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Country presentation

by

THE GOVERNMENT OF ZAMBIA

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**THIRD UNITED NATIONS CONFERENCE
ON THE LEAST DEVELOPED COUNTRIES**
Brussels, 14 – 20 May, 2001

**Presentation of the Government of Zambia
ACTION PROGRAMME FOR THE DEVELOPMENT OF
ZAMBIA
2001 – 2010**

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This report has been prepared under the responsibility of the Ministry of Finance & Economic Development, after consultation with members of the National Preparatory Committee consisting of: Ministries of Agriculture, Energy, Commerce, Trade & Industry, Tourism ,Works & Supply, Communications & Transport, Local Government, Mines, Community Development, Labour & Social Services, Health, Education, Environment, Foreign Affairs, Central Bank of Zambia, Gender in Development, and University of Zambia, National Farmers Union, Young Farmers Club, Zambia Chambers of Commerce and Industry (ZACCI), Zambia Wildlife Authority (ZAWA), Zambia Manufacturers Association (ZMA), Non-Governmental Organisations Co-ordinating (NGO) and Women for Change.

TABLE OF CONTENTS

	Page
INTRODUCTION.....	4
CHAPTER 1.....	6-13
PERFORMANCE IN THE 1990'S	
CHAPTER 2.....	14
2.1. Domestic opportunities.....	14
2.1.1. Economic infrastructure.....	14
2.1.2. Conducive environment.....	17
2.1.3. Tourism.....	18
2.1.4. Domestic resource mobilization.....	19
2.1.5. Policy reforms.....	19
2.1.6. Governance.....	20
2.1.7. National gender.....	21
2.1.8. Health	23
2.1.9. Nutrition	24
2.1.10 Population	24
2.1.11 Agriculture.....	25
2.2. External opportunities and constraints.....	26
2.2.1. Official development assistance.....	26
2.2.2. External debt burden.....	27
2.2.3. Market access for goods and services.....	28
2.2.4. Foreign direct investment.....	29
2.3. Vulnerability to shocks.....	29
CHAPTER 3.....	31
Examples of successful practices	
3.1. Case studies.....	31
3.1.1. Liberalisation of the economy.....	31
3.1.2. Privatisation.....	31
3.1.3. Road passenger transport.....	32
CHAPTER 4.....	33
4.1 Programme of action 2001-2010.....	33
4.2 National vision.....	33
4.3 Poverty Reduction Strategy Paper	34
4.4. Agriculture	36
4.5. Energy.....	39
4.5.1 Power Sector.....	39
4.5.2 Petroleum Sector.....	40
4.6. Tourism.....	40
4.7. Transport & Communication.....	45
4.8. Investment & Trade Promotion.....	49
4.9. Mining	51
4.10. Social Sectors.....	53
5.0 Conclusion.....	54
Reference Material.....	55-58
Tables	59-65

ACRONYMS

BOP	-	Balance Of Payment
BOZ	-	Bank of Zambia
CDC	-	Commonwealth Development Corporation
EBZ	-	Export Board of Zambia
FDI	-	Foreign Direct Investments
GDP	-	Gross Domestic Product
IDA-	-	International Development Agency
IMF	-	International Monetary Fund
HIPC	-	Highly Indebted Poor Countries
ERP	-	Economic Reform Program
MMD	-	Movement for Multi-party Democracy
NGO	-	Non-Governmental Organization
NTE	-	Non-Traditional Exports
ODA	-	Overseas Development Assistance
PRSP	-	Poverty Reduction Strategy Paper
SOE	-	State Owned Enterprises
SAP	-	Structural Adjustment Programme
TANZAMA	-	Tanzania-Zambia Pipeline
UBZ	-	United Bus company of Zambia
UDI	-	Unilateral Declaration of Independence
VAT	-	Value Added Tax
ZCCM	-	Zambia Consolidated Copper Mines
ZESCO	-	Zambia Electricity Supply Corporation
ZAMTEL	-	Zambia Telecommunications Corporation
ZBS	-	Zambia Bureau of Standards
ZIC	-	Zambia Investment Center

INTRODUCTION

This paper initially assesses the performance of the Zambian economy in the 1990s, then analyses domestic and external opportunities and constraints in Chapter 2. This is followed by a selection of examples of success practices of the country's economic policies and finally a programme of action.

Zambia, a landlocked country with a population estimated at 10 million, is located in Southern Africa and endowed with mineral wealth, mainly copper and large tracts of unexploited land. Zambia's abundant water resources, the rich variety of mineral wealth, extensive forests and fertile land and good climatic conditions gives the country great potential for sustainable economic development inspite of barriers that have been an impediment to the promotion of development and growth. Zambia had a fairly prosperous colonial economy with a well-established private sector in an open market oriented economy, dominated mainly by expatriate business interests, multilateral corporations and commercial farmers. At independence in 1964, Zambia inherited a buoyant economy based mainly on copper. The Copper Industry was in the hands of two major multinational groups, the Anglo-American Corporation of South Africa and Rhodesia Selection Trust. The taxation of copper profits amounted to 25% of GDP and revenues received were financing the Government budget on economic and social infrastructure.

In the post-independence period until 1974, the Zambian government pursued an import substitution industrial policy based on protection of consumer product markets from import competition, parastatal management with price and exchange rate controls, public investment into production sectors and subsidies of unviable enterprises. The industrial sector was nominally growing and producing a variety of consumer goods (Intermediate goods) especially for the mining industry and capital goods (particularly for the agriculture sector). Its performance in terms of supplying the domestic economy worsened with the decreasing ability to subsidize the largely unviable operations of State owned enterprises from decreasing copper earnings. Investment especially in the mining and manufacturing sectors declined.

Employment stagnated or decreased as well. The contribution of the parastatal sector to

GDP was declining. This resulted in the new Government implementing an economic policy that was directed towards economic liberalization entrusting the major responsibility of economic growth and development to the private sector.

In 1992, the Zambian Government formally embarked on an IMF/World Bank supported structural adjustment and economic reform programme. An agreement was reached with the Bank and IMF on a Policy Framework for 1992-94. The agreement outlined a comprehensive policy of reforms for stabilizing and restructuring the economy and stimulating growth. The programme focused on three sets of policies - the removal of subsidies, economic liberalization and stabilization and the privatization of State-owned enterprises. The basic strategy of the programme was to restore internal and external balances between income and spending and to re-allocate resources from less productive sectors. The private sector is expected to generate productive, competitive and sustainable growth supported by an enabling environment through government policy.

The key components of the structural adjustment programme include tight monetary and fiscal policies, liberalization of commodity and currency markets, the privatization of State owned enterprises, reform of the financial sector, public sector reform, legal and regulatory reforms in line with a market economy. The good performance led to continued support of the Economic Reform Programme (ERP) by donors including balance of payments assistance and debt reduction.

CHAPTER ONE

1. PERFORMANCE IN THE 1990's

Since 1991, Zambia has undergone major Economic changes that have seen the economy transformed from State Owned Enterprises driven to private sector driven. Reform has virtually eliminated price and market controls and transformed Zambia into one of the most liberalised economies in Africa. These policy reforms have stabilised the macroeconomic environment and stimulated investment growth and enabled the economy to move towards a sustainable balance of payments position. Zambia now appears to be emerging from the most difficult stages of its economic transformation and is projected to achieve GDP growth of 4-5% per annum over the next decade with agriculture and tourism as the engines of future growth (Economic Report, 2000). However, this has not been achieved without cost as evidenced by the deterioration in every social indicator.

In the last decade Zambians have suffered a drastic decline in living standards with per capita GDP of US\$300 in 1999 compared to US\$720 in 1981 (GRZ/UNICEF Mid-Term Review, 2000). The country is currently placed as one of the least developed nations in the world. Around 84% of the rural population is below the poverty datum line with 70% classified as poor (GRZ/UNICEF Mid-Term Review, 2000).

Zambia's economic performance in the last decade has been difficult. This is a reflection of key unfavourable factors. The major ones include failure to successfully diversify into non-mining sectors like agriculture and tourism. Other factors include unfavourable trading terms on the world market, declining earnings from metal mining, and occasional natural disasters like droughts. Delays in applying necessary policies to counter these adverse developments compounded the problem. In particular, attempts to borrow externally to cushion the effects of the declining socio-economic conditions without addressing the root cause of the problems left the country with a huge debt burden.

Before the current Poverty Reduction and Growth Facility (PRGF), Zambia borrowed under the structural adjustment facility (SAF). The Enhanced Structural Adjustment Facility (ESAF) followed this. These had a three-pronged approach involving:

- The reining-in of domestic demand through fiscal and credit restraint in order to reduce inflation and eliminate black markets.
- Structural reforms to promote a supply response and improve the efficiency of resource use, (for example reform of the public enterprises, etc.) and
- The securing of external financing in form of the balance of payment support often to clear external arrears.

After years of implementing the economic programs mentioned above, macroeconomic stability in Zambia was achieved. Inflation rates came down while shortages of commodities and foreign exchange disappeared. However, the general economic and social situation was below expectation. Economic growth over the decade was minimal. Between 1994 and 1999, for example, the average annual growth rate was usually well below two% while the annual population growth rate was above three percent. Between 1975 and 1997, the average income per head in Zambia has dropped by more than 30%.

Many social indicators such as health, education and nutrition have declined in unison with the declining economic indicators. Out of 101 countries for which data on trends in the Human Development Index (HDI), were available, Zambia was the *only* country for which the HDI value in 1998 was lower than in 1975.

The livelihood situation deteriorated with a larger percentage of households resorting to undesirable forms of coping strategies such as reducing food intake. The population living below the Kwacha poverty datum line in fact grew from 70% in 1996 to 73% in 1998. In other words, poverty in terms of both the headcount index and the poverty gap increased during the nineties. In terms of the international poverty datum line of \$1 a day, well over 80% of the Zambian population were below.

The statistics in Table 1 show that over the past decade, not only has Zambia not made any progress but in fact has experienced some reverse on the development path.

TABLE 1.2 TRENDS IN SELECTED DEVELOPMENT INDICATORS FOR ZAMBIA, 1990 TO LATEST YEAR

Indicator	1990	Latest Data
Life expectancy at birth (years)	54	Male: 38 (1999) Female: 39
Infant Mortality Rate (per 1000 live births)	107	112 (1998)
Under 5 Mortality Rate (per 1000 live births)	191	202 (1998)
% Population with no education	21	27 (1998)
% Population with access to safe water	56.5	55 (1998)
% Population with access to sanitation facilities	51.5	81 (1998)

Sources: CSO (1993): *Priority Survey I 1991*, Lusaka;
----- (2000): *Living Conditions in Zambia (1998)*; Lusaka.
UNDP (1997): *Employment and Sustainable Livelihoods in Zambia*, Lusaka;
UNICEF (2000): *The State of the World's Children Report 2000*, New York;
WHO (2000): *The World Health Report 2000*, Geneva.

In the education sphere, net enrolment rates in primary schools have not shown any improvement in recent years. The quality of education also went down as revealed by the results of some surveys on learning achievements of Grade 5 and 6 pupils. Significant gender differences also existed in respect of secondary and higher education. These differences also existed with respect to illiteracy. The percentage of population with no education (a reasonably proxy for illiteracy) was 27% for females and 24% for males in 1998.

The infant and under-5 mortality rates for Zambia rose in the last decade and, at 112 and 202 respectively per 1000 live births, they were among the highest rates in the world. The rates worsened at the end of the 90s especially in the urban areas, the chief cause being the increased HIV sero-prevalence among the children. It is a similar situation in respect of maternal mortality which at 649 per 100,000 live births, was the highest ratio in the Southern African region.

Although ESAF and other facilities had some strength, they also had serious weaknesses that failed to adequately address the increase in poverty as outlined. More specifically it appears that these programmes placed too much emphasis on achieving financial stability like low inflation, sustainable balance of payment, etc while subordinating other domestic objectives – for example investment, growth and poverty reduction.

Macroeconomic indicators signified that progress had been made in economic stabilisation and that inflation was brought under control. In 1992 inflation, which was 165%, was brought down to 20% by 1999. Interest rates fell from 150% in 1992 to 40% on average by 2000. Nominal exchange rates (Zambian Kwacha/US \$), though higher than in 1991 remained remarkably stable averaging K4,000/US\$1 in 2000. The budget deficits were significantly reduced reaching surplus levels in 1996/97 and 1998/99. However, the increase in the foreign debt stock from US \$6.4 billion to US \$7.1 billion in 1997 was a signal of deviation from the path of stability.

In the Agricultural sector, out of 9 million hectares potentially arable land, only 5.8 million hectares have been under cultivation. The sectors contribution to GNP fluctuated around 15% share during the last decade. The drought during the years 1992/93 – 1997/1998 affected the productivity of this sector, as production is completely dependant on rainwater.

Under the policy framework of liberalisation, positive developments were recorded including an increase in out grower and contract farming, crop diversification, changes in land management practices, increased private sector involvement in the provision of services such as input supply and output marketing, though some controls still have to be put in place. Several private companies and non-governmental organisations also got involved in organising farmers in self-owned groups, associations or primary co-operatives and despite international competition and low commodity prices, the agriculture sector became the major contributor to non-traditional earnings. Major export products were fresh flowers, vegetables and other primary agro commodities (cotton, coffee, Soya beans, maize, groundnuts, wheat). Production of high value products grew by about 57% in 1996, 32% in 1997 and 17% in 1998.

The Government's new policies aimed at increasing private sector investment in tourism also paid dividends. Earnings from accommodation and other tourism facilities increased from US \$17 million in 1995 to US \$31 million in 1996 and US\$35 million in 1997. The number of international tourists to the country increased from 163,000 in 1995 to 279,823 in 1997. It is

projected that with liberalisation and the privatisation of government owned hotels, lodges, and other tourism infrastructure, growth in the industry will be experienced.

During the decade, the pace of urbanisation also unfortunately did not match with infrastructure development. As a result, unplanned and informal settlements became a major feature of Zambia's urban landscape. In the last decade, the urban areas absorbed the bulk of Zambia's population. The water and sanitation Act of 1997 promoted and offered an enabling environment for the commercialisation of the Water Sector. The water and sanitation sector generally did not improve and deteriorated particularly in rural areas.

In the education sector, the statistics on the annual rates of enrolment for both primary and secondary education level indicate growth in absolute terms in the last decade. The standard of education however declined with poor teacher training, poor conditions of service for teachers and inadequate school facilities and teaching materials. Literacy on basic numerical and English language skills are not at the desired level particularly for formal sector employment. At University level, there was a decline in total admission due to suspension of some academic programmes and introduction of fees coupled with the reduction of Government scholarships on offer, whereas in the area of technical education there was a marginal increase in student enrolment as a result of the opening of three trade institutes.

Education in the 90s has been undergoing reform through the following programmes:

- Education policy of 1996 focused on capacity building, improved access, quality and equity
- Education Boards created in 1996 focused on management decentralisation
- Programme of rehabilitation and expansion of schools infrastructure (so far 870 primary schools and 15 secondary schools have been rehabilitated)
- Programme of quality enhancement
- Programme for enhancement of girl's education.
- Strategies for girl's participation on education at all levels for their retention, progression and improved performance.

In the Health sector during the 1990s, few of the general health indicators improved and some actually declined. For instance, life expectancy at birth came down to 41 years; the infant mortality rate increased to 109 per 1000; and, the under-five mortality rate went up to 197 per

1000 (Demographic Health Survey, 1996). The maternal mortality rate was officially recorded as 649 per 100,000 live births, but figures even higher than 1,000 are reported in some surveys. Nationally, HIV sero-prevalence seems to have stabilized over the past 3-4 years at 29% in urban and 14% in rural settings, with a national average of 20% in the 15-45 age group (MoH/CBoH, 1999). Further there are some indications that the HIV infection rate for young adults is decreasing. With an official annual growth of 2.7%, (DHS, 1996) Zambia's population increase is well within the average rate of 2.9% for most of sub-Saharan Africa though with HIV/AIDS this rate may now be overestimated.

In the morbidity and mortality patterns, AIDS and AIDS – related diseases became more and more prominent. At the outset of the health reform process nearly a decade ago, Zambia's disease burden was significantly different to the picture presented today. The impact of HIV/AIDS on households and communities is of major significance and consequence.

The number of households experiencing chronic illness and death has been rising: in the years to 1998, 17% of rural and 12% of urban households had experienced an HIV/AIDS related death (CSO, 1998). These indicators alone give an idea of Zambia's social context today. HIV/AIDS has steadily increased the burden on the health sector, communities and households (JIFM, 2000).

Other diseases also continued to have a negative impact on the health system. For instance, the number of notified new cases of tuberculosis (TB) increased from 8,246 in 1995 to 38,863 in 1996 though many of these were HIV/AIDS related. Malnutrition equally remains a serious problem in Zambia. According to the 2001 UNICEF State of the World's Children report, 42 % of under-five Zambian children are stunting. To further compound the problem, in recent years, the country has been suffering from epidemics of both cholera and measles (HMIS, 1999).

Access to basic services also shows a wide spatial variation. Provinces closer to the 'line of rail' have better and easier access to services. In urban areas, 99% of households are now within 5 kilometres of a health facility while it is 50% in rural areas (CSO, 1998). Government policy in the Health Sector was to provide cost-effective and quality health for all. To achieve this, government embarked on the following health reforms:

- Central Board of Health – was established to decentralise management of health services to districts and create autonomous hospital boards with emphasis being on primary health care.

- National Healthy Care Financing policy whose aim was to achieve sustainability in the health sector. This policy demands that the citizens contribute a proportion towards the cost of health care. Unfortunately, due to high levels of unemployment a large number of Zambian people were not able to afford this.
- Anti AIDS Programme: - AIDS is a serious problem in the urban areas and increasingly also in rural settings, affecting public and commercial activities and the social fabric of society. Efforts to contain the spread of AIDS through education have been yielding results.
- Immunisation programme – The programme for immunisation against polio achieved coverage of 85%, while 97% received BCG vaccinations, 86% DPT vaccinations; and 87% measles vaccinations.

In the social sector, Zambia has been undergoing a serious economic and human development crisis with reversals in economic, social, and development indicators especially towards the end of the 1990s. The trend has been one of decline and decay from the early 1990s to the present. Economic growth in recent years has been slow and living standards have been falling for the past ten years. Per capita GDP in 2000 was US\$300, compared to US\$450 at the beginning of the 1990s. Real earnings for employees in the formal sector declined from an index of approximately 50 in 1990 to 10 in 1999. Formal sector employment declined from approximately 25 % of the labour force in 1990 to under 10 % in 2000. With public sector layoffs under the reform programme the country saw the majority of the Zambian people become poor. Most of the urban poor moved into squatter settlements with no public services. Rural poverty became more prevalent and deeper and was closely associated with geographic isolation. Less than a quarter of the rural population had access to safe water, and a fifth lived more than 20 kilometres from public transport routes. The Southern, Northern, Eastern and Copperbelt provinces account for almost 60% of the core poor, while the more sparsely populated and distant Western and Luapula provinces have the greatest incidence of poverty. Customary laws also prevented women from having equitable access to economic resources, particularly land and inheritances. Social and poverty indicators have deteriorated since the early 1990s as reflected in the following statistical indicators;

- Zambia is ranked as one of the poorest countries in the world with per capita income of US\$300 per year.
- In the last ten years the life expectancy of economically productive Zambians has dropped to 37 years.

- An estimated 19% of Zambians are currently infected by the HIV virus (approximately 1million adults and 100,000 children). Approximately 700,000 Zambians have already died in the last ten years. According to an Orphans and Vulnerable Children (OVC) study done by UNICEF, Zambia has the highest proportion of children less than 15 years of age that are orphaned.
- Poverty has worsened in Zambia and between 1996 and 2000 the percentage of poor persons increased from 69% to 84%. This was mainly due to an increase in urban poverty. The incidence of rural poverty went from 84% to 89.3%.
- Agriculture production has decreased by 37-61% due to the AIDS related deaths of a number of able-bodied men and women.
- Infant mortality increased from 90 to 109 per 1000 live births from 1990-1996.
- At present, over 50% of hospital-beds are occupied by people with HIV/AIDS related diseases.

Malnutrition increased according to the statistics in the UNDP HUMAN DEVELOPMENT REPORT, 1999. There was a decline in the daily per capita supply of protein and fat in Zambia and children bore the brunt of poor nutrition. In 1996, according to the Living Conditions Monitoring Survey data, 50% of children were stunted, 25% were under weight and 5% were wasted.

CHAPTER TWO

2. ASSESSMENT OF FACTORS THAT HAVE FACILITATED OR CONSTRAINED ZAMBIA'S DEVELOPMENT

Despite the restructuring of the economy on the basis of Structural Adjustment in the 1990s, as illustrated in the previous Chapter, poverty in the country remains pervasive with 70% of the population classified as below the official poverty line. Domestic savings are among the lowest in the world thus limiting the growth of private investments at sustainable levels. Zambia still faces several constraints to achieving high absolute investment levels. This Chapter identifies the factors that have contributed to improvements in the social and economic situation of the country and those that have had negative impact. The analysis conveniently discusses the factors under three main groupings, domestic opportunities and constraints, external factors and the countries vulnerability to shock.

2.1. DOMESTIC OPPORTUNITIES AND CONSTRAINTS

2.1.1. Economic Infrastructure

Transport and Communications plays a very critical role in the national development. Zambia being a land-locked country, the need for an efficient and adequate infrastructure is an absolute necessity for economic growth. The Zambian Government policy allows for increased sector participation in the provision of physical economic infrastructure, such as roads, railways, ports, airports, water supply systems, power supply and telecommunications. Although much has been done to rehabilitate the economic infrastructure, most of it is still in deplorable state and has acted as a constraint to sustain economic development and social progress.

(i) Road Transport

Currently, road transport is the fastest and most reliable mode of transportation in Zambia for the movement of freight and passenger traffic. Zambia has a road network of 38,763km of which 6,173km are bituminous, 8,592km gravel and 23,998km unclassified. An important component of Government's road sector development policy is the 5 and 10 year Road Sector Investment Programme (ROADSIP) which was launched in 1998 and is supported by the World Bank. The objectives of the investment programme are to bring all the roads to maintainable conditions, develop a programme of sustainable routine and periodic maintenance for roads in good and fair conditions, identify and develop a programme to upgrade roads of strategic importance, reduce

road accidents, develop the capacity of local consultants and contractors and give environmental guidelines on road construction projects. The programme is on course and has contributed greatly to performance of the sub-sector.

A National Roads Board was set up to manage and disburse funds for roads rehabilitation. The establishment of the Board is a departure from conventional system of collecting, managing and disbursement of road tax by the Ministry of Finance. The major constraint that faces the National Roads Board is finance because the road tax levied through fuel does not even meet one quarter of the required expenditure to construct, rehabilitate and maintain the road infrastructure. Apart from the tax, the Zambian financial system does not provide infrastructure development capital. However, it is expected that in the coming decade, Zambia's capital markets through the Lusaka Stock Exchange will be in a position to float road development bonds.

(ii) **Railway Network**

Rail transport remains the dominant mode of transportation (43.4%) for goods on the local and international routes. Zambia is served by two main railway lines. One line runs south to South Africa via Zimbabwe and the other north through the Copperbelt to Kinshasa in the Democratic Republic of Congo. Other promising railway routes are Zambia-Mozambique (Beira line), Zambia-Malawi (Muchinji line), Zambia-Namibia and Zambia-Angola. The sector has been experiencing a decline in both freight and passenger traffic in the 90s mainly due to poor infrastructure and equipment which adversely affects the transit times. In order to improve the operations of the railway sector, the Government is exploring ways to attract private sector participation.

(iii) **Airports**

Zambia has more than 130 airfields, one third of which are Government-owned while the rest are privately owned. The Lusaka International Airport is Zambia's main airport connecting the country with the rest of the world. British Airways operates flights between Lusaka and London and Kenya Airways/KLM and South African Airways have international connections via Nairobi and Johannesburg. While the other private airlines, including Zambian Airways operate the domestic and regional routes. The continued poor state of infrastructure and lack of financial resources continues to hinder better performance of the Air transport sector. In cases where there has been an increase of aircraft movement, there is still a decrease in number of passengers embarking and disembarking on aircrafts.

(iv) **Telecommunications**

This industry was liberalised by Government through amendment of the Telecommunications Act, which allowed the State owned Zambia Telecommunications Company ZAMTEL to have been the sole provider of services in the industry. The opening up of the industry has seen the entry into the market by two wireless (cell phone) services providers namely TELECEL and CELTEL. The two firms have created the necessary competition for ZAMTEL. As a result, the quality of services has improved and cost of the hardware has reduced enabling a relatively substantial number of Zambians to be connected to the cell phone system. In order to properly regulate the market, a telecommunications regulatory organisations called Telecommunications Authority has been set up. The Telecommunication infrastructure is relatively developed and the State owned ZAMTEL is earmarked for future privatisations.

(v) **Water and Sanitation**

The provision of clear water and sanitation is essential to good health in the country but water and sanitation infrastructure in Zambia is severely dilapidated. Although the large majority of the urban population lives within one kilometre of a water source, very often the nearest tap in compounds and other low income areas is either out of order or provides erratic service. On the other hand, it is estimated that about 22% of rural households live more than one kilometre from the nearest tap or well and most often use unsafe water sources. Distances to water sources become more acute during the dry season.

The inadequate support for the development planning and management of the country's water resources results in the absence of optimum water supply for crop production, clean and safe water for drinking including inadequate sanitation facilities. A degraded environment is undoubtedly one of the underlying causes of poverty, which is manifest in food insecurity, malnutrition and vulnerability to disease, high mortality and morbidity.

The most notable achievement for the water sector has been the adoption in 1994 of a National Water Policy. This clearly spelt out Government's vision for the water sector. In the implementation of the policy, Water Sector Reforms have been carried out. The principle element has been the devolution of authority to local Government with private sector participation in regard to the provision of water and sanitation services in 1997. This has seen seven Commercial Water Utilities established and are at various stages of operations. In the re-organisation of water supply and sanitation sector, legislation has been put in place to regulate it. This gave birth to a statutory body called the National Water and Sanitation Council Constraints.

There are several constraints being faced by the water and sanitation sector, namely; inadequate finance, conservation, information systems, human resource capacity, legislation, legal and institutional framework of water resources.

2.1.2 Conducive Environment for Private Sector Development

Zambia with its liberalised economy, democratic system of Government and strife free social environment has designed an incentive package to create a sound investment climate for both domestic and foreign prospective investors. The Government has put in place the following measures:

- Abolition of foreign exchange controls and deregulation of interest rates.
- Trade liberalisation which has seen the removal of trade restrictions, such as export permits.
- Divestiture of public enterprises through the privatisation programme.
- By 31st December 2000, a cumulative total of 248 companies had been privatised out of the working portfolio of 280. The remaining 32 were at various stages of preparation.
- Removal of all forms of consumer subsidy.
- Removal of price controls.

In spite of the positive steps undertaken by Government, private sector activities have been affected by the instability of the macroeconomic environment that has been characterised by rising inflation, more recently the rapid depreciation of the Kwacha and rising energy costs. Poor infrastructural development can be singled out as a constraint to private sector development. Due to poor road network and telecommunications, delays in the transportation of goods and services are not uncommon. However, the Government is trying to address this impediment through the infrastructural development plan which requires more resources.

2.1.3 Tourism

Zambia's tourism industry has the potential for economic development in terms of employment creation, local income generation and contribution to Government revenue and plays a catalytic role for rural development in order to improve the social well being of the people. The sector's potential is evidenced through its wide range of tourist attractions that are not fully developed and exploited. For the foreseeable future, wildlife remains the prime tourist product with 19 National Parks, 32 Game Management Areas (GMAs) out of which less than 5% wildlife estate area is developed for tourist attractions. Government, however, is committed to the concept of product diversification both within the wildlife sector and other products such as cultural heritage and adventure tourism in order to make the country an attractive tourist destination.

The tourism sector has presented Government with the opportunity to revitalise the economy and raise the living standards of the people of Zambia especially those in rural areas where most of the tourist product is located. In this regard, the central thrust of its tourism policy is liberalisation that puts tourism in the hands of the private sector. The role of Government is largely restricted to regulation and monitoring of the activities. Through the privatisation process a number of State owned tourism facilities have either been privatised or put on long-term lease. As Government continues to privatise its entities and create an enabling business environment, it is expected that the private sector will rise to the challenge to help the country achieve the set national objectives.

In spite of the structural and legislative changes put in place by Government, the tourism sector lacks the capacity to implement and monitor the development of the Industry. Human resource development is an important aspect that has been recognised as lacking in the management of the industry. There is need for the provision of the necessary skills both at the national and local levels through the establishment of skills training institutions.

Infrastructural development is another constraint to the development of the tourism industry. Almost all the tourist access and management roads are in a poor state and become impassable during the rainy season thereby limiting the tourist period to only about five (5) months in a year.

Other requisite infrastructure such as aerodromes, telecommunication facilities and social amenities are in an equally poor state or non-existent in those areas of tourism attractions. The

Government has, however, come up with an infrastructural development plan, which apparently has not been successfully implemented due to lack of resources.

2.1.4 Domestic Resource Mobilisation

The mobilisation of domestic resources in Zambia is still weak because of the following factors:

1. The financial sector is not primed to medium and long-term mobilisation. Financial institutions focus on short-term assets and returns.
2. Monetary policy has created treasury bills, which act as the best low risk and high return investments. As a consequence, the commercial banks are safely investing their surplus funds into treasury bills rather than in medium and long-term productive investments.
3. The Treasury Bills and Government Bonds have acted as a hindrance towards household savings.
4. High unemployment levels coupled with an eroded purchasing power does not leave any surplus for savings crucial to the necessary capital accumulation base vital for investments.

In spite of having established a Securities and Exchange Commission and a Stock Exchange, there has been limited activity on the Stock Exchange Market as a vehicle of resource mobilisation. The establishment of the stock exchange is good development in the form of municipal, electricity, water and road boards that could be floated. Unfortunately due to the negative attitude of the commercial banks and pension funds in the financial sector, there has been no progress in domestic resource mobilisation using the capital markets. The increased poverty and high unemployment level of over 70% respectively act as a major constraint in household savings because of limited or no disposable incomes at all.

2.1.6 Policy Reforms

The period preceding the late 1980s was characterised by tremendous decline in production with industries operating at very low levels of capacity utilisation, poor export performance from the copper mining industry, an over-valued exchange rate, high inflation and huge Government deficits financed through a monetisation by the central bank. The Government exacerbated the situation by increasing price, forex and trade control measures which fuelled more macroeconomic instability and imbalances.

During 1991/92 the Government implemented wide-ranging policies intended to eliminate the structural and financial bottlenecks that constrained economic stabilisation. The key policy measures that have been undertaken in the past decade include macroeconomic policy reforms,

liberalisation, privatisation, public sector reform and democratisation. The macroeconomic policy reforms aimed at prudent fiscal and monetary management, improved incentives to private sector, reforming the regulatory and the developing of human capital, have registered success as indicated in Chapter One.

However, in order to consolidate these gains and significantly contribute to poverty alleviation, the Government intends to focus on increased investments through the expansion of infrastructure and strengthening of both capacity and institutional capacity in the public and private sector. The Ministry of Finance and Economic Development, in collaboration with other stakeholders, is developing a poverty alleviation programme.

(x) **Governance**

It is commonly accepted that good governance implies the rule of law, effective State institutions, respect for human rights and the meaningful participation of all citizens in the political process of their countries and in decisions affecting their lives. At its most, good governance literally translates into good Government and, therefore, an enabling environment for all activities that the Government is involved in or in which Government action is required.

There has so far emerged a consensus in Zambia that governance is a prerequisite to economic growth and development. In fulfilling the requirements of good governance, the Government has undertaken the following measures:

1. Human Rights in Zambia are broadly defined in the Human Rights Commission Act of 1996 as embodying the provision of public information, the investigations of complaints and of the conditions in prisons; and the promotion of public awareness of human rights. The Zambian Government in acknowledging the importance of human rights has formed the Human Rights Commission which is headed by a High Court Judge supported by Commissioners selected from a wide range of stakeholders such as NGOs, Churches etc.
2. Free and fair elections – the role of an electoral commission to ensure that they are fair elections has always been the central objective of Government. This is reflected in the consolidation of the Electoral Commission. The Commission role is further counter checked by NGOs that monitor the conduct of elections by all political parties.
3. In order for the government to be accountable and transparent an Anti-Corruption Commission was set to combat corruption in order to attain a corruption free environment for good governance and development in Zambia and a Drug Enforcement Commission to

combat drug trafficking and money laundering activities resulting from illicit dealings in drugs.

Zambia recognises the parameters of good governance and is committed to the principles of good governance. However, Zambia lacks institutional capacity to achieve good governance. It is important for all institutions to have adequate, qualified competent, skilled and experienced personnel that are well motivated and remunerated further, all institution require funding to carry out their functions. In this respect, the Government has drawn up a National Capacity Building Programme for Good Governance, which will require institutional capacity and political determination for its implementation.

2.1.7 National Gender

Although there was no explicit national gender policy since the attainment of independence in 1964, major efforts to increase the role of women in socio-economic development was made in the fourth national development plan of 1989-1993, which included a Chapter on women in development. These efforts especially focused on the issues of full integration of women in development as part of Government's overall commitment to ensure the full participation of women throughout the country. However, this approach considered women in isolation without looking at the relations between sexes, which enforce gender imbalances in society.

The Government has mostly been guided by the Commonwealth Plan of Action. In the decade of the 90s among the achievements in the implementation of the Plan included:

1. Strengthening and evaluation of the Women in Development into a Gender in Development Division at Cabinet Office, formation of the Zambian Women Parliamentary Caucus, the enactment of the inter-State Act, the appointment of Gender Focal Point persons in sector Ministries, Provincial administrations and specialised agencies, the establishment of the Victim Support Unit within the Police Service to deal with case of gender violence and related crimes, introduction of the programme for the advancement of girl's education, revision of the populations policy to include gender and other concerns and formulation of a draft National Gender Policy. In the year 200, the Government approved the Gender Policy that aims at Engendering the national policy and programming processes.
2. Enhancing awareness and knowledge on gender and
3. Enhancing the institutional capacity for gender mainstreaming in Zambia.

Government has developed the five-year Comprehensive Gender and Development Management Programme as an immediate strategy for the implementation of the National Gender Policy. Despite the formulation of the Gender Policy and its implementation programme, women in Zambia are still faced with the following major constraints:

1. The power relations between women and men in the domestic, community and public domains which act as constraints to the advancement of women
2. The feminisation of poverty as reflected in women's limited access to and control over productive resources, social services, remunerative employment opportunities and minimal participation in political and managerial decision-making process
3. Limited access by women and girls to and use of basic health services, inadequate reproductive health facilities, maternal and child health care
4. Lack of access to credit, improved technology, land and extension services, which constrain agriculture productivity even though rural women constitute the majority of producers
5. Disparities to access limited opportunities for education, science and technology, skills development and training, and
6. Cultural and traditional practices that systematically subject females to male subordination.

The constraints facing women in Zambia are immense; this situation has been further exacerbated by the epidemic of AIDS, which created more strain and responsibilities for women in terms of providing nursing care and food for the sick. It is hoped that the implementation of the Gender policy will help to overcome some of the constraints by women.

2.1.8 Health

Zambia has embarked upon an ambitious health sector reform process, the vision of the reforms is to develop a health care system which provides Zambians with equity of access to quality health care as close to the family as possible. The 1992 Government health reform policy envisaged decentralisation of planning, budgeting and decision making to the 61 districts and their Health Boards and Hospital Management Boards. A Central Health Board was established and Hospital Management Boards for larger hospitals were set up. In the context of the reforms, an integrated, cost-effective, basic package of services were developed for delivery at the primary health care level. The reforms entailed a complete overhaul of health structure and functions of all levels of the health services.

Even though Government implemented health reforms, the health situation in Zambia has not improved over the years. Access to health services is generally poor with rural areas even worse off than urban areas. There is severe shortage of medical personnel and this problem is being exacerbated by a constant brain-drain from Zambia to regional countries. The health infrastructure is inadequate and under funded. Debilitating diseases still persist, such as malaria, cholera, and tuberculosis. The HIV/AIDS pandemic represents the serious health threat for Zambia. In this situation the most vulnerable groups that are badly hit by poor health services delivery are women and children.

Health Reforms were introduced in order to identify means of using limited resources more effectively so as to achieve a vision of providing Zambians with equity of access to cost-effective, quality health care as close to the family as possible. The progress towards the goal has been slower than hoped for. Some of the reasons for this gap between the vision and its implementation include:-

- Too much concentration on the restructuring of the Ministry of Health and Central Board at the expense service delivery over this period.
- Unclear structures at sub-district levels leading to unclear responsibilities on community needs.
- High turnover of staff, leading to uneven management and clinical capacities and staff shortages in health facilities.
- Zambia's economic decline due to huge debt servicing and constrained Ministry of Health budget.

2.1.9 Nutrition

Many Zambian children continue to suffer from multiple nutrition disorders. The main nutrition problems include protein-energy malnutrition, manifesting itself as stunted, underweight and wasting growth, and the micronutrient deficiencies of vitamin, iron and iodine. Latest statistics on protein energy malnutrition show national stunting, underweight and wasting rates of 42%, 23%, and 5% respectively. Similarly, the most recent data on micronutrient malnutrition show a national vitamin A deficiency prevalence of 66% among children, an anaemia prevalence of 65% and goitre prevalence of 32%. These figures make malnutrition a severe public health problem. The causes of malnutrition are multiple, interactive, multi-sectoral and crosscutting. They include issues of food insecurity, the high prevalence of infectious diseases, insufficient care for the vulnerable especially children, poor environmental, economic and social conditions.

In this connection, the government, through relevant authorities has been implementing, a number of interventions, including the immunisation programme, the control of diarrhoeal diseases, the malaria control programme, the HIV/AIDS control activities, growth monitoring and promotion activities including the national nutrition surveillance system. At policy levels, the major intervention has been the continuing implementation of the Health Reforms aimed at taking as close to the family as possible.

In spite of these interventions, 1998 and 1999 saw a decline in the value added to the health sector mainly on account of constrained financial and healthcare input supplies, erratic drug supply, the high disease burden and outbreaks of epidemics.

2.1.10 Population

The Zambian population situation is characterised by high growth rates, considerable momentum for future population increases, high and relatively stable fertility rates, increasing mortality rates, declining life expectancy, extreme youthfulness, substantial rural to urban migration, a high level urbanisation, low population densities and an uneven spatial distribution. The population is at an estimated 10.4 million (1999). The rate of growth has always been high and is estimated at 3.1% per annum. Contraceptive prevalence rate at 1992 was low, at 8.9% for modern methods. Approximately 45.7% of the population were under 15 years of age in the 1990s and the median age was 16.8 years. The latest survey statistics for 1998 indicate that the level of urbanisation is 40% which is one of the highest in southern Africa only second to South Africa.

The proportion of youths aged 15 to 24 years shows a steady increase from 22 % of the 1996 population to 23 % of the total population in 1998. This shows that the momentum for Zambia's population to grow is inherently still high and will need to be matched by equally high rates of economic growth. The level of economic activity will need to grow at the same rate of population growth. This requires long term planning so as to match the population projections with investment in the economy.

2.1.11 Agriculture

Zambia's agriculture sector is key to the development of the Zambian economy and is the engine of growth for the next decade and beyond. Agriculture generates about 22% of the Gross Domestic Product (GDP) and provides livelihood for more than 50% of the population. The sector employs 67% of the labour force. Agriculture is, therefore, a key tool to poverty reduction.

The main thrust of agricultural policy in Zambia is liberalisation and market reforms; this means the decontrol of agriculture prices and liberalisation of grain marketing. The policy emphasizes government withdrawal from direct involvement in agriculture marketing and input supply, freeing prices, removing subsidies, privatising agro-parastatals, renting out and selling public storage facilities to the private and overall removal of constraints and distortions to international trade in farm products. Under this policy framework, the role of government is confined to policy formulation, legislation and development of sustainable market support services such as market information, extension, finance and infrastructure. In addition, government facilitates the maintaining of a food reserve to ensure national food security.

Constraints

- The collapse of lending institutions, privatisation of marketing state owned enterprises and the cooperative movement created massive unemployment in rural areas and severely reduced rural incomes as a result of reductions in the availability of seasonal credit. The private sector has only partially filled this vacuum and does not show much indication and capacity to go beyond its current coverage.
- They have experienced low demand, high transaction costs, poor infrastructure, lack of funds for capitalisation, poor loan recoveries and high risks involved in rural trade.
- Uncertain access to markets for inputs and produce has given rise to intra and inter-seasonal price fluctuations and difficulties in accessing agriculture inputs due to high interest rates, prohibitive conditions and unfavourable exchange ratios.
- Lack of agricultural credit and marketing institutions to service the farming community.

2.2. EXTERNAL OPPORTUNITIES AND CONSTRAINTS

2.2.1 Official Development Assistance (ODA)

Zambia, like many other developing countries in sub-Saharan Africa, depends heavily on external donor assistance to finance development programmes. Total donor disbursements (i.e. total external grants and loans) to Zambia have averaged about US \$ 750 million per year for the period 1991/92-1998/99; with multilateral financial accounting for over 40% of total flows. In real terms, the trend of donor disbursement was on the increase from 1991/92 to 1994/95 and on the decline from 1996/97 to 1998/99 due to issues of governance and privatisation of the mines. Disbursements as percentage of GDP were highest between 1991/92-1996/98 averaging over

40% of GDP, mainly due to the enthusiasm of donors to support Zambia, which was an ideal case study of the democratic process in Africa.

The significance of external donor assistance to the country's development programmes becomes apparent when disbursements are compared with public expenditure and domestic revenues. In 1991/92, donor funding as percentage of total Government expenditure was 60%. However, this has steadily dropped to 20% in 1999. The drop is attributed to Governments commitment to reduce the budget deficit by holding real Government expenditure constant consistent with keeping inflation low and secondly due to the relentless efforts by Government to mobilise domestic revenue while at same time developing a tax structure that is supportive of private investment.

Official development assistance played a key role in the stabilisation efforts of Zambia in the first half of the 1990s. the foreign exchange flows have contributed significantly to the availability of foreign exchange for the country which has helped to stabilise the foreign exchange rate and for the country to rebuild its foreign exchange reserves. Additionally, ODA has played a central role financing the budget deficit. The availability of ODA has helped the Government not to resort to inflationary means of financing the budget deficit, and therefore, has made a tremendous contribution to keeping inflation low. The availability of foreign exchange through ODA has helped the private sector to grow by supporting importation investments.

The significance of ODA in Zambia's balance of payments is reflected in the wide variation between the trade balance, current account and capital accounts. In the past decade, the current account deficit has been much narrower than the trade balance, mainly due to the large external grants. It is also interesting to note that in the past ten years despite the persistent large trade and capital accounts deficits, the capital account has been in surplus. The single factor that has been responsible for these surpluses has been the huge external aid disbursements, which have outweighed loan repayments.

2.2.2 External Debt Burden

The origin of Zambia's current debt can be traced back to the mid seventies when the country experienced a fall in copper production due to the decline in copper prices and an increase in the import bill due to the rise in oil prices. Prior to the fall of copper prices and the sudden increase in the country's oil bill Zambia's external indebtedness was minimal. By 1990 Zambia's debt stock had increased to 7,242 million or 260% of GNP.

The first debt strategy 1991-97 focused on over coming the immediate debt payments crisis and ensuring that the debt is lowered to sustainable levels. Zambia's total stock of external debt reduced by 6% from US \$ 6981.7 million at the end of December 1998 to US \$ 6518.3 million at the end of December 1999. The reduction in the total stock of external debt was attributed to actual debt service of post-cut off debt, debt write offs emanating from the April 1999 Naples Terms Rescheduling Agreement, validation and reconciliation of amount of debt with creditors and exchange rate variations. A break down of the total debt stock shows that US \$ 3,375 million (51.9%) is owed to multilateral creditors and US \$ 2,676.4 million (41.1%) to bilateral creditors. Of the bilateral amount, 89.9% (US \$ 2,405 million) is owed to the Paris Club creditors. Private Creditors, including financial institutions, are owed US \$ 455.9 million (7.0%).

In view of this, government is making an earnest appeal to all its co-operating partners for an early accession to exceptional debt relief under enhanced Heavily Indebted Countries (HIPC's) initiative. Zambia was granted the HIPC status by the World Bank and IMF in December 2000. The Government is committed to implementation of this debt management strategy. Investment in debt management capacity has enabled the Government to rationalise its strategic management of external debt to sustainable levels. It will continue to seek grants first in external sourcing of funds ,and to supplement this with highly concessional loans to IDA terms.

2.2.3 Market Access for Goods and Services

The potential to trade domestically or internationally is based on production of goods and services and their competitiveness. Factors on the demand side are crucial. Domestic trade in Zambia depends to a large extent on the capacity of Zambian producers to expand, adjust and compete with imports and the transport infrastructure to move goods. As traditional exports have shown, there is a vast potential for growth in exports (see table 1). As economies in sub-Saharan Africa expand, modernize and integrate into the economy, the potential to expand Zambia is significant.

Traditional exports of copper and cobalt, the main products, still dominate Zambia's international trade. Past efforts to diversity have not been very successful. Terms of trade for primary commodities are generally unfavourable and trade between Zambia's trading partners continues to be unbalanced. However, since 1991 the increase in Non-Traditional Exports (NTES) has been substantially growing by 21% from 1991 to 1998. They partially compensate for the decrease in earnings from Metals. The non-traditional exports include building materials, floriculture, engineering products garments, Primary Agriculture Products (such as Cotton,

Coffee, Soya beans, Groundnuts, Wheat, processed foods and textiles), Leather and Handicrafts, Gemstones and Electricity. The Government has fully supported the growth of the floriculture and other agro-exports by provision of investment capital through World Bank loan known as the Coffee 1 and 2 programmes.

On the global scene, Zambia has not enjoyed fully the benefits of the multilateral trading system as a number of problems have been experienced in the implementation of the Uruguay Round of the World Trade Organisation. The problems include, lack of adequate institutional financial and technical capacity to implement the various agreements, restricted market access due to both tariff and non-tariff barriers, supply side constraints, and the inability to benefit from the opportunities offered by globalisation. With the advent of globalisation, countries like Zambia will need special treatment, including special trading advantages and exemptions from the commitments to the general agreements to be able to compete favourably.

The decade has ended with increased incentives for export production following liberalisation of the economy. Overvalued exchange rates, export taxes, price controls, and import subsidies have been removed. This is expected to halt the transfer income from producers to consumers. Not only will this encourage efficiency in production, but increase competitiveness and penetration of new markets.

2.2.4 Foreign Direct Investments (FDI)

FDI flows to Zambia have shown modest increases in the past four years from US\$97 million in 1995 to US\$222 million in 1998. In 1999 Zambia registered a drop in the FDI inflows of US\$163 million. Table 7 in the annexes indicates how Zambia has failed in comparison to other countries in the SADC Region.

2.3. VULNERABILITY TO SHOCKS

The Zambian economy is extremely vulnerable to external shocks due to the following factors:

1. Dependence on Copper as a main source of export earnings. One of the major reasons why Zambia found itself in the debt crisis is that borrowings were based on high copper earnings. Declining copper prices led to the country's inability to repay its debt because revenues were low.

2. Petroleum Crude Prices - The volatility in the petroleum prices does impact heavily on the economy's ability to meet its obligations because a high fuel bill directs resources away from health, education etc towards consumption needs of the economy.
3. Regional Instability - Zambia being a landlocked country is vulnerable to the influx of refugees when neighbours experience civil strife. Currently, Zambia is a home for 300,000 refugees due to the civil wars in Angola and Congo. This has had a negative impact on the Zambian economy.

Zambia has internally experienced peace and stability but has been surrounded by neighbours who have been experiencing internal conflicts either in the form liberation struggle for independence or civil war. Despite Angola and Mozambique attaining their Independence, these two countries only experienced peace in the initial years of their political independence due to the internal civil wars characterised by MPLA against UNITA and Frelimo against Renamo. It is only in the early part of the 1990's that the Frelimo and Renamo civil war was brought to an end. While the Civil war in Angola continued up to date. The consequence of this has been increased costs for Zambia in terms of refugees and creation of insecurity in the surrounding Zambian Border Areas.

A democratic South Africa, free of Apartheid in 1994 was a major development for Zambia, in addition to this the eventual removal of President Mobutu in Congo then Zaire was seen as a final straw in the establishment of peace in the region. Unfortunately the escalation of civil war in Congo has rekindled instability in the regional especially for Zambia. The cost for Zambia has been exacerbated in terms of refugees and insecurity in the surrounding border areas with Angola, Burundi and Congo. Therefore the absence of peace due to the reign of civil strife in Angola and Congo and ethnic tensions in Burundi, Rwanda and Zimbabwe has been destroying the foundation for economic and social progress. Social unrest and wars have diverted the scarce resources and attention by the political leadership away from development programmes. Apart from this Civil Strife, ethnic tensions and political instability have made it difficult for investor confidence in the region.

This chapter has identified and analysed in-depth the factors that have constrained Zambia development in the past decade. The degree to which each of these constraints has been tackled by Government and its development partners varies from one problem to the other, but it is clear that most of them are yet to be fully solved. Therefore, remaining constraints and those that may come up in future should constitute the major focus of future development efforts. In the next

chapter we highlight some of the successes that Zambia has registered despite the overwhelming problems that still exist.

CHAPTER THREE

3. EXAMPLES OF SUCCESS OR BEST PRACTICES

Zambia has set precedence in the region in being the only country that has liberalised and initiated a privatisation programme only equal to the western world. Many of these initiatives have yielded positive results that now form a basis of some the best practices in Zambia are presented in the next sub-section.

3.1 Case studies of best practices/or success

3.1.1 Liberalisation of the economy

The Zambian Government took the most radical measures internationally to totally liberalise the economy. Since 1992 when Government embarked on fundamental economic structural reforms, remarkable progress has been in various areas of reform. In order to achieve current economic reforms, Government implemented free market measures despite tremendous pressure from different stakeholders who were against the programme. Zambia is the only country in the SADC and COMESA (free trade area) regional groupings whose economy is completely liberalised.

By consistently and successfully implementing economic liberalisation reform measures from 1992, the Zambian Government was strongly supported by the donor community, IMF and the World Bank. The country has made progress in achieving macroeconomic stability, reviving the economy and sustaining economic growth.

The consistency in the implementation of the economic liberal reform measures has had positive effects in nearly all sectors of the economy. For example the liberalisation of trade has resulted into increased trade and decontrol of the foreign exchange market has removed shortages of foreign exchange and black market, annualised inflation has declined from three digit figures of 138% in 1993 to 20% in 1999.

3.1.2 Privatisation

Zambia is one country that has successfully implemented its privatisation programme consistently and reaping the benefits of the success of the programme. Due to the past socialist policies of being suspicious of foreign investors, there was tremendous resistance to the

Government's programme of privatisation. However, Government had no alternative but to privatise because nearly all the 3000 State owned enterprises were being subsidised by Government in order to run their operations at the expense of development of education, health and other economic sectors that could promote growth. The number of State owned enterprises privatised or liquidated by 1999 amounted to 233 of a total working portfolio of 280 companies.

3.1.3 Road Passenger Transport

The liberalisation of the road passenger transport which was a preserve of the State owned enterprise known as UBZ has experienced tremendous positive changes, compared to the pre-1991 era when passengers travelling long distances used to wait for weeks in order to board a bus travelling to various destinations. Government's Economic Reforms provided an enabling environment by dismantling monopolistic position of UBZ, a company that was running on loses, which were being subsidised by Government. Due to liberalisation, Government decided to put UBZ under liquidation. Further measures were implemented by Government through the provision of duty and value added tax-free incentives that encourage business transporters to import local and inter-city buses. These measures had an over whelming response from various investors which reflected in the number of buses imported in the country and result has been that the traveller (customer) no longer needs to wait for three weeks to board a bus for his/her destination. The market is now being well catered for by the different passenger services providers.

CHAPTER FOUR

4.1 PROGRAMME OF ACTION FOR 2001-2010

Macro economic objectives are to build on the achievements of the 90s and promote sustainable economic growth, poverty reduction and empowerment of the Zambian people through structural reforms. Zambia's programme of action is articulated in various sectoral programmes such as the Agriculture, the health, energy, water, education, private enterprise development, infrastructure, and the poverty eradication programmes. The poverty eradication programme currently in preparatory form will establish the policy framework for the eradication of poverty in the 2000 decade.

4.2 National Vision

Zambia has no Long-Term Development Vision. The absence of a long- term vision has left a vacuum in the process of mapping out the development path for Zambia. Lack of such a vision has often resulted in many sector development strategies and regional plans which are not coordinated with possibilities of being contradictory in approach to development. To address this situation the Government has initiated the preparation of a National Long-Term Development Vision to be supported by mid-term plans. The aim of the vision is to restore prosperity through the pursuit of Excellency with Justice. This will be the yardstick against which all policy proposals and strategies would be judged.

The main objective of the vision is to provide an overall guidance and direction for achieving high standards of living of the people of Zambia, while at the same time serving to;

1. To identify measurable indicators against which budgets/programmes can be evaluated;
2. Provide long-term guidance for the poverty reduction strategies;
3. Provide a basis for the preparation of medium and Short Term Plans;
4. Provide a basis for monitoring and evaluating programmes and projects;
5. Indicate priority areas to be developed over a period of 25 years in order to achieve sustainable growth.

Strategy

The way forward in the attainment of the National Long Term Vision is through a consultative process. The estimated input resource requirement to carry out this exercise is as follows:

Financial

Government contribution	US \$ 177,111.70
Cooperating partners	US \$ 517,711.20
Equipment	US \$150, 000. 00

Total requirement	<u>US \$ 844,822.90</u>

4.3 Poverty Reduction Strategy Paper

The Government is committed to reducing the number of people living in poverty. To this effect, in May 1998, Government, following wide consultations with key stakeholders, adopted the Poverty Reduction Framework Paper (PRSFP) as an umbrella for the Sector Investment Programmes (SIPS) and other poverty reduction efforts. The framework elaborated the following strategies for poverty reduction.

Development priorities in the reduction of poverty are highlighted in Box 1

Box 1: National Development Priorities in the Poverty Reduction Action Plan

National Development Priorities in the Poverty Reduction Action Plan 2000 to 2004

1. EFFICIENT MANAGEMENT

Problems to Address:

- I. Build capacity for improved social service delivery
- II. Improve institutional capacity for effective planning, monitoring and evaluation
- III. Improve logistical and information systems t support effective decision-making
- IV. Build district capacity to manage education and health services
- V. Accelerate issuance of title deeds to land and housing

Primary Target Beneficiaries

- I. Central Government
- II. Population

2. SUSTAINABLE ECONOMIC GROWTH

Problems to Address:

- I. Construct/rehabilitate rural roads network and develop communication systems in rural areas.
- II. Promote rural electrification and use of alternative sources of energy
- III. Promote private sector marketing of inputs
- IV. Provide financial, social and market of inputs
- V. Provide financial, social and market intermediation in the informal sector

Primary Target Beneficiaries

- VI. Private sector enterprises
- II. Rural poor small holder farmers
- III. Urban poor

IV Population

3. **HUMAN RESOURCES DEVELOPMENT**

Problems to Address:

- I. Increase access to basic education and improve supply of educational equipment and materials
- II. Increase access to skills development and vocational training
- III. Improve health and nutrition of schools pupils
- IV. Provide essential and cost effective primary health care services
- V. Increase access to clean and safe water and sanitation for rural areas

Primary Target Beneficiaries

- I. Unemployment Youth
- II. Rural poor smallholder farmers
- III. Central government
- IV. Population

4. **TARGETED GROUP INTERVENTIONS**

Problems to Address:

- I. Provide safety net for unemployed persons including retrenches
- II. Targeted food security, health and nutrition interventions to areas with high poverty levels
- III. Implement land resettlement initiatives for displaced workers
- IV. Provide infrastructure support for disabled persons.

Primary Target Beneficiaries

- I. Unemployed Youth
- II. Rural poor small holder farmers
- III. Central Government
- IV. Retrenchedes, Children, Disabled and Female and Child headed household
- V. Population

5. **CROSS CUTTING PRIORITIES**

Problems to Address:

- I. HIV/AIDS
- II. Environmental Management
- III. Human Rights
- IV. Promote gender equity and the role of women in economic development

Primary Target Beneficiaries

- I. Population

6. **URBAN DEVELOPMENT**

Problems to Address:

- I. Improve and legalise unplanned peri-urban settlements
- II. Rehabilitate urban water supply and management
- III. Increase access to adequate housing in urban areas.

Primary Target Beneficiaries

- I. Urban population

4.4 **Agriculture**

Policy

Zambia's agriculture sector is the key to the development of the country's economy and is considered the engine of growth for the decade and beyond.

The overall agriculture policy is to facilitate and support the development of a sustainable and competitive agricultural sector that assures food security at national and household levels and maximises the sector's contribution to gross domestic production.

Policy Objectives

The key objectives of the agricultural policy reforms are to:

1. assure national and household food security through dependable annual production of adequate supplies of basic foodstuffs (cereals and proteins) at competitive costs;
2. ensure that the existing agricultural resource base (land, water, and air) is maintained and improved upon;
3. generate income and employment to maximum feasible levels through full realization of both domestic and export market potential;
4. contribute to sustainable industrial development through the use of locally produced agro-based raw materials in line with international comparative advantage;
5. expand significantly the sector's contribution to the national balance of payments by expanding agricultural exports.

Given the above commitment to developing the agricultural sector, government has put in place several investment incentives. These are in form of duty exemptions or lower duty charged on agricultural related imports. There are also several incentives offered to investment certificate holders, additional incentives for agricultural enterprises and export incentives.

Strategies

1. Strengthening and monitoring the liberalization of markets and facilitating private sector development.
2. Diversification of agricultural production
3. Strengthening and facilitating the provision of agricultural services in order to increase productivity particularly among smallholder farmers.
4. Reviewing and realigning institutional and legislative arrangements
5. Development of infrastructure in potentially productive agricultural areas.

6. Development and promotion of appropriate technology.
7. Promotion of gender equity in resource allocation and access to agriculture services.
8. Promotion of sustainability and environmentally sound agricultural practices.
9. Prevention and control of pests, crop and livestock diseases of national importance.
10. Strengthening Emergency Preparedness.
11. Regulate the introduction and use of bio-technological products in particular, genetically modified organisms (GMOs).
12. Maintaining agro-biodiversity.

In its endeavour to break the poverty trap, government has developed the following growth-enhancing innovative strategies:

1. Livestock Production and Health as part of the livestock development plan 200-2004;
2. Propagation of Conservation Farming Technologies;
3. Programme to Reduce Post-Harvest Losses;
4. Group Approach and Capacity Building of Farmer Organizations;
5. Support to Extension Services especially to small and medium scale farmers in rural areas;
6. Development of effective Input and Output Marketing Mechanisms;
7. Setting up of a Fund;
8. Fund to Help Build up and Maintain the Strategic Food Reserve;
9. Seed Multiplication and Distribution programmes;
10. Rehabilitation and construction of small irrigation facilities such as treadle pumps;
11. Fisheries Development with focus on fish conservation;
12. Large Scale Investment and Diversification of Agricultural Output;
13. Overall Thrust of the Catalytic Intervention base on the provision of advisory services to farmers to improve the quality of farming.

Given the current and future supply stimulation interventions, and with continued support from cooperating partners, the agricultural sector is earmarked for growth. Below are the key sources of the projected growth.

1. Emerging opportunities for agro-related industries that will include improved production and prospects for maize; legumes and oilseed crops, industrial crops, agro-processing (cotton, sugar and tobacco), horticulture, floriculture and spices.
2. Livestock sector is expected to make significant contribution to the growth of the

economy especially in the feed manufacturing sub-sector and provision of livestock services.

3. There are also growth prospects in the fisheries sector especially when there are improved fishing methods.
4. With the pursuance innovative strategies, mention above, the agricultural sector is projected to enhance food security and provide the major source of export diversification required to boost the country's job creation capacity, incomes and balance of payments especially given the declining contribution from traditional exports such as copper. Agriculture as a source of raw materials for other sub-sectors such as processed foods and textiles remain pivotal in the growth of NTEs and promising source of foreign exchange. This coupled with Zambia's diversity in agricultural (including fisheries) resource endowment, translates into a potential to achieve an annual sustained agricultural growth of 7% in the medium to long term. This growth forms a profound base for reducing poverty in Zambia.

Annual Financial Requirements for the Agricultural Sector 2000-2004 (US\$ Million)

Component	2000	2001	2002	2003	2004	Total Cost
Livestock Production and Health	5.00	5.00	5.00	5.00	5.00	25.00
Conservation Farming	5.00	5.00	5.00	5.00	5.00	25.00
Reduced Post Harvest Losses	2.43	2.43	2.43	2.43	2.43	12.15
Capacity Building of Farmer Organizations	2.80	2.80	2.80	-	-	8.40
Support to Extension Services						
- Field Services	5.00	5.00	5.00	5.00	5.00	25.00
- Rehabilitation of Training Institutions	5.00	5.00	-	-	-	10.00
Input and Output Marketing						
- Improving Smallholder Access to Inputs	15.50	15.50	-	-	-	31.00
- Strategic Food Reserve	30.00	-	-	-	-	30.00
Fund for Medium and Long Term Projects	10.00	10.00	10.00	-	-	30.00
Seed Multiplication and Distribution	5.30	-	-	-	-	5.30
Irrigation	5.00	5.00	5.00	5.00	5.00	25.00
Fisheries	3.00	3.00	-	-	-	6.00
GRAND TOTAL	94.03	58.73	35.23	22.43	22.43	232.85

Source: Ministry of Agriculture, Food and Fisheries

4.5 Energy

The National Energy Policy of Zambia is aimed at the promotion of optimum supply and utilisation of energy to facilitate socio-economic development and maintenance of safe and health environment.

Policy Objectives

The key policy objectives in this sector are:

1. To rehabilitate the existing electricity generation and distribution infrastructure, attain financial viability for electricity through commercialisation as well as promote private sector participation in power generation for domestic and export markets.
2. To ensure rehabilitation of petroleum infrastructure and ensure that oil is supplied and consumed in the most efficient manner with active participation of the private sector.
3. To Explore and development more sources of energy such as coal and wood fuel.

Growth Prospects

In line with the new policy orientation of opening up the sector to private investors, it envisaged that new major investment especially in the power sector would be undertaken by the private sector. The legal and institutional framework supportive of private investment has been established.

4.5.1 The Power Sector

The efforts being made to rehabilitate existing power infrastructure have laid the foundation for focusing on creating additional capacity to cater for the anticipated growth in demand for power following the privatisation of major industries of the economy.

A Southern Africa Power Market Study showing the following forecast of power demand up to the year 2030, assuming various growth scenarios, gives the following power demand forecast for Zambia:

Table 2.1: Growth in Power Demand in Zambia: 2000 – 2030 (Mw)

Scenario/Year	2000	2005	2010	2015	2020	2025	2030
Low	1100	1400	1200	1300	1500	1700	2000
Base	1100	1500	1800	1900	2100	2300	2700
High	1100	1600	2000	2300	2500	3000	3600

Source: Ministry of Energy and Water Development

4..5.2. The Petroleum Sector

The biggest challenge in the petroleum sub-sector is to ensure that the rehabilitation of the TAZAMA pipeline and associated infrastructure which has deteriorated over years.

The major growth objectives in this sub-sector are to:-

1. ensure continued involvement of the private sector in the marketing of petroleum products and to maintain reserves of products for a prescribed period.
2. ensure that the importation of spiked crude oil with private sector involvement for processing by INDENI refinery is put into effect.

Programmes and Projects

Major programmes and projects in the energy sector that need assistance from Cooperating Partners include:

1. Power Rehabilitation Project aimed at rehabilitating the infrastructure for power generation transmission and distribution. The estimated cost of the project is US \$210 million;
2. Petroleum Sector Rehabilitation project aimed at rehabilitation of the petroleum infrastructure. The estimated cost of the project is US \$45 million;
3. New and renewable sources of energy programme aimed at promoting application of viable new and renewable sources of energy technologies;
4. Rural electrification plan aimed at increasing accessibility to electricity in rural areas. The estimated cost for implementing the plan is US \$1 million;
5. Promoting efficient production and utilization of wood-fuel aimed at sustainable use of wood-fuel taking into account environmental concerns.

4.6. Tourism

Policy Statement

The mission for the tourism sector is to contribute to the economic well-being and enhanced quality of life for Zambians through Government led, private sector driven, quality product developments that are consistent with the protection of the unique natural and cultural heritage.

Policy Objectives

The policy objectives in the sector are to:

1. bring about growth in the tourism industry through the encouragement of the private sector;
2. redistribute both the opportunities to participate in tourism growth, and access to the benefits from it, towards Zambians;
3. ensure that such equitable growth is environmentally sustainable and will be accessible to future generations;
4. diversify the tourism product from being mainly wildlife based;
5. carry out necessary legislative and organizational changes to facilitate development in the sector;
6. raise public awareness of the national significance of investment in and promotion of tourism;
7. promote domestic tourism, leisure and recreation;
8. promote initiatives for regional tourism co-operation;
9. promote proper investment incentives in Zambian wildlife, cultural tourism, and in the tourism product;
10. improve tourist infrastructure – roads, railways, airports, telecommunications - and other supporting facilities;
11. seek to help the industry to create more local jobs, to generate more local incomes, to earn more foreign exchange, and to contribute more to Government revenues as a result of the improved business climate and the improved viability;
12. facilitate the availability of local supplies to the tourism industry;
Improve the national tourism administration so that it helps the tourism industry to be competitive and viable, and
13. to encourage and assist Zambians to own and manage hotels, lodges and other tourist facilities.

Incentives

Given the above commitment to developing the tourism sector, Government has put in place several investment incentives. These include, among others, the following:-

1. Constitutional protection against the nationalisation of one's investment;
2. Priority access to land allocation;
3. Facilitation of acquisition of self-employment work permits for investors;

4. Value Added (VAT) Zero rating of tour packages for Zambia, thus making Zambian products competitive regionally;
5. Reduction on corporate tax from 35% to 15%, and Duty free import on aircraft and their spare parts.

Constraints

The major challenge facing the Government is to promote the Zambian destination in the region and internationally in the midst of a weak economy. Some of the problems the tourism industry faces include:-

1. Poor Road Infrastructure - this is more pronounced when considering access roads to major tourist regions and the National Parks Road Network which is non-existent in most parks making it impossible for activities during rain seasons. This renders the product seasonal and unviable i.e. May to October;
2. Inadequate Funds for Marketing purposes - Zambia is generally not known out in the international world. Most information available projects negative perception of the country through poor negative publicity (crime, poverty etc). Such negative image of Zambia created by competitors reduces the flow of tourists to Zambia;
3. Dilapidated Airport Infrastructure at major airports such as Livingstone Airport and Ndola Airport;
4. Low Bed Capacity of different types thus, rendering the product too expensive for local community participation;
5. Inadequate funding for the development and management of the tourism industry; and
6. Lack of Institutional Capacity for co-ordinated integrated development.

Strategies

Tourism offers many economic opportunities for Zambia. But to realise these opportunities, there needs to be a series of strategies addressing key issues in tourism. These strategies are broadly grouped under three headings which are:-

1. Strategies for Management and Marketing of Tourism;
2. Product Development Strategies; and
3. Infrastructure and Access Investment Strategies.

The overall tourism sector development strategies, seeks to:-

1. Justify the principle of allowing the market to identify and implement development

- opportunities while providing a vision of tourism development over a 20 year time frame;
- 2. Demonstrate the benefits of creating a framework to integrate development by providing a clear structure for organising development and responding to opportunities as they arise;
- 3. Protect and strengthen the existing Zambian product providing a better environment for the local community, wildlife and visitors;
- 4. Provide an overall design approach for Livingstone, creating a sense of place, good development sites in an attractive environment blending the best of the old and new;
- 5. Prepare practical proposals for the development of tourism which meet future demands in phased incremental manner with available resources;
- 6. Prepare the Zambian destination to compete with regional destinations especially in the advent of COMESA; and
- 7. Demonstrate the economic, social and community benefits to be derived from tourism and provide a stimulus for the creation of employment, entrepreneurial activities and investment opportunities for the local population.

Programmes and Projects

Major programmes and projects in the Tourism Sector include:

- 1. Improvement to Tourist Access Roads Project;
- 2. Zambia Tourism Capacity Building Programme;
- 3. Product Development Programme. This includes rehabilitation and construction of tourism Infrastructure projects;
- 4. Tourism promotion, communication and marketing such as production and distribution of promotional materials, participation in selected international and local tourism fairs, undertake sales and investment promotion trips, tourism promotion through advertisements, media familiarisation tours;
- 5. Tourism Enterprises Promotion and Development Programme;
- 6. National Wildlife Development Programme. One of the programmes under this programme is Convention on International Trade in Endangered Species of Wild Fauna and Flora(CITES) Programme.

The growth prospects of Zambia that still needs further opportunities for investment are in the following areas:

- 1. High quality accommodation establishments e.g. Camps, Lodges, Hotels and related facilities through out the country;
- 2. Photographic and hunting safaris;

3. Conference facilities;
4. Air and boat excursion around Victoria Falls and elsewhere along the Zambezi, Kafue, Luapula Rivers and the Lakes of Luapula, Northern and Southern Provinces;
6. Game farming;
7. Fishing, and;
8. Luxury Coach Services, Car Hire and Travel Agents.

Zambia's tourism has potential for growth, in the short to medium-term as the international nature of the activity enables it to benefit from developments in many parts of the world. With the abundant wildlife, scenic beauty and a diverse culture, Zambia has the potential to become an attractive tourist destination benefiting from the increased levels of incomes of newly industrialised countries. Government's new policies of increased private sector participation in the tourism sector pave way for a brighter future for this industry.

There is however, need for heavy investment in infrastructure, especially tourist access roads and aerodromes. Capacity building of tourism management, institutions, marketing, product development and diversification and broadening the base of tourism entrepreneurs.

Resource Requirements for Tourism Programmes / Projects

N	Programme / Project	Yearly Resources	Requirement	Plan	Total Cost
		2000	2001	2002	In US \$
1	Improvement to Tourist Access Roads Project*	1,500,000	1,600,000	1,600,000	4,700,000
2	Zambia Tourism Capacity Building Programme	6,700,000	6,700,000	6,700,000	20,100,000
3	Product Development Programme				
	Livingstone Tourism Development Project	1,500,000	1,500,000	1,500,000	4,500,000
	Lower Zambezi Tourism Development Project	1,000,000	1,000,000	1,000,000	3,000,000
	Luangwa Tourism Development Project	1,000,000	1,000,000	1,000,000	3,000,000
	Lusaka Urban Design and Improvement Project	1,000,000	1,000,000	1,000,000	3,000,000
	Kafue Tourism Development Project	1,000,000	1,000,000	1,000,000	3,000,000
4	Tourism Promotion, Communication and Marketing Programme	500,000	500,000	500,000	1,500,000
5	Tourism Enterprises Promotion and Development Programme	900,000	1,300,000	1,500,000	3,700,000
6	National Wildlife Development Programme	1,000,000	1,500,000	1,000,000	3,500,000
7	National Heritage Conservation Development Programme	2,500,000	1,500,000	1,000,000	5,000,000
8	National Museums Development Programme	1,000,000	1,000,000	1,000,000	3,000,000
9	UNIVISA Programme	60,000	40,000	-	100,000
TOTAL		19,660,000	19,640,000	18,800,000	58,100,000

Source: Ministry of Tourism

*The Programme is covered under the Road Sector Investment Programme (ROADSIP).

4.7. Transport and Communications

Transport Policy

The main thrust of the transport policy in Zambia is to facilitate sustainable growth and development of the transport, in order to ensure the provision of efficient, safe, gender and environmentally friendly, quality and adequate services for the benefit of the Zambian economy.

In order to develop an efficient transport network, the government is in the process of adopting a national transport policy. The policy aims to put in place a legal, institutional and legal framework that will ensure that transport in Zambia meets the requirements to make it a catalyst for economic growth and development.

Policy Objectives

Policy objectives in the transport sector are to:

1. create capacity commensurate with the transport requirements of the economy by ensuring that sufficient resources are invested in the transport sector;
2. allocate available resources among the various transport modes so that the resultant modal mix meets transport requirements at minimum cost to both the provider and the user;
3. establish a system of transport pricing that will ensure a reasonable return on transport investments;
4. improve mobility in rural areas through the promotion of the use of appropriate means and modes of transport;
5. encourage and promote increased private sector participation in the provision management and maintenance of transport infrastructure and services;
6. ensure equal opportunities for men and women in the transport, recognise and account for environmental concerns within the transport sector in line with the National Environmental Action Plan; and
7. ensure safety standards in all modes of transport by enforcing appropriate safety measures under an improved management regime;
8. introduce sound management through appropriate policies and institutions in the transport sector that will lead to rapid sustainable development and poverty reduction.

Programmes and Projects

Road Sector Investment Programme (ROADSIP)

An important component of the policy is a ten-year two phased road sector investment program (ROADSIP) which was launched in 1997 to improve and rehabilitate the road network and to eliminate the maintenance backlog. The objectives of ROADSIP are to bring all the gazetted roads to maintainable conditions, develop a programme of sustainable routine and periodic maintenance for roads in good and fair conditions, to identify and develop a programme to upgrade roads of strategic importance, address poverty in rural areas and gender imbalance through use of labour based methods and packaging of contracts, maximise involvement of road users and promotion of public-private partnership. The key targets of ROADSIP are to (i) to bring over 50% of the network (15,700 kilometres) under regular maintenance; (ii) to place 6,600 kilometres under periodic maintenance; and (iii) to rehabilitate 1,500 kilometres of roads, during the first five years of the programme (1997–2002). The program aims to increase the proportion of main roads and feeder roads in good condition to 45% and 15%, respectively.

The programme is on course and has made a positive impact in the road transport sector's contribution to the GDP. The condition of the road network continues to improve throughout the country at a slow but steady pace. This is having a positive impact on employment creation, poverty alleviation, rural mobility and accessibility, eliminating the tyranny of distance for the rural traveller. However, this has fallen far short of expectations, due to limited funding.

In addition, the government intends to strengthen the institutional capacity to manage and maintain the road network, promote greater private sector participation in the roads sector, improve the control and prioritisation of roads-sector expenditures, and mobilise revenue through the Road Fund, contributed by road users on a fee-for-service basis. Measures to improve revenue mobilisation include the full transfer of fuel levy proceeds to the Road Fund.

Government intends to vigorously pursue rehabilitation of dilapidated infrastructure through phase II of ROADSIP. This phase will further improve mobility and accessibility, and thereby facilitate overall poverty reduction through employment creation, and empowerment of the people, address environmental degradation and impact of the HIV/AIDS on the road transport sector.

The strategy shall emphasise on bringing the core road network into maintainable condition, and maintaining it on a sustainable basis through road user financing. Further, rehabilitation of bridges and pontoons on main, trunk, and district roads comprising the strategic core road network will help to improve governance in rural areas by linking villages and districts to administrative and provincial centres throughout the country.

Zambia has some of the best tourist attractions in the world, but least exploited. With the improved road condition and transportation system, tourism will contribute greatly to the economy of the country.

Although agriculture is potentially the mainstay of the Zambian economy, poor roads and transport infrastructure has, paralysed the industry, hence the need and urgency to improve road transportation.

Conditions of Feeder Roads

There are about 32,000 Km of feeder road network in Zambia and it is planned to improve about

50% of the network. Total cost of IDA programmes for full rehabilitation (\$15,000/km) and accessibility (\$9000/km) is US\$18.1 Million. The completed and ongoing/planned works on feeder roads have together only addressed some 20% of primary roads (10% of the total network) in terms of full rehabilitation. It is intended to fully improve a total of 50% of the primary or core feeder roads and to make the remaining 50% accessible through spot improvement. To reach this target 4,700 kilometres require full improvement at a cost of \$61 million and 7,768 kilometres to be spot (access) improved at a cost of US\$15.5 million. Maintenance of fully improved roads costs US45.1 million per annum. As further roads are improved the annual maintenance cost will rise to US\$10.2 million.

Railways

The railway network in Zambia is at the centre of the international routes linking Zambia and the Democratic Republic of Congo to their neighbouring countries, as well as to the seaports in Mozambique, Tanzania, Angola, and South Africa. However, because of the poor state of the rail track, operating inefficiencies, and the increasing frequency of accidents, Zambia Railways' freight traffic declined from 4½ million tons to about 1½ million tons between 1990 and 1996. The shift from rail to road traffic is estimated to cost the Zambian economy US\$100–150 million per year in increased road deterioration and fuel costs.

The Government has embarked on a capacity building process to improve the railways' performance. Government has also approved the concessioning of Zambia Railways with an aim of improving the financial and economic viability of the railway system, in Zambia. Further, Government intends to set up a railway regulatory authority to ensure regulate the operations of the anticipated players in market, and also ensure that a level playing field is created. To facilitate private sector participation in rail transport, there is need to inject capital to improve the value of railway asset to make concession attractive.

4.8 INVESTMENT AND TRADE PROMOTION

Policy Framework

The major focus of the country's industrial, trade and commercial policies is to develop an open, competitive, dynamic and sustainable industrial sector which is dominated by the private sector. The private sector will be the principal actor for carrying out industrial and commercial activities. In this way the economy is expected to maximise its productivity, industrial growth and employment generation.

Investment Policy

The government's policy on investment is to create a dynamic, competitive and stable and predictable environment in which the private sector can make efficient investment decisions. The aim is to attract both local and foreign investors to boost the growth of the industrial sector. Incentives will be provided to encourage such investment. The major tool is the Investment Act of 1993 which provides the current legal framework for investment policy. Investment incentives will be focussed on sectors on which studies have revealed competitiveness.

Trade Policy

Government policy has been the creation and further development of a market economy with a liberalized import and export regime which supports industrial growth. The aim is to promote those industries with potential for achieving a dynamic comparative advantage. Within this context government is promoting the production of non-traditional goods, so as to diversify and expand the export base, and is pursuing aggressive export promotion so as to strengthen trading ties in both regional and international markets. Government is pursuing the principles of fair trade, competition and reciprocity in trade relations. It will use anti-dumping and countervailing measures to counter unfair trade practices.

Regional Trade

The Government is supporting the goals and ideals of African Economic Integration. It is pursuing equitable and mutually beneficial regional economic integration. It is seeking to increase the volume of intra-regional trade through tariff reform, the promotion of cross-border economic linkages in the productive sectors and the facilitation of customs and payments arrangements. However, tariff reforms will be pursued on the basis of reciprocity.

Challenges and Way Forward

Growth is projected to rise in the investment and trade during the 2000 decade. The main source of financing this investment is expected to come from Foreign Direct Investment. This poses major challenges in ensuring that the private sector is facilitated to effectively contribute to the economic growth. This entails the strengthening capacity of all relevant institutions in order to deliver the following:

1. Have an effective and efficient Zambia Investment Centre by developing it into a One Stop Centre;
2. Have an integrated approach to economic development (e.g. Growth Triangles, Spatial Development Initiatives and Development Corridors);
3. Have an effective Investment Promotion strategy that has backward linkages with the domestic economy;
4. development of industrial parks and development of Export Processing Zones to boost the manufacturing sector;
5. zoning of agricultural lands to expedite land acquisition and title issuance and hence faster realization of investment pledges;
6. Equip ZABS with laboratory equipment for testing and metrology and buildings to house them and means to carry out awareness campaign on quality assurance and standards among consumers and industry. Ensure the undertaking of trade missions in target markets and participation in local and foreign trade fairs.
7. Taking up the challenges of globalization by participating effectively in the regional and multilateral trading system.

Table 6.5: Resource Requirements (US \$'000)

	Year 1	Year 2	Year 3
Investment Promotion	2,000	2,000	2,000
Investment Monitoring	500	1,000	1,000
One Stop Centre	500	500	500
Export Promotion	2,000	2,000	2,000
Standardization, Quality Assurance	2,500	2,000	2,000
Testing and Metrology	1,500	1,000	1,000
Institutional Capacity Building			
Total	9,000	8,500	8,500

Source: Ministry of Commerce, Trade and Industry

4.9 Mining

The Government has taken steps in adopting a mineral policy which will ensure the development of a self sustaining mineral based industry by moving away from overall dependence on copper mining industry to the adoption of policies and strategies that will ensure the development of self-sustaining mineral based industry exporting with a high value-added content.

The policy is aimed at encouraging private investment in exploration and development of new large, medium and small scale mines to exploit metallic, gemstones, energy and industry minerals. Down stream processing is encouraged.

Policy Objectives

1. To make the private sector the principal producer and exporter of mineral products.
2. To promote development small-scale mining industry which has the potential significantly contribute to the economy.
3. To promote the development of gemstone mining and facilitate liberalized marketing arrangement in order to realize the industry's potential to contribute to the development of the economy.

4. To promote the exploration and exploitation of industrial minerals energy minerals and encourage the establishment of a ferrous industry.
5. To reduce the danger of ecological damage arising from mining operations as well as damage on the health of workers and inhabitants on the neighbourhood through air, water and land.
6. To promote the local processing of mineral raw materials into finished products for added value.

Constraints

The major constraints in the mining sector have been:

1. Poor mining infrastructure, most equipment needs repair and replacement
2. Poor management
3. Lack of adequate investment and credit facilities
4. Lack of advanced technology in the mining process
5. Lack of skills in valuation of precious stones and gemstone
6. Lack of management and marketing skills
7. Poor infrastructure for communication and transport.

Strategies

1. Creation of a conducive environment for private investment in mining
2. Capacity building to small and medium scale miners in management and marketing skills
3. Rehabilitation of infrastructure
4. Promotion of plant hire schemes especially for small scale miners
5. Diversification of minerals to be mined
6. Intensification of mineral exploration programme
7. Promotion of financial facilities to assist miners meet their operational cost especially at the initial stages.

Following the privatisation of the mines, the sector is expected to be recapitalised and thus stimulate growth in the economy. There is also continuation in the prospecting and exploration for base materials. Technical and financial assistance is required to promote and revamp small and medium scale mining especially of precious stones such as gemstones

5.10 Social Sectors

Zambia has shown commitment to improving the nation's human capital base by putting in place conducive social sector policies and strategies. In addition various social safety net programmes and projects have been put in place to address the poverty problem among the poor.

Health The Government has put in place a vigorous Health Reform Programme aimed at equity and efficiency in health care delivery. This is based on the provision of essential drugs and a cost effective care service. Government has also put in place a national strategic framework for combating the HIV/AIDS pandemic in collaboration with all stakeholders in society. The Government will continue the health reforms with focus on constructing and rehabilitating hospitals and health centres.

Education The policy objective in this sector is to improve access, equality, efficiency and equity in the provision of education and capacity building for the system. The Government has laid a basis for partnership and cost sharing in the provision of education, private and community schools are encouraged.

Government focus in the education sector is on the implementation of BESSIP. The two key targets of the BESSIP are to further increase enrolment in lower and middle basic education (Grades 1-7) by 4% per year, and to improve the quality of education as measured, inter alia by students learning. At secondary education level, the Government's efforts will be concentrated at assessing school infrastructure and rehabilitation of some dilapidated buildings in selected secondary schools. As regards teacher training, Government will increase the number of trained teachers and reduce that of untrained teachers. At technical education, vocational and entrepreneurial training level, Government will ensure the delivery of quality demand-driven training, which entails appropriate trained personnel, the right machinery and effective and efficient management systems.

Water Government policy objective is to promote a sustainable water resource base with a view to facilitating an equitable cost sharing and secure water supply.

Social Safety Nets

The strategic objective of the government is to alleviate suffering among the poor and destitute through increased and effective social welfare programmes. One of the major programmes in this process is the Public Welfare assistance scheme (PWAS). PWAS is aimed at mitigating adverse effects of the economic reforms and to alleviate poverty among vulnerable groups society such as orphans, persons with disabilities, the aged and street kids.

5. CONCLUSION

The government is committed to implementing the economic reform programme. However, successful, implementation of the programme will be difficult if not unattainable without external support. Government therefore needs support to implement programme objectives of economic stability, sustained growth and poverty reduction that have been outlined in the paper.

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22.	Mr. Dr. G.A.C. Khonje	-	Director Local Government & Housing
23.	Mr. London Ngoma	-	Director Communication & Transport

Members of the Inter-ministerial Committee

24. Ms A.M. Musunga	-	Ministry of Finance
25. Mrs Cathy Lishomwa	-	Ministry of Foreign Affairs
26. Mr. Arnold J.K. Muzilika	-	Ministry of Local Government
27. Ms Grace Makayi	-	Ministry of Health
28. Mr. P.M. Munyoro	-	Ministry of Tourism
29. Mrs Irene B.M. Tembo	-	Ministry of Commerce, Trade
30. Ms Lillian S. Bwalya	-	Ministry of Commerce, Trade
31. Mr. Fabiano C. Lukashi	-	Zambia Investment Centre
32. Ms Chasiya V. Kazembe	-	Ministry of Finance
33. Mr. Collins Sifafula	-	Zambia Investment Centre
34. Mr. Gregory Mwanza	-	Ministry of Community Dev.
35. Mr. Patson C.I. Simwawa	-	Ministry of Education
36. Mr. P.S. Zulu	-	Ministry of Mines & Mineral Dev.
37. Mr. George Zulu	-	Ministry of Finance
38. Mr. Michael C. Soko	-	U.N.D.P.
39. Mr. Sanga Yakula Sanga	-	Consultant

Representatives from Civil Society:

1. The Executive Director	-	Non-Governmental Organisational Committee
2. The Chairman	-	Zambia National Farmer's Union
3. The Co-ordinator	-	Young Farmers Club
4. The Executive Director	-	Zambia Women for Change
5. The Chairman	-	Zambia Manufacturers Association
6. The Chief Executive	-	Zambia Wildlife Authority (ZAWA)
7. The Chairman	-	Zambia Chambers of Commerce & Industries
8. The Director	-	Institute of Economic Research-University of Zambia

TABLE 1
SELECTED MACRO-ECONOMIC INDICATORS FOR 1991 TO 1997

INDICATOR	1991	1992	1993	1994	1995	1996	1997
GDP (1977 Prices) K'Mn	2,212.7	2,157.3	2,296.0	2,226.	2,029.9	2,160.9	2236.5*)
Real GDP Growth Rate (%)	-0.04	-2.5	6.5	-3.1	-8.8	6.5	3.5.
Per Capita Income, US \$	292.0	296.0	167.0	247.0	278.0	285.0	285.2
Formal Employment	544,200	545,900	520,000	496,00	484,967	479,400	472,300
Of this: Civil Service Employees					96,973	101,566	108,382
Inflation Rate (%)	100.0	165.1	183.8		34.9	43.1	18.6
Average Base Lending Rate (%)	-	150	200		46.4	53.7	46.8
Budget Surplus (Deficit), K'Mn	-	-	(65,0)		3,9	53.4	80,0*)
Copper +Cobalt Exports (US \$'Mn)	-	1,024.0	866.0	910.0	1098.3	760.9	853.5
NTEs (US \$'Mn)	121.3	102.0	124.0	156.5	202.5	240.8	300.0*)
Trade Surplus (Deficit) US \$' Mn)		(227.0)	(29.0)	64.0	(58.0)	(222.0)	76.6
Current Account Balance (US \$'Mn)		(155.0)	(97.0)	(206.0)	(268.0)	(199.7)	(126.3)
Avg. Nominal K/US \$ Rate	64.63	172.21	600.47	687.32	878.88	1213.58	1321.33
Gross Reserves (US \$'Mn)	-	-	192.3	298.0	210.5	211.0	237.1
BOP Assistance (US \$'Mn)	-	-	305.6	259.8	282.8	142.6	140.2
Foreign Debt Stock (US 'Mn)	7.271	7.041	6,919	6,204	6,411	6,571	7,100
Foreign Debt Service (US \$'Mn)	-	-	282.2	341.4	330.3	75.5	146.0
Debt Service Ratio (%)	45	32	28.4	32.0	27.8	7.7.	12.8
FDI (US \$'Mn)	-	-	-	40.0	97.0	117.1	124.9

Source: MOFED, Macro-Economic Indicators, January 1998, and Economic Report 1997

TABLE 2**GROSS OUTPUT & COMPOSITION OF MANUFACTURING SECTOR AT
CONSTANT 1977 PRICES – 1992 – 1996**

SUB-SECTOR	US \$ MILLI ON 1992	1993	1994	1995	1996
Food, Beverages & Tobacco	57.1	347.3	335.2	336.9	346.2
Textiles and Leather	70.3	50.2	47.1	41.0	43.4
Industries	11.4	12.0	9.9	8.6	8.4
Wood & Wood Products	32.5	31.9	32.1	22.5	22.1
Paper and Paper Products	35.6	37.4	28.8	25.1	28.5
Chemical, Rubber & Plastics	22.1	20.1	13.8	14.6	15.0
Non-Metallic Minerals	2.5	2.5	2.3	2.2	2.6
Basic Metals	109.4	89.1	70.7	74.9	72.5
Other manufacturing	16.4	14.7	13.2	12.4	12.9
Total	657.3	605.2	553.1	538.2	551.7

Source: Ministry of Finance and Economic Development

TABLE 3**GDP IN MILLION US \$ (CONSTANT 1977 PRICES)**

BUSINESS SERVICES	1992	1993	1994	1995	1996
Transport & communication	101.7	103.0	98.0	90.4	89.0
Financial sector	52.2	53.7	55.4	64.7	61.5
Real estate/business services	185.7	191.5	197.4	209.1	210.2
Total	339.6	348.2	350.8	364.2	360.7

Source: Ministry of Finance and Economic Development

TABLE 4**PRODUCTION OF MINERALS (IN METRIC TONES)**

MINERALS	UNITS	1985	1990	1993	1995	1996	1997
Cobalt	Mts	4359	4414	4212	2934	4799	4095
Copper	Mts	479446	426246	403448	307181	316084	320843
Gold	Kg	246	129	267	79	106	N/a
Lead	Mts	8873	3903	1763	0	0	N/a
Silver	Kg	18873	18539	18123	7785	9643	N/a
Zinc	Mts	27766	10457	4706	0	0	0

Source: Ministry of Finance and Economic Development

TABLE 5
PROJECT FINANCING 1991 – 2000
US \$ MILLION

	1991	1992	1993	1994	1995	1996	1997	Projected 1988	Actual 1998	Projected 1999	Actual 1999	Projected 2000	Actual 2000	Projected 2001	Projected 2002
Canada	9.00	4.00	10.00	5.00	3.00	4.00	5.00	7.00	6.00	9.40	6.20	7.80	9.70	10.90	0.00
Denmark	10.00	1.00	6.00	15.00	10.00	22.00	21.00	26.00	23.00	12.00	11.70	28.20	7.60	16.70	16.70
Finland	29.00	15.00	15.00	11.00	8.00	11.00	8.00	7.00	8.00	9.00	2.50	6.10	3.20	5.70	4.70
France	0.00	0.00	0.00	0.00	0.00	0.00	0.00	8.00	12.00	12.00	0.50	0.75	0.25	0.26	0.26
Germany	12.00	10.00	9.00	9.00	6.00	17.00	9.00	16.00	16.00	23.40	0.00	0.00	5.30	28.40	0.00
Ireland	4.00	0.00	0.00	0.00	0.00	9.00	9.00	10.00	7.20	5.90	6.67	4.50	4.60	6.60	4.50
Italy	14.00	0.00	0.00	0.00	0.00	0.00	0.00	7.00	0.00	0.00	0.00	0.70	0.60	12.60	0.24
Japan	15.00	39.00	15.00	31.00	26.00	25.00	37.00	5.00	14.00	31.00	27.80	30.80	5.70	14.00	0.00
Netherlands	20.00	10.00	9.00	17.00	16.00	10.00	17.00	17.00	16.60	20.60	14.10	20.60	19.40	27.20	24.50
Norway	18.00	9.00	26.00	23.00	34.00	31.00	27.00	31.00	27.00	27.00	8.60	25.60	10.70	17.60	15.40
Sweden	46.00	11.00	27.00	20.00	10.00	30.00	19.00	19.00	16.00	13.30	13.30	12.10	15.70	9.80	9.80
UK	2.00	13.00	3.00	34.00	30.00	17.00	19.00	28.00	32.30	31.80	19.30	24.40	31.30	36.40	36.40
USAID	14.00	14.00	25.00	20.00	18.00	22.00	16.00	27.00	29.00	25.00	24.40	25.70	14.50	25.50	25.50
Total	193.0	126.0	145.0	185.0	161.0	198.0	187.0	208.0	207.1	220.4	135.0	187.2	110.5	211.6	138.0
World Bank	10.00	14.00	17.00	26.00	31.00	23.00	75.00	63.00	25.10	147.0	71.50	154.5	66.30	123.0	
ADB	35.00	25.00	30.00	13.00	15.00	31.00	13.00	21.00	51.40	23.89	33.59	38.13	26.85	54.77	
European Union	28.00	18.00	43.00	30.00	18.00	36.00	27.00	3.00	25.00	91.00	61.00	65.70	42.15	54.86	
Total	73.00	57.00	90.00	69.00	64.00	90.00	115.0	87.00	101.5	261.8	166.0	258.3	135.3	232.6	
Grand Total	266.0	183.0	235.0	254.0	225.0	288.0	302.0	295.0	308.6	482.2	301.1	445.5	245.8	444.2	138.0

Source: Ministry of Finance and Economic Development

TABLE 6**GOVERNMENT REVENUE AND EXTERNAL GRANTS**

	% OF GDP												PRO	BUD	
	1980	1985	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000		
Govt. Revenue	26	22.4	20.3	18.7	18.3	15.8	20.1	19.9	20.7	19.8	18.1	17.5	17.2		
External Grants	3.5	3.2	4.3	14.2	14.7	10.5	10.1	9.2	6.1	5.0	6.4	9.1	8.2		
Revenue and Grants	29.0	25.6	24.6	32.9	33.0	26.3	30.2	29.1	26.8	24.8	24.5	26.6	25.4		
Capital Expend (CE)	-	-	6.2	10.9	10.0	9.5	10.3	9.4	8.7	7.5	10.9	10.8	9.1		
Grants as % of CE	-	-	6.9	100	100	98	98	62	67	59	79	90			

Source: Ministry of Finance and Economic Development

TABLE 7**COMPOSITION AND UTILISATION OF AID 1990 – 1999 (US \$ MILLION)**

	1990-95	%OF TOTAL	1996-99	% OF TOTAL	1990-99	% OF TOTAL
Aid Received	3,993	100	1,645	100	5,577	100
BOP Support	2075	53	438	22	2,513	45
Commodity Aid	556	14	37	3	53	11
Project Financing	1,320	33	1,170	75	2,490	45
Use of Aid	3,933	100	1,645	100	5,557	100
Net Debt Service	1,274	32	707	43	1,981	36
WB, IMF Arrears	368	9	-	-	368	7
Drought Relief	309	8	-	-	309	6
Sub-Total	1,951	49	707	43	2,658	49
Net Aid for Economic Dev.	1,992	51	938	57	2,919	51

Source: Ministry of Finance and Economic Development

TABLE 8**PERFORMANCE OF EXTERNAL SECTOR 1990-99**

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
Exports	1,263	1,08	1,133	994	1,066	1,186	993	1,191	858	753
Metal Exports	1,150	998	1,033	870	910	984	754	895	562	481
Other	113	88	100	124	157	202	239	296	296	272
External Aid	351	926	928	623	556	559	445	422	322	445
Foreign Investment	0	0	0	3	40	91	117	207	216	200
Total Foreign Exchange	1,614	2,01	2,061	1,620	1,662	1,836	1,555	1,820	1,396	1,398
Net External Debt Service	-78	-425	-127	-163	-281	-356	-143	-217	-13	-154
Import Capacity	1,536	1,58	1,934	1,457	1,381	1,480	1,412	1,603	1,203	1,244

Source: Ministry of Finance and Economic Development: Bank of Zambia

TABLE 9**EXTERNAL ASSISTANCE COMPONENTS 1990 – 1999**

External Assistance	(US \$ Million)										Total
	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	
	351	926	928	623	556	559	445	422	322	445	5,577
BOP Support	117	586	491	299	278	304	142	120	0	176	2,513
World Bank	0	202	165	144	148	160	121	111	0	107	1,158
Other	117	384	326	155	130	144	21		0	6	1,355
Commodity Aid	80	74	246	90	26	40	34	0	3	0	593
Drought Maize	0	16	146	40	0	40	0	0	2	0	244
Other	80	58	100	50	26	0	34	0	1	0	349
Project Financing	162	266	191	234	252	215	26	302	330	269	2,490
Debt Relief	725	293	551	359	260	234	310	159	122	443	3,456
Total External Financing	1,076	1,219	1,479	982	816	793	755	581	444	888	9,033
Scheduled debt service	-647	-718	-678	-522	-541	-590	-453	-376	-315	-597	-
Net Transfer	429	501	801	460	275	203	302	205	129	291	3,596
Of which: IMF and		368									368
WB Arrears of which:		16	203	40		50					309
For Economic Development	429	117	598	420	275	153	302	205	129	291	2,919

Source: Ministry of Finance and Economic Development

TABLE 10**FDI FLOWS TO SELECTED SADC COUNTRIES 1994-99 (US \$ MILLION)**

	1995	1996	1997	1998	1999
Botswana	70	71	100	168	N/A
Lesotho	32	26	12	30	N/A
Malawi	25	44	22	70	N/A
Mauritius	19	37	57	13	N/A
Mozambique	45	73	64	213	N/A
Namibia	153	129	91	96	N/A
South Africa	993	760	1,705	371	N/A
Swaziland	52	17	-10	19	N/A
Tanzania	120	150	158	172	N/A
Zambia	97	117	207	222	163
Zimbabwe	118	81	135	444	N/A
TOTAL	1,724	1,505	541	1,818	N/A
Total including South Africa	1,724	1,505	541	1,818	N/A
Total Excluding South Africa	731	745	836	1,447	N/A

Source: UNCTAD, "World Investment Report", 1999 Bank of Zambia

TABLE 11**REGIONAL DISTRIBUTION OF FDI FLOWS: 1994-1999**

REGION	1994	1995	1996	1997	1998	1999
Developing Countries (%)	39.9	32.3	37.7	37.2	25.8	N/A
Africa (%)	2.1	1.3	1.6	1.6	1.2	N/A

Source: UNCTAD, "World Investment Report", 1999

Note: Percentage figures have been computed by Zambia Investment Centre

TABLE 12**INVESTMENT PLEDGES 1993 TO 1999 BY SECTOR**

YEAR	1993	1994	1995	1996	1997	1998	1999
SECTORS	PLED INVEST US \$.	PLED INVEST US \$	PLED INVEST. US \$	PLEDGED INVEST- MENT US \$	PLED INVEST. US \$	PLED INVEST. US \$	PLED INVEST. US \$
AGRICULTURE	46,53,682	67,130,501	73,182,667	54,541,815	37,788,056	42,501,606	30,424,635
CONSTRUCTION	5,870,666	2,116,950	4,516,500	12,958,465	20,017,962	33,018,688	1,988,552
CONSULTANCY	598,816	257,143	-	-	-	-	-
ENGINEERING	1,102,567	6,386,098	137,000	-	-	-	-
FINANCIAL INSTITUTION	-	2,222,128	-	3,000,000	-	-	-
FISHERIES	764,500	762,286	2,920,581	53,000	1,075,000	90,000	57,000
HEALTH	-	24,148,232	2,633,500	-	-	526,400	1,600,000
MANUFACT.	119,309,171	53,813,440	170,082,058	35,702,975	84,25,055	103,581,405	32,658,102
MINING	5,438,543	1,022,217	18,366,668	-	5,530,000	245,000,000	10,221,000
SERVICE	3,00,560	7,662,216	19,949,689	18,757,943	50,367,107	483,179,579	72,985,070
TOURISM	12,034,927	15,051,324	24,337,506	11,107,359	59,081,845	92,273,449	8,960,252
TRANSPORT	54,288,636	35,186,174	7,599,861	62,090,000	2,032,500	14,795,712	1,360,000
TOTAL	263,038,067	233,758,708	323,426,030	198,211,557	26,151,525	1,014,966,839	160,254,611

Source: Zambia Investment Centre