PN-ABX-251
ISN 97193

AGRICULTURAL POLICY ANALYSIS PROJECT, PHASE II

Under contract to the Agency for International Development, Bureau for Research and Development, Office of Agriculture
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IMPROVING THE EFFECTIVENESS OF AGRICULTURAL POLICY REFORM IN AFRICA: THE CASE OF ZAMBIA

September 1993

APAP II
Collaborative Research
Report No. 359

Prepared for

Agricultural Policy Analysis Project, Phase II (APAP II)

and

USAID/AFR/ARTS/FARA

A.I.D. Contract Nos. DAN-4084-Z-11-8034-00 and LAG-4084-C-00-2044

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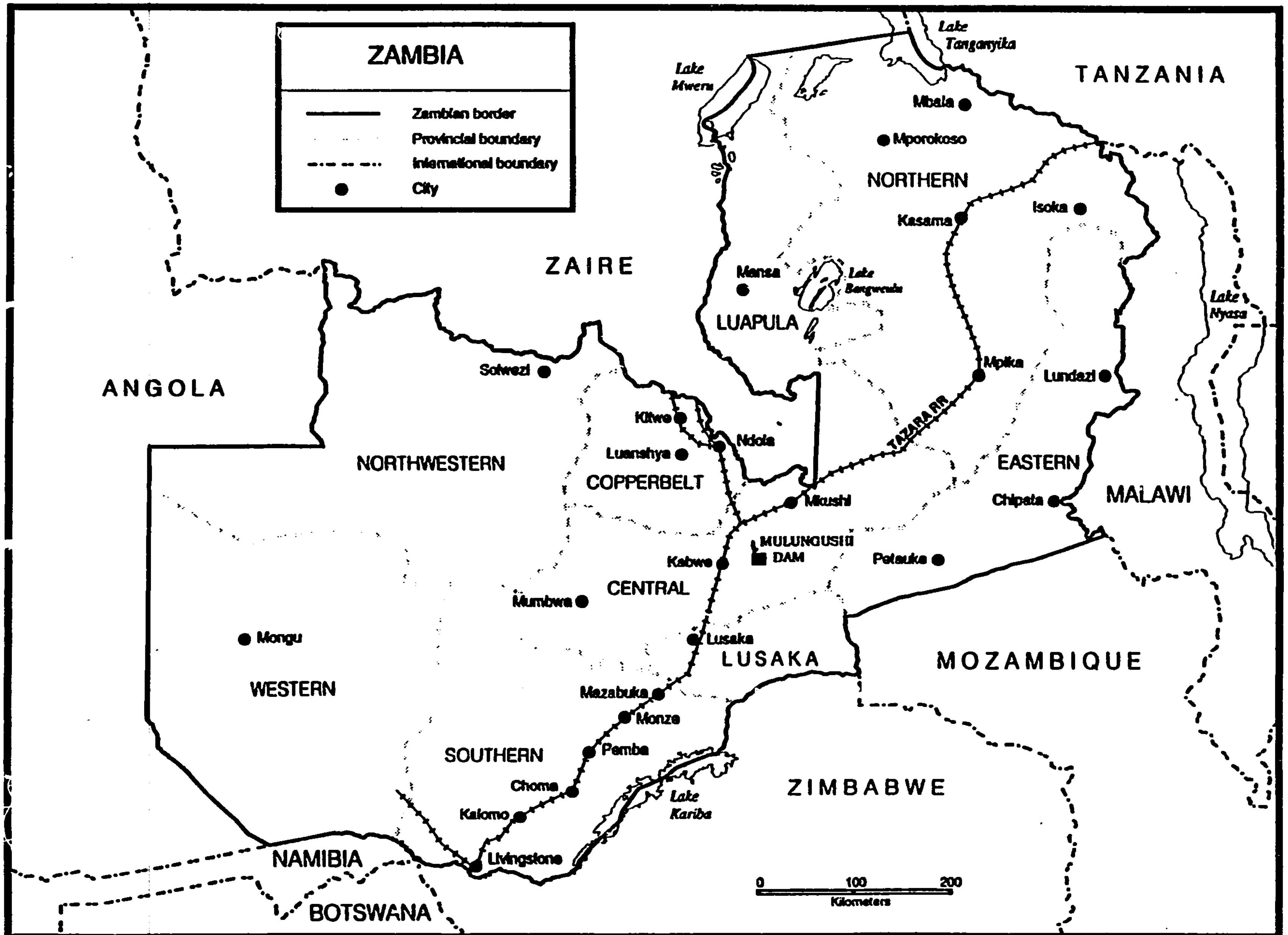
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Zambian border
Provincial boundary
International boundary
City
TANZANIA
Lake Tanganyika
Lake Mweru
Mbala
Mporokoso
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Isoka
Kasama
ZAIRE
Mansa
Lake Bangweulu
LUAPULA
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ANGOLA
Solwezi
Mpika
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Ndola
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LIST OF ACRONYMS

AFR/ARTS/FARA	Bureau for Africa/Office of Analysis, Research, and Technical Support/Division of Food, Agriculture, and Resources Analysis
BOZ	Bank of Zambia
ANC	African National Congress
CIDA	Canadian International Development Agency
CUSA	Cooperative Union Savings Association
DCU	District Cooperative Unions
GNP	Gross National Product
GRZ	Government of the Republic of Zambia
IDA	International Development Association
IMF	International Monetary Fund
MAFF	Ministry of Agriculture Food and Fisheries
MMD	Movement for Multi-party Democracy
MMDP	Maize Market Decontrol Program
NAMBOARD	National Agricultural Marketing Board
NCDP	National Commission for Development Planning
NCZ	Nitrogen Chemicals of Zambia
NERP	New Economic Reform Program
NFU/ZNFU	Zambia National Farmers Unions
PCU	Provincial Cooperative Unions
REDSO/ESA	Regional Economic Support Office/East & Southern Africa
SPCMU	Southern Province Cooperative Marketing Union
USAID	U.S. Agency for International Development
UNIP	United National Independence Party
UPP	United People's Party
ZAMS	Zambia Agribusiness and Management Support
ZAMSEED	Zambia Seed Company
ZATPID	Zambia Agricultural Training, Planning, and Institutional Development Project
ZCF	Zambia Cooperative Federation
ZCCM	Zambia Consolidated Copper Mines
ZIMCO	Zambia Industry and Mining Corporation
ZR	Zambia Railways, Ltd.
ZTCU	Zambian Conference of Trade Unions

ACKNOWLEDGEMENTS

The authors gratefully acknowledge the support and assistance offered by USAID/Lusaka in undertaking this study. Particular thanks are due to Dr. Fred Winch, Mission Director, Dr. Will Whelan, Agricultural Officer, Dr. James Polhemus, Democracy and Governance Officer, Ms. Betty Wilkinson, Private Enterprise Specialist, and Ms. Tu-Hue Mahan, Administrative Assistant. Special thanks are also due to Dr. DavidMartella, REDSO/ESA Evaluation Officer, and Dr. James McKenzie, Ministry of Agriculture, Food and Fisheries.

Two additional notes of thanks are due to Drs. David Schroder, R&D/AGR/APP APAP II Project Officer, and George Gardner AFR/ARTS/FARA, for their constant support and encouragement throughout the preparatory stages of the study. Finally, the authors would like to thank Dr. Catherine Rielly and Mr. Nick Kulibaba of Abt Associates for their comments and editorial assistance. The findings and conclusions are the sole responsibility of the authors.

CHAPTER 1
INTRODUCTION

Agricultural policy in Zambia, from independence in 1964 until 1985, focused upon implementing the sectoral dictates of a command economy whose characteristics included state control of marketing, price policy, and high producer and consumer subsidies. This resulted in a manifestly unsustainable economic system requiring dramatic remedial action within the nation's agricultural sector. Since 1985, agricultural policy reform efforts have reflected the nation's policy reform experience as a whole, careening between an interventionist orientation and a professed commitment to liberalization.

This study seeks to chart the course of these reform efforts as they apply to Zambia's single most important staple, maize. The study uses a political economy approach developed as part of an effort sponsored by A.I.D./AFR/ARTS/FARA, entitled, "Improving the Effectiveness of Policy Reform in Africa." As such, it employs a matrix that examines maize pricing, marketing and input marketing reform, in seeking to determine the role of coalitions and mass political pressure, donor-government interactions, the role of political elites, and the bureaucracy as they affect the sequencing of reforms. For purposes of analysis, the agricultural policy reform process is sequenced within this matrix (see, Figure 1.0) into three phases: initiation/adoption, implementation, and sustainability.

The authors also integrate an accounting of one particular USAID/Zambia assistance effort into this study—the Maize Market Decontrol (611–0229) Program (MMDP) (as amended, September 30, 1992).[1] USAID assumed donor leadership in the agricultural policy sector in 1991, and a knowledge of MMDP is central to any understanding of the dynamics of the maize market reform process within the last five years.

This study begins with a brief presentation of the framework which undergirds this and companion studies. This is followed by an historical overview of the political, macroeconomic and agriculture sectoral context of Zambia up to 1985. It next provides a description of those politically relevant actors who have been central to agricultural policy reform. The study then addresses the reforms introduced as central to Zambia's agricultural liberalization efforts—maize pricing, marketing and input marketing reform—from 1985 to the present. It concludes with some observations regarding the major political interactions that drive the reform program, successful and unsuccessful elements of Zambia's maize marketing reform efforts, and the impact of political change upon reform.

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[1] An earlier USAID effort, the Zambia Agricultural Policy Training, Planning and Institutional Development (ZATPID), in 1990, prepared a document, Evaluation of the Performance of Zambia's Maize Subsector, which laid much of the conceptual groundwork for subsequent liberalization efforts.

1.1 The Analytical Framework Employed in this Study

This study of the political economy of agricultural policy reform in Zambia is part of a larger undertaking supported by A.I.D.'s Africa Bureau (AFR/ARTS/FARA). As part of a comparative study of agricultural structural adjustment reforms, it seeks to provide Missions and government analysts coping with agricultural reform, and/or designing projects and programs to undertake such reforms, with guidance regarding improved analysis during the design phase, and recommendations on assuring that necessary and sufficient conditions are in place to achieve desired policy outcomes.[2]

Undergirding this applied research effort is the growing recognition that economic policy determination and evolution in developing countries is directly affected by political variables and that analysis of economic policy determination "can only be undertaken on the basis of assumptions about the nature of governments."[3] Political decisions affect markets, whose reactions in turn affect political actors. Policy innovation is only the first step in the reform process; the real challenges lie in policy implementation and sustainability. And yet, design and analysis often focus only on winning the approval of the policy regime.[4] This study attempts to remedy this by applying the phased approach to the reform process: initiation/adoption; implementation; and institutionalization/sustainability.

The analytical framework developed for these studies not only seeks to consider the importance of the sequencing of reforms, but also provides a means for examining how economic policy innovations are driven by political interactions which are critical to the implementation and sustained institutionalization of reforms. The critical political interactions are grouped into four broad categories, or themes:

- Coalitions and Mass Political Pressure
- Donor-Government Relations
- Political Elites and Factions
- Bureaucratic Interaction

Each category of political interactions deals with the political behavior of relevant actors as they conceive, design, and implement reforms. In the case of **coalitions and mass political pressure**, for example, the framework seeks to examine the degree to which various

[2] For a comprehensive description of the methodology employed herein and a synthesis of the results of all studies undertaken as part of this exercise, please see the Synthesis volume.

[3] Anne O. Krueger, Political Economy of Policy Reform in Developing Countries, Cambridge: MIT Press, 1993, p. 9.

[4] This argument is lucidly developed in "After the Decision: Implementing Policy Reforms in Developing Countries," by John W. Thomas and Merilee S. Grindle (World Development, Vol. 18, No. 8, 1990) pp. 1163-1181.

stakeholders—either from political parties, particular social classes, ethnic groups, or the public at large—participate in the reform process. Is participation specific or diffuse? Are responses based on perceptions of winning or losing, and how does this translate into support or opposition? Does everyone understand the political nature of trade-offs?

Donor-government relations are especially important interactions when examining structural adjustment issues. Here, the framework seeks answers to some of the following questions:

Did the donors or the government make stakeholder analyses in advance of proposing reforms?

Was it the donors or the government that took the lead in perceiving the need for reforms, and to what extent did they support and participate in the design of the reform program?

Did donors or the government mobilize "winners" and diffuse "losers" in the reform process, that is, did it account for trade-offs among stakeholders?

Did the donor community respond consistently to reform programs in terms of funding and conditionality?

To what degree did donor-government perceptions of the need, pace, conditions, and support for reforms remain consistent and compatible?

The examination of **political elites and factions** focuses upon determining the degree to which political elites responded to the reform process as a unified group, and if not, how opposition expressed itself. One important question is how elites "sold" proposed programs to their constituents, party, bureaucracy, or even donors. Were there reform "champions"? Did ideology play a role in elite perceptions? Were political leaders able reform managers?

Bureaucratic interactions within the framework are examined with attention to the degree to which the bureaucracy plays an important role in conceiving, supporting and implementing the reforms in question. The analysis addresses questions such as:

What critical mass of support from technocrats is needed in order to successfully implement and monitor reforms?

Are the bureaucrats and political actors mutually supportive of the reforms?

What is the relationship between the bureaucrats and supporting donors?

How do bureaucrats seek to institutionalize reform programs?

The interactions that transpire at each level of political grouping vary in response to the point at which the agricultural policy reform process has advanced. The response of different political actors to the reform process will depend on whether the program is in the initiation/adoption stage, the policy implementation stage, or the sustainability stage. Table 1.0 presents the analytical matrix the study employs along with key considerations to be taken into account when analyzing the relationship between the agricultural policy reform and the relevant political actors.

TABLE 1.0
ANALYTICAL MATRIX

Improving the Effectiveness of Policy Reform in Africa

	POLITICAL THEMES: LEVELS			
PHASES OF AGRICULTURAL POLICY REFORM	**Coalitions & Mass Political Pressure**	**Donor-Govt. Relations**	**Political Elite, Factional**	**Bureaucratic Interaction**
Initiation/Adoption	- Consensus Building - Public Perception of Crisis - Previous Style of Adjustment Discredited	- Perception of Need for Consensus - Donor Resources - Sense of Urgency to Act - Sequencing of Reforms - Conditionality	- Selling Reform to Politicians - Autonomy from Elites - Support of Elites - Clientelism - Political Mgmt. Skills	- Policy Champions - Critical Mass of Technocrats - Tactical Thinking - Autonomy - Parallel Markets
Implementation	- Protests - Winners/Losers: Urban/Rural, Farmers, Military, Other Interest Groups - Compensatory Measures	- Pace - Conditionality - Instit. Reform Strategies - Timing of Financing - Level of Financing - Tactical Thinking	- Motivation: Ideas, Party, Donor Resources, Constituency, Ethnic Group, Diffuse Opposition - Duration of Regime, Legitimacy	- Capacity of Technocrats - Incentives - Effective Institutions - Technocrat. Autonomy/ Influence on Bureacracy - Role of TA
Sustainability	- Compensatory Measures - Concentrated Benefits - Dispersed Costs - New Coalition	- Supply of Public Goods - Conditionality - Relations with Bank, Fund; USAID, other external relations - Resources	- Institutionalized Autonomy - Role of Ideas - New Consensus	- Rules/Norms Reducing Discretionary Power of Bureaucracy - Reform Pace - Successful Institutional Change

CHAPTER 2
FROM INDEPENDENCE TO REFORM:
THE POLITICAL AND ECONOMIC CONTEXT

This section begins with a description of the context of Zambia's agricultural system from independence in 1964 to the period of reform—1985 to the present—examining both its political and macroeconomic contexts. Although this introduction covers a period of almost 70 years (briefly touching upon the colonial legacy), it quickly targets factors which within the last two decades accounted for serious political disruption and economic decline in Zambia.

The study's focus on maize marketing reform is driven by the predominant role played by maize in Zambia's agricultural sector. In addition to being the nation's staple food, maize is Zambia's principal cash and subsistence crop. Introduced by European farmers (whose familiarity with maize and minimal awareness of indigenous alternatives drove their choice of this crop as the staple for the growing numbers of African mine workers), maize processed into mealie meal[5] quickly became the principal food source in the copper belt and beyond. European farmers sought and received both producer subsidies and protection from African competition. The colonial government, in turn, subsidized consumer prices thereby ensuring the availability of a cheap source of food, and consolidating the primacy of maize as a staple. African farmers seeking to compete with their European counterparts further solidified maize's hold on agricultural production.

From independence onward, the Government of the Republic of Zambia (GRZ) commitment to a policy of food self-sufficiency meant maize self-sufficiency. Attention to maize overwhelmed other options; land was planted in maize even where agro-ecological conditions argued against such a policy. Within Zambia's command economy, agricultural inputs such as credit availability, seed and fertilizer were geared toward increasing maize production. Producer and consumer subsidies were retained. Diversification in food production, while touted throughout the 1970s and 1980s, is only now beginning to occur in earnest. Today, over 85 percent of all crop production remains given over to maize, which occupies over 70 percent of the total land area planted. For more than a decade, liberalization of agriculture has meant attention to maize marketing, the reform of which is the focus of this study.

[5] "Mealie Meal" is white maize milled for human consumption. It may be processed as "breakfast" or "roller" meal. Breakfast meal is quite refined (with an average extraction rate of 68 percent). Roller meal, with an average extraction rate of only 92 percent is much coarser and less expensive. Roller meal is usually eaten by the poor.

2.1 The Political Context of Maize Reform: 1964–1985

Zambia's independent political leaders, like those in many other African countries, have struggled with the development of the nation's agricultural sector. In their rhetoric, leaders showed commitment to the betterment of its rural population:

> It is my great pleasure and privilege to present this First National Development Plan, for it is tangible proof of my and my Government's intention to provide increased prosperity and higher standards of living for every Zambian citizen no matter whether he lives in an urban or rural area; indeed, greater emphasis has been placed on the rural areas than ever before, as these are parts of our country which have, for too long, been neglected.[6]

However, the record suggests that the government did not succeed in raising rural standards of living. By most economic and social performance measures, life in Zambia's vast rural areas had deteriorated between 1970 and the present. In 1975, 79.6 percent of rural Zambians were estimated to be living below the poverty line; by 1991, the number had increased to 86.5 percent.

Until 1991, Zambia's policies, reflecting the ideological biases of its single ruling party—UNIP and particularly its leader, Kenneth David Kaunda—remained largely committed to a public sector-led economy, whose key elements included "excessive controls, parastatal monopolies, and a pro-urban, anti-agricultural bias."[7]

2.1.1 Policy Origins: The Colonial Legacy

This urban-biased orientation was hardly novel for Zambia. To the extent that it showed any concern for agriculture, the colonial government perceived it as subservient to urban and mining interests. Beginning as early as the 1930s, the state (in the form of the colonial government) at the connivance of European farmers who had settled in Northern Rhodesia, progressively intervened in agricultural marketing, as a means of supporting its policy of providing cheap food for its growing urban population. The key elements of this policy included: almost total attention to maize as the dominant staple crop; reliance on a small cadre of European farmers to meet food needs; alienating land on behalf of these farmers and forcing African farmers onto native reserves; establishing the state as a monopoly buyer; fixing producer and consumer prices on a cost plus basis (ignoring import and export parity prices); uniform pricing; establishing parastatals to implement this policy, and establishing the primacy of maize as the

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[6] Zambia, First National Development Plan 1966-1970 (Lusaka: Office of National Development and Planning, 1966), p. 5.

[7] World Bank, Southern Africa Dept., Draft Economic Report for Zambia CG Meeting, 1993, p. 1.

staple crop.[8] The costs of subsidizing (European) producers and urban consumers were covered by a seemingly inexhaustible supply of income extracted from taxation of exports and profits gained from sales of copper.

Despite professed concern for the African farmer, the colonial legacy at independence left the bulk of Zambia's 300,000 farm families engaged in subsistence agricultural practices similar to those practiced in the pre-colonial era. Perhaps 20,000 African farmers could be said to be in the commercial sector by 1964. Located along the line of rail in Southern and Central Province, these farmers tilled plots of ten to 40 hectares, and serviced approximately one-third of the available market.[9]

2.1.2 Independence and After: The Foundation of the One Party State

At independence, the political arena was dominated by activists among Zambia's urban population. This is not surprising when one notes that by 1960, over 20 percent of its population already lived in towns and that by 1980, this number had soared to 43 percent. It was in the towns that politically active teachers, union leaders, businesspeople, students and junior civil servants could meet and organize. It was in the urban areas that Zambia's new political movements, given their meager resources, could find sufficient critical masses of people to respond to their messages. Accordingly, their messages had a distinctly urban ring.[10]

Of those vying for political primacy, no party matched the organizational acumen of the United National Independence Party (UNIP). Utilizing the Leninist model of organization, UNIP developed a centralized structure with its president as supreme, presiding over a Central Committee, and Party Congress, reaching outward and developing party units at the provincial, district and ward levels down to the section (equivalent to a cell) consisting of 10–25 households. Although anchored in the towns, UNIP even made the effort to organize at the rural village level. From a strategic perspective, this organizational model gave UNIP an enormous advantage over parties which relied on ethnic loyalties or those which believed that the patent qualifications of their leaders would win them support without their needing to engage in the rough and tumble process of developing grass roots organizations. UNIP leaders, like machine politicians in the U.S. who preceded them, simply outorganized their opponents.

Triumphant at independence, capturing six of nine provinces in the first national elections, UNIP sought to enact a socialist agenda which progressively concentrated control of the economy

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[8] J. Lukanty and A.P. Wood, "Agricultural Policy in the Colonial Period,"in, A.P. Wood et.al., The Dynamics of Agricultural Policy and reform in Zambia, Iowa State University Press, Ames, Iowa, 1990, pp. 3-19.

[9] See, Doris Jansen Dodge, Agricultural Policy and Performance in Zambia (Berkeley: University of California Press, 1977; and Robert Bates and Paul Collier, "The Politics and Economics of Policy Reform in Zambia," February 1, 1992, pp. 11-13.

[10] Bates & Collier, p.25.

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in the hands of party dominated parastatals. UNIP's organizational strategy and ideological biases, however, masked considerable internal bickering and struggles among party stalwarts for senior positions during the first years of its rule. Unsuccessful candidates frequently bolted from the party and joined opposition groups or created parties of their own. Existing opposition parties lost no time in holding up UNIP's mistakes and problems to public scrutiny. At by-elections and at local elections, ex-UNIP renegades and opposition parties began to expand their bases of support. This process began to bite deeply into provincial political strongholds UNIP considered its own, challenging the party's very survival. Threatened by the possibility of being voted out of office after eight years of rule, UNIP used its monopoly of the means of power at the national level to disrupt and suspend the rules which had brought it to power, and at the end of 1972 created a single party state. Declaring formation of a "Second Republic," UNIP thereafter reigned alone until 1991.

During this period of nearly two decades, policymaking became increasingly concentrated in the office of the president, Kenneth Kaunda, and those in the party who spoke on his behalf, particularly those in the National Council and Central Committee. Parliament briefly attempted to exercise some role in policymaking in the late seventies, but was silenced by UNIP and the State House (executive branch), and remained ineffectual thereafter.[11] The civil service, only four percent of which was African at the time of independence, was staffed, shaped and socialized during the three decades of UNIP ascendancy. UNIP's ideological imprimatur upon the public sector became readily apparent. As leading development agent, the state would design and implement Zambia's growth. The vehicles for implementing its vision were the party, its government, representing 32 percent of the formal sector's employees, and its ancillary agencies, the parastatals. The number of parastatals grew from 17 at independence to more than 145, and by 1985, employed 44 percent of all those in the formal sector. The vast majority of these occupants were UNIP members.

Phrases such as "the Party and its Government", "presidentialism," and "personal rule" characterized the political system fashioned by President Kaunda and his immediate followers. Kaunda remained its unquestioned leader as both head of state and president of the party, selected members of the Central Committee (which were then approved by acclamation), and through his control of the policy agenda, gave direction and vision to UNIP. The party, however, came to be much more than one man. Policymaking committees within the Central Committee hotly debated issues before ratification in the National Council. At the local level, UNIP gained control over the issuance of marketing licenses, distribution of housing, and provision of utilities. The party even developed its own security services.

[11] Bates & Collier, p. 31.

2.2 The Context of Economic Policy: 1964–1985

2.2.1 Macroeconomic Policy

As was the case with the colonial government, UNIP's ambitious interventionist program, which included maintenance of both producer and consumer subsidies, was to be largely financed with income from copper. As owner of 60 percent of the equity in the state's copper company (the Zambia Consolidated Copper Mines—ZCCM), the government was in a position to use revenues to tax exports and profits gleaned from the high price of copper. Between 1965 and 1970, this created few problems since the price of copper ensured that Zambia's gross domestic production adjusted for terms of trade continued to exceed its consumption plus investment. There were early calls for Zambia to diversify its economy and thereby lessen its dependence on copper. From independence, agriculture was recognized as the alternative sector with the greatest growth potential. While UNIP did intervene in the agricultural sector (see below), policy decisions establishing the government as the main buyer, and focusing on food security through one crop were hardly calculated to entice potential sectoral investors.

Beginning in 1971, the price of copper experienced a serious and continued decline. Shortly thereafter, dramatic increases in oil prices, and transportation costs (occasioned by neighboring Rhodesia's "Unilateral Declaration of Independence,") and drought-induced harvest failures, all served to create devastating reverses in its terms of trade. To combat this, the government chose to cut investment while maintaining high levels of consumption. This necessitated substantial borrowing from both domestic and international lenders (including the IMF) on fairly hard terms. The decision to maintain high levels of consumption was in part based upon the assumption that the price of copper would return to and even exceed its previous levels. This never happened. By 1985, relative to GDP, Zambia was the world's most indebted country. Inflation was running at 15 percent by 1980. By 1986, it had soared to 50 percent. Having eschewed investment, the government lost the capacity to maintain ZCCM's capital stock resulting in a 30 percent decline in copper production between 1977 and 1985. Revenues over the same period plummeted from $1.15 billion to $643 million dollars.

By the early 1980s, then, the Zambian economy was in dire straits. Its terms of trade index had fallen from 262 in 1970 to 82 in 1983. It owed over $4.5 billion, one billion of which was overdue payments. Commercial trade credits had dried up to the point where import volume had fallen by 75 percent over levels of the previous decade, and per capita GDP declined by 14 percent. Creditors, particularly the IMF, World Bank and commercial lenders demanded reform, and at this point in time, the party and its government were in no position to resist.

2.2.2 Agricultural Sector Policy

UNIP's agricultural policy, while espousing diversification, concentrated mainly upon maize production and was unabashedly interventionist. Committed to food self sufficiency in maize and to freeing Zambia's agricultural system from (largely) European farmer control, UNIP adopted many of the same system components developed during the colonial era and redirected them so that the benefits would accrue to the majority of traditional and newly emerging commercial farmers instead of the system's previous minority beneficiaries. UNIP enacted pan-territorial pricing and pan-seasonal purchasing policies, subsidized seed and fertilizer prices, and established a broad parastatal marketing and purchasing system of provincial cooperative unions, lending institutions, and storage facilities. Maize production came to encompass 70 percent of Zambia's cultivated land and 90 percent of the cash receipts of its small-scale farmers. Fixed investments to the agricultural sector during the first 15 years of UNIP rule, however, demonstrated the reality of its commitment to the sector. During the First Plan (1966–70), the agricultural sector received a mere 6.6 percent of total fixed investment. During the Second Plan (1971–75), this allotment fell to 5.2 percent, and in the Third Plan (1979–83) when the decline in terms of trade forestalled virtually all sectoral investment, it slid to a minuscule 3 percent of total government expenditure.[12]

[12] Ravi Gulhati, Impasse in Zambia, Washington: The World Bank, (1989), p. 20.

CHAPTER 3
POLITICAL ACTORS IN ZAMBIA

In this section, vignettes describe each of the four groups of political actors within the Zambian context. Section 4.0 that follows, Maize Market Liberalization in Zambia, analyzes their interactive impact upon the reform process. The initial description of coalitions and mass political pressure will of necessity be more comprehensive, covering those groups in Zambia who participate and have the potential to participate in the political reform process.

3.1 Coalitions and Mass Political Pressure

Zambia's historical development, dictated largely by European economic and colonial interests, created a system that was highly urbanized (by African standards) and dependent upon the fortunes of its copper industry. Its African farming population was widely scattered and settled in small villages. Pre-colonial political systems consisted of a number of chiefdoms of varying size. **Chieftaincies** were recognized and utilized as administrative units by the colonial government and often enjoyed considerable local autonomy, but were not accorded power in political matters. Chieftaincies could, and did, affect local, and in the case of the Lozi, provincial politics in an independent Zambia, but aside from participating in a largely ceremonial House of Chiefs, its representatives wielded little political authority.

Europeans who dominated the mining and commercial farming sectors in Northern Rhodesia hitched their pre-independence political wagons to the concept of the Central Africa Federation (linking Southern Rhodesia, Nyasaland, and Northern Rhodesia) as a means to maintain power. By the end of the 1950s, however, they had begun to have serious second thoughts about the federation, especially when it became clear that the colonial government and their counterparts in Southern Rhodesia were reaping the financial benefits of the mining enterprises in the north. At the time of independence, many Europeans departed; those that stayed, including a decreasing number of commercial farmers, accepted Zambian citizenship. While they financially supported various political parties, they were not politically active, but chose to remain on the sidelines. With the advent of the return to multi-party politics in 1990–91, businessmen and farmers of European origin returned to the political arena, openly supporting the Movement for Multi-party Democracy's (MMD) platform for liberalization of the economy in general, and for agricultural markets in particular.

It remained for **African urban and mine workers**, increasingly conscious of the disparities in treatment between themselves and their white counterparts, to take the first steps toward political autonomy. Thus, in towns along the line of rail such as Ndola, Kitwe, Kabwe, and Lusaka, welfare societies began forming. In 1946, these coalesced into a Federation of Welfare Societies. Within two years, the Federation reorganized as a political party, the Northern Rhodesia Congress under the leadership of Harry Nkumbula, and in 1951 became the Northern Rhodesia African National Congress (ANC).

The ANC remained the key political party until 1958, when a group of young radicals led by a former school teacher, Kenneth Kaunda, seceded from the ANC and ultimately formed the **United National Independence Party (UNIP).** UNIP's strong commitment to dissolving the Central Africa Federation and to the creation of an independent Zambia, along with calls for government intervention to improve the lives of (largely urban) Africans won large followings in Zambia's growing urban areas. School teachers, miners, small businessmen, transport workers, and representatives of the newly emerging civil service were particularly attracted to UNIP. It consolidated its strength through effective organization (see below) and won not only the first, but every subsequent election until 1991, when, with the reintroduction of multiparty democracy it suffered a crushing defeat in national elections. Since 1991, UNIP has been the only major opposition party, with 25 seats in the National Assembly. Its membership, however, seems increasingly fragile. In 1993, newspapers published almost daily reports of UNIP notables leaving the party to join with others in creating new political parties.

UNIP at the height of its power did not, however, hold anything approaching universal support. Older Zambians in the urban areas and in the Central and Southern provinces remained loyal to the ANC. **Emergent African farmers** (commercial farmers with 10–40 hectares of land) along the line of rail in these areas also supported the more moderate, market orientation espoused by ANC's Nkumbula. Although organized as an economic force through the **Zambia National Farmers' Union (NFU)**, these farmers comprised approximately 6 percent of the nation's farmers, and remained politically isolated until the reintroduction of multiparty politics in 1990–91, when the NFU enthusiastically endorsed the MMD. Recently, the NFU has been increasingly and openly critical of the MMD's slow pace of agricultural policy reform.

Small-scale commercial farmers (those tilling 1–10 hectares and representing approximately one-third of Zambia's farmers) were the main targets of UNIP's agricultural development policy (see below). Government support rested on a commitment to food self-sufficiency, which translated into maize production and consisted of developing a number of parastatals and cooperatives, which supplied farmers with inputs and credit, and purchased their output (approximately one-third of the marketed maize). The net effect of this process was to discourage agricultural crop diversification, and it made this group dependent on government support and direction for producing maize. At the same time, the inefficiencies inherent in the marketing process—delays in provision of seeds and fertilizer, delays in payment for crops, and corruption within the marketing board and cooperatives—weakened the residual support these farmers had for UNIP. When multiparty elections were reintroduced in 1991, these small-scale commercial farmers voted for MMD.[13]

Unions were first permitted in 1949 with the formation of the **Mineworkers' Union of Zambia.** Union activity in the urban areas also progressed and the larger movement coalesced

[13] The single exception was the Eastern Province, Kaunda's home base, where approximately two-thirds of the voters continued to support UNIP. Even this percentage, however, masks the fact that voter turnout in the rural districts of Eastern, and all other provinces rarely exceeded 40 percent of registered voters.

within a peak organization, the **Zambia Congress of Trades Unions (ZCTU)**. The ZCTU adopted an autonomous stance, supporting UNIP when the party espoused better wages and working conditions, and fighting it when UNIP sought to ban strikes, dampen wage hikes, raise food prices and demand "labor discipline." By the end of the 1970s ZCTU stood in permanent opposition to UNIP. In contrast, with the return to multiparty politics in 1990–91, ZCTU support for the MMD was open and enthusiastic.[14]

Throughout the period of UNIP rule, Zambia's **churches** remained politically neutral.[15] The church press, however, was frequently critical of party decisions and behavior.[16] Ultimately, it would be the vehicle of the church press that opponents of UNIP would successfully use to challenge the party to forgo its commitment to a single party state.

Within UNIP itself, political fissures were evident. **University students**, who were among the staunch UNIP supporters, periodically protested increases in food and lodging costs; cabinet reshuffles disclosed management weakness and evidence of corruption as well as lack of confidence; powerful rivals were removed or reassigned to diplomatic positions overseas, while others such as Simon Kapwepwe, who served as vice-president, broke away to form his own political party, the United People's Party (UPP). **Businesspeople,** who had earlier supported the party, bridled under its socialist orientation. Many such businesspeople who had been elected to parliament as UNIP MPs sought to use that forum to reverse what they saw as excesses of nationalization. They were quickly brought into line (and parliament never again served as a policymaking body), but many left the party and moved to the political sidelines or offered support to UNIP's opponents.

At times UNIP's leaders adroitly used membership among their ranks to win the support of potential opponents. Simon Kapwepwe, for example, was brought back into the fold four years after his departure in an effort to mollify and retain the support of the Bemba people. Dissatisfaction within the military was in part dealt with by including several military representatives in the Party's Central Committee.

This process of cooptation, however, had its limits. The seemingly endless rounds of cabinet shuffles, dismissals, and reappointments reinforced the sense that real political power was devolving into the hands of fewer and fewer people. **Businesspeople, farmers, organized labor, professionals, and technocrats** felt increasingly isolated from the political process.

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[14] But not eternal. By 1992-3, MMD policies advocating inflation control, especially discipline in wage increases, forced the ZCTU into public opposition.

[15] The single significant exception was the rise of a syncretist movement in the Northern Province known as the Lumpa Church. Founded by a charismatic self-styled prophetess, Alice Lenshina, the Lumpa Church resisted any external interference, refused to recognize any government and ultimately was violently suppressed.

[16] Although the press was controlled by the state, UNIP was noteworthy for the degree of freedom of the press it permitted, even when it was highly critical of the party.

These groups found common cause in the **Movement for Multi-party Democracy (MMD)**. In a world that was rapidly eschewing one-party states, Zambians began mounting growing pressure to end UNIP's monopoly. Given its economic state, the Party was in a poor position to resist this surge of sentiment. The extent to which UNIP was rejected was remarkable. In October 1991, in the first multiparty elections since 1972, MMD captured 75 percent of the popular vote and secured 125 of 150 seats in the National Assembly in what were acknowledged as fair and free elections.

The MMD, led by Frederick Chiluba, former head of the ZCTU, is in many respects unified by its opposition to UNIP, rather than a proactive organization with a well-articulated philosophy of its own. While committed in principle to economic liberalization, many of its members are former UNIP stalwarts who still express strong opinions in favor of subsidies. In power for less than two years, MMD is beginning to fracture. Throughout the spring and summer of 1993, cabinet reshuffles were followed by resignations, formation of new political alliances, and increasing pressure on the MMD. As this paper went to press organized labor in general, and the civil service in particular, seemed on a collision course with the MMD, given its intent to hold down wage demands. One group of MMD founders bolted from the party and called for formation of a new national party. This group counted among its followers the most vocal supporters of capitalism. The National Farmers' Union has spoken out against the MMD, citing its broken promises with regard to agricultural market liberalization. UNIP and other parties are seeking to reassert their claims to voter support. It is, if anything, a time of shifting coalitions and growing pressure upon the MMD. Farmers may be counted among those who are increasingly discontented, but the bulk of political pressure is coming from Zambia's urban areas.

3.2 Donor-Government Relations

The donor community within Zambia has been active in formulating policy and generous in responding positively to GRZ signals that it was prepared to comply with donor recommendations regarding structural adjustment. Table 3.1 demonstrates the extent of external assistance over the past three years.

Table 3.1
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)

Source: USAID: CPSP, 1993, p. 31.

The World Bank and International Monetary Fund have taken the lead in this economic restructuring process, but as Table 3.2 demonstrates, a large number of other multilateral and bilateral donors have provided assistance. In the agricultural sector alone, over 20 donors are providing assistance in support of more than 100 projects.[17]

As stated above, among the donors the IMF led the way in defining and initiating the reform program espoused by western donors. In a series of standby agreements, beginning in 1983 and continuing to the present, the IMF sought to have the GRZ adopt policies that reflected a more realistic mechanism for pricing and allocation of foreign exchange; greater autonomy and eventual decontrol of parastatals by privatizing them; decontrol of agricultural producer prices, allowing them to increase to near border price equivalents; the end of input subsidies; and the end of consumer subsidies, while duly recognizing the need for food security among Zambia's poor.

Within the GRZ, the key actors in formulating and/or responding to donor recommendations or conditionalities included President Kaunda, the Finance Committee of UNIP's Central Committee, UNIP's National Council, the Ministry of Finance, Bank of Zambia and UNIPs research bureau. After MMD ousted UNIP in the 1991 elections, the Ministry of Agriculture, Food and Fisheries joined the Ministry of Finance in spearheading economic reform.

[17] Ministry of Agriculture, Food and Fisheries, Agriculture Sector Investment Program: Concept and Preparation Process, November 4, 1992, p. 1.

Table 3.2
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: USAID CPSP, 1993, p. 32.
* Australia, Belgium, France, Italy, and Switzerland

3.3 Political Elites

"Political elites" as used here refers to those men and women who play a central role in actual policy formulation, or in influencing decision making by political actors. As a group, they seek to influence policy by the political process. They are typically active as members of political parties or in interest groups that seek to influence party behavior. As alluded to above, most political elites in Zambia come from urban backgrounds, with vocational backgrounds that reflect their urban orientation. Teachers, union organizers, businesspeople, and political activists appear to be the most prominent vocational backgrounds of Zambian political elites. A handful of farmers along the line of rail (i.e., close to Zambia's urban areas) have become more politically active in recent years. In their case, farming seems to be but one of their sources of income; they are also linked to businesses in the urban areas. Table 3.3. below, illustrates some of the salient characteristics of a small sample of Zambian political elites who have been active for at least the past three years.

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Table 3.3: Political Elites in Zambia: Roles and Background

NAME	PRESENT POSITION	PARTY AFFILIATION	PREVIOUS POSITION(S)	EARLY OCCUPATION
Kenneth Kaunda	Retired	UNIP	President	Teacher
Frederick Chiluba	President	MMD	Head ZCTU	Head NUBEGW
Emmanuel Kasonde	MP*	UNIP/MMD/I	Min. Finance for MMD; PS UNIP	Businessman; farmer
Levy Mwanawasa	Vice Pres.	MMD	--	Lawyer
Guy Scott	MP	MMD	Min.Agric.	Professor
Christon Tembo	Min.Tourism	UNIP/MMD	Army Commander; Ambassador	Soldier
Simon Zukas	Min Agric.	MMD	—	Farmer
Catherine Mwanamwamba	Businesswoman	MMD	—	Businesswoman
Enoch Kavindele	Party Pres.	UNIP/UDP	UNIP Central Committee	Businessman
Roger Chongwe	Min. Local Affairs	MMD	Min. Legal Affairs - MMD	Lawyer
Baldwin Nkumbula	MP*	MMD	Min. Youth & Sport - MMD	Businessman
Telesphore Mpindu	Bishop	I	—	Priest
Akashambatwa Mbikusita-Lewanika	MP*	MMD	Min. S&T for MMD	Economist
Ben Kapita	Chair ZNFU	I	—	Farmer
John Hudson	CEO ZNFU	I	—	Farmer
Inonge Mbikusita-Lewanika	MP*	MMD	—	Sociologist
Arthur Wina	MP*	UNIP/MMD	Min Finance Min Educ for UNIP; MMD	Economist
Humphry Mulemba	MP*	UNIP/MMD	SG/UNIP; Min Mines; UNIP	Politician
Chilufya Kapwepwe	MP*	MMD	—	Nurse; Farmer

* Resigned from MMD August 11, 1993; I = no party affiliation

One striking characteristic of Zambian political elites is their tenure. Individuals such as Humphry Mulemba, Arthur Wina, Christon Tembo, and Emmanuel Kasonde have been in the political arena since the 1960s, moving from UNIP or the civil service or military to positions within MMD. Others such as Baldwin Nkumbula and Chilufya Kapwepwe are the children of influential political actors. Another characteristic that emerges is the fluidity of the political system: elites regularly shuffle in and out of the system, moving from ministry to ministry to diplomatic posting to private life to ministry again. Not evident is the degree to which some influential actors also hold positions of stature within their ethnic groups. Emmanuel Kasonde, for example, is a Bemba elder; Akashambatwa Mbikusita-Lewanika is a member of the Lozi royal family. Equally striking, however, is the degree to which individuals without the support of significant ethnic groups can rise to positions of real prominence. Kenneth Kaunda, Frederick Chiluba, and Humphry Mulemba are three such examples.

From an ideological perspective, Zambian political elites cover the spectrum from capitalism to communism. During UNIP's hegemony, Kenneth Kaunda espoused what he defined as "Humanism," a kind of African socialism that focuses on the development of a centrally controlled welfare state led by a single democratically elected party. The MMD came to power pledging to dismantle the UNIP system and replace it with a free market alternative. Emmanuel Kasonde, Guy Scott, Roger Chongwe and others have been the most vocal advocates for capitalist development. Between these two ideologies are individuals who are ideologically in transition, voicing support for private enterprise at the same time they are calling for maintenance of subsidies, parastatals, and price controls. This transitory stance probably characterizes most Zambian political elites, and reflects the efforts of leaders and followers to fashion a new and sustainable political system, whose ideological and economic boundaries remain to be determined.

3.4 Bureaucratic Interaction

The Zambian civil service has struggled since independence to define itself and its relation to the political system. This struggle concerned the degree to which it followed and practiced the Weberian ideals of political neutrality and technical professionalism. At independence, only 4 percent of the Zambian civil service was African. Victorious at the polls, UNIP was determined to "Zambianize" the civil service as quickly as possible, a move that was almost universally popular among its supporters. Within the next several years, the party did just that. With barely a hundred college graduates living in Zambia at independence and no university or senior training center, the result of this process was to fill the ranks of the civil service with individuals whose preparation was spotty at best. In 1969, for example, 67 percent of those occupying mid-level civil service posts had not completed secondary school.[18] Despite the government's best efforts to address this problem, by the end of the 1970s the UNDP and ILO concluded that almost 40 percent of those civil servants holding supervisory positions were technically unqualified.

[18] Ravi Gulhati, p. 29

The political commitment of UNIP to create a command economy meant that the state's role in terms of a larger civil service would dramatically increase. This in turn added to the difficulties of improving the quality of those who would hold these positions. A sixfold expansion of the civil service by 1974, accompanied by a vast proliferation of government and parastatal agencies, would have created a management nightmare if all incumbents had been well qualified. Lack of qualifications of such a large number of new government employees had a significant negative impact on the ability of UNIP to conceive and implement its policies.

To this problem was added another—the politicization of the civil service. At independence, the civil service was declared politically neutral. Impartiality was to be maintained through an independent public service commission established to oversee and ensure the development and maintenance of an impartial, merit-based service. The constitution of the Second Republic moved oversight of the civil service into the State House. The senior service was politicized and all civil servants were permitted to participate in politics.[19]

This process had a number of consequences. First, UNIP came to see employment in the civil service as a means of rewarding the party faithful, and the party lost little time in making thousands of appointments, mostly of rank-and-file members, to existing and newly created government agencies. Throughout the 1980s, approximately two-thirds of all those identified as holding "formal sector" jobs were in fact employed by the government or by a parastatal.[20] Civil servants in senior positions became overloaded by managerial responsibilities which, in turn, overwhelmed policy implementation tasks.

Second, political objectives overwhelmed economic and administrative considerations. Parastatal heads, for example, frequently were also members of UNIP's Central Committee (in 1989, 12 of 22 ZIMCO directors were Central Committee members). Party directives governed all decisions; no premium was placed upon economic efficiency. A study of rural credit disclosed that excessive numbers of loans were made for political reasons and were never recovered. Uneconomical operations of the Zambian Marketing Board (NAMBOARD) were so blatant that the party had to acknowledge this and turn over their credit and input marketing functions to the cooperatives (which, in turn, also demonstrated many of the same managerial and financial lapses). UNIP government control over parastatals also facilitated its insistence upon subsidizing consumer prices, including maize meal.

Third, the massive use of patronage absorbed excessive amounts of resources. Agencies and parastatals lacked the financial means to provide the goods and services the government pledged to provide. In the agricultural sector, inputs of seed and fertilizer were routinely late; credit availability was similarly tardy, as were payments to farmers by parastatals for maize. Heavily subsidized, the agricultural sector's public agencies routinely ran on overdrafts. Finally,

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[19] G. Lungu, "Africanization and the Merit Principle in the Zambian Public Service," Journal of Overseas Administration, Vol 19, No. 2, 1980, p. 367, cited in Gulhati, p. 29.

[20] Bates & Collier, p. 22.

this lack of resources seriously affected the morale of the civil service. While appointments for the party faithful resulted in job security, pay levels of the civil service remained low in both nominal and real terms. Moreover, the government made good on its commitment to narrow the salary ranges between junior and senior civil servants. The decline in their purchasing power, along with the politicization of their ranks deeply affected civil service decision makers. Many simply left the service outright and sought employment in the private sector or outside of Zambia. Still others sought foreign scholarships and then used their improved educational status to leave the service. Still other, more entrepreneurial bureaucrats developed close relationships with donors, and through these relationships secured benefits such as vehicles, trips abroad, equipment, and even income, in lieu of government-provided perquisites. As a whole, however, the senior civil service was demoralized and made marginal by UNIP.

One current and somewhat compelling view regarding the role of the civil service in structural adjustment reform[21] argues that in fact, Zambia developed two bureaucracies—one dominated by and subservient to the party, the other managed by the Cabinet. Further, these two bureaucracies struggled over policy reform, with the Cabinet/ministry-dominated bureaucracy advocating market-oriented economic policies and the party bureaucracy advocating a command economy approach. The entities championing market-oriented economic reform within the Cabinet were the Ministry of Finance and the Bank of Zambia. The argument states that both bureaucracies reported to the president, who vacillated between their opposing orientations, and that ultimately, the president sided with the party's Central Committee.

While the support of some "technocrats" within the Ministry of Finance and BOZ for market-oriented reform is certainly true, this argument does not hold up under close scrutiny on a number of counts. First, President Kaunda's "vacillation" was nothing of the sort. Rather, it reflected fluctuation between what was politically preferable and what was economically necessary. Kaunda, from the outset was committed to a socialist orientation. He and the vast majority of UNIP members had a deep distrust of what they could not control politically. This was especially true of free market forces and autonomous business groups. Kaunda was well aware, however, of who had the (mostly financial) resources Zambia desperately needed after 1974, and adroitly shuffled appointees and rhetoric to obtain these resources. Ministers and advisors supportive of and/or hostile to capitalist alternatives were appointed and sacked as the president felt the need to attract donor support or reconfirm his commitment to UNIP's command economic orientation (see below).

Second, the two-bureaucracy argument states that President Kaunda, following advice of his Minister of Finance and Governor of the Bank, decided in 1985 to adopt a more liberal economic regime.[22] In fact, the "givers" of this advice—Luke Mwananshiku, then Minister of Finance, and David Phiri, head of the Bank of Zambia (BOZ)—were joined by Dominic Mulaisho, an economic advisor in the president's office in early 1983 in espousing liberal reform.

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[21] Bates & Collier, pp 9-10.

[22] Bates & Collier, p. 33.

The key elements of this reform were contained in IMF standby agreements signed in 1983 and 1984, which called for "decontrol of domestic prices, and increases in prices as a means of reducing budgetary subsidies on basic foodstuffs and fertilizer, upward adjustment of agricultural prices, relaxed interest rate ceilings, a crawling peg for foreign exchange with frequent adjustments, and tightened fiscal policy and reduction of budget deficits."[23] Kaunda, in support of these reforms in 1984, went so far as to develop the elements of a reform package. Kaunda then took the initiative in meeting with party officials at all levels to get their support for reform. In July, 1984, the party's Third National Convention endorsed the president's approach. Shortly thereafter, the party's Central Committee Finance Committee began hosting a series of meetings which included the Ministry of Finance, BOZ, and UNIP's Research Bureau, all of whom prepared position papers and staff memoranda. These meetings took the better part of a year and resulted in consensus announced by the president in his speech in August 1985 to the National Council of the Party. Thereafter, the reforms were adopted as public policy.

This chronology is particularly interesting in that Mwananshiku had been head of the BOZ in 1980. At that time he had made similar arguments, warning UNIP not to engage in continued expansion of the command economy.[24] He was publicly opposed by Leonard Chivuno, a University of Leningrad-trained Engineer and avowed Marxist who was serving as head of the National Commission for Development Planning (NCDP). Chivuno's position was upheld and Kaunda sacked Mwananshiku. Requiring IMF and World Bank support shortly thereafter, however, Mwananshiku was "resurrected" as Minister of Finance and given control over the NCDP. When party displeasure with the structural adjustment program reached the boiling point in 1986, Kaunda fired Mwananshiku, Phiri, and Mulaisho. Leonard Chivuno was appointed head of the BOZ, Basil Kabwe was appointed Minister of Finance, and James Mapoma State House economic advisor. When Kabwe, who had little background in finance and economics, began taking positions similar to his predecessor, he was sacked.[25]

The third problem with this argument is that it implies the existence of a significant cadre of technocrats sufficiently versed in economics to effectively champion such a course. Within the Ministry of Finance, which was always headed by a party regular who sat on the Central Committee or the National Council, the mix of senior civil servants included individuals with economics training from Eastern bloc countries and others politically committed to a command economy approach. But the key issue is that there never appeared to be a sufficient critical mass of technocrats capable of carrying the day for economic liberalism. Evidence of this is seen at

[23] Robert R. Nathan Associates, Inc., Economic Policy Reform in Zambia: 1982-1987, Washington, D.C. 1989, p. 5.

[24] His advice was not followed, and the budget overshot available revenues by some 75 percent. See, Thomas Callaghy, "Lost Between State and Market: The Politics of Economic Adjustment in Ghana, Zambia, and Nigeria," in J.M. Nelson, Economic Crisis and Policy Choice: The Politics of Adjustment in the Third World.(1990), p. 290.

[25] Ibid., p. 294.

every level of the policy process. The three advisors who came to the fore in the early 1980s, for example, were among the only identifiable experts in support of this position. Indeed, a common belief at the time was that the IMF and the World Bank (referred to as the "terrible twins") were so much in control that they were the actual Ministry of Finance.[26]

If one begins with something as elemental as the availability of data for analysis, for example, one discovers that at the time when economic reform was being debated (and long after), one could never determine the extent of Zambia's budget deficit given the paucity and quality of data collection (revenues being recorded on a cash basis and expenditures detailed on a commitment basis). As recently as March 1993, the Zambian press pointed to Ministry of Finance and Central Statistical Office lapses in statistical accuracy, tardy publication of statistics, and enormous data processing backlogs.[27] Donors including the U.S., the World Bank and CIDA, recognizing the low level of expertise in all ministries, implemented projects such as ZATPID to provide institutional strengthening. Results have been mixed. A recent evaluation of the ZATPID II Project[28] reviewed assistance efforts provided to the National Commission for Development Planning (NCDP), a unit which linked the Ministry of Finance and the Central Statistical Office. Only one of five long-term trainees receiving M.Sc. degrees in planning and management actually returned to the Commission. The evaluation concluded that:

> The government's institutional management environment creates a strong disincentive structure for efficient allocation of internal resources that overpowers a single project's interventions in management improvement. The inherent constraints imposed by this institutional environment on the potential for achieving institutional management objectives were not recognized at the time of project preparation. These constraints include low pay, poor working environment, promotion potential not linked to capability, few operating resources and an unclear or poorly understood mission or vision.[29]

The GRZ has continually relied upon the provision of expatriate expertise to fill the voids in its policy analysis and planning capabilities. Every ministry or government office of relevance to this study was staffed by expatriates providing critical analytical support to Zambian Deputy

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[26] see, Jonathan Kydd, "Zambia in the 1980's: the Political Economy of Adjustment," in S. Commander, Ed., Structural Adjustment and Agriculture: Theory and Practice in Africa and Latin America. (1989), pp. 127-144.

[27] S. Venkatesh, "Zambian Economic Statistics Confusion: Worse-Confounded," Profit, 1/10; March, 1993; pp. 29-31.

[28] John B. Flynn, REDSO/ESA/ANR, "Zambia Agricultural Training, Planning and Institutional Development II (611-0207), Final Report," May 1, 1993, p. 17.

[29] Ibid., pp. 18-19.

Permanent Secretaries or Permanent Secretaries. Senior government officials uniformly complained of the lack of qualified permanent staff; argued that they had little time for substantive work because of the heavy personnel administrative burdens they were forced to bear; and, when queried as to what they would do to improve the situation, stated that they would fire one-third of their existing staff for incompetence.

Added to this preoccupation with overstaffing at junior levels, one other observation is in order. The dominance of political agendas within the Ministry of Agriculture, Food and Fisheries (MAFF), and the Ministry of Finance is palpable. Today, ministers and deputy ministers make new policies and modify existing policies with seemingly little input from their civil servants. Open political warfare between the Deputy Ministers of Agriculture (uncontrolled by the minister) has jeopardized maize marketing operations; the Minister of Finance has made serious accusations regarding manipulation of interest and currency by private banks; and after the government declared its intent to end price supports, the vice-president declared that the price for processed maize should be fixed. The disinclination on the part of political elites to rely upon the civil service to provide them with important information is in part a manifestation of their belief that the civil service is incapable of providing them with such input. However, it is also a result of the civil service's feeling of impotence after 30 years of political domination, and its unwillingness to collectively stick its neck out. The net result is ad hoc policy.

CHAPTER 4
MAIZE MARKETING REFORM

4.1 Economic Crisis and Rationale for the Agricultural Reform Program

By virtually every measure, Zambia was facing economic catastrophe by 1985. Its average GNP per capita growth rate between 1965 and 1985 was -1.7 percent. GNP per capita had declined more than one-half in constant dollars, and real wages had declined to one-third of their 1975 levels. Foreign exchange was almost unattainable and scheduled debt service reached 70 percent of export earnings. Import levels were 75 percent below those of the previous decade and inflation reached 60 percent.[30] Agriculture's share in GDP increased to approximately 15 percent of total earnings, but agricultural exports remained negligible (approximately $3.4 million or less than 1 percent, while agricultural imports were in excess of $53 million). Producer prices fell increasingly below border equivalents, while consumer subsidies covered 70 percent of production costs. These heavy subsidies on maize meal discouraged potential investment in an agricultural sector characterized by distorted consumption patterns and negative domestic terms of trade. The subsidies also contributed to a shift in production that undermined crop diversification. This was particularly true in the case of sorghum, cassava, confectionery peanuts, and cotton. Marketing services and inputs, given the shortage of foreign exchange, deteriorated seriously.[31] The poor performance of agricultural parastatals continued to plague the government and donors. Lack of coordination and effectiveness with NAMBOARD and the Provincial Cooperative Unions (PCUs) resulted in mismanagement of the 1985 bumper harvest that reached almost tragic proportions (40 percent of the harvest was lost).

4.2 Agricultural Reform in Zambia 1985–1993

The key argument of this paper is that agricultural reform in Zambia vacillates between heavy government intervention in the sector and minimal governmental involvement that relies on the dynamism of the marketplace and upon private sector initiative. The interventionist stance reflected especially the philosophy of UNIP, the ruling party until 1991. The market economy position was largely imposed on Zambia by international donors, particularly the World Bank and IMF, and became a stated goal of the MMD Party during the election campaign of 1991. Before 1991, Zambia's farmers played a relatively minor role in lending support to either position.[32]

[30] Callaghy, p. 291.

[31] Doris J. Jansen, "Zambia," in A. Krueger, M. Schiff and A. Valdes, eds., The Political Economy of Agricultural Pricing Policy, Vol. 3, Africa and the Mediterranean (1991), pp. 268-327.

[32] Although Zambia's small cadre of commercial farmers staunchly supported the free market approach, they remained in the "political wilderness" throughout the UNIP period, and were neither part of nor consulted in the design of the WB/IMF structural adjustment agreements.

Up until 1991, this vacillation represented UNIP's repeated attempts to retreat from what it plainly saw as a frontal attack by the capitalist world on its philosophy of Humanism, and its resignation at being required to face the economic facts of life that its policies had created. Since 1991, the MMD has espoused a commitment to the development of a market economy. This commitment has not been universally understood or accepted within the party, or society at large, however, and reform efforts have been spasmodic, but generally in the direction being advocated by the donors. This section provides a chronology of the reform process, followed by an analysis of the political economy of these efforts.

4.2.1 1985 IMF Structural Adjustment Program

The World Bank and IMF representatives in Zambia had been working with a core group of government representatives since 1982 to convince and guide them toward market solutions for Zambia's economic problems. K. Y. Amoako, the World Bank Resident Representative, worked most directly with Luke Mwananshiku, David Phiri, and Dominic Mulaisho. These three, representing the Ministry of Finance, Bank of Zambia and State House respectively, became the "champions" of market-based reform. While President Kaunda worked to win the support of UNIP stalwarts to agree to move in the direction of market-based reform, this triumvirate struggled to develop a "shadow program" that would lead to a new IMF agreement. Despite their efforts, they lacked the necessary support staff to carry out the requisite analyses. The Bank and IMF stepped in, undertook these studies, established the framework for the agreement, and orchestrated the negotiations. Ultimately, the agreement came to be perceived by Zambians as a product of the "terrible twins" (i.e., the World Bank and IMF). The Ministry of Finance itself came to be seen as the puppet of the World Bank and IMF. Without the support of stakeholders in either the public or the government, these perceptions did not bode well for the agreement.[33]

What were the major elements of the agreement? Three new policies were introduced: (1) liberalization and decontrol of bank interest rates; (2) creation of a foreign exchange auction (and concomitant cancellation of import licensing); and (3) the gradual elimination of subsidies on maize meal and fertilizer. In January 1985, the agricultural portion of this agreement commenced with the signing of an Agricultural Rehabilitation Project Credit with IDA. The IDA contribution of $25 million was augmented by credit from the African Development Bank and other donors so that the total credit available was $100 million.[34]

This agreement called upon the government to adopt the WB/IMF method for establishing producer prices (which meant taking into account border prices, regional transport and marketing costs) and progressively covering the costs of parastatals in determining retail maize and fertilizer costs. Two-thirds of the transport and marketing subsidies were to be eliminated by mid-1986;

[33] Callaghy, p. 292

[34] Gulhati, p. 44.

the remainder a year later. The agreement envisioned the growth of private sector marketing, while the parastatals—particularly NAMBOARD—would become a buyer of last resort.[35]

Did the government honor the agreement? The answer seems to be: partially. The president did announce that maize meal marketing would (as of January 1986) be open to the private sector, raised the price of fertilizer and had the cabinet approve the pricing methodology, and implemented it in 1986. The retail consumer price of maize was increased. However, the simultaneous effects of the foreign exchange auction, along with the depreciation of the kwacha, resulted in a sharp increase in the cost of living. Inflation, which had been running at approximately 30 percent in 1985, soared to 93 percent in the first six months of the auction. The impacts on the (1) kwacha price of imported fertilizer, (2) attempting to approximate producer and border prices, and a (3) record harvest in 1986, all caused the subsidy costs to greatly increase.[36] The maize subsidy per (90-kilo) bag increased from K14 in 1985 (then equivalent to approximately one-half the producer price) to K46 per bag (equivalent to 84 percent of the producer price) a year later, despite the nominal 50-percent maize meal price increase.[37]

The subsidy also undermined the participation of the private sector in maize marketing operations. No one could reasonably be expected to purchase maize at K55 per bag and then sell it for K35. In any event, by mid-1986, the command economy advocates were again firmly in control and had made it virtually impossible for private traders to obtain marketing licenses for the 1986 season.

Faced with the need to respond to an increasingly restive donor community,[38] and the need to remain sensitive to the condition of the urban poor, the government accepted the results of a maize marketing study undertaken by a British-Zambian consulting firm, which argued that only the subsidy on roller meal, a form of maize meal consumed largely by the poor, should be maintained. Breakfast meal, stockfeed, and brewing maize would be desubsidized. The response by millers was to focus on producing breakfast meal at decontrolled prices. Supplies of roller meal dwindled, and the price on all meal increased. Thus, as Bates argues, "The proposed changes in maize pricing policy therefore came at a time when inflation had increased the value

[35] Ibid.

[36] Tina West, "The Politics of Implementation of Structural Adjustment in Zambia, 1985-1987," in Center for Strategic and International Studies, The Politics of Economic Reform in Sub-Saharan Africa, February, 1992, p. 193.

[37] Ibid.

[38] Considerable dismay was voiced by the Bank and IMF regarding the impact of the subsidy on the government's budget deficit, as well as the dreadful performance of the parastatals tasked with buying and securing the 1986 harvest.

of the subsidies and when people were particularly sensitive to the distributional impact of government policies."[39]

To make matters worse, a three-month shortage of diesel fuel disrupted the entire flow of maize from the farms to storage to mills and into shops. Millers were faced with a double dilemma; not only were they short of maize and fuel, they were operating with a firm pricing mechanism for subsidized roller meal. On December 4, 1986, the government decontrolled breakfast meal prices. The following day, serious rioting broke out in the Copperbelt, particularly in Ndola and Kitwe, in part over the rise in price of maize. The rioting lasted for five days. Ironically, the government's decontrol of the roller meal subsidy mechanism was announced on the last day of the food riots!.

4.2.2 UNIP Response to the December Riots

The government response to the riots was two-pronged and swift. Seeking to diffuse any focus of responsibility for this turn of events, UNIP accused the millers of price-gouging and hoarding and nationalized all private mills. It simultaneously rolled back prices and reinstated the subsidies on both breakfast meal and roller meal. Its decision to double the price of breakfast meal, during a period when the Consultative Group had indicated that UNIP could and should delay its subsidy removal schedule by one crop year, is difficult to explain. One interpretation is that the government knew that the increases would fail, and that the riots would allow them to delay market liberalization without alienating the donor community, while at the same time satisfying the government's domestic constituents.[40] Still another argues that it was yet another manifestation of government incompetence, proving how little control government exerted over events, and how little understanding it had of the liberalization process that it had supposedly committed itself to.[41]

Over the next four months, maize marketing efforts remained stillborn. It was during this period that the currency auction was falling apart.[42] In January 1987, Kaunda removed the last significant supporter of liberalization, Minister of Finance Basil Kabwe, temporarily suspended

[39] Bates & Collier, p. 50.

[40] This view, advanced by Dr. Tina West, seems substantiated in part by the World Bank and IMF's seeming willingness to soften their terms and maintain their pledges of support. See West, p. 199.

[41] Ibid.

[42] Largely due to the machinations of Leonard Chivuno, who began manipulating currency supplies, allowing bankrupt parastatals in need of hard currencies to buy exchange at a considerable discount, and running up indebtedness by selling far more currency than the government had, or that donors were willing to supply.

World Bank and IMF reforms, and reestablished a fixed exchange rate for the kwacha (revaluing it at two-and-a-half times its actual value).[43]

UNIP command economy advocates began a strong publicity campaign in anticipation of upcoming elections. The "terrible twins" were identified as the chief cause of Zambia's economic misery. Articles in local newspapers at the time pointedly asked: "to finance and build our bridge, socialism, we go to the IMF, a red-eyed neocolonialist monster. Where on earth has the IMF financed socialism?"[44] Even staunch critics of the regime such as Frederick Chiluba, then newly reelected head of the ZCTU, spoke out in favor of continuing maize price subsidies.[45] Continuing labor unrest threatened the security of the upcoming elections. Kaunda's reaction was to opt for domestic popularity and continued support for UNIP. He accordingly suspended the entire IMF reform program, thereby abolishing the currency auction, freezing prices, and reintroducing price controls.[46]

Where were the IMF and World Bank during this time? It appears that they were on the sidelines. There was little donor reaction to the government's moves from December 1986 through its cancellation of the reform. West argues[47] that the Bank and IMF were making policy decisions in Washington, and that the Consultative Group continually focused on future decisions rather than establishing a forum for genuine policy dialogue. Other donors, with the exception of USAID, lacked access to the decision making bodies of the government. USAID, the only bilateral donor whose loans were conditional, set its disbursements against agricultural liberalization goals. After release of its initial tranches, the government's cessation of reforms resulted in an immediate halt in additional releases. Ironically, the Zambian government chose not to target USAID as one of the villains, despite the fact that its assistance was tied to market reform.

4.2.3 Rise and Fall of the New Economic Reform Program (NERP), 1987–1990

When the UNIP government abandoned its commitment to the World Bank/IMF adjustment program in May 1987, it had to come up with an alternative. However, without concerted political pressure to succeed, a go-it-alone reform program was likely to suffer the same fate as the donor-supported effort the government had rejected.[48] The challenge facing

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[43] Callaghy, p. 297.

[44] Ibid.

[45] West, p. 199.

[46] Ibid., p. 298

[47] Ibid.

[48] Jansen, Doris, Trade, Exchange Rate, and Agricultural Pricing Policies in Zambia. p. 211.

the government was to deflect both external and internal pressures for economic change and to maintain the status quo. The central committee of the party, under the leadership of President Kaunda, had become adept at maintaining political stability but not without considerable costs to the economy.[49] The introduction of the New Economic Reform Program (NERP) was a device to buy time for continued popular support. Under the NERP, the government reintroduced price controls, reversed free market policies on exchange rates, and stalled debt-servicing. In 1988 economic performance rebounded due to an increase in copper prices. Agricultural sector output rose by 21 percent, helped by increased producer prices, improved credit and extension services, and good rainfall. However, much of the bumper maize crop spoiled after harvest because of the incapacity of the government-controlled marketing system. The economy was still in a crisis.

NERP focused on cutting back government expenditures to counter inflationary pressures, which was successful in the short run.[50] On the other hand, an analysis conducted by the Commission for Development Planning concluded that the NERP had "not succeeded in tackling the problems of inflation, the government's budget deficit, the scarcity of essential commodities and the worsening of unemployment."[51]

Mounting problems with debt and market inefficiencies created shortages of goods as NERP imposed price controls that (1) made most goods scarce on the market and (2) were unenforceable. The government and UNIP accused retailers of manipulating the marketing system to their advantage because they were able to avoid price controls by selling in small units.[52] Price controls caused the government further problems as international donors suspended foreign assistance for capital projects due to the government's abandonment of the market-oriented economic policies and the suspension of debt repayments.[53] Because the results of the NERP were not at all encouraging and economic problems persisted, the government reinstituted economic reforms as part of an agreement with the IMF in September 1989. To gain access to donor lending the government removed price controls, devalued the currency, increased interest rates, and reduced public spending (including food subsidies). In April 1990, donors pledged $450 million ($250 million for balance of payments support and $200 million for project assistance) at a consultative group meeting of donors in Paris where the Finance Minister, Gibson Chigaga, said the government was "trying to avoid a complete collapse of the economy."[54]

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[49] Jansen, p. 211.

[50] Bates and Collier, p. 56.

[51] The Economist, February 18, 1989, p. 88.

[52] Bates and Collier, p. 59.

[53] Bates and Collier, p. 59.

[54] African Economic Digest, Vol. 11., No. 16, April 23, 1990, p.13.

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Even though mealie meal continued to be subsidized, price increases were put into effect in June 1990 in order to minimize the budgetary cost of subsidies, a move consistent with the restructuring program the government had agreed to with donors. Shortly after the Cabinet Minister Maliba Masheke announced this 100-percent price rise in mealie meal, riots broke out in Lusaka. In response, President Kaunda declared his intention to adhere to the reform program. He said that the reform program would continue and that "Nothing at all will stop it."[55] Bates and Collier interpreted these riots as less concerned with maize price hikes than as an expression of dissatisfaction with the Party, whereby the urban populace "identified the political system as the source of their economic woes."[56] Another major indicator of dissatisfaction was the appearance of the Movement for Multi-party Democracy (MMD) in July 1990.

4.2.4 1991 Victory of the MMD Party and Political Support for Maize Marketing Reforms

The burden of maize-related subsidies on the economy had remained high throughout the second half of the 1980s—they exceeded 10 percent of the total government budgetary expenditures, peaking at 16 percent in 1989. By 1990 inflation was running at 100 percent annually. High inflation continued in 1991 (111 percent) and in 1992 rose to over 200 percent, mostly attributable to growth in money supply, higher prices for food (with maize price controls removed), and higher costs for imports as the kwacha depreciated against other currencies. UNIP could not survive this period of great economic instability and eroding purchasing power among consumers. The public did not accept or trust UNIP's attempt to reassert its stated commitment to economic reform. UNIP MPs began to desert the party and join MMD, which made the implementation of economic reforms the centerpiece of its political platform. The victory of MMD in March 1991 was a mandate for carrying out market liberalization measures to the extent these were understood by the electorate, who had yet to feel the effects of another round of price increases.

The enthusiasm and optimism generated by the victory of MMD was real for those who participated in the process and actually voted. In one sense, the vote was more important as an expression of popular discontent, with supporters actually having a limited appreciation or understanding of the impact that policy changes would have on their everyday lives. However, the total voter turnout was only 40 percent, in the rural areas it did not exceed 30 percent. The large commercial farmers with political influence only stood to gain from market liberalization since their interests were in diversifying crops and markets, especially regional markets. The emerging farmers were ambivalent to the arrival of MMD on the political scene, because they had no effective means to communicate or advocate their interests, which were in maintaining the status quo as the lesser of two evils. But with UNIP in disarray they had no representation in the largely urban-biased Zambian political scene. UNIP had "hooked" the emerging and commercial farmers on maize subsidies, and while the marketing was handled poorly every year, it kept them in production and therefore protected their livelihood. Under free market conditions,

[55] African Economic Digest, Vol. 11, No. 27, July 9, 1990, p. 4.

[56] Bates and Collier, p. 61.

many emerging farmers would not be able to stay in business while small farmers would likely limit their production of maize to subsistence needs and diversify into other crops. Initially very few in MMD understood the implications of an abrupt shift to free markets, and those that did understand knew that it was critical to quickly and fully implement the program. Delay and equivocation on reform implementation would only increase private sector uncertainty on the benefits of trade and investment in the Zambian economy.

The macroeconomic policy reform program proposed by the new MMD government is described in the Policy Framework Paper that was jointly prepared by the GRZ and the World Bank Working Group in February 1992.[57] One important priority of the program was reduction of the inflation rate. The government has taken important measures to control inflation. To limit spending, the government adopted a cash basis budget and eliminated most direct subsidies to industry and agriculture. Deficit reduction through reduced spending will help to bring down inflation in the long term, although in the short term the elimination of price controls has had an inflationary impact. The rest of the policy agenda, which is a massive and comprehensive undertaking, includes a privatization program. The GRZ intends to privatize 150 "commercially oriented" parastatals within the next ten years, including the mining company ZCCM. In agriculture, maize milling firms are to be privatized along with the parastatals NCZ and ZAMSEED, which respectively provide and distribute fertilizer and seed. Other public sector reforms are related to improving public sector management and finance, making progress on debt management, keeping balance of payments support a priority, and improving the efficiency of project assistance received from bilateral and multilateral donors.

After the liberalization of maize and fertilizer marketing in 1990, the private sector response was minimal, and traders remain cautious today because of continued uncertainty about the seriousness of the government in allowing free market pricing and access to credit, controlling inflation, and providing private traders with access to maize storage. This year's marketing season is fraught with difficulties and the government understands all too well that if the farmers' response next year is to reduce their planting of maize, and maize prices go up, urban constituents will react unfavorably. These problems are discussed more fully in the discussion that follows below.

4.3 The Political Economy of Agricultural Sector Reform Implementation

The liberalization agenda proposed by MMD for the agricultural sector is contained in two documents developed by MAFF shortly after the elections: the "Zambia Agriculture Sector Investment Program," written in concert with a World Bank Mission, and "A Framework for Agricultural Policies to the Year 2000 and Beyond," part of which grew out of earlier efforts of

[57] See World Bank, Draft Economic Report for Zambia CG Meeting. The GRZ economic reform program is discussed and analyzed in Chapter VI. "Current Developments and Policy Issues, Part II - Current Developments and Policy Issues", pp 112-127.

USAID's ZATPID II project. Chief among the reforms for liberalization of the agriculture sector are:

- Government withdrawal from direct involvement in agricultural marketing and input supply by freeing prices.
- Privatization of agricultural parastatals.
- Elimination of subsidies.
- Development of agricultural land and capital markets.
- Legal reforms including the Cooperative Act, Agricultural Marketing Act, Agricultural Credit Act, Seeds Act, Fertilizers Act, and Feeds Act.

The Sector Investment Program proposed and oversaw the creation of an Agricultural Sector Task Force to flesh out its program. Composed of public and private sector agricultural practitioners, the Task Force has become a reality, and currently has 17 subcommittees working on virtually every aspect of agricultural reform in preparation of master plans for agricultural programs. Policy reform is being addressed by some seven proposals, five of which—marketing, trade, and pricing policy; rural finance policy; land use and tenure policy; livestock policy; and policy on farmer organizations—have important liberalization elements (see Attachment 1, Development of Master Plans for Agricultural Programs).

The varying and competing interests and forces that have a stake in the adoption or non-adoption of maize marketing reforms are grouped according to the four political themes presented in Chapter 1. They are (1) Coalitions and Mass Political Pressure, (2) Donor-Government Relations, (3) Political Elite, and (4) Bureaucratic Interaction, which together provide the framework for analyzing the political economy of maize market reforms.

4.3.1 Coalitions and Mass Political Pressure for Maize Marketing Reforms

From a political economy perspective, the maize marketing program has been plagued by transparency problems. Political figures, including the president and vice-president, have met with constituents openly and privately and have advocated keeping prices suppressed. MAFF has announced floor prices for maize. Neither of these events are exceptional, except that the Zambian political system as well as its agricultural sector is undergoing a profound transition. This necessitates considerable education and reeducation as changes are introduced. Used to government direction and control, farmers, millers, and consumers take pronouncements by senior party officials as policy statements rather than as suggestions for behavior. Government restrictions on exports give the impression that little has changed vis-à-vis the government's sectoral control. Despite the fact that the government is funding approximately one-third of the maize harvest in an effort to "jump-start" the liberation of the economy, most observers[58] still perceive the government as being in complete control. They expect that in the final analysis, the MMD government will become the buyer of last resort for all maize at fixed prices. In such an environment, private buyers and traders are understandably hesitant to commit their own resources to the sector.

For the 1993 season, the public is confused about the policies that affect maize marketing. The government made an effort to spread the word about liberalization by publishing a description of the reformed marketing policies for 1993 (see Attachment 2, MAFF Food Security Division, "Agricultural Marketing Arrangements for the 1993-94 Season"). However, MMD political figures and government officials must strive to clarify the ramifications of such issues as transportation rates, logistical arrangements, liberalization of fertilizer, and the dimensions of its funding efforts, so that all sectoral participants are aware of where they stand within the sector. To date, neither the party nor the government seem inclined to do this, and the maize marketing reform program is characterized by many as being in a state of crisis.

The dismantling of the state-run economy requires that an enabling environment for the private sector be in place. The transition to a market economy is not automatic but requires policy actions that will improve the efficiency of private sector operations.

While some progress has been made in terms of exchange rate devaluation, trade and investment policies are still in need of reform and private sector development has been slow. One major problem in the area of credit, for example, is the lack of collateral in credit transactions. The efforts of the government to provide an enabling environment for private sector involvement in agricultural marketing have fallen short. The existing legal and regulatory framework is not transparent, and traders are unsure of what they can buy and sell under free market conditions.

To ensure that the social dimensions of structural adjustment would be addressed, the government has formulated a **Social Action Program** through which it aims to undertake development and implementation of social policies that include labor-intensive public works and the provision of public welfare assistance and food security. Unfortunately, progress on implementation of the **Social Action Program** has been slow, and multilateral donors such as the World Bank are concerned. Given the history of popular outbreaks in Zambia in response to dissatisfaction with price increases, it is both surprising and disturbing that the government is not paying more attention to programs that would provide a safety net for the poor.

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[58] During the in-country fieldwork phase of this report in August, 1993, newspapers regularly reported on the maize harvest as though it was a government exercise. Indeed, reporters frequently lapsed into the language of the past, referring to the purchasing system as a "maize marketing exercise."

4.3.2 Donor-Government Relations in Implementing Maize Marketing Reforms

USAID's position throughout this period was one of general support for the Bank's reform program. Though a professed "minor player" as a donor, USAID coordination with the Bank began to increase with the initiation of the two ZATPID projects and the Bank's renewed interest and involvement in market liberalization in Zambia. The mission's support for market reforms through the ZATPID II project produced an important study in 1990, *The Evaluation of the Performance of Zambia's Maize Sector*. When the present government came to power in 1991, real commitment to fiscal reform was evident. Measures were taken to eliminate maize-related subsidies. USAID was the lead donor in the process through support for the Maize Market Decontrol Program (MMDP), which complemented the fiscal policy conditions of the World Bank/IMF adjustment and stabilization program.

Conditionality: USAID Maize Market Decontrol and the World Bank/IMF Program

USAID Maize Market Decontrol Program conditionality related to the elimination of maize-related subsidies was very complementary to fiscal policy conditionality set by the World Bank/IMF under the category of expenditure restructuring. The objective of the World Bank/IMF program was to "eliminate subsidies while containing the growth, and restructuring the composition of, other noninterest expenditure," or more specifically taking action on the maize-related subsidies as described below:[59]

- Eliminate transport subsidies for maize
- Eliminate subsidies for breakfast meal
- Reduce subsidy on roller meal to 20 percent
- Eliminate subsidy on fertilizer

Policy dialogue conducted by USAID in coordination with the World Bank and IMF resulted in the elimination of all maize-related subsidies by 1993. In addition, MMDP conditionality related to milling privatization resulted in a study conducted by GRZ and the initiation of asset valuations of several mills.

MMDP assisted with the external debt and aid component of the World Bank/IMF program by requiring as a condition precedent to MMDP funding that the GRZ provide evidence that (1) all arrears to the World Bank were cleared and (2) a complete financing package for full payment of GRZ obligations to the IMF for the period from January 1992 through March 1992 was arranged.

USAID and the World Bank set conditions on the government pricing of maize, requiring that it increase the "into-mill" price of imported yellow maize to import parity levels (i.e., $14.00

[59] See Section II.2 of policy matrix as shown in Attachment 3.

per 90-kg bag was eventually agreed to). According to the Ministry of Agriculture, the rationale for the proposed policy was that the increase was necessary in order to:

- Ensure adequate revenue from the sale of imported maize to cover drought-related expenditures.
- Prevent imported maize from undercutting the market for domestic maize.
- Meet World Bank and IMF conditions for loan releases and the structural adjustment program.

Despite the problems associated with unexpected inflation and subsequent currency devaluation, the government, with the support of MMDP, worked to eliminate all direct subsidies for maize marketing. It will take some time for the economy to feel the beneficial effects of a more balanced fiscal policy. Unfortunately, the drought last year exacerbated the government's financial crisis, although rapid action by donors (with USAID in the lead) in providing food relief helped to moderate budgetary strains by keeping the GRZ import bill down.

The drought called for swift and effective action on the part of the GRZ in mitigating he worst effects of this disaster. Any delays in the government's maize market liberalization program were understandable. The MMD government did, in fact, exhibit concern with food security and focused much of its attention on cost issues. It was especially anxious to cushion consumer prices on imported yellow maize.

USAID conditionalities related to maize subsidies under the Maize Market Decontrol Program succeeded in obliging the government to take action and reduce or eliminate specific subsidies. However, the program included a number of complicated conditionalities that were not appropriate in the prevailing economic environment characterized by high inflation, and severe drought conditions. It appears that of some the conditionalities were designed in isolation without much input or consensus-building from Zambian decision makers, many of whom need to understand better the rationale for market reform. Second, in the midst of the drought crisis, USAID focused on the operational aspects of the relief program, and could not devote the much needed time to tracking and monitoring GOZ compliance with reform conditionalities. The few key expatriate advisors in advisory positions in finance and agriculture were compensating for the lack of Zambian policymakers willing or qualified to champion reforms. In fact, one enduring problem in Zambia is the absence of political elites or bureaucrats who have a deep-rooted understanding of the fundamentals of economic reform and the specific needs of Zambia in making the transition to a free market. Within this vacuum, donors remain the dominant force in maintaining the forward momentum of reform.

4.3.3 Political Elites

Given the exaggerated role of donors in the reform program, when their concentrated attention on reform implementation was reduced, backsliding occurred as old guard thinking

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began to emerge just as the drought crisis ebbed in the spring of 1993. More specifically, the strongest supporters of reform, Kasonde and Scott, were forced to resign in April under contrived insinuations of mismanagement. In fact, many observers speculate that their persistence in adopting specific policy changes and their unyielding support for pressing ahead with legal and regulatory reforms that diluted the power of politicians made them unpopular as political elites. The many years of UNIP rule—whereby government control of the economy was considered right and just—had conditioned bureaucrats to repel any attempts to introduce laisser faire thinking into the decision making process.

President Chiluba recognizes that for liberalization to be successful the general population must change their thinking and views on the role of the government. He noted in an interview in early 1993 that MMP election symbolizes a new era for Zambians and meant introducing

> a totally new culture and approach to life, introducing a new work ethic to realize that life is not as easy as we saw it in the first and second republics, where food was dished out free of charge and made people think that government would provide for them perpetually. We thought that we could let the people know that they could best run their lives if they provided for themselves and their families. Of course, the government has a duty to ensure that the environment makes it possible and facilitates jobs which people will perform and will be paid for.
>
> We therefore had to start with the hardest things—the liberalization of the economy, the withdrawal of subsidies on consumption—so that we could create some breathing space for the economy to begin to rise once again. Politically, the floodgates had opened.[60]

4.3.4 Bureaucratic Interaction: The 1993 Maize Marketing Season

Those MMD representatives and MAFF officials who pushed for implementation of maize marketing reforms in 1992 achieved mixed results, in part due to the drought that year. As discussed earlier, reforms were hampered by externalities such as runaway interest rates and hyperinflation, which had a severe effect on the pace of privatization.

The private sector marketing of maize in Zambia remains problematic because of the lack of free market pricing and the weak private sector capacity to buy, store, and resell maize at a profit. In 1988, Jansen pointed out that until the maize subsidy was removed marketing institutions would remain the primary purchasers of maize from producers since no one in the private sector would buy maize from farmers when producer floor prices were set higher than

[60] "Frederick Chiluba: Champion of Zambia's Democracy", interview in Africa Report, January–February, 1993, p.36.

the selling price to millers.[61] Margins must be at least adequate and certainly positive for private sector traders to get into the maize marketing business.

Finally in 1993, direct subsidies have been eliminated, but the dilemma facing the private sector is not dissimilar from the problem as it stood in 1988. What incentive is there for the private sector to go out and buy 1993 maize? In the midst of the maize marketing season, the vice-president, Mr. Levy Mwanawasa, spoke out forcefully advocating an into-mill price for maize at K7,000. This was taken as a policy dictum. Within days, the Minister of Agriculture, Simon Zukas, was forced to refute this publicly, emphasizing that these prices were "indicative" and all maize-related transactions were open to free negotiation. In fact, the MAFF had shown its positive commitment to private sector marketing by outlining its marketing policies regarding free markets in maize. These are clearly stated in a MAFF document:[62]

- "Maize marketing is liberalized. Everyone is free to engage in the procurement, storage, processing, and distribution of maize and its main by-product — mealie meal."

- "There will be no subsidy of any kind in all the stages of marketing."

- "The into-mill price is liberalized and, therefore, negotiable between the dealers and the millers."

- "Government will lease available storage facilities to interested private companies."

But in the same document follow two sections concerning pricing and purchasing of maize. The section on pricing describes the "floor producer prices" of K5,000 per 90-kg bag as aimed at providing "guidance to producers." It affirms that "farmers and buyers are free to negotiate prices." Given the decades of state-controlled marketing and administered pricing, setting a floor price sends the wrong signal to those in the private sector, who stand to lose heavily if prices cannot respond to supply and demand conditions. No one is going to risk buying high and selling low. The inherited doctrine is that the government sets market conditions, and this perception cannot be changed quickly especially if there is high-level political opposition to market-driven price movements. This is clear evidence of the government's continued involvement in marketing, and how it continues to influence the market system. What is clear is that there is little in the way of public education regarding how the proposed changes represent a new market philosophy. The government's commitment to market reform included

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[61] Jansen, Doris, Trade, Exchange Rate, and Agricultural Pricing Policies in Zambia. A World Bank Comparative Study, (1988) p. 198.

[62] An unsigned, undated, unofficial-looking three-page document produced by the MAFF's Food Security Division provides the "Agricultural Marketing Arrangements for the 1993-1994 season". The full text is given in Appendix 2.

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a transition period during which small and emerging farmers with outstanding loans would be "weaned" from government purchases and inputs. Three agricultural lending institutions, ZCF Finance Services, CUSA (Z) and LIMA Bank, and the Southern Province Cooperative Marketing Union, were chosen to buy maize from farmers. The section of the marketing arrangements document that addresses purchasing advises that "these institutions receive from the government the funds to purchase maize which they allocate to buying agents who will be "buying maize from farmers and sell[ing] it to millers on behalf of the lending institutions."

Having outlined the procedures for what are essentially government purchases of maize, the text goes on to describe how "other buyers," meaning private sector companies or traders, will operate in the market. The government expects the "other buyers" to arrange financing from commercial banks or to finance purchases from their own resources. The other buyers include the millers and hammermill[63] operators.

However, the private sector cannot make a profit marketing maize if the purchase cost at the producer level is greater than the sales price later in the marketing season. Nor can private sector entrepreneurs cover their cost of storage plus interest charges. This is because (1) the government has announced into-mill prices, which are interpreted as fixed prices, and (2) the government is purchasing maize through the cooperative marketing unions, which are acting as lending agencies. To cover interest charges in this highly inflationary environment (200 percent annually if extrapolated from the 15 percent per month current pace of inflation), traders know that maize bought between May and September would have to be sold at a much higher price from September to April. In effect, the private sector cannot afford to compete with the government.

To make matters worse, the government marketing of maize through buying agents is progressing very slowly because farmers do not trust the buying agents, who have often been selected on the basis of political connections. Witness the events unfolding in August as the ZNUF objected to the floor price set by the government, which they contend is too low to cover production costs. They complain that designated buying agents are buying maize at the lower "indicative" price, then reselling at a higher price.[64] But the critical reply in a newspaper

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[63] "Hammermills" are small, fuel-powered cereal milling machines which independent millers use to produce maize meal. They are usually driven by a generator and take one or two people to operate. The quality of their flour varies with the quality of the hammermill, but most produce a product which is less refined than that produced by large commercial mills. They have the advantage of being able to be set up almost anywhere and started up and used for even small amounts of maize. Toward the end of the UNIP era, a conscious attempt was made to promote hammermills. This continued into the MMD period. Today, over 5,000 hammermills are estimated to be in operation throughout Zambia. They have become a serious threat to the large, subsidized commercial millers. In an interview with one of the directors of the National Milling Company, the authors were told that hammermills will probably force the permanent closing of several large mills, once the decontrol process is complete (i.e., ending the mills' parastatal status).

[64] Daily Mail, "Comment", August 4, 1993

editorial is that there is "nothing wrong with this . . . this is what liberalisation is all about . . . competition."[65] But the farmers do not view this as competition, they feel that the imposed floor price forces the price downward even though the government has reaffirmed that "farmers are free to negotiate with buyers." The government, with the assistance of the press in this case, is persuading producers to sell at lower prices. The urban bias is very apparent here. Competition to farmers means higher producer prices, while competition to the urban middle class means lower mealie meal prices. In the past the government solved this dilemma by subsidizing both producers and consumers. This is no longer possible because the subsidy system has effectively been dismantled.

Unable to continue direct subsidies, the government is resorting to indirect subsidies by providing the money for purchasing crops to parastatal lending institutions, who will be paying off farmers' kwacha debt for this years inputs (seed and fertilizer) by paying an inflated rate to the farmers for their maize. In principle, the loss would be absorbed by the government and as such be an indirect subsidy. However, given the high level of inflation and corresponding interest rates, there is really no choice for the government, or the donors for that matter. The role of the private sector in marketing will be that of a broker/agent this year. Without trade finance and access to storage, the private sector will not take physical possession of maize. The government is likely to remain the buyer of last resort until liberalization can provide an environment for the private sector where price determination is market-driven, trade finance is available, and the urban food problem is resolved.

[65] Ibid.

5. CONCLUSIONS AND RECOMMENDATIONS

The government, with the support of donors, has achieved much in terms of policy reform, especially in agriculture, where the entire subsidy and market control system has effectively been dismantled. However, the transition to a market-oriented economy remains problematic due to intractable macroeconomic problems (high interest rates) and rigidities in the private sector, felt most acutely in the area of agricultural marketing. Private market participants have little incentive to enter into maize marketing when interest rates are running at between 100 and 200 percent on an annual basis, a much greater rate than anticipated price increases for maize (which are restrained by government jawboning and the infusion of subsidized credit). Second, without experience in handling and storage of maize, many new marketing agents are reticent to buy up large volumes for the domestic market. The export market represents good opportunities, but the government has limited exports of maize for food security reasons.

By the end of 1992, the government had eliminated all subsidies for maize marketing. It will take some time for the economy to feel the beneficial effects of balanced fiscal policy. Unfortunately, the severe drought that struck last year exacerbated the government's financial crisis, although rapid action by the GRZ and donors in providing food relief helped to moderate budgetary strains by keeping the import bill down.

In addition to the response to the drought, a second critical action taken this year was the Paris Club agreement in April 1993, which provided for a debt rescheduling plan for the decade. However, even with this rescheduling, the debt service is expected to absorb a significant proportion of export earnings for the next five to ten years. The country must rely on agriculture and nontraditional products for export-based growth in the next five to ten years in order to reduce dependence on copper mining.

The MMD government (largely at the initiative of E. G. Kasonde and Guy Scott) did, however, move forward to liberalize a number of important constraints to maize marketing (see Attachment 3, IBRD, "Zambia: Summary and Timetable of Adjustment and Structural Measures, 1991–1994)." All subsidies on breakfast meal were eliminated, as were fertilizer subsidies. Ironically, the elimination of the subsidy on roller meal may have been facilitated by the drought, insofar as the GRZ intent to maintain a subsidy on this product (at substantially reduced levels; i.e., from the existing 50-percent subsidy to 20 percent) through 1992 was made irrelevant by the unavailability of white maize. Trading in maize was liberalized: private traders were permitted to participate in all phases of maize and fertilizer marketing, and into-mill prices and consumer prices were freed to reflect transportation and production costs. Hammermills were also promoted.[66] The MMD government also announced plans to privatize government mills, storage

[66] Government of Zambia in collaboration with the World Bank/IMF, Zambia: Economic and Financial Policy Framework, 1992-94, Feb. 26, 1992, pp. 13-14.

facilities, and to remove support and control of cooperatives.[67] It remained for the Agriculture Sector Task Force to identify legislation in need of amendment, creation or removal. The bulk of these legal reforms remain to be enacted.[68]

Referring back to the analytical matrix, we conclude that maize marketing reforms in Zambia are now in the early implementation phase after a long period of initiation. No reforms can be considered sustainable at this point. The serious recognition that reforms were needed emerged in the mid-1980s and the process of negotiation and bargaining has been laborious. The challenges for the reform program remain formidable.

The first breakthrough for market liberalization came in the mid-1980s when serious discussions began concerning the need to eliminate subsidies. This was the initiation phase which in the face of political pressure and mass opposition was voided in 1987 when the government retracted its support for reform. The compelling economic realities soon would forced the government to reexamine its position. By late 1988, the government had reestablished its commitment to reform and reached an agreement with the IMF. In 1990, when the government permitted private trading of maize and fertilizer throughout the country and decontrolled price of other commodities, it entered the cusp between the initiation/adoption and implementation phase of reform.

Removal of all export controls on maize was a casualty of the drought. In light of there being virtually no maize to export, this did not seem terribly important in 1992. In 1993, however, the MMD government has placed a two-million bag limit (of an estimated harvest in excess of 18 million bags) on maize exports, arguing that it expected domestic requirements for 1993–94 to be approximately 16 million bags, and that food security necessitated that this amount be available from domestic production. Another casualty may have been the government's agreement to use maize import and export parity prices at the mill and producer levels. Hyperinflation and triple-digit interest rates have also had an impact on the realization of the MMD liberalization program: private traders, lenders, millers, and other agribusinesses that might be active in the market have been constrained by 140-percent interest rates on loans, and distracted by other opportunities such as 28-day treasury bills paying 20-percent interest.

The transition from state control to market-determined forces is not automatic. In Zambia, sustainability of reforms in the implementation phase will be achieved only if accompanied by strong political leadership that provides the population with encouragement to support change.

[67] Ibid., p. 15.

[68] Discussions with personnel in the MAFF Policy Division revealed that the Agricultural Credit Act and Agricultural Marketing Act of 1993 were currently being revised by government lawyers and were expected to be introduced to the National Assembly and passed before December, 1993. Highly placed political figures, however, questioned this optimism, pointing out that the debates on maize marketing in the National Assembly reveals considerable lack of commitment to or understanding of a market economy. Accordingly, they express grave doubts as to whether the MMD is capable of passing this critical reform legislation.

Xu

Timetable of stabilization and structural measures for the agricultural sector, 1990–93

Market Liberalization Measures	Initiation/Adoption	Implementation
Permit private trading of maize and fertilizer	1985-90	Sept. 1990
Decontrol producer prices of maize	1985-90	1993
Elimination of maize transport subsidies	1985-90	1993
Elimination of fertilizer subsidies	1990-91	1992
Elimination of mealie meal subsidies	1990-92	1992
Privatization of milling industry	1991	1994 (est.)
Privatization of fertilizer industry (NCZ)	1992	1995 (est.)
Privatization of seed industry (ZAMSEED)	1992	1996 (est.)
Complete elimination of export controls	under discussion	

In a country such as Zambia, where there are few technocrats, broad popular support can be achieved only if public awareness of how market forces work is increased. An important aspect of the free market message is the overwhelming proof that government effectively has turned over the role of marketing agent to private sector operators. In addition, a legal and regulatory framework that allows business to prosper must be in place. Again, this requires that Cabinet-level policymakers draft and pass legislation on commerce, contract law, and credit. Finally, the Ministry of Finance along with donors must ensure that the overall macroeconomic environment is stable so that businesspeople can take reasonable risks in making decisions on trade and investment in goods and services.

For maize marketing reform to be sustainable, farmers not only must benefit directly from reforms, through remunerative prices and better access to markets, but also urban citizens must be able to afford their staple food—mealie meal. The latter can only be achieved through market efficiencies realized through lower marketing and milling costs. Already in Zambia there is evidence that hammermillers can sell mealie meal at a lower cost than large industrial millers, although the hammermillers' mealie meal is less refined and considered lower quality than the roller and breakfast meals produced by the large industrial millers. However, with the elimination of subsidies to large millers, and the entry of hammermillers, the industry as a whole will become more competitive and more efficient. Producers must trust and establish working and mutually beneficial commercial relationships with traders and millers. Producer and trade associations can provide a forum for working out disputes and deliberations over marketing arrangements.

But for this to happen, the government bureaucracy must refrain from participating in the marketing system. The political elite must ensure that the role and power of the bureaucracy is refocused on supportive activities such as providing market information and extension. More important, high-level policymakers must not dictate pricing policies that inhibit trade. Ministers must prevent their rogue deputies from trying to manipulate the press and popular opinion to their personal advantage.

Lessons Learned From the Zambian Case

- UNIP and the MMD have allowed political decisions to predominate over economic decisions. These decisions do, however, impact upon economic decisions, which in turn create new political issues.

- Centralized political regimes often marginalize potential actors in the agricultural sector.

- The politicization of an already weak bureaucracy undermined its capacity to act autonomously, swelled its numbers, and squandered what resources were available on salaries.

- Market reform in Zambia has been a phenomenon largely imposed from without, largely at the instigation of the World Bank, IMF, and agriculturally, by A.I.D. From colonial times onward, the agricultural sector was characterized by heavy subsidies to both producers and consumers. As the urban population increased, so did the political importance of consumer subsidies. Insofar as the urban population was the core of political support for UNIP (and MMD), eliminating food subsidies for an externally imposed goal of market economics was not popular.

- The timeliness of donor inputs can have a critical impact on reforms. Donor pressure may be putative—allowing the regime to use this as an escape valve.

- Even when there is a commitment to a market-led reform process, implementation may be spasmodic, especially when there is not a clear understanding of what actually constitutes market reform. At present, only a handful of political actors understand what is meant by market reform.

- Within a political system characterized by a paucity of economic professionals, individuals with strong economic viewpoints (either pro-market in the case of Kasonde and Scott or pro-command in the case of Chivuno) can have exceptional impacts vis-à-vis pushing their goals. However, they also lay themselves open to reprisals if their programs are perceived as a cause of political problems.

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SELECTED NEWSPAPER STORIES

June	7	"Now Farmers To Fix Own Maize Prices", Zambia Daily Mail
June	7	"Hold Prices, Commercial Farmers Told", Zambia Daily Mail
June	7	"Former Mill Owners Seek ZPA Nod", Times of Zambia
June	13	"Round-Table Talks Thrash Out Meal Price Wrangle", Times of Zambia
June	30	"Women Urge State Control Mealie Meal Prices", Times of Zambia
July	1	"Farmers Debate Maize Price", Times of Zambia
July	3	"Subsidies Out - Chiluba", Times of Zambia
July	3	"Chiluba Ticks Off ZCTU on Subsidies", Zambia Daily Mail
July	4	"Blame NCZ Not Farmers", Zambia Daily Mail
July	4	"Statement by ZNFU on MAIZE PRODUCER PRICE", Times of Zambia
July	5	"Mkushi Farmers Adamant", Times of Zambia
July	5	"Small Millers Cry Foul" Times of Zambia
July	8	"Veep Carpets Farmers' Union", Zambia Daily Mail
July	8	"SPCMU Buys New Crop", Times of Zambia
July	8	"Comment" [Mwanawasa angry at ZNUF], Zambia Daily Mail
July	9	"Hammermills To Solve Meal Prices", Zambia Daily Mail
July	9	"Farmers Resort To 'Exporting' Maize To Zaire",
July	9	"Government Imports 13 Million Grain Bags", Zambia Daily Mail
July	14	"Veeps Point Missed - Zukas", Times of Zambia
July	15	[Gov't sticks to cash budget; harvest goes to waste], Financial Times
Aug	1	"Maize Wastage Looms", Times of Zambia
Aug	2	"Confusion Reigns Over Crop", Zambia Daily Mail
Aug	3	"Maize Still Stuck in Mongo, Times of Zambia
Aug	4	"Leaders Lashed Over Racket", Zambia Daily Mail
Aug	4	"Comment" [ZNUF Objections to Floor Price on Maize], Zambia Daily Mail
Aug	6	"North Harvest Record 2.5m Maize Bags", Times of Zambia
Aug	6	"Bumber Harvest May Go to Waste", Weekly Post
Aug	6	"Politics Mar Maize Sales", Zambia Daily Mail
Aug	6	"Maize Supply Draws Political Daggers in Sinazongwe", Weekly Post
Aug	6	"Maize 'Scandal'", Times of Zambia
Aug	6	"State Sets Aside K28bn for Fertiliser", Times of Zambia
Aug	8	"Kavindele Accuses Leaders", Times of Zambia
Aug	9	"Mongu Starts to Move Maize", Times of Zambia
Aug	9	"SAP Can Make or Break Democracy", Times of Zambia
Aug	10	"New Maize Export Licences Ruled Out", Times of Zambia
Aug	11	"State Faces Cash 'Fix', Times of Zambia
Aug	12	"Fired Ministers Probed", Times of Zambia
Aug	12	"'Agents' Swidle Kalomo Farmers", Times of Zambia

ATTACHMENT 1

DEVELOPMENT OF MASTER PLANS FOR AGRICULTURAL PROGRAMS

	Subcommittee	Programs	Co-Chairmen	PD Staff Persons	Target Date for Completion
#1	Marketing and Trade	Crop Marketing Agency Marketing and Trade Dep't	Chabala/Chizuni	D. Mulumba S. Zebedia	SEPT/93
#2	Ag & Rural Finance *	Funding of Credit Programs	Mweemba/Ndalamei	G. Sikazwe	July/93
#3	Food & Nutrition	Food & Nutrition Program	Mukupo/Luneta	D. Mbewe Mbozi	SEPT/93
#4	Ag Training	Ag Training Board/Institute	Nang'amba/Hansingo	S. Tembo	July/93
#5	Irrigation	Irrigation Centre	Amiran/Akayombokwa	P. Chibinga	DEC/93
#6	New Product Dev't	New Product Dev't Centre	ZEGA/Railston-Brown	E. Ngulube	DEC/93
#7	Farm Power & Mech'n	Farm Power & Mech'n Centres	Mallaghan/Sichembe	B. Zulu	DEC/93
#8	Policy & Planning	Policy & Planning Division	Banda/Mukupo	G. Mbozi	SEPT/93
	Research	Research (crop & animal husb)	Munyinda/Landless	G. Kahokola	JULY/93
#10	Extension & Information	Extension Information	Mulele/ZNFU	K. Kapepula	July/93
#11	Animal Health	Animal Health (incl vet research)	Sinyangwe	D. Liteta	July/93
#12	Fisheries	Fisheries Dep't	Mudenda/Flynn	P. Haachongela	July/93
#13	Donor Coordination *	Ag Development Council	Mendamenda/McKenzie	J. Mwansa	SEPT/93
#14	Privatization *	agri-related (farms, input supply, processing)	Nang'amba/Shawa	L. Jere	DEC/93
#15	Lands	Land Administration & Use	Musune/Chinene	W. Silwamba	DEC/93
#16	Standards	ZBS - ag component SCCI	Mesa/Mbozi	T. Kalyati	SEPT/91
#17	Socio-economic Advisory*	Advise several other committees	Mudenda		

* Do not follow standard report format.

A. POLICY REFORM PROPOSALS

Policy Area	Policy Objective(s)	Proposed Strategies	Implementing Agencies	Key steps	Tentative Timetable	Suggested Monitoring Indicators
1. Marketing, Trade & Pricing Policy	>> Encourage development of an efficient and effective commodity marketing and processing system;	>> Liberalize marketing, processing and pricing in domestic commodity and input markets;	GRZ, MAFF MTCI, MOF	>> Discontinue maize and fertilizer subsidies;	1993 onwards	>> Removal of subsidies from budget;
		>> Liberalize export and import trade for inputs and outputs;	MAFF, MICI MOF	>> Amend Agricultural Marketing Act (AMA) and set up CMA;	1993	>> Parliamentary approval of amendments to AMA and Crop Marketing Agency;
	>> Encourage development of an agricultural export sector;	>> Ensure private ownership in processing & input supply sectors;	ZPA	>> Lift restrictions on exports;	1993	>> Exports move without constraint;
	>> Encourage development of an efficient and effective farm input supply system.	>> Strengthen essential public marketing support services;	MAFF, ZABS CMA	>> Set low uniform duty on imports of inputs;	1993-4	>> Budgetary provisions for new duty structure;
		>> Privatize public storage facilities.	MAFF, CMA	>> Review and update legislation on key inputs;	1994-5	>> Parliamentary approval of amendments to existing legislation;
				>> Include agribusiness parastatals in privatization plan;	1993-5	>> Sale of agribusiness parastatals;
				>> Institutional reform B-1.	1993 onwards	>> see B-1
2. Food Security Policy	>> Ensure national and regional food security;	>> Maintain an effective early warning system (EWS);	MAFF	>> Develop long-term plan for EWS in MAFF;	1994-5	>> Annual Budgetary Allocations for EWS;
	>> Ensure availability and access to food by vulnerable groups (households and individuals).	>> Establish and maintain national strategic food reserves;	MAFF, CMA	>> Set up National Food Reserves under Crop Marketing Agency (CMA);	1993	>> Annual Reserve activities (purchases, sales, stocks);
		>> Maintain public capacity to import grain in emergency;	MAFF, CMA	>> Include import provisions in new AMA;	1993	>> Parliamentary approval of amendments to AMA;
		>> Maintain PAM for food shortage situations;	MAFF, MOH	>> Strengthen Food & Nutrition Commission;	1994	>> Budgetary allocation;
		>> Increase public information on food consumption and nutrition;	F&NC, MAFF MOH	>> Set up formal Agreement on future of PAM;	1993	>> Signing of agreement;
				>> Re-orient extension programs with support and training.	1994	>> Actual provision of services.
3. Rural Finance Policy	>> Encourage development of a viable and sustainable financial system for servicing agriculture and the rural sector;	>> Liberalize provision of financial services to smallholders;	BOZ, MOF	>> Permit all financial institutions to provide a wide range of rural financial services	1995	>> Appropriate amendment of the Banking Act and Financial Institutions Act; >> Freedom in interest rate policy by financial institutions;
		>> Deregulate interest rates and bank charges for agricultural credit;	BOZ	>> Abolish regulations on interest rates/bank charges;	1993 onwards	>> Evidence of deposits in rural finance institutions;
	>> Improve smallholders' access to credit and other financial services;	>> Eliminate commodity-specific funds in gov't/donor-supported programmes;	MAFF, NCDP	>> Prevail on donors to fund non-targetted programs;	1993-94	>> Formal agreements with donors to establish non-targetted programs;
		>> Provide for legal foundation to strengthen loan security;	MAFF, GRZ	>> Amend Agricultural Credit Act;	1993	>> Parliamentry approval;
	>> Phase out recurrent public cost of farm credit programs.	>> Promote formation of both formal and informal financial institutions in rural areas.	GRZ, MAFF, BOZ	>> Facilitate procurement of title to farm land in all areas;	1994-2000	>> Implementation of new land policy - see A-4;
				>> Provide legally for informal financial institutions/associations;	1995	>> Passing of appropriate legislation;
				>> Reduce recurrent budget allocation to farm input credit.	1994 onwards	>> Reduced share of budget;
				>> Institutional reform B-6.		>> see B-6

A. POLICY REFORM PROPOSALS -- CONTINUED

y Area	Policy Objective(s)	Proposed Strategies	Implementing Agencies	Key steps	Tentative Timetable	Suggested Monitoring Indicators
Land Use and Tenure Policy	>> Substantially increase overall utilization of land for agricultural purposes;	>> Privatize GRZ and parastatal farms;	GRZ, ZPA ML	>> Evaluate and sell farms;	1994-5	>> Sale of farms
				>> Establish an official national land use plan;	1995	>> Parliamentry approval of national land use plan;
	>> Establish appropriate land tenure systems in Reserve and trust lands;	>> Revise legislation covering Reserve and trust lands;	GRZ, ML	>> Pass legislation on tenure in Reserve and trust lands;	1994	>> Parliamentry approval of legislation;
		>> Provide for key public services to be established in farming areas;	GRZ, ML, LG, MAFF	>> Establish plans and surveys for all designated agricultural lands;	1995 onwards	>> Approval of regional plans by designated authority;
	>> Ensure sustainable use and management of land and water resources.	>> Develop and promote sustainable land and water use practises.	MAFF	>> Allocate land title to farmers in new agricultural areas;	1995 onwards	>> Number of farmers receiving title;
		>> Encourage development of free land market.	ML	>> Provide funds for local services from realistic ground rents/taxes;	1995 onwards	>> Parliamentry approval of new ground rent/tax system;
				>> Incorporate land/water use issues in research and extension programs;	1994 onwards	>> Reallocation of responsibilities in MAFF.
				>> Institutional Reform B-4 & B-5.	1994 onwards	>> see B-4 & B-5.
estock Policy	>> Increase efficiency and productivity of livestock sector especially among smallholders;	>> Strengthen livestock extension programs for smallholders;	MAFF, DAR, DAPH	>> Merge responsibility for animal health and husbandry in MAFF;	1994	>> Establishment of a Department of Animal Production and Health (DAPH)
		>> Strengthen livestock research programs:	DAPH, DAR	>> Develop a long-term funding plan for merged Department;	1994 onwards	>> Approval of plan by gov't and participating donors;
	>> Reduce public cost and improve efficiency of livestock services;	>> Encourage development of private veterinary practices;	DAPH	>> Identify funding for private veterinary practices;	1995 onwards	>> Number of licenced private veterinary practitioners;
	>> Substantially reduce losses of livestock from diseases;	>> Privatise drug distribution, dips, vaccinations, animal breeding, and artificial insemination (AI);	MAFF, DAPH	>> Provide technical support to operators of dips etc;	1994 onwards	>> Number of licensed dips and drug retailers
	>> Increase animal draught power.	>> Focus gov't vet services on control of critical endemic diseases, tsetse fly, disease investigation, veterinary public health, and epidemilogical surveillance.	DAPH	>> Increase charges for public services to recover costs;	1995 onwards	>> Revenues relative to costs;
				>> Increase contracting out for public service needs.	1995 onwards	>> Level of contracting out;
		>> Increase livestock numbers in deficit areas.	DAPH	>> Transfer gov't animal breeding schemes to private breeders;	1994	>> Schemes transferred;
				>> Investment C-3.	1994 onwards	>> See C-3.
licy on Farmer ganizations	>> Encourage development of a set of self-reliant farmer organizations with the capacity to service a wide variety of member needs.	>> Minimize government involvement in Co-operative affairs;	GRZ, MAFF	>> Revise Cooperative Societies Act	1994	>> Parliamentry approval of amendments;
				>> Remove marketing regulation from Coops;	1993	>> Parliamentary approval of amendments to AMA;
		>> Provide enabling environment for all types of organizations;	GRZ, MAFF	>> Develop general legislation for farmer organizations;	1995	>> Parliamentry approval of new Act;
		>> Strengthen public support services for farm organizations.	MAFF	>> Fund service to advise on setting up organizations.	1995	>> Budgetary allocation of funds.
licy on Use Donor Funds	This area is now under development by the Task Force.					

The result may also imply certain [illegible]

7

B. INSTITUTIONAL REFORM PROPOSALS

Institutional Area	Reform Objective(s)	Proposed Strategies	Implementing Agencies	Key steps	Tentative Timetable	Suggested Monitoring Indicators
1. Marketing Institutions	>> Ensure provision of adequate market information;	>> Establish market information programs;	MAFF, CMA	>> Set up MI unit for food crops in CMA;	1993	>> Regular market reports;
	>> Use grades and standards to enhance marketing of products;	>> Enhance capacity for developing and monitoring standards;	ZABS, CMA	>> Set up MI unit for livestock and other crops in MAFF;	1994	>> Regular market reports;
	>> Improve Government capability in international trade matters;	>> Enhance capacity to monitor analyze, and negotiate trade issues;	MAFF	>> Strengthen capacity of ZABS to develop standards;	1993-4	>> Published standards for feeds crops, and crop products;
	>> Improve market access for smallholders;	>> Encourage outgrower operations and establish local market centres;	MAFF, ??	>> Establish unit in CMA to set/monitor grades;	1993	>> Acceptance of grades by export buyers;
	>> Ensure farmers receive quality inputs.	>> Provide capacity to enforce input legislation.	MAFF	>> Restructure and strengthen agricultural trade Unit in MAFF;	1994	>> Budget allocation for Unit;
				>> Establish inspectorate unit in MAFF;	1995	>> Budget allocation for Unit;
2. Agricultural Research	>> Upgrade staff quality, morale, and research infrastructure;	>> Improve incentives and environment for agricultural researchers;	DA, MAFF	>> Review and development of proposed incentive package;	1994-95	>> Cabinet or parliamentary of incentive package;
	>> Improve program management and funding;	>> Improve linkages with farmers, farmer associations, agribusiness and extension services;	DA	>> Include provision to reward staff for linkage activity/performance;	1994-95	>> As above;
	>> Improve capacity to borrow and adapt technologies;	>> Establish mechanisms to determine priority research programs;	MAFF, DA	>> Conduct review of research priorities and update periodically;	1994	>> Report on priorities;
	>> Improve research relevance and quality;	>> Establish program review system with regular scientific and accounting audits;	MAFF, DA	>> Develop long-term funding plan for agricultural research;	1994	>> Approval of plan by gov't and participating donors;
	>> Encourage pluralism in national research system.	>> Develop specific plans for privatizing and contracting out certain types of research;	DA	>> Prepare and continually update Research Master Plan based on priorities performance reviews and available funds;	1994 onwards	>> Regular updates of plan;
		>> Increase linkages with regional research institutions and data banks;	DA	>> Incorporate private and contracting out programs in review of priorities and Research Master Plan.	1994 onwards	>> Provisions in Master Plan.
				>> Contract out program's scientific and accounting audits;	1994 onwards	>> Regular contracting program.

B. INSTITUTIONAL REFORM PROPOSALS - CONTINUED

Institutional Area	Reform Objective(s)	Proposed Strategies	Implementing Agencies	Key steps	Tentative Timetable	Suggested Monitoring Indicators
3. Agricultural Extension	>> Upgrade staff technical skills, facilities, and other incentives;	>> Improve incentives and environment for agricultural extension workers;	DA, MAFF	>> Review and development of proposed incentive package;	1994	>> Approval of incentive package;
	>> Improve program management and funding;	>> Conduct annual review of District extension performance based on: - reports from farm organizations; - annual reports of District Co-ordinating Bodies - see B-9; - Levels of improvement in farm product sales by District.	DA	>> Review and develop proposals for needed extension field resources;	1994	>> Completion of review;
	>> Improve quality and relevance of extension messages;			>> Agree on staff secondment and cost sharing mechanisms with agribusiness and farm organizations.	1994	>> Approval of detailed policy;
	>> Strengthen extension/research/farmer linkages;			>> Develop long-term funding plan for agricultural extension;	1994	>> Approval by GRZ and donors;
	>> Pluralize provision of advisory services.	>> Adapt methods and messages to those which produce these results.	DA	>> Prepare and continually update Extension Master Plan based on user feedback and available funds;	1994 onwards	>> Periodic Updates of Plan.
		>> Encourage agri-business and farmer organization involvement in advisory work.	DA			
4. Land Administration	>> Create capacity for land survey and administration under new policies (see A-4).	>> Restructure ML and MAFF Land Use Unit and develop legislative proposals to implement policy changes;	ML, MAFF	>> Develop specific project and get funding committed;	1993	>> Project initiated;
	>> Expand land use for agricultural purposes;	>> Establish farm registry at District level;	ML	>> Obtain approval of plan to set up District registries:	1994	>> Cabinet approval of plan;
		>> Establish structure to administer new ground rent/tax system;	ML	>> Contract out study of ground rents and administration;	1994	>> Completion of study and implementation of results;
	>> Expedite provision of essential land administrative services.	>> Strengthen ML's capacity to survey lands and issue/transfer deeds.	ML	>> Determine requirements and allocate necessary resources - see C-5.	1995	>> Elapsed time to process titles and land transfers.
5. Water and Irrigation	>> Encourage the use of irrigation to improve farming profits and reduce risk.	>> Review and streamline procedures for granting water rights;	MAFF, & Water Bd	>> Contract out a review of existing allocation procedures;	1994	>> Contract completed;
		>> Establish joint venture with industry to set-up Irrigation Centre with outreach services;	MAFF	>> Contract out development of proposal for Centre;	1994	>> Contract completed;
		>> Develop legislation covering joint or collaborative irrigation projects;	MAFF	>> Contract out development of proposal for legislation;	1995	>> Contract completed;
		>> Encourage expansion of electrical services wherever economic;	MOE	>> Review recommendations of above studies and implement;	1995	>> Procedures revised; >> Centre funded and set up; >> Legislation passed; >> National Water Plan approved by Cabinet.
		>> Develop and implement a National Water Master Plan.	Special Task Force	>> Once Centre is established, set up Task Force to develop National Water Plan with consulting help;	1996	
				>> Establish electrical services in viable areas (eg Mkushi and additional transformers).	1994 onwards	>> Initiation of services.

B. INSTITUTIONAL REFORM PROPOSALS - CONTINUED

Institutional Area	Reform Objective(s)	Proposed Strategies	Implementing Agencies	Key steps	Tentative Timetable	Suggested Monitoring Indicators
6. Rural Finance Institutions	>> Convert rural financial institutions into autonomous, viable, and self-sustaining bodies.	>> Ecourage restructuring and rehabilitation of existing three institutions;	MAFF, MOF BOZ	>> Carry out diagnostic review of three institutions;	1993	>> Study completed;
		>> Reduce government involvement the operations of the institutions;	MAFF, MOF	>> Carry out rehabilitation of Lima Bank;	1994	>> Restructuring effected;
		>> Promote efficiency and cost-effectiveness.	MAFF, MOF	>> Facilitate adoption of improved management procedures and systems;	1994	>> Procedues implemented;
		>> Introduce risk reduction strategies in lending programs.	MAFF, MOF, FIs	>> Develop collateral and collateral substitutes (eg group lending.	1994-5	>> High recovery rates;
				>> Ensure government funding is provided only under firm contracts.	1993 onwards	>> Terms of contracts met.
7. Training Institutions	>> Ensure training centres supply suitable trained manpower for both public and private sectors;	>> Re-orient training programs to service liberalized economy;	MAFF	>> Review current curriculums;	1994	>> Completion of review;
		>> Institute re-training for existing MAFF personnel;	MAFF	>> Establish requirements of public and private sector for trained personnel;	1993	>> Completion of study;
		>> Create autonomy in training institutions;	MAFF, ZPA	>> Develop plan to privatize some institutions;	1994	>> Acceptance of plan by Cabinet;
		>> Develop new approaches to funding training institutions;	MAFF, MOF	>> Develop proposal for creation of autonomous institutions;	1994	>> Cabinet or parliamentry approval of proposal;
				>> Establishment of new institutions.	1994-5	>> Appointment of Boards & approval of new funding plan - see C-7.
8. Farm Power and Mechanization Institutes	>> Facilitate private sector role in transfer of farm power and mechanization technologies.	>> Establish privately-funded training/testing centre for mechanized farming at Magoye;	MAFF, & Mach'y Suppliers	>> Solicit industry views on Centres;	1993	
				>> Set up team to develop proposal;	1994	>> Proposal developed;
		>> Establish similar centre for animal powered agriculture at Palabana;	MAFF, & Mach'y Suppliers	>> Review proposal with industry;	1994	>> Industry acceptance of plan;
				>> Develop and pass needed legislation	1995	>> Approval of legislation;
		>> Use both centres to strengthen manufacturer/dealer/service/farmer linkage & two-way information flow.	Industry	>> Set up Centres to: - train farmers, mechanics, and artisans; - test & evaluate equip't; - publish test results.	1995	>> Funding for Centre in place.
9. Coordination of Farmer Services	The Task Force would like to see improved coordination of services to the farming community at the District level. Strategies for this are under development.					

NOTE: The above institutional changes imply major restructuring of MAFF and ML. A review of the overall organization of MAFF should be undertaken concurrently with that of ML.

C. PUBLIC INVESTMENT PROPOSALS

Investment Area	Investment Objective(s)	Proposed Strategies	Implementing Agencies	Key steps	Tentative Timetable	Suggested Monitoring Indicators
1. Agricultural Research	>> Provide resources needed to support institutional reforms; >> Develop/adapt minimum cost and sustainable crop and livestock systems for major agroecological zones. >> Ensure cost-effectiveness in achieving above two objecives.	>> Institutional reform B-2; >> Breed for increased crop yields and disease/pest resistance; >> Develop appropriate agronomic packages; >> Evaluate soils and land to facilitate land expansion; >> Generate improved technology in livestock breeding and management; >> Provide technologies for crop storage, processing, & use; >> Emphasize borrowing/adapting technology wherever possible.	MAFF MAFF MAFF MAFF MAFF MAFF MAFF MAFF	>> see B-2; >> Develop annual workplans and budgets based on up-to-date Master Plan, performance reviews, and new strategies; >> Seek donor concurrence with plans before budget submission; >> Submit annual plan/budget for MOF approval; >> Annual implementation of approved funding plan under new institutional arrangements.	1994-5 1994 onwards 1994 onwards 1994 onwards 1994 onwards	>> see B-2 >> Resultant workplan/budget; >> Annual donor review considering external audits & updated Master Plan; >> Approval of budget by MOF; >> Utilization of Funds Budgetted.
. Agricultural Extension	>> Provide resources needed to support institutional reforms; >> Provide advisory services for the purpose of improving the quality of farming in all districts, especially among smallholders. >> Ensure cost-effectiveness in achieving above two objecives.	>> Institutional reform B-3; >> Assist farmers in increasing agricultural production & productivity; >> Provide strong linkage between research and farmers; >> Provide strong liaison between farmers and support services; >> Help farmers gain needed managerial skills; >> Promote conservation of natural resources.	MAFF MAFF MAFF MAFF MAFF MAFF	>> see B-3; >> Develop annual workplans and budgets based on up-to-date Master Plan, performance reviews, and new strategies; >> Seek donor concurrence with plans before budget submission; >> Submit annual plan/budget for MOF approval; >> Annual implementation of approved funding plan under new institutional arrangements.	1994-5 1994 onwards 1994 onwards 1994 onwards 1994 onwards	>> see B-3; >> Resultant workplan/budget; >> Annual donor review considering external audits & updated Master Plan; >> Approval of budget by MOF; >> Utilization of Funds Budgetted.
Animal Production and Health	>> Reduce livestock losses from disease; >> Provide technical capacity in MAFF to support field advisory services and complement private veterinarians. >> Ensure cost-effectiveness in achieving above two objecives.	>> Strengthen existing veterinary Research Unit; >> Maintain animal Health regulatory capability; >> Establish well-qualified centre of expertise on animal production; >> Strengthen current Tsete and tryps program; >> Revive and strengthen quarantine capability.	DAPH DAPH DAPH DAPH DAPH	>> Develop annual workplans and budgets based on performance targets and new strategies; >> Seek donor concurrence with plans before budget submission; >> Submit annual plan/budget for MOF approval; >> Annual implementation of approved funding plan under new institutional arrangements.	1994 onwards 1994 onwards 1994 onwards 1994 onwards	>> Resultant workplan/budget; >> Annual donor review considering performance targets; >> Approval of budget by MOF; >> Utilization of Funds Budgetted.

Investment Area	Investment Objective(s)	Proposed Strategies	Implementing Agencies	Key steps	Tentative Timetable	Suggested Monitoring Indicators
4. Fisheries	>> Increase the total sustainable fish catch from Zambian fisheries;	>> Strengthen regulatory measures and enforcement;	DOF	>> Amend legislation regulating fishing industry;	1993-4	>> Approval of legislation;
	>> Improve fish conservation awareness and practises;	>> Improve fisheries statistics and research;	DOF	>> Strengthen enforcement of legislation;	1994 onwards	>> Reduction in overfishing;
	>> Exploit the potential of the aquaculture sector.	>> Strengthen fisheries and aquaculture extension program;	DOF	>> Establish Aquaculture Unit for research and extension;	1995	>> Budget allocation;
		>> Upgrade fisheries training;	DOF	>> Accelerate privatization plan in consultation with industry;	1994	>> Plan approved by Minister;
		>> Privatize fish hatching and other services;	DOF	>> Develop fisheries investment proposal covering above plus training and statistics.	1993-4	>> Proposal funded by donors.
		>> Collaborate with nearby countries on use of shared fisheries.	DOF			
5. Land Administration	>> Implement the institutional changes needed to implement the new land policy.	>> Restructure ML including the setting up of District registries;	ML, MOF	>> Carry out assessment of facilities required for development of new blocks of land;	1994	>> Completion of Assessment;
		>> Establish initial basic infrastructure for new farming blocks;	ML, MOF MAFF	>> Carry out assessment of facilities required for development of Reserve and trust land;	1994	>> Completion of Assessment;
		>> Establish initial basicc infrastructure for new Reserve and Trust lands.	ML, MOF MAFF	>> Develop Master Plan for funding including initial infrastructure & maintenance of services;	1995	>> Completion of plan;
6. Agricultural Training	>> Provide public component of funding for restructured training programs.	>> Improve funding of training institutions;	MAFF, MOF	>> Develop detailed proposals based on above training studies - see B-7;	1994	>> Proposals developed;
		>> Develop plan for cost-sharing with students;	MAFF, MOF	>> Set up study team to determine fees to be charged;	1994	>> Fee charging policy approv
		>> Provide funds for scholarship program.	MAFF, MOF Private	>> Initiate new funding plan.	1995	>> Funds allocated.

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Investment Area	Investment Objective(s)	Proposed Strategies	Implementing Agencies	Key steps	Tentative Timetable	Suggested Monitoring Indicators
1. Rural and Agricultural Credit	>> Mobilize external* resources needed to fund operating capital and new investment in all categories of farms, rural businesses, and agri-business concerns.	>> Implement institutional and policy reforms - see A-3 and B-6;	MAFF, BOZ, MOF	>> Operationalize institutional and policy reforms reforms with technical assistance where needed;	1993-4	
		>> Ensure that loanable funds are directed to viable projects;	MOF, BOZ, FIs	>> Agreements with donors to provide non-targetted funds for on-lending to viable projects;	1993 onwards	>> Agreements reflect change.
		>> Allocate a share of mobilized funds to rural finance institutions (vs commercial banks) to ensure coverage of small-scale farmers and rural businesses.	MOF, BOZ, FIs	>> New Ag. Credit Board to ensure that resources earmarked for the sector are allocated to priority programs.	1993 onwards	>> Impact on rural sector.
2. New Product Development	>> Stimulate the diversification and expansion of the sector through the introduction of new primary and processed products.	>> Develop and introduce program to enable the horticultural sector to capture niche markets with carefully selected products;	MAFF, & Private Sector	>> Design overall plan for horticulture program;	1994	>> Plan completed.
		>> Develop and introduce program to assist processors acquire the technology needed for further diversification of product mix.	MCTI, & Private Sector	>> Design overall plan for processing technology assistance;	1995	>> Plan completed.
				>> Work out tri-partite agreements with gov't/donors/private participants;	1994-5	>> Agreements signed;
				>> Implement agreements.	1995 onwards	>> Sector performance improvements.

* "External" means over and above retained earnings and savings captured by by financial institutions.

ATTACHMENT 2

MINISTRY OF AGRICULTURE, FOOD AND FISHERIES
FOOD SECURITY DIVISION

AGRICULTURAL MARKETING ARRANGEMENTS FOR THE 1993-94 SEASON

1. MARKETING POLICIES

a. Maize marketing is liberalized. Everyone is free to engage in the procurement, storage, processing and distribution of maize and its main by product - mealie meal.

b. For purposes of marketing data collection, all persons and companies engaged in marketing of maize and other crops will be registered jointly with the Ministry of Agriculture, Food and Fisheries and the Ministry of Commerce, Trade and Industry. Therefore, all those companies which responded to the advertisement for grain marketing agents, including those which have not been appointed as agents of the three lending institutions, including the Southern Province Cooperative Union (SPCMU), and may use their own funds for crop purchases, will be automatically registered on the assumption that they are not disqualified under the existing investment laws of Zambia.

c. There will be no subsidy of any kind in all the stages of marketing.

d. The into-mill price is liberalized and, therefore, negotiable between the dealers and the millers.

e. The role of the government will be mainly a facilitator to enhance the development of the private sector and ensure that producers get a fair return of their investment through the provision of timely, adequate and reliable market information to guide their commercial decision making.

f. Government will maintain a strategic reserve of grain for the purpose of ensuring continuous supply of food in times of emergency such as drought or other disasters.

g. While government will not be involved in marketing, it is the government's role to closely monitor the developments in the market for policy formulation purposes. Government will arrange for food imports when domestic production is not sufficient to meet local demand and it will manage and administer food aid that comes into the country.

h. Government will lease available storage facilities to interested private companies.

2. FLOOR PRICES

For the guidance of producers, the following are the floor prices:

maize - K5,000 per bag of 90 kg
Sorghum - K5,000 per bag of 90 kg

Sunflower - K4,000 per bag of 50 kg
Shelled Groundnut - K10,000 per bag of 80 kg
Soyabean - K8,000 per bag of 90 kg

The above prices are prices to be paid by the buyers when produ . is delivered to designated depots of the dealers. It is he by made very clear, however, that the floor price is only indicative and that farmers and buyers are free to negotiate prices.

3. ARRANGEMENT FOR BUYING MAIZE

a. The three agricultural lending institutions which are the ZCF Finance Services, CUSA (Z) and LIMA bank and the Southern Province Cooperative Marketing Union will be the main organizations to buy maize from farmers who borrowed from these institutions. These institutions will subcontract the buying of maize to dealers in different parts of the country according to the production areas they have assisted in terms of loans. The agents will be buying maize from farmers and sell it to millers on behalf of the lending institutions. It is important therefore that the agents have to make arrangements with millers for maize supplies. The dealers will earn commissions from the lending institutions for the handling of maize. The lending institutions and dealers will have to sign an agreement specifying the responsibilities of both parties.

b. The other buyers will be those companies which are able to arrange financing from commercial banks or financed from their own resources. This will include the millers and hammermill operators. However, as mentioned in item 1.b above, these will have to be registered with the Ministry of Agriculture, Food and Fisheries and the Ministry of Commerce, Trade and Industry.

4. TRANSPORT RATES

Transport rates have been liberalized. This means that the dealers and transporters have to negotiate for the haulage rates.

5. MAIZE EXPORTS

a. The export of maize or mealie meal will be permitted to enable the country to earn foreign exchange and to ease the burden of storage and securing funds to buy the surplus maize. Exports will be allowed after taking care of the local consumption requirements. Exports will, therefore, be approved and closely monitored jointly by both the Ministry of Agriculture, Food and Fisheries and the Ministry of Commerce, Trade and Industry.

6. CROP FINANCING

Agents will be allocated funds for maize purchases by the three lending institutions and the SPCMU. These are government funds. Commercial banks will also provide funds create . the system through the relaxation of the statute . reserve

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requirement. All funds will be loaned at commercial rate of interest.

6. MARKETING LOGISTICS

Dealers are expected to source their own logistic requirements such as trucks, empty grain bags, tarpaulins , scales and other materials. It should also be noted that procurement and distribution of empty grain bags have been liberalized. It is estimated that some 14 million empty grain bags will be available for this marketing season from the Zambia Cooperative Federation and other private dealers.

7. FERTILIZER MARKETING

Fertilizer production and marketing have been liberalized. The estimated demand for fertilizer during the next planting season is estimated to be about 250,000 m.t.. Of this amount, some 150,000 (120,000 m.t. imported & 30,000 m.t. local stock) will be supplied by the three lending institutions above and will mainly be for the small scale farmers. The remaining 100,000 m.t. will be supplied by private dealers, NCZ and donors.

ATTACHMENT 3

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Table 5. Zambia: Summary and Timetable of Adjustment and Structural Measures, 1991-94

(Asterisks indicate areas for priority action)

	Objectives and Targets	Strategy and Measures	Timing of Measures
I External Policies			
1. Exchange rate	Increase earnings from nontraditional exports, reduce import dependence, and improve allocative efficiency.	Unify official and second-window exchange rates.	April 1991
		* Step devaluation of 30 percent.	From January 31, 1992
		* Manage the exchange rate so as to satisfy the 1992 balance of payments objectives and move increasingly toward a market-determined rate.	During 1992
2. Exchange and trade system	Liberalize import regime.	* Shift OGL system to a negative list.	Mid-1992
		Widen OGL coverage from 90 percent to at least 95 percent of base period imports.	Mid-1992
	Remove impediments to exports.	Further reduce list of controlled exports from 4 to 1 (ivory).	End-1992
3. Tariff reform	Achieve a more uniform and lower-level tariff regime.	Continue to rationalize and reform tariff structure.	1992-93
4. External debt and aid	Take steps to normalize relations with external creditors.	* Reduce arrears to the Fund to their July 1, 1990 level.	During 1992
		* Eliminate arrears to other multilateral creditors and meet payments falling due to all multilateral creditors.	From January 1992
		* Clear recent arrears to Paris Club and other bilateral creditors in the context of arrangements for debt relief and new external disbursements.	1992
		* Discuss with commercial banks and other private creditors means of addressing debt service problems.	1992

Table 5 (continued). Zambia: Summary and Timetable of Adjustment and Structural Measures, 1991-94

(Asterisks indicate areas for priority action)

	Objectives and Targets	Strategy and Measures	Timing of Measures
	Increase efficiency of maize and fertilizer marketing	Establish floor price for maize with variations based on transport costs so as to eliminate transport subsidies.	Mid-1992
		Develop rules for operation and financing of maize strategic reserve.	Developed 1992 Implemented 1993
		Take other steps as necessary to encourage private sector participation in maize and fertilizer marketing.	1992-94
VII. Mining	Improve competitiveness of ZCCM.	Formulate a detailed medium-term investment and production program.	1992
		Improve operating efficiency of ZCCM.	1992-94
		Begin process of divesting ZCCM of non-mining activities.	1992
VIII Industry			
1. Role of sector	Reaffirm Zambia's commitment to a market-based free enterprise system.	Issue a major policy statement on the role of the private sector and issue Investment Guidelines.	1992
2. Legislative reform	Encourage investment.	Implement recently enacted investment code to streamline procedures and liberalize treatment of foreign investment.	1992

Table 5 (continued). Zambia: Summary and Timetable of Adjustment and Structural Measures, 1991-94

(Asterisks indicate areas for priority action)

	Objectives and Targets	Strategy and Measures	Timing of Measures
IX. Transport			
Expenditure reforms	Raise efficiency of transport services and reduce budgetary burden of operating subsidies.	Give high priority to maintenance, rehabilitation, and repair of existing road transport systems.	Announced in 1992 budget
		Develop and implement restructuring plans for Zambia Railways and Zambia Airways.	1992-94
		Implement short-term measures to stem losses incurred by Zambia Airways.	1992
		Improve maintenance of feeder roads through institutional reform and increased resource mobilization.	1992-94
X. Energy			
1. Price Reforms		Increase petroleum prices.	Implemented January 1992
		* Maintain petroleum product and electricity prices at economic levels.	1992-94
2. Expenditure	Supply adequate and economically priced energy to industrial and household users.	Allocate expenditures in power and petroleum sectors to maintenance, repair and rehabilitation of existing infrastructure rather than to creation of new capacity.	1992-94
XI Health and Population			
1. Expenditure reforms	Improve delivery of health services.	Adequately fund health sector activities and give priority to maintenance and repair of existing primary health facilities.	1992-94
		Shift emphasis to preventive health care from curative care.	1992-94
		Increase real funding for nonsalary recurrent costs.	1992-94
2. Revenue Reform		Continue and expand cost recovery program on ability-to-pay basis.	1992-94

Table 5 (concluded). Zambia: Summary and Timetable of Adjustment and Structural Measures, 1991-94

(Asterisks indicate areas for priority action)

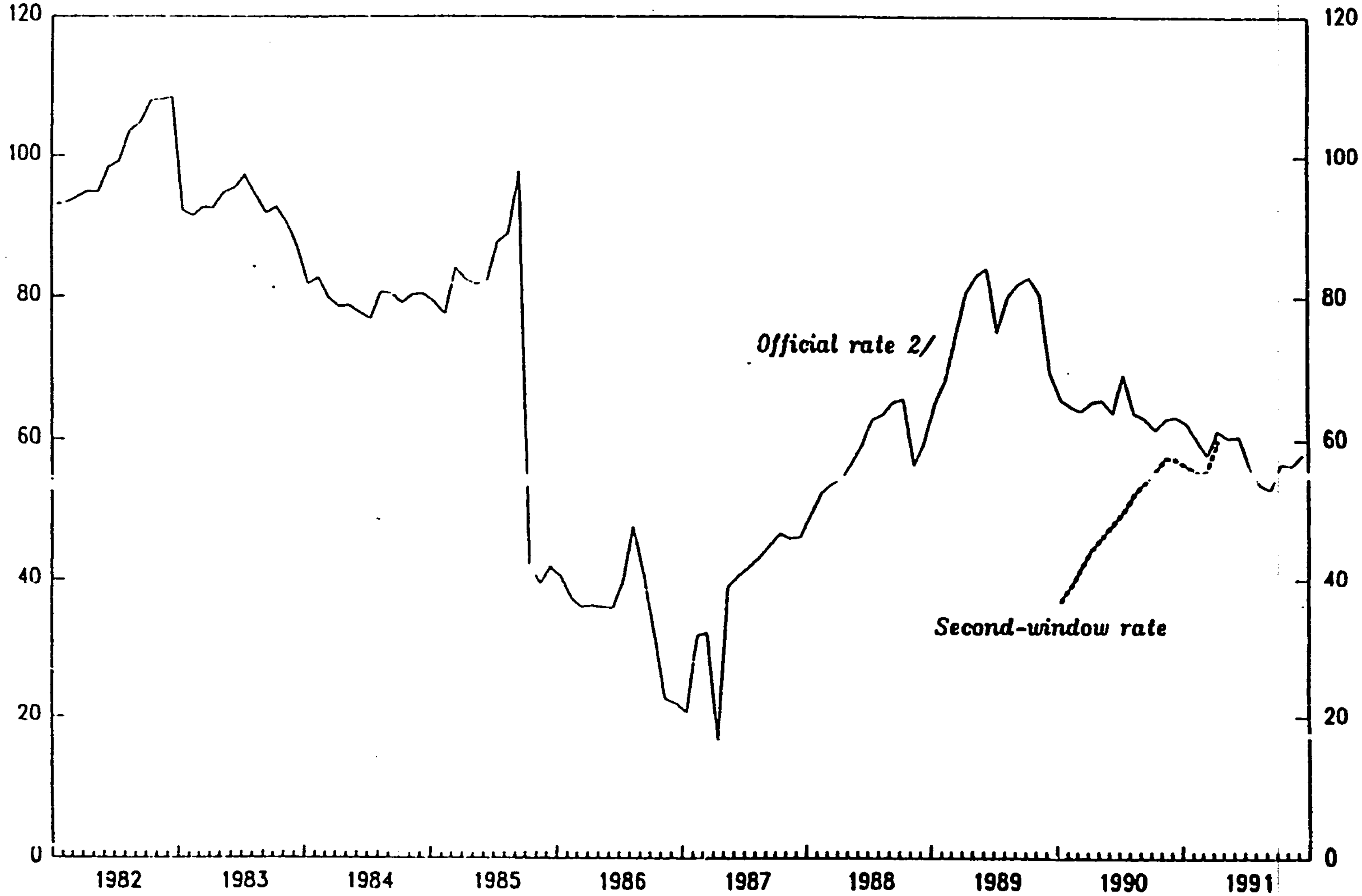
	Objectives and Targets	Strategy and Measures	Timing of Measures
3. Population growth		Implement national population policy aimed at significantly reducing the rate of population growth.	1992-94
4. Nutrition	Improve nutritional status of population.	Develop medium-term National Nutrition Strategy.	1993
XII. Education			
Expenditure reforms	Improve access to and quality of education.	Give priority in education expenditures to primary education, particularly in the poor urban and rural areas.	1992-94
		Focus expenditures on rehabilitation and maintenance of existing facilities as well as teaching materials.	1992-94
		Increase share of education in budget.	1994

CHART 1

ZAMBIA

REAL EFFECTIVE EXCHANGE RATE INDICES[1], JANUARY 1982 - DECEMBER 1991

(Period average, 1982=100; foreign currency per kwacha)



Sources: IMF Information Notice System; and staff estimates.

1/ Weighted by total trade.
2/ First-window rate from February 1990 to April 1991.

Table 5 (continued). Zambia: Summary and Timetable of Adjustment and Structural Measures, 1991-94

(Asterisks indicate areas for priority action)

	Objectives and Targets	Strategy and Measures	Timing of Measures
	Improve aid/debt management.	Continue efforts to strengthen monitoring of aid/debt flows.	1992
II. Fiscal Policy			
1. Revenue mobilization	Increase buoyancy, fairness, and efficiency of tax system.	Expand income tax base to include fringe benefits and reduce tax rates.	Announced in 1992 budget
		Harmonize domestic and import sales tax at a uniform rate.	Announced in 1992 budget
		Convert sales tax to VAT.	1993
	Reverse decline in real value of nontax revenue.	Restore real value of nontax revenue to 1988 level.	1992-94
2. Expenditure restructuring	Eliminate subsidies while containing the growth, and restructuring the composition, of other noninterest expenditure.	* Eliminate transport subsidies for maize.	1992
		Eliminate subsidies for breakfast meal.	Implemented January 1992
		* Reduce subsidy on roller meal to 20 percent.	December 1992
		Eliminate subsidy on roller meal.	Mid-1993
		* Eliminate subsidy on fertilizer.	March 1992
		Increase share of recurrent budget allocated to supplies and maintenance.	1992-94
		* Improve targeting of current expenditure toward priority sectors and vulnerable groups.	1992-94
3. Fiscal management	Strengthen management of public finances.	* Strengthen monitoring and control of expenditures.	1992-94
	Improve tax administration.	Increase tax department budgets and computerize.	1992
4. Civil service reform	Improve efficiency without raising cost.	Improve incentives for technical and managerial positions, while reducing size of public service.	1992-94

Table 5 (continued). Zambia: Summary and Timetable of Adjustment and Structural Measures, 1991-94

(Asterisks indicate areas for priority action)

	Objectives and Targets	Strategy and Measures	Timing of Measures
III. Monetary Policy			
1. Money supply	Bring monetary growth under control: M2 to increase by no more than 25 percent in 1992.	* Introduce, and make active use of, new liquid asset requirements.	1991-92
		Continue to impose limits on kwacha created through debt swaps in consistency with monetary objectives.	1991-92
2. Credit	Ensure adequate credit availability to nongovernment sector.	* Limit net borrowing by Government from banking system.	1992-94
3. Interest rates	Achieve positive real rates to encourage saving, discourage capital flight, and achieve a more efficient allocation of credit.	Increase interest rates by 5 points to bring lending rates in line with targeted inflation for Q1, 1992.	Implemented February 3
		* Raise rates further if warranted by inflation performance.	1992
IV. Parastatal Reform	Remove Government interference through granting substantial autonomy.	Grant managerial autonomy and eliminate subsidies.	Mid-1992
		Institute regulatory system for public utilities and agree price adjustment mechanism.	1993
	Reform of parastatal holding companies.	Implementation of agreed action plan for ZIMCO/INDECO.	1992-93
	Strengthen pubic utilities.	Review managerial and institutional reform measures and adopt action plan.	1993
V. Privatization	Enhance efficiency by privatizing most state-owned enterprises.	Overall plan.	July 1992
		Sale of first group and offer of next ten.	Early 1993
VI. Agriculture			
	Eliminate maize and fertilizer subsidies.	See under II.2	