.

Other Donors in Population:

United Nations Fund for Population Activities (UNFPA): UNFPA is in a bridging or strategic planning year year. It has completed a five-year period in which it provided $10 million in support to family planning activities in Zambia. Over $4 million of the $10 million is supplied by other donors.

UNFPA has provided 30 percent of the contraceptives during the last five years. It has also funded activities in six general areas: maternal and child health and family planning; population information, education, and communication; basic data collection and analysis; population policy formulation; population dynamics; and women, population and development.

UNFPA will conduct an assessment in May 1993 to establish its program and funding for the next five years. The resident representative expects to continue many of its existing programs. The Mission expects UNFPA to be a major donor for: a national information, education, and communication effort; population policy formulation; and assorted training projects.

International Planned Parenthood Federation (IPPF): IPPF provides core funding and technical assistance to PPAZ through its regional office in Nairobi. IPPF headquarters in London supports PPAZ initiatives for youth and women in development with funds from ODA. IPPF is currently assisting PPAZ to streamline and strengthen its focus through conducting its strategic plan. IPPF will in 1993 provide through PPAZ 70% of all contraceptives donated to Zambia. (UNFPA will supply the other 30%, with USAID donating condoms for the CSM component of the HIV/AIDS Prevention Project.)

Norway (NORAD): Norway's development agency has been periferally involved in population

97

activities through funding of bicycles for distict PPAZ offices and training of women in income-generating activities. It's main support is through UNFPA which in 1993 has contributed to UNFPA's contraceptive procurement.

World Bank: The Bank may fund a major population program with first funds available in FY94. Project is still in the design stages. The GRZ needs to resolve certain issues relating to population coordination and the plans for decentralization. If the World Bank continues with the design, it will likely address needs in institutional development and capacity building, policy planning and development, service delivery, and IEC. IDA will finance additional preparatory activities such as studies on the provider training needs and KAP surveys. The Bank will be meeting with local governmental organizations involved in population activities, UNFPA, ODA, USAID and other donors in May 1993 to coordinate efforts.

United Kingdom (ODA): The UK's Overseas Development Assistance regional office has expressed interest supporting a broader effort in the population sector in Zambia. Currently, ODA is funding the PPAZ's strategic planning exercise. For 1994, ODA has earmarked $1.5 million for contraceptive procurement and plans a long-term effort beginning in 1995 with $3.75 million, with an additional $2.25 million earmarked for PPAZ depending on the outcome of the current planning work. USAID will work with both the local and regional office of ODA, and World Bank during designing stages of USAID project activities.

98

DONOR ACTIVITIES IN THE EDUCATION SECTOR

Background:

Once truly a source of justifiable pride for Zambia, the educational sector now suffers from reduced numbers of qualified teachers, low quality of education output, poor teacher and staff morale, degradation of school facilities, lack of teaching materials and supplies, and a general malaise that the GRZ does not believe it can by itself overcome.

In the decade following independence in 1964, the robust Zambian economy financed expansion of the new education system which was designed to serve a growing and enthusiastic population. Free primary education became almost completely attainable for most Zambians. Secondary education also expanded dramatically and the national university expanded the numbers of departments several fold. The whole education sector, however, has deteriorated over the past 15 years, mostly due to the sharp down-turn in the country's financial resources. The other main factor affecting the situation negatively is the high population growth rate occurring at the same time that the country's resource base has been diminishing. Spending on education in 1980 equalled about 4½ % of GNP; by 1990 the figure had dropped to 2½ percent; at the same time, school age population grew approximately 35% over the decade. In real terms, expenditures for the education sector over the period dropped by about half. The primary education subsector has suffered the most in this decline, in both central government expenditures as well as quality of education.

Current Situation:

By necessity, Government expenditures to primary education now only finance teacher salaries and allowances. Regarding primary education, almost no Government funds, with very few exceptions, are currently available for physical plant rehabilitation, construction of new facilities, textbooks, supplies, study aids, and other support expenditures. For primary education all non-teacher salary expenses now must come from the local communities (urban/rural councils), parents and special parent associations, and donors. The central government's contribution - salaries and allowances - are quite moderate and often inadequate to stem outflow of teachers from their profession. Zambian secondary schools are also in crisis but relatively less severe than primary education. Nonetheless, the situation is still worrisome. Double and triple sessions, lack of books and supplies, inadequate science and other teaching aids, and poor (often irrelevant) curriculum plague secondary education, in addition to widespread and often severe deterioration of physical plants. The country's two universities are also under crisis stemming from much reduced financial resources; departure of Zambian professors from the universities has been severe. While slightly over 90% of students beginning in Grade 1 stay through to Grade 7, the retention rate of those starting grade 1 remaining through high school is less than 1 in 5, and only 1 out of around 300 entering Grade 1 ever enter university. These figures are skewed because it is now estimated that about 1 out of 10 children of primary school age do not even enter into Grade 1, so the percent of school age children that might complete any of the benchmark educational levels is even smaller than the preceding figures. While near universal access to primary education used to be the rule, Government has accepted that the country can no longer afford, at least at this time, this level of commitment.

99

The past 15 years of economic contraction has left the country unable to stem the across-the-board deterioration of the educational sector. The government recognizes that expansion of the economy is an absolute requirement if the educational sector is to revive long-term. Fortunately, the government is now taking many of the right steps to revitalize the economy and restructure the investment climate to encourage growth and reverse the enormous economic decline of recent years. At the same time the Government is determined to successfully restructure the educational system in order to ensure that its citizens will have increased access to education and that this education is more efficient and attuned to the country's development needs. Specifically, the main goal of the current development plan is to stem the decline of education and expand access within a generally growing economic resource base.

The current Government plan has four elements:

(a) Rehabilitation of facilities and provision of learning materials (books, supplies, learning aids);

(b) Improvement of managerial and administrative systems, organize new record-keeping systems, and rationalize the examination process;

(c) Improve and expand training, especially for head-teachers, as well as for inspectors; and

(d) Establish on-going research and policy study departments in the Ministry.

The four elements recognize that the main goal of the government must be first to turn the decline in education around and then expand access to better education given the level of available resources.

Funding and Donor Support:

The Zambian Government plans to increase its own budget allocations to education within available resources, however, the largest part of expanding resources will come from the World Bank and the AfDB, plus the major bilateral donors. The broad crisis in education would have been far worse had it not been for the large bilateral donors who have provided around $15 million per year since the early 1980's. Bilateral donor assistance to education now provides approximately $28 million annually. Strong donor support for Zambia's economic reforms is now matched by substantial increases in planned donor funding for education, especially at the primary level. Because so many donors are involved in the educational sector it is critical to assure that donor efforts are planned and coordinated so as to avoid duplication and confusion. The World Bank is working closely with the Ministry to ensure that donor programs do not overlap, but work instead within the approved government framework.

The major on-going activities sponsored by bilateral donors can be categorized under four headings:

100

a) Learning Materials:

- Netherlands: Educational materials.
- Sweden and Finland: Production of new primary and secondary textbooks.
- Sweden: Production of primary exercise books and primary school desks.
- U.K.: Supply of university books, primary school readers and materials to secondary schools.
- UNESCO and UNDP: Production of basic science and teaching equipment for the sciences.
- EC: Books for science and math. Supply of dictionaries and atlases for primary schools.

b) Physical Facilities:

- Denmark and Finland: School rehabilitation.
- Norway: Development of building and maintenance capacity. Support to high school maintenance programs.
- Netherlands: Construction and rehabilitation of primary schools.
- EC: School rehabilitation and extension through community participation. Supply of dictionaries and atlases to primary schools.
- Sweden: Rehabilitation of school facilities.
- Japan: Secondary school construction and supply of equipment.

c) Education Planning and Management:

- Netherlands: Support to Ministry's planing capacity building program.
- Sweden: Support to the Ministry's planning unit including teaching, equipment and TA. In-service training for education officers.
- Finland: In-service training in the Ministry's planning unit and building section.

101

- U.K.: Improvement of the university's management; scholarships for science and mathematics teachers. Other Ministry training.

- Norway: Policy reform consultant studies.

d) Teacher Training:

- Canada: Strengthening of primary school science and mathematics. Development of curricula for teacher trainers.

- UNDP/UNESCO: Upgrading primary school teachers in science and mathematics.

- U.K.: In-service programs for science and mathematics lecturers.

New programs planned for the next five years:

A $33 million 5-year IDA education rehabilitation project will begin in later 1993 to work broadly across the sector to arrest the deterioration of the educational system and seek to revitalize the sector. Specifically, the project will provide assistance in the form of:

a) Instructural materials:

1) Textbooks, teachers' guides, teaching aids (blackboards, maps, etc), and mini-libraries;

2) Examination reform;

3) Competency testing for teachers, and

4) Equipment (computers, vehicles, etc).

b) Rehabilitation of existing structures, construction of new facilities, and maintenance of existing facilities.

c) Planning and management/policy studies.

The African Development Bank is also expected to provide soft loans for a major primary school upgrade program in conjunction with OPEC and other bilateral donors. AfDB has already commissioned with an architectural firm to design primary school facilities using local materials. A non-formal education project is also being discussed with the AfDB but no details have yet been developed.

107

DONOR ACTIVITIES IN THE PRIVATIZATION AREA IN ZAMBIA

Background:

The Zambia Privatization Agency (ZPA) was formed in mid-1992 based on the Privatization Act passed at that time. ZPA is responsible for the privatization of over 170 state-owned enterprises (SOEs) during the next five years, as a key requirement of Zambia's Structural Adjustment Program. The companies to be divested range from very small firms (such as travel agencies and dry cleaners) to the country's copper mining firm Zambia Consolidated Copper Mines, a conglomerate earning over 90 percent of the nation's foreign exchange.

Although just recently formed from the prior Technical Committee on Privatization, the ZPA has already laid the groundwork for the privatization process and commenced divesting. Currently under Tranche One, all SOEs are in the preliminary stages of negotiations for sale. The Tranche is expected to be completed over the next four months maximum, and its 19 firms divested.

Cabinet has decided upon the 29 companies which are to be sold under Tranche Two. These companies are both larger and more complex than those included under Tranche One. Their names have just been advertised as being readied for privatization. Cabinet has determined the method of sale for 12 of these companies.

The Agency when fully staffed will have 70 members, including approximately 50 professional staff. A recent recruitment drive has resulted in the placement of all seven department heads and a number of senior staff positions. The ZPA has committed to have 80 percent of its professional staff on site by the end of March, and is expected to meet this target. Salaries are on a special scale higher than the civil service; all staff are on five year contracts.

New facilities have just been built, and the Agency will be moving in April 1993. USAID is financing equipment, some furniture and the telephone system as well as some computers; UNDP is expected to handle the remaining commodities needs.

The ZPA is organized into the following seven operational departments:

- Planning and Development
- Finance, Economy, and Business
- Social Impact
- Legal
- Publicity and Marketing
- Finance and Accounts
- Administration

Donor Assistance: USAID

USAID, as lead donor, will provide extensive technical assistance to ZPA in the preparation and sale of SOEs, at a cost of $18 million over five years. A long-term technical team of five to seven persons will commence about August 1993 for a three year period. That team will

102

include experts in the fields of business and financial analysis, negotiations, publicity, and public flotation. As well, there is likely to be short-term assistance in valuation, investment relations, and in the privatization of two very large firms. The RFP has been issued and firms are responding now, with a deadline of May 21st for submissions.

Currently USAID is providing four business analysts, a public flotations advisor, two publicity specialists (one under IESC), a contracts lawyer (under IESC), and a negotiations specialist to the Agency for a period of three to six months each. This is to assist ZPA to commence the divestiture process while awaiting the long-term team. A team of four environmental assessors is on short-term contract to assess the potential environmental liability for all firms being privatized; this work is expected to continue.

Other Donor Activity in Privatization:

United Nations Development Program (UNDP): $0.7 million over three years for short-term technical assistance, training, and commodities, still under discussion with ZPA. Talks were held recently between the Mission Director and the UNDP Resident Representative regarding potential overlap between this proposed project and the USAID project. UNDP is also financing related work: stock market establishment, legal drafting assistance for regulatory reform, investment center revamping, and long-term technical advisors for the Ministry of Commerce, Trade and Industry, the Zambia Association of Chambers of Commerce, and the Small-scale Industry Development Organization.

German Technical Assistance to Zambia (GTZ): $2.5 million over two years for thirty company studies in areas such as milling and retail (fifteen now completed) and two long-term analysts, including one sociologist for social impact and one corporate finance analyst for company packaging. The government to government agreement will be negotiated at the end of March; the long-term specialists arrive at the same time.

Norwegian Agency for Development (NORAD): $300,000-600,000 for 7 company studies in their areas of technical competence (three forestry companies completed). Work on ZAMEFA and Chilanga Cement is now ongoing; both companies are in the Second Tranche.

World Bank: $10 million as TA component of BOP loan. The funds are not as yet programmed; valuation studies have been done from these funds for Tranche 1 companies and are likely to continue to be funded here, plus possibly some retrenchment work. As well, there is an ongoing credit of $21 million (until 1995) for advisory to both ZCCM and the Ministry of Mines; part of this will be used for studies to establish the privatization process for ZCCM.

U.K.: Overseas Development Administration (ODA): privatization manager advisor for two years (93-94), and short-term legal advice.

Other Donors: Finnida financing short study on social impact issues; EC the same; CFTC three business analysts for three months each doing Tranche 1 packaging and negotiations.

ZPA has advised that a number of donors have been involved with parastatals directly eg Danida with Chilanga Cement; the exact scope of these relationships has not yet been confirmed. It could lead to an ongoing role for larger numbers of donors.

Areas Needing Assistance:

The following areas are likely to need additional assistance which has not as yet been programmed:

1. **Social Impact.** Little work has been arranged other than the long-term German advisor. This area has been neglected; the few studies carried out to date have been incomplete, there is little available on SOE worker/manager attitudes or on potential retrenchment packages, and uncertainty about labor issues or wage changes which can be anticipated. UNDP has been requested by USAID to commit more resources to this area. There are also some discussions within ZPA about using the company purchase funds to handle retrenchments.

2. **Legal Advice.** As ZPA commences privatization of larger companies, more legal issues will arise. Some short-term legal advisory has been built into the USAID project (4 months), the UNDP project (6 months), and the ODA work (period unknown.) This is unlikely to be sufficient; more time is needed.

3. **Environmental Assessments.** USAID has provided funds to allow for a preliminary review of company environmental liability. However, for those companies which are large and/or have a number of potential environmental issues to address, follow-on work is expected which may be beyond the financial scope of USAID allocations.

105

SUMMARY OF OTHER DONOR ASSISTANCE TO AGRICULTURE SECTOR

Agricultural research has the largest number of activities, followed by livestock, integrated rural development and agricultural extension. Recently, the World Bank and the GRZ, through the Ministry of Agriculture, Food and Fisheries (MAFF) initiated a $33 million project in agriculture marketing.

A review of the type of projects by donor is indicative of the area where funding is concentrated:.

Sweden. Sweden's SIDA has been a major supporter of agricultural research and integrated rural development with annual outlays around US$ 6.6 m. Sweden has also supported agricultural training activities, planning, institution development, agricultural research and extension. Currently the largest project deals with research (seed production, plant breeding, new crop development, and adaptive research) with a funding level of US$3.9 per year.

Netherlands. The Dutch also have a number of projects in agriculture. Much of their work deals with animal either in direct livestock development, Tsetse Fly research and control, dairy training, or working with draught power. The Dutch are also supporting efforts in integrated rural development, irrigation activities, and agricultural lime production. Aquaculture is a relative new subsector that will be funded in the future. The Netherlands has supported policy reform to liberalize the agriculture sector.

United Nations. The UN organizations have a diverse portfolio in the agricultural sector. They are undertaking programs in agricultural extension, maize research, aquaculture, irrigation, animal health, and dairy development. In addition, the UN has several programs related to early warning systems and food security issues.

European Communities. The EC supports several projects related to animal disease control, particularly Trypanosomiasis and Food and Mouth Disease. They also have projects supporting agricultural extension efforts for smallholder farmers and maize and rice development. One project is directed at supporting the shift to the commercialization of agriculture. By subsectors, the funding is (1) $9.5 million in marketing and extension development projects, (2) $0.8 million for maize and rice development, (3) $3.2 million for livestock projects, (4) $5.2 million animal disease control, and (5) $2.0 million sector support to assist the shift to decontrolled agriculture.

Germany. The German program in agriculture is quite varied. They have projects in agro-forestry, fisheries, draught power, and rural nutrition. The Germans are also supporting several integrated rural development projects to assist small scale farmers - including fisheries, technical assistance, and credit.

World Bank. The World Bank has only a few projects working directly in the agricultural area, but given the size and importance of these projects it is a significant donor in the sector. Two projects in particular are important. These are the already mentioned $33 million Agriculture Marketing and Processing Infrastructure Project and the Export Diversification Project (TA/training - $8.4 million, feeder roads creation and repair - $8.0 million, and a private sector line of credit - $16.7 million). The Bank also has a US$ 20 million project in coffee

106

development and expansion, primarily technical assistance.

A particularly interesting and potentially significant activity of the Bank is the promotion of an Agriculture Sector Investment Program (SIP). Under the SIP proposal, all activities of MAFF would be considered as one large sectoral program administered by the government with support from a donor consortium of all donors active in agriculture. The UNDP has provided funding for an Agricultural Task Force of public and private sector individuals to develop a Policy Framework Paper (PFP) and the SIP for the agricultural sector. The SIP is to be prepared and submitted to the donor community later in 1993. The Bank is to mobilize the donor consortium to support this SIP. The Task Force is operating and the PFP has been drafted. There is a feeling amond donors that some form of the SIP may be established but under more direct coordination of the GRZ.

IDA's proposed contribution would finance about 20-30 percent of total ASIP costs, tentatively estimated to cost $100 million over three years.

Finland. Formerly agriculture was the major area of funding. This component of the assistant program is been severely restricted and is only around $1.0 million per year now. The two primary areas of assistance is in extension and the development of animal draught power.

Japan. Fertilizer imports have been substantial, amounting to approximately US$ 7.0 million per year. Support has also been provided in the form of technical assistance and equipment to rice farming and fisheries projects.

Norway. Agriculture sector support has been concentrated in various development programs and the maintenance of farm to market feeder roads. The funding aggregate has been $6.3 million per year.

Denmark. Denmark does not have an agriculture portfolio at present but is considering several small scale projects.

United Kingdom. No agricultural projects.

Canada. Projects to increase the governments grain and fertilizer storage capability.

107

DONOR ACTIVITIES IN THE INFRASTRUCTURE AREA IN ZAMBIA

Background:

The years leading to the introduction of the Third Republic have taken their toll on the infrastructure of Zambia, with inadequate investment for upkeep or improvement by either government or the parastatal sector. Of the 23,763 kilometers in the national road network (of which only about 4,000 kilometers are paved) most is in a state of serious disrepair. Ferry service connecting Zambia with Botswana and Namibia are barely operating. The 2,000 kilometers of track owned by Zambia Railways is the single largest constraint to efficient performance because of poor track condition: recently purchased locomotives designed to perform at 100 km per hour will be limited to 40 km per hour in many areas. Mpulungu Harbor, Zambia's access to Lake Victoria, needs extensive repairs, although recent investment by a South African firm should result in dramatic improvements in capacity. Zambia's abundant water supply is satisfying current needs in the power sector; electric power is readily available along the line-of-rail. Major levels of investment will be required in the future, however, to bring electric power to the less densely populated areas. The one relatively bright spot is the telecommunications sector, the recipient of continuing donor attention. While there is room for considerable improvement, the Zambian network is one of the best in the region and further improvements can be expected as privatization goes forward.

In general the outlook is not bright for the timely rehabilitation of Zambian infrastructure to modern standards, although continuing donor support and progress on privatization will be positive factors. Another hopeful sign is the recent interest by the GRZ in rationalizing road maintenance; a recent seminar with high level input set out steps for assuring adequate funding and improved administration for maintenance. These steps will require legislative action.

USAID Assistance:

USAID assistance to Zambian infrastructure derives from the Southern Africa Regional Program. The Mission is currently overseeing the rehabilitation of the Kafue-Lusaka road ($28.84 million) as the last portion of the rehabilitation of the Lusaka road link to Harare. Under consideration is participation in a planned SARP regional telecommunications project and possibly also rehabilitation of the railbridge over the Kafue River.

Other Donor Assistance:

IBRD: $20 million credit for the rehabilitation of Zambia Railways expiring in 1994; $8 million of a 1993 credit for agriculture marketing devoted to creation/repair of feeder roads; $16 million for TA for road studies proposed for 1993; a planned 1994 credit of $20 million contribution of an OPEC/Scandinavian credit for rehabilitation of the Tazama oil pipeline; in reserve to 1995 is $25 million in co-financing for track rehabilitation and communications for Zambia Railways; and for 1996 a $40 million credit for follow-on to the road studies will be considered.

UNDP: $5.5 million for rural road rehabilitation in Eastern Province.

EEC: $40 million for the rehabilitation of the Lusaka-Kapiri Road; in 1994 $5.4 million for

108

feeder road development; $2 million for the rehabilitation of the Mpulungu Harbor; and in 1994 $10 million for the rehabilitation of the Livingstone-Sesheke Road.

CIDA: $.5 grant for locomotive spares for Zambia Rail and counterpart funds for the rehabilitation of feeder roads in Luapula Province.

NORAD: Funding of $4.5-7 million per year for road rehabilitation and water development; also working on telecommunications links in Northwest Province.

Finnida: Funding for road maintenance (reduced amounts this year) and the provision of transformers for the electric company.

Japan: Capital project at about $28 million per year including road and bridge rehabilitation, and telephone cable and switch equipment; currently developing as 20-year master plan for telecommunications; and rehabilitation of the Lusaka telephone cable network.

SIDA: Funding for TA and equipment for the power company's new National Control Centers.

Germany: Assistance for road rehabilitation.

France: A 1992 $5.3 million grant probably to be used for telecommunications equipment for rural areas.

OTHER DONOR PROGRAMS IN THE AREA OF GOVERNANCE

Background:

For the purpose of this report, a broad definition of governance is used: "the manner in which power is exercised in the management of a country's economic and social resources for development." Donor country concern with sound management extends beyond the capacity of public sector management to the rules and institutions which create a predictable and transparent framework for the conduct of public and private business, and also to accountability for economic and financial performance.

Overview:

The major donors to Zambia investing in good governance are the British, Sweden, UNDP, IBRD and the United States. USAID is the only donor with a project and specific agenda which addresses the subject as a whole, i.e. the key dimensions of accountability, the legal framework for development, and information and transparency. This is not to say that the USAID intervention is all encompassing. Rather, in contrast, the other major donors are working on narrower more specifically defined dimensions of the subject. UNDP has, for example, undertaken an important series of initiatives in civil service improvement; the World Bank is concerned with public finance management (as are the British); ODA is leading decentralization efforts; and the Swedes are active in human rights. Germany, Canada, Norway and Finland have all supported discrete activities in the recent past, but have no longer-term initiatives in place or planned.

Multilateral Donors:

<u>UNDP</u>: Public sector management improvement is one of five strategic objectives of the UNDP program in Zambia. The objective is "to enhance national capacities for designing and implementing an urgently needed public service reform program, and achieve sustainable improvements in the performance and effectiveness of the public service. Five targets are specified: 1) Improved capacity in the Cabinet Office to design, implement and monitor the reform program in the public service; 2) improved management through training targeted at the senior level officers in the core institutions responsible for economic management; 3) improved coordination among the core institutions involved in economic management; 4) an improved human resources management system for public servants; and, 5) an effective redeployment program established for those who will lose their job as a result of retrenchment or privatization. UNDP's budget for addressing this objective during the 1993 - 1996 specified timeframe is $1.87 million.

<u>IBRD</u>: The World Bank has an ongoing project by which it is sponsoring a HIID (Harvard International Institute for Development) team of experts providing technical assistance for the strengthening of public finance management. The $8 million credit financing this program is due to be exhausted in 1994. A new credit is to be offered in 1993 for financial and legal management training. This $7.1 million program will train specialists in the legal and accounting fields within government. Specific assistance along this line will be targeted to the GRZ's Tender Board. Finally, the IBRD's program through 1996 shows a $10 million

program for civil service improvements including departmental reorganizations and management information systems as unfunded, but on reserve for 1995 initiation.

Bilateral Donors:

United Kingdom - Public service reform and decentralization are the primary elements of ODA's governance program. Strengthening district councils through technical assistance, training and funding of district projects is, along with policy dialogue, an emphasis of the decentralization program. Public service reform is concentrated in the area of financial accountability. Accounting upgrading in all ministries is underway, provincial accounting units are being assisted, and creation of a national Revenue Board for the coordinated administration of all tax collection (customs, excise and income) has just been approved by Parliament with ODA encouragement and support.

Sweden: The Swedish Embassy played a lead role in the consortium of donors which supported the administration and monitoring of the 1991 elections in Zambia. Human rights has since become a high profile area for the Sweden in Zambia, with funding levels rising from $200,000 in FY 1992 to $1.2 million in FY 1993. Small projects in institution building (ombudsman and local government elections commission), legal services (Law Association of Zambia), and training on democratic rights for youth and women are being supported. Sweden's work with voluntary agencies is conducted through Swedish NGOs.

111

ZAMBIA

COUNTRY PROGRAM STRATEGIC PLAN

FY 1993 - 1997

ANNEX E

Economic and Social Statistics for Zambia

JUNE 1993

112

ANNEX E

Economic Statistics for Zambia, 1980-1991

List of Tables

TABLE 1: ZAMBIA

NATIONAL ACCOUNTS SUMMARY

(MILLIONS OF KWACHA AT CURRENT PRICES)

Item	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991
1. Gross Domestic Product	3063.6	3485.4	3595.0	4181.0	4931.0	7072.0	12963.1	19778.0	30020.8	60024.5	127649.7	247623.2
2. Resource Gap (M-X)	123.2	436.1	317.0	-59.0	-187.5	-37.0	157.0	-817.0	-2200.6	-2688.6	890.6	3469.2
3. Imports (G+NFS)	1391.2	1434.1	1312.0	1317.0	1619.4	2703.0	5916.0	7695.0	8065.6	16537.6	45148.6	75370.4
4. Exports (G+NFS)	1268.0	998.0	995.0	1376.0	1806.9	2740.0	5759.0	8512.0	10266.2	19226.2	44258.0	71901.2
5. Total Expenditures	3186.8	3921.5	3912.0	4122.0	4743.5	7035.0	13120.1	18961.0	27820.2	57335.4	128540.3	251092.3
6. Consumption	2473.5	3248.2	3309.0	3547.0	4019.6	5982.0	10033.1	16219.0	24407.2	51371.7	108957.1	217708.2
7. General Government	781.6	986.0	996.0	1009.0	1240.0	1687.0	3481.1	4399.0	4582.4	8460.8	14453.3	25220.9
8. Private	1691.9	2262.2	2313.0	2538.0	2779.6	4295.0	6552.0	11820.0	19824.8	42910.9	94503.8	192487.3
9. Investment	713.3	673.3	603.0	575.0	723.9	1053.0	3087.0	2742.0	3413.0	5963.7	19583.2	33384.1
10. Fixed Investment	558.3	610.0	618.0	615.0	622.5	724.5	1386.0	1931.0	2381.2	3642.7	15270.9	24640.3
11. Changes in Stocks	155.0	63.3	-15.1	-40.0	101.4	328.5	1701.0	811.0	1031.8	2321.0	4312.3	8743.8
12. Domestic Saving	590.1	237.2	286.0	634.0	911.4	1090.0	2930.0	3559.0	5613.6	8652.8	18692.6	29915.0
13. Net Factor Income	-168.6	-100.1	-198.0	-209.1	-266.9	-1077.7	-2340.5	-2248.6	-3924.9	-5176.0	-10950.0	-24400.0
14. Current Transfers	-138.5	-114.5	-36.1	-3.8	-64.1	-86.2	-160.0	-91.3	292.6	1085.0	8041.7	27914.0
15. National Saving	283.0	22.6	51.9	421.1	580.4	-73.9	429.5	1219.1	1981.3	4561.8	15784.3	33429.0
Average Exchange Rates:												
16. Kwacha per US$ 100	78.9	87.2	92.9	125.9	181.3	314.0	778.8	951.9	826.6	1381.4	3028.9	6464.0
17. Kwacha per 100 SDR	104.2	110.6	107.1	138.5	187.8	306.3	855.0	1190.9	1138.4	1830.7	3993.6	9197.7

SOURCE: Monthly Digest Of Statistics, and Government Of Zambia Estimates.
Sources for 1970 - 1979 are:
- Consolidated National Accounts 1973 - 1978.
- National Accounts and Input - Output Tables 1980.

TABLE 2: ZAMBIA

NATIONAL ACCOUNTS SUMMARY

(MILLION OF KWACHA AT CONSTANT 1977 PRICES)

Item	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991
1. Gross Domestic Product	1995.8	2118.9	2059.3	2018.8	2011.5	2044.5	2059.3	2114.3	2247.1	2224.2	2213.6	2174.4
2. Terms of Trade Effect	14.8	-137.0	-285.5	-166.0	-132.7	-56.1	-24.8	93.0	211.5	-110.9	24.6	50.1
3. Gross Domestic Income	2010.6	1981.9	1773.8	1852.8	1878.8	1988.4	2034.5	2207.3	2458.6	2113.4	2238.2	2224.5
4. Resource Gap (5-6)	62.9	181.4	112.1	-17.7	-21.2	-6.5	13.9	-57.5	-147.4	93.9	-145.4	-118.5
5. Imports (G+NFS)	710.4	596.4	465.2	392.7	383.0	465.2	526.9	541.4	540.4	452.7	423.7	385.9
6. Capacity to Import	647.5	415.0	353.1	410.4	404.2	471.7	513.0	598.9	687.8	358.8	569.1	504.4
7. Exports (G+NFS)	632.7	552.0	638.6	576.4	536.9	527.8	537.8	505.9	476.3	469.6	544.5	454.3
8A. Statistical Discrepancy	-0.9	-14.9	-43.5	40.8	18.3	23.7	3.0	39.8	74.0	34.9	98.7	-86.2
8. Total Expenditures	2074.4	2178.2	1929.4	1794.3	1839.3	1958.2	2045.4	2110.0	2237.2	2172.4	1994.1	2192.2
9. Consumption	1635.3	1787.7	1630.5	1558.8	1597.3	1697.0	1660.1	1876.1	1992.2	1944.2	1654.6	1603.9
10. General Government	531.3	611.3	541.5	454.6	483.8	460.1	464.4	377.6	331.3	438.7	427.8	427.8
11. Private	1104.0	1176.4	1089.0	1104.2	1113.5	1236.9	1195.7	1498.5	1660.9	1505.5	1226.8	1176.1
12. Investment	439.1	390.5	298.9	235.5	242.0	261.2	385.3	233.9	245.0	228.2	339.5	588.3
13. Fixed Investment	345.1	352.4	309.5	247.6	211.9	198.8	168.6	158.9	178.1	123.2	129.5	168.3
14. Changes in Stocks	94.0	38.1	-10.6	-12.1	30.1	62.4	216.7	75.0	66.9	105.0	210.0	420.0
15. Domestic Saving	375.3	194.2	143.3	294.0	281.5	291.4	374.4	331.2	466.4	169.1	583.6	620.6
16. Net Factor Income	-109.7	-55.6	-97.7	-91.0	-103.5	-300.0	-364.9	-250.2	-315.6	-196.1	-169.9	-213.0
17. Current Transfers	-90.2	-63.6	-17.8	-1.7	-24.9	-24.0	-24.9	-10.2	23.5	41.1	124.8	243.7
18. National Saving	175.4	75.0	27.9	201.4	153.2	-32.6	-15.5	70.8	174.3	14.1	538.5	651.3
Kwacha Deflators (1977=100)												
19. Gross Domestic Product	153.5	164.5	174.6	207.1	245.1	345.9	629.5	935.4	1336.0	2698.7	5766.6	11388.1
20. Imports (G+NFS)	195.8	240.5	281.9	335.4	422.8	581.0	1122.7	1421.3	1492.5	3653.1	10655.8	19531.1
21. Exports (G+NFS)	200.4	180.8	155.8	238.7	336.5	519.2	1070.9	1682.6	2155.4	4094.2	8128.2	15826.8
22. Total Expenditures	153.6	180.0	202.7	229.7	257.9	359.2	641.4	898.6	1243.5	2639.3	6446.0	11453.9
23. Government Consumption	147.1	161.3	183.9	221.9	256.3	366.6	749.6	1165.0	1383.2	1928.6	3378.5	5895.5
24. Private Consumption	153.3	192.3	212.4	229.8	249.6	347.2	547.9	788.8	1193.6	2850.3	7703.3	16366.6
25. Fixed Investment	161.8	173.1	199.7	248.4	293.8	364.4	821.8	1215.2	1337.0	2956.7	11792.2	14640.7
26. Changes in Stocks	164.9	166.1	142.5	330.6	336.9	526.4	785.0	1080.8	1542.3	2210.5	2053.5	2081.9

SOURCE: Monthly Digest Of Statistics and Government Estimates.

15

TABLE 3: ZAMBIA

BALANCE OF PAYMENTS
(Millions Of US $ at Current Prices)

Item	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991
1. Exports (G+NFS)	1997.7	1298.0	1145.2	1026.6	978.9	854.5	739.5	894.3	1242.0	1391.8	1461.2	1112.3
2. Merchandise (FOB)	1847.1	1146.7	1023.7	923.1	895.0	785.9	692.5	846.6	1183.9	1334.4	1356.9	1029.4
3. Non-Factor Services	150.6	151.4	121.5	103.5	83.8	68.5	47.0	47.7	58.1	57.3	104.3	82.9
4. Imports (G+NFS)	-2062.0	-1809.8	-1489.1	-1055.4	-891.3	-957.8	-716.6	-808.4	-975.7	-1197.2	-1490.6	-1166.0
5. Merchandise (FOB)	-1412.4	-1226.2	-1080.7	-711.0	-599.9	-680.3	-517.8	-585.4	-686.6	-716.7	-1124.8	-803.3
6. Non-Factor Services	-649.6	-583.6	-408.4	-344.4	-291.4	-277.5	-198.8	-223.0	-289.2	-480.5	-365.8	-362.7
7. Resource Balance	-64.3	-511.7	-343.9	-28.8	87.5	-103.3	22.9	85.9	266.2	194.6	-29.4	-53.7
8. Net Factor Income 1/	-213.7	-115.1	-213.1	-166.1	-147.2	-343.2	-300.5	-236.2	-474.8	-374.7	-361.5	-377.5
9. Factor Receipts	6.6	20.0	16.1	5.6	6.0	1.5	1.3	1.1	1.5	1.2	1.6	15.7
10. Factor Payments	-220.3	-135.1	-229.3	-171.7	-153.2	-344.7	-301.8	-237.3	-476.3	-375.9	-363.1	-393.2
11. (M&LT Interest Paid)	-115.6	-98.2	-84.3	-72.2	-55.1	-42.8	-4.9	-7.1	-7.9	-207.3	-262.9	-276.3
12. Net Current Transfers	-175.5	-131.6	-38.9	-3.0	-35.4	-27.5	-20.5	-9.6	35.4	78.5	265.5	431.8
13. Transfer Receipts 3/	3.2	2.6	2.4	1.6	1.4	1.3	0.6	0.5	0.6	0.4	0.0	0.0
14. Transfer Payments 2/	178.7	134.3	41.2	4.6	36.7	28.7	21.2	10.1	-34.8	-78.2	-265.5	-431.8
15. Current Balance	-453.5	-758.4	-595.9	-197.9	-95.0	-474.0	-298.2	-159.9	-173.2	-101.5	-125.4	0.7
M&LT Capital Inflow	237.2	571.7	102.0	93.7	256.5	827.6	1502.8	-0.9	531.3	-17.2	244.7	46.1
16. Direct Investment	0.0	0.0	0.0	41.9	17.4	66.8	50.1	-14.3	154.8	173.0	0.0	0.0
17. Official Grant Aid	41.2	27.5	33.4	42.7	12.7	6.2	22.1	9.6	62.9	113.1	397.5	261.7
18. Net M&LT Loans	390.9	164.0	244.0	135.0	199.4	315.5	281.5	151.8	231.9	-124.0	-308.0	15.5
19. Disbursements	602.9	399.6	345.2	186.5	257.3	316.8	362.0	154.2	242.0	208.9	159.7	338.2
20. Repayments	-212.0	-235.6	-101.2	-51.5	-57.9	-1.3	-80.5	-2.4	-10.1	-332.9	-467.7	-322.7
21. Other M&LT (NET) 4/	-194.9	380.3	-175.3	-125.9	27.0	439.1	1149.1	-147.9	81.7	-179.4	155.2	-231.2
22. Net Credit From IMF	33.1	367.0	-57.7	64.3	77.2	-25.3	-32.0	-3.7	0.0	-17.7	-24.8	-34.4
23. Disbursements	90.4	424.0	37.5	185.7	151.2	0.0	121.8	0.0	0.0	0.0	0.0	0.0
24. Repayments	-57.3	-57.0	-95.2	-121.4	-74.0	-25.3	-153.8	-3.7	0.0	-17.7	-24.8	-34.4
25. Net Short-term Capital	150.8	1.1	5.4	-12.8	18.0	9.5	-22.2	44.3	-51.3	10.4	0.0	0.0
26. Capital Flows NEI	172.0	94.6	200.3	0.0	18.3	13.5	51.0	21.4	0.0	0.0	0.0	0.0
27. Errors and Omissions	-109.3	48.2	383.7	21.6	-176.1	-74.2	-45.2	22.5	-135.4	28.1	0.0	0.0
28. Change in Net Reserves (- Indicates Increase)	2.8	42.8	-95.6	95.4	-21.7	-302.5	-1188.2	72.6	-171.4	80.3	-119.3	-46.7

1/ Including Contract Salary & Gratuities Transfers.
2/ Excluding contract Salary & Gratuities Transfers.
3/ Excluding Official Grant Aid.
4/ Includes Errors and Omissions for 1990 & 1991.

TABLE 4: ZAMBIA

NUMBER OF EMPLOYEES IN THE FORMAL SECTOR 1/
(000s)

	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991
Agriculture, Forestry & Fishing	70.0	76.6	74.4	74.4	74.8	74.2	72.4	73.6	75.6	76.8	74.8	72.9
Zambian	68.9	75.7	73.3	73.5	73.5	72.5	70.9	72.2	74.2	75.5	73.6	71.8
Non-Zambian	1.1	0.9	1.1	0.9	1.3	1.7	1.5	1.4	1.4	1.3	1.2	1.1
Mining & Quarrying	64.5	61.7	59.9	60.1	58.7	58.7	58.8	58.9	58.9	58.8	59.0	59.0
Zambian	58.5	56.1	54.8	56.7	55.3	55.5	55.8	56.3	56.7	57.0	57.8	58.0
Non-Zambian	6.0	5.6	5.1	3.4	3.4	3.2	3.0	2.6	2.2	1.8	1.2	1.0
Manufacturing	59.2	59.6	58.7	59.8	60.2	61.5	60.6	59.6	59.6	60.2	61.8	60.3
Zambian	57.3	57.9	57.1	58.2	58.5	59.6	58.9	58.1	58.4	59.2	60.9	59.7
Non-Zambian	1.9	1.7	1.6	1.6	1.7	1.9	1.7	1.5	1.2	1.0	0.9	0.6
Construction	43.7	37.1	33.9	33.2	34.5	31.4	32.5	31.5	29.7	28.0	26.6	26.3
Zambian	42.0	35.6	32.6	32.1	33.5	30.4	31.5	30.6	29.0	27.4	26.1	25.9
Non-Zambian	1.7	1.5	1.3	1.1	1.0	1.0	1.0	0.9	0.7	0.6	0.5	0.4
Transport and Communications	24.9	25.9	25.4	25.2	25.3	25.6	25.1	25.0	25.4	25.7	26.2	26.5
Zambian	24.0	25.0	24.6	24.4	24.5	24.8	24.4	24.4	24.8	25.2	25.7	26.1
Non-Zambian	0.9	0.9	0.8	0.8	0.8	0.8	0.7	0.6	0.6	0.5	0.5	0.4
Services 2/	203.7	207.3	212.9	216.4	219.5	221.3	227.4	232.1	234.7	240.7	244.8	249.3
Zambian	195.3	199.4	205.3	209.2	212.8	215.1	221.3	226.3	229.0	235.1	239.9	245.3
Non-zambian	8.4	7.9	7.6	7.2	6.7	6.2	6.1	5.8	5.7	5.6	4.9	4.0
All Sectors 2/	466.0	468.2	465.2	469.1	473.0	472.7	476.8	480.7	483.9	490.2	493.2	494.3
Zambian	446.0	449.7	447.7	454.1	458.1	457.9	462.8	467.9	472.1	479.4	484.0	486.8
Non-Zambian	20.0	18.5	17.5	15.0	14.9	14.8	14.0	12.8	11.8	10.8	9.2	7.5

1/ 1970 - 79 4th Quarter Figures.
2/ Excludes domestic servants; includes electricity, water and sanitary services, financial and business services, restaurants and hotels, and other services.

NOTE: In 1972, the basis of classification changed from ethnic group i.e., "African" and "non-African" to citizenship, i.e., "Zambian" and "non-Zambian". This should be kept in mind when looking at the disaggregation by group within each sector. (The 1969 population census indicates 96.3 percent of Africans held Zambian citizenship, while 20.1 percent of non-Africans held Zambian citizenship; of total population, 95.4 percent were Zambian while 98.8 percent were African.)

These revised estimates from 1980 onwards are based on the 1992 Employment and Earnings Survey.
This survey indicates that formal sector employment may have been underestimated for several years.
Figures have been revised back to 1990, using the results of the Census of Industrial Production, commercial farmers Survey and the former Employment Inquiry.
These figures should be regarded as provisional until investigations have been made.

These figures exclude domestic workers and unpaid family workers.

SOURCE: Monthly Digest of Statistics and data supplied by C.S.O.

TABLE 5: ZAMBIA

AVERAGE ANNUAL EARNINGS OF EMPLOYEES BY SECTOR 1/
(Kwacha)

	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983
Agriculture, Forestry & Fishing	410	411	529	515	538	528	716	762	784	1,060	1,195	1,136	1,129	1,278
Zambian	348	354	434	419	445	453	604	639	723	919	1,051	1,037	1,050	1,224
Non-Zambian	4,477	4,249	3,148	2,596	2,602	2,524	3,490	3,547	2,667	5,443	5,496	5,119	3,557	3,384
Mining & Quarrying	2,087	2,100	2,230	2,367	2,522	2,322	3,600	3,669	3,174	3,875	4,010	3,840	3,986	4,129
Zambian	1,543	1,569	1,601	1,685	1,701	1,478	2,510	2,632	2,521	3,306	3,385	3,256	3,390	3,690
Non-Zambian	7,229	7,336	5,014	5,406	6,629	6,784	10,304	10,704	7,940	8,853	9,996	9,542	10,401	10,040
Manufacturing	1,151	1,364	1,159	1,428	1,408	1,455	1,726	1,859	2,270	2,420	2,467	2,361	2,159	2,544
Zambian	802	946	1,025	1,064	1,071	1,179	1,696	1,529	1,878	1,968	2,156	2,043	2,159	2,352
Non-Zambian	5,351	6,795	5,248	6,119	5,866	5,657	8,650	7,758	9,672	12,106	9,931	9,676	9,679	8,280
Construction	837	900	911	921	939	983	1,105	1,101	1,481	1,559	1,851	2,202	2,253	2,164
Zambian	609	663	703	724	716	764	906	883	1,199	1,296	1,634	1,978	2,004	1,968
Non-Zambien	6,834	6,373	4,377	4,324	4,371	6,868	4,109	4,436	6,754	6,814	7,286	7,320	8,557	7,939
Transport and Communications	1,619	1,801	1,415	1,514	1,635	2,226	2,039	2,331	2,310	3,040	2,925	3,259	3,468	3,276
Zambian	1,211	1,495	1,204	1,292	1,397	1,834	1,830	2,103	2,059	2,796	2,654	3,105	3,331	3,132
Non-Zambian	4,689	5,902	4,143	4,377	4,653	7,377	5,301	6,359	6,924	8,611	9,815	7,301	7,317	7,416
Services 2/	1,131	1,151	1,414	1,560	1,523	1,530	1,711	1,743	1,993	2,312	2,614	2,673	2,917	2,962
Zambian	792	841	1,125	1,131	1,224	1,246	1,451	1,501	1,735	2,053	2,326	2,481	2,705	2,750
Non-Zambian	3,902	4,053	4,314	4,762	4,947	4,894	4,185	5,283	5,929	6,360	8,102	7,326	7,361	7,594
All Sectors 2/	1,194	1,242	1,342	1,476	1,491	1,504	1,884	1,959	2,077	2,439	2,638	2,775	2,827	2,879
Zambian	857	918	1,014	1,135	1,122	1,140	1,478	1,566	1,740	2,103	2,301	2,392	2,556	2,647
Non-Zambian	5,081	5,376	4,548	4,949	5,389	5,572	6,858	7,086	6,887	7,669	8,715	8,111	8,258	8,071

1/ 1970 -79 4th Quarter Figures.
2/ Excludes domestic servants; includes electricity, water and sanitary services, financial and business services, restaurants and and other services.

Note: In 1972, the basis of classification changed from ethnic group i.e., "African" and "non-African" to citizenship, i.e.,"Zambi and "non-Zambian". This should be kept in mind when looking at the disaggregation by group within each sector.
(The 1969 population census indicates 96.3 percent of Africans held Zambian citizenship, while 20.2 percent of non-Africans citizenship; of the total population, 95.4 percent were Zambian while 98.8 percent were African).

No data available after 1983.

TABLE 6: ZAMBIA

GROSS DOMESTIC PRODUCT BY TYPE OF ECONOMIC ACTIVITY, 1980-1991
(MILLIONS OF CURRENT KWACHA)

ITEM	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991
Agriculture, Forestry, Fishing	435.3	553.8	492.2	593.7	717.2	925.2	1577.8	2180.4	5055.5	10562.1	23235.0	38950.0
Mining & Quarrying	501.7	488.4	396.6	641.6	673.8	1101.9	2354.9	2689.0	3155.2	7719.8	11510.0	18010.0
Manufacturing	566.1	684.1	740.4	829.8	1010.6	1616.5	2936.3	5547.0	9495.6	21933.0	40664.0	90000.0
Electricity, Gas, Water	61.0	66.3	72.2	70.4	69.7	71.0	166.2	238.5	306.2	398.1	669.2	1345.0
Construction	136.5	111.7	127.0	133.1	153.3	183.2	292.2	393.8	618.4	884.0	4976.6	7540.7
Sub-Total, Oth.Industry 1/	763.6	862.1	939.6	1033.3	1233.6	1870.7	3394.7	6179.3	10420.2	23215.1	46309.8	98885.7
Wholesale & Retail Trade	301.5	328.0	355.5	401.6	520.8	763.0	1638.2	2778.3	3449.4	5109.0	12194.3	18718.9
Transport & Communication	161.5	171.1	193.2	227.4	251.3	342.3	594.3	839.6	1206.8	2880.6	6195.7	13818.0
Community, Social & Personal Services 2/	468.0	586.8	665.2	708.9	800.3	934.3	1169.2	1487.6	2170.5	2704.6	7941.1	22159.2
Other Services 3/	350.6	407.9	460.7	526.9	643.2	864.6	1458.7	2318.4	3302.3	5216.4	12369.6	23134.5
Sub-Total, Services	1281.6	1493.8	1674.6	1864.8	2215.6	2904.2	4860.4	7423.9	10129.0	15910.6	38700.7	77830.6
Other 4/	81.4	87.3	92.3	47.8	90.8	269.9	775.3	1305.4	1260.9	2616.9	7894.2	13946.9
GDP At Market Prices	3063.6	3485.4	3595.3	4181.2	4931.0	7071.9	12963.1	19778.0	30020.8	60024.5	127649.7	247623.2
Less: Indirect Taxes	417.8	467.5	502.1	714.3	758.5	928.6	1915.5	3014.7	2706.7	4203.8	12048.9	21379.3
Plus: Subsidies	196.8	110.2	156.9	82.2	91.6	188.4	569.9	677.4	1396.0	1502.8	3915.1	5763.0
GDP At Factor Cost	2842.6	3128.1	3250.1	3549.1	4264.1	6331.7	11617.5	17440.7	28710.1	57323.5	119515.9	232006.9
Memorandum Items:												
GNP 5/	2895.0	3385.3	3397.3	3972.1	4664.1	5994.2	10622.6	17529.4	26095.9	54848.5	116699.7	223223.2
GDP Per Capita (K)	542.5	596.6	594.2	666.5	757.7	1047.2	1849.5	2719.0	3977.3	7668.9	15737.8	29582.5
GNP Per Capita (K)	512.7	579.5	561.4	633.2	716.7	887.6	1515.6	2409.9	3457.3	7007.6	14387.8	26667.5
GNP Per Capita ($)	649.8	666.1	604.4	502.9	395.3	282.7	194.6	253.2	418.3	507.3	475.0	412.6
Population (000's)	5647.0	5842.0	6051.0	6273.0	6508.0	6753.0	7009.0	7274.0	7548.0	7827.0	8111.0	8370.6

NOTE: Data for 1990-91 are likely to undergo some revisions.

1/ Manufacturing, Electricity and Construction.
2/ Includes Public Administration, Defense, Sanitary Services, Education,Health, Recreational and Personal Services.
3/ Includes Hotels, Financial, Real Estate and Business Services.
4/ Import Duties Less Imputed Bank Service Charges.
5/ Equals Gross Domestic Product, Plus Net Factor Income from Abroad.

TABLE 7: ZAMBIA

GROSS DOMESTIC PRODUCT BY TYPE OF ECONOMIC ACTIVITY, 1980-1991
(MILLIONS OF CONSTANT 1977 KWACHA)

ITEM	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991
Agriculture, Forestry, Fishing	303.9	328.7	290.3	314.6	332.2	343.8	373.8	365.6	436.2	424.5	386.7	406.7
Mining & Quarrying	205.2	214.8	215.2	221.7	200.0	185.8	176.5	184.2	160.4	175.6	162.7	165.5
Manufacturing	383.5	430.2	415.1	384.5	389.3	421.6	425.3	462.9	547.0	544.1	586.7	524.3
Electricity, Gas, Water	65.8	71.0	75.8	72.2	70.9	72.7	71.1	62.2	61.3	49.9	58.8	63.8
Construction	102.8	78.9	84.0	88.6	88.6	77.1	81.1	77.3	70.3	63.3	62.6	61.8
Sub-Total, Oth.Industry 1/	552.1	580.1	574.9	545.3	548.8	571.4	577.5	602.4	678.6	657.3	708.1	649.9
Wholesale & Retail Trade	196.2	195.2	178.5	171.8	167.9	174.7	174.4	181.5	185.3	186.8	180.7	181.1
Transport & Communication	117.5	118.3	118.8	119.4	116.2	109.2	110.1	114.5	113.3	110.2	102.1	97.1
Community, Social & Personal Services 2/	346.0	391.9	393.9	355.7	354.9	365.6	358.1	370.6	373.6	375.6	381.5	387.6
Other Services 3/	251.4	271.7	279.8	290.3	291.0	290.9	282.2	286.5	299.7	291.8	290.7	287.1
Sub-Total, Services	911.1	977.1	971.0	937.2	930.0	940.4	924.8	953.1	971.9	964.4	955.0	952.9
Other 4/	23.5	18.2	7.9	0.0	0.5	3.1	6.7	9.0	0.1	2.4	1.1	-0.6
GDP At Market Prices	1995.8	2118.9	2059.3	2018.8	2011.5	2044.5	2059.3	2114.3	2247.2	2224.2	2213.6	2174.4
Less: Indirect Taxes 5/	272.2	284.2	287.6	344.9	309.4	268.5	304.3	322.3	202.6	155.8	208.9	187.7
Plus: Subsidies 5/	128.2	67.0	89.9	39.7	37.4	54.5	90.5	72.4	104.5	55.7	67.9	50.6
GDP At Factor Cost	1851.8	1901.7	1861.6	1713.6	1739.5	1830.5	1845.5	1864.4	2149.1	2124.1	2072.6	2037.3
Memorandum Items:												
GNP 6/	1886.1	2063.3	1961.6	1930.1	1908.0	1740.6	1694.4	1864.1	1931.6	2028.1	2043.7	1961.4
GDP Per Capita (K)	353.4	362.7	340.3	321.8	309.1	302.8	293.8	290.7	297.7	284.2	272.9	259.8
GNP Per Capita (K)	334.0	353.2	324.2	307.7	293.2	257.8	241.7	256.3	255.9	259.1	252.0	234.3
GNP Per Capita (in 77 $)	422.8	447.1	410.4	389.5	371.1	326.3	306.0	324.4	323.9	328.0	318.9	296.6
Population (000's)	5647.0	5842.0	6051.0	6273.0	6508.0	6753.0	7009.0	7274.0	7548.0	7827.0	8111.0	8370.6

NOTE: Data for 1990-91 are likely to undergo some revision.
1/ Manufacturing, Electricity and Construction.
2/ Includes Public Administration, Defense, Sanitary Services, Education, Health, Recreational and Personal Services.
3/ Includes Hotels, Financial, Real Estate and Business Services .
4/ Import Duties Less Imputed Bank Service Charges.
5/ Deflated by GDP Deflator (Market Prices).
6/ Equals Gross Domestic Product, Plus Net Factor Income from Abroad.

TABLE 8: ZAMBIA

ZAMBIA - INCOME AND EXPENDITURE, 1980-1991
(MILLIONS OF CURRENT KWACHA)

ITEM	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991
Domestic Factor Income	2503.5	2744.7	2844.0	3122.5	3633.8	5399.0	9384.4	14011.4	24445.7	52074.9	108959.0	211134.4
Compensation Of Employees 1/	1436.8	1722.7	1919.8	1974.0	2162.9	2817.0	4207.2	5922.4	8306.6	30640.6	64896.0	111964.8
Net Operating Surplus 2/	1066.7	1022.0	924.2	1148.5	1470.9	2582.0	5177.2	8089.0	16139.1	21434.3	44063.0	99169.6
Plus: Consumption Of Fixed Capital	339.1	383.4	405.8	426.4	630.3	932.8	2233.1	3429.3	4264.4	5248.6	10556.9	20872.5
Plus: Indirect Taxes	417.8	467.5	502.1	714.3	758.5	928.6	1915.5	3014.7	2706.7	4203.8	12048.9	21379.3
Less: Subsidies	196.8	110.2	156.9	82.2	91.6	188.4	569.9	677.4	1396.0	1502.8	3915.1	5763.0
Gross Domestic Income (MKT)	3063.6	3485.4	3595.0	4181.0	4931.0	7072.0	12963.1	19778.0	30020.8	60024.5	127649.7	247623.2
Plus: Resources Balance (M-X)	123.2	436.1	317.0	-59.0	-187.5	-37.0	157.0	-817.0	-2200.6	-2688.6	890.6	3469.2
Imports Of Goods & NFS.	1391.2	1434.1	1312.0	1317.0	1619.4	2703.0	5916.0	7695.0	8065.6	16537.6	45148.6	75370.4
Exports Of Goods & NFS.	1268.0	998.0	995.0	1376.0	1806.9	2740.0	5759.0	8512.0	10266.2	19226.2	44258.0	71901.2
Gross Domestic Expenditure	3186.8	3921.5	3912.0	4122.0	4743.5	7035.0	13120.1	18961.0	27820.2	57335.9	128540.3	251092.4
Gross Domestic Consumption	2473.5	3248.2	3309.0	3547.0	4019.6	5982.0	10033.0	16219.0	24407.2	51371.7	108957.1	217708.2
Government	781.6	986.0	996.0	1009.0	1240.0	1687.0	3481.0	4399.0	4582.4	8460.8	14453.3	25220.9
Private	1691.9	2262.2	2313.0	2538.0	2779.6	4295.0	6552.0	11820.0	19824.8	42910.9	94503.8	192487.3
Gross Domestic Investment	713.3	673.3	602.9	575.0	723.9	1053.0	3087.0	2742.0	3413.0	5963.7	19583.2	33384.1
Fixed Capital Formation	558.3	610.0	618.0	615.0	622.5	724.5	1386.0	1931.0	2381.2	3642.7	15270.9	24640.3
Change In Stocks	155.0	63.3	-15.1	-40.0	101.4	328.5	1701.0	811.0	1031.8	2321.0	4312.3	8743.8
Memorandum Items:												
Gross National Income (GNY) 3/	2756.5	3270.8	3360.9	3968.1	4600.0	5908.1	10462.6	17438.1	26388.5	55933.5	124741.4	251137.2
GNY Per Capita (K)	488.1	559.9	555.4	632.6	706.8	874.9	1492.7	2397.3	3496.1	7146.2	15379.3	30002.3
GNY Per Capita ($)	618.7	643.5	597.9	502.4	389.9	278.6	191.7	251.8	422.9	517.3	507.8	464.1
Population (000's)	5647.0	5842.0	6051.0	6273.0	6508.0	6753.0	7009.0	7274.0	7548.0	7827.0	8111.0	8370.6

1/ Gross Wages, including income tax and contributions to pension scheme, etc.
2/ Includes rent, finance charges and pre-tax profits.
3/ Equals gross domestic income, plus net factor income from abroad and current transfers.

SOURCE: CSO Monthly Digest Of Statistics.

TABLE 9: ZAMBIA

ZAMBIA - INCOME AND EXPENDITURE, 1980-1991
(MILLIONS OF CONSTANT 1977 KWACHA)

ITEM	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991
Gross Domestic Product (MKT)	1995.8	2118.9	2059.3	2018.8	2011.5	2044.5	2059.3	2114.3	2247.1	2224.2	2213.6	2174.4
Plus: Adjustment For Changes In Terms of Trade	14.8	-137.0	-285.5	-166.0	-132.7	-56.1	-24.8	93.0	211.5	-110.8	24.6	50.1
Capacity To Import 1/	647.5	415.0	353.1	410.4	404.2	471.7	513.0	598.9	687.8	358.8	569.1	504.4
Less: Exports, Goods & NFS	632.7	552.0	638.6	576.4	536.9	527.8	537.8	505.9	476.3	469.6	544.5	454.3
Gross Domestic Income	2010.6	1981.9	1773.8	1852.8	1878.8	1988.4	2034.5	2207.3	2458.6	2113.4	2238.2	2224.5
Plus: Resource Balance	62.9	181.4	112.1	-17.7	-21.2	-6.5	13.9	-57.5	-147.4	93.9	-145.4	-118.5
Imports Of Goods & NFS	710.4	596.4	465.2	392.7	383.0	465.2	526.9	541.4	540.4	452.7	423.7	385.9
Less: Capacity to Import	647.5	415.0	353.1	410.4	404.2	471.7	513.0	598.9	687.8	358.8	569.1	504.4
Less: Stat. Discrepancy	-0.9	-14.9	-43.3	40.8	18.3	23.7	3.0	39.8	74.0	34.9	98.7	-86.2
Gross Domestic Expenditure	2074.4	2178.2	1929.4	1794.3	1839.3	1958.2	2045.4	2110.0	2237.2	2172.4	1994.1	2192.2
Gross Domestic Consumption	1635.3	1787.7	1630.5	1558.8	1597.3	1697.0	1660.1	1876.1	1992.2	1944.2	1654.6	1603.9
Government	531.3	611.3	541.5	454.6	483.8	460.1	464.4	377.6	331.3	438.7	427.8	427.8
Private	1104.0	1176.4	1089.0	1104.2	1113.5	1236.9	1195.7	1498.5	1660.9	1505.5	1226.8	1176.1
Gross Domestic Investment	439.1	390.5	298.9	235.5	242.0	261.2	385.3	233.9	245.0	228.2	339.5	588.3
Fixed Capital Formation	345.1	352.4	309.5	247.6	211.9	198.8	168.6	158.9	178.1	123.2	129.5	168.3
Change In Stocks	94.0	38.1	-10.6	-12.1	30.1	62.4	216.7	75.0	66.9	105.0	210.0	420.0
Memorandum Items:												
Gross National Income (GNY) 2/	1810.7	1862.7	1658.3	1760.1	1750.4	1664.4	1644.7	1946.9	2166.5	1958.4	2193.1	2255.2
GNY Per Capita (K)	320.6	318.8	274.1	280.6	269.0	246.5	234.7	267.7	287.0	250.2	270.4	269.4
GNY Per Capita (In 77 $)	405.9	403.6	346.9	355.2	340.5	312.0	297.0	338.8	363.3	316.7	342.3	341.0
Population (000's)	5647.0	5842.0	6051.0	6273.0	6508.0	6753.0	7009.0	7274.0	7548.0	7827.0	8111.0	8370.6

Note: 1/ Equals exports (current prices) divided by import price index.
2/ Equals gross domestic income, plus net factor income from abroad and current transfers.

SOURCE: CSO Monthly Digest Of Statistics.

TABLE 10: ZAMBIA

ZAMBIA - SAVINGS AND INVESTMENT- 1980 - 1991
(MILLIONS OF CURRENT KWACHA)

Item	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991
Gross Domestic Income (MKT)	3063.6	3485.4	3595.0	4181.0	4931.0	7072.0	12963.1	19778.0	30020.8	60024.5	127649.7	247623.2
Less: Gross Dom. Consumption	2473.5	3248.2	3309.0	3547.0	4019.6	5982.0	10033.0	16219.0	24407.2	51371.7	108957.1	217708.2
Gross Domestic Savings	590.1	237.2	286.0	634.0	911.4	1090.0	2930.1	3559.0	5613.6	8652.8	18692.6	29915.0
Of Which: Central Govt. 1/	-273.5	-378.4	-374.6	-175.1	-194.0	-303.4	-1165.3	-792.7	-1225.1	-439.4	-3426.0	-8845.0
Rest Of Economy	863.6	615.6	660.6	809.1	1105.4	1393.4	4095.4	4351.7	6838.7	9092.2	22118.6	38760.0
Plus: Net Factor Income From Abroad	-168.6	-100.1	-198.0	-209.1	-266.9	-1077.7	-2340.5	-2248.6	-3924.9	-5176.0	-10950.0	-24400.0
Current Transfers	-138.5	-114.5	-36.1	-3.8	-64.1	-86.2	-160.0	-91.3	292.6	1085.0	8041.7	27914.0
Gross National Savings	283.0	22.6	51.9	421.1	580.4	-73.9	429.6	1219.1	1981.3	4561.8	15784.3	33429.0
Less: Consumption Of Fixed Capital	339.1	383.4	405.8	426.4	630.3	932.8	2233.1	3429.3	4264.4	5248.6	10556.9	20872.5
Net National Savings	-56.1	-360.8	-353.9	-5.3	-49.9	-1006.7	-1803.5	-2210.2	-2283.1	-686.8	5227.4	12556.5
Gross Domestic Investment	713.3	673.3	602.9	575.0	723.9	1053.0	3087.0	2742.0	3413.0	5963.7	19583.2	33384.1
Fixed Capital Formation	558.3	610.0	618.0	615.0	622.5	724.5	1386.0	1931.0	2381.2	3642.7	15270.9	24640.3
Change In Stocks	155.0	63.3	-15.1	-40.0	101.4	328.5	1701.0	811.0	1031.8	2321.0	4312.3	8743.8
Less: Consumption Of Fixed Capital	339.1	383.4	405.8	426.4	630.3	932.8	2233.1	3429.3	4264.4	5248.6	10556.9	20872.5
Net Domestic Investment	374.2	289.9	197.1	148.6	93.6	120.2	853.9	-687.3	-851.4	715.1	9026.3	12511.6
Net Fixed Capital Formation 2/	219.2	226.6	212.2	188.6	-7.8	-208.3	-847.1	-1498.3	-1883.2	-1605.9	4714.0	3767.8
Memorandum Items:												
GDS As % GDP	19.3	6.8	8.0	15.2	18.5	15.4	22.6	18.0	18.7	14.4	14.6	12.1
GDIV As % GDP	23.3	19.3	16.8	13.8	14.7	14.9	23.8	13.9	11.4	9.9	15.3	13.5
GDCON As % GDP	80.7	93.2	92.0	84.8	81.5	84.6	77.4	82.0	81.3	85.6	85.4	87.9

NOTE: 1/ Equals central government revenue+grants, less consumption (recurrent expenditure).
2/ Equals fixed capital formation, less consumption of fixed capital.

SOURCE: CSO Monthly Digest Of Statistics.

TABLE 11: ZAMBIA

ZAMBIA - SAVINGS AND INVESTMENT- 1980 - 1991
(MILLIONS OF CONSTANT 1977 KWACHA)

Item	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991
Gross Domestic Income (MKT)	2010.6	1981.9	1773.8	1852.8	1878.8	1988.4	2034.5	2207.3	2458.6	2113.4	2238.2	2224.5
Less: Gross Dom. Consumption	1635.3	1787.7	1630.5	1558.8	1597.3	1697.0	1660.1	1876.1	1992.2	1944.2	1654.6	1603.9
Gross Domestic Savings	375.3	194.2	143.3	294.0	281.5	291.4	374.4	331.2	466.4	169.2	583.6	620.6
Plus: Net Factor Income From Abroad 1/	-109.7	-55.6	-97.7	-91.0	-103.5	-300.0	-364.9	-250.2	-315.6	-196.1	-169.9	-213.0
Current Transfers 1/	-90.2	-63.6	-17.8	-1.7	-24.9	-24.0	-24.9	-10.2	23.5	41.1	124.8	243.7
Gross National Savings	175.4	75.0	27.8	201.3	153.1	-32.6	-15.4	70.8	174.3	14.2	538.5	651.3
Less: Consumption Of Fixed Capital 2/	209.6	221.5	203.2	171.7	214.5	256.0	271.7	282.2	319.0	177.5	89.5	142.6
Net National Savings	-34.2	-146.5	-175.4	29.6	-61.4	-288.6	-287.1	-211.4	-144.7	-163.3	449.0	508.7
Gross Domestic Investment	439.1	390.5	298.9	235.5	242.0	261.2	385.3	233.9	245.0	228.2	339.5	588.3
Fixed Capital Formation	345.1	352.4	309.5	247.6	211.9	198.8	168.6	158.9	178.1	123.2	129.5	168.3
Changes In Stocks	94.0	38.1	-10.6	-12.1	30.1	62.4	216.7	75.0	66.9	105.0	210.0	420.0
Less: Consumption Of Fixed Capital 2/	209.6	221.5	203.2	171.7	214.5	256.0	271.7	282.2	319.0	177.5	89.5	142.6
Net Domestic Investment	229.5	169.0	95.7	63.8	27.5	5.2	113.6	-48.3	-74.0	50.7	250.0	445.7
Net Fixed Capital Formation 3/	135.5	130.9	106.3	75.9	-2.6	-57.2	-103.1	-123.3	-140.9	-54.3	40.0	25.7

NOTE: 1/ Deflated by Domestic Expenditure Deflator.
2/ Deflated by the Deflator of Fixed Capital Formation.
3/ Equals Fixed Capital Formation, Less Consumption of Fixed Capital.

SOURCE: CSO Monthly Digest of Statistics.

TABLE 12: ZAMBIA

MACRO ECONOMIC AGGREGATES AS PERCENTAGE OF GROSS DOMESTIC PRODUCT
IN CURRENT MARKET PRICES

Item	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991
Agriculture	14.2	15.9	13.7	14.2	14.5	13.1	12.2	11.0	16.8	17.6	18.2	15.7
Mining & Quarrying	16.4	14.0	11.0	15.3	13.7	15.6	18.2	13.6	10.5	12.9	9.0	7.3
Other Industry	24.9	24.7	26.1	24.7	25.0	26.5	26.2	31.2	34.7	38.7	36.3	39.9
Services And Others	44.5	45.4	49.1	45.7	46.8	44.9	43.5	44.1	37.9	30.9	36.5	37.1
GDP At Market Prices	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
GDP At Factor Cost	92.8	89.7	90.4	84.9	86.5	89.5	89.6	88.2	95.6	95.5	93.6	93.7
Imports Of Goods & NFS	45.4	41.1	36.5	31.5	32.8	38.2	45.6	38.9	26.9	27.6	35.4	30.4
Exports Of Goods & NFS	41.4	28.6	27.7	32.9	36.6	38.7	44.4	43.0	34.2	32.0	34.7	29.0
Gross Domestic Expenditure	104.0	112.5	108.8	98.6	96.2	99.5	101.2	95.9	92.7	95.5	100.7	101.4
Gross Domestic Consumption	80.7	93.2	92.0	84.8	81.5	84.6	77.4	82.0	81.3	85.6	85.4	87.9
Gross Domestic Savings	19.3	6.8	8.0	15.2	18.5	15.4	22.6	18.0	18.7	14.4	14.6	12.1
Gross Domestic Investment	23.3	19.3	16.8	13.8	14.7	14.9	23.8	13.9	11.4	9.9	15.3	13.5
Gross Fixed Capital Formation	18.2	17.5	17.2	14.7	12.6	10.2	10.7	9.8	7.9	6.1	12.0	10.0

SOURCE: C.S.O.

TABLE 13: ZAMBIA

SUMMARY BALANCE OF PAYMENTS, 1980-91
(MILLIONS OF CURRENT KWACHA)

ITEM	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991
Export Of Goods & NFS	1576.2	1129.3	1063.9	1292.5	1774.7	2683.0	5759.3	8512.4	10266.2	19226.2	44258.0	71901.2
Merchandise (FOB)	1457.4	997.6	951.0	1162.2	1622.7	2467.8	5393.3	8058.6	9786.2	18434.0	41098.9	66540.8
Non-Factor Services	118.8	131.7	112.9	130.3	152.0	215.2	366.0	453.8	480.0	792.2	3159.1	5360.4
Imports Of Goods & NFS	-1626.9	-1574.5	-1383.4	-1328.8	-1616.0	-3007.4	-5580.9	-7694.9	-8065.5	-16537.6	-45148.6	-75370.4
Merchandise (FOB)	-1114.4	-1066.8	-1004.0	-895.2	-1087.7	-2136.2	-4032.6	-5572.2	-5675.2	-9900.2	-34069.1	-51923.0
Non-factor Services	-512.5	-507.7	-379.4	-433.6	-528.3	-871.2	-1548.3	-2122.7	-2390.3	-6637.4	-11079.5	-23447.4
Resource Balance	-50.7	-445.2	-319.5	-36.3	158.7	-324.4	178.4	817.5	2200.7	2688.6	-890.6	-3469.2
Factor Services, Net 1/	-168.6	-100.1	-198.0	-209.1	-266.9	-1077.7	-2340.5	-2248.6	-3924.9	-5176.0	-10950.0	-24400.0
Factor Receipts	5.2	17.4	15.0	7.1	10.8	4.7	10.0	10.0	12.5	17.2	47.1	1015.1
Factor Payments 1/	-173.8	-117.5	-213.0	-216.2	-277.7	-1082.4	-2350.5	-2258.6	-3937.4	-5193.2	-10997.1	-25415.1
Current Transfers, Net 2/	-138.5	-114.5	-36.1	-3.8	-64.1	-86.2	-160.0	-91.3	292.6	1085.0	8041.7	27914.0
Current Account Balance	-357.8	-659.8	-553.6	-249.2	-172.3	-1488.3	-2322.1	-1522.4	-1431.6	-1402.4	-3798.9	44.8
Official Grants	32.5	23.9	31.0	53.7	23.0	19.6	172.0	91.3	520.2	1562.9	12040.0	16917.5
Direct Investment	0.0	0.0	0.0	52.8	31.5	209.7	389.8	-136.5	1279.7	2389.9	-	-
M&LT Loans, Net (DRS)	308.4	142.7	226.7	170.0	361.5	990.7	2192.3	1445.0	1916.9	-1712.9	-9329.0	1001.9
Disbursements	475.7	347.7	320.7	234.8	466.5	994.8	2819.3	1467.8	2000.4	2885.7	4837.2	21861.2
Repayments	-167.3	-205.0	-94.0	-64.8	-105.0	-4.1	-626.9	-22.8	-83.5	-4598.7	-14166.2	-20859.3
Other M&LT (Net) 4/	-153.8	330.8	-162.9	-158.5	49.0	1378.8	8949.3	-1408.2	675.0	-2478.0	4701.7	-14942.3
Net Errors And Omissions	168.5	125.2	547.6	11.1	-253.3	-160.8	-127.4	839.4	-1543.2	531.2	0.0	0.0
Overall Balance	-2.2	-37.2	88.8	-120.1	39.4	949.7	9253.9	-691.4	1417.0	-1109.3	3613.8	3021.9
Net Credit From IMF	26.1	319.3	-53.6	81.0	140.0	-79.4	-249.2	-35.2	0.0	-244.5	-751.2	-2223.6
Purchases	71.3	368.9	34.8	233.8	274.1	0.0	948.6	0.0	0.0	0.0	0.0	0.0
Repurchases	-45.2	-49.6	-88.4	-152.8	-134.2	-79.4	-1197.8	-35.2	0.0	-244.5	-751.2	-2223.6
Change In Reserves 3/ (-Indicates Increase)	2.3	37.2	-88.8	120.1	-39.4	-949.7	-9253.9	691.4	-1417.0	1109.5	-3613.8	-3021.9
Memorandum Items:												
Gross Internat. Reserves	71.2	45.4	130.1	174.0	123.1	1145.1	900.3	695.3	1381.1	2529.4	9149.0	-
In Weeks Of Imports (FOB)	4.2	2.5	7.3	10.1	5.9	27.9	11.6	6.5	12.7	12.3	15.6	-
Cur. Ac. Bal. as % of GDP	-11.7	-18.9	-15.4	-6.0	-3.5	-21.0	-17.9	-7.7	-4.8	-2.3	-3.0	0.0

1/ Including Contract Salaries & Gratuities Transfers.
2/ Excluding Official Grants and Contract Salary & Gratuities Transfers.
3/ Includes Currency Re-Alignment Changes.
4/ Includes Net Errors and Omissions for 1990 and 1991.

SOURCE: Bank of Zambia, Monetary Survey.
CSO, Digest of Statistics.

126

TABLE 14: ZAMBIA

EXPORTS OF PRINCIPAL COMMODITIES, 1981-91

(MILLIONS OF CURRENT KWACHA & THOUSANDS OF TONS)

ITEM	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991
Millions Of Current Kwacha											
Copper	835.6	855.4	930.3	1031.2	1258.5	4428.6	6845.2	8339.6	16353.1	33733.6	52538.8
Zinc	22.9	25.1	34.7	51.6	53.2	99.2	130.9	161.9	301.9	438.1	429.2
Lead	5.1	4.7	6.7	6.5	7.4	15.5	19.8	19.0	8.5	0.8	5.0
Cobalt	39.0	25.9	28.8	19.6	23.9	385.2	466.2	598.2	1101.2	2543.9	7288.9
Tobacco	4.0	1.6	3.8	5.0	2.2	4.3	16.6	29.3	24.3	125.3	256.4
Maize	-	-									
Electricity	-	-	24.0	24.0	24.0	30.5	98.4	107.4	70.8	453.9	1385.4
Other Goods	22.8	40.7	19.2	61.5	139.0	403.2	481.6	530.8	574.2	1847.7	5763.9
Total Exports 1/	929.4	953.4	1047.5	1199.4	1508.2	5366.5	8058.7	9786.2	18434.0	39143.3	67667.6
Re-Export	6.9	5.2	5.5	5.7	6.1	19.1	26.9	66.3	97.6	106.6	84.9
Adjustments	61.3	-7.6	109.2	417.6	953.5	7.7	-27.0	-66.3	-97.6	1849.0	-1211.7
Valuation Adjustments & Change In Stocks Held Abroad											
Freight & Insurance On Metal Exports To Zambian Border											
Exports F.O.B = (B.O.P)	997.6	951.0	1162.2	1622.7	2467.8	5393.3	8058.6	9786.2	18434.0	41098.9	66540.8
Thousands Of Tons 1/											
Copper	551.8	606.6	550.6	530.8	474.5	436.3	475.8	398.2	431.5	441.2	376.5
Zinc	31.6	33.0	36.8	32.1	20.1	21.1	19.7	19.2	13.0	9.5	6.3
Lead	8.3	9.1	12.3	8.5	5.1	4.8	4.4	3.7	1.2	0.4	1.6
Cobalt	2.2	2.5	3.1	2.3	1.9	4.7	4.3	5.2	4.2	4.9	5.0
Tobacco	1.2	0.9	1.6	1.5	1.2	0.7	2.5	2.1	1.0	2.0	1.3
Maize	-	-	-	-	-	-	-	-	-	-	-

1/ Values and volumes are as reported in trade returns.

SOURCE: C.S.O. Monthly Digest of Statistics.

TABLE 15: ZAMBIA

IMPORTS BY MAJOR S.I.T.C. CATEGORIES,1981-91
(MILLIONS OF CURRENT KWACHA)

ITEM	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991
Food	53.5	49.4	-	82.0	114.3	-	-	241.3	363.4	471.7	-
Cereals	37.6	29.9	-	38.3	42.9	74.8	127.1	129.9	171.4	175.5	-
Petroleum	202.4	181.6	223.5	261.2	423.0	136.6	812.5	662.8	2102.3	4870.0	9355.5
Capital Goods	314.0	321.0	-	213.3	511.0	-	-	2414.9	3402.0	15672.1	-
Others	299.0	378.0	469.7	529.7	1084.9	4236.3	5687.9	3578.9	3389.3	14849.9	42268.5
Fertilizer	46.7	58.6	-	7.0	12.6	20.5	32.8	4.3	58.9	198.5	-
Iron And Steel	43.1	42.5	-	49.9	75.8	151.6	217.4	263.2	450.9	1303.0	-
Textiles And Yarn	38.2	46.1	-	46.4	58.7	106.9	193.7	163.0	262.9	1212.2	-
Total Imports	868.9	930.0	893.2	1086.2	2133.2	6442.1	6627.5	6897.9	9257.0	35863.7	51624.0
Adjustments (Residual)	197.9	74.0	2.0	1.5	3.0	-2409.5	-1055.3	-1222.7	643.2	-1794.6	299.0
Imports F.O.B	1066.8	1004.0	895.2	1087.7	2136.2	4032.6	5572.2	5675.2	9900.2	34069.1	51923.0

NOTES: Food-S.I.T.C Division 0,14
Petroleum-S.I.T.C Division 33
Capital Goods- S.I.T.C Division 7
Others-The Rest of Imports

SOURCE: CSO: MONTHLY DIGEST OF STATISTICS.

TABLE 16: ZAMBIA

DETAILS OF FACTOR AND NON-FACTOR SERVICES, 1980-91

(MILLIONS OF CURRENT KWACHA)

ITEM	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991
Non-Factor Srvices, Net	-393.7	-376.0	-266.5	-303.3	-376.6	-656.0	-1182.3	-1668.9	-1910.3	-5845.2	-7920.4	-18087.0
NFS Receipts	118.8	131.7	112.9	130.3	151.7	215.2	366.0	453.8	480.0	792.2	3159.1	5360.4
Freight & Insurance	48.5	35.8	27.3	37.0	41.1	86.1	161.0	241.8	293.6	352.1	1174.3	2030.0
Other Transportation	24.2	33.6	37.6	43.0	46.5	66.0	77.0	77.0	88.6	219.0	839.7	1330.8
Travel	16.6	27.0	23.0	23.3	23.0	24.0	55.0	60.0	42.3	109.5	387.5	675.2
Other Government	20.0	21.2	23.0	25.0	23.6	34.0	68.0	70.0	50.0	65.7	373.2	915.3
Other Private	9.5	14.1	2.0	2.0	17.5	5.1	5.0	5.0	5.5	45.9	384.4	409.1
NFS Payments	512.5	507.7	379.4	433.6	528.3	871.2	1548.3	2122.7	2390.3	6637.4	11079.5	23447.4
Freight & Insurance	207.1	170.9	151.9	172.0	235.2	430.5	839.5	1059.4	1224.4	2778.4	5906.8	7935.2
Other Transportation	88.4	77.6	79.4	100.0	110.3	157.0	183.3	216.9	250.6	1376.9	2677.7	5996.3
Travel 1/	42.5	59.9	79.7	26.3	43.5	68.6	242.8	437.0	404.1	1359.5	1638.1	5603.2
Other Government	10.0	19.3	17.8	16.6	17.8	16.5	153.0	148.2	237.3	494.5	483.2	3912.7
Other Private	164.5	180.0	50.6	118.7	121.5	198.6	129.7	261.2	273.9	628.1	373.7	0.0
Factor Services, Net	-168.6	-100.1	-198.0	-209.1	-266.9	-1077.7	-2340.5	-2248.6	-3924.9	-5176.0	-10950.0	-23384.9
FS Receipts	5.2	17.4	15.0	7.1	10.8	4.7	10.0	10.0	12.5	17.2	47.1	1015.1
Profits & Dividends	0.0	0.0	11.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other Investment Income	5.2	17.4	3.3	7.1	10.8	4.7	10.0	10.0	12.5	17.2	47.1	1015.1
FS Payments	173.8	117.5	213.0	216.2	277.7	1082.4	2350.5	2258.6	3937.4	5193.2	10997.1	24400.0
Investment Income 3/	125.4	68.5	176.6	186.0	239.1	1082.4	2043.9	2098.3	3759.8	4879.3	10611.6	23188.2
IMF Charges	20.7	26.1	50.1	67.7	102.4	77.2	591.9	7.6	5.0	5.5	54.5	4240.4
M&LT Interest(DRS)	96.2	111.2	135.5	191.5	183.5	662.5	1211.0	3385.9	4294.2	13144.0	31461.2	61362.8
Other	8.5	-68.8	-9.0	-73.2	-46.8	342.6	241.0	-1295.2	-539.3	-8270.2	-20904.1	-42414.9
Contract Salary & Gratuties	48.4	49.0	36.4	30.2	38.6	0.0	306.6	160.3	177.6	313.9	385.5	1211.8
Transfers (Net)	-138.5	-114.5	-36.1	-3.8	-64.8	-86.2	-160.0	-91.3	292.6	1085.0	8041.7	27914.0
Receipts	2.5	2.3	2.2	2.0	2.5	4.0	5.0	5.0	5.0	5.0	0.0	0.0
Private	2.5	2.3	2.2	2.0	2.5	4.0	5.0	5.0	5.0	5.0	0.0	0.0
Payments	141.0	116.8	38.3	5.8	67.3	90.2	165.0	96.3	-287.6	-1080.0	-8041.7	-27914.0
Private	121.1	114.8	34.9	1.3	62.7	88.2	162.0	83.8	-317.5	-1142.9	-8662.2	-27977.4
Gifts & Maint. Transf.	4.4	0.6	0.7	3.1	5.3	0.0	0.0	4.5	0.0	0.0	0.0	0.0
Emigrants Transfers	16.6	11.4	4.5	10.4	10.5	0.0	19.8	21.8	17.1	41.1	78.2	89.1
Others	100.1	102.8	29.7	-12.2	46.9	88.2	142.2	57.5	-334.6	-1184.0	-8740.4	-28066.5
Government	19.9	2.0	3.4	4.5	4.6	2.0	3.0	12.5	29.9	62.9	620.5	63.4

1/ The figures for 1970 include "Other Transportation".
2/ Included under Transfers in CSO, Digest of Statistics.
3/ Includes K100 Million Adjustment in 1981.

SOURCE: C.S.O., Digest of Statistics.
MLT Interest: World Bank, DRS.

TABLE 17: ZAMBIA

IMPORTS CLASSIFIED BY END USE (F.O.B)

(In Millions of Kwacha)

Item	1980	1981	1984	1985	1986	1987	1988	1989	1990
A. INPUTS IN INDUSTRIES:									
Agriculture, Forestry & Fishing	49.6	29.4	66.5	137.9	138.6	198.7	184.1	240.0	1077.8
Mining & Quarrying	31.5	37.3	41.0	93.0	303.1	324.0	314.8	365.0	1119.9
Manufacturing	292.5	327.3	434.9	778.4	1225.3	1365.2	1510.3	1886.0	6497.7
Construction	64.7	64.0	74.0	134.8	492.9	557.3	481.1	500.0	1696.1
Electricity & Water	14.3	12.5	7.5	29.3	78.2	72.9	56.3	85.0	290.7
Distribution	1.4	0.9	0.9	1.6	4.6	6.6	3.6	5.0	16.3
Transport & Communication	26.0	23.1	29.1	63.5	269.5	299.7	392.9	246.0	1132.0
Other Services	2.4	1.5	4.4	8.2	40.1	112.2	133.8	412.0	801.1
TOTAL A	482.4	496.0	658.3	1246.7	2552.3	2936.6	3076.9	3739.0	12631.6
B. FIXED CAPITAL FORMATION:									
Agriculture, Forestry & Fishing	12.7	10.1	15.2	31.0	103.1	81.1	53.5	166.0	556.9
Mining & Quarrying	63.1	52.7	57.7	163.1	698.0	518.7	352.1	400.0	1239.1
Manufacturing	76.0	67.5	43.5	120.4	81.7	199.5	199.0	408.0	1372.4
Construction	7.3	8.2	7.0	25.6	985.5	744.4	659.3	454.0	4114.5
Electricity & Water	11.7	9.2	14.3	31.2	107.0	106.0	202.4	151.0	323.8
Distribution	0.4	0.3	0.5	0.4	2.6	4.6	11.5	12.0	18.7
Transport & Communication	38.2	36.6	45.2	61.6	556.8	477.3	605.6	1194.0	5931.3
Government Administration	7.1	10.8	11.6	60.3	48.5	99.4	158.3	235.0	1068.2
Other Services	6.8	3.2	18.8	17.4	183.5	149.2	173.2	382.0	1047.2
TOTAL B	223.3	198.6	213.8	511.0	2766.7	2380.2	2414.9	3402.0	15672.1
C. PRIVATE AND GOVERNMENT CONSUMPTION:									
Food	43.7	29.8	43.7	71.4	128.2	106.3	111.4	192.0	296.2
Beverages & Tobacco	1.1	0.7	1.8	5.4	8.1	8.9	10.4	25.0	68.1
Clothing & Footwear	13.9	13.5	8.3	8.8	43.8	59.6	53.0	67.0	305.8
Fuel & Light	8.7	4.4	13.6	13.9	44.5	34.1	24.3	142.0	1914.0
Furniture & Household Equipment	31.2	33.6	58.9	121.3	180.7	304.9	461.4	586.0	1736.3
Personal Care & Health	29.2	27.2	26.8	44.4	255.4	400.8	319.2	368.0	1003.9
Transport & Communication	30.8	44.1	30.2	73.9	352.5	129.2	197.2	195.0	878.0
Education, Recreation & Entertainment	7.9	13.5	20.7	29.7	81.4	251.3	193.1	429.0	811.4
Other Services	9.1	7.5	10.1	6.7	28.5	15.6	36.0	112.0	546.3
TOTAL C	175.6	174.3	214.1	375.5	1123.1	1310.7	1406.0	2116.0	7560.0
GRAND TOTAL (A+B+C)	881.3	868.9	1086.2	2133.2	6442.1	6627.5	6897.8	9257.0	35863.7

SOURCE: Annual Statements of External Trade and C.S.O. worksheets.

TABLE 18: ZAMBIA

IMPORT VOLUMES BASED ON US DOLLAR VALUES
(In Million US $)

Item	1980	1981	1982	1983	1984	1985 -	1986	1987	1988	1989	1990
1. IMPORTS IN CURRENT US$											
Petroleum Imports	248.4	232.6	195.5	177.5	144.1	134.7	17.5	85.4	80.2	152.2	160.8
All Other Imports	1164.0	993.6	885.3	533.5	455.9	545.6	500.3	500.0	606.4	564.5	964.0
Merchandise Imports	1412.4	1226.2	1080.7	711.0	599.9	680.3	517.8	585.4	686.6	716.7	1124.8
Non-Factors Services	649.6	583.6	408.4	344.4	291.4	277.5	198.8	223.0	289.2	480.5	365.8
Imports of GNFS	2062.0	1809.8	1489.1	1055.4	891.3	957.8	716.6	808.4	975.7	1197.2	1490.6
2. IMPORTS IN CONSTANT 77 US$											
Petroleum	104.2	86.7	80.6	80.8	57.0	64.6	16.6	63.4	75.4	119.5	96.6
All other Imports	884.2	767.8	684.2	434.1	376.7	434.6	305.6	268.2	287.3	261.7	469.8
Merchandise Imports	988.4	854.5	764.8	514.9	443.7	499.1	322.2	331.7	362.7	381.2	566.4
Non-Factor Services	454.6	406.7	289.0	249.4	215.5	203.6	123.7	126.3	152.8	255.6	184.2
Imports of GNFS	1443.0	1261.2	1053.9	764.3	659.3	702.7	445.9	458.0	515.4	636.8	750.6
3. VOLUME INDICES											
Petroleum	107.9	89.8	83.5	83.6	69.4	66.8	17.2	65.7	78.1	123.7	100.0
All other Imports	153.3	133.1	118.6	75.3	65.3	75.3	53.0	46.5	49.8	45.4	81.4
Merchandise Imports	146.8	126.9	113.6	76.5	65.9	74.1	47.8	49.2	53.9	56.6	84.1
Non-Factor Services	119.3	106.8	75.9	65.5	56.6	53.4	32.5	33.2	40.1	67.1	48.4
Imports of GNFS	136.9	119.6	100.0	72.5	62.5	66.6	42.3	43.4	48.9	60.4	71.2
MEMORADUM ITEMS											
Petroleum Price Index (1977=100)	238.5	268.3	242.4	219.8	215.0	208.7	105.7	134.6	106.3	127.4	166.5
MUV Index 1/ (1977 = 100)	142.9	143.5	141.3	138.1	135.2	136.3	160.7	176.5	189.3	188.0	198.6

1/ MANUFACTURERS UNIT VALUE (MUV) INDEX OF C.I.F. VALUE OF MANUFACTURERD EXPORTS FROM INDUSTRIALISED COUNTRIES TO DEVELOPING COUNTRIES. THIS INDEX IS USED TO DEFLATE " ALL OTHER IMPORTS" AND NON-FACTOR SERVICES TO CONSTANT 1977 DOLLARS.

TABLE 19: ZAMBIA

EXTERNAL PUBLIC DEBT OUTSTANDING AS OF DECEMBER 31, 1991
(In Millions of U.S. Dollars)

Type Of Creditor Creditor Country		DEBT OUTSTANDING			Percent of Debt Outstanding and Disbursed
		Disbursed	Undisbursed	Total	
Suppliers Credits		143.9	22.3	166.2	3.1
Financial Institutions		72.9	0.0	72.9	1.6
Multilateral Loans		1518.3	489.9	2008.1	32.4
of Which:	Af.Dev.Bank	180.8	116.8	297.6	3.9
	Af.Dev.Fund	105.6	110.1	215.7	2.3
	BADEA/ABEDA	30.0	0.0	30.0	0.6
	EEC	112.1	4.0	116.2	2.4
	European Dev. Fund	73.3	5.5	78.8	
	E.I. Bank	56.2	4.2	60.3	1.2
	IBRD	373.1	0.0	373.1	8.0
	IDA	493.2	211.6	704.7	10.5
	IFC	38.5	0.0	38.5	0.8
	IFAD	34.0	17.0	50.9	0.7
	OPEC	9.2	20.6	29.8	0.2
	SAFA (SP. AR. Fund AF.)	12.3	0.0	12.3	0.3
Bilateral Loans		2944.0	56.2	3000.2	62.9
of Which:	Austria	7.0	0.0	7.0	0.2
	Belgium	16.3	0.0	16.3	0.3
	Brazil	44.1	0.0	44.1	0.9
	Bulgaria	3.2	0.0	3.2	0.1
	Canada	58.8	0.0	58.8	1.3
	China	157.2	29.3	186.5	3.4
	Czechoslovakia	0.3	0.0	0.3	0.0
	Denmark	22.9	0.0	22.9	0.5
	France	158.6	0.0	158.5	3.4
	Germany Fed. Rep.	612.9	22.0	635.0	13.1
	India	6.6	0.0	6.6	0.1
	Iraq	60.3	0.0	60.3	1.3
	Italy	131.0	0.8	131.9	2.8
	Japan	439.0	0.0	439.0	9.4
	Netherlands	40.2	3.3	43.5	0.9
	Romania	13.9	0.0	13.9	0.3
	Saudi Arabia	53.1	0.0	53.1	1.1
	Switzerland	16.3	0.0	16.3	0.3
	United Kingdom	404.8	0.6	405.5	8.7
	United States	365.2	0.0	365.3	7.8
	U.S.S.R	296.1	0.0	296.1	6.3
	Yugoslavia	36.0	0.0	36.0	0.8
TOTAL		4679.1	568.4	5247.5	100.0

NOTE: 1. Only government and government guarateed debts with an original or extended maturity of over one year are included in this table.
2. Debt outstanding includes principal in arrears but excludes interest in arrears.

SOURCE: World Bank Debt Reporting System . Run of September 21, 1992.

132

TABLE 20: ZAMBIA

COMMITMENTS, DISBURSEMENTS AND SERVICE PAYMENTS ON EXTERNAL PUBLIC DEBT
(In Millions of U.S. Dollars)

Year	Debt Outstanding At End of Period: Disbursed Only	Debt Outstanding At End of Period: Including Undisbursed	TRANSACTIONS DURING PERIOD: Commitments	TRANSACTIONS DURING PERIOD: Disbursements	SERVICE PAYMENTS: Principal	SERVICE PAYMENTS: Interest	SERVICE PAYMENTS: Total
1970	623.5	932.6	556.5	351.4	35.0	29.0	64.0
1971	633.7	911.7	9.4	41.9	44.1	36.2	80.3
1972	677.1	983.3	146.0	131.8	77.4	38.1	115.4
1973	698.2	1158.4	426.3	293.4	280.0	90.6	370.6
1974	802.7	1364.4	270.7	163.7	69.2	46.8	116.0
1975	1143.3	1599.4	346.3	432.0	49.1	46.7	95.9
1976	1299.4	1735.1	209.7	228.9	59.8	61.8	121.6
1977	1403.4	1814.4	149.6	184.1	132.0	65.5	197.5
1978	1466.0	2185.3	424.9	153.6	165.5	76.0	241.5
1979	1818.0	2695.6	662.8	506.1	175.2	81.7	256.9
1980	2140.7	3024.9	645.1	596.6	180.7	106.1	286.8
1981	2179.4	3016.8	418.4	399.6	198.9	93.0	291.9
1982	2315.2	3236.5	519.9	341.7	91.2	81.3	172.5
1983	2536.9	3332.7	139.1	186.2	48.2	71.7	119.9
1984	2596.2	3317.9	270.5	257.3	57.9	55.1	113.0
1985	3140.8	3882.1	263.2	316.8	47.3	42.8	90.1
1986	3823.4	4535.1	306.9	362.0	80.5	69.9	150.4
1987	4457.0	5362.5	281.0	154.2	88.4	70.1	158.5
1988	4431.7	5099.8	94.6	242.0	106.1	74.9	181.0
1989	4231.6	4852.3	202.7	208.9	102.9	72.3	175.2
1990	4858.5	5526.8	172.9	157.8	95.7	69.9	165.6
1991	4954.2	5546.9	324.3	336.3	247.7	235.5	483.2

NOTE: Figures for each year are based on exchange rates prevailing at the end of each year, respectively. Changes in amounts outstanding and disbursed are affected by fluctuations in exchange rates and by cancellations and, therefore, do not equal disbursements minus repayments.

SOURCE: World Bank Debt Reporting System. Run of September 21, 1992.

133

TABLE 21: ZAMBIA

SUMMARY STATEMENT OF CENTRAL GOVERNMENT FINANCES 1980 - 1991
(KWACHA MILLIONS)

ITEM	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991 P
Current Expenditure	1,082.0	1,230.5	1,242.6	1,244.1	1,355.0	1,906.4	4,390.9	5,174.2	6,958.3	10,448.6	27,249.4	40,082.7
Capital Expenditure	220.0	158.1	228.0	198.0	266.0	277.9	992.7	663.3	1,401.0	1,927.9	4,132.2	10,048.5
Total Expenditure	1,302.0	1,388.6	1,470.6	1,442.1	1,621.0	2,184.3	5,383.6	5,837.5	8,359.3	12,376.5	31,381.6	50,131.2
Tax Revenue	702.6	745.6	744.0	941.0	991.0	1,378.6	2,693.9	3,800.4	4,514.0	8,947.8	21,665.6	38,252.2
Non-Tax Revenue	80.3	82.5	96.0	75.0	101.0	204.7	358.5	489.7	699.0	940.1	1,842.0	775.5
Grants	25.6	24.0	28.0	53.0	69.0	19.7	173.2	91.4	520.2	121.3	315.8	9,900.0
Total Revenue + Grants	808.5	852.1	868.0	1,069.0	1,161.0	1,603.0	3,225.6	4,381.5	5,733.2	10,009.2	23,823.4	48,927.7
Deficit (=Financing)	493.5	536.5	602.6	373.1	460.0	581.3	2158.0	1456.0	2626.1	2367.3	7558.2	1203.5
External Loans	138.0	278.6	193.0	154.0	128.0	109.1	528.6	226.5	702.6	580.8	31.6	1,558.4
Bank of Zambia	290.5	168.8	499.0	115.0	189.0	404.2	1,570.4	1,182.0	1,875.5	1,710.5	7,515.6	356.9
Other Domestic	65.0	89.0	-114	90.0	143.0	68.0	59.0	47.5	48.0	76.0	11.0	2.0
Total Revenue & Financing	1,302.0	1,388.6	1,470.6	1,442.1	1,621.0	2,184.3	5,383.6	5,837.5	8,359.3	12,376.5	31,381.6	50,131.2
Total Exp. in 77 Prices 1/	847.7	771.4	725.5	611.8	628.5	616.0	839.4	649.6	672.2	420.8	554.9	543.5
Government Savings 2/	-273.5	-378.4	-374.6	-175.1	-194.0	-303.4	-1165.3	-792.7	-1225.1	-439.4	-3426.0	8845.0
AS PERCENT OF TOTAL EXPENDITURE												
Current Expenditure	83.1	88.6	84.5	86.3	83.6	87.3	81.6	88.6	83.2	84.4	86.8	80.0
Capital Expenditure	16.9	11.4	15.5	13.7	16.4	12.7	18.4	11.4	16.8	15.6	13.2	20.0
Revenue	60.1	59.6	57.1	70.5	67.4	72.5	56.7	73.5	62.4	79.9	74.9	77.9
Grants	2.0	1.7	1.9	3.7	4.3	0.9	3.2	1.6	6.2	1.0	1.0	19.7
Deficit (= Financing)	37.9	38.6	41.0	25.9	28.4	26.6	40.1	24.9	31.4	19.1	24.1	2.4
External loans	10.6	20.1	13.1	10.7	7.9	5.0	9.8	3.9	8.4	4.7	0.1	3.1
Bank of Zambia	22.3	12.2	33.9	8.0	11.7	18.5	29.2	20.2	22.4	13.8	23.9	0.7
AS PERCENT OF GDP												
Total Expenditure	42.5	39.8	40.9	34.5	3.9	30.9	41.5	29.5	27.8	20.6	27.7	24.6
Tax Revenue	22.9	21.4	20.7	22.5	2.4	19.5	20.8	19.2	15.0	14.9	19.1	18.8
Total Revenue+Grants	26.4	24.4	24.1	25.6	2.8	22.7	24.9	22.2	19.1	16.7	21.0	24.0
Deficit	16.1	15.4	16.8	8.9	1.1	8.2	16.6	7.4	8.7	3.9	6.7	0.6
Borrowing From B.O.Z	9.5	4.8	13.9	2.8	0.5	5.7	12.1	6.0	6.2	2.8	6.6	0.2
Government Savings	-8.9	-10.9	-10.4	-4.2	-0.5	-4.3	-9.0	-4.0	-4.1	-0.7	-3.0	4.3

1/ Deflated by deflator for gross domestic expenditure.
2/ Revenue and grants, less current expenditure.

P/ Preliminary

Source: Annual Financial Reports.

TABLE 22: ZAMBIA

MONETARY SURVEY
(MILLIONS OF KWACHA, END OF PERIOD)

ITEM	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992
Foreign Assets, Net	-388.0	-682.4	-799.1	-1179.4	-1432.8	-2508.7	-9347.4	-8241.8	-7402.5	-6783.1	1602.7	8640.8	9223.0
Bank Of Zambia	-370.6	-707.9	-729.2	-1166.3	-1397.3	-2267.5	-9557.5	-8696.1	-8312.9	-9378.9	-3372.8	-351.0	-252.9
Commercial Banks	-17.4	25.5	-69.9	-13.1	-35.5	-241.2	210.1	454.3	910.4	2595.8	4975.5	8991.8	9475.9
Claims On Government, Net	1354.4	1494.5	1983.3	2088.5	2287.2	2726.4	3489.1	3799.4	5308.0	6655.5	5599.6	26320.5	31891.4
Bank Of Zambia	1111.8	1397.9	1662.0	1824.5	1894.4	1961.9	2227.2	1551.3	2960.7	3813.5	2565.7	15270.3	14951.6
Commercial Banks	242.6	96.6	321.3	264.0	392.8	764.5	1261.9	2248.1	2347.3	2842.0	3033.9	11050.2	16939.8
Claims On Private Sector	505.3	765.2	905.4	1032.5	1201.8	1320.5	1885.3	2474.8	4278.0	8696.2	15456.9	26443.5	29834.3
Bank Of Zambia	61.9	61.9	160.5	165.5	165.5	165.5	160.5	160.5	40.1	10.7	2167.0	4230.8	5103.9
Commercial Banks	443.4	703.3	744.9	867.0	1036.3	1155.0	1724.8	2314.3	4237.9	8685.5	13289.9	22212.7	24730.4
Assets = Liabilities	1472.1	1577.3	2089.7	1941.6	2056.2	1538.2	-3973.0	-1967.6	2183.5	8568.6	22659.2	61404.8	70948.7
Money Supply	509.3	561.4	682.2	782.6	866.8	1228.7	2301.0	3222.4	5243.0	7950.4	12654.7	22479.6	21833.9
Currency in circulation	174.5	224.2	242.7	273.2	328.9	395.1	672.9	1077.1	1920.8	2673.0	5408.2	10673.3	10069.5
Less Vault Cash in Comm.	-23.5	-34.1	-33.2	-38.4	-43.2	-52.6	-79.5	-102.6	-161.4	-419.3	-685.5	-1366.2	-1141.6
Demand Deposits	358.3	371.3	472.7	547.8	581.1	886.2	1707.6	2247.9	3483.6	5696.7	7932.0	13172.5	12906.0
Quasi-Money	397.7	417.3	626.2	661.6	836.6	875.1	1760.7	3043.2	4883.9	8781.2	11844.7	26000.4	29934.8
Savings Deposits	105.2	131.8	147.0	165.9	200.1	242.1	380.1	657.3	1076.9	1862.3	3193.5	5651.4	6303.3
Time Deposits	282.9	283.2	472.0	492.9	633.7	630.3	1377.9	2383.2	3804.3	6916.1	8648.4	20348.7	23628.7
Prvt.Sector Dep. w/BOZ	9.6	2.3	7.2	2.8	2.8	2.7	2.7	2.7	2.7	2.8	2.8	2.8	2.8
Other Items, Net a/	565.0	598.0	780.5	507.4	332.7	-563.1	-8034.7	-8253.9	-7944.7	-8162.5	-2181.8	12924.7	19168.8
(Payments Arrears)	466.1	512.7	685.3	-	-	-	-	-	-	-	-	-	-
Memorandum Items:													
Domestic Assets b/	1860.0	2259.7	2888.8	3121.0	3489.0	4046.9	5374.4	6274.2	9586.0	15351.7	21056.5	52764.0	61725.7
Claims On Government as % of Domestic Assets	72.8	66.1	68.7	67.0	66.0	67.0	65.0	61.0	55.0	43.0	27.0	50.0	52.0
Broad Money c/	907.1	978.7	1309.2	1444.2	1703.4	2103.8	4061.7	6265.9	10127.2	16731.1	24494.0	48480.0	51766.1

a. other liabilities less other assets of BOZ and commercial banks, i.e., for BOZ: capital and reserves, SDR allocations, other liabilities and commercial bank deposits with BOZ, less other assets and advances to banks; and commercial banks: balances due to BOZ and to other Zambian banks, bills payable and other liabilities, less balances on deposit with BOZ and with other Zambian banks and other assets.
b. Equals net claims on goverment plus claims on private sector.
c. Money and Quasi-money.

.. Not Avaliable

SOURCE: BOZ Quarterly Finacial and Statistical Review, Tables 1(ix)and 1(xiii).

TABLE 23: ZAMBIA

AGRICULTURAL PRODUCER PRICES 1/

(KWACHA)

Harvest Year 2/	Unit	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991
Cereals													
Maize	90kg	11.70	13.50	16.00	18.30	24.50	28.32	55.00	78.00	80.00	108.00	284.20	500.00
Wheat	90kg	20.00	26.00	32.00	35.75	42.50	45.20	86.40	111.00	190.00	225.80	487.00	776.40
Paddy Rice	80kg	18.00	18.60	28.00	40.00	40.00	40.00	55.57	83.00	111.00	168.60	369.50	709.00
Sorghum	90kg	6.00	9.00	9.00	16.00	18.65	26.90	42.75	74.00	76.00	103.30	270.00	577.00
Millet	90kg	6.00	6.00	6.00	29.00	29.50	38.10	56.25	92.00	160.00	197.90	435.00	703.40
Barley	90kg				35.75	42.50	2.30	3.50	5.10	9.00	12.00	48.00	64.00
Cassava	1kg				0.15	0.20							
Oil Expressing Seeds													
Soya Beans	90kg	32.00	36.30	42.21	45.10	52.50	60.90	112.00	181.00	217.50	280.00	577.20	927.30
Sunflower	50kg	16.40	17.60	20.75	21.50	21.50	27.88	41.95	70.00	90.00	162.00	321.40	568.60
Groundnuts (Shelled)	80kg	35.00	46.05	48.00	55.00	71.50	91.67	131.35	162.00	290.00	336.80	682.42	1148.60
Seed Cotton 3/	1kg	0.46	0.46	0.47	0.52	0.58	0.67	0.84	1.60	3.00	3.60	9.70	15.60
Virginia Tobacco 4/	1kg	1.57	1.65	2.40	2.70	2.80	3.45	5.12	6.25	14.00	14.40	60.00	94.50
Sugarcane	MT	13.47	18.00	N/A	N/A	N/A							
Fresh Milk 4/	1 litre	0.23	0.28	0.43	0.47	0.52							
Beef Cattle 5/	head	N/A	251.00	273.00	N/A	N/A							

1/ Guaranteed minimum prices offered by official marketing organisations.
2/ Harvest year refers to the year in which the bulk of the harvest takes place. For example, crops grown in the agricultural year 1980 - 81 are shown against harvest year 1981.
3/ Lusaka Ginnery Hand-Picked Price.
4/ Average Price.
5/ Average Comm. Price for Live Cattle.

SOURCE: CSO, Annual Agricultural Statistical Bulletin.
Digest of statistics and data supplied by Ministry of Agriculture.

TABLE 24: ZAMBIA

MARKETED AGRICULTURAL PRODUCTION 1/
METRIC TONNES

Harvest Year 2/	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991
Cereals												
Maize	335,959	382,266	513,502	531,164	564,087	636,267	1,230,594	1,063,449	1,943,219	1,844,978	1,092,671	1,447,793
Wheat	6,528	9,585	12,843	10,216	11,314	-	30,800	30,200	42,200	44,915	51,751	52,753
Paddy-rice	1,852	2,213	2,896	5,068	5,439	6,280	11,207	8,242	9,352	11,734	9,213	14,039
Oil Expressing Seeds												
Soya Beans	1,295	3,531	3,876	6,898	9,555	10,602	15,906	13,463	21,225	20,578	26,791	60,865
Sunflower	11,919	17,238	21,304	30,465	40,425	25,496	30,577	17,001	15,773	15,033	19,966	23,393
Groundnuts (Shelled)	2,737	2,028	773	1,042	1,158	2,419	18,184	47,426	33,400	30,104	25,086	44,809
Seed Cotton	14,916	22,913	12,786	20,718	43,907	30,254	33,357	20,156	58,530	34,814	30,666	69,152
Sugar Cane	920,000	893,000	-	-	-	-	-	-	-	-	-	-
Virginia Tobacco	4,591	4,127	2,079	2,287	2,489	2,132	3,352	2,900	3,738	2,722	3,366	851
Burley Tobacco	381	554	-	-	497	566	547	651	612	980	1,266	1,308
Roasted Coffee	28	40	-	-	-	-	242	2,536	44	17	49	-
Tea Leaves	314	363	-	-	-	-	468	373	546	-	-	-
Fresh Milk 3/	53,670	55,300	14,283	15,061	17,780	17,357	22,914	22,936	22,550	38,000	9,700	-
Beef Cattle (Head, 000's)												
Total Slaughterings	92.4	100.1	82.9	99.0	106.5	100.0	85.9	81.7	116.0	92.0	108.0	-
Pig Slaughterings	47.9	37.7	31.2	31.5	30.3	18.4	17.3	15.4	18.5	15.0	20.0	-

1. Crop intake by official marketing organisations in Zambia.
2. Harvest Year refers to the year in which the bulk of the harvest takes place. For example, crops grown inthe agricultural year 1980-81 are shown against harvest year 1981.
3/ From 1982 units for milk is 1,000 Lts.Litre is a metric unit of capacity equal to the value of one KG of water at 4 degree C at standard pressure and atmosphor.

SOURCE: CSO, Annual Agricultural Statistical Bulletin, and CSO worksheets.

TABLE 25: ZAMBIA

MINERAL PRODUCTION: OUTPUT AND VALUE

	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990
Copper											
Blister	2.3	0.1	..	..	..	..	..	..	..	..	..
Electrolytic	607.2	560.0	584.5	576.1	523.3	479.9	459.7	483.1	422.2	450.8	426.2
Zinc	32.7	33.3	38.5	37.8	29.2	22.8	22.5	21.0	20.2	12.9	10.6
Lead	10.0	9.9	14.7	14.6	8.8	8.8	6.6	8.0	6.1	3.8	3.9
Coal	579.1	507.3	603.9	453.0	511.0	511.0	557.0	463.0	524.0	395.0	330.0
Cobalt	3.3	2.6	2.4	2.4	3.5	4.6	4.3	4.5	5.1	4.5	4.6
Copper											
Blister	3.8	0.2	0.1	..	..	..	..	..	..	..	..
Electrolytic	951.6	781.3	716.7	876.2	1224.7	2090.6	4836.3	6870.4	7616.8	15019.3	35183.4
Zinc	16.8	23.5	27.6	36.2	49.4	54.7	130.7	148.0	192.8	232.9	486.9
Lead	6.1	5.4	6.0	6.2	5.9	10.1	19.3	37.9	32.7	34.1	92.0
Coal	17.5	17.0	22.3	17.8	28.0	85.4	111.7	139.3	171.2	366.9	188.5
Cobalt	141.7	91.8	45.3	34.9	123.1	455.3	479.8	555.5	956.8	957.0	2318.1
Other	41.1	40.8	37.0	..	..	..	..	..	..	..	..
TOTAL	1178.6	960.0	855.0	971.3	1431.1	2696.1	5577.8	7751.1	8970.3	16610.2	38268.9

.. = Negligible.

SOURCE: C.S.O. Monthly Digest of Statistics.

TABLE 26: ZAMBIA

INDEX OF INDUSTRIAL PRODUCTION
(1980 = 100)

	Weight	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991
Mining	550.0	100.0	91.2	94.4	92.7	89.5	86.8	85.6	83.6	80.6	82.6	79.0	72.0
Coal	13.0	100.0	87.6	104.3	78.2	88.2	88.2	96.2	80.1	82.9	68.2	65.1	65.4
Non-ferous Ore	536.0	100.0	91.3	94.2	93.0	89.5	86.8	85.3	83.7	80.6	82.8	79.2	72.0
Stone Quarrying	1.0	100.0	77.5	83.6	81.4	87.5	80.5	84.3	69.6	78.5	162.4	126.4	142.1
Manufacturing	391.0	100.0	107.1	102.9	109.8	108.6	115.0	110.9	112.5	118.9	118.4	125.1	120.1
Food Beverage & Tobacco	106.0	100.0	106.6	104.8	117.3	112.0	117.9	108.3	109.6	113.2	107.9	126.1	127.1
Textiles & Clothing	78.0	100.0	119.6	117.5	126.7	134.6	166.9	145.7	120.4	147.1	155.5	159.6	141.3
Wood & Wood Products	19.0	100.0	99.3	94.1	77.7	65.3	73.3	66.1	69.8	74.9	83.6	101.0	101.7
Paper & Paper Products	22.0	100.0	118.1	125.2	137.3	133.4	122.7	125.9	197.0	191.9	146.3	137.2	133.3
Chemicals, Rubber & Plastic	65.0	100.0	100.9	86.2	102.1	96.6	90.1	100.8	103.3	108.0	108.0	109.7	104.6
Non-Metallic Mineral Prod.	19.0	100.0	101.1	100.2	96.3	79.5	90.9	100.2	126.3	119.7	124.4	163.4	156.5
Basic Metals Industries	9.0	100.0	90.7	79.8	80.5	81.5	96.6	90.3	91.9	91.9	66.9	53.2	53.3
Metal Products & Ores	71.0	100.0	102.4	98.4	94.3	101.3	93.7	98.6	99.9	98.6	108.5	101.7	100.5
Electricity	59.0	100.0	106.2	114.7	109.2	106.3	109.1	106.4	91.3	90.7	73.1	84.3	94.2
Total Index	1000.0	100.0	98.3	98.9	100.3	98.0	99.1	96.7	95.3	96.2	96.1	97.4	92.2

SOURCE: C.S.O. Monthly Digest of Statistics.

TABLE 27: ZAMBIA

VALUE ADDED IN MANUFACTURING BY SUBSECTOR

(In Millions of 1970 Prices)

	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981
Food Manufacturing, Beverages and Tobacco	68.4	74.1	87.3	79.5	70.0	80.1	74.8	68.4	76.2	83.0	80.4	91.2
Textile & Wearing Apparel	11.1	9.4	12.2	14.2	16.8	16.0	16.6	14.3	23.3	24.6	28.1	31.6
Wood & Wood Products	5.6	5.3	4.8	6.2	9.4	6.4	4.4	5.0	4.3	4.3	4.6	6.2
Paper & Paper Products, Printing and Publishing	5.6	5.1	5.0	5.5	5.2	5.7	4.6	5.1	5.7	4.4	4.0	3.8
Rubber, Chemicals, Petroleum & Plastic Products	11.2	16.8	17.4	23.5	25.3	24.5	25.1	25.9	20.3	20.1	18.0	20.7
Non-Metalic Mineral Products	9.2	9.8	10.3	9.2	9.8	7.0	6.1	5.8	12.6	12.0	8.6	10.3
Basic & Fabricated Metals, Machinery & Equipment	17.7	23.4	25.3	26.9	31.1	23.2	19.7	16.3	16.8	14.2	18.8	15.8
Other Manufacturing	0.3	0.4	0.4	0.4	0.7	0.7	0.6	0.6	0.4	0.4	0.4	0.4
TOTAL	129.1	144.3	162.7	165.4	168.3	163.6	151.9	141.4	159.6	163.0	162.9	180.0.

SOURCE: Monthly Digest of Statistics and figures supplied by C.S.O.

TABLE 28: ZAMBIA

CONSUMER PRICE INDEXES, LOW AND HIGH INCOME GROUPS, 1970 AND 1977-91
(1985 = 100)

ITEM	Weight	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991
Low Income Urban															
Food, Beverages & Tobacco	68.0	31.4	34.2	39.1	44.9	51.2	61.0	73.3	100.0	149.8	216.7	342.9	792.6	1666.3	3182.3
Clothing, Footwear & Accessories	9.9	37.1	43.5	46.9	50.0	54.9	60.6	69.9	100.0	153.4	244.3	417.0	846.7	1839.0	3078.8
Rent, Fuel & Lighting	10.6	45.9	47.3	48.9	53.1	54.9	60.3	79.6	100.0	130.1	147.6	209.4	384.4	841.2	2789.5
Furniture and Household Goods	4.4	21.3	24.2	25.7	32.4	27.1	53.9	68.1	100.0	204.2	320.5	397.1	979.1	1911.2	3739.6
Other Goods and Services	7.1	33.0	36.1	39.3	41.3	47.0	57.0	68.0	100.0	162.2	226.8	333.6	835.9	1915.2	5584.6
All Items	100.0	32.3	35.4	39.5	45.1	50.7	60.1	72.8	100.0	154.0	224.3	346.9	793.5	1674.4	3224.9
High Income Urban															
Food, Beverage & Tobacco	36.0	30.7	32.8	37.1	43.3	51.9	61.8	72.6	100.0	154.5	250.5	406.9	961.7	1912.2	3620.4
Clothing, Footwear & Accessories	9.8	33.6	40.6	45.4	48.8	53.0	58.7	69.4	100.0	150.9	234.4	392.6	778.5	1636.7	3236.7
Rent, Fuel & Lighting	19.5	50.7	53.2	58.9	60.2	62.2	69.3	91.9	100.0	145.2	211.8	227.4	246.8	389.6	1031.3
Furniture and Household Goods	7.9	26.5	30.0	31.7	32.3	44.0	57.1	68.4	100.0	181.3	322.8	438.2	1033.9	1929.1	3809.5
Medical Care & Health Services	1.5	42.3	45.0	53.5	58.4	61.5	72.5	80.8	100.0	179.4	309.0	424.4	783.6	1612.0	2946.2
Transport & Communications	13.7	33.3	38.7	44.7	46.7	53.1	64.7	65.5	100.0	173.5	234.4	318.3	834.2	1728.3	3972.8
Recreation, Entertainment & Education	6.3	35.2	43.0	47.0	51.0	53.7	63.7	77.0	100.0	161.4	227.5	317.2	752.6	1484.3	2913.4
Other Goods and Services	5.3	32.7	36.0	39.5	41.6	49.0	60.6	72.9	100.0	160.7	243.0	413.6	853.2	1972.2	3596.3
All Items	100.0	34.2	38.0	42.4	46.8	53.0	62.7	75.3	100.0	160.1	250.3	375.8	847.0	1695.2	3366.1

SOURCE: C.S.O. Monthly Digest of Statistics.

TABLE 29: ZAMBIA

. COPPER PRICES, LONDON METAL EXCHANGE, CASH, WIREBARS

	Current Prices		Constant	Copper Terms Of Trade (1970-74 = 100)		
Year/Period	US$/MT	US Cent/Lb.	1982 Prices US Cent/Lb.	Current Price Index	MUV Index 1/	Terms of Trade
1950-54 Av.	633	29	109	43	..	..
1955-59 Av.	736	33	116	49	65	76
1960-64 Av.	714	32	109	48	67	71
1965-69 Av.	1,333	60	194	90	71	126
1970	1,413	64	190	96	77	124
1971	1,080	49	134	73	84	87
1972	1,071	49	122	73	92	79
1973	1,786	81	169	121	110	110
1974	2,059	93	155	139	137	101
1970-74 Av.	1,482	67	154	100	100	100
1975	1,237	56	82	84	156	54
1976	1,401	64	92	96	159	60
1977	1,309	59	79	88	172	51
1978	1,365	62	70	93	203	46
1979	1,985	90	91	134	227	59
1975-79 Av.	1,459	66	83	99	183	54
1980	2,182	99	92	148	246	60
1981	1,742	79	77	118	234	50
1982	1,480	67	67	100	229	44
1983	1,591	72	74	107	222	48
1984	1,377	63	65	94	221	43
1980-84 Av.	1,674	76	75	113	230	49
1985	1,417	64	66	96	222	43
1986	1,374	62	54	93	262	35
1987	1,783	81	64	121	288	42
1988	2,602	118	87	176	309	57
1989	2,848	129	96	193	307	63
1985-1989 Av.	2,005	91	73	136	278	49
1990	2,662	121	86	181	324	56
1991	2,339	106	73	158	331	48
1990-1991 Av.	2,501	114	80	169	328	52

1/ Manufacturers Unit Value (MUV) Index is based on c.i.f value of industrial countries' exports to developing countries.

SOURCE: World Bank: Commodity Trade and Price Trends.

ZAMBIA

COUNTRY PROGRAM STRATEGIC PLAN

FY 1993 - 1997

ANNEX F

Land Tenure Issues and Analytical Summary

JUNE 1993

143

ANNEX F

LAND TENURE[1]

The Zambian land tenure system is complex and has not kept pace with the recent demands on the economy. Most land falls under customary land tenure, under the auspices of local chiefs and is known as "reserve and trust lands." The remaining land falls under a statutory tenure system and is known as "state lands." State land under a leasehold property system makes up 6 percent of the total land of the country, comprising some of the highest quality land available.

Of Zambia's 75 million hectares (ha), approximately 16 million are considered suitable for livestock grazing, and 9 million hectares are classified as arable with good potential for crop cultivation. However, only 1.3 million ha are currently under crop cultivation (14 percent of the nation's arable land). Almost all of the highest quality arable land (1.4 million ha) is currently concentrated in already densely populated areas and generally in the state sector. It is estimated that as much as 40 percent of the potentially arable land in the commercial farming sector is underutilized.

Zambia's area of cropped land has witnessed an extremely high rate of expansion since the 1970's. Since the 1970's increased agricultural production has occurred as a result of opening up new lands. The cropped area has expanded at a rate of about 12 percent per annum, resulting in a doubling of crop area every 6 years.

While intensification of crop production will be a central strategy in the long term to increasing agricultural productivity, the greatest increase in output will likely come from crop area expansion over the next 10-15 years.

However, such a rapid rate of growth in output raises important questions about the sustained preservation of land reserves for forests, parks and wildlife; environmental concerns of deforestation, and declines in soil and water quality; and whether the land tenure system is efficiently and clearly delineating and enforcing property rights. With regard to the latter, is the customary land tenure system facilitating or constraining agricultural development? How are customary systems and statutory tenure adapting to the agrarian transformation? Is tenure security under indigenous tenure weakening? Is the current leasehold system properly performing its role of clearly adjudicating, recording and guaranteeing rights, or instead is it causing unacceptable levels of disputes and displacement of rights under the customary system? Are indigenous systems and statutory systems in conflict or mutually reinforcing? Is tenure insecurity under either system, adversely limiting investment incentives and credit access?

A. Tenure on State Lands

The framework for the administration of state lands for commercial farming is the Agricultural Lands Act of 1960 (CAP. 292). The Act provided for the establishment of an

---

[1] This draws from Michael Roth, "Land Tenure, Agrarian Expansion, and Credit Demand in Zambia: A Proposed Action Plan for USAID Assistance," June 6, 1993.

144

Agricultural Lands Board, appointed by the Minister of Lands and Natural Resources and prescribes its composition, membership, powers and functions. It also provides for the alienation of agricultural land, preparation of schemes, application process for allotted land, criteria for reviewing applications, duration of lease, rents and conditions of use. It further provides for the development of tenant farming schemes, including scheme creation, conditions for terminating residency, and regulations.

The Act is framed to carry forward, and deal with, fee simple titles and leaseholds in State Land from previous registrations. New allotments to applicants are decided upon by the Land Board, and if approved, alienated by the President to the lessee for a duration of 30 years. Every lessee is required to take up personal residence on the holding within 6 months of the commencement of the lease, or as otherwise agreed by the board. Use conditions are specified, including annual cultivation of some portion of the plot, maintenance of stock, or development of dipping/spraying facilities, paddock fencing and water supplies as considered adequate by the Board. The lessee while allowed to use timber from the holding for own farming or domestic purposes, is prohibited from selling or removing any timber without the President's consent. A lessee was not entitled to assign, sublet, mortgage, charge, encumber, enter into a partnership, or part in any way with the holding without the prior consent of the President. New leases of scheduled State Lands must be approved by the Board, which is to consider general policy directions from the Minister. Once an allotment is made and a rent level set by the Board, the lease is executed by the President in whom the title is vested. This authority has been delegated to the Commissioner for Lands.

The Land (Conversion of Titles) Act of 1975 (CAP 289) vested all land in Zambia in the President on behalf of the people for the conversion of titles to land. The Act converted any fee simple titles or leaseholds still in effect at the time of the Act to leaseholds not exceeding 100 years. Upon expiry, a lease may be extended for a further 100 years or less as the President may see fit. Lessees are not entitled to assign, sublet, mortgage, charge, encumber, or part in any way with the holding without the prior consent of the President. However, in fixing prices, the President must disregard any value of land apart from the unexhausted improvements thereon. Thus, idle land without improvements cannot have value, and the benefits of investments in land accrue to the leaseholder, but not the value of the land created by location or presence of public investment. Mortgages on land are possible, but only on the value of unexhausted improvements on the land.

Under these two Acts, there are in effect two systems of review and control of leases and leasehold transactions: State Land "scheduled" under the Agricultural Lands Act; and other State Land. In the first case, any leasing of land must first be approved by the Agricultural Lands Board, then referred to the Commissioner of Lands. As regards State Lands not scheduled under the Agricultural Act, the Board has no role.

Improvements on the leasehold must be valued to comply with the legal requirement that compensation be paid only on the basis of exhausted improvements in the land, not the land itself.

145

The Lands and Deeds Registry Act of 1914 (CAP 287) provides for the registration of documents, the issue of Provisional Certificates of Title and Certificates of Title, and to the transfer and transmission of registered land.

Before any Title Certificate (provisional or final) may be issued, the applicant must submit a survey diagram which complies with the requirements of the Land Survey Act of 1960. The Act makes comprehensive provisions for the registration and licensing of land surveyors and provides for the manner in which land surveys shall be carried out.

The Act imposes high and rigorous standards of ground survey. The Land Survey Division of the Ministry of Lands, with severely limited staff for meeting these standards, is badly behind in survey work. Currently, the MOL has a backlog of roughly 30,000 applications in various stages of process. To avoid long delays in the issuance of title certificates, the Survey Division and the Registry have adopted a policy of accepting, for registration, leases of up to 14 years if accompanied by an adequate sketch plan (thereby sidestepping the rigorous standards of fixed-boundary survey). Once a Land Survey Act survey is conducted, the 14 year lease is surrendered, a 99 year lease is granted, covered by a final Certificate of Title.

These procedures, involving six different sections in three different Ministries are far more complex than can be justified.

B. Reserve and Trust Land Administration

The administration of Reserve Land is governed by the Zambia (State Land and Reserves) Orders, 1928 to 1964. Under these Orders, the land in the Reserves is set apart for the sole and exclusive use of the indigenous people of Zambia. This provision is intended to protect the villagers and their customary rights to land. The President can make grants or dispositions of land to Zambians and District Councils for periods of up to 99 years.

The administration of Trust Land is governed by the Zambia (Trust Land) Orders, 1947 to 1964. The President can grant a Right of Occupance of up to 99 years to a non-Zambian and demand rent for the use of the land. While Zambians and District Councils can own title, non-Zambians are also allowed provided that they qualify as investors or are approved by the President as provided under the Land (Conversion of Titles)(Amendment)(No.2) Act of 1985.

C. Demand for Leasehold Properties

Despite intentions to increase the number of leaseholds nationwide, the number of titles has plateaued in recent years. The number of new title issuances ranged from 1,491 to 1,757 between 1990 and 1992. It is not expected that the supply of new titles would increase substantially from these levels due to capacity constraints. Assignments or transfers of existing leases have also been steadily increasing, from 845 in 1990 to 1,242 in 1992.

146

At present, there are somewhere between 70,000 to 100,000 titles issued nationwide. Most of these are reisdential properties, but a large number of are agricultural properties, mainly registrations by "emerging" and "medium-scale" farmers. During the first 5 months of 1993, a total of 2,486 applications for title were made to the District Councils. Of this total, 58% were for residential property, 33% for agricultural property, 7% for commercial and industrial property, and 0.5% other. Of the agricultural leasehold applications, over 71% of the applications originated in the District Councils located in the urban and peri-urban settings of Lusaka and Copperbelt Provinces.

D. Potential Leasehold Demand

Besides the 1,750 or so issues issued annually by the Government, the MOL estimates that it has a current backlog of 30,000 applications in various stages of progress. Applications are currently coming in at a rate of 6,000 per annum. In addition the MOL foresees a large increase in the demand for title coming from various known sources: 17,658 new registrations of small-scale and medium-scale farms on planned farmlands (730,350 ha) mainly along the Tazara corridor; 6,210 cases of pending titles in settlement schemes on 338,700 ha; and 1,020 titles on an area of 59,390 ha associated with land demarcation surveys done in 1992. Another 18,000 titles are envisioned associated with the survey and settlement of smallholders on parastatal farms

E. Factors Influencing Demand for Title

The large demand for title in Zambia today can be attributed to two reasons: the demand of the leaseholder for enhanced tenure security for investment; and the greater security afforded to lenders of capital from title as collateral.

Very little rigorous empirical work has been done on the issue of tenure security in Zambia. Examples are reported, however, of people being unwilling to invest in the land because of concerns that the Chief will reallocate or sell the land of a current holder to another. Inheritancy law under the indigenous system also appears to confer tenure insecurity in that the landholder does not have assurance that land or property can be passed onto kin. The steep investments required to open new lands--land clearing, boreholes, fencing, and buildings for livestock and place of residence--increase the felt need for title to increase security of rights.

There is also no doubt that perceptions of title being needed to gain access to credit has been an important factor driving demand for leaseholds. Banks feel that land title is a strong form of guarantee, and that a strong land market enables easy liquidation of foreclosed property, thereby reducing lending costs. These structural developments in the financial market have fundamental and important implications for the future demand for title.

Should the pace of title issuances outpace the growth in credit supply, future credit access will depend heavily on three factors: title ownership, farm size, and non-farm incomes or other forms of collateral that Banks might use as a guarantee. Larger farms with title and other sources of capital will continue to get credit. But small "emerging"

147

farmers will be squeezed on the one hand by tenure insecurity from lack of title (due to administrative bottlenecks), and on the other by lack of capital that is necessary to undertake the land improvements to make farming profitable.

F. Land Tenure Reforms

The MMD Government through its Manifesto has called for the following reforms in land policy. "The MMD shall institutionalize a modern, coherent, simplified and relevant land law code intended to ensure the fundamental right to private ownership of land ..." To this end the government "will address itself to the following fundamental land issues. A review of the Land (Conversion of Titles) Acts of 1975 and 1985, the Trust Lands and Reserves Orders-in-Council Acts of 1928-47, the Land Survey Act, and the Town and Country Planning Act, in order to bring about a more efficient and equitable system of tenure conversion and land allocation in customary lands, land adjudication legislation will be enacted and be coordinated in such a way that confidence shall be restored in land investors; the land planning system and related legislation shall evolve such land strategy as not only to merge reserve and trust lands, but also to meet varied development needs in the country. The MMD in government will attach economic value to undeveloped lands, encourage private real estate agency business, promote the regular issuance of title deeds to productive land owners in both rural and urban areas, and clear the backlog of cadastral surveys and mapping."

The Ministry has already drafted proposals to the Land Act and the Lands and Deeds Registry Act. As English Land Law of 1911 is still the basis for much of the land legislation in Zambia today, there is a fundamental need to update and modernize the land legislation. Also there is a need to instill greater harmony in the laws to remove inconsistencies, and to create a more unified body of legislation. What remains to be done, according to the MOL, is the drafting of the new land laws after existing laws have been reviewed, and most importantly to see through their implementation in the next 5-6 years. The following are indicative changes that reflect some of the more important required land tenure reforms.

1. Zambia (State Land and Reserves) Orders, 1928 to 1964. This Act as currently written suffers from at least three deficiencies. First, while it addresses the role of Chiefs and District Councils, and the conversion of land into leasehold property, it administratively ignores the land rights of natives and non-natives to customary lands outside of leased land. Second, the term "native" is ambiguous and difficult to argue in a court of law. Third, restrictions limiting leasehold property of charitable organizations to 33 years and "non-natives" to 5 years of occupancy does not provide sufficient duration for long-term investments or long-term planning. The central issue that Government must address is whether it wishes to control the size of farms, particularly if the land reforms in Zimbabwe and South Africa move forward and result in white Zimbabweans and South Africans visiting Zambia to acquire land under current policies aimed at attracting foreign investment.

2. Land (Conversion of Titles) Act of 1975. As currently stands, the State

148

Land and Reserves Orders governs the tenure on Reserves and Trust Land while the Conversion of Titles Act governs the tenure on State Land. The Conversion of Titles Act is based on English law that the English saw fit to simplify in 1925. There is need to both modernize this legislation, and create one comprehensive Act dealing with State, Reserves and Trust Land. Several specific changes are also in order. First, greater attention needs to be given to issues of dispute resolution; as it now stands, disputes can only be taken to the high court creating administrative bottlenecks. Consideration might be given to a system of land tribunals or land boards to decentralize dispute resolution. Second, provisions preventing the valuing of land (i.e. permitting value to be charged on only the unexhausted value of improvements) need to be revised to permit market determination of land prices for determining "fair" and "just" compensation and for setting of lease rents. Third, any restrictions on land transfers need to be thoroughly reviewed to reduce transactions costs. Fourth, a term lease of 99 years is usually quite sufficient for long-term tenure security as long as use conditions are unattached to the lease.

3. Land Registry Act and Survey Act. The current legislation lays out rigorous survey standards for preparing maps for leases. Attention is currently being given to consideration of new technologies (general boundaries surveys approach, modern computer and satellite linking equipment) to reduce surveying costs and to speed surveying time. First, legislation will need to be updated to accommodate these new technologies. Second, the problem of the 14 year leasehold will need to be addressed. Either the relaxed survey requirements need to be provided for in the legislation (i.e. permitting simpler sketch maps), or be eliminated to unify leaseholds around a standard 99 year lease. While created to alleviate surveying bottlenecks, the 14 year lease results in a more rapid turnover of leases, imposing greater burdens on record processing.

4. The Land Acquisition Act. The sweeping powers granted to the President should be reduced, and the rights of landholders clarified and strengthened to reduce the abuses associated with land expropriation (and on the basis of "unreasonably" low compensation) that occurred in the past.

5. Town and Country Planning Act. This Act was not reviewed, but officials feel that greater power needs to be given to the land use department in planning rural areas, and greater thought needs to be given to the establishment of tax rates by the rural councils.

G. Assessment

The Government's proposal to liberalize the land market and to significantly expand the supply of leaseholds in the country is sound policy. Leasehold tenure of 99 years, while less satisfactory than freehold tenure, is adequate security to encourage long-term investment, and is generally acceptable security for loans.

149

In areas with higher population densities and a better developed transportation network, the customary tenure system does not appear to be providing the tenure security necessary for long-term investment. Customary systems seemed to have weakened out of 3 causes: (1) rising land values, increased competition for land, and increased rent-seeking by Chiefs and others controlling land allocation; (2) without clearly defined long-term land use and testacy rights, there is little incentive to make long-term improvements; and (3) increased central government control and reduced powers of local leaders have resulted in a rapid expansion of the cultivated land base, placing at risk common property resources such as grazing lands, forests and wildlife.

While the extension of leasehold tenure is appropriate for these situations, the Government will need to deal seriously with customary rights to land outside of leasehold areas, and to consider very carefully how to minimize problems of overlapping rights and conflicts between customary and leasehold tenure that inevitably will occur at some point as leasehold tenure rapidly expands. Customary systems in many if not most rural areas are generally superior in ensuring a subsistence livelihood to all individuals, and an equitable land distribution. But in practical terms, even with massive investments in leasehold registration, Government's long-term targets call for the registration of only 20% of the nation's land area. The Government has no other recourse but to design a strategy for strengthening the ability of the customary system to govern the remaining lands.

While the State Lands will continue to constitute a strong focus for programs aimed at intensification, the long-term future of Zambian agriculture lies in the far more extensive Trust and Reserves lands. Here the most fundamental tenure issues remain unresolved and any resolution will need to go hand in hand with the major public investments required for the extension of infrastructure, facilities, and market access to these areas. The real challenge lies in planning the effective development of these lands. Land use planning to date has been minimal. Surveys, land use surveys, community and regional development plans along with field research on land use patterns, management practices, market access, and land tenure are needed. In addition, Government will need a stronger revenue base to provide the infrastructure necessary to open up rural areas, and to plan the development of new agricultural lands. Roads, schools, clinics and utilities will be needed to either encourage urban dwellers to move to more remote areas, or to keep settlers on the land. To provide these funds, the government proposes the establishment of Land Development Fund to support such infrastructure, regional planning, and opening new lands. The funds would be derived from economic ground rents charged on leasehold property. Much more thought needs to be given to such issues as a variegated structure of land taxes/rents nationwide, to valuation of property, and to fiscal management.

H. Land Tenure Reform

This activity is aimed at carrying out the indicative legal reforms proposed in section F above. Reforms in land tenure legislation are considered a very high priority by Government. It is very difficult to see how the various programs aimed at increasing private sector development, increasing private and foreign investment, or increasing the capitalization of the farm and non-farm sectors can proceed without fundamental revisions in the land tenure Acts, specifically the Zambia (State Land and Reserves) Orders, 1928 to

1964, Land (Conversion of Titles) Act of 1975, Land Registry Act and Survey Act, the Land Acquisition Act, and the Town and Country Planning Act.

There are several program options available to the Mission in assisting the GRZ to carry forward with land tenure reform. These include:

1. The existing land legislation should be comprehensively reviewed with the overall aim of simplifying the legislation, achieving a more unified body of legislation, and identifying fundamental changes necessary to facilitate the development of the land market.

2. The National Land Tenure Conference to be held June 24-26, 1993, and its synthesis, will hopefully provide some direction and consensus on the land policy and legal changes to be undertaken. A second Conference or workshop is envisioned at some point in the future (e.g. 2-3 years) to present legal changes and draft legislation.

3. Some body (e.g., a land tenure reform commission) will need to be appointed to oversee the review and drafting of the legal legislation. Specific responsibilities for drafting of specific Acts may be assigned to sub-working groups (e.g., one group working with a general land Act, a second group working with the Land Survey and Registration Act, etc.).

4. The fact that Zambia has been guided by socialist principles since 1975 and is only now beginning to start the transition to a market economy, suggests the need to provide members of the commission and legal experts with comparative experience on the development of land legislation, and the experiences that countries have had with their land policies. Two options come to mind:

    - Mission funding for Zambians to visit the University of Wisconsin in Madison (and elsewhere in the U.S.) for periods of 2-6 months to use the LTC's library facilities (arguably the best collection on land tenure and land policy in the world) and to interact with faculty on various aspects of the land policy.

    - Mission support to enable short-term missions by a select group(s) of Zambians to other countries in the region to review legislative Acts, and to review country experiences with specific aspects of land legislation, land registration, and survey and registry practices. Possibilities include Botswana (particularly with regard to the system of Land Boards used to administer customary tenure), Kenya (land registry, Zimbabwe (land registry and resettlement schemes), and Mozambique which is experiencing problems of resettling the countryside.

5. The process of land tenure reform will need to be complemented by a

program of policy relevant research. The priorities would include:

- Preparation of a Land sub-sector study, possibly in collaboration with the World Bank and Food and Agriculture Organization (FAO). An indicative set of papers might include: (1) legal aspects of land tenure in Zambia; (2) assessment of the institutional structure of land allocation, surveying, land use planning, valuation, and taxation; (3) agrarian structure, land utilization and efficiency; (4) settlement schemes with particular focus on land use efficiency and settler characteristics; (5) taxation with an eye toward the need for revenue generation and the emergence of economic ground rents/property taxes; (6) agricultural research and extension and market access in situations of both settled agriculture and farmers settling on new lands; (7) local governance with an eye toward tax collection/use and land administration; (8) state of rural infrastructure; and (9) financial markets and linkages with the land market. A mission comprised of foreign consultants paired with Zambian counterparts would conduct the studies within a 2-3 month time with the emphasis on assimilating and synthesizing available studies and information, with some rapid reconnaissance field research. Such studies should identify research and policy areas where further work is needed, and identify specific policy recommendations to complement the work underway on land tenure reform.

- More intensive research and monitoring, using formal survey and reconnaissance approaches, will also be needed. There is little understanding at present of rates of land utilization by new settlers; the extent to which settlers are staying on the land; scope and dimensions of tenure security; operation of rural and urban land markets; land use practices, especially on newly opened lands; registration impacts on investment and productivity, etc. Specific research topics should be identified by the land tenure assessment.

152

ZAMBIA

COUNTRY PROGRAM STRATEGIC PLAN

FY 1993 - 1997

ANNEX G

Government of the Republic of Zambia Request for Assistance: Letter from GRZ Minister of Foreign Affairs to USG Assistant Secretary of State for Africa dated May 31, 1993

JUNE 1993

159

MINISTER OF FOREIGN AFFAIRS
P.O. BOX 50069
LUSAKA

31st May, 1993

File

Honourable George E, Moose,
Assistant Secretary of State for African Affairs,
The State Department,
WASHINGTON D.C.
U.S.A.

Dear Mr. Moose,

re: US ASSISTANCE TO ZAMBIA

In the first instance I wanted to let you know how much the Government of Zambia appreciates the efforts of the Government of the United States of America to assist Zambia in the achievement of its aspirations in the fields of democratisation, economic growth and human resource development.

My Government is particularly appreciative of the fact that the assistance programme of your Government in Zambia - while currently still modest at about US $20 million per year - has been growing from a level of US $7 million in 1991. We recognise that this growth in US assistance has been in response to Zambia's performance in the area of economic recovery, democratisation and human rights. My Government also appreciates the favourable composition of US assistance.

USAID's support for project activities in human resources development, privatisation and governance are examples of the high quality of support which USAID is providing to Zambia and to the close correspondence between Zambian priorities and those of your Government.

I also wish to point out the extraordinary leadership role which USAID played during last year's drought when it took the lead in assisting the Government of Zambia in mobilising technical and financial assistance for combating the effects of the drought. The latter reflected a remarkable example of donor co-ordination for which USAID deserves praise. USAID has also supported commendable programmes for the elaboration of maize marketing policies.

As to the provision of balance-of-payments' support, its particular form has been exemplary as it came in the form of payments to help us settle debt service obligations to the World Bank (1991) and to the IMF (1992). This has, indeed, been a most effective way of providing BOP assistance which we have been holding as an example to other donors.

/2....

Finally, the action of the US Government to provide us with debt relief by writing off in three tranches an amount of US $175 million in development cooperation debt has been very helpful as well.

In the light of these positive experiences - which have materially helped with the resolution of our central problems - the Government of Zambia wishes to continue the fruitful development cooperation relationship with your Government during the coming years along similar lines.

As you know, the Government of Zambia is implementing an ambitious Economic Recovery Programme which is receiving significant financial support from the international donor and creditor community. We are currently finalising discussions with the International Monetary Fund on the details of the financial programme for 1993 which we expect to result in a favourable conclusion. Your Government will be informed about these matters during the forthcoming SPA meeting in Washington DC when, I understand, time will be set aside for this purpose. On that occasion, donors will be requested to indicate how Zambia's remaining external financing gap of some US $150 million for 1993 can be filled.

In the light of the foregoing, I thought that there would be merit if I provided you with an indication of how we think the Government of the United States of America could most effectively assist us, both along bilateral and multilateral lines:-

- <u>Level and Composition of Assistance:</u> we would very much hope that it will be possible for your Government to increase its level of development assistance to Zambia to about US $30 - 40 million on an annual basis. Our preference is that the level of project support stays around the present level of US $20 million - with the distribution by sectors as at present - and that the requested increase be allocated in the form of BOP assistance.

- <u>BOP Assistance:</u> The US $10 - 20 million in requested BOP assistance could most effectively be used in calendar 1993 if it could be provided in the form of a contribution to the payment of our debt service obligations to the IMF or World Bank. For 1994, we would hope that your Government could provide possible BOP support in the form of co-financing with the World Bank's US $150 million "Social Sector and Economic Policy Reform Credit". The latter is a BOP Support operation with the conditionalities based upon policy and institutional reform in the social sectors. Such co-financing arrangement would permit us to link the implementation of OUR economic reform programme with progress in social sector services' delivery, thereby reducing the dangers of us executing a "two-speeds" structural adjustment programme.

/3....

155

- External Debt Relief: I understand that Zambia owes the US Government some US $117 million in PL-480 debt which would have been written off in 1991 except that the policies of the Kaunda Government at that time did not provide a basis for doing so. I very much hope that in the course of this year progress can be made in this area. The USA, particularly the EXIM Bank, is also an important overall creditor of Zambia. We recently reached agreement with your Government on the re-scheduling of our external debt obligations in accordance with the enhanced concessions obtained from the Paris Club in July, 1992. However, it is clear that Zambia needs "Better-than Trididad Terms" if it is to be permitted to accelerate its economic growth rate beyond the level of its population increase. For this purpose, we would like to propose that your Government gives consideration to an early reduction in the amount of debt which Zambia owes to the USA as Paris Club debt. On our side, we would be prepared to accept a tranching arrangement which was so successfully applied towards the reduction of our development cooperation debt.

Overall, we feel, Zambia's case for additional debt relief rests on it having to have access to a positive net transfer of resources which would permit the reversal of declining per capita income growth which has occurred during the past 27 years. Over this period, Zambia's status as a Middle-Income country has changed to its recent inclusion in the group of Least-Developed Countries. To achieve an immediate reduction in overall external indebtedness, the Government is making a number of requests to the international donor and creditor community, for which US support would be much appreciated:-

- that the IMF will agree to shortening the conversion period under the Rights' Accumulation Programme, thus permitting the early application of concessional rates of interest on Zambia's outstanding arrears to the Fund;

- that Paris Club Creditors will not wait until March, 1995 with considering debt reduction for Zambia, but rather, that such reduction be applied in annual tranches, starting in 1993, over a five-year period, upon Zambia having demonstrated that it has met the benchmarks under the Rights Accumulation Programme;

- that consideration be given to alleviating the burden of Zambia's indebtedness to the multilateral international financial institutions (World Bank, African Development Bank in particular), inter alia through expanded donor contributions to the Fifth Dimension, also for the African Development Bank.

/4.....

My Government shall be glad to provide additional explanations and clarifications, where required. I very much look forward to meeting you when I visit Washington D.C next week. In the meantime, I send you my warm personal greetings and best wishes.

Yours sincerely,

Vernon J. Mwaanga, MP
MINISTER OF FOREIGN AFFAIRS

c.c. Hon. R.D.S. Penza, MP,
Minister of Finance,
LUSAKA.

c.c. Hon. D. N. Mung'omba, MP,
Deputy Minister,
Ministry of Planning & Development Cooperation,
LUSAKA.

√ c.c. His Excellency Dr. Gordon Streeb,
United States Ambassador to Zambia,
LUSAKA.

BIBLIOGRAPHY

Academy for Educational Development, Assessment of the Primary and Non-Formal Education Sub-Sectors in Zambia, USAID/Zambia, June 1991

Agency for International Development, Regional Development Strategy Statement - FY 1991, Southern Africa, Volume 1, U.S. Agency for International Development, Washington, D. C. 20523, revised March 1989

Agency for International Development, An Action Plan For FY 89 - 91, The Development Fund for Africa,, U.S. Assistance for Africa, May 1989

Agency for International Development, Critical Issues for American Investors in Zambia, Labat-Anderson Incorporated, AID/AFR/ONI, August 1992

Barbiero, Victor K., Ph.D., et al., HPN Sector Assessment - Zambia, John Snow, Inc., AID/REDSO/ESA, May 1991

Boone, Peter, et al, Zambia Private Sector Assessment - Draft Report, Coopers & Lybrand, AID/AFR/ONI, November 1992

Brown, Don, James Chapman, and William Kidrock, Agriculture Sector Analysis and Strategy, Chemonics, AID/R&D/EID, February 1993

Consultative Group for Zambia, Social Action Programme for 1990-93, Republic of Zambia, April 1990

Cownie, David, Elizabeth Blake and Robie Siamwiza, Social and Gender Analysis for USAID/Zambia Country Program Strategic Plan, SIAPAC, USAID/Zambia, January 1993

Culler, Carol, Women in Development Action Plan, USAID/Zambia, December 1992

DeGeorges, Paul Andre, ADMADE, An Evaluation - Today and the Future Policy Issues and Direction, USAID/REDSO, July 1992

Gordon, Edgar, The Macroeconomic Situation and Its Bearing on Future USAID Program Directions, Nathan Associates, AID/R&D/EID, January, 1993

Hyman, Eric L., Robert Strauss, Richard Crayne, A Microenterprise Development Strategy for A.I.D. in Zambia, GEMINI, USAID/Zambia, August 1991

International Bank for Reconstruction and Development & the Government of Zambia, Zambia: Economic and Financial Policy Framework, 1992 - 94, Lusaka, February 1992

International Labour Organisation, ILO Employment Sector Review and Programming Mission to Zambia, ILO Area Office, Lusaka, March-April 1991

International Monetary Fund & the Government of Zambia, Technical Memorandum of Understanding Between the Government of Zambia and the International Monetary Fund, August 1992

Martella, Dave, USAID/Zambia Food Aid Strategy, REDSO/ESA, December 1992

Martella, Dave, USAID/Zambia Local Currency Strategy, REDSO/ESA, December 1992

Planning & Development Cooperation/Office of the President, Public Investment Programme 1993 - 1995, Office of the President, Republic of Zambia, Lusaka, November 1992

Republic of Zambia, Budget Address, Minister of Finance, E.G. Kasonde, M.P., January 1993

Republic of Zambia, National Family Planning Programme, 1992-2000, Ministry of Health

Republic of Zambia, National Health Policies & Strategies (Health Reforms), Planning Unit, Ministry of Health, SIDA, December 1991

Roth, Michael, Land Tenure, Agrarian Expansion, and Credit Demand in Zambia: A Proposed Action Plan for USAID Assistance, Land Tenure Center, University of Wisconsin, June 6, 1993.

Taddesse, Samuel, Program Performance Monitoring and Evaluation Plan, USAID/ZAMBIA, MSI, October 1992

Thompson, Roy, Program MER Plan for USAID/Zambia, REDSO/ESA, January 1993

Thompson, Roy, Establishing a Sustainable Project/Program MER System for USAID/Zambia, REDSO/ESA, November 1992

Tropical Research & Development, Zambia Natural Resources Management Strategy Assessment, Tropical Research & Development, Inc., USAID/Zambia, October 1992

Whalen-Hopwood, Irene, Report on Donor Survey, USAID/Zambia, Lusaka, May 1991

Wortman, Miles, and Graham Lowe, Assessment of Privatization Potential in Zambia, Labat-Anderson Incorporated, AID/AFR/ONI, May 1992

Wunsch, James, Michael Bratton, Peter Kareithi, Democracy and Governance in Zambia: An Assessment and Proposed Strategy, Associates in Rural Development, Inc (ARD) & Management Systems International, Inc (MSI), AID/AFR/ONI, June 1992

15