

TITLE: POLICY DEVELOPMENT AND IMPLEMENTATION IN
THE POST-LIBERALIZATION ERA IN ZAMBIA (1990s AND
BEYOND): TOWARDS A PARTICIPATORY PLANNING AND
ECONOMIC MANAGEMENT MODEL

by

JAMES SHAMILIMO MULUNGUSHI

submitted in accordance with the requirements

for the degree of

DOCTOR OF LITERATURE AND PHILOSOPHY

in the subject

DEVELOPMENT STUDIES

at the

UNIVERSITY OF SOUTH AFRICA

PROMOTER: PROF. P. STEWART

JOINT PROMOTER: PROF. O. SAASA

March 2007

TABLE OF CONTENTS

LIST OF TABLES AND APPENDICES.....	4
ACRONYMS	6
DEDICATION	10
ABSTRACT	ERROR! BOOKMARK NOT DEFINED.
ACKNOWLEDGEMENTS	13
CHAPTER 1	14
INTRODUCTION	14
1.0 PURPOSE OF CHAPTER 1	14
1.1 NATURE OF THE PROBLEM (PROBLEM STATEMENT)	14
1.2 ATTEMPTS TO RESTRUCTURE THE ECONOMY: THEORETICAL CONSIDERATIONS	18
1.3 SIGNIFICANCE OF THE STUDY	28
1.4 OBJECTIVES OF THE STUDY	29
1.5 SCOPE OF THE STUDY	29
1.6 METHODOLOGY OF THE STUDY	30
CHAPTER 2	36
SOCIO-ECONOMIC CONDITIONS OF ZAMBIA.....	36
2.0 INTRODUCTION	36
2.1 GEOGRAPHY.....	36
2.2 POLITICAL SYSTEMS.....	37
2.4 THE ECONOMY	38
2.5 ZAMBIA’S DEVELOPMENT POTENTIAL	38
2.6 POVERTY TRENDS IN ZAMBIA IN THE 1990S.....	52
2.7 THE IMPACT OF HIV/AIDS	56
2.8 CONCLUSION.....	61
CHAPTER 3	63
POLICY DEVELOPMENT AND IMPLEMENTATION AND THEIR POLITICAL CONTEXT IN THE POST-LIBERALIZATION ERA IN ZAMBIA	63
3.1 INTRODUCTION	63
3.2 THE BREADTH OF POLICY-MAKING IN ZAMBIA	64

3.4	WEAKNESSES IN POLICY IMPLEMENTATION IN ZAMBIA	81
3.5	POLITICAL SYSTEMS, STRUCTURES AND POLICY FORMULATION IN ZAMBIA	86
3.6	WOMEN’S PARTICIPATION IN POLICY FORMULATION AND DECISION-MAKING PROCESSES IN ZAMBIA	109
3.7	PRIVATIZATION AND LIBERALISATION POLICIES IN ZAMBIA.....	110
3.8	POLICY ENVIRONMENT ON DOMESTIC DEBT: THE NEW CHALLENGE FOR ZAMBIA	119
3.9	IMPACT OF POLICY SHIFTS ON MACROECONOMIC, FISCAL AND SECTORAL PERFORMANCE	126
3.10	THE INFLUENCE OF POLICY SHIFTS ON SECTORAL DEVELOPMENT	136
3.11	CONCLUSIONS.....	144
CHAPTER 4		148
IMPACT OF THE EXTERNAL SECTOR ON GROWTH AND DEVELOPMENT		148
4.1	INTRODUCTION	148
4.2	IMPACT OF GLOBALIZATION ON THE ZAMBIAN ECONOMY	149
4.3	WHAT SHOULD BE DONE TO BENEFIT FROM GLOBALIZATION?	165
4.4	EXTERNAL SECTOR INFLUENCE ON THE ECONOMY	170
4.5	EXTERNAL DEBT	172
4.6	POVERTY REDUCTION AND GROWTH FACILITY	177
4.7	DEBT RELIEF.....	181
4.8.	IMPACT OF EXTERNAL DEBT ON GROWTH AND DEVELOPMENT	184
4.9	AID EFFECTIVENESS IN ZAMBIA	186
4.10	IMPACT OF FOREIGN DIRECT INVESTMENT	194
4.11	IMPACT OF REGIONAL WARS AND CONFLICTS ON POLICY DEVELOPMENT IN ZAMBIA	196
4.12.	INFLUENCE OF GLOBAL AND REGIONAL DEVELOPMENT AGENDAS.	199
4.13	CONCLUSION.....	205
CHAPTER 5		208
INTERNAL SOCIAL FACTORS AND POLICY DEVELOPMENT IN ZAMBIA.....		208
5.1	INTRODUCTION	208
5.2	IMPACT OF POPULATION AND SOCIAL DYNAMICS ON DEVELOPMENT IN ZAMBIA IN THE 1990s	209
5.3	IMPACT OF POLICY DEVELOPMENT ON SOCIAL FACTORS	214
5.4	IMPACT OF POLICY DEVELOPMENT ON THE EDUCATION SYSTEM	216
5.5	ZAMBIA’S POLICY RESPONSE TO LIVELIHOOD PROGRAMMES AND SOCIAL SAFETY NETS	217
5.6	NATURAL DISASTERS AND POLICY DEVELOPMENT AND IMPLEMENTATION	219
5.7	INFLUENCE OF SECTORAL POLICY SHIFTS ON SOCIETY	220
5.8	IMPACT OF POLICIES ON THE HUMAN RESOURCE SITUATION BEYOND 1990S IN ZAMBIA	222
5.9	CONCLUSIONS.....	223

CHAPTER 6	226
PLANNING, IMPLEMENTATION AND ECONOMIC MANAGEMENT SYSTEMS IN THE 1980S, 1990S AND BEYOND	226
6.1 INTRODUCTION	226
6.2 DEVELOPMENT PLANS UP TO THE 1980s	227
6.3 INSTITUTIONAL STRUCTURES FOR PLANNING AND ECONOMIC MANAGEMENT IN THE 1980s	233
6.4 ECONOMIC PERFORMANCE DURING THE FOUR NATIONAL DEVELOPMENT PLANS (1965-1991).....	235
6.5 PRESENT PLANNING AND IMPLEMENTATION FRAMEWORK IN ZAMBIA	238
6.6 PLANNING IN A LIBERALIZED ECONOMY	242
6.7 WEAKNESSES IN THE PLANNING SYSTEMS AND POOR PERFORMANCE OF THE ECONOMY	260
6.8 STRENGTHS IN THE PLANNING PROCESS	263
6.9 WEAKNESSES IN THE BUDGET PREPARATION AND EXECUTION	264
6.10 PLANNING BEYOND THE 1990S: AN OVERVIEW OF INTERVIEW RESULTS	267
6.11 CONCLUSIONS	280
CHAPTER 7	283
MODEL FOR SOCIO-ECONOMIC PLANNING AND MANAGEMENT IN ZAMBIA	283
7.1 INTRODUCTION	283
7.2 BACKGROUND TO AND JUSTIFICATION FOR THE PROPOSED MODEL	286
7.3 INSTITUTIONAL FRAMEWORK FOR THE PROPOSED STRATEGIC PLANNING MODEL	300
7.4 PROPOSED PLANNING FRAMEWORK IN THE STRATEGIC PLANNING MODEL	304
7.5 MONITORING AND EVALUATION SYSTEMS AND TOOLS IN THE MODEL	310
7.6 PROPOSED INSTITUTIONAL STRUCTURE FOR PLANNING AND ECONOMIC MANAGEMENT.....	313
7.7 INFORMATION SYSTEM FOR POLICY DEVELOPMENT AND IMPLEMENTATION IN THE MODEL	320
7.8 CONCLUSIONS	325
CHAPTER 8	329
GENERAL CONCLUSIONS	329
8.1 CONCLUSIONS	329
8.2 FAILURE OF THE POLICY PROCESS IN ZAMBIA	332
8.3 BENEFITS FROM GLOBALIZATION	334
8.4 POLITICAL ECONOMY	335
8.5 REGIONAL INTEGRATION.....	337
8.6 PROPOSED STRUCTURES: PLANNING AND ECONOMIC MANAGEMENT.....	337
8.7 RECOMMENDATIONS FOR FURTHER ANALYSIS AND RESEARCH	338

APPENDICES	340
------------------	-----

BIBLIOGRAPHY	391
--------------------	-----

LIST OF TABLES AND APPENDICES

Table 1.1: Zambia's overall economic performance, 1995-1999	23
Table 1.2: National incidence of poverty by rural/urban classification/stratum/ province	27
Table 1.3: District council interviews	32
Table 2.1: Manufacturing Value Added by Sub-sector (in K' billions)	50
Table 2.2: Per capita GDP of developing countries, 1980-1996	54
Table 2.3: Additional recruits required to offset AIDS mortality in the health sector	58
Table 3.1: Presidential and Parliamentary Election Results, 1991	93
Table 3.2: Occupational classification of MPs under Kaunda in 1988 and Chiluba in 1992	94
Table 3.3: Women in selected decision-making positions, 1997-2003: % of total positions	110
Table 3.4: Zambia: Government securities (K'million), 1997-2003	120
Table 3.5: Composition of domestic debt as at December 2002	122
Table 3.6: Major economic policies and instruments in the 1990s	129
Table 3.7: Average performance of the economy, 1980-2003	Error! Bookmark not defined.
Table 4.1: Composition of exports (US\$'000)	158
Table 4.2: Composition of imports (US\$'000)	160
Table 4.3: Direction of imports and exports	162
Table 4.4: Zambia's external debt stock (US\$ millions)	176
Table 4.5: Zambia: Debt service paid and external flows, 1990-2000	177
Table 4.6: Indicators of debt distress and external dependency, 1990-1999	180
Table 4.7: Composition and utilization of aid, 1990-1999 (US \$Million)	181
Table 4.8: Aid intensity	190
Table 4.9: Balance of Payments Support and government debt service, 1993-1997	192
Table 6.1: Development plans and strategies in the 1990s	233
Table 6.2: Sectoral performance, 1964-1968	236
Table 6.3: Total PRSP resource allocation by sector 2002-2004	250
Table 6.4: PRSP allocation versus releases, 2002-2004	251
Table 6.5: Categories of respondents (Individual interviews)	268
Table 6.6: Categories of respondents (Councils)	268
Table 6.7: Results of the survey on selected questions	269
Table 7.2: Potential and limitations of communication tools	325
Appendix 1.1: Social economic and political reforms, 1964-1998	340
Appendix 1.2: Refugees hosted in Zambia, 1967-2004	352
Appendix 1.3: Sector contribution to GDP, 1990-2002, constant 1994 prices	354
Appendix 1.4: Formal employment trends in Zambia, 1990-2000	356
Appendix 1.6: Total debt stock by creditor type, 1999-2003 (in US\$ Millions)	358

Appendix 1.7: Stock of domestic arrears	359
Appendix 2.1: Forces, issues and trends in the competitive environment	359
Appendix 2.2: Strategic planning cycle	360
Appendix 2.3: Core elements of the mission and vision in the strategic planning process.....	360
Appendix 2.4: Strategic management components	361
Appendix 2.5: Linkages of the National Planning Information System	362
Appendix 2.6: Components of the PRS Monitoring and Evaluation System	364
Appendix 2.8: Links between Macroeconomic and Sectoral Policies and Direct Poverty Reduction Measures.....	366
Appendix 2.9: Suggested PRSP Monitoring and Evaluation System.....	367

ACRONYMS

ABB	Activity Based Budgeting
ADB	African Development Bank
AGOA	African Growth and Opportunity Act
ANC	African National Congress
ASIP	Agriculture Support Investment Programme
AU	African Union
BESSIP	Basic Education Sub-sector Investment Programme
BoP	Balance of Payments
BoZ	Bank of Zambia
CABMEMO	Cabinet Memorandum
CARE	CARE international
CBI	Cross Border Initiative
CCS	Commitment Control System
COMESA	Common Market for Eastern and Southern Africa
CSO	Central Statistical Office
CSPR	Civil Society for Poverty Reduction
DDCC	District Development Coordinating Committee
DfID	Department for International Development
DPU	District Planning Unit
DSA	Debt Sustainability Analysis
EBZ	Export Board of Zambia
ESAF	Enhanced Structural Adjustment Facility
ESP	Environmental Support Programme
FDI	Foreign Direct Investment
FEMAC	Foreign Exchange Management Committee
FINNIDA	Finnish International Development Agency
FNDP	Fifth National Development Plan
FNDP	First National Development Plan
GDP	Gross Domestic Product
GNP	Gross National Product
GMO	Genetically Modified Organisms
GIS	Geographical Information System
GRZ	Government of the Republic of Zambia

HDI	Human Development Index
HIPC	Highly Indebted Poor Country
HPAE	High-Performing Asian Economy
IDA	International Development Association
IDM	Investment and Debt Management
IFMIS	Integrated Financial Management Information System
ILO	International Labour Organization
IMF	International Monetary Fund
INDECO	Industrial Development Corporation
INDP	Interim National Development Plan
IRDP	Integrated Rural Development Programme
ICMA	International City/County Management Association
JCTR	Jesuit Centre for Theological Reflection
KCM	Konkola Copper Mines
LCMS	Living Conditions Monitoring Survey
LUSE	Lusaka Stock Exchange
M&E	Monitoring and Evaluation
MCC	Member of the Central Committee
MDGs	Millennium Development Goals
MMD	Movement for Multi-Party Democracy
MoFED	Ministry of Finance and Economic Development
MoFNP	Ministry of Finance and National Planning
MPU	Micro-Projects Unit
MPSA	Ministries, Provinces and other Spending Agencies
MTEF	Medium-Term Expenditure Framework
NAC	National Airports Corporation
NAMBOARD	National Agricultural Marketing Board
NAPSA	National Pensions Scheme Authority
NCDP	National Commission for Development Planning
NDCC	National Development Coordinating Committee
NDEC	National Development Economic Committee
NDP	National Development Plan
NECZAM	National Education Company of Zambia
NEPAD	New Partnership for Africa's Development
NER	Net Enrolment Rate
NERP	New Economic Recovery Programme

NGOCC	Non-Governmental Organizations Coordinating Council
NHCC	National Heritage Conservation Commission
NIEC	National Import and Export Cooperation
NTB	Non-Tariff Barrier
ODA	Official Development Assistance
OGL	Open General License
OPEC	Oil Producing and Exporting Country
OSSREA	Organization for Social Science Research in Eastern and Southern Africa
PAC	Policy Analysis and Coordination
PAGE	Programme for the Advancement of Girls' Education
PAM	Programme Against Malnutrition
PAZA	Press Association of Zambia
PDCC	Provincial Development Coordinating Committee
PFAP	Provincial Forestry Action Programme
PFP	Policy Framework Paper
PIP	Public Investment Programme
PPU	Provincial Planning Unit
PRGF	Poverty Reduction Growth Facility
PRP	Poverty Reduction Programme
PRSP	Poverty Reduction Strategy Paper
PSCAP	Public Service Capacity Building Programme
PTA	Preferential Trade Area
PUSH	Peri Urban Self Help
PWAS	Public Welfare Assistance Scheme
RAMCOZ	Roan Antelope Mining Corporation of Zambia
ROADSIP	Road Sector Investment Programme
RoW	Rest of the World
SADC	Southern African Development Community
SWOT	Strengths, Weaknesses, Opportunities, Threats
SAG	Sector Advisory Group
SAP	Structural Adjustment Programme
SNDP	Second National Development Plan
SSA	Sub-Saharan Africa
TAZARA	Tanzania Zambia Railways
TB	Treasury Bill

TNDP	Transitional National Development Plan
TOE	Tonnes Oil Equivalent
UBZ	United Bus Company of Zambia
UDI	Unilateral Declaration of Independence
UN	United Nations
UNDP	United Nations Development Programme
UNIP	United National Independence Party
UNZA	University of Zambia
VAT	Value Added Tax
WB	World Bank
WDC	Ward Development Committee
WTO	World Trade Organization
ZABS	Zambia Bureau of Standards
ZamInfo	Zambia Info(data base run through Central Statistics Office)
Zamsed	Zambia Socio Economic data base
ZACCI	Zambia Association of Chambers of Commerce and Industry
ZAMSIF	Zambia Social Investment Fund
ZAMTEL	Zambia Telecommunications Limited
ZANACO	Zambia National Commercial Bank
ZAWA	Zambia Wildlife Authority
ZCBC	Zambia Consumer Buying Corporation
ZCC	Zambia Competition Commission
ZCCM	Zambia Consolidated Copper Mines
ZESCO	Zambia Electricity Supply Corporation
ZIC	Zambia Investment Centre
ZIMCO	Zambia Industrial and Mining Corporation
ZNTB	Zambia National Tourist Board
ZPA	Zambia Privatization Agency
ZPTF	Zambia Privatization Trust Fund
ZRA	Zambia Revenue Authority

Dedication

Dedicated to my late wife Lubinda who always encouraged me to continue studying. May her soul rest in peace

James Shamilimo Mulungushi

Lusaka, Zambia

March 2007

Abstract

This thesis investigates policy formulation and implementation processes in Zambia. A number of issues emerge with respect to the weaknesses of the system and how policy decisions worsened Zambia's economic performance instead of improving it. The Kaunda era policies of nationalization had an adverse impact on productivity of industries as well as affecting the resource flow from donors and business houses. On the other hand President Chiluba's reforms in the 1990s have had both positive and negative impacts on the people of Zambia. The rapid privatization and liberalization affected employment levels thereby worsening the poverty levels. Further, the liberalization brought in stiff competition from other countries forcing most manufacturing companies to close down. The policy environment based on the Bretton Woods Institutions seems not to be working as result of not taking into account the local Zambian situation. On the other hand, there were positive macroeconomic developments such as growth in GDP, lowering of inflation and stabilizing of exchange rates as from 1996. This has however not improved the living standards of the people.

In Zambia, the shifts back and forth between strong and weak planning institutions have negatively affected policy development and implementation. There has been uncoordinated policy development; as a result, some policies in the major sectors are contradictory while in other cases policies are not linked to the resource envelope, making them un-implementable. Secondly, the institutional framework for policy development is not effective. There is generally lack of coordination among ministries, provinces and other stakeholders in planning, implementation and monitoring and evaluation of development programmes.

This thesis urges that the improving planning capacities at the national, provincial and district levels should improve the processes of policy development and implementation in Zambia, which will in turn help to reduce poverty. Further, the districts should be the centre for the bottom-up process. In order to carryout this responsibility, efforts should be made to improve their capacities. As for the top-down process, the Sector Advisory Groups should continue to participate in the planning, monitoring and evaluation so as to contribute to policy

formulation and implementation. These should be coordinated by the National Development Coordinating Committee (NDCC) through a Planning Bureau.

Key words: Economic reforms, Nationalization, Privatization, Poverty, Development planning, Model development, Strategic planning, Policy formulation, Stakeholders Liberalization, Macro economic developments, Participation, Bottom- up and Top -down.

James Shamilimo Mulungushi

Lusaka Zambia

March 2007

Acknowledgements

I would like to express my gratitude to all the people who contributed in various ways towards the success of this study.

I wish to acknowledge the continuous guidance of Professor Peter Stewart of University of South Africa and Professor Oliver Saasa of University of Zambia, the two Supervisors for this study. I would also like to acknowledge the valuable contributions of the following people: Ms. Mary Nyendwa, Mr. Arnold Sikabanze, Mr. Felix Muchingile, Mr. Shadreck Sichone, Mr. Benjamin Katongo, Mr. Emmanuel Kaunda, Mr. M. Hameja, Ms. Iluya Muketwa, Ms. Grace Mauka, Mr Kennedy Mbewe and Dr. John Chileshe for their valuable contributions.

I wish to thank sincerely the Government of the Republic of Zambia for making resources available for the study.

Finally, I wish to thank my wife Ireen, my children; Elena, Kasonganya, Mulungushi and Bwalya for their understanding, encouragement and patience, which made it possible for the work to be completed.

James Shamilimo Mulungushi

Lusaka, Zambia

March 2007

CHAPTER 1

INTRODUCTION

1.0 Purpose of Chapter 1

Chapter 1 covers the introductory material of the study. It outlines the major problem, which faced Zambia during the review period in terms of policy development and implementation and justifies the need for this study to be undertaken. The chapter also outlines the research approach and methodologies as well as the data collection techniques and analysis. The second chapter introduces the political and socio-economic conditions of Zambia.

1.1 Nature of the problem (Problem statement)

1.1.1 Problem statement

Zambia's economic performance started deteriorating in the late 1970s due to internal and external factors causing poverty levels to rise. This phenomenon continued even after several reforms were implemented in the 1980s. The reforms in the 1980s were not systematically and consistently implemented resulting in further deterioration in the economy. In the post-liberalization era (from 1991 onwards), growth trends were not impressive either. During the period between 1991 and 1999, the GDP growth rate averaged a paltry 1%, compared to the population growth rate of 3.5%; as a result poverty levels reached 73 percent by 1998 (*Living Conditions Monitoring Survey* 1998). During the 2000s, the economy registered some growth. However, the living conditions of the people remain poor with the proportion of population being poor estimated at 68 percent in 2004 (LCMS 2003). Thus, despite all efforts to stimulate growth and redress poverty in Zambia, anticipated results have continued to be illusive in terms of reducing poverty levels. It seems that the overall underlying factors, which contributed to the poor performance of the economy, are the weak policy environment and the impact of external factors. A study to investigate specific ways in which the weak policy environment can be improved to positively influence development and raise the standard of living of the people in Zambia has not been done. There is, therefore, a clear need

for a study to assess the extent to which the weak policy environment led to the collapse of the economy in Zambia. This thesis focuses on the study of the weaknesses in the policy environment with the aim of recommending ways that will lead to improvement in policy formulation and implementation in Zambia.

1.1.2 Factors which contributed to the problem

The economic structure of contemporary Zambia owes its origin to the favourable conditions enjoyed during the first decade of independence. The economy drew its strength from the strong colonial industry developed by the British colonial masters particularly in the mining sector for copper and cobalt. Although the principal sector of the economy was the copper industry, which was dominated by foreign capital and labour, the economy also enjoyed significant growth in manufacturing and construction. These sectors grew at 10% and 9% over the period 1965 to 1974 respectively (*Evaluation of Swedish Development Cooperation with Zambia*. Report 6. Stockholm: Ministry of Foreign Affairs. 1994: 72; Second-National Development Plan (SNDP) 1972). Although this growth may have been relatively high, the growth was achieved at a low level of efficiency as manufacturing and construction were developing from a very low capital base. There were also consequences to this growth, such as the rapid expansion of the urban population as more and more people sought a life that was better than the life in the rural areas. This brought pressure on the demand for housing and other infrastructure services in urban areas, most of which were provided at very low cost to the consumers.

Gross Domestic Investment averaged 20% of GDP from 1965 to 1970 and 35% from 1970 to 1974. However, the Incremental Capital Output ratio, a measure of investment efficiency, remained low. This is attributed to government policy of state ownership of industries during the period, which did little to encourage efficiency. (Swedish report No 6 1994:74)

At independence, Zambia adopted economic planning whereby a number of development plans (1st through 4th National Development Plans) were prepared and implemented. These plans formed the basis for the development strategy with emphasis on the development of socio-economic infrastructure.

The main thrust of the development strategy was to address the lopsidedness of the economy, which had placed emphasis on the development of the areas along the line of rail at the expense of the rural areas (FNDP 1965). The overall strategy, however, still favoured industrial development as opposed to rural development through import substitution policies.

Though there were periods of high growth rates in the economy during the period between 1964 and 1975, Zambia's economic performance started deteriorating causing poverty levels to rise. This phenomenon continued even after embarking on the stabilization and structural adjustment policies in the 1980s (Mwanza *et al.* 1992, Swedish report No. 6 1994:74). The main factor for deterioration of the economy was the fall in copper prices and increase in the cost of oil.

Zambia's policy responses to internal and external factors were inappropriate. For example, the country treated the initial decline in copper prices in the 1970s as a temporary phenomenon, which did not require any significant economic adjustment in response, rather than as a long-term structural change. For this reason, the country opted to borrow extensively to maintain import and consumption levels, thereby beginning the accumulation of massive foreign debt (GFA Consulting Group 2005).

According to the GFA Consulting Group 2005, this was compounded by the adoption of a "statist" economic policy programme that included nationalisation, increased state ownership and control of the economy, strict exchange controls, and increased use of import barriers and tariffs to support an intensified programme of import-substituting industrialisation that had started in the 1960s. Because of these inappropriate policies, there was decreasing economic efficiency as state ownership and control increased. Further there were rising budget deficits as fiscal discipline was lost; rising inflation due to fiscal indiscipline; reduced investment and growth, especially in the crucial copper mining industry; foreign exchange shortages and the emergence of a parallel currency market and a debt crisis as the economy was unable to generate sufficient resources to service external debts.

Several general factors undermined the success of the development strategy. Some of the factors were:

- i) The dramatic fall in Zambia's terms of trade.
- ii) The decision by OPEC to increase world prices of crude oil.
- iii) The negative impact that the economy suffered because of military conflicts in the region and the hardening of the country's stand towards South Africa and Rhodesia.
- iv) Failure to adopt appropriate policies to redress the declining terms of trade, which was assumed to be a temporal phenomenon.
- v) The adverse impact on overall development of rapid population growth due to improved social services. (SNDP 1972, Swedish report No 6 1994: 74, Mwanza *et al.* 1992)

During the Second National Development Plan, the focus of the development strategy was to contain the problem of rapid urbanisation, i.e. the problem of rural-urban migration. However, the trend was not reversed and with declining opportunities in rural areas due to the worsening economic situation, more people drifted to urban areas. The consequence was that Government was forced to devote more resources to trying to correct the problems of sanitation, shelter, etc. in urban areas at the expense of improving the rural areas. The result was deteriorating living standards in rural and urban areas. These factors among others made it difficult for the development plans to achieve their objectives.

Many scholars and practitioners have written on Zambia's development path and on the economic management styles employed since independence. The writers have analyzed the successes and failures of the many policies and strategies employed and have in their own ways praised or criticized the policies and strategies. Overall the development strategies seem not to have produced positive results since independence.

At independence, though the Zambian economy was relatively stronger compared to other African economies, the policy makers lost hope in the market economy dominated by whites at the expense of the black majority. There was a feeling that the system failed to foster development of the majority over the entire period of colonialism. This feeling from the Zambians gave undoubted support for economic planning at independence. According to

Mwanza *et al.* (1992) and Mwanawina and Mulungushi (2003), the plans were seen as a platform, an instrument and a framework for change.

According to Mwanza *et al.* (1992), the development plans were well written in terms of consultation and detail and were, therefore, well intended for correcting the imbalances created by the colonial administration. Despite this, the plans did not achieve the intended objectives and overall growth was not impressive (Mwanza *et al.* 1992:121).

Although Mwanza *et al.* concluded that the policies immediately after independence did not achieve good results, he did not go far enough to analyze and identify the actual reasons why despite being well intended the policies could not achieve results. The following questions were left unanswered:

- Was it a problem of resource availability?
- Was it due to party philosophies and ideologies?
- Was it prioritization and policy sequencing problems?
- Was it due to the implementation arrangements and administrative machinery?
- Was it due to the lack of a planning and policy development model, which allows stakeholder participation in the definition, implementation and monitoring of programmes?

These and many other issues remain unanswered and need investigation.

1.2 Attempts to restructure the economy: theoretical considerations

Theoretically, stabilization and structural adjustment measures are aimed at preparing the economy to adapt to sudden and unpredictable large and unfavourable changes (internal and external changes in the terms of trade brought about by declining prices of exports such as copper). On the other hand there is also a need to adapt to favourable changes such as improvements in the terms of trade or increased flow of donor funding (the aim here is to maximize benefits from such an occurrence).

The other theoretical aspect of structural adjustment programmes is to reduce state participation in the economic aspects of the country and to allow market forces to operate. According to Mwanza *et al.* (1992), the belief in market forces is so great that the privatisation and liberalisation of the economy are implemented even when the necessary conditions for the efficient operations of the market do not exist (Mwanza 1992: 3). As for Zambia, despite these good intentions under the Structural Adjustment Programme (SAP), the results have been disappointing. According to Demery (1994), structural adjustment was a programme started by the World Bank theoretically lying on three principles: the importance of macroeconomic stability; the need for prices to reflect scarcity; and the reduction of the role of the state in directing and administering economic activity. The World Bank found that most developing countries were wanting on all the three points and introduced the structural adjustment programme. Demery (1994) points out that developing countries incurred unsustainable fiscal and external deficits, which led to monetary indiscipline, controls and policy-induced price distortions, and government engaged directly in economic activities. In assessing the impact of structural adjustment programmes in Sub-Saharan Africa (SSA) Demery (1994) concluded that:

“...the balance of experience in the 1980s was undoubtedly negative... Among the adjusting countries of SSA three-quarters had declining per capita incomes, over half had declining investments and accelerating inflation. The adjustment policies did not succeed except in a minority of cases in restoring economic growth (Demery 1994: 34)

In the broader context, at the international level the failure of Zambia's economy like many other third world countries is described in terms of failing to participate fully in the global economy. Castells (1996: 73) points out that information technology, which is the new phase of global accumulation, is intertwined with rising inequality and social exclusion. The new economy, in which poor countries should participate, is described by Castells (1996: 73) as informational because the productivity and competitiveness of units or agents (regions, countries, firms) fundamentally depend upon the capacity to generate, process and apply efficiently knowledge-based information (Castells 1996: 73). Thus, countries like Zambia have not gained from globalization, as one would expect, because of the failure to generate,

process and apply efficiently knowledge-based information. Even though Castells argues that Africa has not benefited from globalization due to marginalization in terms of information technology, on the contrary, he points out that Europe has maintained a high standard of living possibly due to greater contribution from information and technological advances in the last century (Castells 1996: 71). In this context, globalization is a source of social exclusion, a process by which certain countries, regions and groups of individuals are systematically barred from fully participating in the global economy thereby increasing poverty levels.

In pushing the argument further, Castells (1999) brings in a number of other reasons why third world countries have stagnated in the last decade, which has to do with governance and stability. He lists the causes of stagnation as the process of nationalism, which turned out as statism. Others are that power is held at the mercy of capricious decisions of an ultimate leader and long-term historical trajectory, dominated by the 'politics of the belly' practised by the people in power with no other motive but to plunder the economies by exploiting their powerful connections using information technology (Castells 1999: 97). As a result, of these and many other reasons, unemployment grew from 10 percent to 20 percent between 1990 and 1997 in Africa South of the Sahara.

Castells (1999) concludes that globalization works with policies of deregulation, liberalization and privatization implemented by governments and the international financial institutions assisted by information and communication technologies. Thus, countries that do not have well developed infrastructure like Zambia have lagged behind.

On the empirical side, Mwanza *et al.* (1992) make analysis of the justification of the SAPs in Zambia from the point of view of the policy makers in Zambia as well as the (International Monetary Fund (IMF) and World Bank. They conclude that despite the good intentions of these adjustment programmes in the 1980s, they did not achieve their objectives and the economy continued to perform badly and poverty levels increased.

Giovanni and Helleiner (1993) indicate that structural adjustments pointed at correcting internal constraints based on demand restraints as opposed to longer term supply side policies; "the emphasis was on short term policy reforms.... policies of one off change and

all will be normal later” (Mwanza *et al.* 1992: 40). Mwanza *et al.* conclude that in most African countries, this has not worked at all, as poverty levels have continued to worsen.

Mwanza *et al.* (1992) concluded that “...the balance of experience in the 1980s and 1990s was undoubtedly negative...among the adjusting countries of SSA, three-quarters had declining per-capita incomes, over half had declining investments and accelerating inflation.... the adjustment policies did not succeed except in a minority of cases in restoring growth” (Mwanza *et al.* 1992: 34).

At the national level, the introduction of the SAPs coincided with implementation of the Second National Development Plan. The objectives of the Second National Development Plan (SNDP) were the expansion of the agricultural sector, transformation of subsistence agriculture, industrial expansion, and reduction in the provincial inequalities and development of tourism. These targets were premised on sustainable copper prices (SNDP 1972).

In evaluating the SNDP, Mwanza *et al.* (1992) conclude that most of the objectives were not met as the price of copper fell drastically after 1974 and the import price index rose rapidly because of the oil crisis. During the period 1977 to 1983 (the first 5 years of SAP in Zambia) economic performance declined further due to the fall in export earnings from the copper industry. As a result there were huge budget deficits; double-digit inflation also surfaced, which led to increased external borrowing and debt service commitments that were not sustainable.

According to Turok (1979), the poor performance of the Zambian economy was mainly due to the drastic reforms taken by the government between 1968 and 1970. These were the Mulungushi Reforms and the Matero Declarations of 1968 and 1969. Turok concludes that the parastatal sector, the main arm of government economic muscle, was grossly under-capitalized, heavily politicized, bloated and faced shortages of raw materials and spare parts due to lack of foreign exchange. Further, the linkage to the central planning system and targets was weak. As a result, by the end of the SNDP their production capacities were down to below 20% (Turok 1979: 15).

The phenomenon of failure during this period led planners to question the role of government in the economy. These arguments further led to the creation of the Zambia Industrial and Mining Corporation (ZIMCO), which was expected to defeat the weaknesses of the period. ZIMCO was supposed to be freer from the directives of central planning.

According to Ng'andwe (1980) the poor management and performance of the Zambian economy was partly because the declared policy of Zambia was that economic consideration was subordinate to political policies in both domestic and foreign relations (Ng'andwe 1980: 6). Thus, management of the economy was driven more by political considerations than economic reality. Ng'andwe further concludes that this led to a crisis of expectations such that the government found it difficult to fight and oppose labour leaders for better housing and higher wages since these were the elements of the freedom struggle.

Elliott (1971) analyzed the failure of the first few years of the Zambian economy and linked it to rapid Zambianisation, which according to him led to deterioration in labour productivity caused by lack of discipline, drunkenness, incompetence and a complex of problems in the industrial relations field (Elliot 1971: 9).

Though many writers have written on the reasons for Zambia's failed development strategy, there are several gaps on the real factors that have led to the failure of the development strategy. On the political front, the country made a change from a one-party to a multi-party system in 1991 when Zambia held general elections, which re-ushered in multi-party democracy. The Movement for Multi-party Democracy (MMD) party that came to power immediately abolished the National Commission for Development Planning (NCDP) and the era of development planning. The economy was liberalized and planning and allocation of resources were left to market forces and a massive exercise to privatized government owned enterprises started.

In the post-liberalization era, growth trends have not been impressive either. In terms of real GDP growth, the economy has not grown as envisaged since the mid-1990s. After real growth of about 6.6% in 1996, the economy's growth has averaged only 1.5 %; the growth has come mostly from the agriculture and services sectors (CSO 1995; see Table 1.1).

Table 1.1: Zambia's overall economic performance, 1995-1999

	1995	1996	1997	1998	1999	Period Average
Gross Domestic Product (GDP)	-2.5	6.6	3.3	-1.9	2.4	1.58
Agriculture	4.5	-0.12	-0.88	0.28	2.24	1.20
Mining	-4.6	0.35	0.26	-2.97	-2.24	-1.84
Manufacturing	-0.04	0.55	0.50	0.18	0.30	0.30
Construction	-0.17	-0.54	1.19	-0.52	0.53	0.10
Energy	-0.05	-0.18	0.12	-0.08	0.09	-0.02
Services	-2.15	6.55	2.11	1.22	4.77	2.50

Source: Central Statistical Office, National Account Statistics, 1995

The decline in economic growth has led to fewer investments in real terms in the economic and social sectors resulting in further deterioration of the economy. This has led to deterioration in the standard of living of the people. Other factors affecting growth and poverty levels include rapid population growth, inappropriate policies, wars and conflicts in the region, oil prices, and the impact of external and internal debt on the budget and lack of links between policies, planning and budgeting. The other factors that have had an impact on growth and poverty are the HIV/AIDS pandemic and unfavourable weather conditions. HIV/AIDS has not only put pressure on budgetary resource requirements but most importantly, it is affecting the most active part of the population thereby reducing productivity of the economy.

In response to the causes and manifestation of poverty, government put in place measures to redress the situation. The measures included implementation of several projects such as Public Welfare Assistance Scheme (PWAS), Zambia Social Investment Fund (ZAMSIF), Rural Investment Fund, Agricultural Sector Investment Programme (ASIP), Environmental Support Programme (ESP) and the Provincial Forestry Action Programme (PFAP). Others were programmes aimed at improving accessibility of citizens to basic education and health. In addition, there were programmes such as the Integrated Rural Development Programme

(IRDP) and out-grower schemes, involving growing of high value crops and promotion of early maturing and drought resistant crop varieties.

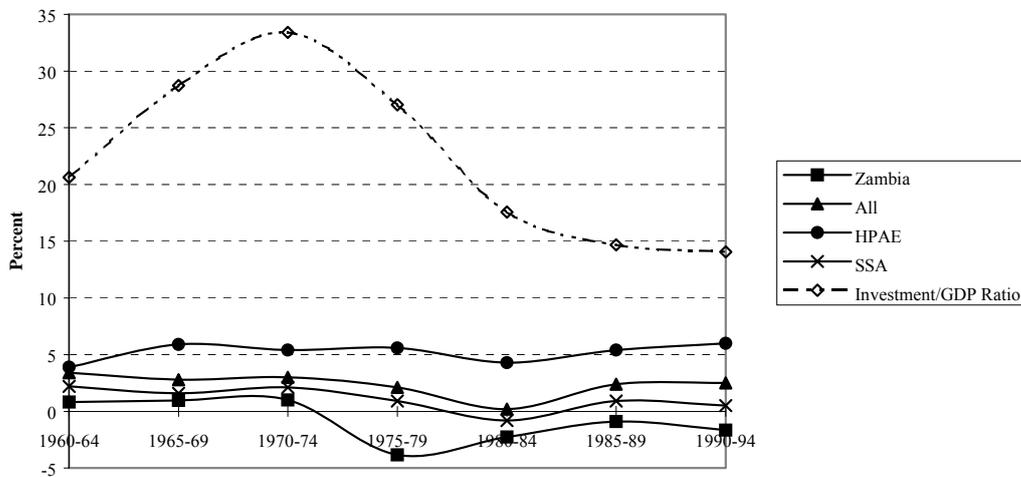
In 2000, the Government produced the Poverty Reduction Action Plan, which aimed at reducing poverty through the implementation of four components of agriculture development, micro-enterprises development, infrastructure development and human resource development (Poverty Reduction Action Plan 2000). This was followed by the preparation of the Poverty Reduction Strategy Paper, 2002-2004, which was approved by Cabinet in May 2002. In order to have a more comprehensive approach to development planning the Government further prepared the Transitional National Development Plan (TNDP) 2002-2005, which incorporates all sectors of the economy. These documents along with the Public Investment Programme (2002 to 2004) formed the basis for the implementation of the Poverty Reduction Growth Facility (PRGF) in collaboration with the World Bank and the IMF, a programme that has replaced the Structural Adjustment Programme, which has been running since the 1980s. The TNDP/PRSP were linked to the HIPC initiative programme, focusing on implementing priority programmes and projects over the period of three years to reduce poverty in Zambia. The TNDP/PRSP targeted three themes, namely economic growth sectors (Agriculture, Tourism and Manufacturing) social sectors (Education, Health and Water and Sanitation) and the cross-cutting issues, such as HIV/AIDS, Gender and Environment. The intended objective of these programmes were to reduce poverty particularly among the vulnerable groups of society.

Despite all efforts to stimulate growth and redress poverty in Zambia in both eras outlined above, anticipated results have continued to be illusive resulting in negative growth rates and increasing poverty levels showing that there is something amiss in Zambia's development strategy.

According to Mwanawina and Mulungushi (2003) the performance in per capita income falls below the average performance of all countries, that of the Sub-Saharan African (SSA) and the high-performing Asian economies (HPAE). Mwanawina *et al*(2003) indicates that Africa has shortfall in average growth of 1.5 percent compared to other developing countries

and about three times compared to High Performing Asian Economies (Hong Kong, Indonesia, Korea, Malaysia, Singapore, Taiwan, and Thailand). Zambia's performance within the Sub-Saharan countries stood below average. Figure 1 shows the growth in real GDP between 1960 and 1994. The figure also shows that real GDP per capita for Zambia has been the lowest in SSA, falling steadily between 1960 to the lowest in 1975 and making a recovery thereafter, but the increase has been minimal.

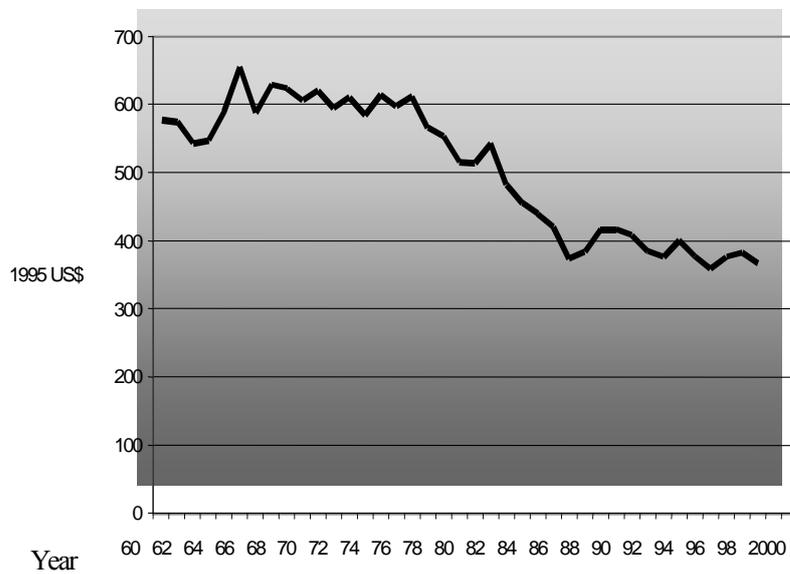
Figure 1.1: Growth in real GDP per capita



Source: World Bank national accounts data

Since 1973, the growth in per capita real GDP has deteriorated with the lowest decline being recorded in 1977 at -7.7 percent. The decline in real GDP per capita growth somewhat improved but remained negative over the period. In real terms, the real GDP per capita has fallen from an average of US\$ 600 in the 1960s to US \$350 in the year 2000. Figure 1.2 shows the trends.

Figure 1.2: Zambia: GNP per capita, 1960-2000



Source: PRSP 2002

Because of the poor performance of the economy, the income poverty of Zambians has worsened over the years. The overall worsening poverty situation is as shown in Table 1.2, which indicates that poverty has increased from 69.2% in 1996 to 72.9% in 1998. (*Priority Survey I, 1991; Priority Survey II, 1993; Living Conditions Monitoring Survey, 1996 and 1998*)

Table 1.2: National incidence of poverty by rural/urban classification/stratum/ province

	1991	1993	1996	1998
All Zambia	70	74	69	73
Rural/Urban				
Rural	88	92	83	83
Urban	47	45	46	56
Stratum				
Rural small-scale farmers	90	93	84	84
Rural medium-scale farmers	79	91	65	72
Rural large-scale farmers	62	-	35	16
Rural non-agricultural households	70	-	72	80
Urban low cost areas	56	50	51	61
Urban medium cost areas	43	41	32	50
Urban high cost areas	36	33	24	33
Province				
Central	70	81	74	77
Copperbelt	61	49	56	65
Eastern	85	91	82	80
Luapula	84	88	79	81
Lusaka	31	39	38	52
Northern	84	86	84	81
North-Western	75	88	80	76
Southern	79	87	76	76
Western	84	91	84	89

Source: Priority Survey I (1991), Priority Survey II (1993), Living Conditions Monitoring Survey, 1996 and 1998

As a consequence of this and according to the United Nations Development Programme (UNDP) *Human Development Report* (1999), Zambia's Human Development Index (HDI), which is a measure of average achievements in a long and healthy life, knowledge and decent

standard of living that started to decline in 1995, accelerated in this decline through out the review period. For example, out of the 79 countries for which HDI data is available, Zambia is the only country where the value for 1977 was lower than that of 1975 (UNDP, *Human Development Report* 1999).

Experience since the mid-1960s reveals that although development policies have existed, the outcome in terms of economic growth and development has been low. Even though a lot of well-intended plans and policies were put in place, implementation has been difficult and unsuccessful resulting in negligible economic growth and rising poverty. In relation to this, there has been lack of proper sequencing and prioritization of policies, programmes and projects both at the macro and micro levels. There has also been general lack of political will to tackle and dismantle inherited costs, which has led to inappropriate strategies to stimulate growth and reduce poverty. This has to do with party policies and philosophies.(Mwanza *et al.* (1992:120).

This study considers the current and past scenarios and determines why Zambia's economy and development strategy have failed since the 1990s.

1.3 Significance of the study

The Zambian Government is currently searching for development strategies and systems to stimulate economic growth and create wealth within the context of a liberalized management system. In order to do that, it is necessary to re-examine past strategies and reasons for their failure. This will create a basis for articulating the future for Zambia.

This study is significant because it investigates and gives fresh interpretations to the poor performance of the Zambian economy as well as recommending consultative development strategies for Zambia in the 21st Century. It offers alternative strategies to steer back the Zambian economy to growth, job creation and poverty reduction based on the reasons for poor performance.

1.4 Objectives of the study

The study examines a number of questions related to the appropriateness of past and present development strategies on the general development of Zambia. In particular, it seeks to establish new interpretations and reasons for failure of Zambia's development strategy and economic performance. The study seeks to give a new explanation to Zambia's growth patterns in the 1990s and recommend a planning and management model. On the basis of the above, the study also considers the future development model and framework within the context of the global initiatives such as the Millennium Development Goals (MDGs) and national realities with full participation of all stakeholders at the national, provincial and district levels.

In terms of specific objectives, the study investigates:

- The processes of planning and policy development and implementation in Zambia;
- Ways of improving the decision-making process; and
- The linkages between policy development and implementation to poverty reduction.

In tackling the above, the study also answers the following macro level questions:

- Why didn't Zambia's development strategies achieve their objectives in the 1990s and beyond?
- In the post-1990s when economic liberalization was introduced, why was Zambia also getting deeper into economic crisis when the beneficial effects of liberalization should have borne fruit? and
- Is the disappointing economic performance due to technical flaws underlying planning and policy development and implementation process or were the development plans and Structural Adjustment Programmes (SAPs) and PRGF unsound?

1.5 Scope of the study

This study is a national study, which covers issues related to the political economy of Zambia beyond the 1990s. The study focuses on policy development and implementation covering macro, fiscal and socio-economic developments in Zambia. The major themes covered are

stabilization and liberalization, policy development and participation of stakeholders, planning and economic management and implementation of programmes within the context of growth and development. The study covers government and private sector policies, activities, and processes. In terms of data collection and analysis, the study examined available materials within and outside Zambia supplemented by primary data collection through interviews with both government and non-government institutions and individuals.

1.6 Methodology of the study

1.6.1 Research focus and approach

The study was carried out in order to give a fresh explanation for the failure of Zambia's development strategy during the periods before and after stabilization, structural adjustments and liberalization covering the First, Second and Third Republics of Zambia.¹ The research focused on identifying the policy development processes in the government sector, their relations with the stakeholders, and the problems and contradictions of these processes in relation to the national agenda of poverty reduction and job creation. The research employed both primary and secondary data collection and analysis.

1.6.2 Primary data collection

1.6.2.1 Data collection methods

The general approach of the study was the collection of data and information on planning, policy development and implementation, government processes and the perceived reasons for the poor performance of the Zambian economy as well as recommendations for strategy on economic growth and the planning process.

The interviews focused on issues related to the development of the national development agenda and consultative processes and were directed at government institutions, semi-government organizations, the private sector, academia and civil society institutions and individuals at national, provincial and district levels. At the district level, the interviews were

¹ First Republic = 1964-1972; Second Republic = 1973-1990; Third Republic = 1991 to the present.

conducted through group discussions with members of the District Development Coordinating Committees (DDCC). The discussions were guided by the interview schedule shown at Appendix 3.1 and this also applied to the interviews with chiefs.. On the other hand, the interviews with individuals were on personal basis using an interview schedule with open ended questions (See Appendix 3.1 and 3.2.). In some instances, the questions were sent to individuals to answer without the presence of a research assistant.

Thirty six (36) interviews were done with individuals² and fifty-two (52) group discussions with district councils covering all provinces except Western Province (See Appendix 3.4). At the district level, the sample covered all categories of councils i.e. city, municipal and district councils both in the rural and urban areas. Three group discussions were held with chiefs in Luapula, Eastern and Copperbelt provinces conducted by the author.

The 36 individual interviews took place over a period from July 2004 to September 2005. The author and six research assistants conducted the interviews and discussions at the district levels. The author and the assistants shared the provinces and districts to do the interviews since some were taking place at the same time. However, the author conducted interviews with the chiefs in Luapula, Copperbelt and Eastern Provinces. The district council interviews are shown in Table 1.3 below. The interviews were conducted in seven provinces of Luapula, Copperbelt, Eastern, North-western, Central, Lusaka and Northern Provinces. Due to limitation of time and finances, Southern and Western provinces were not covered in the survey.

² See list of interviewed people and dates of interviews at appendix 3.3

Table 1.3: District council interviews

Province	Dates for Discussions/interviews	People met/talked to
Northern Province Districts	22 nd May to 18 th June 2005	Members of the District Development Coordinating Committee ³
Lusaka Province Districts	20 th to 25 th June 2005	Members of the District Development Coordinating Committee
Luapula Province Districts	28 th May to 19 th June 2005	Members of the District Development Coordinating Committee
North Western Province	22 nd April to 14 th May 2005	Members of the District Development Coordinating Committee
Central Province	22 nd April to 14 th May 2005	Members of the District Development Coordinating Committee
Eastern Province	22 nd April to 14 th May 2005	Members of the District Development Coordinating Committee
Southern Province(Kalomo and Itezhi Tezhi districts only)	22 nd May to 18 th June 2005	Members of the District Development Coordinating Committee

Meetings with Traditional rulers

Province	Date of meetings	People met
Copperbelt Traditional rulers	28 th May 2005	All Copperbelt chiefs
Eastern Traditional rulers	13 th May 2005	All Chiefs except Paramount Chief Gawa Udi
Luapula Traditional rulers	19 th June 2005	All chiefs except Senior Chief Mwata Kazembe

Source: Data from the primary survey carried out by the author 2004/2005

³ Members of the DDCCs are Town Clerk/Council Secretary, District Planning Officer, District heads of department (Council and government), Donor representatives, NGOs and the PPU representative. The committee is chaired by the District Commissioner.

The interviews with individuals took place between 2004 and 2005 by both the research assistants and the author. The specific dates for the interviews are as shown at Appendix 3.3.

1.6.2.2 Primary data analysis

Data analysis was done mainly with Excel software after all the results were coded. The results were analysed in both absolute numbers and percentages to the key areas of concern particularly on policy development and implementation, liberalization and privatization, globalization, the planning process and institutional mechanisms for planning and poverty reduction. The analysis was done by using a spreadsheet in Excel software. The responses were put in bar/pie charts and percentages that were subsequently used in the analysis in this thesis. Apart from this qualitative data was analysed by the author based on the key themes and problem statement of the thesis.

1.6.2.3 Problems encountered in data collection and analysis.

There was a general problem of people agreeing to participate in the research and responding to the questions in good time. In some instances, interviews were postponed several times. Secondly, some respondents misunderstood the research as an assessment of the performance of President Mwanawasa's Government, Hence it took quite some explanation to convince them to participate. As with NGOs, they saw it as an opportunity to criticize government for failing to reduce poverty. The greatest problem was in two areas. Firstly, out of the 50-targeted respondents from individuals only 36 responded. Among the 36 respondents on average only about 28 answered all the questions. The other problems encountered in the process of primary data collection included long distances to travel to provinces, districts, and time to convene people for the District Development Coordination Committee (DDCC) meetings and the associated expenses to pay for accommodation, transport and refreshments for participants. However, in some instances the cost was kept low by taking advantage of the scheduled DDCC meetings under the preparation of the Fifth National Development

Plan.⁴ The other problem was the lack of response from interviewees as some took many days and several follow-ups for them to fill in the forms. This delayed data analysis and compilation of the thesis. Other respondents did not answer the questions, as they were suspicious of the end use of their answers.

In addition to the interviews, some information in various sections of the thesis is based on my own experience⁵ gained from being a professional development planner from 1982 to

⁴ The author took advantage of the process of the preparation of the 5th National Development Plan, 2006-2010 (FNDP) by including discussions on this thesis alongside the arranged DDCC meetings to discuss the preparation of the FNDP which Zambia is preparing.

⁵ Personal experience means ‘Mulungushi, thesis, author, personal experience’ and the dates e.g. personal experience 1982 refers to the following posts:

Years	Position	Responsibilities
1982-1983	Economist, NCDP, Lusaka	Preparation of medium development plans
1987-1990	Regional Planning Officer , Western Province, Mongu	Regional Planning
1991-1994	Chief Regional Planner, Western Province	Preparation of Regional Plans and monitoring and evaluation
1994-1996	Chief Regional Planner, Luapula Province	Preparation of Regional Plans and monitoring and evaluation
1996-1997	Consultant, FINNIDA, Ndola	Strategic and Action Planning Expert
1997-1998	Consultant, World Bank, Lusaka	Strategic and Action Planning Expert
1998-1999	Assistant Director, Ministry of Finance, Lusaka	Coordination of Regional Planning
1999-2001	Chief Economist, Ministry of Finance, Lusaka	Preparation of Public Investment Programmes
2001-2002	Deputy Director, Planning Department, Ministry of Finance, Lusaka	Coordination of National Planning

2005 in government, private and regional planning offices. Specific references to these experiences under some sections are made as part of the primary data. However extra references are given in cases where specific statistics are referred to.

1.6.3 Secondary data collection and analysis

This study relied heavily on secondary data collection and analysis on the growth patterns and performance of the Zambian economy during the review period in particular. Some of the materials reviewed include National and Regional Development Plans, Sectoral policies and plans, Macroeconomic and fiscal performance reports, political party policies, Annual Plans and Economic Reports, research materials and books on the development of Zambia, Policy Framework Papers (PFP), Public Investment Programmes (PIP), PRSP, TNDP, Economic Reports, Budgets, and Budget Speeches.

2002-2006	Director, Planning Department, Ministry of Finance, Lusaka	Coordination of National Planning, preparation of district, provincial and national plans.
January 2007- To date	Permanent Secretary Planning and Economic Management Division	Coordination of planning and economic management

CHAPTER 2

SOCIO-ECONOMIC CONDITIONS OF ZAMBIA

2.0 Introduction

Chapter 2 addresses the general socio-economic conditions of Zambia. It gives an outline of major characteristics of the country including location, demography, the economy and ethnic groupings. The chapter outlines Zambia's potential in the major sectors and how if this potential was exploited, it could result in stability of the macroeconomic parameters and create an environment for investments, job creation and poverty reduction. This chapter picks up the argument that despite having had plans and reforms in the 1990s, policy development and implementation was weak and as a result, the performance of the economy went down during the review period. This chapter indicates that despite the poor performance of the economy Zambia has a lot of potential, which can be exploited to improve the livelihood of the Zambians.

2.1 Geography

Zambia is a landlocked country lying between thirty degrees east and fifteen degrees south. It has a total land area of 756,000 square kilometres. It has eight neighbouring countries with which it shares borders. In the west and southwest, it shares borders with Angola and Namibia. To the south, it shares borders with Botswana and Zimbabwe. To the north and northeast it shares borders with the Democratic Republic of Congo, to the east it shares borders with Tanzania, Malawi and Mozambique. Administratively, the country is divided into 9 provinces and 72 districts. (CSO OF ZAMBIA census 2000 report.<http://www.zamstats.gov.zm>. downloaded 9/1/06.) Lusaka is the capital city. Other major cities are Livingstone, Kabwe, Ndola, Kitwe, Mufulira, Chililabombwe and Chingola. At the local level, the country is divided into 150 constituencies and 1,800 wards (CSO 2000, Electoral Commission of Zambia 2005, Central Statistical Office (Zambia) Central Board of Health (Zambia), and ORC Macro.2003: 1).

2.2 Political systems

Zambia became independent in October 1964. At independence Zambia embraced a multi-party system with two political parties sharing seats in parliament, i.e. the United National Independence Party (UNIP) and the African National Congress (ANC) (Sichone and Chikulo 1996: 2; Mwanakatwe 2003: 135; Mwanakatwe 1994: 39). UNIP was the ruling party headed by Dr. Kenneth David Kaunda. In 1972, a one-party state was established through the Choma Declaration that abolished ANC, and rendered any other political parties illegal, leaving UNIP as the only political party. (Sichone *et al.* 1996: 2; Mwanakatwe 2003: 135; Mwanakatwe 1994: 85). This famous Second Republic introduced what was called ‘participatory democracy’ under which candidates from the same party, UNIP, would stand for elections in one constituency. This system allowed several candidates, all from UNIP, to stand and compete for a parliamentary seat. The Third Republic was born in 1991 when President Kaunda signed on 17 December 1990 a bill to allow formation of other parties in the country (Sichone and Chikulo 1996: 3; Mwanakatwe 2003: 135). The 1991 elections ushered in the Movement for Multi-Party Democracy (MMD) headed by Dr. Fredrick Chiluba, a trade unionist and a long time opponent of Dr. Kaunda. The MMD has won elections three times since, with the third time bringing President Levy Patrick Mwanawasa into power. Since the re-introduction of the multi-party system in Zambia in 1991, there are close to forty political parties that have been formed.

2.3 Demographic conditions

The population of Zambia is estimated at 9.8 million with 4.93 million being female and 4.94 million male representing 50 percent share between male and female (CSO OF ZAMBIA census 2000 report.<http://www.zamstats.gov.zm>. down loaded 9/1/06; TNDP 2002-2005: 17). The annual growth rate is estimated at 2.4 %. Rural areas account for 6.4 million of the population and the urban areas account for 3.4 million people. (CSO OF ZAMBIA census 2000 report.<http://www.zamstats.gov.zm>. down loaded 9/1/06.) The average density is 13 persons per kilometre squared. The settlement patterns of Zambia follow closely the line of rail from Livingstone to Chililabombwe. Close to 50.5% of the population are in urban areas making Zambia one of the most urbanized countries in Africa (CSO 2004, TNDP 2002-2005: 18).

Zambia has 72 ethnic groupings, the major ones being Kaonde, Lozi, Tonga, Bemba, Chewa/Ngoni, Lunda and Luvale. (CSO of Zambia Census 2000 report.<http://www.zamstats.gov.zm>. downloaded 9/1/06.)

2.4 The economy

The Zambian economy was structured during the colonial era as a dual economy. On one hand there was a modern industrial sector dominated by the copper industry and agricultural estates owned by a small number of commercial European farmers and on the other hand, a large rural subsistence-farming sector (Palmer and Parsons 1977: 310-358.). The modern industrial sector also comprised a small manufacturing sector. Since independence in 1964, the government has made efforts to correct the imbalance through support to the agricultural sector. However, the achievements so far have fallen short of the intended goals. The agricultural sector has not made significant contributions towards raising the incomes of the majority of the peasant farmers in the rural areas (Mwanza *et al.* 1992: 134). A detailed discussion on the socio-economic conditions is in Chapter 3 of the thesis.

2.5 Zambia's development potential

2.5.1 Agricultural sector

Zambia is endowed with abundant natural resources available for agricultural production. Of the country's total land area of 75 million hectares, 58% is classified as being of medium to high potential. However, only about 14 percent of the arable land is presently cultivated. (Ministry of Agriculture and Cooperatives, *National Agricultural Policy 2004-2015*: 1) In addition, Zambia has abundant groundwater resources estimated at 1,740,380 million cubic meters with ground water recharge estimated at 160,080 million cubic meters per annum. Irrigable land is estimated at 423,000 hectares but only about 50,000 hectares is currently irrigated, mostly by commercial farmers (Ministry of Agriculture and Cooperatives, *National Agricultural Policy 2004-2015*: 1). The country has a good climate, with rainfall varying from 600 to 1,500mm annually. The rainfall pattern defines the country's three agro-ecological regions (PRSP 2002: 54).

Region I: the region is characterized by low rainfall of less than 800mm annually with a growing period of 80 to 120 days. This area constitutes 12% of Zambia's total area. It covers the Gwembe Valley, Lunsemfwa Valley and Luangwa Valley in Southern, Central and Eastern Provinces, as well as the plains of Western and Southern Provinces. The region is suitable for production of drought tolerant crops and small livestock. The valley part of the region is hot, humid, and not suitable for cattle rearing because of tsetse flies (PRSP 2002: 55; Ministry of Agriculture and Cooperatives: *National Agricultural Policy 2004-2015*: 1).

Region I constitutes about 12 percent of the total land area and covers Luangwa and Zambezi River Valleys; it is characterised by low and erratic rainfall of less than 800mm. This zone has a short growing season of between 80 and 120 days. Given its low altitude, the area is hot and humid. However, although the area is hot and humid with poor soils in some places, the area is suited for growing drought resistant crops like sorghum, cotton, sesame and millet. Goat rearing and fishing potential is high. Parts of Zone I west of Zambezi River in Western Province are suited for cattle rearing and cashew nut production (Ministry of Agriculture and Cooperatives: *National Agricultural Policy 2004-2015*: 1, PRSP 2002: 54-55, TNDP 2002: 49).

Region II is located through the middle belt plateau of the country covering Central, Lusaka, Southern and Eastern Provinces. The region receives 800 to 1,000 mm of rainfall annually and has a growing season of 100 to 140 days. Some of the most fertile agricultural soils are located in Region II. This region is considered to have the highest agricultural production and permanent settled systems of agriculture are practised. This region covers 48 percent of the total land in Zambia. It comprises the degraded sand-veld plateau areas of the Central, Southern, Eastern Provinces and the Kalahari sand plateau and the Zambezi flood plain in Western Province. The growing season in this area is between 100 and 140 days and rainfall ranges between 800 mm and 1,000 mm. Agricultural activities undertaken include production of maize, tobacco, groundnuts, sunflower, soybeans, wheat, vegetables, sweet potatoes, cotton and the rearing of livestock such as cattle, goats and poultry. This is the area where commercial production has been concentrated because of relatively good soils, good rainfall, and good facilities and services. It presents the highest potential for growth in the agricultural

sector (PRSP 2002: 54-55, TNDP 2002: 49; Ministry of Agriculture and Cooperatives: *National Agricultural Policy 2004-2015*: 1).

Region III: this region has the highest rainfall in Zambia receiving more than 1,000 to 1,500 mm per annum and has a growing season of 120 to 150 days. It includes most of Northern, Luapula, Copperbelt and North-western Provinces and some parts of Central Province. In spite of high rainfall, the zone has highly leached acidic soils that limit production to tolerant crops unless liming is practised. Region III constitutes about 42 percent of the total land area in Zambia. It covers North-western, Copperbelt, Northern and Luapula Provinces. It is an area with high rainfall averaging above 1,000 mm annually. The crops grown include cassava, rice, sweet potatoes, sunflower, soybeans, millet, sorghum, pineapples and maize. Livestock such as small ruminants, poultry and cattle to a limited extent are also kept (Ministry of Agriculture and Cooperatives: *National Agricultural Policy 2004-2015*: 1).

2.5.2. Farm Categories

- ❑ The agricultural sector was by 1998 estimated to support a total of about 603,000 farm households classified into four main categories as indicated below. (TNDP 2002: 49, IFAD: *Smallholder Commercialization Programme Inception Report* 1998: 10)
- ❑ Smallholder farmers cultivating less than 10 hectares and numbering 459,000;
- ❑ Emergent commercial farmers cultivating 10 to 20 hectares and numbering 119,200;
- ❑ Medium-scale commercial farmers cultivating 20 to 60 hectares and numbering 25,220 and;
- ❑ Large-scale commercial farmers cultivating over 60 hectares and numbering about 740 (IFAD: *Smallholder Commercialization Programme Inception Report* 1998: 10, PRSP 2002: 54-55).

The large-scale commercial farmers are involved in both crop and livestock production for the market. They use modern methods of production, use purchased inputs and depend on employed labour for farm labour needs.

Medium-scale commercial farmers have graduated from the lower categories. They cultivate between 20 and 60 hectares using semi-intensive technology. They use draught power and externally purchased inputs. The emergent commercial farmers hire some labour, but mostly depend on family labour for farm operations. These two categories and to a great extent the small-scale farmer category have become increasingly difficult to set apart due to problems of accessing external inputs.⁶

Smallholder or subsistence farmers rely mostly on traditional methods of production. They use hand hoes for cultivation, use little or no purchased inputs and improved agricultural technologies and depend on family labour farm operations. Production is mainly aimed at meeting home consumption needs and a little surplus selling on the market (IFAD: *Smallholder Commercialization Programme Inception Report* 1998: 10; PRSP 2002: 54-55).

2.5.3 Land Tenure System in Zambia

Zambian land tenure is categorised into two main systems: Customary Land Tenure and Leasehold Land Tenure. Under the Customary Tenure system, land is controlled through traditional chiefs and their representative village headmen. These allocate land to any one who is entitled and needs it. The local ethnic group owns land and individuals have a right to its use. The Customary Tenure system covers about 94 percent of the total land in Zambia (*PRSP 2002: 55; TNDP 2002: 52*).

The Leasehold Tenure system is applicable in state land that is about 6 percent of the total landmass in Zambia. Under this system, an individual holds a title deed, which enables him/her to hold the land for a renewable period of 99 years. For the purposes of agricultural production, the Leasehold Tenure system provides a sense of security and places intrinsic value on land for commercial transactions.

⁶ The analysis of farm categories is based on the official definitions by the Ministry of Agriculture and Cooperatives, 2002.

2.5.4 Water resources and irrigation potential

Zambia has abundant surface and underground water resources. It has numerous rivers, lakes and dams. The total country's ground water is estimated at 1.74 million cubic metres (Ministry of Environment and Natural Resources: *Zambia Forestry Action Programme*. 1997: 26; Zambia Investment Centre 1998). Despite these abundant water resources, the agricultural sector has under-utilised this resource, although Zambia has estimated irrigable land of 423,000 hectares, less than 50,000 hectares are actually irrigated. This is concentrated mostly on commercial farms for the production of sugar, wheat and plantation crops.

2.5.5 Tourism potential

2.5.5.1. Introduction

Zambia is endowed with wildlife, beautiful water scenery, sporting activities, and hotel facilities that have made tourism one of her major economic activities. The government's long-term vision for the tourism sector is "to ensure that Zambia becomes a major tourist destination of choice with unique features" (PRSP 2002: 68). The principal goals for the tourism sector include conserving Zambia's national environment and its fauna and flora for the benefit of present and future generations of local communities and the country as a whole.

2.5.5 .2 Tourism growth potential

Zambia has 19 National Parks and 34 Game Management Areas (GMAs) covering 33 percent of the country. Only 5 percent of this is developed for tourism. (PRSP 2002: 68) Kafue National Park, one of the biggest parks in Africa, has not been exploited. The Park covers 22,480 km squared covering 33 percent of Zambia's parks estate. (TNDP 2002: 66, Ministry of Tourism, Environment and Natural Resources: 1) It has not been fully developed due to remoteness and lack of infrastructure such as roads, airways and room capacity. Currently visitors are around 3,000 per year but can be increased to 83,000 once the room capacity is increased from the current 298 to the proposed 900. (TNDP 2002: 66, Ministry of

Tourism, Environment and Natural Resources: 1) The other growth areas in the tourism industry are Livingstone and surrounding areas, Lusaka and surrounding areas, South and North Luangwa, Nsumbu National Park and areas around the lakes. In addition, the National Heritage Conservation Commission (NHCC) has catalogued well over 1,700 potential sites for tourism development that remain unexploited. These sites comprise archaeological, geological, historical, natural, and traditional sites. Zambia has over 35 percent of the water resource in Southern Africa offering enormous tourist opportunities such as the famous Victoria Falls, Kariba Dam, and Lakes Bangweulu, Mweru, Tanganyika and Mwelu Wantipa (TNDP 2002: 66).

2.5. 6. Mining sector potential

Over the years, the economy had developed a comparative advantage in copper and cobalt mining. Deposits of gold, zinc, gemstones, coal, and a variety of agro and industrial minerals are also found in Zambia. Large-scale mining is active in copper, cobalt, and coal in the Copperbelt and Southern Provinces whereas small-scale mining is active in the Copperbelt, Southern and Eastern Provinces in a variety of gemstones that include emeralds, amethyst, aquamarine, tourmaline, garnets, and citrine. Emeralds are by far the most dominant gemstone (PRSP 2002: 74). This rich variety of mineral resources offers great potential to provide the needed resources for financing development and poverty reduction. However, the mining deposits are located in undeveloped and remote parts of the country and their exploitation inevitably needs the development of access roads, telecommunications, and other physical and social infrastructure such as schools and clinics, especially for gemstones.

The fundamental role that the mining sector plays in national development can also be seen in the backward and forward linkages that exist between this sector and others. It provides critically needed inputs for agriculture and agro-chemicals, industrial manufacturing of a wide variety of products, e.g. ceramics, paint manufacture, the electricity industry, essential raw materials for the building industry, and for road and telecommunication infrastructure. Clearly, the predominant infrastructure of economic development is built upon mining and its products. In this regard, the actual contribution of mining to wealth creation in the economy

is far-reaching and has significant multiplier effects that can impact positively on the economy through employment creation, income generation, and stimulation of industrialization and infrastructure development.

Furthermore, mining has the capacity to create an enabling environment to increase the stock of needed skills and expertise, an increase in a broad spectrum of service industries, value addition through downstream processing, and technology transfer to small-scale operators. The orderly development of small-scale mining is also capable of lowering poverty through the creation of development zones or areas in rural mining centres arising from the emergence of mining communities, and the provision of essential agricultural inputs such as lime close to agricultural areas. It may also offer a facilitating environment to support cottage industries that relate to pottery making, brick making and increased demand for skills and essential mining equipment and machinery. These considerations point to the potential significance of mining to the reduction of poverty in Zambia.

Notwithstanding the above, the mining sector certainly holds promise for sustainable economic development and poverty reduction. If new mines are opened and existing major mining entities re-capitalized, production could be sustained at least at current levels in the short-run and assume upwards trends in the long-run. The undeveloped ore body at Lumwana in North-western Province holds promise with about one billion tonnes of ore grading about 0.7 percent copper (TNDP 2002: 75). Other undeveloped areas with great mining potential include Kalengwa, Kansanshi, and Mkushi. In addition, the following future expansion projects have been identified by the new mine owners, provided a favourable investment environment continues to prevail: Konkola Deep Mine Project, Mindolo, Chambishi, Bwana Mkubwa, Chibuluma South, and Kansanshi. The potential for copper is enormous. For example Lumwana Mine has an estimated 200 million tonnes of 0.7% grade while Kansanshi has 302 million tonnes of 1.17% grade. On the other hand, Konkola Deep has great potential (Equinox Minerals LTD TD securities: 3; TNDP: 76, Economic Report 2001: 75).

On the other hand, despite that the gemstone segment holds great potential for spearheading rural development since most gemstones and other mineral deposits amenable to small-scale

mining are located in rural areas, this segment is severely constrained as it lacks appropriate credit facilities and requisite valuation skills, and obtains in areas where infrastructure is least developed. The sub-sector has also been adversely affected by excessive illicit trafficking in gemstones in the absence of a better-organized market. The ownership structure of the mines is given in Chapter 3.

2.5.7. Energy

2.5.7.1. Introduction

Energy is one of the important driving forces behind the development of an economy. It cuts across most economic and social activities. Therefore, to enhance major developments in the socio-economic activities of various sectors like agriculture, varied industries, health and education, energy sector development should be an integral part of development strategy.

Increasing accessibility of the majority of the population to modern energy services and efficient devices will lead to the improvement of living conditions of the Zambian people in rural and urban areas.

2.5. 7.2. Potential in the energy sector

Except for petroleum, Zambia is virtually self sufficient in energy. Total annual energy consumption of all energy sources is in the range of 4.5 million Tonnes Oil Equivalent (TOE). (Kalumiana 1996: 9). At sectoral level, households mostly consume wood fuel and the mines are the dominant consumers of petroleum, electricity and coal. Petroleum is the only energy source that is wholly imported. Zambia is richly endowed with a range of indigenous energy sources particularly woodlands and forests for wood fuel, hydropower, coal and new and renewable sources of energy. Woodlands and forests cover about 66 percent of the total land area with the growing stock being equivalent to 4.3 million tonnes of wood. The wood provides about 70 percent of the nation's energy needs. This, however, is being threatened by the rapid deforestation in the major woodlands. The hydropower resource potential is estimated at 6,000 MW, although the installed capacity is only 1,784.6

MW (Ministry of Energy and Water Development: *The Energy Bulletin 2000-2003*: 20; Kalumiana 1996: 9.). This contributes about 14 percent to total energy use. Hydroelectric plants represent 92 percent of installed capacity and account for 99 percent of electricity production. The major plants are Kafue Gorge (900 MW), Kariba North Bank (600 MW) and Victoria Falls (108 MW). International connections include two 330 kV lines to Zimbabwe and a 220 kV line connecting the Copperbelt to the Democratic Republic of Congo (Ministry of Energy and Water Development: *The Energy Bulletin 2000-2003*: 20; Kalumiana 1996: 9; *Economic Reports 1992-2002*; TNDP, 2002: 118; PRSP 2002: 99).

The major electricity users are the mines, which consume up to 68 percent of total load, industry and commerce 4 percent, households 19 percent, agriculture and forestry 2 percent and the remaining 7 percent is taken up by government services (*Economic Reports 1992-2002*; TNDP, 2002: 118).

Proven coal reserves are estimated at 30 million tonnes with several hundred million tonnes of probable reserves (Ministry of Energy and Water Development: *The Energy Bulletin 2000-2003*:28; Kalumiana 1996: 9.). The current production is around 100,000 tones only. Only one coal mine is in operation at Maamba Collieries with a design output of one million tonnes per annum. In recent years, the contribution of coal to total energy declined to barely 2 percent due to production constraints at Maamba Collieries. The delayed privatisation of the firm has also contributed to poor performance.

Petroleum is the major energy source that is imported and accounts for about 12 percent of total national energy demand. Established infrastructure for petroleum import and processing include the 1,710-kilometre TAZAMA Pipeline and the INDENI Petroleum Refinery designed to process 1.1 million tones of spiked crude (Ministry of Energy and Water Development: *The Energy Bulletin 2000-2003*: 24; *Economic Report 1994*).

2.5. 8. Transport and Communications

2.5. 8.1. Introduction

Transport and communications play a critical role in the growth and development of any economy. Transport is capable of generating growth by facilitating trade both nationally and internationally, and by increasing access to social services like health and education.

2.5. 8.2. Potential and status of the infrastructure

The main modes of transport in Zambia are rail, road, air, and inland waterways. The rail network comprises Zambia Railways, running from the Zimbabwean border in the south to the Congolese border in the north and a branch line system, covering a total distance of 1,100 kilometres (Roadsip II Bankable Document Final report. WWW.nrfa.org.zm. Downloaded 10.01.06). Tanzania-Zambia Railways (TAZARA), jointly owned by Zambia and Tanzania, links with Zambia Railways at Kapiri Mposhi to the port of Dar es Salaam, covering a distance of 1,700 kilometres. A smaller rail line links Livingstone with Mulobezi covering a distance of 162 kilometres and was previously mainly used for ferrying timber (PRSP 2002: 104; TNDP 2002: 122). Both Zambia Railways and TAZARA serve the mining industry. As farming took root along the line of rail, haulage of agricultural produce, mostly livestock, created extra business. The decline of mining and agriculture has reduced the volume of business available to the railway lines. This has been compounded by lack of maintenance, resulting in the poor state of the rail network and inefficient services. Consequently, the road sub-sector has taken a larger share in the cargo haulage business, which has resulted in increased pressure on the roads, contributing to rapid deterioration of the road network.

At present, over 60 percent of cargo is hauled by road, whose extent covers the remotest areas of the country where other modes of transportation do not operate. (TNDP 2002: 115; PRSP 2002) Zambia has a gazetted road network of approximately 37,000 km of which 6,476 km are bituminous and surfaced to Class 1 standard. The gravel and earth roads account for 8,478 km and 21,967 km respectively. In addition, there are about 30,000 km of un-gazetted community road network comprising tracks, trails, and footpaths. A large part of

the main road network was constructed between 1965 and 1975 (TNDP; PRSP 2002: 123; Roadsip II Bankable Document Final report; WWW.nrfa.org.zm Downloaded 10.01.06). Over the years, the state of the road infrastructure in the country has deteriorated as a result of lack of maintenance. The main problems have been institutional and financial, relating to inadequate and erratic flow of funding; the inadequacy of the institutional framework within which roads were managed; poor terms and conditions of employment; lack of clearly defined responsibilities among road management actors; and lack of managerial accountability.

Zambia's air transport industry is currently in transition. With the liquidation of Zambia Airways Corporation Limited in 1994, the air transport industry has been predominantly private sector-driven. Several airlines were established and some have collapsed. However, none of them has risen to the status of a national airline or flag carrier as that enjoyed by the defunct Zambia Airways.

There are 144 airports and aerodromes in the country, of which National Airports Corporation (NAC) manages the four major international airports, namely Lusaka, Livingstone, Ndola, and Mfuwe. Government or private individuals and organisations manage the rest. NAC provides air navigation services throughout the country (*Economic Report 2001*: 89).

Water transport in Zambia is presently not significant although it is critical to some places in the Western, Northern, and Luapula Provinces where it is one of the main forms of transport. The country has abundant navigable lakes and rivers but the development of the sector is hindered by lack of technical expertise in the management of inland waterways. The situation has been exacerbated by lack of handling equipment at harbours and inadequate dredging facilities, particularly for canals and rivers. There is need to develop Zambia's lakes, rivers, ports, and harbours to increase alternative use of transport modes and improve trade with neighbouring countries.

Zambia has an installed capacity of 92,000 telephones on the Public Switched Telephone Network, and 90,000 mobile phone subscribers, The teledensity is only 0.18, implying that there are less than 2 phones per 100 population. Access to Internet services still remains very low with only about 5,000 users at the end of 2001 (PRSP 2002: 106). Postal services, on the other hand, cover the entire country with a network of 134 Postal Offices and 98 sub-Post Offices, in addition to private courier services, which concentrate on the line of rail for delivery of time-sensitive mail items. The operational efficiency of the postal services requires to be improved for it to contribute effectively to economic growth and poverty reduction (*Economic Report 2001: 90*).

2.5.9. Manufacturing sector

Zambia's manufacturing sector at independence was small dealing mainly in tobacco and beverages and contributing only about 7 percent to the Gross Domestic Product (Turok 1979: 101). The manufacturing sector in Zambia grew rapidly following independence. This initial rapid growth was in part due to the setting up of new manufacturing plants and greater capacity utilization and an unrestricted inflow of raw material supplies. Political considerations such as the Unilateral Declaration of Independence in Rhodesia brought about the urgency to develop local manufacturing industry under an import-substitution industrialization strategy that brought in a number of parastatals such as the Livingstone Motor Assembly. This was made possible by the high copper prices and high foreign exchange earnings that enabled the importation of raw materials.

Most of the growth was in the food, beverages and tobacco, textiles and leather products and wood and wood products sub-sectors. One feature of this industrial expansion was the high dependence on copper export earnings to provide money for importing raw materials (Turok 1979: 103). The manufacturing sector's performance was adversely affected when the copper prices fell and oil prices increased in the mid-1970s. The sub-sectors that were linked to copper mining such as chemicals, rubber and basic metals and metal products were hardest hit and were consequently faced with the problems of low capacity utilization and high production costs. During the 1980s, output in the non-copper dependent sub-sectors except for the food, beverages and tobacco sub-sector declined as well and many industries closed

altogether. The decreasing capacity utilization resulting from shortages of imported inputs was reinforced by the protectionist measures that resulted in lack of competition and inefficiency in the management of the industry. The increasing costs for the industrial sector and political appointments in the management of the industry further encouraged inefficiency and inhibited industrial growth.

The performance of the manufacturing sector since the mid-1990s has been mixed. The sector GDP shrunk in 1995 by negative 0.4 percent and in 1996 and 1997 it grew by 5.5 percent and 5.6 percent, respectively, before declining to 1.9 percent in 1998 and 2.8 percent in 1999. Manufacturing GDP grew from 3.5 percent in 2000 to 5.2 percent in 2004, thus signaling the start of a positive trend, thanks to the policy of liberalization. The sector's higher performance, however, continues to be constrained by various problems including the lack of infusion of new technology, the high cost of borrowing and foreign competition (FNDP: 93). Table 2.1 shows the performance of the manufacturing sector during the 1996-2004 period. In particular, the sector has shown recovery growing from 10.4 percent of GDP in 2001 to 11 percent in 2004 (*Economic Report 2004: 43*).

Table 2.1: Manufacturing Value Added by Sub-sector (in K' billions)

Years	1996	1997	1998	1999	2000	2001	2002	2003	2004
Food, beverage and tobacco	144.3	138.6	146.0	154.8	185.1	164.0	172.8	187.7	197.3
Textiles, leather and leather products	27.1	39.1	42.4	44.8	46.6	46.8	49.7	51.3	52.4
Wood and wood products	18.1	19.6	19.2	19.3	19.1	20.3	21.9	24.4	26.1
Paper and paper products	4.8	7.2	7.3	7.6	7.5	7.8	8.0	8.6	8.8
Chemical rubber and plastics	20.6	22.5	18.7	15.5	16.5	22.8	25.1	26.4	28.8
Non-metallic mineral products	4.7	4.1	4.5	4.4	4.9	4.8	4.9	5.6	6.3
Base metal products	3.1	3.3	1.3	1.3	1.6	1.2	1.2	1.4	1.5
Fabricated metal products	7.9	8.0	7.3	5.9	6.4	6.0	5.8	6.1	6.4
Other manufacturing	0.5	0.5	0.5	0.6	0.6				
Total Manufacturing	231.1	242.8	247.2	254.2	288.4	273.7	289.4	311.5	327.6
Total GDP	2,329.8	2,405.6	2,360.4	2,418.0	2,492.1	2621.3	2707.9	2846.7	2988.9
Share of Manufac. in total GDP	9.9	10.1	10.5	10.5	11.6	10	11	11	11

Source: Ministry of Finance Economic Reports, 1996-2004

The leading sub-sector in manufacturing was food, beverage and tobacco, accounting for over two-thirds of total value added, followed by textiles, leather and leather products where Zambia has comparative advantage. The performance of the textiles and leather industries has been adversely affected by increased imports especially from China. The importation of duty free second-hand clothes worsened the situation (FNDP: 93). The other significant sub-sectors were chemical rubber and plastics and wood and wood products respectively as indicated in table 2.1 above.

The food, beverage and tobacco sub-sector was driven by the good performance of the agricultural sector, increases in domestic demand and exports to regional markets. Textiles and leather were stimulated by the increased production of cotton lint and yarn, direct exports to the USA under the African Growth and Opportunity Act (AGOA) arrangements and increased investments in cotton processing. Non-metallic metal products (mainly cement, lime and other building materials) also increased induced primarily by an increase in construction and the expansion in mining activity. Fabricated metal production, mainly copper cable, wire and rods also rose due to increased access to the Southern African Development Coordinating Committee (SADC) and Common Market for Eastern and Southern Africa (COMESA) markets (FNDP: 93).

As indicated above, the manufacturing sector has great potential in recent years due to many factors such as the rising copper prices, the expanding agriculture and tourism sectors, the stabilizing macro economic parameters and the increasing foreign direct investments. The sector has strong linkages to agriculture through agro processing, to mining through manufacturing of finished products such as copper wires and polishing of precious metals. The expanding tourism sector has created demand in food, beverages and crafts.

Overall, in order to enhance the growth of the manufacturing sector, Government should focus on addressing constraints that have been seen to negatively impact on the performance of the manufacturing sector. The constraints to be addressed include access to affordable finance, removal of administrative barriers to establishment of business enterprises, improvement of regulatory frameworks and establishment of multi-facility zones in order to

increase export-oriented manufacturing industries. Further, issues concerning the provision of adequate infrastructure (such as roads, rail and telecommunications), access to affordable modern technology and addressing cross-cutting issues such as HIV/AIDS, gender, and the environment should be addressed.

2.6 Poverty trends in Zambia in the 1990s

2.6.1 Theoretical background

On the onset of discussion of the poverty situation in Zambia, one needs to set the stage by definitions of terms used to assess the poverty trends as set by the institutions, culture and beliefs over time. According to Idea (2001) poverty refers to populations whose level of expenditure is lower than the designated poverty line (idea:36). This entails that one has an income below the official level of income necessary to access basic things such as food, clothes and shelter. In this respect, one considers issues of inequality, polarization, poverty, misery and social exclusion (Castells 1999: 73). Castells further points out that all these conditions have a bearing on the dimensions and characteristics of the citizens in terms of accessibility to good standard of living and, therefore, the quality of life. Inequality refers to differential appropriation of wealth (income and assets) by different individuals and categories and social groups in relation to each other. In Zambia, examples of relevant categories are the children, the handicapped and youth-headed households. These social groups are affected differently by the poverty situation in Zambia as their ability to access facilities and resources differ. Polarization refers to the specific process of inequality that occurs when both the top and the bottom of wealth distribution grow faster than the middle thus shrinking the middle and sharpening differentiation between the two social groups.

Poverty is an institutionally defined norm related to the level of resources below which it is impossible to reach the living standard considered to be the minimum in Zambia. Related to this definition is the concept of misery or extreme poverty that is a category of society below 50% of the poverty datum line (Saasa 2002: 10). Saasa (2002: 11), analyses the concept of poverty in more detail covering both income and non-income poverty and defines poverty in Zambia as a level of consumption per household member or per adult below a certain

acceptable level⁷, often referred to as the poverty line. This definition is comprehensive and includes the requirements of food and other basic items of housing, water, sanitation, health and education. Saasa (2002: 11) takes the proxy for calculating the per capita income to include expenditure plus the imputed value of home production.

2.6.2. Poverty profiles

At the global level, statistics quoted by Castells (1999: 83) indicate that in the mid-1990s, 1.3 billion people, accounting for 33% of the world's population, were in absolute poverty or misery out of which about 500 million were in Asia, 200 million in Sub-Saharan Africa and 150 million in Latin America. For Sub-Saharan Africa, 200 million people represents 30% of the total population living in absolute poverty. In comparison, according to the International Labour Organisation (ILO), the annual rate of growth of per capita GDP for least developing countries had declined between 1980 and 1996 as depicted in Table 2.2.

As shown in Table 2.2 Less Developed Country's per capita dropped from -0.5 in 1981 to -0.9 in 1991 but marginally improved in 1995 and 1996. In real terms, the per capita income dropped from US\$261 in 1980 to US\$243 in 1996. (Castells (1999: 83).

In Zambia, poverty is defined at two fronts. On one hand, the Central Statistical Office defines poverty in terms of size of income to enable a family of six to purchase basic food to meet the minimum caloric requirements. This definition has received criticism from many scholars as it is based on bare minimum and does not include a balanced diet in terms of meat and fish. As Saasa concluded "...if these were added in the definition, the cost would increase by a large margin (and the number and percentage of the poor below the poverty datum line would increase" (Saasa 2002: 16). On the other hand, poverty is defined in terms of access to basic facilities such as education, health, shelter and clothing. This approach is widely accepted as it measures the quality of life of the people in a given locality and at a

⁷ In Zambia, the poverty datum line is defined by a food basket calculated by CSO. However, this has not been widely accepted by the majority of the interest groups such as the trade unions and the NGOs such as the Jesuit Centre for Theological Reflection.

given time. Also included in this analysis is the access of people to water and sanitation in both rural and urban areas. Mulungushi and Mwanawina (2003: 25) made the same conclusion with regard to income poverty, namely that "...In actual fact, the poverty levels may be than what the official statistics showed".

In recognition of the same, the Central Statistical Office pointed out that, "It is important to note at this stage that the food basket used to arrive at the poverty lines used in this report is very modest and based on a predominantly vegetarian list of food. It is based on the minimal caloric requirements. If meat, chicken, and fish were added to the food basket, the cost would go up by a large margin (CSO 1998: 121). Therefore, the poverty incidence in Zambia would be very high. Moreover, the measure did not include access to basic needs, such as shelter, education, health care, lighting, clothing, footwear and transport. If these were also taken into account, poverty levels would have been much higher.

Table 2.2: Per capita GDP of developing countries, 1980-1996

Category	Annual rate of growth per capita GDP (%)				Per capita GDP (1998 dollars)			
	1981-90	1991-95	1995	1996	1980	1990	1995	1996
Developing economies	1.0	2.9	3.3	4.0	770	858	988	1028
Latin America	-0.9	0.8	-0.9	0.75	2148	2008	2092	2106
Africa	-0.9	-1.3	0.0	1.5	721	700	657	667
West Asia	-5.3	-0.6	0.4	.025	5738	3423	3328	3335
South East Asia	3.9	4.0	5.0	6.0	460	674	817	865
China	7.5	10.2	9.1	8.0	202	411	664	716
Less developed countries	-0.5	-0.9	0.4	1.75	261	249	238	243

Source: Castells (1999) End of the Millennium, page 83.

Poverty reached unprecedented high levels in Zambia during the period 1991 to 2000. In 1991 the percentage of population below the established poverty line stood at 69.7 percent,

which proportion soared to 73 percent in 1998 and was as high as 89 percent in some areas, (CSO LCMS 1996: 129; CSO, LCMS 1998: 121). Such high poverty levels have had adverse implications on productivity and economic growth.

As a result, of the poor performance of the economy, the income poverty of Zambians has worsened over the years. Poverty has increased from 69.2% in 1996 to 72.9% in 1998. Recent estimates put the poverty levels at 80% of the total population of Zambia⁸. Considering the poverty profiles of Zambia, the 1996 and 1998 *Living Conditions and Monitoring Survey*⁹, brought out three major conclusions as follows:

- In percentage terms, the level of poverty in the rural provinces of Western, North-Western, Northern and Eastern are higher.
- The lowest percentage of poverty is in urban provinces along the line of rail, i.e. Lusaka and Copperbelt Provinces. However, in terms of actual quantum, the urban areas have more poor people than the rural areas since the line of rail provinces have a higher population base than the rural areas.
- Extreme poverty increased between 1996 and 1998 by 3 percent from 53 percent in 1996 to 58 percent in 1998. In the same vein, the percentage of poor people increased from 69 percent in 1996 to 73 percent in 1998. (CSO, *Living Conditions Monitoring Survey*, 1998)¹⁰

As a consequence of this and according to the UNDP *Human Development Report* (1999: 14), Zambia's Human Development Index, that is a measure of average achievements in a long and healthy life, knowledge and decent standard of living that started to decline in 1995, accelerated in the 1990s. Of the 79 countries for which HDI data is available Zambia is the only country where the value for 1977 was lower than that of 1975. Socio-economic indicators in education, nutrition, health, water and sanitation, etc. all indicate negative trends between 1991 and 2000.

⁸ See CSO, *Living Conditions Monitoring Survey*, 1998.

⁹ See also Saasa, 2002 on the analysis of the poverty profile of Zambia.

¹⁰ For full discussion on poverty profiles for Zambia see appendix 3.

2.7 The Impact of HIV/AIDS

2.7.1 Introduction

Another serious development problem in the 1990s was the HIV/AIDS phenomenon. By directly affecting the most productive age group (15 to 49 years) in society, the HIV/AIDS pandemic reduced the income earning ability of many families, while increasing the time, effort and resources required to look after the sick. (Kamochoa *et al.* 2005: 13) This section gives a brief analysis of the impact of HIV/AIDS in Zambia. Due to non-availability of data only the two sectors of education and health are included. There are no specific studies in other sectors.

2.7.2 The HIV/AIDS Situation in Africa

Considering the international and regional impact, the USAIDS report on the scenarios to 2025 indicates that 35 to 45 million people are currently living with HIV/AIDS worldwide (USAIDS 2005: 28). Out of this number, the report indicates that 25 million are in Africa and particularly south of the Sahara. The impact of the pandemic, especially in Africa, has been its effect on the state and civil society actors' capacities to provide services such as education and health and has led to shortages of teachers and health workers. Further, the labour force in agriculture and other sectors has been severely affected. For example losses from the labour force will rise from 3 percent in 2000 to 28 percent in 2020 in Namibia, from 9.6 percent to 22.7 percent in Zimbabwe and from 2.3 percent to 20 percent in Mozambique over the same period (USAIDS 2005: 30).

2.7.3 HIV/AIDS situation in Zambia

In the Zambian situation, according to the *Zambia Demographic and Health Survey* (ZDHS) 2001-2002 the infection rate is higher among women (18%) than men (13%). (ZDHS 2001-2002: 236) The report further indicates that urban residents are more than twice as likely as rural residents to be infected. The infection rate in urban areas is 23 percent compared to 11 percent in rural areas. (ZDHS 2001-2002: 236). A recent study by the University of Zambia (UNZA) indicates that in terms of actual numbers there were more than 60,000 people

infected by the end of 1998. (Macwan'gi *et al.*:46.). Further estimates indicate that over 70,000 people a year contract the virus and between 90,000 and 100,000 persons now develop full-blown AIDS each year. (Macwan'gi *et al.*: 21.) In terms of the affected, taking the orphans as proxy, 650,000 children have lost their mothers or both parents to the disease and projections indicate that by 2009, close to a million children will have been orphaned by AIDS (Macwan'gi *et al.*: 21).

The Zambian Government responded to the pandemic by declaring HIV/AIDS as a disaster and further putting in place a multi-sectoral policy which focuses on addressing issues to combat HIV/AIDS/STI/TB situation in Zambia (Macwan'gi *et al.*: 21).

2.7.4 Impact of HIV/AIDS on the health sector

A few studies on the impact of HIV/AIDS on the health sector carried out in Sub-Saharan Africa, including Zambia, have focused on two issues:

- i) increased demand for health services created by AIDS and related opportunistic infections;
- ii) the costs of providing hospital care to HIV-infected patients.

Specifically, these studies examine increased morbidity and mortality due to HIV/AIDS and associated absenteeism, attrition of health workers and loss of training investment (Macwan'gi *et al.* 2005: 45).

According to Macwan'gi *et al.* (2004), HIV/AIDS has reduced labour force productivity in health institutions due to mortality and morbidity. For example it is reported that in 1999, death rates of serving cadres in the Zambian health service were 0.4 percent for doctors, 4.0 percent for clinical officers, and 3.1 percent for nurses (Macwan'gi *et al.* 45). As a result of such attritions due to AIDS, the government is forced to continuously recruit health workers to fill the gaps.

Table 2.3 indicates 50 percent more training is required for nurses to cope with the demands. This means that huge amounts of resources are diverted to training of health personnel at the expense of other sectors such as roads, agriculture, tourism and communications. This has had an adverse impact on the general performance of the economy and has contributed to increasing poverty levels in the country (Kamocha *et al.* 2005: 13).

Table 2.3: Additional recruits required to offset AIDS mortality in the health sector

Cadre	In post 2000	Estimated annual AIDS deaths	Current Annual Training output	Increase in training output required (%)
Doctors	698	3	42	7
Clinical officers	1,264	35	44	80
Nurses	8,500	298	593	50

Source: Central Board of Health, 2004.

The Costs of HIV/AIDS Among Professional Staff in the Zambian Public Health Sector quoted by Macwan’gi *et al.* Capacity Issues in the Public sector: What we know and what can be done in the context of HIV/AIDS: Health Sector: 48

2.7.5 Impact HIV/AIDS on the education sector

As with other social sectors, HIV/AIDS has had a devastating impact on Zambia’s education system. HIV/AIDS has adversely undermined the capacity of the sector to provide good quality education. The impact on teachers' mortality is high especially in view of the observed clustering of HIV/AIDS in the most productive age group. This has led to loss of trained teachers and lecturers thereby negatively affecting the standard of education in Zambia. According to Macwan’gi: 2004, 680 teachers died in 1996, 624 in 1997 and 1,331 died between January and October 1998. Over 1,600 teachers died of AIDS in 1999 alone. Macwan’gi *et al.* indicate that overall, the Ministry of Education estimates that about 1,500

leave the sector through attrition against 700 which are trained annually from colleges. This leaves a gap of 800 teachers. This gap means that the country cannot maintain the quality of education unless continuous training is put in place (Kamochoa *et al.* 2005: 13; Macwan'gi *et al.*: 26-27).

The implementation of the MDGs on education will clearly be negatively affected by this high level of attrition in the education sector and it is unlikely that Zambia can achieve the MDGs by 2015 partly due to the impact of HIV/AIDS.

One of the major impacts of the pandemic is the growing number of orphans and its implications for the capacity of the education sector. Data from CSO indicate that there were 13 percent of the total population as orphans in 1996; this increased to 19 percent in 2003. In actual numbers, this entails that there were about 900,000 orphans in 2003 from 13 percent of the total number of children in the 1996 out of the total population of 9.3 million (CSO LCMS 1996: 111).

These orphans are more vulnerable not only to HIV/AIDS but also less likely to attend education thereby negatively affecting the quality of the labour force for productive activities in Zambia.

2.7.6 Policy implications

The pandemic has also absorbed a large share of hospital resources; for example in 1992 HIV/AIDS related illnesses accounted for about 30 percent of hospital beds and 43 percent of outpatients. (Ministry of Health 2002) HIV/AIDS is already absorbing a substantial share of health sector budgets and human resources, with the consequence that other pressing health problems are receiving lower shares.

The care situation is especially bad for people living in poverty. HIV/AIDS prevalence is believed to be highest in shanty town areas ('compounds'), where escalating poverty and increasingly overcrowded conditions mean that there are few places, if any, where people suffering from HIV/AIDS related illnesses can receive help, care and shelter. The

introduction of user fees for use of public health services is restricting access to public care services to the better off. For this reason, the government was forced to divert resources from growth sectors such as agriculture to hospitals to care for AIDS patients. This also affected investment decisions at the micro level. All the above factors lead to reduced income and productivity due to expenses incurred for treatment and funeral costs. This negatively affected household assets, consumption and investment (not paying for school fees) and heavy psychic costs on individuals. In this regard, important dynamics include children/surviving family returning to rural family bases or children/surviving family becoming absolutely poor and living on streets and/or adopting risky behaviour to survive (prostitution). Within this context of poverty the inter-generation effects of the HIV/AIDS epidemic in Zambia kill economically active adults leaving dependent children and grandparents (*PRSP Progress Report 2004*: 44, Macwan'gi *et al.* : 26-27; Kamocha *et al.* 2005: 13). The reaction of the government was to round up the street kids to take them to camps but this did not yield the results as more street kids surfaced.

More generally, the economic cost of the HIV/AIDS pandemic in the labour market is somewhat camouflaged by the fact that the majority of the labour force works and lives in the non-formal sector such that the economic consequences of the disease cannot be directly captured. While the economic consequences in the formal sector are directly visible for the secondary labour market in particular, the existence of surplus unemployed and underemployed will tend to deflate the negative impact as queuing surplus labour easily replaces those in formal employment through HIV/AIDS deaths or emaciation.

According to the Economic Commission for Africa (ECA 2003)¹¹ at sub-regional level, the annual per capita growth in half the countries of Sub-Saharan Africa is falling by 0.5-1.2 percent as a direct result of AIDS and by 2010, per capita GDP in some of the hardest hit countries may drop by as much as 8 percent. Annual basic care and treatment for a person with AIDS (without antiretroviral drugs) can cost as much as 2-3 times per capita GDP in the poorest countries. The report further states that:

¹¹ See full report in ECA, *Labour Markets and Employment in Southern Africa: The Employment and Development Nexus*, July 2003.

“The World Bank has noted that AIDS worsens poverty and threatens social stability; it increases expenditures on public health; it compromises the human rights of those living with AIDS; and that it has enormous economic costs as it negatively affects the productivity of those affected who are working, reduces that part of that labour force that is productive, and raises costs of caring for those who are ill to households and firms.

It is in this respect that issues of poverty, gender and employment loom large in the African context in general, and in Southern Africa in particular” (ECA 2003: 96).

2.7.7 Gender considerations in HIV/AIDS

Attention generally is turned to the impact of the disease on formal employment. As noted earlier, this sector only accounts for a small proportion of the labour force but is more visible and important in terms of the income and revenues it generates for each country. This sector is also primarily male dominated and characterized by an occupational distribution of labour based on gender in which women are concentrated in the occupation, which are again more vulnerable to HIV/AIDS, or in which, if an individual is affected by the disease, the consequences in terms of continued employment are compromised. In Zambia, the current strategy focuses on the vulnerable groups of women and children. (Economic Commission for Africa 2003: 97)

2.8 Conclusion

This chapter indicates that Zambia has a lot of potential, which can contribute to the development of the country if exploited in various sectors such as agriculture, mining, tourism and manufacturing. Despite having this potential, little was achieved during the period under review due to many factors, which need to be investigated. The policy framework during the review period did not create the necessary environment for participation of all stakeholders and as a result several policies were not successfully implemented. It is for this reason that Chapter 3 starts considering in detail at the policy development framework, the weaknesses and the possible ways for effective policy

development and implementation in Zambia. This thesis investigates these factors and thereafter proposes a framework for policy development and implementation.

CHAPTER 3

POLICY DEVELOPMENT AND IMPLEMENTATION AND THEIR POLITICAL CONTEXT IN THE POST-LIBERALIZATION ERA IN ZAMBIA

3.1 Introduction

Chapter 2 indicates that Zambia has a lot of potential in land, forestry, fisheries, wildlife, water and mining, which if properly exploited could bring about accelerated development. (Kamuna interview 2005). However, this has not been the case and poverty levels have continued to worsen. The major reasons for this have been the poor policy environment and lack of a planning and consultative model during the review period. According to the survey results, seventy-eight (78) and thirty-nine (39) percent of the individual and council respondents respectively indicated that poor policy development and lack of consultations led to high programme failures and to higher poverty levels in Zambia in the 1990s and beyond. (See section 6.4). This chapter builds on the conclusions in Chapter 2 and investigates the reasons for lack of development as linked to poor policy environment focusing on the political economy of Zambia during the review period. (Khondowe interview 2005, Kapinga interview 2005, Kasanda interview 2005) Provincial Development Coordinating Committee (PDCC) North-Western, PDCC Ndola interview 2005, PDCC Mansa interview 2005, PDCC Chipata interview 2005, DDCC meetings in Lusaka, Luapula, Central, Copperbelt, Eastern and Northern Provinces 2005).

This chapter discusses the policy development and the political economy of Zambia in the 1990s and beyond. The chapter covers issues related to policy formulation, implementation and the influence of the political, economic and social systems under Presidents Kaunda, Chiluba and Mwanawasa respectively and further examines the linkages between macro and microeconomic performance and the influence of political systems and different political interest groups. In order to see the influence of different interest groups, the chapter first

examines the issues of policy development and implementation and the impact on poverty, and finally discusses the impact of globalization in Zambia in relation to the Millennium Development Goals.

This chapter validates the argument that the poor performance of the Zambian economy in the 1980s, 1990s and beyond was in part a result of the influence of elite politicians and business persons in government on policy development and implementation and the poor performing civil service (Khodowe interview 2005, Kapinga interview 2005, Kasanda interview 2005, and Mendamenda interview 2005). This chapter also justifies the argument that lack of a clear planning framework in the 1990s led to an inconsistent policy environment resulting in poor performance of the economy. (Salimu interview 2005, Sikabanze interview 2005, PDCC North-Western, PDCC Ndola interview 2005, PDCC Mansa interview 2005, PDCC Chipata interview 2005, DDCC meetings in Lusaka, Luapula, Central, Copperbelt, Eastern and Northern Provinces 2005, Hachipuka interview 2005).

3.2 The breadth of policy-making in Zambia

3.2.1 Theoretical background to policy-making

A number of scholars writing on the failure of Zambia's development strategy identify the causes as natural disasters such as drought, floods, global economic factors (such as the fall in copper prices, deteriorating terms of trade, and rising oil prices) and the content of policies being implemented during the 1970s up to 1990s.

Policy development has a multi-dimensional character that is dynamic and not in a constant state depending on the changing socio-economic conditions of the country. Thus, policy development should not be devoid of aspects of government business such as political, legal, economic, social and cultural dynamics. Because of its broad nature, policy development should be broad based and all embracing and should involve as much as possible all stakeholders to ensure that the process is accepted and owned by the people. This is the only sure way for policies to gain support from the beneficiaries during implementation and beyond.

Several definitions and assumptions on policy formulation process have been advanced by several authors. In defining the policy formulation process, Edella Schlager (1999) points out 'that policy process connotes temporality in unfolding of actions, events and decisions that may culminate in an authoritative decision which at least temporarily, binds all within the jurisdiction of the governing body' of the organization or institution. He views the process of policy formulation as very important in the context of planning and development. Thus, according to Edella Schlager (1999) model development places 'great importance on the structure, the context and the constraints of the process' Edella Schlager (1999). Despite the author's emphasis on the process of policy formulation than the implementation, this thesis proposes a complete cycle, which includes the importance of implementation and monitoring and evaluation. In general one may conclude that this thesis proposes policy formulation process, which could be looked at as a framework as well as a strategic planning model since it covers the entire cycle from formulation to monitoring and evaluation. The model focuses on systemic and macro features of central and local government institutions including communities below the district. The emphasis is on the processes of public policy formulation as opposed to the private sector institutions policy formulation processes though there are a lot of similarities.

According to Hughes (2003: 113), public policy is very important as it directly or indirectly influences management of public affairs, which in turn determines the pace of development and standard of living of the people. The policy process creates an avenue for interaction between the stakeholders and the state. Hughes identifies two terms commonly used by policy scholars ie policy analysis and political policy analysis. He defines the former as models using mathematical models and abstract statistics to arrive and recommend policies while the later uses the impact and results of policies with a focus of decision-making and policy formulation Hughes (2003: 113).

Looking at the above explanations by Schlager (1999) and Hughes (2003), one can conclude that policy development is a conscious goal selecting process, which is undertaken by stakeholders in a decision-making process and should include both action and inaction decisions. It is the process that aggregates related and isolated decisions over a period and for

this reason, policy pronouncement by a government should not be seen as the end but as the start of a series of alternative considerations (Saasa 1985: 309). According to Hughes (2003:113) public policy can be defined as :

1. A declaration of intent over a period of time to resolve a problem affecting particular society or section of the society.
2. general rules governing future behaviour which impacts government decisions.
3. A selected line of action to influence development.

The above definitions points to the fact that policy defines intended action by the state or organization to solve a specified problem. Policy development is based on the assumption that goals are specified, the reasons for carrying them out are ascertained and the consequences of implementing or not implementing them are assessed. The sources of policies differ and can come from political parties, interest groups, donors, local communities etc. Hughes (2003:114) states that...

' no one really knows where policies are derived other than through internal political processes of government. In these processes bureaucracy (civil service) is as important as political actors and so are the outside interest groups''.

The other important consideration is the role of institutions, cultural factors and social economic conditions. Within this context, it is important to note that public policy development faces a number of constraints such as those related to institutional set up, cultural influences and considerations as well as availability of political will and resources.

In the history of public policy studies there has been initially over emphasis on the use of statistics as a way of defining policy. Hughes (2003:117) identifies several empirical methods, mostly used in policy analysis such as Benefit Cost analysis, Decision theory, Optimum analysis, Decision trees and SWOT analysis. Some of the approaches that focussed so much on statistics are erroneous as other factors such as political acceptability influence policy formulation.

Butter (1998) explains that policy is an interaction of economic principles, which has, to do with normative and positive science. In positive science, economists give adequate and un-

biased description of economic reality and mechanisms, which governs economic behaviour. On the normative side, economists give description of insights of the working of economic mechanisms. According to Butter (1998), it is the interaction of the two that defines economic policies. This approach to policy making has been criticised because economic models have emphasised statistical adequacy rather than historical performance of the models as there has been no single value chain going from model builders to policy makers (Butter 1998:444).

Sabatier (1991), another known scholar on policy, concludes that any theory and practice of government policy formulation and implementation requires understanding of the behaviour of major stakeholders such as the judiciary, legislature, interest groups, the media and the general public. Using this argument Sabatier (1998) indicates that policy models should emphasise the role of specific institutions as well as communities in the policy making process. He further indicates that policy-making process should go beyond the traditional institution and include the following:

1. Policy communities and networks- This should include all stakeholders at all levels of the society such as national, provincial, district and sub district.
2. Substantive levels of policy making- This focuses on the use of research and policy champions.
3. The role of elites- These have a lot of influence in specialised areas such as the question Genetically Modified Organisms (GMO) crops in Zambia where universities and research institutions have more to say than the general public.
4. Longitudinal studies- These are long term studies such as the Living Conditions Monitoring Survey done by CSO.

Sabatier (1998), conceptualises policy formulation process as being at three unrelated levels and streams i.e. at the problem stream level consisting of information about real world problems and the effects of past government performance, at policy stream level, consisting of communities composed of researchers, advocates who analyse problems and suggest solutions and at political stream level consisting of elections, legislature and general leadership at various levels.

Sabatier (1991) points out that even in USA, the execution of domestic policy involves numerous agencies and interest groups at all levels of government including researchers, academicians and other policy communities. In summary, Sabatier concluded that in order to have good representative and democratic policies you need “understanding of the policy process looking at intergovernmental policy communities or sub systems composed of bureaucrats, legislature, interest groups, media etc (Sabatier 1998: 148). Sabatier concludes that this policy formulation approach is positive as it includes policy communities thereby removing rigid institutionalism (Sabatier 1991: 151).

Sabatier (1999) classified policy formulation as being in two categories one process being inductive while the other being deductive. According to Sabatier (1999), the ‘inductive process arise out of accumulation of facts from a variety of empirical studies which are synthesized into a set of coherent propositions’ Sabatier (1999:265). This approach is criticized on the assumption that facts can be observed unmediated with certainty in a real world. This may not always be the case. On the other hand, the deductive approach focus on the identification of a set of fundamental axioms and definitions and getting from them a set of propositions upon which policy formulation is based. The weakness of this approach according to Sabatier (1999) is that... ‘it assumes that theories are developed in a vacuum, unconstrained by perceived irregularities in portions of the phenomena of interest’ Sabatier (1999:265). In the real world, you can hardly find a process, which is purely inductive or deductive but usually a combination of some kind.

Brinkerhoff Derick W. and Nicolas. P. Kulibaba (1994), indicates that participation in policy formulation is a broad concept covering the questions of What, Who and How in the process of policy formulation. The deals with the models of policy formulation that is similar to the model by Hughes covering analysis, design/adoption, implementation and monitoring and evaluation. The Who categorises the key actors in the policy process similar to the ones identified as policy communities by Sabatier (2003). To answer the question of participation, Brinkerhoff et al (1994) identifies three levels of participation in policy formulation in Africa and these are:

1. Economic performance perspective mainly related to analysis of structural adjustment programmes of the 1980s in Africa as a basis for policy choices and formulation. The emphasis was to formulate policies to get the economies back to growth and to limit government participation in the economic life of the countries. Largely, this approach of policy formulation in Africa did not include the majority policy communities but the technocrats (Brinkerhoff et al (1994:2).
2. The political economy stream draws parallels between the role of the state and the power distribution between the powerful international financial institutions such as the IMF and the World Bank and the individual countries. The influence of these institutions largely excluded the participation of local policy communities and did not take into account the local conditions of participating countries.
3. The role and technical capacities of key institutions in participating countries.

Brinkerhoff et al (1994) makes a number of conclusions regarding participation in policy formulation in Africa. Firstly, he points out that increasing indigenous demands beyond the 1990s for policy analysis has increased African ownership of the policy reforms in Africa. Despite this change in Africa, he points out some weaknesses in the process such as that policy formulation is still conducted by small technical teams and a closed cycle of national actors and that decision makers see little need to consult beyond symbolic tightly managed opportunities for popular ratification of policy choices already made (Brinkerhoff et al (1994:3).

Saasa (1985: 310) identifies three policy development models being applied in most developing countries. The first one is the input-output model, commonly called the rational model. This model is linked to the goal setting tradition and the democratic concept as well as the welfare functions. The weakness of this model is that it ignores the fact that individuals also influence policy development. In addition, Saasa (1985: 311) indicates that most stakeholders are generally ill informed about policy development issues and leave the elite to fashion mass options in policy development and implementation. Following this argument, policy development in Zambia can be attributed more to the elite than all stakeholders and is, therefore, not a product of demand and has no support from the masses.

Saasa identifies two stages in the input-output model. At the first stage or the input level, the problem is identified, information becomes available and subsequently policies are formulated. At the second stage or the output stage, the impact of the policy is experienced. These assumptions in the absence of well-organised systems and resources make their application difficult. The other weakness of the rational model is that in most developing countries there is generally unavailability of accurate and timely information for decision-makers or stakeholders, lack of analytical capacities, weak financial capacities and poor institutional and organizational structures (Saasa 1985: 313). This leads to quick fixes and poor implementation results of policies.

Hughes (2003:119) outlines a model of policy development as follows:

1. Identification and formulation stage. This stage defines the existence of a problem such as high drop outs of girls from school, high unemployment among the youth, high maternal mortalities etc.
2. Adoption stage. This stage will confirm the problem among the communities, which may be done by collecting and analysing quantitative or qualitative information.
3. Implementation stage. This involves the execution of policy strategies to reach the goals and;
4. Evaluation stage. This is a comprehensive review of the execution of strategies to see the positive and negative impacts of the policy.

This process does not differ from other suggested steps by other scholars as quoted by Hughes (2003) such as the following:

1. Problem formulation.
2. Search for alternatives.
3. Forecasting the future.
4. Modelling the impacts and;
5. Evaluation (Hughes 2003:119).

The above policy development model show the importance of aiming at defining the problem correctly in order to come up with a correct policy, which will help to solve the problem

rather than compound it. As Hughes (2003:120) points out this is not an easy task especially in the public sector where there are so many competing and conflicting demands in such areas as health, agriculture and welfare. The second critical stage is to establish an evaluation criteria of the policies which should not only consider costs of getting the goals achieved but should also consider such dimensions as acceptability, efficiency of resource use, effectiveness and equity. The actual evaluation can be carried out through techniques such as brainstorming, research and experiments. Hughes points out that:

“ the nature of the problem and types of evaluation criteria will suggest the methods that can be used to evaluate the policies. People should avoid the toolbox approach with dealing with every evaluation with your favourite method whether it linear programming in decision analysis or cost benefit analysis... It has been said that when the only tool of analysis is a hammer, then all problems will look like nails” . Hughes (2003:120).

The third stage of the theoretical process is to carry out the evaluation of different policies where different policies are compared for and against points in terms of strengths and weaknesses. On the basis of the above, policy makers can then select the preferred policies to solve the problem.

As can be seen from the above processes, the policy development models follows a logical way and the justification for this is that policy development is a way of thinking about problems, analysing data and suggesting appropriate policies (Hughes 2003).

On the other hand, Hughes 2003 indicates that there are several weaknesses of the policy development models such as policy makers laying too much emphasis on statistics (numbers), over emphasis on politics, which is not always rational, and the abstract nature of problems. The other point is that policy formulation models can be undemocratic unless all stakeholders agree on the outcome of the process. As a result, of these weaknesses, there are several policy failures and reversals. As Hughes points out “ if the rational model were to be strictly followed, many rational decisions would have to be compromised because they would not be politically feasible” Hughes (2003:124).

3.2.2 The Institutions involved in policy formulation in Zambia

In order to discuss the policy formulation process one needs to consider the institutions and institutional arrangements that drives these processes and analyze their strengths and weaknesses. The Zambian Government has three main arms comprising the Executive, the Legislature and the Judiciary. The Executive comprises the President, the Vice President, Ministers; the Legislature or Parliament (which comprises the President and the National Assembly); and the Judiciary (which comprises the Supreme Court, the High Court, Industrial Relations Court, Subordinate Courts and Local Courts). These institutions through their processes influence directly or indirectly policy development and implementation in Zambia. In general, the Executive arm of the Zambian Government has overall responsibility for policy formulation and implementation in consultation with the other two wings.

In Zambia, the policy process has four stages and these are the formulation stage, the adoption stage, the implementation stage and the monitoring and evaluation stage. The stages are discussed below (personal experience 1982-2005, Sibon Development Consultants 2004: 3)

a) The formulation stage

The initiation of policy formulation is usually at the ministerial and/or department level but sometimes it comes from political pronouncements by the President, such as the Mulungushi and Matero Declarations by President Kaunda. Whatever the source, the lead ministry's chief executive officer (usually the Permanent Secretary) defines the problem and presents this to the Minister after which a Cabinet Memorandum (CABMEMO) is prepared and cleared by the Minister responsible for that ministry. At this stage, the CABMEMO is circulated to all ministries for their comments within the specified period of 14 days. After 14 days, the CABMEMO is submitted to the Policy Analysis and Coordination (PAC) Division at Cabinet Office, which carries out administrative processes to prepare the CABMEMO for presentation to Cabinet (personal experience 1982-2005).

b) **The Adoption Stage**

This is the stage when PAC submits the CABMEMO to Cabinet for decision-making after the minister has given justifications for his or her recommended actions in the CABMEMO.

c) **The Implementation stage**

The implementation stage takes place when the Secretary to the Cabinet conveys the decision of Cabinet to the lead ministry, responsible for its implementation. The conveyance is copied to other ministries for their information.

d) **Monitoring and evaluation of policy formulation and implementation**

The lead ministry, PAC and Cabinet Office within the policy implementation framework, does the monitoring and evaluation.

3.3.3 Weaknesses in policy formulation and implementation

- Absence of guidelines for policy formulation to the majority of stakeholders.
- There are weak linkages between policies and the macro and fiscal framework.
- There are no apparent linkages between legal provisions and the policy making process.
- Policy development does not involve some stakeholders such as civil society, the public and the recipients of the outputs at all levels.
- Access to guidelines is limited to senior government officials. The rest of the public service has no access to them making it difficult to participate fully in policy development and implementation.
- The role of Cabinet Liaison Officers is not institutionalized in their functions but additional to the core functions. The PAC policy development process is lengthy and complicated and needs a full-time person.
- Conveyance of Cabinet decisions is restricted to Cabinet Ministers and Permanent Secretaries only and the decisions are contained in secret documents, which makes

- them not accessible to the general public and their implementation is then subject to the interest and personalities of the recipients.
- There are no detailed M&E guidelines to the implementer such as targets, inputs, outputs, outcomes and impacts and stipulation of sanctions for failure to implement the policies.
 - In the current arrangements, the President is a Minister with nine (9) provincial Deputy Ministers reporting directly to him. However, there is no link between the President and Deputy Ministers in provinces in terms of policy development and hence provinces do not have an opportunity to propose any policies for submission to Cabinet. They are passive recipients of policies that are sector-based.
 - The District Commissioners are active participants in policy development and implementation but the current structure operated by PAC does not include them, which distorts the real situation on the ground. These continuously make policy pronouncements without the official consultative process prescribed by PAC and they have direct contact with the President. This causes confusion in policy implementation.
 - The materials given to Cabinet Ministers usually do not carry sufficient information to allow Cabinet make informed decisions. This results in poor Cabinet decisions, which are difficult to implement and may entail recommendations taking long to be considered by Cabinet.
 - According to Chitala, Deputy Minister of Finance (interview 2004), the problem in policy development is that key stakeholders, such as the political party in power and its political manifesto, are not sufficiently taken into account in the policy formulation process. As a result, policies are not related to party philosophies. This creates a problem in implementation. For example, during the review period despite that agricultural loans were given with the principle of paying back, party manifestos gave contradictory messages and loanees regarded them as gifts from the Government. Sixty-four (64) and fifty-two (52) percent of individual and council respondents respectively indicated that policy contradictions in Zambia have contributed to poor performance of programmes and projects. Further, a hundred (100) percent of the chiefs and Members of Parliament (MPs) indicated that policy

- contradictions and frequent shifts were a problem in Zambia. (See section 6.4)
- All the documents sent to the Secretary to the Treasury and Permanent Secretaries are returned to Cabinet for custody. Thus, there are no reference materials in ministries especially where there is no institutional memory as a result of high attrition rates. This creates further problems for policy implementation. Related to this, there is no database relating to Cabinet decisions and policies adopted at Cabinet Office or in ministries for reference. Thus, contradictory decisions are made; there is even repetition of decisions on the same subject. Moreover, there are delays in conveyance of decisions to implementers. Conveyance can only be done after confirmation of minutes, which may take several weeks before another meeting takes place. In the process, decision makers forget the decisions earlier made and end up making contradictory decisions.
 - The policy documents do not indicate the sources of funds and, when such resources are required, only block figures are indicated. There is no forward planning in policy development in Zambia. Every policy is a priority and the PAC has no capacity to evaluate the policies in terms of national strategic focus based on national and international development agendas. This means that they process every submission without question. Related to this, the ministries always avoid consulting the Ministry of Finance and National Planning for fear that the Ministry will object to the financial requirements and shoot down the policies.
 - The other problem in policy implementation is that there is no feedback from ministries to Cabinet on how they have gone ahead to implement the policies. This is worsened by lack of a monitoring mechanism by Cabinet Office. Thus, once a policy or a CABMEMO is approved, it is shelved and the ministry starts to prepare another one. Success is measured by how many policies a ministry has prepared and not their implementation.¹²

Sibo Consultants (2004: 23) propose that in order to strengthen policy development and implementation in Zambia the following activities need to be undertaken at each of the stages

¹² The information in this section on weaknesses in policy formulation and implementation is from Khondowe 2004, Salimu 2005, personal experience 2004-2005 and Chisanaga 2005.

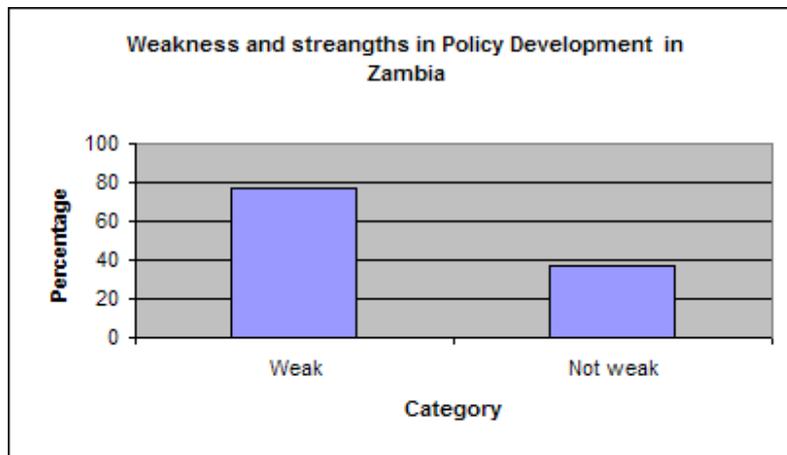
as follows (these are currently not being done):

- a) Policy initiation: At this point the following are undertaken — identification of policy matter to be dealt with; identification of the main stakeholders of the proposed policy matter such as Ministries of Finance and Justice; indication of the probable impacts on finances, economy and the communities.
- b) Technical analysis: At this stage the following should be undertaken — specification of the main objectives to be achieved; collection of data; in-depth analysis of the issue at hand both quantitatively and qualitatively; consideration of policy options, and their likely effectiveness; and recommendations on policy options.
- c) Policy consultation and formulation — presentation of policy options to stakeholders inside and outside government; identification of policy impacts on various groups in society, for example women, children, the youth, the aged, farmers, etc.
- d) Policy decision-making — preparation of final draft policy; circulation of the proposed policy for government consultation, incorporation of views and submission to Cabinet; decision-making by Cabinet; and conveyance of decision.
- e) Policy communication — issuance of a circular to all concerned; development of communication strategy.
- f) Policy implementation — development of an implementation strategy, targets, inputs, outputs, outcomes and impacts, and investment planning, specifying the budgetary requirements.
- g) Monitoring and evaluation — development of mechanisms and instruments for M&E and institutional mechanisms to carry it out.

Analyzing the problems of policy development and implementation in Africa, President Yoweri Museveni of Uganda (2004) stated that there was need for African countries to clear their policy problems for them to develop. He further stated that the policy problem has continued to be the main hindrance to the development of many African countries in the last 47 years, hence the need to work seriously on this as many African countries have come up with policies that are not working for them; this has caused them to remain backward. His views have been supported by Brighton in the case of Zambia. (Brighton Phiri 2004).

According to Chitala (interview 2004); the major weakness in policy development and implementation at the technical level in Zambia is government interference and; not allowing the public to contribute to the formulation of policies. The long time government takes to approve and implement a proposed policy; the lack of capacities in ministries and provinces; and the lack of mechanisms to monitor their implementation. Chikwanda (interview 2004) indicated that the weakness of policy development in Zambia is the time it takes to initiate a policy and to implement it. It takes such a long time for the process to finalise to the extent that by the time a policy is implemented the essence of justification may have fallen off. Related to this, Chikwanda indicated that staff in ministries are not trained in policy development and analysis and this makes it difficult to appreciate the process. On the other hand, Khondowe (interview 2004) points out that even though Zambia has many policies in many sectors, financial and other resources to implement them do not back these policies. As a result, Zambia suffers from poor implementation of policies. Further, Khodowe indicates that there have been always contradictions in policies within and among sectors because of lack of stakeholder consultations. Mpepo (interview 2004) indicated that policy development especially during liberalization and privatization was a reserve of government and as she put it “NGOs were informed but not consulted and hence their views and inputs were not taken into account”. Figure 3.1 below shows the results of the survey on the topic of policy development and implementation in Zambia for individual respondents. Figure 1 shows the weakness of policy formulation in Zambia.

Figure 3.1: Weaknesses and strengths in policy development in Zambia



Source: Based on data from primary survey results conducted by the author 2004/2005

Figure 3.1 show that 78 percent of the respondents indicated that policy development, systems, and institutions were weak in Zambia. The weaknesses are in terms of lack of trained human resources, equipment, financial resources to carry out consultations and lack of clear mechanisms for monitoring and evaluation. The other related problem is frequent policy shifts and contradictions in policies. Out of the total individual respondents, 64 percent indicated that policy shifts was a major problem in Zambia. On the other hand, the respondents indicated that apart from weak institutions and frequent policy shifts, there is also the problem of poor policy implementation due to lack of capacities by institutions as well as lack of resources.

3.2.3. Public service delivery systems and weaknesses

Katundu (interview 2004) and Kondowe (interview 2004) indicated that since the mid-1990s, the Public Service has experienced a decline in real pay and conditions of service, which has affected its performance, productivity and quality of service delivery. Increasingly, with erosion of real pay came the depletion of scarce motivational capital in the Public Service because many public servants pursued an exit strategy, leaving government employment or using working hours and public resources to engage in their own income-maintenance strategies. The increasing loss of human capital and other problems have had negative

implications on the operations of the Public Service. (Katundu interview 2004, Zulu interview 2004, Macwan'gi 2005)

A number of factors compound the declining quality of service delivery such as the lack of facilities in the public sector, such as computers, office equipment, poor remuneration and lack of training to create capacities in ministries and provinces as well as declining allocations in real terms to education, health and other sectors. Further according to Katundu (interview 2004) the falling public service delivery is also due to lack of networking and information flow among the ministries and provinces, compounded by the impacts of the Public Service Restructuring Programme (PSRP), which apart from reducing numbers, did not offer induction courses to the new staff; this contributed to their poor performance in the 1990s. In analyzing this problem Hantuba (interview 2004), pointed out that the major problems that contributed to the poor performance of the public service are the departure of qualified personnel for greener pastures,. This is compounded by low funding for operations, which means that public servants are only getting their meagre salaries without carrying out expected operations as they lack equipment and non-implementation of new approved structures, which has contributed to the lowering of the morale of the workers. Other factors contributing to declining quality of service delivery are reduced work effort; declining levels and expectations in performance due to poor remuneration; poverty; diminishing ability to recruit and retain key professional and technical staff; and weakened accountability and control procedures/mechanisms, high rate of attrition and slow rate of staff replacement. The system also lacked monitoring mechanisms to assess performance (Mendamenda interview 2004; personal experience 2004).

In the past, efforts aimed to enhance salaries and conditions of service of public service workers. These, have however, become ad hoc in nature and approach and mainly reactive to pressures. They have lacked a systematic approach and policy context and lag behind inflationary trends. The effect has been a continuation of the erosion in the real wages and a de-motivated workforce. Because of this, productivity has gone down in the public service, which includes the local authorities. In local authorities, the situation is even worse as councils are usually several months in arrears of salary and wage payments. This also affects

policy formulation and implementation. Khondowe (2004) indicated that a number of factors contributed to the poor performance of the public sector such as poor performance of the economy, dependency on government, corruption, lack of good management systems (transparency and accountability), over-politicization of the public service and misplacement of human resource through appointing people to jobs that they do not deserve. Further, there has been failure by the PSRP to improve conditions of service of public servants. On the other hand, Khondowe (interview 2004) indicated that there have been some positive elements in the public service such as the redefinition of roles of ministries through the preparation of strategic plans. In addition there was some reduction in numbers of the civil service (from 200,000 in 1990 to 104,000 in 2000 (PSCAP 2000: 6) to make it lean and focused and the introduction of new performance assessment instruments, which were supposed to produce positive attitudes among the officers. However, the refocusing of the civil service and the institution of positive attitudes did not happen. This has contributed to the decline in the performance of the public service, thereby affecting the public service's mandate to facilitate development.

In conclusion, one sees evidence that the performance of the public service deteriorated during the review period and this resulted in reduced accessibility to services by the public.

3.3 Public Service Reforms

According to Sibon Development Consultants (2004: 3), the objectives of the public reforms, which started in the 1990s, were to improve capacity to analyze and implement public policies to enable government perform its appropriate functions. Secondly, the focus was on effective management of public expenditure to meet fiscal stabilization objectives, and lastly to make the public service more efficient and responsive to the needs of the country's population. These reforms were implemented in order to address the weaknesses discussed in section 3.3.3 and 3.3.4 above. The general goal was 'to create an affordable, efficient, effective and responsive Public Service that will provide quality and cost-effective services to the people of Zambia' (Sibon 2004: 21; PSCAP 2000: 4-6) In order to achieve these objectives, the Government obtained a loan from the World Bank to finance the reforms,

which started in 2000. Further, Government established in 1993 the Policy Analysis and Coordination Division (PAC) at Cabinet Office, which deals with policy development and implementation.

One of the objectives of these reforms was the strengthening of policy development and implementation. The focus on improving policy development was based on the observed weaknesses in the system as specified in the Public Sector Capacity Building Project (PSCAP 2000: 4-6) document indicated below:

- Few staff in line ministries has received the kind of training needed to equip them with necessary skills to generate and evaluate policies or offer alternative positions.
- Mechanisms are not in place through which the beneficiaries, implementers and other stakeholders can effectively participate in policy decisions with the consequence of low levels of understanding, ownership and commitment.
- Adequate systems and skills are absent to enable the public service thoroughly analyze policy options or verify resource availability for carrying out preferred policy options.
- Lack of protocols for analyzing consistency of policy proposals within the existing legal provisions; and
- Inadequately developed institutions and individual capacities to organize the implementation of policy decisions, development of mid-term corrections and for long-term monitoring.

3.4 Weaknesses in policy implementation in Zambia

3.4.1 Introduction

Poor policy development and implementation has affected the performance of the economy and subsequently increased poverty levels. The sections below explore policy performance and the weaknesses of the institutional arrangements for policy development.

3.4.2 Weaknesses in policy development and implementation

Considering policy development and implementation in Zambia, one finds serious weaknesses in the public sector that affect efficiency in the development of policies. For example, Cabinet guidelines have not institutionalised policy development in the operations of government ministries. Thus, this activity is carried out as a by-the-way function and has no appointed officers in any department. For this reason, there is lack of clear definition of the public sector's role in relation to the private sector and civil society, particularly in respect of the definition of public policies, and regulation of relations within society and the resolution of conflicts arising from its state operations and relationships between and among ministries (Khondowe interview 2004, Mpepo interview 2004). Related to this is the lack of mechanisms and forms of participation by organizations and representatives of civil society, local communities, as well as the private sector, in the management of issues of public interest including policy development, which has affected the quality of implementation effectiveness in addressing the development agenda in Zambia. For this reason, 100 percent and 90 percent of the individual and council respondents respectively indicated that lack of stakeholder participation led to failures of policy implementation during the liberalization and privatization era. (Mpepo interview 2004, Salimu interview 2005, Sikabanze interview 2005, PDCC North-Western interview 2005, PDCC Ndola interview 2005, PDCC Mansa interview 2005, PDCC Chipata interview 2005, DDCC meetings in Lusaka, Luapula, Central, Copperbelt, Eastern and Northern Provinces 2005, Hachipuka interview 2005).

The other problem is the tendency for public sector organizations to perform some functions over and above their main jurisdictions, which means that they remain unfocused to carry out their mandates specified in the strategic plans developed under the reform programme (Sibo Consultants 2004: 24, Personal experience 1982-2005). This is compounded by lack of monitoring mechanisms to ensure compliance (Mpepo interview 2004, Salimu interview 2005, Sikabanze interview 2005, Zulu interview 2004, PDCC North-Western interview 2005, PDCC Ndola interview 2005, PDCC Mansa interview 2005, PDCC Chipata interview 2005, DDCC meetings in Lusaka, Luapula, Central, Copperbelt, Eastern and Northern Provinces 2005, Hachipuka interview 2005). Considering the strategic plans in place for most

ministries, one can conclude that there is failure, insufficiency or inadequacy in the definition of public sector organization objectives and their role in policy formulation and implementation. This was compounded by the inadequate size of the public sector and lack of prioritising in relation to the scarcity of state resources.

The definition of public policies is not consistent with goals and principles conducive to their effective management (feasibility, coordination, monitoring and assessment of objectives and results/impact assessment) and clearly not linked to the national development agenda such as the TNDP and the PRSP. Secondly, public policies and their strategies are not always, as a rule, made compatible with the resources required to make them viable objectives, particularly in the case of State plans and budgets. Thirdly, there is no defined system or process for formulating public policies, so formulation practices are desperate and highly influenced by politicians in power with little regard to the development agenda (Personal experience 2003, Sibomwa Consultants 2004, Chikwanda interview 2004, Mpepo interview 2004, Khondowe interview 2004, Katundu interview 2004). Fourthly, there is no organized flow of information to support the taking, monitoring and assessment of Cabinet decisions for consistency and relevance. Fifthly, analysis of public policies is not yet an institutionalized specific technical activity nor is it incorporated in work programmes of officers such as the position of Cabinet Liaison Officers (they are a by-the-way function). Sixthly, the process of defining policies on a sector-by-sector basis does not define synergies across and among policies and their impacts such as the relationship among ASIP, ROADSIP and BESSIP. Further, there is insufficient coordination and guidance of the international community's involvement in the process of defining policy as it relates to the international development agenda such as the Millennium Development Goals and the official development assistance such as the HIPC initiative. Lastly, in the case of Zambia, consultation is not yet compulsory with entities that are or may become affected by public policies and for this reason, should be considered as stakeholders in such policies (personal experience 2003, Sibomwa Consultants 2004, Zulu interview 2004, Chikwanda interview 2004, Muyawanyoka interview 2004, Khondowe interview 2004, and Katundu interview 2004).

In order to have a desirable system in policy formulation and implementation, policy formulation should have policy identification and formulation, technical analysis, policy consultation and formulation, policy decision-making, policy communication, policy implementation and monitoring and evaluation. In order to improve the process the following should be undertaken:

- a) detail the technical issues of the process (Technical Memorandum of Understanding to be developed based on the existing Cabinet Handbook);
- b) Initiate a process that allows the initiating ministry to carry out initiation, technical analysis and policy consultation.

After Cabinet has passed a policy it should undergo Cabinet conveyance and policy communication to institutions that are going to be implementers. Several factors lead to failure of policy development and implementation in Zambia. Firstly, the lack of a clear definition of the public sector's role in relation to the private sector and civil society particularly in respect of the definition of public policies, and regulation of relations within society and also the resolution of conflicts arising from its functioning. Secondly, the incomplete institutionalisation of the responsibilities and the mechanisms for participation by organizations and representatives of civil society, particularly local communities, as well as the private sector has posed problems, which have affected quality of policies as well as implementation. Thirdly, the tendency for public sector organizations to perform some functions over and above their main jurisdictions means that they remain un-focussed to carry out their mandates specified in the strategic plans developed under the reform programme. This is compounded by the absence of monitoring mechanisms to ensure compliance. Fourthly, there is failure, insufficiency or inadequacy in the definition of public sector organization objectives and their role in policy formulation and implementation. Lastly, the inadequate size of the public sector given the nature and scale of the services to be provided, the scarcity of state resources and the sustainability criteria for public services has affected the policy formulation and implementation processes in Zambia.

It is important to consider the effect of poor policy development and implementation on the sectors of the economy during the review period. If one considers the agricultural sector

during the review period, one finds that President Chiluba's Government hurriedly privatized state enterprises in the sector such as the National Agricultural Marketing Board (NAMBOARD). This affected the development of food security and consequently hunger fell on many vulnerable groups. Notwithstanding the fact that significant amounts of resources were mobilized for food relief to cushion the effects of hunger in those areas. In similar manner, there were numerous retrenchments of extension staff in the agricultural sector at lower levels under the Public Sector Reform Programme (PSRP) that led to the collapse of the extension services and as a result, productivity dropped thereby affecting food security and triggering food imports. All policies that were not discussed with stakeholders' particularly civil society and other interest groups such as the farmers' unions affected agriculture growth resulting in lower investments in the sector and total neglect of long-term strategies such as irrigation development and research. (Salimu interview 2005, Sikabanze interview 2005, PDCC North-Western interview 2005, PDCC Ndola interview 2005, PDCC Mansa interview 2005, PDCC Chipata interview 2005, DDCC meetings in Lusaka, Luapula, Central, Copperbelt, Eastern and Northern Provinces 2005, Hachipuka interview 2005). This further constrained the expansion of the agriculture sector. Correspondingly, the ability of the sector to provide agricultural credit collapsed after the closure of Lima Bank and other similar organizations. This resulted in many rural farmers going out of production. Further, the land policy, developed in the 1990s, was done without much consultation, as a result traditional leaders rejected it and acquisition has remained problematic inhibiting investment in the sector. Investors take up to 5 years to acquire land further creating an environment for corruption. The other reasons are the effect of the weather through droughts and floods particularly in the Western and Southern Provinces. According to the *Economic Report* (2002: 97) during the review period, agricultural contribution to GDP dropped from K189 billion in 1998 to K175 billion in 2002 representing a drop of 12 percent.

In the social sectors, there were clear policy contradictions. For instance, the policy of free basic education did not go with expansion of classroom blocks and the provision of teachers and facilities such as desks and other learning materials. Even though the overall enrolments in basic education marginally increased by 7.2 percent between 1997 and 2000 (*Economic Report* 2002: 98) the number of basic schools did not correspondingly increase thereby

defeating the objective of providing access to quality education. The result was the mushrooming of low quality community schools in urban areas. On the other hand, the policy of cost sharing in health reduced access to health facilities thereby endangering vulnerable children and mothers to curable diseases such as measles and malaria. (See Figure 6.3 on policy contradictions).

3.5 Political systems, structures and policy formulation in Zambia

3.5.1 Power structures and decision-making process under President Kaunda

In analyzing the decision-making processes under Kaunda, one needs to consider a number of issues related to this subject and answer questions related to the political processes and the role of different interest groups. In this section, the analysis focuses on the period between 1973 and 1991. This is the period when the *Zambian economy* under Kaunda went through turbulences in terms of performance and received the greatest impact from external shocks such as the oil prices and the fall in copper revenues. (Mwanza *et al.* 1992) In the wake of these shocks, the Kaunda Government including the volatile off-on relationship with the IMF and the World Bank (WB) undertook a number of decisions and manoeuvres. The question to be answered is to what extent did interest groups influence these decisions in Zambia under Kaunda? In answering this question, Saasa (1994: 12) indicates that a “distinctive feature of *Zambian politics* under Kaunda was the dominance of the one and only political party (the ruling United National Independence Party – UNIP) and the high degree with which opposition to government policy was challenged and suppressed”¹³. In similar lines, Jan Kees (1995) points out that the opposition to Kaunda became stronger as the economy was going down due to external factors such as falling copper prices. (Kees 1995: 198) On this issue Kees concluded that economic decline in the Kaunda era was seen as being related to lack of democracy due to presidentialism and the one-party state as the politically privileged groups monopolised economic life and destroyed it. (Kees 1995: 194) As could be imagined, full participation of different interest groups was very difficult since government did not take in criticism and challenge. (Mwanza *et al.* 1992). As Kees (1995) concluded, Kaunda considered himself above parties and did not like debate with those who criticised him. (Kees 1995: 194).

¹³ ‘Saasa (1994)’.

During the period under review, the only organization that raised its voice against the Structural Adjustment Programme policies was the Zambia Congress of Trade Unions (ZCTU). (Kees 1995: 198). For example in 1985, the ZCTU challenged the SAP measures such as the wage freeze; price decontrols; removal of subsidies; and retrenchment. (Mwanakatwe 1994: 187). The ZCTU, drew its strength from the mine workers union .Being the largest and strongest union in the country, they used this strength to challenge the decisions of the government. The mine workers had the courage to challenge government because of their position in the economy representing the strategic copper mining industry, which contributed more than 70% of GDP and 90% of export earnings (*Economic Report* 1985). The challenge of ZCTU to Kaunda was a cautious one and not a complete rejection of the SAP principles and thus the ZCTU supported the move towards privatization and relaxation of government restrictions on foreign investments. (Saasa 1994: 13). It should also be understood that civil society organization and infrastructure was not fully developed in Zambia at that time except for trade unions in the mining sector.

Other interest groups such as student unions supported the opposition of the trade unions to the SAP. Such kind of opposition was compounded by the deteriorating socio-economic performance of the economy during the same period. This created a favourable environment for popular opposition to government policies in the context of the falling incomes and standard of living in general. Considering the period under review, Saasa (1994: 13) has pointed out that the deteriorating conditions were as a result of “the poor performance of the productive sectors and their inability to retain and reasonably remunerate labour and the high rate of inflation growth and its impact on *real* incomes of formal sector employees.” (Saasa 1994: 13, Kees 1995: 198)

The poor performance of productive sectors made the real income of formal sector employees to fall by 58% between 1983 and 1991. (Saasa 1994: 13). With this deterioration in real wages, the Zambian workers could no longer meet basic needs and consequently there was discontent in the nation and increasing opposition to SAP, which was believed to increase the suffering of the workers through redundancies. By October 1985, pressure on Kaunda and his government through strikes had increased and consequently Kaunda announced the abandonment of the SAP programme in May 1987. The food riots of 1986, which claimed some lives on the Copperbelt,

compounded the situation. Other negative factors during the same period, which assisted these changes, were the impact of the auction system of foreign exchange, which led to the devaluation of the Kwacha. The system was also the principal explanatory factor during the period for hyperinflation and the consequent loss of the average Zambian's purchasing power. As a result of these developments, "demand declined sharply; many small private sector industries closed down. Parastatal enterprises, despite enjoying preferential treatment from the state, experienced severe liquidity problems especially since the abrupt decontrol and upward adjustment of interest rates, commendable though the policy could be in the longer term, adversely affected production in the short-term by making borrowing prohibitive" (Saasa 1994: 15, Mwanza *et al.* 1992: 137). Further, Saasa (1994: 13) concludes that the other economic impacts resulting from the SAP were the decontrol of imports, which resulted in the short-term and subjected local industries to extensive and crippling competition and fiscal deficits because of the depreciation of the Kwacha and resultant inflation. This also resulted in the fall of government revenue and expenditure in real terms on capital projects. The fall in expenditure on capital projects resulted in poor provision of basic services, which contributed to a further fall in the standard of living of the Zambian people.

Saasa (1994: 15) reports that in real terms, the 1987 government expenditure on capital investments was more than 70% **lower** than that for 1974. The above picture tells a lot about the quality and cost of living in Zambia during this period. From being one of the most promising economies in Africa during the 1960s and 1970s, Zambia became one of the poorest. Mwanza *et al.* (1992) report that the share of gross capital formation during the TNDP period fell to 14.3 percent against the target of 29 percent (Mwanza *et al.*: 130). The trade unions with the motive to push for abandonment of the IMF/WB engineered SAP reforms quickly exploited this situation. This thesis concludes that the trade unions and the student unions were the major pressure groups that put pressure on the Kaunda government to make major policy shifts during the period 1983 to 1991. Apart from these pressure groups, Kaunda had also an internal struggle within UNIP to deal with. Among his Ministers Kaunda had persons who were pro-west who supported the IMF/WB reforms. (Personal experience 1982-2005, Mwanza *et al.* 1992).

The question that needs to be answered; is to what extent was Kaunda influenced by the realities of the economy to get to this SAP despite the socialist inclination and the opposition from interest groups such as the students and the trade unions. From the analysis above, the economic situation was clearly worsening and getting out of hand and Kaunda remained with no meaningful option. (Though the interim plan – Growth from own resources plan of 1987 – could be described as successful, the World Bank labelled it as a failure in order to pull Zambia towards their designed economic management programmes and to seek assistance from the international community through the IMF and the World Bank) (Mwanza *et al.* 1992: 143). Thus, despite growing opposition to the introduction of the SAP from special interest groups, the magnitude of economic distress played an important catalytic and overbearing role in forcing Kaunda to go for a largely externally determined SAP. The donors to determine the content and pace of the reforms without any meaningful consultations internally took this pressure on Kaunda to reform. Thus, the reforms were a product of external actors. This situation increased the pressure on the government by trade unions to review the conditionalities and benchmarks for IMF support. Even within Cabinet, there was no consensus on the road map and the content of the SAP; as a result his own Ministers who were not convinced that the programme would work were isolating Kaunda. It is clear that there was no agreed upon national vision to guide the nation on these major policy shifts. (Sikabanze interview 2004, personal experience 2000). This created favourable conditions for return to SAP principles by President Kaunda in 1989.

Mwanza *et al.* 1992 indicates that the overall objective of the SAP was to introduce free market economy. Within this, the following measures were introduced:

- devaluation of the Kwacha
- removal of all price controls except for maize meal (the country's staple food);
- introduction of a flexible interest rate regime;
- introduction of a dual exchange rate that facilitated the adoption of a market-determined rate and the government-determined one; (the two rates were merged in April 1991); and
- simplification of import licensing with the introduction of an Open General Licence (OGL) system (Mwanza *et al.* 1992: 143).

Along with the above measures, the Kaunda government undertook to support the liberalization principles to enhance a competitive environment; foreign investment promotion; private sector development; and trade liberalisation. This policy shift retracted the other bilateral donors to pledge resources for Balance of Payments (BoP) and programme and project assistance. This, however, did not bring down the already mounted pressure on the Kaunda government to abandon the one-party state assisted by the political wind of change sweeping through Africa. Thus, the political wind of change that increasingly worked against a one-party system swept out Kaunda's government in favour of the pro-west President Chiluba, leader of the militant Zambian trade union movement, who took over the reign of power after multi-party elections on 31 October 1991 (Personal experience 1991, Mwanakatwe 1994: 224).

Considering the above analysis, one can conclude that the trade unions at least succeeded in raising awareness among the people of Zambia to start organized resistance to the Kaunda government and managed to capture the power of the state as evidenced by the government's action to backslide in May 1987 on its policy of restructuring. Though this was a temporary situation, it set the stage for popular revolts against the UNIP government (Mwanakatwe 1994: 189).

Apart from the trade unions and students, there are other interest groups worth mentioning such as the farmers' unions and the business community. Although the farmers were affected by the reforms through restrictions on subsidies, they were not an organized force to bring sufficient pressure on President Kaunda's Government due to constant suppression by the supremacy of the party, UNIP, since the introduction of the one-party state in 1973. The other interest group was the business community. The business community, like the farmers' organizations, did not constitute a unified powerful lobby group like the mineworkers' union. During the period under review, civil society had not developed in Zambia, there were limitations to access to information and there was no framework to allow all stakeholders to participate in national issues. Thus, the private sector remained fragmented and each industrial sub-sector in Zambia tended to plead for its own special needs and requirements and usually bargained with the government independently of other sub-sectors. For example, in the SAP area of trade policy, there was a strong division among industrialists regarding trade liberalisation policy and its

likely impacts on their operations. Because of this fragmentation, there was no organized resistance to the introduction of SAP by business people. Such institutions as the Zambia Association of Chambers of Commerce and Industry (ZACCI) in the private sector did not represent a strong lobby against the Kaunda government. Thus, these groups did not influence the nature and content of policy development and implementation in any major way in Zambia under the one-party state of President Kaunda's authoritarian regime. President Kaunda monopolized the power structure at the highest level and made his government to possess considerable latitude over indigenous (as opposed to external) private interest groups (Saasa 1994).

During the Kaunda era (particularly the period between 1987 and 1989), there was a clear absence of strong institutions of democratic representation, which left President Kaunda to dominate decision-making on national visions and agendas with impunity. Saasa (1994) and Mwanawina and Mulungushi (2003) conclude that because of this one man show, the policies that emerged were usually scantily understood and appreciated by the rest of the country's leadership and, as a result, the state usually failed to defend the policy shifts and to implement them successfully. In general, however, policy development and implementation during the period under review was influenced by poor economic performance, but the detail of the structure and content of the reforms was externally induced and depended largely on the guidance of external actors. According to Zulu (interview 2004), the reform agenda was influenced by external forces such as the IMF and WB who do not understand the local situation and as a result they fail to improve the livelihood of the people. Internally, the nature of the political system lacked adequate institutional structures especially in sectors outside mining to influence policy development and implementation. However, the resistance from the mining and student unions set the stage for civil society participation in policy development and implementation. As Saasa (1994) put it:

“It is noteworthy, however, that the opposition that the trade union movement in Zambia brought to bear on Kaunda's government after SAP was put in place, signalled the emergence of a sensitive civil society that ultimately developed enough clout to challenge the government into capitulation, particularly considering that the latter's political survival was at stake following such intervening developments as the liberal wind of change that

swept the continent calling for democracy and good governance. The pressure groups' leverage was further strengthened by the somewhat weak adjustment responses as expressed in terms of the demonstrated declining economic record and the considerable degree to which it negatively impacted on incomes, employment and productivity. Kaunda's 1987 decision to reverse the decision to continue with adjustment demonstrated not only the absence of a strong and internally cohesive government that was capable of 'selling' its vision of adjustment to the people but, equally important, the non-home grown character of the reform design and process. This conclusion is reinforced by the fact that the government actually sided with its opponents in May 1987 when it decided to unilaterally abandon SAP and criticized the IMF and the World Bank for being insensitive in their conditionalities" (Saasa 1994: 29).

3.5.2 Politics and administration under President Chiluba's government

The SAP reforms brought about increase the price of the staple food, maize, by over 100% in June 1990 and this quickly sparked off riots ending up with deaths especially in Lusaka and the Copperbelt, which in itself increased the momentum and pressure on Kaunda for multi-party democracy. Because of such pressures, Kaunda announced on 29th June 1990 that there would be a referendum on 29th October to decide on the issue of return to multi-party democracy. Sichone (1996: 3) further points out that in the preceding period more pressure was exerted on UNIP and Kaunda as the masses rejected the idea of the referendum in favour of direct change of the constitution and holding of elections. This led to the 25th UNIP National Council, the highest policy making body of UNIP, to approve the return to multi-party democracy on 24th September 1990. Consequently, Parliament endorsed the change of the constitution in early December, which President Kaunda signed on 17th December 1990 (Sichone 1996: 3).

The change of government from President Kaunda to President Chiluba took place on 1st November 1991 after peaceful elections and handover. The birth of this third Republic was through a very rapid and loose alliance made up of academics, disillusioned politicians, lawyers, trade unions and businesspersons. The bias, however, was towards businesspersons

and trade unionists. This followed the general world trend to democratize after the fall of the Soviet block and the specific Zambian socio-economic factors that obtained in the late 1980s. Locally, the conditions for this rapid change in Zambians were created by the continuous bad performance of the Zambian economy in the decade between 1980 and 1990. This poor performance created an atmosphere of uncertainty and became a platform for popular revolt against the Kaunda government. As Sichone *et al.* (1996: 2) put it “the move towards political pluralism should be understood against a backdrop of continuing social and economic crises which were increasingly viewed as having been brought about by President Kaunda’s mismanagement....the youth of the 1980s had never known any leader apart from Kenneth Kaunda and could thus blame nobody else for their increasing poverty.” One would, conclude therefore, that given the global movements on democratization and economic stagnation in Zambia, the political change would have come with or without the leadership of such a person as President Chiluba. The other factor that worked against Kaunda and the UNIP system was the re-introduction of the IMF/WB SAP programmes, which among other things emphasized the liberalization of the economy. (Zulu interview 2004, Mpepo interview 2004).

The results of the general elections held on 31st October 1991 are presented in Table 3.1.

Table 3.1: Presidential and Parliamentary Election Results, 1991

Presidential	No. of votes	Percent of votes
FJT Chiluba	972,753	75.5
K.D. Kaunda	310,761	24
Parliamentary		
MMD	125 Seats	83.4
UNIP	25	16.6

Source: Sichone et al. 1996: 10

This clear victory by President Chiluba marked the end of the Kaunda era and his neo-socialist policies and a shift to neo-capitalist open economy principles that have dominated

most of the 1990s and the new millennium years in Zambia. As indicated above, most of the challenge for UNIP and Kaunda came because of the poor economic performance of the 1980s. Since Kaunda was associated with, the philosophy of Humanism, which in principle was socialist inclined, this philosophy and the economic management associated with it was linked to economic failure in Zambia. The Chiluba government came with the explicit aim of dismantling Kaunda's socialist political foundation (Sichone 1996: 4). To this end, the IMF/WB SAP provided a strong instrument to achieve that. Thus, the challenge on Kaunda was strongest from pro-capitalist economists and politicians as could be seen from the backgrounds of the people who won elections in 1991 compared to those who were in power in 1988 under Kaunda. This is shown in Table 3.2.

Table 3.2: Occupational classification of MPs under Kaunda in 1988 and Chiluba in 1992

Occupational background (MPs)	Year (1988)	% 1988	1992	% 1992
Politicians	29	23.2	29	19.1
Businessmen/women	41	32.8	60	40
Teachers/Lecturers	21	16.8	19	12.7
Civil Servants	9	7.2	3	2
Unionists	2	1.6	2	1.3
Farmers	2	1.6	2	1.3
No information	15	12	19	12.7
Total	125	100		100

Source: Sichone et al. 1996: 46

The Movement for Multi-Party Democracy (MMD) achieved a landslide victory in the October elections of 1991. The major setback during the Third Republic in the 1990s was the devastating drought in 1992 and 1996 caused by the El Nino weather conditions. The second setback was the effect of the reforms, which were implemented especially on the labour market due to liberalization of the economy. Several industries closed down and many people lost employment. On the other hand, there were no foreign investments as was anticipated.

Added to this are the copper prices of the late 1990s that saw the pullout of Anglo American Corporation from Konkola Copper Mines and the collapse of Roan Antelope Mining Corporation of Zambia (RAMCOZ) in Luanshya. The mining sector was characterized by low outputs due to non-capitalization coupled with low copper prices on the London Metal Exchange (*Economic Report 2003*: 47, Ministry of Mines 2003).

Macroeconomic stabilisation has proved difficult since the beginning of economic liberalisation in 1991. As a result, the SAP targets were missed and the domestic inflation rate increased markedly reaching an annual rate of 300% before stabilizing to the average 40% and remained above 20% between the mid-1990s and mid-2000s. (*Zambia: Country Economic Memorandum 2004*: 10)

Despite the ragged performance on stabilization, the government undertook remarkable steps in the implementation of widespread and fundamental liberalization measures. The most remarkable of these occurred in foreign exchange and asset markets.

The other public policy measure introduced after 1992 was the cash budget aimed at managing deficit financing. This had a negative effect in terms of making resources available for implementation of capital projects.

In analyzing the strengths and weaknesses of the political systems and their impact on the economy in Zambia one is compelled to briefly comment on the Kaunda regime. This is because Kaunda was in power longest of the three presidents, and the present Zambian economy has much to do with the principles of the Kaunda era from 1964 to 1991. Kaunda put up infrastructure, most of which exist today in Zambia. As Mwanakatwe put it “despite the setback brought about by the liberation wars and the fall in copper prices, immediate post-independence developments surpassed by far what the colonial administrators had achieved in 70 years of colonial rule. “Kenneth Kaunda will be remembered for many years for building sound socio-economic infrastructure...it is the vision and the vigour with which the development programmes were conceived and implemented during the first 10 years which will endure the passage of time.” (Mwanakatwe 2003: 157) This is true to the extent

that Kaunda built most of the infrastructure in existence in the 1990s immediately after independence, such as roads, schools, and hospitals including agricultural colleges and other training institutions.

Kaunda was an authoritarian President who had to come to grips with every detail of the Party (UNIP) and its government in Zambia and their operations. He had under scrutiny the activities and operations of his Ministers and top civil servants. However, through the supremacy of the party and the diffusion of the party structures in government, the system was over-politicized. Kaunda had to manage views of strong camps; on one side, he had the pro-socialist 'stone throwers' (the pro-nationalists) and on another he had the 'Munali boys' who were mostly pro-west. Kaunda vacillated between the two pendulums depending on the decision to be made; for example, the breaking of relations with IMF in 1987 supported the nationalist stone throwers. Eventually, Kaunda managed to make the stone throwers superior to the Munali boys by making the party superior and calling it the 'Party and its Government' in 1978. Kaunda vacillated between left and right but each time he was faced with making public his choices, he would go the socialist path through his philosophy of humanism. For this reason, Kaunda became very inconsistent in economic management strategies trying always to please the two camps. This was demonstrated by Kaunda's breaking relations with the IMF in 1987 and coming back to them in 1989. (Mwanakatwe 2003: 157, Sikabanze interview 2004). According to Ndumingu (interview 2004), the economic measures were necessary to revitalise the performance of the economy under the Kaunda administration.

Chiluba and the MMD government came in with the notion of changing this situation though for the top civil servants nothing really changed as appointments were still on patronage basis for the supporters of the MMD campaign against Kaunda and those who were neo-capitalist in ideology. Compared to President Kaunda, President Chiluba could be described as one who gave more autonomy to the Ministers and top civil servants to make decisions whether right or wrong. By this strategy Sichone (1996: 58) and Mwanawina and Mulungushi (2003: 22) conclude that the policies and decisions taken on how to implement them were in most cases contradictory. Sichone (1996: 58) further concludes that Chiluba was seen in many respects as a weak, indecisive leader who was unable to control his colleagues and uphold state sovereignty against external pressures.

The principle of appointing many loyalists to Cabinet and Deputy Minister Levels was common to both Kaunda and Chiluba. Under Chiluba, 58 MMD loyalists were given ministerial and other top jobs in government. Thus, because of the principle of collective responsibility, they could not effectively oppose President Chiluba nor put pressure on him to take decisive decisions quickly in the interests of the nation. The case of drug dealers and Ministers involved in misappropriation of funds remaining in government for months are examples of this fact (Sichone 1996: 58). Another example is when Chiluba tried to ignore the Constitution and stand for the third term. Many MMD loyalists supported his attempts while the few who opposed him were labelled as dissidents and victimized, though in the end they won the day. This leadership style did not only encourage corrupt practices but also affected the economic management and eventual release of funds to the country by donors. This same argument is true for Kaunda in terms of appointing vocal people to higher positions thereby silencing them from opposing the decisions he made alone at State House.

Evaluating Chiluba's decision-making as related to the performance of the economy, one would say that some macroeconomic indicators were affected positively as well as improvements in the repair of some delapidated infrastructure. Further, there was an increase in production levels in productive sectors such as tourism, construction and banking. There was also in the early Chiluba years high response from the donor community in terms of making both loans and grants available (see Chapter 4). These positive indicators diminished due to lack of growth in the productive sectors of agriculture, mining and manufacturing. The reasons for the failure are:

- The rapid reforms that were put in place by the MMD government from 1992 influenced negatively on the economy. The speed of the reforms and over-reliance on the principles of the free market economy (market forces to allocate resources efficiently) without well thought out safeguards and planning mechanisms to direct development was one of the contributing factors to the poor performance of the economy. In general, the economy performed badly during the first few years of Chiluba's 'new culture' administration due to various reasons. The agricultural sector was affected by the removal of subsidies, poor rural infrastructure and poor marketing arrangements and the promissory notes system made the sector uncompetitive and

frustrated the farmers. This coupled with the lack of capacity by the business community to fill the gap left by the government affected production in the sector. Due to this policy, subsistence agriculture and food production for the local market plunged into crisis as a result of the emphasis on export-oriented agriculture and specialized cash crops in a desperate attempt to sell to the international market. This suppressed food security policies thereby leaving the local population vulnerable to international capital in terms of food aid and manipulation of local initiatives and led the IMF and WB to push for short-term adjustments at the expense of long-term development strategies (Zulu interview 2004, Sikabanze interview 2004, and Yamba interview 2004).

- The other reason is that market forces could not effectively deal with public goods such as infrastructure, health, education and water and sanitation as their emphasis was on short-term profit making ventures to make quick profits.
- The private sector lacked experience and seed capital and had limited coverage and hence found it impossible to cover remote areas with the poor state of rural roads.
- The manufacturing and other sectors became uncompetitive due to influx of cheap imported finished goods from Zimbabwe and South Africa. (personal experience 1991-2000, Kasanda interview 2004, Chilikwela interview 2004, Sikabanze interview 2004).

As a result of the haste with which the privatization programme was implemented, the following happened:

- i) The real value of companies was not realized.
- ii) The balancing act was absent between selling companies and property. In most cases, the so-called buyers were only interested in property owned by companies and not running the companies. Other companies came in to make quick money during the tax holiday period and sold off immediately after that and left, such as Supreme Furniture and Smart Centre, both South African companies.
- iii) The Chiluba government abandoned planning, which became an excuse and a platform for mismanagement because of lack of accountability, as there were no programmes to hold government responsible to. For this reason, Chiluba's

- government can be described as a ‘Vampire State’ as it was patrimonialised by political elites for their own personal profits judging by the amount of economic and political corruption that emerged during its 10-year rule.
- iv) There has been increase in quasi-deficits resulting from hurried negotiations to sell companies such as the Roan Antelope Mining Corporation of Zambia (RAMCOZ), Konkola Copper Mines (KCM), Mansa Batteries as well as Zambia National Commercial Bank (ZANACO), etc. This brought pressure on the budget thereby increasing deficit financing and worsening the fight for macroeconomic stability.
 - v) There was mass unemployment because of the Public Service Reform Programme (PSRP) and sale of parastatals in the post liberalization era (personal experience 1991-2000, Kasanda interview 2004, Chilikwela interview 2004, Sikabanze interview 2004). Another point is that there was stripping of assets by employees themselves when they realised that the benefit to be realised from their respective companies were minimal.

Continuing on this argument and assessment of the impact of reforms under President Chiluba, Saasa (2001: 2) using the criteria of turnover for privatized non-mining enterprises made the following conclusions:

- Based on turnover data deflated by the Consumer Price Index (CPI), almost two-thirds of the companies declined within the 1992-2000 period. However, a majority of large companies showed a growth rate and the majority of smaller companies’ experienced negative growth.
- In aggregate, real turnover results indicate a steady decline prior to 1998 and virtual stagnation since. However, larger companies showed turnover improvement after 1998, with smaller companies showing steady decline through 2000.
- All companies show a drop in employment levels since 1996, with larger companies showing a steeper drop than smaller companies. Overall, real turnover per employee declined through 1998, but has recovered since to 1996 levels, the median year for privatizations. For the largest companies, real turnover per employee has rebounded to the levels of the early 1990s. For smaller companies, productivity has stagnated in recent years.

- Larger companies show operating losses in 1998 and 1999, with a small profit in 2000, and smaller companies show sustained losses from 1996 to 2000. However, the manipulation of profit/loss data for tax purposes must be taken into consideration in evaluating these trends.
- Larger companies account for the majority of capital investment.
- A sharp drop in small company sales volume prior to 1996 suggests gross under-reporting of performance data in the run-up to privatization.

Further, Saasa (2001: 2) analyzing company performance based on pre- and post-privatization trends in company performance came up with the following conclusions with regard to the privatization process in Zambia:

1. Indexing real turnover to the year of privatization of each company reveals an aggregate 'privatization curve' for these companies: a steep decline to the year of privatization, a slight rebound in the following two years, and a modest decline in years three and four of the post-privatization period. Despite the initial rebound, most companies have not recovered to real turnover levels of the early 1990s.
2. Larger companies follow the standard privatization curve, but show a more moderate decline before privatization and a stronger rebound after privatization than smaller companies.
3. The standard privatization curve does not hold for mining supply companies, which continued to do poorly after their own privatization due to the drag effect of delayed mining privatization.
4. All other sectors follow the standard privatization curve, with the agricultural sector and the food and beverage sector showing the sharpest initial decline and strongest post-privatization rebound.
5. Performance by companies purchased through competitive bid sales follow the standard curve. Performance by companies purchased through pre-emptive rights sales (usually to foreign investors holding minority shares and a management contract) was unaffected by privatization. Performance by companies purchased through management buy-outs show a continuous and steep decline.

6. Companies with low inter-dependence with copper mining follow the standard privatization curve. Companies with medium inter-dependence follow the standard curve, but show a sharper recent decline that may reflect efforts by the new mining owners to diversify supply sources. Companies with high inter-dependence with copper mining did not follow the standard curve, showing no post-privatization rebound until four years later, coinciding with privatization of the mines.

7. Companies purchased by Zambian investors showed a sharper decline in performance prior to privatization. It is possible that Zambian investors were attracted to firms with a strong record of accomplishment within a highly protected environment, which declined rapidly in a liberalized environment. However, little difference exists in post-privatization performance between companies with indigenous or foreign owners.

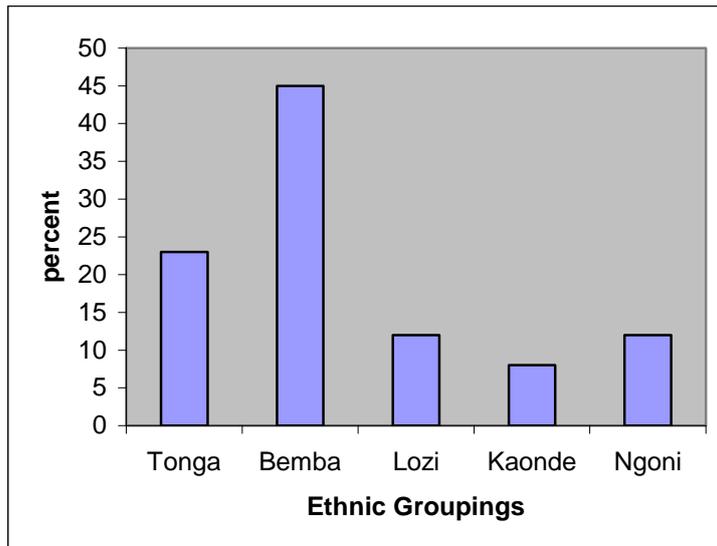
For the above reasons, one can conclude that Chiluba's government was over-committed to market forces he understood little about the effects that haphazard privatization and liberalization would have on the economy.

On the political front, the successful political transition from a one-party dictatorship back to multi-party democracy in 1991 soon became of concern due to the ruling party's intolerance of the opposition. The opposition was perceived to be an enemy rather than a partner in the governance of the country. Non-governmental organizations were also seen in the same light, more so in that they seemed to compete for financial assistance from the same donors. The lack of transparency, accountability, unrestrained ethnicity and corruption were some of the major factors constraining economic recovery since the mid-1990s. The questions that need to be answered at this stage are which interest groups influenced policy development and implementation under President Chiluba? Secondly, why did the alliance that pushed President Kaunda out of power not hold beyond 3 years after 1991? To answer these questions, one needs to have a closer look at the political systems under President Chiluba's government.

Considering the structural composition of President Chiluba's Government, it marginalized five out of seven of Zambia's major ethnic groups. The Bemba-speaking group of Luapula

and Northern Provinces, which together only constituted 21 percent of the country's population (CSO 2000: 6) had 45 percent of positions in government (Figure 3.2) (Mwanawina 2003).

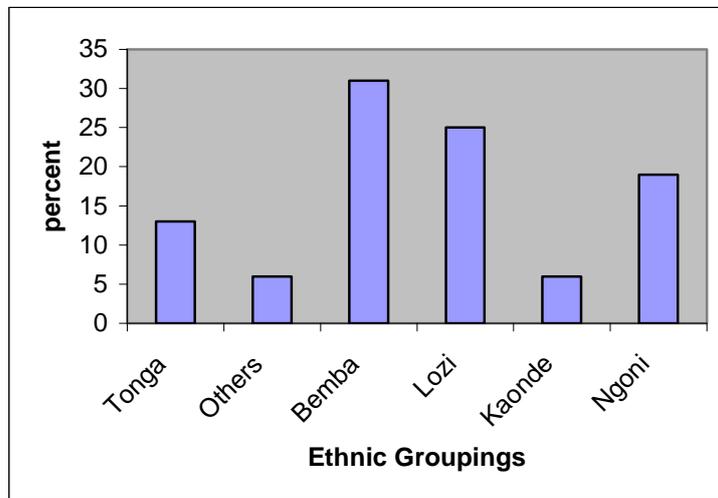
Figure 3.3: Composition of Chiluba's Government, 1999



Source: Mwanawina and Mulungushi, 2003: 54

This group's dominance was less pronounced in 1964 under the Kaunda government when they accounted for 31 percent of the Cabinet portfolios (Figure 3.2). The current Mwanawasa government reduced the Cabinet positions of this group from 45 percent to 34 percent in 2002.

Figure 3.2: Composition of Kaunda's Government, 1964



Source: Mwanawina and Mulungushi, 2003: 54

The Chiluba government failed to reform effectively the economic environment for the producers and businessmen/women largely due to corruption and bad governance. Thus, it was under this administration that the economy recorded its worst performance ever with the growth in GDP per worker declining by an average of -2.6 percent in the period 1990-2000. Apparently, the Chiluba administration was largely composed of failed businessmen and unscrupulous unionists (Mwanawina *et al.* 2003).

Management appointments in the civil service and quasi-government institutions were not only made on political lines but ethnic ones also, which severely compromised the quality of management and tolerance of opposing views. Furthermore, the lack of accountability led to misallocation of the scarce financial resources. Chiluba's Vampire State ended in a situation of economic inducement to people in power and high level generalized corruption in all sectors of the economy; erosion of political instructions was replaced by close-knit circles of personal loyalties to Chiluba. Consequently, resource allocations and expenditure were made and processed according to the logic of personalized accumulation and not connected to the urgent need for Zambia to fight poverty.

To summarize President Chiluba's era and style of leadership, one would say that he gave too much leeway to Ministers and Permanent Secretaries to define and implement policies that were not only contradictory but had no relationship to the resource envelope. For example, between 1995 and 2000, Cabinet considered and passed more than 15 policies whose resource requirements were several times the annual GDP (MoFNP 2002). However, the most serious shortcoming of the Chiluba administration was the total lack of state capacity to put in place mechanisms to implement programmes and increasing magnitude and cases of corrupt practices by people in power. Thus, although Cabinet approved a number of policies and plans, no implementation mechanism was put in place. .

It is important at this stage to consider specifically how different interest groups participated in policy development and implementation in the Chiluba government. As indicated under President Kaunda's government, civil society was not sufficiently strong to exert any meaningful pressure on the government. However, under Chiluba, this situation rapidly changed and this change was made possible with assistance from the donor community who insisted that civil society should participate in defining the national development agenda and the contents of cooperation programmes such as the HIPC and PRSP process.

During the period 1991 to 1994, the Chiluba government was on honeymoon with a lot of support from the cooperating partners. For this reason, Chiluba and his Ministers managed to fast-track reforms without major opposition from interest groups. Besides, the same interest groups brought Chiluba to power. The interest groups and the government believed that a rapid transformation was necessary to save the economy from total collapse. Thus, the government of President Chiluba accepted and accelerated the implementation pace of SAP. The newness of the government and the peaceful transfer of power provided a positive recipe and autonomy from the internal interest groups in policy development and implementation. The magnitude of the popular demand for change proved to be so overwhelming that the opposition literally died, at least temporarily. During this 'political honeymoon' period, President Chiluba's government could do things that would have been violently opposed under Kaunda's period, a phenomenon that suggested that newly formed governments are more likely to be better adjusters than old ones. The new government was quick to take advantage of this

and undertook sweeping liberalisation and stabilisation measures. The major reasons for speedy reforms premised not only on the newness of the Chiluba government, but also on the general trend in economic reforms that followed the collapse of the Soviet block. (Sikabanze interview 2004). Another factor was the realization that the costs of not reforming were higher on the general economic performance of the country compared to implementation of the reforms (at least theoretically). Saasa (1994) concludes that, “against the above realization, there is little disagreement regarding the role of the perceived and real economic crisis in explaining why the new Chiluba government’s commitment to SAP was thorough and overwhelming without regard to the effects of such changes on the losers such as the poor and the unemployed. The existence of a hospitable external environment that extended considerable goodwill to the ‘new model’ of democratic transition in Africa; (as Zambia was coined immediately after Kaunda peacefully handed over power) evidently served as an additional catalyst for enhanced commitment to SAP” (Saasa 1994: 36).

Having considered the process of policy development and the participation of interest groups, there is need to consider the outcomes of such policies and see whose interests they were serving. It is important to indicate that the Chiluba government comprised mostly businesspersons and the academia. These are people who took advantage of the ‘newness of the government’ to push forward their agenda and to benefit from the process. It is clear from the available data that the SAP programme had severe short-term impact on the poor due to several factors such as that some firms did not adjust immediately to economic signals and price distortions. They were ill equipped to engage in effective competition after enjoying protection from the state in the Kaunda era. On the other hand, the liquidity control measures had an impact on the development agenda and greatly affected allocation of resources to development programmes in the social and economic sectors. Saasa (1994: 11) concludes that:

“the auction of treasury bills, while serving to mop up excess money supply and to finance the government’s debt, can crowd out loanable funds needed to meet the working capital requirements of firms, thereby, thwarting production.”

As for the productive sectors of agriculture, mining and manufacturing the situation was that of deterioration, at least in the initial years of SAP implementation under Chiluba. For instance, the

value of manufacturing output declined by 10% in 1991 compared to an increase of 7.8% in 1990 (*Economic Report 2000*, CSO 2000). This decline is associated to under-utilization of capacities, lack of foreign exchange and short term capital.

The *Zambian* manufacturing sector's poor performance during the 1991-1993 period can be explained principally by the following factors that are linked, directly or indirectly to the stringent reform measures. The reduced ability by most investors to import the required raw materials and equipment in a country whose productive sector has been import-intensive for close to 30 years, the slow progress in the rehabilitation of machinery and plants, liquidity problems faced by producers emanating mainly from low profit margins and restrictive high interest rates on commercial loans. Further, there was uncertainty within the parastatal firms regarding the privatisation process. This has been an important consideration in view of the *Zambian* reality where manufacturing activities were dominated by state-owned firms for as much as over 90% of manufacturing output.

The poor performance in the industrial sectors, adversely affected the balance of payment position. The above poor industrial performance had also an impact on the country's export performance. For instance, trade surplus declined by 60% between 1991 and 1992. Thus, whereas *Zambia's* trade surplus in 1991 was estimated at \$357.3 million, this declined by 60% to only \$146.3 million in 1992. On the export front, export earnings equally dropped from US\$1,103.3 million in 1991 to US\$965.9 million in 1992, a 12.5% fall. Overall, however, another aspect worth mentioning under the Chiluba government was the rapid loss of employment in the formal sector through liberalization and privatization of state owned enterprises (*Economic Report 2002: 73*).

On the political front, Chiluba quickly created enemies in his own party, the MMD. The opposition came from members of the MMD who opposed rapid economic reforms under SAP and associated corrupt practices in the implementation of the reforms and in the general management of the economy. For instance as of February 1994, almost half of Chiluba's original Cabinet members had either resigned and joined the opposition due to perceived poor governance, alleged involvement in corruption and related charges or were simply dismissed by Chiluba following mounting pressure to cleanse his government (Saasa 1994: 24). Donors at

the 1993 Consultative Group meeting also raised the issue of bad governance. Consequently the donors reacted by withholding aid for BoP support.

These developments under the Chiluba government created an opportunity for widespread opposition to the government by civil society and opposition political parties. Despite the rising opposition from interest groups such as civil society and the trade unions, the Chiluba government continued on the IMF SAP programme.

Indeed, many analysts believe that the ‘new culture’ government of President Chiluba broke speed limits in its adjustment agenda without clearly understanding the consequences, especially on the poor in the short run. From 1994, there was an emergence of special interest groups particularly of civil society as well as within political circles and within government, which strongly opposed Chiluba’s management principles. The dominance of businesspersons in President Chiluba’s Cabinet made government cohesion at the economic policy level unquestionable. All these factors seem to have led to the development of some sort of a vision for the future, which Chiluba tried to sustain throughout the 10 years of his presidency (Personal experience 1991-2001).

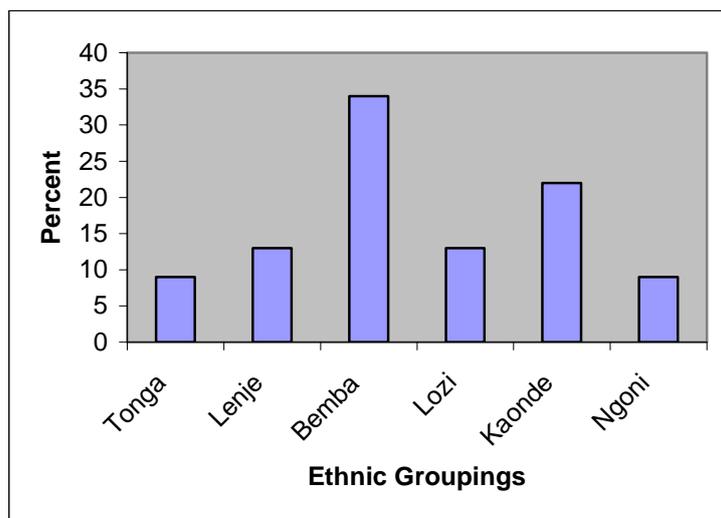
Against the above background, it can be argued, at least in relative terms, that the Chiluba government possessed a much higher governance capacity than the one it replaced. Notwithstanding this conclusion, the emergence of an effective political opposition within and outside the MMD compromised the government’s capacity to maintain its vision on course particularly when seen against the demonstrated somewhat poor economic record that characterized Chiluba’s presidency.

3.5.3 Political systems in President Mwanawasa’s government

It is not the intention of this thesis to analyze the performance of the Mwanawasa government but merely to mention some characteristics of his ‘new deal’ government to see the major thrust of his economic management principles.

At the political front, President Mwanawasa has not changed much since coming to power.¹⁴ The politics of appeasement have continued. Many analysts are afraid that through such tactics, in reality tenets of a one-party state are slowly coming back as effective opposition is being crushed. (Sikabanze interview 2005, Chisanga interview 2005).

Figure 3.4: Composition of Mwanawasa’s government, 2002



Source: Mwanawina and Mulungushi, 2003: 55

On the economic front, President Mwanawasa has gone more for a mixed economy principle as was the case in Kaunda’s last years. He believes more in the centre-right while Chiluba was completely on the right, e.g. since coming to power in 2001, Mwanawasa has pushed forward the idea of subsidies to the agricultural sector and re-introduced the free education system, which was earlier abolished by Chiluba’s principles, which were generally unacceptable to the IMF and the World Bank. He has also shown resilience to fighting corruption and cutting down on government expenditures and improving fiscal discipline.

President Mwanawasa has further taken caution on the privatisation process and actually delayed decisions on ZANACO, Zambia Electricity Supply Corporation (ZESCO) and Zambia Telecommunications Company Limited (ZAMTEL) favouring more consultations,

¹⁴ Under Chiluba’s administration, there were tactics and campaigns to crush the opposition.

which is one of the reasons that delayed Zambia's qualification to the Highly Indebted Poor Countries (HIPC) completion point.(Personal experience 2004).

3.6 Women's participation in policy formulation and decision-making processes in Zambia

The campaigns for full participation of all sexes in national development started in earnest in the early 1990s in Zambia through NGOs and women's groups. To date, the women folk are not yet full participants in the development and decision-making agenda that is still dominated by men. In terms of effective political participation in decision-making bodies, women are highly under-represented. Out of the 20 Cabinet Ministers in Mwanawasa's first Cabinet, only 5 were women. In Parliament, in 2004 only 19 MPs were women. The situation is the same at the local level where out of the 1,200 elected councillors, only 91 were women. In the civil service, only 19 percent of the permanent secretaries were women (Cabinet Office 2004: 23-24).

In terms of employment, differences exist between men and women. In agriculture for example, women are responsible for about 70% of labour in small-scale farms. This sector is very inefficient and outputs are very low indicating that the incomes accruing to the women are very low. This is worsened by the fact that women have no easy access to productive recourses such as land, credit facilities and draught power. Further, women's share in formal employment is low at only 12 % (CSO 2000) meaning that most women especially in urban Zambia are in the informal sector where incomes are low, explaining the severe poverty experienced by women. However, in recent years, women's groups such as the Non-governmental Organizations Coordinating Council (NGOCC), Women in Law, and Women in Agriculture are exerting pressure on policy development and implementation. For example, the women's groups put pressure on Mwanawasa to slow down on the privatization of ZANACO, ZAMTEL and ZESCO for fear of loss of employment and instead pushed for commercialization.

In terms of numbers of women occupying positions in the formal sector, Table 3.3 shows that they are still very few women in decision-making positions. There are many women

occupying decision-making positions in the private and informal sectors though accurate data is not available.

Table 3.3: Women in selected decision-making positions, 1997-2003: % of total positions

Positions/Year	1997	1998	1999	2000	2001	2002	2003
Members of Parliament	10.13	10.13	10.13	12.1	12.1	12.1	12.1
Ministers							
Deputy Ministers	4.1	4.1	4.1	4.1	15	19.1	25
Permanent Secretaries	19.6	19.6	19.6	19.6	19.6	19.6	19.6
Directors/Deputy Permanent Secretaries	14.3	14.3	14.3	14.3	14.3	19	28
Assistant Secretaries/D/Directors	19	19	32.4	32.4	32.4	18	22.6
Commissioners	14.4	14.4	15	15	15	15	
Average %	13	12.7	14.7	14.6	16.6	15.9	19.7

Source: Gender in Development Division, Cabinet Office, 2003

The problem of low participation of women can be attributed to historical and cultural beliefs, which inhibit girls and women from fully attending education. Women have always been thought fit for the kitchen and hence are married off at tender ages. These issues and many more are being addressed in several programmes such as the Programme for the Advancement of Girls' Education (PAGE) in the Ministry of Education.

3.7 Privatization and liberalisation policies in Zambia

3.7.1 Background to liberalization and privatization

The process of liberalization and privatization was largely a product of external influence, which was embraced by the Zambian Government. The start of external influence can be traced to the early 1970s when Zambia received special drawing rights from the IMF to deal

with the Mufulira mine disaster. This came with conditions for the government to start implementing the SAP programme. These measures included the principles of liberalization and privatization (Mwanza *et al.* 1992: 127, personal experience 1992). This section discusses the processes in the implementation of SAP as policies, which were adopted by the UNIP and MMD governments in the 1980s and 1990s following the external pressure from the IMF and the WB.

At independence, Zambia was faced with a mono economy dominated by the copper industry that contributed more than 15% of GDP and over 90% of export earnings. (Craig 2000: 358). During the first decade of independence, President Kaunda became determined to change this situation and instituted the import substitution strategy that saw the growth and expansion of state run industries in all sectors. During this period over 200 companies were established under the umbrella of the Industrial Development Corporation (INDECO) and the Zambia Industrial and Mining Corporation (ZIMCO). The performance of these companies was mixed but in general, they did not live up to expectations. As Craig (2000: 358) put it “...they fell into a malaise of low profitability, under-investment and high indebtedness.” The parastatal sector also experienced lack of foreign exchange in the wake of declining copper prices and a declining local market as a result of shrinking purchasing power. All efforts to resuscitate the parastatal sector proved difficult; this was used as one of the political campaign weapons for the MMD in 1991.

President Kaunda started the privatization process. When President Chiluba came to power in 1991, he embraced the privatization process at a faster pace than his predecessor did. The reasons for moving into privatization programmes was the poor performance of the economy due to rising oil prices and falling copper prices in the 1970s (Mwanza *et al.* 1992: 127, personal experience 1982).

The MMD government that came to power in 1991 fully embraced liberalization and privatization policies. To this effect by 1992, the government had put in place mechanisms and instruments to achieve this. On the liberalization front, a number of policy instruments were put in place such as foreign exchange liberalization, financial and domestic assets

liberalization, trade liberalization and liberalization of marketing of agricultural commodities and complete removal of subsidies. The Chiluba government, which was composed of pro-west supporters, put in place rapid measures to privatize and liberalize the economy with little resistance from political groups such as the trade unions. This was because of the conviction in the 1990s that change at great speed was the only answer to turn round the economic ills of the Kaunda era. According to Ndumingu (interview 2004), privatization in the 1990s was a necessary policy to revitalise the economy, as the economy required a radical approach to turn it round. Despite these justifications, out-turn has not been very impressive.

The following analysis examines the impact of liberalization and privatization measures on the economy in the 1990s. The major economic measures and their impact on the economy are discussed in section 3.6.2.

3.7.2 Results of the liberalization and privatization measures¹⁵

Measure 1

The liberalization of the current accounts of the foreign payment system through legalization of the bureau de change market.

Result

Introduction of bureaux de change improved accessibility to foreign exchange but also facilitated capital flight and/or dollarisation and reduced demand for real money balances.

Measure 2

Financial or domestic asset liberalization: Development of a market for government debt.

¹⁵ The analysis of the outcomes was based on discussions with Bank of Zambia officials and Ministry of Finance 2004 data and my own knowledge, 2004 as an official in the Ministry of Finance and National Planning.

Result

As high inflation pressures characterized the economy, liberalization sharply reduced the demand for money leading to a fall in seigniorage¹⁶ that implied loss of revenue to the Treasury in the short-term between 1992 and 1996.

Measure 3

Liberalisation of marketing of all agricultural commodities and inputs and complete removal of subsidy on fertilizers.

Result

This policy measure has proved disastrous to the agricultural sector since 1992. Large quantities of agricultural produce remained unsold, as the private sector was not adequately prepared to undertake the exercise. The private sector could not fill the gap left by government for both input supply and crop marketing. Further, removal of fertilizer subsidy increased the price of the input, adversely affecting small-scale farmers who could not access loans from commercial banks due to lack of collateral. Medium and small-scale farmers responded by reducing the acreage planted and this affected the food security of the country. Other farmers became insolvent as they could not repay their loans and as a result, agricultural production declined in the 1990s.

Measure 4

Trade liberalization: trade liberalization was effected in 1993 with the aim of opening up the domestic market.

Result

In terms of trade liberalisation, the performance of the economy was mixed. Cross-border trade improved and several foreign owned shops such as Shoprite from South Africa have successfully filled the void left by the collapse of the State funded Zambia Consumer Buying Corporation (ZCBC) and the National Import and Export Corporation (NIEC). However,

¹⁶ Income that comes to the Treasury through printing money.

these policies also resulted in the collapse of some privately owned manufacturing companies that could not withstand the competition from cheap imported finished goods from around the region. A shrinking domestic market because of low purchasing power because of increasing poverty levels and dwindling real income for citizens compounded this.

A number of related and other measures were also put in place during the period. Some important socio-economic and political policies are presented in Appendix 1.1. Even though the focus of the thesis is on post liberalization era, the period between 1964 and 1990 has been included in Appendix 1.1 to show the major socio-economic decisions that had an impact on the review period such as the policy reversals of 1987.

3.7.3 Success and failures of privatisation in Zambia since 1991

Based on defined indicators and in comparison with other Sub-Saharan African countries (SSA) Craig (2000: 359) rated Zambia as the most successful country in privatization.

Data on privatization in Zambia indicate that more than 70% of the companies were privatized through competitive tender, followed by pre-emptive rights at 16.9% and least was by floatation with only 0.4% (World Bank 2002: 8). The floatation indicate the kind of impact that the privatization process had in terms of involving poor Zambians to invest in privatized companies through the Privatization Trust Fund. The size of the Lusaka Stock Exchange and the general lack of understanding and appreciation by Zambians for the business of buying and selling shares also affected this. There has also been poor or no publicity of both the Lusaka Stock Exchange and the Zambia Privatization Trust Fund to Zambians.

In terms of ownership of the privatized companies, most privatized companies were under joint ownership followed by those wholly owned by foreigners. Zambians purchased only 28 out of 254 companies privatized. On this basis, one may conclude that direct empowerment to Zambians did not occur as most of the privatized companies had foreign influence through joint ventures and direct purchase by foreign companies. In terms of sector distribution of

privatized units, the three highest sectors are 73 units in agriculture (28%), 60 (23.6%) in tourism and 40 (15.7%) in trading. (World Bank 2002: 9) This is confirmed by data from the Zambia Privatisation Agency (ZPA) (see Appendix 1.5).

The privatisation programme has had some limited positive impact on some sectors of the economy (Zulu interview 2004, Mpepo interview 2004, and Yamba interview 2004). Data at ZPA indicate that some enterprises, privatized after 1991, survived the post-privatization shocks. During the review period they employed about 39,000 workers in the formal sector, with an estimated 20,000 employed directly in the non-mining sector. New (pledges) investments reached US\$990 million in various sectors. These pledges if invested would have strengthened backward linkages with many small-scale farmers, especially through out-grower schemes (Appendix 1.5).

Surveys conducted among most of the privatized companies also indicate that sales turnover increased after privatization. In addition, although economic growth was sluggish from 1992, starting from 1999 the economy has been recording positive GDP growth, with real GDP growth of 2.4 percent in 1999, 3.6 percent in 2000, 4.9 percent in 2001 and around 3.0 percent in 2002. The other aspect of success is the fact that some shares were sold to Zambians through the Zambia Privatization Trust Fund (ZPTF). However, judging by the total number of shares and the Zambians who managed to buy them, one would say that the impact has been minimal through this strategy to get more Zambians to invest at the Lusaka Stock Exchange (LUSE). Overall, although GDP figures have been positive, poverty levels have continued to rise showing clearly that Zambians have not benefited from the privatization programme (World Bank, 2002: 24). According to Yamba (interview 2004), the major weakness in the privatization process has been that when investors acquire companies, they externalise profits and equipment, which leaves the country without a manufacturing base. In this way, Yamba concludes that privatization only benefits foreign investors at the expense of Zambians. Privatization in Zambia is viewed as a negative policy that has sent thousands of people out of employment.

On the sectoral level, there have been some private investments in the tourism and mining sectors since the onset of privatization in 1994. In the tourism sector, there has been an increase of 30.9 percent in tourist arrivals. (*Economic Report 2000*: 89).

In the mining sector, the three largest companies have so far invested US\$590 million, to recapitalise and introduce new technology. This has led to the reduction of unit production costs of copper to US \$0.75 per pound. On the other hand, employment has stabilized at 19,000, and the sector has since started growing in terms of value added from -24.8 percent in 1999 to about 19.2 percent in 2002 (*Economic Report 2000*).

3.7.4 Negative impacts of privatization

Despite some companies doing well and surviving the post-privatization shocks, available data indicate a general decline in formal employment in the 1990s (see Appendix 1.4). Formal sector employment fell by 14 percent for the whole economy. On the sector level, agriculture fell by 33 percent, mining by 85 percent, and construction by 142 percent. As for specific years for example, formal sector employment reduced from 477,508 jobs in 1999 to 476,347 jobs in 2000 representing a decline of 0.2 percent. Much of this decline is attributed to the mining and quarrying sector, which contracted from 38,521 jobs in 1999 to 35,042 jobs in 2000 (*Economic Reports 1999-2000*). Chilikwela (interview 2004, Zulu interview 2004 and Sikabanze interview 2004) concluded that privatization in the early 1990s caused a lot of suffering among workers who lost their employment in the affected sectors. Thus, privatization did not address poverty but only efficiency in running companies.

Other significant reductions in formal sector employment in 1999 and 2000 were in the electricity, gas and water, and the agriculture, food and fishing sectors, which declined by 4.7 and 1 percent respectively. Total employment upon privatization of the non-mining enterprises was estimated at 28,000, with mining employing around 34,000. Four years after privatization in 1996, non-mining employment had fallen to around 20,000. The decline in employment reflects earlier bloated staffing levels, the need to increase productivity, capacity utilization and investments. Specifically, the mining, manufacturing and construction sectors

combined, dropped employment by more than 40 percent. This had adverse effects on families and directly contributed to raising poverty levels, both income and non-income, in terms of access to facilities such as education, water and sanitation and health (see Appendix 1.4) (*Economic Reports 1999-2000*).

During the period of intense privatization, formal employment fell from 546,000 in 1992 to 476,000 in 2000, a drop of 9.2 %, the biggest drop during the period from 1990 to 2000. Available data indicate that overall between 1990 and 2000 drastic reduction in formal employment occurred, from 542,300 in 1990 to 476,347 in 2000, a drop of – 14 % (Appendix 1.4). Central government, the largest employer, reduced formal employment from 141,000 in 1992 to 129,000 in 1994, a drop of 8.5 percent (calculated from Appendix 1.4). Parastatal companies lost more jobs compared to the government. Between 1992 and 2000, 104,000 jobs were lost. This represented 61.2 % jobs lost. There were, however, some positive movements in the private sector where between 1992 and 2000, 40% more jobs were created (see Appendix 1.4).

There are a number of reasons for the fall in formal sector employment in the 1990s. The privatized companies instituted rationalization measures contained in most sale agreements to retire part of the excess staff. Thus, workforce rationalization measures aimed at improving efficiency accounted for much of the decline in formal sector employment. On the other hand, central and local governments were also implementing the Public Sector Reform Programme, which saw lower ranks of the public service retrenched.

In terms of earnings, data show that there has been an increase in nominal terms from an average of K7, 000 in 1991 to about K250, 000 in 2000. However, in real terms there has been a general reduction in incomes due to the high inflation rates of the early 1990s.

Given the country's population, estimated at 9.8 million people in 2000 of which half constituted the labour force, the employment level was quite low at only 9.2 percent. (<http://www.zamstats.gov.zm>.Downloaded 12/1/06) There were two main reasons explaining unemployment in Zambia and these are retrenchments in both the private and public sectors

and liquidation of companies. This rendered the labour movement ineffective in fighting for better conditions of service for its members. The fall in employment is because of poor performance of some companies after privatization. For most companies the initial benefits of privatization have been difficult to sustain, and performance has faltered after the initial two years. Although recent performance has been better than in the immediate pre-privatization period, turnover among most companies has never recovered in real terms to the early 1990 levels. In some cases, this probably reflects a lack of economic viability of the firms, which should have been liquidated instead of being subjected to lingering death through internal privatization. In all cases, however, the economy-wide impact of delayed mining privatization — which was sufficient to keep economic growth negative throughout the 1980s served to lower investment, lower investor confidence and aggregate demand, with negative consequences for post-privatization performance of most companies.

Difficulty in sustaining the net benefits of privatization can also be attributed to a sub-optimal domestic and regional environment for private sector growth. Qualitative assessment of these constraints through interviews with company management highlighted:

- a) fiscal distortions that disfavor local production, marketing and exporting;
- b) weak regional economies;
- c) continued regional trade barriers and unfair trade practices;
- d) lack of long-term financing and working capital, especially for smaller firms;
- e) unpredictable and frequent changes to fiscal and exchange rate policies;
- f) labour market rigidities and excessive statutory employment benefits;
- g) cumbersome judicial processes and ;
- h) excessive bureaucratic interference and corruption.

(Mwanawina I, Cathy C and Mc Cathy J. 1999: 43, Mwanawina *et al.* 2003, personal experience 2002).

Different political groups, organizations and individuals view privatization in Zambia more on the negative side. For example, Mpepo (interview 2004) pointed out that the government did not think through the process and its negative impacts on the people and that it has not

addressed the issue of poverty. In fact, the process increased poverty through job losses, as it did not have a human face. The other point of concern was that the process was not consultative as civil society was merely informed but did not participate in discussing alternatives to privatization. Zulu (interview 2004) indicated that there were no clear policy guidelines for privatization and as a result, Zambians did not benefit from the process. He further pointed out that most new owners de-capitalized the industry by selling off the plant and equipment they found in place. A further problem with privatization was the drop in employment as there were mass retrenchments by the privatised companies.

3. 8 Policy environment on Domestic Debt: The new challenge for Zambia

3.8.1 Introduction

Zambia's domestic debt has been rising since the early 1990s. The substantial increase in the stock of domestic debt can be attributed to:

- a) The initial capitalization of the principal and interest due to the policy of rolling over. The policy of capitalizing both the principal and interest ended in 1995 when the government decided that interest payments would be budgeted for and only the principal would roll over.
- b) The high interest rates that prevailed following the liberalization of the economy.
- c) Continued high government deficits. The budget overrun for the period 1992-2000 is an example.
- d) High liquidity in the banking system as a result of continued financing of the government deficit by the banking system. This prompted the Central Bank to issue treasury bills in order to mop out the liquidity. However, at the time of maturity, interest payments were made, inducing some liquidity on the market. These monetary and fiscal policies negatively affected the stabilization and growth of the economy in the 1990s (IDM Ministry of Finance and National Planning 2004).

Zambia's rising domestic debt has been mainly on account of fiscal deficits and continued accrual of arrears with domestic supplies to the government. Domestic debt arises from the instruments that the government issues in order to finance budgets. The total stock of

domestic debt as at the end of December 2002 was K4, 155.5 million (Ministry of Finance, Investment and Debt Management Department 2004).

3.8.2 Composition of domestic debt

In terms of composition, public debt consists of the following:

(i) Government Securities

This includes stocks, Government Bonds, Treasury Bills, Special Bonds and Promissory Notes. Prior to 1993, the Bank of Zambia sold government securities for budget funding on an ad hoc basis and at a fixed exchange rate. However, with liberalization of the economy, the auction system was introduced in January 1993 for selling Treasury Bills. This meant that the market determined the interest rates. With the high inflation obtaining in the country, interest rates were also high. The Government was unable to meet the financing of maturing debt as well as interest due on the securities.

The major components of government securities are treasury bills and government bonds. The table 3.4 below highlights the changes in the two components since 1997. From a total of K3, 704,173 million in 1997, this has risen to K20,178,994 million in 2003 (Ministry of Finance and National Planning, 2004).

Table 3.4: Zambia: Government securities (K'million), 1997-2003¹⁷

	Treasury bills	GRZ bonds	Total
1997	3,113,768.20	590405.58	3,704,173.78
1998	2,348,707.80	429,259.40	2,777,967.20
1999	2,817,323.40	500,880.20	3,318,203.60
2000	4,016,755.30	1,912,475.00	5,929,230.30
2001	5,507,019.00	3,358,016.40	8,865,035.40
2002	9,514,875.80	6,348,855.00	15,863,730.80
2003	11,852,441.00	8,326,553.60	20,178,994.60

Source: Ministry of Finance and National Planning, 2004

¹⁷ The average exchange rate during the time was USA \$1=K4700

(ii) Parastatal debt

Parastatal debt guaranteed or previously guaranteed by the government in the 1990s covered loans obtained by such corporations as United Bus Company of Zambia, Development Bank of Zambia, ZAMTEL, ZESCO and the mines. This debt posed a major challenge to the budgets of the 1990s as resources were supposed to be found to offset them. Further, the allocation of funds to these activities meant reducing the allocation to wealth creation and poverty reduction.

(iii) Loans and Advances

Loans and advances involve direct borrowing from the Bank of Zambia by the Government using bridge loans and overdrafts to meet budget expenditure. This keeps government operations going as there is always a lead-time between revenue collection by Zambia Revenue Authority (ZRA) and remittance of funds to the Bank of Zambia for utilization by government. These advances cover both local operations and foreign debt payments.

(iv). Other Domestic Liabilities

This comprises awards and compensation claims arising from court cases, domestic arrears for goods, works and services and un-remitted statutory contributions to such institutions as National Pensions Scheme Authority (NAPSA) and the Pensions Board.

(v) Local Government Debt

This comprises pension's remittances, public works undertaken by Local Councils as well as salary arrears to Council workers. Most Councils in Zambia are several months behind in terms of paying salaries. These are enormous figures, which are passed on to the central government to settle. There is also the issue of restructuring the Councils, which requires that government pay the terminal benefits. The composition of domestic debt as at December 2002 is as shown in table 3.5.

Table 3.5: Composition of domestic debt as at December 2002

	Amount **(K'millions)	GDP 2002* (K 'billion)	% of GDP
Government Securities	1,700,050	2701	62
Bridge Loans	1,675,000	2701	62
Suppliers' Arrears	433,627	2701	16
Pension Awards	270,680	2701	9.9
Awards and Compensation	70,000	2701	1.4
Contingent Liabilities	6,200	2701	0.2
Total	4,155,500	2701	153

Source: Ministry of Finance and National Planning, 2004..

* The 2002 GDP in table 3.5 is at 1994 constant prices.

** The average exchange rate was USA\$1=K\$1=K4300

The statistics above indicate that in relation to domestic debt alone, the GDP in 2002 could not accommodate the demands of domestic debt as it is over 150 percent of GDP. If one adds the foreign debt and other governments operations, one sees that the Zambian economy was under pressure during the review period.

3.8.3 Interest payments on domestic debt

An analysis of interest payments on domestic debt (cash basis) with specific reference to treasury bills and government bonds indicates that there has been an increase from K55, 530 million in 1998 to K556, 709 million in 2003 representing an increase of over 900 percent in 5 years. This is clearly unsustainable.

The interest payments have been on the increase since 1995 reaching their highest in 2002 at K1.8 trillion. If one compares this with 2% of GDP allocation to growth areas, there is clearly a gap in resource allocation where most resources are going for interest payments instead of development programmes. (Ministry of Finance 2004 Budget: 34) Poverty reduction programmes are sacrificed in order to pay principal and interest payments on debt.

In 2002 for example, K375,372 million was spent on interest payments for treasury bills and government bonds. This should be juxtaposed against K105,000 million which was released for Poverty Reducing Programmes (PRPs) (*PRSP Progress Report 2004: 25*).

3.8.4 Domestic Debt management strategy

The government currently has no medium or long-term plan for managing its domestic debt. The policy direction for managing domestic debt in any given year is usually determined through budget pronouncements by the Minister of Finance. However, with the high debt levels and concerns expressed by donors and other stakeholders, government has in the past years tried to prepare a multi-year plan, which is yet to be finalized. On the other hand, a number of measures have been put in place to redress the situation. Government has put in place the Commitment Control System (CCS) with the aim of reducing the possibility of ministries and other organizations committing government when the actual cash is not available.

However, proper implementation of the CCS is yet to be achieved by many ministries. A few ministries have not yet started utilizing the CCS while others are not following the laid down procedures. The CCS system also requires that institutions have necessary equipment such as computers and qualified staff both of which are not in place in many institutions. Clearly, the CCS will take a long time to be appreciated by ministries because of the logistical problems they are facing coupled with insufficient release of funds. The other strategy is embedded in the draft Debt Sustainability Analysis report prepared by the Ministry of Finance and National Planning, which gives options and scenarios on how to manage domestic debt in Zambia. However, the strategy is yet to be finalized and implemented.

3.8.5 Debt management information system

There are also difficulties in debt management in Zambia. There exist no proper databases to manage both foreign and domestic debt. An attempt to create a database has been made but this is still in the infancy stage and will take some years to be useful. The difficulty in capturing domestic debt data arises from the lack of coordination between the various

government wings responsible for the collection of data. The Ministry of Finance and National Planning is responsible for collection of data on domestic suppliers and the Bank of Zambia collects information on government securities. Despite this seemingly straightforward distinction in terms of responsibilities concerning the major components of domestic debt, there has been a total lack of coordination between the various wings concerned. There is also the problem of data capture from the outlying areas such as provinces. As a result of the above, debt data figures keep changing in every document you read on Zambia.

3.8.6 The politics of domestic debt management

There are many reasons to the question of domestic debt management, ranging from lack of fiscal discipline to weaknesses in the budgeting process. Other factors are the insufficient resources allocated in the budget and political considerations and interference. The lack of government budgetary framework and management has rendered it impossible to allocate resources efficiently resulting in under-budgeting for priority government functions.

Government is greatly over-stretched. Decisions across government are taken that have significant resource implications without there being a thorough assessment of the financing implications and the availability of resources. (Chilikwela interview 2004). As a result, the commitments entered into are in excess of government's resource availability — leading to claims that ceilings are 'unrealistic'. In effect, each year the budget is 'spent' before even starting.

Policy documents prepared from various ministries and other spending agencies tend to make everything a priority — housing, education, health, water, roads, agriculture, tourism, mining, industry, and training, which renders them largely ineffective as a guide to allocating resources. In most cases, these policies do not complement each other.

The ceilings given to ministries and other spending agencies are technically generated with little or no political involvement and so the political leadership does not feel bound by them. As a result, politicians tend to push for expenditures outside the budget thereby increasing

the deficits and domestic borrowing. However, this shortcoming may start to be addressed with plans to obtain Cabinet approval of a three-year Medium-Term Expenditure Framework (MTEF) at an early stage each year in the annual budget cycle,.

Budgets are not drawn up on a clean slate. Decisions already made (to embark on a donor funded project requiring counterpart funding and commitments made by, for example, entering into contracts or joining international organisations) have financial implications in the forthcoming year. These 'inherited decisions' are insufficiently taken into account in the budget submissions.

The late involvement of the full political leadership in the budget preparation process means that the budget is largely a technically generated exercise. There is absence of a clear understanding of the political choices that inevitably underlie any budget (even by default) and strong political commitment to these political choices therefore, is lacking. As the budget is implemented, other political choices and priorities emerge and take precedence (Sikabanze interview 2004).

In most cases, the inherited costs are not considered at the time of preparing the budget , only to be paid during the course of the year. The huge outstanding arrears are in the roads sector where contracts are signed bearing interest and penalties for non-payment. The politicians tend to ignore these costs and bring in new demands, thereby pushing up the domestic debt. These payments are done through local borrowing, which pushes up the domestic debt further. Until recently planning, budgeting, and the involvement of politicians has not been satisfactory. Thus, because of political considerations, the resources are spread too thinly to too many projects resulting in non-completion of projects and accumulation of arrears. On the other hand, budgeting, costing, and the release of resources do not correlate. The budget lost its credibility in the 1990s. Thus, resources continue to be allocated to areas outside the budget presented to the Ministry of Finance by politicians.

One may consider the politicians' demands to be on the supply side of development, i.e. increasing deficit financing of the budget for projects for their constituencies without regard to the impact of deficit financing on the economy. There are also issues of paying off

workers of liquidated companies, clearing of balance sheets for privatised companies, and recapitalisation of companies before privatisation. These issues are very political and politicians are keen to undertake them in order to attract votes even outside the liquidation and privatization laws and frameworks (Sikabanze interview 2004). This was the case with Roan Mining Corporation of Zambia (RAMCOZ), United Bus Company of Zambia (UBZ) and Mansa Batteries.

3.8.7 Is there political will to dismantle domestic debt?

In the 1990s, it was difficult for one to conclude that there was any political will to dismantle domestic debt. The debt has been on the increase despite efforts to reverse the trend. The Chiluba government did not put up any meaningful policies and measures to check the increase in domestic debt or any recourse for controlling officers incurring huge over-expenditures and arrears. On the other hand, politicians have continued not to focus on a few priorities but to spread the resources thinly, thereby going beyond the resource envelope. This forces the system to borrow resources for deficit financing. To sum it all the government does not have any plan or long-term strategy for dealing with domestic debt.

To conclude this section, one would say that the current debt is unsustainable and only drastic measures and political will can reverse this situation, as all the options indicated above were unsustainable. One needs to consider the total reduction of the deficit as well as stringent measures to curb arrears. This needs clear policy guidance from the government to the spending agencies.

3.9 Impact of policy shifts on Macroeconomic, Fiscal and Sectoral Performance

3.9.1 Introduction

This section discusses sectoral performance in relation to structural adjustment policies in the 1990s. The aim is to explore what impacts policy shifts had on the major macroeconomic indicators and sectoral performance in Zambia. It is obvious from the available data that the 1990s and beyond did not perform to expectations and this can clearly be linked to policy

development and implementation by different political groups in the First, Second and Third Republics. Most of the targeted macro and fiscal indicators were not achieved and the general performance of the economy was disappointing in relation to population growth and poverty levels. The questions to answer are: firstly, how did the macro economy perform during the period under review? Secondly, what was the structure and sectoral performance of the economy during the review period? Thirdly, what was the impact of globalization on growth and development?

To answer the first question, one needs to consider trends in macroeconomic indicators during the review period as influenced by the reforms in place. In the 1990s and beyond, Zambia implemented a number of far-reaching stabilization and adjustment measures with the aim of turning round the economy, which had deteriorated under the Kaunda regime. Prior to the 1990s, the macroeconomic situation got out of hand with inflation being above 300 percent, fiscal deficit about 7.2 percent (Economic Report 1992). Growth was negative for several years running and shortages characterized most markets including the foreign exchange market. The country was in large debt payment arrears with international creditors, and this was increasing due to lack of support from donors. It was in the wake of these problems that the Chiluba government introduced an agenda to correct the situation by introducing reforms with the support of the IMF and the World Bank and the rest of the international community. The reforms included decontrol of prices; deregulation of interest rates in 1992; and opening of the current and capital accounts in 1992 and 1994, respectively. Others were the shift from a fixed to a flexible exchange rate regime; the establishment of the Lusaka Stock Exchange (LUSE) in 1993; the introduction of foreign exchange deposits in 1995; and the pursuit to sell government owned companies. The reforms introduced in the 1990s have had a positive impact on the economy in terms of reducing inflation; achieving positive economic growth; stabilizing the foreign exchange market; and reducing interest on the money market. This section provides a review of the economic and monetary developments for the period 1990 to 2003 in the context of the reforms and the deteriorating socio-economic conditions in Zambia.

3.9.2 Monetary and macroeconomic developments

A starting point is to note that at the beginning of the 1990s, Zambia started a long process of economic and financial reforms with the aim of reversing the negative economic development experienced under the Kaunda era. The government's key macroeconomic objectives for the period 1990 to 2003 focused on sustaining growth in per capita GDP, lowering the rate of inflation, maintaining a stable and competitive exchange rate and building a foundation for sustained reduction in poverty. In this regard, the government identified four key macroeconomic objectives namely:

- Increase in real GDP growth;
- Reduction in annual inflation to a single digit;
- Maintenance of a prudent level of foreign exchange reserves to cushion against external and domestic shocks (two months import cover in gross reserves); and
- Reduction in the size of the domestic budget deficit as a percent of GDP (Mwanza *et al.* 1992: 129).

The most significant structural reforms in the 1990s included the decontrol of agricultural prices and the liberalization of maize marketing, parastatal reform and privatization, decontrol of interest rates, removal of exchange rate controls, liberalization of the banking sector and removal of quantitative restrictions on imports and exports (Mwanza *et al.* 1992: 129). Table 3.6 summarizes the monetary and fiscal policies and instruments introduced since 1990. These reforms coupled with efforts to pursue structural adjustments contributed to the positive performance of the macroeconomic indicators.

The formulation and implementation of economic policy by the government has thus focused on containing inflationary pressures by ensuring that money supply is consistent with economic growth and inflation objectives. To achieve these objectives, the Bank of Zambia utilized both direct and indirect instruments of monetary policy whereas government targeted adherence to reducing its domestic budget deficit as a percentage of GDP.

The realisation of macroeconomic stability continued to elude Zambia during the review period arising from the unsustainable fiscal deficits, overburdened debt and occasional

external shocks. One can also conclude that the targets set under the IMF/WB programme were very unrealistic given Zambia's condition in the late 1980s. Despite the economic reforms the economy continued to grow at a slow pace (see Table 3.6).

Table 3.6: Major economic policies and instruments in the 1990s

Policy	Year of announcement	Objective of the policy	Instruments	Comment
Monetary policies				
• Removal of restrictions on lending and deposit rates		To fully liberalize the economy and achieve price stability	Weekly treasury bill auctions	Banks preferred to put their investments in treasury bills and government bonds thereby maintaining high interest rates and crowding out small businesses
• Decontrol of the foreign market	1992	To make the Kwacha fully convertible	Removal of restrictions on foreign exchange movements	The number of foreign trading companies increased
Fiscal policies				
• Cash budgeting system	January 1993	To keep within the fiscal framework	No spending by GRZ without funds at BoZ	Failed to achieve its objective; government programmes came to a halt
• Establishment of ZRA	1994	To increase domestic collection of revenues	Act of Parliament	They have performed well but broadening the tax base has been difficult

Policy	Year of announcement	Objective of the policy	Instruments	Comment
• Introduction of VAT	1995	To increase domestic collection of revenues	Act of Parliament	VAT seems to be too high and restrictive for business expansion
Trade policies				
• Lowering of trade taxes	1994	To open up the market and increase trade	Statutory Instrument	
• Collusion of tax bands	1994	To enhance trade and revenue collection	Statutory Instrument	
• Removal of restrictions on imports and exports	1992	To fully liberalize the economy and achieve price stability	Tariffs restructured and reduced; export controls lifted	Local market flooded with imported goods and affected the manufacturing industry
• Removal of non-tax barriers	1996	To enhance trade and revenue collection	Statutory Instrument	
Structural policies				
• Privatization of parastatals	1992	To put the economy in private hands and to reduce the quasi-deficit	Act of Parliament	There was more of sale of assets than companies as well as asset stripping

Policy	Year of announcement	Objective of the policy	Instruments	Comment
<ul style="list-style-type: none"> • Restructuring the public service. 	1993	To reduce the numbers of public service workers, to improve efficiency and remunerate them adequately	Administrative arrangements and reviews of public service structures and retrenchments with World Bank funding	The strategy has failed and instead numbers have gone up; there was wrong emphasis on down sizing rather than right sizing

Source: Information is from various policy documents at Cabinet Office and Ministry of Finance and National Planning, 2000-2004.

Some selected macroeconomic indicators namely the GDP, inflation, real per capita balance of payments, exchange rate which can show the performance of the economy are discussed in Chapter 4.

3.9.3 Policies for macroeconomic targets and outcomes

The key macroeconomic targets during the review period were GDP growth to at least 4 percent per annum; lowering of inflation to single digits; stabilizing the exchange rate; and reducing the fiscal deficit to less than 2 percent. The section below discusses the outcomes of the policies on macroeconomic indicators.

- ***GDP growth***

The macroeconomic framework for the period aimed at achieving real GDP growth rates of 2 percent and reducing the levels of inflation to a single digit by 2000. The GDP targets were not met except, for 1993 and 1996 when growth rates of 6.1 percent and 6.6 percent respectively were recorded. The negative growth may be attributed to stagnation in economic activities in the economy, which had taken root due to the deteriorating terms of trade; inadequate foreign exchange inflow; low investment relative to consumption; and the high

level of inflation. Economic growth particularly in 1991 was also affected by the world economic recession because of the impact of the Gulf War.

Economic activity, however, expanded by the mid-1990s with real GDP rising to 6.5 percent from 3.3 percent in 1997. The improvement in GDP can be attributed to the near doubling of the maize harvest in 1996 and strong growth in non-traditional exports. The tightening of monetary policy contributed to a steady decline in the rate of inflation from 35 percent in 1996 to about 24.5 percent by the end of 1997. However, in the subsequent years, an increase in the level of inflation was observed for 2001 and 2002 arising from the excessive money supply due to government borrowing from the Central Bank largely driven by the need to finance food imports.

In terms of average performance, the economy declined between 1980 and 1990 but started to recover between 1991 and 2000 and this continued in the period 2001-2003. Table 3.7 below indicates the trends. Generally, real per capita GDP growth reduced drastically during the entire period. The period 1990-1995 indicates that real per capita GDP recorded negative growth. The growth rate reduced from -3.9 in 1990 to -6.6 in 1995, which is about 50 percent reduction. The GDP per capita posted a growth of 3.1 in 1996 but dropped in 1997 and 1998. From 1998 onwards, positive real per capita income was registered. The differences in out-turn during the period can be attributed to a rise in the average population growth rate of about 3 percent in the period 1990 to 1995; onwards, the population grew at a decreasing rate of 2.4 per cent. The other explanation for declining GDP per capita is the general poor economic performance both at macro and at sectoral levels (*Economic Reports 1980-2003*, Ministry of Finance and National Planning). For growth trends see table 3.7.

Table 3.7: Average performance of the economy, 1980-2003

	1980-1990	1991-2000	2001-2003
GDP growth rate	2.0	1.0	4.3
Inflation rate	2.0	70.3	21.8
Real per capita Growth rate	-2.6	-2.3	1.7
Current Account Deficit (US\$ Million)	282	648.3	
Fiscal Deficit/ % of GDP	5.7	22.9	

Source: Own Calculation from Economic Reports, 1980-2003, Ministry of Finance and National Planning

The other factors that affected growth in the 1990s are severe weather patterns and falling copper production and prices. The decline in copper prices and the weakening of the financial position of the copper parastatal, Zambia Consolidated Copper Mines (ZCCM), contributed to the contraction in real GDP by an estimated 2 percent in 1998. The level of inflation increased to 26.8 percent in 1999, caused mainly by the pressures on domestic food prices and the pass through effects of the depreciation of the Kwacha since late 1997. Partial drought, floods and the removal of subsidies on fertilizer and seed affected food prices. Owing to the revenue shortfalls and spending overruns, mainly on public service retrenchment and domestic arrears, the overall fiscal balance widened.

In comparison to other regions of Africa, Zambia did badly in GDP between 1991 and 2000 but improved after 2000. According to *World Economic Outlook* by the IMF (2004: 49) in 2002 and 2003, real GDP growth for Africa was 3.5 and 4.1 percent respectively. Real GDP growth rate for Sub-Saharan Africa was 3.4 and 4.4 percent, the Great Lakes region was 4.6, 3.7 percent, and West and Central Africa was 3.4 and 6.4 percent for the same period, which compares well with Zambia's 3.7 and 4.3 percent in 2002 and 2003 respectively. Considering these statistics only the average growth rate for West and Central Africa is higher at 6.4 percent in 2003. (IMF, *World Economic Outlook* 2004: 49)

- ***Fiscal targets***

The fiscal target set was the attainment of less than 2 percent deficit of GDP in line with the stabilization policies. The objective was to reduce the overall fiscal deficits so as to assist in stabilizing the macroeconomic environment while generating domestic budget surplus of about 1.5 percent of GDP, which would create the necessary room for the expansion of private sector activity. Strengthening tax administration and public expenditure management was the key instrument to achieving the fiscal objectives. The public expenditure management system was continuously being strengthened to avoid domestic arrears and ensure the effective execution of the budget as well as effective and efficient application of the limited resources. In the same period, public expenditure was structured to safeguard priority spending in the social sectors and infrastructure investments. The reduction in the public service allowed the government to lower wage payments as a percentage of the total domestic non-interest arrears from 37 percent in 1996-1998 to about 25 percent in 2001, while bringing the wage bill relative to GDP down to below 8 percent as of 2002. (*Economic Reports* 1996-2002)

In this regard, fiscal reforms focusing on the improvement of public expenditure management were undertaken. In 1998, government focused on fiscal sustainability issues in order to reduce the quasi-deficits to achieve full macroeconomic stability. This strategy did not, however, yield results and there has been a lot of pressure on the budget from the privatized companies such as Konkola Copper Mines, Roan Antelope Mining Corporation of Zambia, etc. arising from poor sale agreements and/or the need to clean up the balance sheets

and pay terminal benefits to workers before selling the companies. Thus, despite these reforms, government continued to be worse off in all areas of financial management and resources have continued to be misappropriated and misapplied to non-priority areas mostly on consumption as opposed to investment.

3.9.4 Lowering the inflation rate

One of the major problems during the review period was high inflation rates. At the start of economic liberalization in 1992, Zambia was on the edge of entering a hyperinflation period. For example, end year inflation rose to 191 percent in 1992. (Bank of Zambia *Annual Reports* 1997-2002) The higher inflation rates were caused by economic shocks and inappropriate domestic policies that led to a large budget deficit, thereby causing excessive monetary expansion. In response to the changing financial environment following liberalization, the Bank of Zambia shifted its emphasis from direct to indirect instruments of monetary control to counter inflationary pressures. Because of tight monetary and fiscal policies, inflation fell to 17.2 percent by December 2003 largely due to stable food prices.

During the period 1991 to 1993, broad money supply increased at a rate not consistent with financial deepening and then grew substantially in the later years faster than real output, leading to financial repression. Due to significant successes in the implementation of reforms introduced in 1993, inflation declined from an average of 192 percent in 1992 to 17.2 percent between 1997 and 1998 and stood at 16.8 percent by mid-2001. However, inflation at 17.5 percent as at the end of 2003 was still high, as government had planned to reduce it to a single digit by 2003. The main reasons inflation has remained high are occasional shocks such as droughts as well as slippage in policy implementation resulting in withholding of donor inflows in some years. (Zambia: *Economic Memorandum 2004*: 10)

3.9.5 Trade liberalization and stabilization of the exchange rate

As trade liberalization is an integral part of overall economic policy, a shift to a freely determined exchange rate and the removal of exchange controls were deemed essential to create a competitive trade environment in the 1992 reforms. Measures to liberalize the foreign exchange market started in earnest from the 1989 reforms, which emphasized a dual

exchange rate mechanism, where an official rate for government transactions and a market rate for other transactions existed side by side. Under this foreign exchange regime, ZCCM retained 55 percent of its foreign exchange earnings while other exporters (non-metal exporters) were allowed to retain 50 percent. In 1993, the weekly auctioning of foreign exchange was slowly phased out. Furthermore, the official and market rates merged. In January 1994, exchange control regulations were removed and a year later, the Bank of Zambia allowed commercial banks to hold foreign exchange deposits. In April 1996, the final phase of liberalizing the foreign exchange market was implemented as the Central Bank allowed ZCCM, the major earner of foreign exchange, to retain 100 percent of its foreign exchange receipts and supply the market directly. In the second half of 2003, the broad-based inter-bank foreign exchange system was introduced and the Bank of Zambia dealing window closed. The advantage of this system is that foreign exchange trading had become a lot more transparent as market players have, largely, more evenly distributed information about foreign exchange availability than before. This even distribution ensures that certain profitability, which was exploited by the skewed distribution of information, has virtually been erased.

Between 1990 and 2002, the Kwacha depreciated by about 125%. However, after the introduction of the broad based inter bank foreign exchange system, the exchange rate and the supply of foreign exchange stabilized.

3.10 The influence of policy shifts on sectoral development

This section discusses the impact of liberalization and privatization on the non-mining sectors of agriculture, tourism and manufacturing. These sectors have been adversely affected by liberalization and privatization policies.

- ***Agricultural sector***

The agricultural sector is important in creating both formal and informal employment in urban and rural areas. The majority of the rural population in Zambia depends largely on agriculture, fishing, forestry and related small-scale industries and services. The agricultural sector has consistently employed more people than any other economically productive sector in the country. Between 1990 and 1999 employment figures for the agricultural sector

declined. The contribution of the agricultural sector to formal employment declined by 24.8 percent, from 79,800 in 1990 to 60,000 in 1999 (see Appendix 1.4).

Despite pronounced goals, objectives and strategies, the agricultural sector has not performed to expectation especially in relation to its contribution to reducing poverty. There are many areas of policy weaknesses and constraints identified. The agricultural sector contributes significantly to the national GDP and export earnings. The share of agriculture, forestry and fishing in GDP ranged from 15.8 percent and 18.2 percent over the period 1996 and 1999. Agro-products (food, beverages, tobacco, textiles and leather products), accounted for between 7.4 percent and 8.3 percent during the period 1996 to 1999. The agricultural sector's contribution to GDP shows increasing trends because of growing agricultural exports over the period 1996 to 1999 attributed to non-traditional exports, which increased from 22.7 percent in 1996 to 61.1 percent in 1999. Production of cash crops, especially for the export market increased over the years and its contribution to non-traditional exports increased from 23 percent in 1990 to 47 percent in 1999 (*Economic Reports 1996-1999*).

While there has been increased contribution to GDP/export earnings due non-traditional crops, the performance of the Zambian agricultural sector when assessed by production and yield parameters has not been commensurate with its role in the national economy in recent years. For instance, agricultural production rose by 33.3 percent in 1995 and declined substantially to 0.6 percent and 3.4 percent in 1996 and 1997 respectively.

The observed poor performance of the sector was due to many factors. The climatic changes, notably poor rainfall patterns and flooding, affect the performance significantly. During the above period, Zambia experienced prolonged dry spells in some places while other areas received excessive rain. The other factors contributing to low yields and production include: i) increased use of recycled seed; ii) low rate of fertilizer application by small-scale farmers; iii) reduced access to credit facilities; iv) poor transport infrastructure in rural areas for marketing; and v) low extension coverage.

The livestock sub-sector has a lot of potential but has remained under-exploited especially in eggs, hides, and milk and meat products. The performance of the sub-sector has not been

very satisfactory due to high prevalence of diseases, poor infrastructure for marketing, servicing and inadequate extension services. During the implementation of the PSRP, most positions at the extension officer's level were abolished, thereby leaving the farmers without any professional advice on livestock production. As a result, production and marketing of cattle and cattle products have been affected by a high incidence of diseases of national importance such as corridor and anthrax.

The contribution from the fisheries sub-sector to national development has been minimal due to inadequate regulation, lack of policy support at production and consumption levels, lack of capacity to enforce regulations, poor fish processing facilities and limited cold storage facilities. In addition, the fisheries sub-sector has experienced declining production due to over-fishing. This is because of poor policy development and implementation in this sub-sector and sometimes lack of political will to implement policies. According to the survey results, sixty-four (64) and fifty-two (52) percent of individual and council of respondents respectively indicated that policy contradictions affected the performance of the key sectors such as agriculture in the 1990s and beyond. Some of the specific policy instruments that affected the sector are discussed below¹⁸ (Mpepo interview 2004, Zulu interview 2004).

- ***Rapid pace of policy reforms:*** The removal of subsidies and government withdrawal from provision of input supply and produce marketing was intended to provide an opportunity and incentives for increased private sector participation. The actions resulted in negative impact on the sector due to the vacuum created in service provision. The government did not match this withdrawal with improved rural infrastructure to assist the private sector invest in rural areas and did not maintain gradual withdrawal from service provision by maintaining quasi-government institutions. Whereas prices of farm produce dropped, those of farm inputs increased beyond the reach of poor farmers. In addition, access to credit facilities and improved technology reduced for most farmers.

¹⁸ The analysis under this section is partly based on my own knowledge of the sector as an official of the Ministry of Finance and National Planning 1990-2004) and survey results from respondents.

In the absence of efficient large-scale service providers, small-scale farmers and those in outlying areas were left at the mercy of monopolistic and manipulative small-scale traders. Large-scale service providers such as out-grower and contract farming institutions understandably focussed in high market potential areas along the line rail.

These developments had significant implications not only on food production but also on household income and poverty levels. The process of liberalisation and privatization lacked a managed transitional phase designed to reduce the negative effects of the vacuum in services during the transitional phase. The agricultural sector has since 1991 continued to experience a consistent decline in the provision of services (Sikabanze interview 2004, Kamuna interview 2004, Muyawanyoka interview 2004).

Rapid macroeconomic reforms were felt through rising interest rates and rapid depreciation of the Zambian Kwacha that exerted inflationary pressures on the agricultural sector resulting in increases in input prices. In addition, high bank interest rates in the country have frustrated investment in the agricultural sector, as the majority of farmers have not been able to borrow from the commercial banks. The other problems affecting the agricultural sector on the policy front are as outlined below *Inadequate*

- ***Resource allocation for agricultural services:*** Resources have been not only inadequate but also poorly prioritised. The decrease in the inflow and actual allocation of funds to the agricultural sector is inconsistent with government pronouncements that agriculture is the cornerstone of the Zambian economy.
- ***Unclear policy statements:*** Government officials have given unclear and often contradictory signals to the private sector and other stakeholders on the long-term policy direction of the agricultural sector. The management strategies for the transition period were not explained clearly and systematically. Government needed to be consistent in its policy pronouncements in the short-term goals and strategies as well as the long-term vision and strategic plans.

- ***Poor rural infrastructure such as roads, bridges and lack of storage facilities:*** The poor state of the road infrastructure, which is widespread, adversely affected farmers' ability to market their produce as well as the supply of inputs. Agricultural production in this environment cannot perform efficiently and profitably.
- ***Lack of or poor access to credible marketing institutions:*** Limited or poor access to credible agricultural marketing institutions created uncertainty among farmers regarding investment decisions. Unless a farmer knows that he/she will find markets for his/her produce, it becomes difficult to make investment decisions. In Zambia, transaction costs for small-scale farmers are too high, making agriculture in rural areas unprofitable. During the review period, agricultural marketing was restricted to the line of rail, disadvantaging the rural areas. A farmer will not increase production unless the market (demand) is there or likely to be there and is accessible.
- ***Inadequate credit facilities:*** Lack of credit is an important bottleneck to agricultural investment. At an individual level, credit is important to access farm inputs such as improved seed, fertilizers and labour. The majority of farmers were unable to buy farm inputs or hire labour due to reduced access to credit.
- ***Inadequate resource allocation:*** Inadequate and low priority given to the agricultural sector as reflected in budgetary allocation to the agricultural sector did not provide incentives for improved performance.
- ***Low output and high input prices:*** Low output prices as compared to high input prices created problems for farmers regarding investment decisions. The prices the farmers faced were lower than input prices.
- ***Poor state of rural infrastructure:*** Rural infrastructure such as feeder roads, bridges, storage facilities, and irrigation systems play an important role in agricultural development. During the review period, both the government and the private sector neglected rural infrastructure. Further, with market reforms and government withdrawal from agricultural marketing and input supply, the private sector did not move in quickly enough to provide marketing services for both inputs and farm produce. Poor rural infrastructure hindered full private sector participation in the provision of adequate services in rural areas.

3.10.1 Manufacturing sector

The manufacturing sector is one of the major sectors with significant potential to contribute to Zambia's economic development and poverty reduction. The manufacturing sector is a key link with primary sectors like agriculture as it processes agricultural products and adds value to locally produced primary products. The increase in manufactured outputs creates increased demand for raw agricultural materials that, in turn, increases output and employment in agriculture. Given the rural orientation of Zambia's agriculture, increased agricultural output can lead to agro-processing industries and to increased incomes for the rural poor and, thus, reduce poverty levels. Similar linkages exist in varying degrees with other primary sectors such as mining. Therefore, the key linkage between manufacturing and economic development is seen to operate through the main channels of expansion in output, employment creation, growth of household incomes, increased tax base, and, where output is for export, increased foreign exchange earnings.

The decline in the mining industry, combined with the policies of privatization and liberalisation of the economy leading to freer entry of imports, exposed the inherent weaknesses in the Zambian manufacturing sector. Many firms were unable to withstand the competition from imports that threatened their domestic markets and were unable to export mostly because of high input costs and low output quality. Firm closures and other downsizing operations contributed to rising poverty as many household heads lost their jobs especially in urban areas. In absolute terms, out of 55,700 jobs in the sector in 1995, 7,900 jobs were lost by 2000 due to closures by many firms and reduced capacity utilisation (*Economic Reports* 2002: 75; 2001: 95).

The lack of competitiveness and slackened productivity in manufacturing is due to a number of constraints. These included a narrow export base and unfair competition arising from smuggling and export subsidies in some trading partner economies. Further, there was lack of effective long-term capital, high cost of utilities like fuel and electricity, low levels of industrial skills of artisans, and inadequate infrastructure including serviced industrial land. Importantly also, depressed domestic demand and limited access to sub-regional, regional,

and international markets contributed to the decline in manufacturing. In particular, a prosperous mining industry provided jobs to manufacturers producing mining components and to industries producing goods consumed by the mining workers. Demand for such products decreased with a smaller mining industry.

The slow growth has also diminished business opportunities for urban and rural micro, small, and medium sized enterprises and the informal sector to generate income and create employment. The potential for linkages between formal and informal sectors of the economy, through either direct or indirect demand-supply relationships, were affected negatively.

Overall, the thesis concludes that there were no deliberate policies to protect and expand the manufacturing sector during the rushed period of liberalization and privatization in Zambia.

3.10.2 Tourism sector

Tourism experienced some growth with foreign exchange receipts increasing by an annual average of 13 percent between 1995 and 2000 or an absolute increase from \$47 million in 1995 to \$91 million in 2000. The number of tourist arrivals increased from 163,000 in 1995 to 457,419 in 2000. In terms of employment creation, the sector has contributed about 12,000 jobs to formal sector employment of about 475,000, up from about 6,000 in 1995 (*Economic Reports 1995-2000*).

As much as tourism has been among the most important industries in the world, its rapid growth in Zambia has been constrained by several factors. In general, the 1990s showed an improvement in terms of tourism contribution to GDP. However, certain policies and lack of them impacted negatively on the development of the tourism sector. These are discussed below:¹⁹

Inadequate infrastructure: The underdeveloped road and rail network, airports/airstrips, telecommunications facilities and transportation, both land and air, as well as inadequate tourist facilities have hampered the rapid growth of tourism in Zambia. The lack of all-

¹⁹ Partly based on my personal experience of the sector as an official of the Ministry of Finance and National Planning 1990-2004 and *PRSP Progress Report 2003*.

weather roads continued to hinder year round access to Zambia's major tourist areas. Government public investments did not target the development of tourist areas such as the Kafue National Park (*PRSP Progress Report 2003*).

Inadequate marketing of Zambia as a major tourist destination: The marketing of Zambia as a tourism destination has been inadequate due to limited resources and lack of focus on the industry. The Victoria Falls for example is believed to be in Zimbabwe and not Zambia and yet the better scenery is from the Zambian side. (*PRSP Progress Report 2003*).

Poor programme implementation due to lack of local participation/ownership: Effective implementation of programmes requires the involvement of the community in project identification, planning, and implementation. This participation would encourage sustainable management and use of resources that would in turn ensure poverty reduction. The policies on local participation have been contradictory and in most cases made without the participation of local people who are supposed to benefit from them. As a result, most chiefs reject natural resource management partnerships such as programmes under Zambia Wildlife Authority (ZAWA) for wildlife management. (Eastern Province Royal Foundation interview August 2005, *PRSP Progress Report 2003*).

Lack of affordable financing for long-term development: There is a major problem with the ability of local investors to access medium- and long-term financing in Zambia. Where such facilities are available, conditions provided by the banks/donors are prohibitive to potential local investors.

Lack of trained human resource and low level of skills: There are inadequate professionally trained workers at all levels in the tourism sector. This affects the hospitality industry adversely as client expectations are not met.

Inadequate product development: Zambia needs to diversify its tourism portfolio in order to exploit niche markets. In order to derive maximum benefits from tourism, there is need for the country to develop a wide product base. This will increase the number of tourist arrivals and the length of stay, thereby increasing the occupancy rates and foreign exchange earnings of the country. In this regard, there is need to develop skills and capacity, and increase the allocation of resources to product development in order to increase the variety of tourism activities (*PRSP Progress Report 2003*).

Lack of institutional incentives: The private sector faces several cumbersome procedures such as bureaucratic delays in obtaining licenses, uncoordinated procedures on the part of the authorities, and the excessive number of licences required to run business. There is need for a one-stop shop.

High cost destination: Zambia has the reputation of being a high cost destination. This is due to limited international seat capacity and domestic flight connections. A deliberate policy under transport and communications should be put in place to strengthen local participation in the airline industry. Apart from this the accommodation rates in Zambia are generally higher than the average in the region.

Lack of good health facilities: The lack of international standard health facilities, drugs, and a system to inform tourists of health requirements before their arrival in Zambia has a negative impact on tourism development.

Land tenure: The process of acquiring land for infrastructure development is slow, thus inhibiting investment in the sector. Little was achieved to implement policies to improve the situation. Land reforms have not been successful and are largely opposed by traditional rulers.

3.11 Conclusions

The political economy of Zambia was in the 1990s and beyond, affected by political party philosophies and the general democratization and liberalization principles of the 1990s after the collapse of the Soviet Block. On the local scene, the poor performance of the economy in the 1980s associated to Kaunda's one-party rule sympathetic to socialism fuelled the demand by Zambians to move more towards capitalist principles of economic management. Even though the principles of privatization and liberalization were on the UNIP agenda, the Kaunda government lacked commitment to them because of its socialist inclination. On the other hand, the Chiluba government, which came into power in 1991 composed of business persons, went full scale to implement the structural adjustment dossier of the IMF and World Bank at great speed without proper understanding of the market forces and the immediate impact on the economy and the people of Zambia. In addition to the fact that pro-capitalist

businesspersons dominated the Chiluba government, the hurry was also associated to their desire to benefit from the hurried process of privatization disregarding transparency and accountability principles enshrined in the Privatization Act.

Privatization and liberalization opened up the Zambian economy to the outside world. In the interpretation of the majority Zambians, trade unions and civil society, the process has not helped the people despite showing positive macroeconomic indicators. In general terms, after recovering from the post-privatization shocks, the economy started growing at an average rate of 2 percent from 1996 to 2000. It is difficult to associate this growth entirely with the effects of privatization as data indicate that the major sectors that contribute to GDP, such as agriculture and mining, actually suffered heavily during the same period in terms of sector contribution to GDP and overall employment levels fell by more than 40 percent. On the positive side, beyond 1996 there have been signs of economic recovery indicated by GDP growth and sectoral performance. In general, therefore, the principles of globalization as enshrined in liberalization and privatization have not affected Zambia positively in terms of poverty reduction.

Although the macroeconomic framework for 1992-1994 aimed at achieving real GDP growth rates of 2 percent in 1992, 3 percent in 1993 and 4 percent in 1994, high negative growth rates in GDP were registered in 1992 (-5.9%) and 1994 (-8.0%). High positive growth rates were only recorded in 1993 (6.1%) and 1996(6.6%) (*Economic and Financial Policy Framework, 1992-1994*). The GDP growth trends for the review period lacked consistency to impact positively on economic growth and development. The economy was in the initial years affected negatively by speedy liberalization and privatization in Zambia. Agriculture and the mining sectors, which are the major contributors to GDP, experienced a drop in total output and value added during the period. The growth trends affected and influenced the major economic management shift from state participation to a private sector led economy instituted by the MMD government in 1991. Speedy privatization resulted in the private sector to effectively being unable fill in the gaps left by government. Further, the privatized companies needed lead time to restructure and to attract capital flows and investments to turn the economy round. This did not happen during the review period within the principles of globalization.

This thesis concludes that both globalization and the associated economic policies have increased inequalities among countries, individuals and organizations. For instance Sub-Saharan African (SSA) countries have not entered the global market and the share of the world trade is only 1 percent trading up to 80 percent of primary commodities without adding any value (Salih 2001: 61). Global instruments and organizations such as the World Trade Organisation have only remained as tools for the developed countries to continue dominating the global market.

At the macro level, the thesis concludes that the performance of the Zambian economy was not impressive in the 1990s. There was stagnation in real growth as indicated by GDP at 1994 prices for the period 1990-2000. The average annual growth rate recorded was 0.8 percent of GDP during the period. This level of performance was insufficient to impact positively on the livelihood of the people whose population growth rate was around 3.1% per annum. Thus, there was no major growth of per capita income in the 1990s in Zambia. It may be concluded that wealth creation and poverty reduction have been negligible, resulting in increasing poverty levels, limited job creation that manifested in hunger and deteriorating access to basic services such as health, education and water and sanitation.

It is clear that policy makers do not talk to each other and hence interest groups such as civil society have no forum to contribute to the national development agendas. For this reason, Zambia should concentrate on the use of local institutions and all stakeholders in developing policies instead of over-reliance on the Washington agenda with its emphasis on short-term stabilization policies. This thesis proposes a model for policy formulation in Zambia. The proposed model is presented in chapter 7.

In terms of policy formulation, it can be concluded that policy development should not be a preserve of the elite but rather be consultative to allow all the stakeholders to participate. The thesis concludes that policy development in Zambia did not consider issues of appropriateness, sustainability, and the impact of participation of the citizenry in the development and implementation within a defined institutional framework. As a result, the policies did not produce the overall intended objective of improving the livelihood of the people.

This justifies the need to build a framework for planning with clear institutional mechanisms from the lower levels to national institutions at Cabinet and Parliament. Chapter 7 discusses this idea further.

It is true that policy development in Zambia is highly influenced by cooperating partners to serve their interests, which includes the protection of the world market to safeguard their industries. Secondly, high percentage of resources to implement the policies comes from the cooperating partners. For this reason, they influence heavily the definition and implementation of policies. There is, therefore, need to examine the impact of the external sector on policy formulation and implementation in Zambia. The question to answer is what influence does the external sector have on the local development agenda? Chapter 4 below discusses this issue.

CHAPTER 4

IMPACT OF THE EXTERNAL SECTOR ON GROWTH AND DEVELOPMENT

4.1 Introduction

Chapter 3 discussed policy formulation processes in Zambia. The main conclusions are that policy development and implementation were weak due to weak institutions. However, the issues raised in Chapter 3 concentrated on decision-making processes as influenced by local party policies and administrations. It is also important, however, to focus on the influence of external factors to see the linkage to the internal political systems on policy formulation and implementation. This is the purpose of Chapter 4.

This chapter discusses several issues related to the external sector and its impact on policy development and implementation. Firstly, the chapter considers the impact of the external sector on economic variables, such as the structure of imports and exports. Secondly, the chapter considers issues of debt and debt management and sustainability as well as issues of globalization. The overall focus of the chapter is to examine the linkage and impact of the external sector on policy development, implementation and socio-economic development in Zambia. To deal with these issues, a number of questions are examined related to difficulties posed by external debt and its sustainability, the principles of the HIPC initiative, the Poverty Reduction Growth Facility and the impact of Official Development Assistance on socio-economic development in Zambia as well as the impact of globalization on the economy.

Since the mid-1990s, external sector developments in Zambia continued to be weak, characterised by falling metal exports due to declining production and occasional steep price declines. Sharp rises in the price of petroleum and occasional maize imports due to drought in some years made the situation more difficult. To add to this, the growing debt and debt burden had put so much pressure on the economy that the available resources after servicing debt were insufficient to impact positively on development.

Considering the available data, one sees that the objective of reducing Zambia's vulnerability to uncertainties of foreign aid inflows was not realized throughout the 1990s and dependence increased from 30 percent in the 1980s to 37 percent in 1999 measured as a share of external assistance in total foreign earnings of foreign exchange resources (Heij 2000: 21). This means that the external sector was gaining strength in terms of influence on policy development as most resources were coming from the cooperating partners. The purpose of this chapter is to examine these factors. First, this chapter considers the impact of globalization and then examines Zambia's position in external trade.

4.2 Impact of globalization on the Zambian economy

4.2.1 Theoretical background

This section examines the impact of globalisation on the overall performance of the economy. Much emphasis is placed on trade, information, and technological advancement, including the impact of the Internet and the general competitiveness of the Zambian economy in relation to regional and international markets, which forms the basis for socio-economic integration. This section should be seen in relation to the analysis of economic performance as well as the impact of liberalization and privatisation discussed in Chapter 3. The issues raised in those sections equally explain various impacts of globalization on the Zambian economy.

It is important to start this analysis by defining terminologies frequently used in globalization. It is not the intention of this section and the entire thesis to exhaust all the associated terms and definitions but merely to lay ground for the discussion on the impact of the global village on Zambia. According to Castells (1996a)²⁰, the following terminologies are defined as follows:

- “New Economy” is defined as informational because productivity and competitiveness of units or agents, i.e. regions, firms, nations, etc., fundamentally

²⁰ See Castells M. (1996) *The Information Age, Economy, Society and Culture*. Volume 1. Blackwell Publishers, Massachusetts, USA.

depend upon the capacity to generate process and efficiently apply knowledge based information.

- “Global Economy” is defined as such because the core activities of production, consumption, circulation and their components of labour, capital management, markets, and technology are organized on a global scale through direct means or through highly networked systems and connections.

From the definitions above, this thesis concludes that information, knowledge, technology and networking are key pillars and instruments (ingredients) for a nation to effectively benefit from globalization. These are the elements that are closely related to productivity, which drives economic growth and development. Thus, countries that have benefited from globalization have also seen increases in the yield of output per unit of input over time such as the High Performing Asian Economies (HPAE) like Japan, China and Taiwan. However, for this to happen, certain basic levels of infrastructure and education should be available in a region, district or nation for it to benefit from globalization. Such infrastructure includes energy, roads, telecommunications, equipment and software. Zambia is definitely very far from the minimum basic requirements to benefit fully from globalization, let alone the rural areas of the country. There are also other things that a region or country needs to do apart from meeting the basic requirements. These have to do with the competitiveness and efficiency of the economy such as reducing production costs, increasing productivity, broadening the market and accelerating capital turnover supported by complex information systems. The issue of expanding the market is critical for countries like Zambia whose domestic market is too small to support large-scale production due to low purchasing power as a result of poverty. In the 1970s and 1980s, Zambia’s economy deteriorated rapidly partly because of failure by local industries to expand both the local and international markets. Kaunda’s import substitution strategy in the early 1970s and 1980s largely failed due to limited local market and the inability of the parastatals to penetrate international markets (Mwanza *et al.* 1992: 121). To enter foreign markets, countries require improved and efficient communication networks in highly deregulated markets, which afford international capital to operate freely across national borders.

Modern development theory (supported by the World Bank and IMF) indicates that a country can only benefit from globalization when it is fully liberalised. According to Castells (1999), the supporters of globalization theory believe that “while the international global economy is distinct from the global economy it does not oppose its logic. It subsumes it through technological deepening, embodying knowledge and information in all processes of material production and distribution because of gigantic leap forward. In other words, the industrial economy had to become informational and global or collapse. Global economy is based on its capacity to work as a unit in real time on a planetary scale.” (Castells 1999: 100). Capitalism has survived through the logic of restructuring and economic competitiveness, a phenomenon that developed vigorously in the last quarter of the last century. This is the mechanism that made capitalism survive beyond the doom, which Karl Marx predicted for 1900.²¹

The ability to mobilise capital from anywhere and invest it anywhere through various instruments such as capital markets supported by information systems and networks is at the centre of the success in certain countries of the benefits of globalization. Thus, benefits from globalization are based on the search for new markets and internationalisation of production. For this reason, globalization works through vigorous liberalization and deregulation policies such as those implemented by Zambia from 1992, supported by the IMF and World Bank. As discussed in section 3.7, Zambia’s success in the area of privatization had mixed results and was principally limited due to poor infrastructure leading to failure to attract sufficient foreign investments and to penetrate international markets. Zambia and the rest of SSA excluding South Africa can be said not to have benefited from globalization. In this sense, Zambia has been marginalized from the benefits of capitalism. This marginalization has manifested itself in least developed countries like Zambia in inequality, polarization, poverty, misery and social exclusion (Castells 1999: 100)²². African leaders are slowly realizing that globalization does not offer benefits to weaker nations. For example, addressing a meeting of SADC Heads of State in Gaborone, Botswana, President Mwanawasa challenged the leaders

²¹ See Karl Marx Capital volumes 1, 2 & 3 for detailed discussion on capitalism.

²² For detailed definitions of these terms see Castells (1999) *End of the Millennium*: 100. Blackwell Publishers, Massachusetts, USA.

to guard against the effects of globalization where poor Southern African countries have been marginalized and have not benefited from global initiatives including from the World Trade Organisation (WTO) (Patson Phiri 2005: 4).

In a similar argument during the launch of the UNDP *Human Development Report 2004*, the Vice President of Zambia, Dr. Nevers Mumba, stated that:

“to our cherished western partners it is a fact that globalization and the free market economy has a place in the search for world economic growth and stability. I am, however, of the view that Zambia and many other poor countries of the world might remain to be last on the human development index unless globalization is tailored to be fair to the poor countries....” He further indicated that the global system allows the United States government to subsidize their farmers by up to US\$ 600 million but deny our poor farmers to export to their markets through WTO. The propaganda for the west supporting globalization was good at making everyone feel guilty for rejecting ideas under globalization (Brighton Phiri 2004: 2)

4.2.2 Has Zambia benefited from globalization?

4.2.2.1 Introduction

To deal with the question of the impact of globalization there is need to consider the influence of the global village on the performance of the Zambian economy. Apart from domestic operations, macroeconomic performance in Zambia can be viewed and explained by the influence of global economic cycles. This section deals with issues of globalisation and relationships to policy development and implementation.

4.2.2.2 Regional and international context of globalization

As discussed in section 4.2.1 above, globalization or the ‘new capitalism’ has not benefited the Third World at all. In terms of polarization of incomes among and between nations, the *1996 Human Development Report* indicates that in 1993, only US \$5 trillion of the US \$23

trillion global GDP were from the developing world though they account for 80% of the population (Castells 1999: 70). The share of global income by the poorest 20% of the world's people has declined from 2.3% to 1.4 % since the 1970s, clearly indicating the effect of polarization. On the other hand Castells (1999) indicates that the share of income of the richest 20% has increased from 70 to 85% during the same period. In comparison to the Zambian situation, in real terms Zambia's GDP and per capita income has fallen tremendously compared to the western countries and HPAE, further illustrating the point that Zambia is one of those countries being marginalized by modern capitalism. Capital flows, information and technological advancement are clearly by-passing Zambia despite putting in place some measures such as liberalization of the economy in trying to benefit from globalization. As an example Castells (1999: 70) indicates that the gap in the per capita income between the poor and industrialized countries tripled from US \$ 5,700 in 1960 to US \$ 15,000 in 1993.²³

The ascent of informational, global capitalism is characterized by simultaneous economic developments and under-developments, including social inclusion and exclusion. Information seems to be intertwined with rising inequality and social exclusion in Zambia As Katundu (interview 2004) put it, globalisation and privatization in Zambia have not addressed the issues of poverty but efficiency in running companies if one considers the increasing number of street kids, orphans, the underprivileged and the unemployed. In conclusion, one may say that for Zambia to fully benefit from regional integration and globalization it needs to focus on export growth. Zambia with a small population, most of which is impoverished and, therefore, cannot absorb all expanded domestic output, needs to find external markets for most products. The implication is that production for export must receive greater emphasis.

According to Salih (2001: 65), Africa is one of the continents where the World Bank and the IMF, the world's most powerful financial institutions, forced neo-liberal globalization on countries to bring about change to their economies. In SSA, the World Bank and the IMF

²³ For detailed discussion see Castells (1999) *End of the Millennium*: 70.

through their imposition of stringent economic policies and reforms have aided globalization. These made African countries believe that economic ills were out of their own making through domestic policy distortions and thus the reforms ignored the external factors of terms of trade, falling commodity prices, debt and oil prices. In most African countries, particularly SSA, the following resulted immediately upon implementation of the SAP:

- Liberalization led to the drain of foreign exchange;
- Importers imported only luxury goods thereby affecting the poor more;
- Imports increased faster than exports thereby worsening the balance of payments position;
- The policy of reducing government spending affected the poor negatively.

As an example, generally Zimbabwe's economy grew at an average of 1 percent instead of the 5 percent projected for the SAP period (Zulu interview 2004, Kasanda interview 2005, Mpepo interview 2004, Sichone 1996: 3).

This growing worldwide integration has produced a series of consequences on the economic, cultural, political and environmental levels and unfortunately, some of these if not all, have negatively affected the poor (Zulu interview 2004, Kasanda interview 2005, Mpepo interview 2004, Sichone 1996: 3). As seen in the case of Zimbabwe and Zambia, while global wealth has increased, it has become concentrated in fewer hands. According to the *Awake* magazine of May 2002, "the net worth of 200 richest people on earth now exceeds the combined income of 40 percent of the people (2.4 billion people)" (*Awake* May 2002: 4). Concerning corporate participation, globalization has favoured the growth of multinational companies and by 1998, in the telecommunications sector, 10 companies controlled over 86 percent of all telecommunication. Further, these high-level interactions have also affected the culture of people on the African continent, which is very negative through the print and electronic media and the Internet. On the environmental front, *Awake* points out that the world is in constant race with development and concludes that although in the next decades we shall be environmentally aware, there will be nothing more to defend.

As Salih (2001: 61) concluded, overall performance of the adjusting countries was better on all indicators selected (except investment) than that of non-adjusting countries. Within the low income and Sub-Saharan groups, the growth and export performance of non-adjusting countries was superior to that of the countries that received adjustment loans during the 1990s. He further indicated that Africa lagged behind the rest of the developing world losing its market share in output, in exports and in foreign direct investment. The average per capita income level of African countries fell in relative terms from 14 percent in 1965 to 7 percent in 1995 (Salih 2001: 61).

Many authors described structural adjustment programmes as a misguided effort by the two powerful global financial institutions, the World Bank and the IMF, to rescue countries in crisis. It can be argued, however, that the main objective of these institutions has been to integrate the developing countries, including Africa, into the neo-liberal globalization project. Second, since these externally driven economic restructuring programmes coincided with the emergence of late 20th Century globalization, it is not difficult to infer that these institutions are instruments to expand neo-liberal globalization. In this sense alone, Africa has offered a unique case in comprehending the role of financial institutions, with a global vision, in integrating the continent into the ethos of neo-liberal globalization. Salih (2001: 61) points out that the structural adjustment programme's failure and the subsequent socio-economic and political upheavals that followed were direct consequences of the introduction of a neo-liberal globalization paradigm imposed by the World Bank and IMF.

The debate is to see the recent economic developments as reflecting either the failure of the current policies or the dangers of globalisation. In order to link this to policy development and implementation, there is need to consider the following issues and to answer the following questions:

- How is the policy environment accommodating globalization in Zambia?
- Is the political leadership in Zambia harnessing globalization for its own economic growth and improvement?
- How is the country cushioning itself from the adverse impact of globalization and can one say the policy environment and strategies adopted are facilitative of the

- maximization of dividends from globalization?
- What measures and instruments should Zambia put in place to benefit from globalization?

To answer the above questions, it is necessary to consider what strategies and policies the country has put in place in trying to benefit from globalisation and whether these have achieved results.

Zambia has designed national strategies to take advantage of globalisation and meet the requirements associated with greater integration into the world economy. In an integrated world economy, Zambia has tried to benefit from globalization but without any success. Although Zambia has moved at full speed to implement liberalization and membership to regional groupings – Southern African Development Community (SADC), Common Market for Eastern and Southern Africa (COMESA), African Union (AU) and Preferential Trade Area (PTA) – the benefits have been minimal. On the global scale Zambia is a member of the United Nations and its agencies, the Non-Aligned Movement and the South to South Cooperation organization. Recently, Zambia became a signatory to the New Partnership for Africa’s Development (NEPAD). Through these organizations, Zambia like other Highly Indebted Poor Countries in Africa, hoped to benefit fully from the global village.

4.2.3 Zambia’s position in the SADC region²⁴

COMESA countries constitute a grouping of 19 countries of which 13 constitute the current participating countries of the Cross Border Initiative (CBI), the 14th member being Seychelles whose trade with Zambia is too insignificant to affect the pattern of trade. This section examines Zambia’s position in COMESA and trade relationships under the CBI, which has influenced the movement of goods and services. The question to examine is to what extent has Zambia participated in the regional economy and what benefits have accrued to Zambia as a result of regional integration?

²⁴Data on this section is from a paper by I. Mwanawina, C. Cathy and J. Mc Cathy (1999) “Impact of economic liberalization under the Cross Border Initiative - A case study of the experience in Zambia and Malawi”.

Mwanawina *et al.* (1998: 42) point out that Zambia's external sector showed an upward trend in both exports and imports although total exports declined by an annual average of 1.1 percent from US\$1.3 billion to US\$1.1 billion from 1980 to 1997. Imports also declined by an annual average of 1.5 percent from US\$1.1 billion in 1980 to US\$0.8 billion in 1997. The CBI share of exports grew by an average of 26.7 percent and imports by 32.9 percent per year during the period 1984 to 1997. This favourable performance has, however, been overshadowed by the volatile performance of the sector, as well as by the higher growth rate of imports compared to exports, thus resulting in deterioration in the trade balance. After the introduction of the CBI, the CBI share of exports improved drastically from 6.9 percent in 1995 to 12.1 percent in 1996 while that of imports increased from 3.9 percent in 1995 to 13.6 in 1996. However, in 1997 CBI export and import shares both declined to 8.3 and 9.3 percent, which were still higher than their 1995 contributions. (Mwanawina *et al.* 1998: 42)

The export sector is dominated by metal mining that accounts for 62.9 percent of total exports. Copper, zinc, lead and cobalt are the main exports that together with tobacco and 'others' constitute the country's traditional export sector. Exports declined on average by 0.5 percent per year during the period 1991 to 1997 due to a reduction in both the volume and price of exports. The largest decline was recorded in lead (40.8%) and the largest growth in cobalt (66.8%) with copper, the main export commodity, registering a marginal growth of 3.1 percent (see Table 4.1 below). 'Others' grew by an average of 14.6 percent, while tobacco declined by 14.1 percent. The growth was in most cases in commodities that go to the rest of the world and not COMESA. (Mwanawina *et al.* 1999: 42)

There has been substantial diversification in exports with non-traditional exports that grew at an annual average rate of 28.6 percent, thus increasing its contribution to total exports from 10 percent in 1991 (US\$121 million) to 16.1 percent in 1997 (US\$329 million) (Mwanawina *et al.* 1999: 42). Non-traditional exports consist of animal products, building materials, chemical products, engineering products, floricultural products, garments, gemstones, handicrafts, horticultural products, leather products, non-metallic minerals, other manufactures, petroleum, primary agricultural commodities, processed foods, textiles, wood products and electricity. The SAP appears to have positively affected the performance of

non-traditional exports, which improved by an annual average of 28.6 percent between 1991 and 1997. The implementation of CBI seems to have supported export diversification, since CBI total export earnings increased on average by 1.6 percent per year, largely attributable to non-traditional exports, which grew by 32.7 percent. However, the increase was insufficient to impact on poverty reduction and achievement of the Millennium Development Goals (Mwanawina *et al.* 1998: 42).

Table 4.1: Composition of exports (US\$'000)

	Total	Copper	Zinc	Lead	Cobalt	Tobacco	Others	Non-Traditional
1991	1162520	583416	7178	820	34220	3960	411604	121321
1992	1173970	468198	4370	61	13875	4398	582756	100312
1993	1029790	714873	596	150	23045	660	166374	124091
1994	1114050	750148	437	Na	34363	1946	178296	148860
1995	1237840	816743	-	-	19033	1711	201069	199284
1996	996750	607036	-	-	16808	8148	122203	242555
1997	1199375	691045	-	-	171409	7433	-	329488
% Growth	0.5	3.1	-31.3	-40.8	66.8	14.6	-14.1	28.6
% Growth after CBI	-1.6	-7.7	-	-	400.3	167.3	-39.2	32.7

Source: Mwanawina I, Cathy C and Mc Cathy J. 1999: 43

Zambia's import basket is made up of a wide variety of products. After liberalisation, imports of oils and fats registered the highest average annual growth rate (52.6 percent) during 1991 and 1997. This is followed by food (37.3 %) and crude material (27.1%). Imports of lubricants, fuels and related materials recorded the lowest decline, averaging 14.6 percent per year (Mwanawina *et al.* 1999: 43; Table 4.2).

The import bill in Zambia during the review period was dominated by machinery and transport equipment. This accounted for 44.1 percent of total merchandise imports in 1991 (US\$355.8 million), 36.4 percent in 1996 to 40.7 percent in 1997. Though the 1997

contribution is lower than in 1991, this category of imports remained highest. Lubricants, fuels and related materials, within which petroleum products are dominant, accounting for 16.1 percent in 1991 and 12.7 percent in 1997, take the next position. Imports of classified materials contributed 14.9 percent in 1991 and 23.1 percent in 1997. Manufactures of classified materials are, in the main, iron and steel. In fourth position are imports of chemicals, dominated by medical and pharmaceutical products. This accounted for 12.1 percent in 1991 and 14.1 percent in 1997. The introduction of CBI saw acceleration in the annual average growth of total imports to 8.6 percent (Mwanawina *et al.* 1999: 43).

Table 4.2: Composition of imports (US\$'000)

	Total	Food	Bev.	Crude	Lub.	Oils	Chem.	Mat.	Mach.	Mis	Unc.
1991	806002	15470	3094	15470	129950	3094	97463	120668	355817	64975	0
1992	810841	88852	2794	18441	130204	7265	133557	116792	268790	44146	0
1993	809474	38652	1767	18774	94310	5963	235222	87242	273211	51462	2871
1994	591428	31308	2534	20276	69474	3876	102721	85874	222587	51286	1491
1995	699514	60490	2660	29493	92181	4626	94379	99815	265903	49850	116
1996	831443	74427	6871	35682	105969	10680	116897	112592	302426	64989	911
1997	819287	50050	1902	40618	16278	12855	115617	189628	333845	57581	913
% Growth	0.3	37.3	-6.4	27.1	-14.6	52.6	3.1	9.5	-1.0	-1.9	-17.1
% Growth after CBI	8.6	-8.6	- 14.3	18.9	-41.2	88.9	11.3	45.0	12.8	7.8	344.6

Source: Mwanawina I, McCathy C and Mc Cathy J. 1999: 42²⁵

²⁵Note: Bev (Beverage & Tobacco), Crude (Crude Materials), Lub (Lubricants, Fuels & Related Materials), Oil (Oils & Fats), Chem (Chemicals), Mat (Manufactures Classified by Materials), Mach (Machinery & Transport equipment), Mis (Miscellaneous Manufactured articles) and Unc (Unclassified Commodities).

As was indicated in the study, most of Zambia's trade is with countries outside COMESA and the CBI group (Mwanawina *et al.* 1999: 43). Trade with the Rest of the World (RoW) excluding COMESA and CBI remained relatively high, accounting for over 95 percent of exports until the intensification of the SAP when it marginally declined to below 95 percent but remained at or above the 90 percent mark during the period 1991 to 1997. After CBI, there was one year (1996) during which the share of exports going to the RoW fell to 80 percent, returning to 90 percent in 1997. One could surmise that this decline was somewhat accelerated by the introduction of SAP, and to a limited degree, the CBI. Thus some exports, which used to go the RoW, were now going to COMESA and CBI countries (Mwanawina *et al.* 1998: 44).

An examination of imports shows a similar marginal decline in imports from the RoW. The share of imports from the RoW remained above 90 percent until 1993 with a structural break in 1990 due to difficulties in recording trade after dismantling import controls. The rest of the imports came from COMESA. In 1994, imports from the RoW declined to 85 percent of total imports and remained more or less at that level until 1997 when it returned to the 90 percent level (Mwanawina *et al.* 1998: 44). Unlike in the case of exports where SAP and CBI appear to have affected the pattern of RoW, COMESA and CBI exports, there is no significant evidence of the effect of imports from both RoW and COMESA.

Imports from CBI countries are only marginally below those from COMESA countries and follow a similar pattern, with the exception of 1995 when the share fell to about 2 percent of total imports. The reduction in the share of both COMESA and CBI imports after 1997 is surprising considering the preferential tariffs on COMESA imports, which Zambia implemented. This was supposed to lead to an increase in imports from that source. The explanation may lie in the lack of real complementarities in both the COMESA and CBI grouping, which inhibited the full realization of the benefits arising from the removal of trade restrictions among participating countries. It is also important in explaining the lower and similar pattern of the share of trade with COMESA and CBI.

Considering the above statistics, one may conclude that Zambia's share in the regional market has increased during the review period though most of the trade is with the Rest of

the World and not COMESA and CBI. To some extent, Zambia has benefited by increasing trade with COMESA particularly in non-traditional exports. In terms of direction of trade within the region, Zambia's imports from COMESA have fluctuated from as low as US\$48 million in 1988, increasing to US\$754 million in 1990 and dropping to US\$79 million in 1997 (Mwanawina *et al.* 1999: 45).

In conclusion, the thesis argues that the main weaknesses in trade policy, which inhibited Zambia from gaining fully were the anti-export bias, lack of affordable export credit schemes, fragmentation and weaknesses of institutions related to trade and weak private and public partnership.

On the export side, Zambia has not done very well. Table 4.3 indicates that the trade balance between Zambia and COMESA has been generally negative in most years except 1991, 1995, 1996 and 1997. The story with the CBI countries is similar. Positive trade balance was only achieved in 1991, 1996 and 1997 (see Table 4.3).

Table 4.3: Direction of imports and exports

YEAR	Total		CBI		RoW		COMESA	
	Export	Import	Export	Import	Export	Import	Export	Import
1988	1183886	834503	37980	44628	1185579	834745	36293	48391
1989	1334443	912191	41382	99999	1331982	912118	50673	108585
1990	1135702	1060557	33291	68355	1134425	1061891	40619	754349
1991	1076841	800944	107564	58221	1076733	801361	112933	66522
1992	723526	805303	54295	67066	723666	805253	59793	69852
1993	826154	809013	41425	63175	826260	727975	54333	61401
1994	925014	592877	37249	87016	924935	592918	64853	89899
1995	1039374	699504	71309	27472	1039325	699514	100162	92181
1996	1037061	831390	125373	113172	1037089	831360	178409	128901
1997	1055350	803110	87809	74709	1055314	803085	97895	79031

Source: Mwanawina I, McCathy C and Mc Cathy J. 1999: 43

This indicates that Zambia has not done enough to benefit from globalization as the case is for Mauritius and Botswana. The section below considers the measures which were undertaken by Zambia in an effort to gain from globalization.

4.2.4 Measures and policy instruments instituted by Zambia

On the local front, Zambia made a substantial reduction in the trade policy and other barriers inhibiting its participation in world trade. During the review period, Zambia underwent extensive trade reforms. With respect to trade, Zambia's efforts have included lowering trade taxes and collapsing the trade tax bands to three. Other measures included the removal of most non-tariff barriers and the abolition of import licenses. Another development worth mentioning was the launch of the COMESA Free Trade Area in 2000. During the same year Zambia also signed another regional pact, the SADC Trade Protocol that provides duty free access to the SADC market for specified Zambian products.

While these agreements expanded the potential market for Zambian products, the liberalization policies of the 1990s increased competition for local industry. Zambia's involvement in the regional agreements came with its costs. These costs included increased competition from imports leading in some cases to companies closing or relocating to neighbouring countries. This is in addition to the rapid decontrolling of imports at a time when local industry suffered from high domestic interest rates and had little time to acquire competitive production technology.

On the international front, Zambia has been increasingly involved in regional and multilateral trade negotiations through such organisations as the World Trade Organisation, the African Union, COMESA, and NEPAD. Policies of import substitution widely used in the 1950s, 1960s and 1970s have appeared less successful than the more export-oriented policies and Zambia has pushed trade liberalization ahead in an effort to benefit from globalization.

Further, with the collaboration of other countries, Zambia has put in place policies in the elimination of Non-Tariff Barriers (NTBs) such as liberalization of import licensing, removal of foreign exchange restrictions, taxes on foreign exchange, import and export quotas,

reducing the number and frequency of roadblocks, easing of customs formalities and extending border post opening hours. However, some member countries are using administrative measures to reduce trade from other countries and in this regard Zambia has lost out through these policies.

Due to Zambia's affiliation to regional cooperation initiatives, changes in the trade policy and reductions in trade barriers have occurred. The protective effects of tariffs, quotas and licences were realigned so that they are not reinforced by distortions in the foreign exchange market. The current patterns of trade have highlighted three striking changes in the country's export patterns (UNCTAD 2005: 7):

- Rapid increase in the importance of manufactured exports from developing countries.
- A marked shift in the direction of Zambia's exports towards other developing countries.
- A sharp increase in the importance of service exports.

Along with the liberalization of trade, there have been attempts to attract foreign direct investment but this has not been very successful. The idea of liberalising the economy is to attract capital flows with which to finance development. This has not happened at a rate to significantly influence growth in Zambia. Even though the FDI stock has marginally increased from as low as \$500,000 in 1885 to over \$200 million in 2003, more than half went to the capital intensive mining activities in terms of stocks and actual flows (UNCTAD 2005: 7). The manufacturing sector has not benefited much over the liberalization period. Manufacturing has concentrated on the production of inputs for the mining sector as well as services but very little for the export market.²⁶ Foreign Direct Investment (FDI) has to some extent, improved skills in the economy but has not helped so far to upgrade technological levels as most technological investments in the mining industry are highly capital intensive. In 2002, for instance, less than 10 percent of formal sector employment was in the mining sector (UNCTAD 2005: 13). The other associated problem was the failure of privatization to create backward linkages and foreign affiliates except in the agricultural

²⁶ The large exporters in Zambia are Zambia Sugar, Chilanga Cement, African Explosives, South African Breweries, Phelps Dodge Cable and Wire Company and Lonrho.

sector where out-grower schemes have brought in local farmers to participate, such as in cotton, paprika and vegetables. These products have shown strong growth. For instance, the total aggregated exports rose from \$32 million in 1990 to \$170 million in 2002 (UNCTAD 2005: 16). However, these levels are still low and can be increased given that the country is well endowed with resources such as land, minerals, other natural resources and labour. In addition, it has low political risks, as the political situation has been peaceful since independence. This can boost manufacturing and an outward looking export economy.

4.3 What should be done to benefit from globalization?

Assessing the impact of the strategies outlined above, Zambia has not benefited from globalization and the reasons for this are various mainly centring on bureaucratic and trade impediments which have hindered the development of export growth in Zambia. According to David Lindauer and Michael Roemer (1994), Newly Industrialised Economies in Asia used export market based outlook industrial strategies to foster growth in their economies. The other measures that assisted growth were low and uniform protection of imports, management of exchange rates, lowering inflation, fiscal discipline and intensive use of resources such as land, labour and minerals (David Lindauer and Michael Roemer 1994: 5). These strategies are similar to those followed by Mauritius and Botswana. In Mauritius, the strategy was export diversification through Export Processing Zones with emphasis on textiles (Subramanian *et al.* 2003: 10).

The other strategy, which Zambia should put in place, is to create institutions that assist exporters to enter international markets. These institutions could be, among others, warehousing, export processing zones, duty drawbacks and exemptions. (Radelet 1999: 12). According Subramanian *et al.* (2003) Mauritius expanded its trade through having vibrant and coordinated institutions, both social and civic capital. Since the institutional capacities are very weak, Zambia should develop social capital in forms of trust, work ethics, and tolerance as well as civic capital, which are government institutions that facilitate trade. (Subramanian *et al.* 2003). Along with these strategies Zambia should continue the efforts on macro economic stabilization, reforms in financial markets, and investment in primary

production, especially agriculture to achieve productivity gains and release labour to the manufacturing industry. Productivity gains will come from investment in modern industries and services to create a market for labour and capital for higher productivity employment. (David Lindauer and Michael Roemer 1994) In Zambia, all the manufacturing industries collapsed after 1991, because government did not put in place the appropriate industrial strategies to support manufacturing based export oriented industries, a strategy which was used by the newly industrialized economies in Asia. Radelet (1999) outlines the benefits of manufacturing for export as one sector and strategy, which brings in rapid growth and technological advancements through fostering relationship with international firms, which in turn brings in new and efficient technologies, capital goods and high rates of investment. As Radelet (1999) concluded, the manufacturers for export strategy allows specialisation in production techniques as well as connects the industry to the global market in labour intensive operations, a strategy which assisted Asia as well as Tunisia and Mauritius (Radelet 1999: 3).

Zambia should emphasise the growth of labour intensive export based manufacturing, agriculture and tourism. The export growth will create wealth to invest in infrastructure, education and health (Price Waterhouse Coppers 2001: 5) which in turn creates the conditions for productivity gains.

There should be deliberate policies to support institutions that support export industries. The institutions should be assisted through increased funding and or to carry out structural reforms to improve their performance. The other issue is to re-examine the investment policy where there are still coordinational problems such that even though an investor will have an investment certificate from Zambia Investment Centre, he or she may have problems in obtaining work permits for expatriate employees from the Immigration Department (Price Waterhouse Coppers 2001: 21). In this light, relevant sector ministries and trade promotion institutions need capacity, both financial and technical, to facilitate their functioning, as export expansion is the fundamental assumption behind economic growth. Trade promotion institutions include bodies such as the Zambia National Tourist Board (ZNTB), the Export Board of Zambia (EBZ), the Zambia Investment Centre (ZIC), the Zambia Bureau of Standards (ZABS), the Zambia Competition Commission (ZCC), and

trade associations. Consistency of policy and overall coordination of the process should receive special attention in planning and budgeting. Considering the question of the roles of institutions, Acemoglu D, Simon J and James A.R. (2003) commenting on Botswana's success story, indicated that the country succeeded largely because of the existence of good institutions which they called 'institutions of private property' (Acemoglu D, Simon J and James A.R. 2003: 84). Acemoglu *et al.* (2003) concluded that such good institutions would protect property, ensure political stability and broad participation of stakeholders including chiefs and NGOs. The institutions should institute effective property rights not only for the elite but for all stakeholders, should guard against expropriation and should ensure stability of policies. The other aspect of the Botwanan experience is that of participation of a broad section of society in policy development and implementation including ability of a large section of society to participate in economic activities of the country and not restricting these activities to the elite few (Acemoglu *et al.* 2003: 86. This thesis urges that Zambia should in a similar manner improve on the performance of institutions as well as the consultative framework in policy making and implementation. (See Chapter 7)

The other problem hindering rapid expansion of exports in Zambia is the lack of market orientation by most firms. This means that most firms lack orientation and the experience for the export market. Zambia needs to put up strategies which give information, education and exposure to exporting firms so that they become competitive in the global market. There should be strategies to assist firms gain confidence and orientation for exporting to outside markets through provision of grants and subsidies. Another strategy is to reduce barriers to direct SMEs to participate and to deal with market orientation through technical assistance in form of cost sharing grants for internal total quality control, productivity improvement and buyer-seller linkages through cost sharing grants. This should be to both the Zambian seller and the overseas buyer and to introduce incentives to link exporters to the local economy (Subramanian *et al.* 2003).

The other impediment to export growth is the macro economic and policy instability especially high domestic interest rates, which have limited firms from accessing long-term capital. The interest rates are too high for firms to borrow. This has limited the ability of firms to expand and modernise operations. In line with this argument, the National

Convention or the *Indaba Report* of 2003, summarised this problem by stating that the major issues being faced by industry in Zambia were lack of access to affordable credit, high commercial interest rates and lack of specialised lending institutions (*Indaba Report*: 146-147). To solve these issues, there is need to stabilise macro economic parameters and to bring inflation down to single digits in order to pull the interest rates down. Related to this are inadequate government services, protection, and taxation structures which discourage the export market, and inability to meet quality requirements by firms. It is necessary for government to put in place a segmented protection approach (heterodox) actively segmenting the export sector from the rest of the economy and preventing restrictive trade from spilling over to the export sector (Subramanian 2003).

The state of infrastructure has contributed to high costs of transportation in Zambia. A deliberate programme to improve the state of infrastructure such as roads and telecommunications will aid the expansion of export industry and bring about growth.

Overall, these strategies require political support. It is necessary that proper consultations are done before such measures are implemented. One strategy is to carry out identification and quantification of the linkage of export growth to poverty reduction to gain political commitment to reforms. It is necessary that before these policies are implemented, proper consultations should be undertaken within all stakeholders employing both bottom-up and top-down techniques. Liberalization and privatization policies were criticized in Zambia because of lack of consultations. This is the subject of discussion in Chapter 7.

Comparing Zambia to the Southern African region, Mwanawina (1998: 23) concluded that capital flows into South Africa can have a very positive effect on that country's demand for labour and its economic growth, but those flows are expected to bring little or no benefit to other countries in the region in the absence of other policy changes. Inflows to South Africa will not automatically make it an 'engine of growth' for SADC, even with regional integration in the form of reduced import tariffs. Domestic economic reforms within the SADC countries would be needed for them to attract higher investment levels in their own countries, and enjoy the resulting benefits. Zambia has not put in place mechanisms and institutions to benefit from globalization.

Currently, Zambia has made new investments in improving human capital and the quality of educational institutions. Moreover, access to international technology should have permitted Zambia to close the gap with advanced nations faster than was previously possible. The coming of Internet technology should have facilitated the faster flow of information. It should have been able to bring domestic and international markets in the mainstream through the provision of better information and the reduction of transaction costs. All these have not produced any meaningful results.

On production and competitiveness, huge price mark-ups existed between exporting and importing countries even in the face of improving technology. Most of the traded commodities are non-competing. They are not domestically produced and thus displace some competing domestic industries. Most of the traded goods are luxuries such as cellular phones, which are out of reach for the vast majority of the Zambian population.

On the political front in relation to globalization, one considers some political decisions undertaken to support structural reforms. The basis for countries to benefit from integration is to ensure that the system acts as an effective vehicle for the integration of developing countries into the world economy and fostering mutual support among members in their reform efforts. For this to occur there is need to have firstly, the political will to adhere to regional integration objectives, and to give them priority over domestic considerations. Secondly, there is the requirement for all involved economies to achieve greater institutional and economic policy convergence. This assumes that countries establish ambitious but feasible roadmaps for instituting reforms and establishing regional institutions, while realistically evaluating the resources required. Finally, strong, efficient regional institutions are required to develop appropriate policies independent of national interests without, however, losing sight of each member's particular situation. They should also have enough human and material resources to assist member countries in implementing these policies. Zambia did have strong political will for speedy integration, especially under President Chiluba when a number of liberalization policies were put in place. However, a more cautious approach has been taken by the Mwanawasa government to cushion the country from negative impacts of globalization by protecting key sectors such as energy and agriculture.

4.4 External sector influence on the economy

During the period 1991-2001, external sector developments continued to be weak, characterized by falling metal exports due to declining production and occasional price declines. Sharp rises in the price of petroleum and occasional maize imports due to drought in some years have made the situation difficult for the *Zambian* economy.

Both the external shocks and shifts in government policies have played a significant role in *Zambia's* worsening balance of payments situation during the period 1970-1990. On the external front, terms of trade declined due to escalating oil prices while copper prices and production declined during the 1970s. Internally the economy was characterized by prohibitive import, export and price controls and the prevalence of consumer subsidies. All these factors severely distorted domestic production and consumption patterns. In the period 1990 to 2001, the balance of payments position continued to be under pressure. In 1991, for example, although export earnings improved significantly, there was a substantial increase in the payments for imports and in the outflows pertaining to non-factor services and investment income resulting in the current account deficit. The situation was still unsatisfactory in the later years as receipts from exports had declined while import payments had increased significantly. This resulted in a substantial reduction in the country's trade surplus. Given that the investment account and non-factor services were in deficit, the current account balance recorded a deficit in the entire period.

Though extensive reforms were undertaken in the trade regime, the country continued to face a deteriorating current account position. The current account deficit also worsened mainly due to increase in the value of merchandise imports particularly in the mining sector, which outpaced the increase in the value of exports. The rise in imports especially in the period 1996 to 2002 can be attributed to an increase in imports of intermediate and capital goods, in particular imports of petroleum products and those related to the recapitalisation of the mining sector.

The decline in the terms of trade is attributed to the decrease in copper prices and the failure to diversify the economy. The effect was that external and internal debt was used as an

option to finance the gap. Thus, the country saw the country's economy declining and the balance of payments situation getting more precarious.

During the 1980-2000 period, donor aid came to Zambia mainly to support the country to militate against the effects of the support for liberation wars. On the other hand, in the 1990s increased aid came to reward perceived progress in good governance and reintroduction of multi-party democracy in 1991 by President Chiluba. After re-establishing multi-party democracy in 1991, by 1996 aid reached US\$5.6 billion. However, this trend reversed after the 1996 elections as a result of misunderstandings on the electoral process and the barring of former President Kaunda from standing for elections. Other issues that were raised were the emerging poor economic governance among leaders as cases of corruption increased. (*Economic Report* 1998).

According to Heij (2000: 23), the per capita aid was at US \$416 in 1980 but increased to US \$500 by 1995. However, after the controversial elections of 1996, the per capita aid fell to US\$12 by 1998. As Heij (2000: 30) put it, the donors were applying the principle of 'reward and punishment' linked to political and economic governance. The fall in donor aid was due mostly to the bilateral partners and not the multilaterals. The World Bank, the IMF and the African Development Bank continued to support Zambia beyond the 1996 elections. Without this support, Zambia could have been in a more difficult situation in terms of balance of payments and the country would have had no option but to default on its debt service obligations. One would say that the donors took an upper hand in policy development in Zambia using a series of benchmarks and conditionalities.

Given the general fall in resources from the cooperating partners, Zambia's efforts in resource mobilization fell short of the requirements to make up for the shortfall. Thus, resource mobilization over the period has shown downward trends. Government's resource mobilization efforts fell by 8 percent between 1980 and 1999 despite the fact that grants rose (Heij 2000: 17). Overall resources for development were significantly reduced in the 1990s. This led to expenditures on growth sectors such as agriculture as well as social sectors such as health and education to decline from 4.5 percent of GDP in 1980 to 2.2 percent in 2000 (Heij 2000: 17).

4.5 External debt

External debt is a monetary obligation that a country incurs by obtaining funds from outside its borders, usually in an international currency such as the dollar. These loans are usually obtained by the government though quasi-government institutions may also obtain loans provided the government guarantees repayment.

4.5.1 History of Zambia's external debt

The genesis of Zambia's current external debt crisis is the decade 1970-1980. During this period, the country experienced a sharp decline in the terms of trade, international reserves and budget deficits. The decline in the terms of trade was largely on account of the decrease in copper prices on the international market. The situation was compounded by the oil crisis of 1973/74 and the after shock of the 1979 oil prices.

The decade 1970-1980 witnessed an unprecedented increase in external debt for the country. In 1987 the government announced the cancellation of the IMF stabilization programme that resulted in the stoppage of inflows in external debt financing. Despite these measures, the stock of external debt at the end of 1990 was US \$6.5 billion, representing an increase of 100 percent over the 1980 figure (*IMF/World Bank publications 1980-2003, IMF Decision Point Document for Enhanced Heavily Indebted Poor Countries (HIPC) Initiative November 2000: 15*).

The stock of external debt reached a peak of US \$7.286 billion in 1991. This was largely because of accumulation of arrears especially to the Bretton Woods institutions that resulted from the 1987 government unilateral cancellation of the IMF stabilization programme and limitation of debt service to 10 percent by the Kaunda government (personal experience 2005, IDM 2004).

During this period, though showing signs of recovery, the performance of the mining sector, the country's top foreign exchange sector, did not fully recover and there was urgent need to diversify the economy away from the copper monoculture.

External debt has continued to diminish resources that would have been utilized for poverty reduction in line with the country's Poverty Reduction Strategy Paper (PRSP). External debt

in any country, Zambia included, tends to crowd out development programme spending. This is seen in that debt service over the years has averaged more than 10 percent of the country's GDP. This is in comparison to a negligible 2 percent of GDP spent on the development sectors.

Domestic debt, including arrears, has also risen to very high levels and the latter threatens the viability of small firms that supply food and services to government. This aspect also crowds out the business community since government is borrowing heavily from the banking sector.

4.5.2 Theoretical considerations on debt sustainability

Debt sustainability is attained when a country is expected to meet its current and future debt service in full, without reverting to debt rescheduling and defaulting with creditor countries. In the current set-up of the enhanced HIPC Initiative, sustainability is defined by an indicator that links the amount of debt on a net present value (NPV) basis to the value of the country's exports. In definitional terms, when the ratio of the NPV of debt to exports is greater than 150 percent, this is defined as an 'unsustainable' debt level. Within this context, the HIPC Initiative aims to reduce the debt level to 150 percent by cancelling debt stocks and/or through 'topping-up' debt relief at completion point for countries that have been proven to suffer from external/exogenous shocks. Countries can also qualify for debt relief under the 'fiscal' criterion, which defines un-sustainability as a debt-to-government revenue ratio of more than 250 percent (IMF Decision Point Document for Enhanced Heavily Indebted Poor Countries (HIPC) Initiative November 2000: 16).

On the basis of international experience, some indicators of external debt sustainability have been established. The main ones are the debt-to-exports ratio expressed in net present value (NPV) and the ratio of debt service exports. The IMF/World Bank have specified the ranges using these ratios within which a country's debt is considered as sustainable or not. In order to ascertain sustainability, a Debt Sustainability Analysis (DSA) is undertaken jointly by the IMF and debtor countries. A DSA determines a country's eligibility for support under the HIPC Initiative.

Debt relief is calculated on the basis of sustainability at a single point in time. It may be the case that the level of exports may be high or fiscal revenue may be high at the reference point. Realizing this shortcoming, DSA uses three-year averages for the variables used in determining the eligibility of countries for the Initiative. This, however, does not eliminate the volatility of export earnings and government revenue.

Debt Sustainability analysis attempts to investigate whether a country's external debt is sustainable. As defined above, debt sustainability refers to a country's ability to meet its current debt and future debt service obligations in full without recourse to debt relief, rescheduling of debt or the accumulation of arrears and without unduly compromising growth. This definition is obviously a tall order for most countries in Sub-Saharan Africa including Zambia.

In order to adequately analyze the debt burden on the fiscal programme, domestic debt has to be taken into account. This is for two main reasons. Firstly, since domestic debt is an alternate way of financing domestic deficit, there has to be a way of determining whether the gains from external debt relief will be diverted to servicing domestic debt. Secondly, a switch from external to domestic borrowing can give a false impression concerning the overall fiscal burden picture.

In the Zambian case, in the 1970s diagnosis of the country's deteriorating terms of trade deemed it as temporary. As a result, the country did not initiate a deliberate policy of economic diversification away from copper monoculture. Instead, the country opted to borrow extensively to meet the resource gap. The result was that the external debt stock of the country more than trebled from less than US\$ 700 million in 1970 to about US\$ 3.3 billion in 1980 when there was no appreciable gain in copper prices (Ministry of Finance and National Planning IDM Department 2003).

The decade 1980-1990 saw a worsening of the country's external debt stock. The situation was compounded in that the country's economy was declining at a faster pace and the balance of payments position became more precarious. However, the stock of external debt, outstanding and disbursed plus interest arrears was considerably reduced mainly due to

efforts to bring the stock to manageable levels. These efforts included actual debt service, negotiating for stock write-offs and rescheduling arrangements especially with bilateral creditors. A significant reduction arose from the 1992 rescheduling arrangement with Paris Club creditor countries under the London terms, which resulted in stocks falling to US\$ 6.943 billion at the end of 1992. By the end of 1995, the stock of external debt reduced to US\$ 6.853 billion. This represents a decline of more than 6 percent from the 1991 debt stock. The total debt stock in 1996 was US\$ 6.2 billion representing a decline of 10 percent within one year (Ministry of Finance and National Planning 2005).

The normalization of relations with the IMF and the World Bank in the early 1990s changed the composition of the country's external debt. This was manifested in a dramatic rise in the proportion of debt owed to both institutions. For instance, the stock of external multilateral debt increased to US\$ 3.219 million in 1995 accounting for more than 50 percent of the total debt stock.

The stock of external debt over the period 1997-2003 also showed a rising trend. Despite a marginal decrease to US\$ 6.3 billion from US\$ 6.4 billion at the end of 1997, the debt stock increased to US\$ 7.01 billion at the end of 2002 (see Table 4.4 below). This represented an increase of 11.5 percent over the 1997 stock. The increase in the debt stock was largely because of increased borrowing from multilateral institutions particularly the International Development Association (World Bank HIPC Decision Point Document 2000: 15, Ministry of Finance and National Planning 2005).

Table 4.4: Zambia's external debt stock (US\$ millions)

	1996	1997	1998	1999	2000	2001	2002	% change
Medium/Long-term	5946.1	6171	6456.9	6051.9	5842.8	6438.2	6469.7	4.8
Public Guarantee								
<i>Multilateral</i>	3268.7	3314.6	3111.6	3375.1	3404.3	3346.4	3854.9	16.3
ADB/ADF	176.4	169.7	176.7	320.7	328.4	318.7	296	74.4
World Bank	1402.1	1482.9	1542	1668.3	1800.1	1837	2491	74.4
IMF	1205.5	1205.5	1138.6	1219.2	1128.5	992	965.9	-19.9
Others	484.7	456.5	254.3	166.9	147.3	198.7	102	-77.7
Bilateral	2677.4	2856.4	3345.3	2676.8	2438.5	3091.8	2614.8	-8.4
Paris Club	2246.2	2427.3	2212.9	2405.4	2179.2	2713.9	2343.1	-3.5
Non-Paris Club	431.2	429.1	1132.4	271.4	259.3	377.9	271.7	-37
Medium/Long-term	260	231.3	278.2	455.9	410.3	823.3	670.4	189.8
Private Non-Guaranteed								
Total	6206.1	6402.3	6735.1	6507.8	6253.1	7261.5	7140.1	115

Source: Ministry of Finance and National Planning 2004, IMF decision point document for enhanced Heavily Indebted Poor Countries (HIPC) Initiative November 2000: 15)

In order to mitigate the effects of unsustainable debt in poor countries, the IMF launched the enhanced Heavily Indebted Poor Countries (HIPC) Initiative in 1996. The initiative involves a commitment at the decision point by the international community to provide sufficient debt relief to eligible countries to reduce the debt burden of these countries to sustainable levels, on the usual condition that a country is implementing structural reforms under the auspices of the IMF.

In late 2000, Zambia reached the decision point and consequently obtained debt relief through the Enhanced Highly Indebted Poor Country (HIPC) Initiative thereafter expected to reduce its debt servicing payments during 2001-2003 from roughly \$600 million to \$165 million per year. At completion point, targeted for 2004, Zambia's creditors would write off some \$3.8 billion of debt in nominal terms.

4.6 Poverty Reduction and Growth Facility

The Poverty Reduction and Growth Facility (PRGF) is the successor to the enhanced structural adjustment facility (ESAF). It is the IMF's lending facility to support national poverty reduction strategies for poor countries. The IMF established the PRGF in September 1999, by replacing the earlier ESAF. The PRGF was established with the explicit aim of making the objectives of poverty reduction and growth more central to the IMF's lending operations in its poorest member countries (IMF Decision Point Document for Enhanced Heavily Indebted Poor Countries (HIPC) Initiative November 2000: 15).

A PRGF is a concessional IMF facility, with PRGF loans carrying an interest rate of 0.5 percent per annum and repayable semi-annually beginning five and a half years and ending ten years after disbursement. The resources for PRGF loans are borrowed by the PRGF Trust, located at the IMF, from central banks, governments and official institutions, generally at market rates of interest. They are then lent out on a pass through basis to PRGF eligible countries. The difference between the market-related interest rate paid by the PRGF Trust lenders and the 0.5% per year paid by the borrowing member is financed through contributions from bilateral donors and the IMF's own resources.

A Poverty Reduction and Growth Facility programme between the IMF and a country is framed around a comprehensive country-owned Poverty Reduction Strategy Paper (PRSP) that is prepared by the government with the active participation of civil society and other development partners. A country's Poverty Reduction Strategy Paper is considered by the Executive Board of the IMF (and the World Bank) and is then used as the basis for concessional lending from the IMF as the policy conditions and targets in a PRGF-supported programme are drawn from the country's PRSP.

In terms of debt service, payments have fluctuated during the review period but always on the unsustainable side. In 1990, total debt service was US \$110 million but this increased to US \$354 million in 1992 and US\$188 million in 2000 (see Table 4.5).

Table 4.5: Zambia: Debt service paid and external flows, 1990-2000.

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
Debt service paid, US\$ Million	290	655	354	326	409	1,584	319	217	147	136	188
Debt service paid in % of goods and non-factor service	21.6	56	29.6	31.2	34.8	120.4	28.7	17.6	16	16.2	20.7
Debt service paid in % of GDP	7.7	19.4	10.7	10	12.2	45.7	9.7	5.6	4.6	4.3	5.5
Debt service paid in % of Government Revenue	38.2	103.7	58.3	63.2	60.9	230.2	47.1	27.9	24.4	24.5	23.1
Gross external inflows (incl. rescheduling and other flows) of which:	-	-	1,106	795	550	1,816	510	401	297	511	776
IMF	-	-	0	0	0	1,264	0	14	0	14	27
IDA	3	213	174	174	186	209	181	169	43	156	210
Net external flows (official)	-	-	752	469	141	232	191	184	150	375	434
Net external flows in % of GDP	-	-	22.7	14.4	4.2	6.7	5.8	4.7	4.7	11.9	12.6

Source: World Bank HIPC Decision Point Document. Basic data from MOFNP, IMF and IDA staff estimates (2000)

The hump in debt service in 1991 and 1995 is due to repayment of arrears to international multilateral institutions, much of which was offset by new disbursements. The above data show that such amounts are clearly on unsustainable levels given the situation of local revenues and growth of GDP in the 1990s. Zambia's domestic revenue ranged only between 17 and 21.6 % of GDP. The levels are insufficient to deal with both external and internal debt.

Zambia's debt stock is not sustainable as shown in the data in Table 4.6, which indicate that external debt as percent of exports of goods and services was over 500 percent in the period

1990-2000. Clearly, at those levels, the balance of payment position continued to worsen. On the other hand, net debt service as percent of exports increased from 6 percent in 1990 to 30 percent in 1995 but dropped slightly to 20 percent in 1999.

In comparison, data from the IMF show that the situation in Africa has been getting slightly better during the period moving from 231.8 percent in 1996 to 147.1 percent of exports in 2003 while Zambia's position averaged 500 percent during the period. This shows that the debt stock in Africa and Zambia in particular is unsustainable and cannot be financed from resources raised internally.

Table 4.6: Indicators of debt distress and external dependency, 1990-1999

	1990	1995	1999
Debt Distress:			
External Debt as % of Exports of Goods and Services	506	550	691
Scheduled Debt Service as % of Exports of Goods and Services	47	46	63
Net Debt Service as % of Exports of Goods and Services	6	30	20
Net Debt Service as % of GDP	2	10	5
External Resource Dependency:			
External Resource Gap as % of GDP	1	6	9
External Resource Gap as % of Gross Domestic Investment	4	44	66
Aid Dependency:			
Net External Assistance as % of GDP	12	3	16
External Assistance as % of Foreign Exchange Earnings	22	32	37
Net External Assistance as % of Gross Domestic Investment	35	60	62
Fiscal Dependency:			
External Assistance as % of Total Government Expenditures	32	40	34
External Assistance as % of Capital Expenditures	69	98	90
External Grants as % of Total Government Revenue	18	32	34
Total	754	951	1127
<i>Source: Hiej 2000: 21</i>			

Considering the aid received and its utilization, Zambia spent most of the aid on debt service. For example in the period 1990-95, out of the total aid of US \$3,933 million received, US \$1,274 was used on debt service and a further US\$368 million on payment of arrears to the IMF and World Bank (see Table 4.7).

Table 4.7: Composition and utilization of aid, 1990-1999 (US \$Million)						
	1990-95	% of Total	1996-99	% of Total	1990-99	% of Total
Aid Received	3933	100	1645	100	5577	100
BoP Support	2075	53	438	22	2513	45
Commodity Aid	556	14	37	3	593	11
Project Financing	1320	33	1170	75	2490	45
Use of Aid	3933	100	1645	100	5557	100
Net Debt Service	1274	32	707	43	1981	36
WB, IMF Arrears	368	9	...		368	7
Drought Relief	309	8	...		309	6
Sub-Total	1951	49	707	43	2658	49
Net Aid for Econ. Development	1992	51	938	57	2919	51

Source: Heij 2000: 27

4.7 Debt Relief

Zambia's main creditors can be grouped into three categories and these are (a) the multilateral window, mainly the World Bank (IDA) and other multilaterals such as the ADB; (b) Bilaterals, for Zambia mainly the Paris Club creditors; and (c) commercial creditors that are outside the conventional HIPC debt restructuring and relief initiative. This section discusses issues related to debt relief initiatives as they relate to the Highly Indebted Poor Countries (HIPC) Initiative.

4.7.1 The Highly Indebted Poor Countries Initiative

4.7.1.1 Theoretical considerations

During the late 1980s and early 1990s, there was a realization that more had to be done to reduce the debt burden of low income countries to sustainable levels. As a response to this challenge, the IMF and World Bank jointly launched the Heavily Indebted Poor Countries (HIPC) Initiative in 1996. In 1999, the original version was repackaged to the now enhanced HIPC Initiative. Under the initiative, multilateral financial institutions to which most countries are indebted are able to extend debt relief on their claims. HIPC was created as a framework for all creditors, including multilateral creditors, to provide debt relief to the world's poorest and most heavily indebted countries, thereby reducing the constraint on economic growth and poverty reduction imposed by the debt build-up in these countries. The Initiative attempts to ensure that no poor country faces a debt burden it cannot manage.

To be considered for HIPC Initiative assistance, a country must:

- a) Face an unsustainable debt burden, beyond traditionally available debt-relief mechanisms.
- b) Establish a track record of reform and sound policies through IMF and World Bank supported programmes.
- c) Have developed a Poverty Reduction Strategy Paper (PRSP) through a broad based participatory process.

(IMF decision point document for enhanced Heavily Indebted Poor Countries (HIPC) Initiative, November 2000: 15)

The Initiative entails coordinated action by the international financial community, including multilateral organizations and governments, to reduce to sustainable levels the external debt of most highly indebted poor countries. The total cost of providing assistance to the 38 countries that potentially qualified under the Initiative is estimated to be US\$ 50 billion in net present value terms. The thrust of the initiative is to ensure that the debtor countries meet their current and future debt obligations without seeking new loans or defaulting. The Initiative also

releases funds through direct contributions by creditor countries. These funds are targeted at social expenditures for poverty reduction.

Following a comprehensive review of the Enhanced HIPC initiative in 1999, a number of changes were approved to provide faster, deeper and broader relief and to strengthen the link between debt relief, poverty reduction and social policies. Countries continued efforts towards macroeconomic adjustment and structural and social policy reforms including higher spending on social sector programmes like basic health and education are now central to the 'enhanced' HIPC Initiative. (IMF decision point document for enhanced Heavily Indebted Poor Countries (HIPC) Initiative November 2000: 5)

4.7.1.2 Impact of the HIPC initiative on policy development in Zambia

As part of the requirements of the HIPC initiative, Zambia like many other countries was requested to prepare the Poverty Reduction Strategy Paper (PRSP). Zambia prepared and launched the PRSP in July 2002 after a consultative preparation process involving all stakeholders in national development. The detailed discussion of the PRSP process is in Chapter 8. An important point to make here is that the requirement that the PRSP should be consultative helped the country to start considering the planning framework to achieve that.

In this regard Zambia has benefited through the preparation of the PRSP, which became the development agenda after a period of absence of planning instruments. The PRSP assisted the country in allocating resources to priority areas of development. Secondly, to some extent Zambia benefited from debt relief through scheduling at decision point in 2000 and expected to benefit from debt relief at completion point in 2003.

4.7.1.3 Critique of the HIPC initiative

An analysis of Zambia's debt service before and after decision point shows no significant relief after December 2000. In 1999, Zambia spent US\$ 129.255 million on external debt service. In 2002, the country spent US\$ 276.319 million. As at 5th December 2003, a total of

US\$ 248.594 million had been spent on debt service. (Ministry of Finance and National Planning 2004 and Heij 2000: 22) Clearly, there are no major savings despite the HIPC initiative as the debt has remained unsustainable. It clearly shows that the assumptions for HIPC at that time were unrealistic. The section below develops this argument.

4.7.1.4. Validity of assumptions for Zambia under HIPC

The projections for macroeconomic variables on which the Debt Sustainability Analysis is based are too optimistic. As an example, GDP growth for the Initiative is assumed at 5 percent GDP growth or more per annum. However, the growth rate for Zambia during the review period was consistently less than 5 percent. With these growth rates, Zambia did not benefit fully from the HIPC initiative.

4.8. Impact of External debt on growth and development

External debt tends to militate against economic growth. Firstly, this is because the debt overhang contributes to investment disincentives that delay foreign FDI. Secondly, huge debt service obligations tend to crowd out development spending, thereby blocking socio-economic development in the country.

An article in the *Zambia Daily Mail* issue of 24th March 2004 summarized the problem of debt in Zambia as that which is coupled with high levels of poverty among Zambians where more than 80% of the population is considered poor. Under these circumstances of high poverty, the average poor citizen is carrying a huge external debt from multinational institutions like the WB and the IMF of more than US \$720, about K3 million per capita. This aspect has made government have problems to respond quickly to numerous hurdles people face such as unemployment and poverty.

The youth, who constitute more than 50% of the population, are one major grouping that has been negatively affected by the adverse repercussions of debt burden. About 50% of the youth in the nation are unemployed and not in school because a large proportion of the resources is allocated for servicing the colossal debt on the shoulders of the country. It is in this vein that

there has been a shift from emphasis on debt servicing to debt cancellation so that the funds from debt relief can be used for developmental projects. (*Zambia Daily Mail* 24 March 2004)

In contradiction to the above statement, the same day (*Zambia Daily Mail* 24 March 2004), when signing for a US \$50 million loan for road rehabilitation from the WB, the Minister of Finance and National Planning, Mr. P. Magande, encouraged the World Bank to ignore the misconception and wishful thinking of some Zambians that the country can do without donor support. He further pledged to ensure that the funds were put to good use to help in wealth creation and the alleviation of poverty by maintaining a good road network. This directly contradicts the statement from the *Zambia Daily Mail* of the same date on the impact of debt so contracted from multilateral and bilateral donors. (“State seals US \$50 million road facelift deal” 2004, *Zambia Daily Mail* March 24 2004: 2)

During the opening of the seminar on debt relief for Jubilee Zambia 2000, the then Minister of Finance and Economic Development, Dr. Katele Kalumba, pointed out that international negotiations were difficult and lop sided because creditors had acquired an upper hand on decision-making by virtue of debt incurred by Zambia, and that Zambia had mortgaged her political and economic sovereignty and ultimately dis-empowered the country in making decisions (Jubilee 2000: 2). Speaking at the same seminar, the Acting Director of External Resource Mobilization, Mr. Patrick Malambo indicated that the government had to divert huge amounts of resources from the social sectors to debt servicing, thereby adversely affecting the quality of service in education, health and water and sanitation.

Commenting on the same debt the pastoral letter of August 1998 stated:

“Zambia’s debt is clearly un-payable. Zambia cannot pay back because the debt burden is economically exhausting. It blocks future development. Zambia will not pay back because the debt is politically destabilizing. It threatens social harmony. Zambia should not pay back because the debt burden is ethically unacceptable. It hurts the poorest in our midst’. (Jubilee 2000: 2)

On the local level, the people in provinces and districts also added their voice to the problem of debt and how it affects development. A statement from a meeting of NGOs in Mongu,

Western Province indicated that the people in rural areas and in Mongu in particular, saw a strong link between external debt and poverty levels with the attendant social effects of high unemployment levels due to lack of industries, destitution, hunger and rising crimes (Jubilee 2000: 2, 4).

4.9 AID effectiveness in Zambia

At independence, Zambia was a middle income country with per capita of around US \$ 1,500. However, this situation rapidly changed in the 1970s pushing Zambia to one of the poorest countries in Africa with per capita dropping to below US \$ 300 in the 1980s and 1990s (see Chapter 3). For this reason although Zambia was a middle-income country in the 1960s and early 1970s, the country soon became a major recipient of aid due to external and internal shocks. Zambia turned to aid due to the Unilateral Declaration of Independence (UDI) in Rhodesia through the hurried policy of building alternative trade routes. Other factors that contributed to Zambia turning to aid were the Matero and Mulungushi nationalization reforms of 1968 and 1969, the oil crisis of the 1970s and the collapse of copper prices. As a result of these factors aid increased by 300% between 1974 and 1980 and the number of aid donors reached 150 institutions by 1988 (Saasa 2000: 40) The gross development assistance per capita reached US \$156 in 1979, but increased to US \$175 in 1991 mainly due to drought (Saasa 2000: 39).

4.9.1 Theoretical considerations on aid effectiveness

Increase in donor support affects the economy positively. This is because with low levels of inflation, commercial bank lending interest rates are very low and, therefore, attractive. This positively affects the operations of firms dependent on advances and overdrafts from commercial banks for their operations and thus increases production. Furthermore, with low inflation, unviable projects become viable and, therefore, commercial banks increase lending to the private sector. This further impacts positively on economic growth and employment as companies are forced to increase their operations as a response to an improved economic environment

Similarly, increase in donor project financing would result in the continuity of construction and rehabilitation of roads and other growth-enhancing infrastructure necessary for economic development. This would not only reduce the current unemployment levels in the country, but also increase the level of investment.

Additionally, availability of donor support, accompanied by improvements in the mining sector and an increase in non-traditional exports would increase the country's foreign exchange earnings. The country would be able to import critical inputs such as fertilizer for the agricultural sector. A resultant increase in agricultural production would enhance growth further with no serious implications on food security.

Finally, increase in donor support would lead to a stable macroeconomic environment not hostile for investment and economic growth. The confidence of the investors would not be eroded. It would also make it easier for Zambia to complete the privatisation programmes, as investors would be keen to commit resources in a stable economy.

Considering the period of the 1980s and 1990s one notices both positive and negative impacts of donor aid in Zambia. In general, there were more negative aspects than positive ones due to a number of reasons such as lack of effective management principles and wrong prioritization. The following paragraphs discuss the negative and positive impacts of donor aid in Zambia.

4.9.2 Positive donor aid impacts

Aid assisted Zambia to slow down the rate of economic decline and to mitigate against disasters such as drought and the floods of the 1992/3 season. Secondly, aid assisted the country to service debt and to progress with the macroeconomic stabilization programme by positively affecting inflation, exchange rates and interest rates. Stability in the exchange rate was achieved in the 1990s, which resulted in low cost of imported goods and consequently, low prices of manufactured products. Further, as the Government put in other economic management measures such as reducing deficit, donor support led to reduced domestic borrowing from the banking system, which resulted in a reduction in money supply thereby pushing inflation down. With this scenario in place, private sector participation in the economy

was facilitated and this assisted in boosting private sector investment and ultimately increased production. Secondly, aid contributed to economic diversification particularly of non-traditional exports such as paprika, flowers, coffee and precious stones. Non-traditional exports grew from US\$113 million in 1990 to US\$272 million in 2000, a growth of over 100 percent. (*Economic Report* 2001). Thirdly, aid helped the promotion of private sector development in line with the policies of President Chiluba's MMD government. Aid provided technical assistance to the private sector to develop capacities such as support to the Export Board of Zambia, Zambia Privatization Agency and Zambia Revenue Authority. Fourthly, aid assisted the government to develop policies in a number of sectors such as the Agricultural Support Programme (ASIP), the Basic Education Sub-Sector Investment Programme (BESSIP) and the Road Sector Investment Programme (ROADSIP), which helped government to set appropriate priorities through a consultative process.

4.9.3 Negative donor aid impacts

There were negative donor aid impacts, however. Firstly, aid management by the Zambian government in the 1990s was inadequate. Thus, as aid increased the quality of management decreased, particularly for project aid, which the donors managed directly with little relation to government structures and institutions and without any linkage to government's development agenda and priorities. The programme/project support strategy by donors was fragmented and had no macroeconomic impact. Moreover, it was thinly spread out and in most cases contradictory in approaches and objectives among and between donors. For example, whereas some donors emphasized free services, others demanded cost-sharing measures in adjacent areas. This confused participants and resulted in political conflicts among MPs and councillors. The Zambian Government lacked capacity in development management in general and as a result, donor funds were not allocated to priority areas defined by recipients but by the donor capitals, leaving little impact on the ground. For example, Zambia was basically partitioned among donors such as the Dutch taking Western Province, the British Central, the Irish Northern, and the Germans Southern Province.

A closer look at the programmes run by donors (such as Senanga West Agricultural Development Area in Senanga, Kalabo Agricultural project in Kalabo and Livestock

Development Project covering Western Province for the Dutch), indicates that little was achieved in the 1980s and 1990s. What was achieved was the purchase of several vehicles and installation of telephone lines, which had no linkage to the causes of poverty in Senanga West. Apart from the partitioning of Zambia, the later strategy of preparation of sector investment programmes such as BESSIP and ASIP did not improve the situation as programmes and priorities continued to be proposed by donors. For example, ASIP did not turn round the agricultural sector as per objectives. Most resources were spent on administrative expenditures at Mulungushi House including endless workshops and seminars on planning how to implement the programme instead of implementing it. Thus, AID did not impact positively on investment in the agricultural sector and as a result production fell, particularly in the 1990s (Personal experience 1982-2005).

Secondly, aid in Zambia in the 1980s and 1990s did not aim to improve economic and political governance on which it was premised, especially at the start of the Third Republic. Related to this, not much resource from the donors went to governance institutions such as the Anti-Corruption Commission, the Auditor-General's Office, the Drug Enforcement Commission and the Judiciary.

Data indicate that aid per capita has fluctuated from a low of US \$5.2 in 1970 to a high of US \$ 233.2 in 1994, which is an over-increase of 4,000 percent. The reasons for the upswing in 1994 were the birth of the Third Republic and the introduction of a liberalised economy. In the 1980s, the major reason centred on the drought. Table 4.8 indicates the trends.

Table 4.8: Aid intensity

Year	Net ODA as percent of					Per Capita Aid (US\$)
	GDP	Investment	Govt Spending	Exports	Imports	
1970	1.2	4.3	7.9	2.3	3.3	5.2
1971	1.3	3.6	5.8	3.1	3.0	5.1
1972	2.4	6.8	10.7	5.5	5.8	10.3
1973	2.4	8.2	11.4	4.8	7.1	12.6
1974	3.0	8.1	16.3	5.9	7.3	18.5
1975	2.5	6.2	9.5	7.0	4.5	12.8
1976	4.1	12.9	16.2	9.4	10.6	21.9
1977	7.4	29.8	27.8	18.7	17.5	36.1
1978	9.9	41.5	41.4	29.5	26.8	52.3
1979	9.5	67.2	39.9	20.9	26.1	57.6
1980	6.0	25.6	23.4	14.4	13.1	40.4
1981	7.9	41.0	28.0	27.6	19.2	53.2
1982	5.6	33.4	20.2	20.2	15.4	35.0
1983	7.2	52.2	29.8	21.8	22.8	37.0
1984	11.8	80.7	47.1	33.8	35.7	48.2
1985	20.2	135.5	84.6	55.4	54.2	65.8
1986	25.6	107.5	95.3	60.7	58.3	60.2
1987	21.1	166.0	103.5	53.5	59.2	66.0
1988	10.0	90.6	67.5	30.1	38.4	50.4
1989	12.0	111.4	87.7	44.9	35.6	63.3
1990	26.9	155.5	141.2	72.0	73.0	113.5
1991	30.7	278.5	96.4	89.3	99.5	129.3
1992	27.4	230.3	182.5	106.1	87.4	105.8
1993	20.2	193.3	210.0	77.3	72.2	84.7
1994	54.9	798.5	561.1	173.9	154.8	233.2
1995	15.1	128.5	170.0	47.9	37.8	68.4

Source: Saasa 2005 Aid Policy and Strategy: 19

Thirdly, another aspect worth analyzing is the relation between the pledges and actual releases from the cooperating partners. This is important because the Zambian budgets are premised on

the assumption that more than 60% of the resources will come from this source. Unfortunately, during the review period and particularly beyond 1996, the difference in pledges and actual disbursements widened, which threw the budget off track resulting in government not meeting its obligations. According to the Ministry of Finance records, in 1998 Ireland pledged US\$10 million, Italy US\$7 million, the World Bank US\$63 million but the actual releases were US \$7 million, US\$0.0 million and US\$23 million respectively (Ministry of Finance 2004).

According to Sitwala (2004), the problems of donor aid are as follows:

- Data is not reliable, as donors do not provide comprehensive data on pledges, disbursements and actual expenditures. This data is usually kept in their capitals.
- The time schedules as to when GRZ needs the data and when donors would be ready to pledge do not tally. The figures indicated during the Consultative Group meeting are merely indicative and need to be re-negotiated and confirmed through bilateral and multilateral negotiations, which largely depend on Zambia's performance with the IMF programme.
- The actual impact of donor aid is difficult to quantify as most expenditures occur in the donors' own countries.
- The bulk of the funds are spent on Technical Assistance in their own countries thereby making little impact in the recipient countries.
- Project support is usually managed through separate accounting institutions and not through government financial systems, hence returns are not readily available to indicate resource disbursements and utilization.
- Monitoring mechanisms at district, provincial and national levels are weak to track these resources and to indicate the inputs, outputs, outcomes and impact of the assistance. Despite large figures being reported as being aid given to Zambia, poverty levels and economic performance have remained a source of worry for the poor.

One tends to agree with the sentiments and conclusions made by Sitwala on the problem of lack of effectiveness of donor aid in Zambia, which has affected the implementation of development programmes. This is also linked to lack of policy on donor aid.

According to Pera ike Underson (2000), the share of aid to GDP in Zambia was about 16% in

1994. This high level in the 1990s is associated with the writing off of loans or converting them into soft loans. However, this had no major impact on development and poverty reduction. For instance, Pera ike Underson (2000) reports that one of the contributing factors is that even though Zambia received a book inflow of US \$ 1,500 million in 1994, only \$300 million was ODA. In the same line, Saasa (2002: 40) indicates in his analysis that the aid to Zambia in net inflow is always negative as shown in Table 4.9.

Table 4.9: Balance of Payments Support and government debt service, 1993-1997

Source	1993	1994	1995	1996	1997	Average contribution %	Average growth %
WB	151.2	147.7	160.2	120.5	110.7	61.7	-5.9
Canada	5.5	7.4	0.0	0	0	1.2	-20
EC	0.0	0.0	0.0	0	13.8	1.2	0
Finland	98.8	14.4	34.8	0	0	13.2	-20
Germany	0.0	0.0	2.2	0	0	0.2	-20
Japan	0.0	11.4	34.7	6.8	0	4.7	-20
Netherlands	20.8	20.2	0.0	0	0	3.7	-20
Norway	0	0.0	9.6	0	0	0.9	-20
Sweden	2.1	9.1	10	80	8.9	2.8	64
UK	6.4	7.5	10.0	0	0	2.1	-20
Total inflows	14.9	42.1	20.5	15.3	0	8.3	-20
Debt service	299.7	259.8	282.8	142.6	133.3	100	-11
Net inflows	363.7	342.4	330.3	175.5	160.0	100	
Overall balance	-64	-82.6	-47.6	-32.9	-26.7		

Source: Saasa 2002: 41

Saasa concludes that aid has not been effective in Zambia if one considers the trends of aid and the GDP growth and poverty levels, which are in opposite directions. (Saasa 2002: 70). Saasa (2002: 71) further concludes that both the donors and the people of Zambia are disappointed by these trends and lack of effectiveness of aid despite that the aid intensity is one of the

highest in the world. Indeed the mission has not been accomplished. In all the years from 1993 to 1997, the balance was negative.

On the micro level, Saasa (2002: 71) and many other evaluations undertaken in Zambia on projects indicate that the livelihood situation has not changed through these interventions. In a few cases and in terms of outputs and not impacts, some projects were rated successful by evaluators such as the Peri-Urban Self Help (PUSH) II project sponsored by the Department for International Development (DFID). As Saasa puts it:

“In terms of programme effectiveness the 1997 evaluation of the project by ODA described the reporting, monitoring and evaluation activities as effective and recommended highly in the area of training, livelihood improvement through the credit scheme, improvement of planning skills... community water supply and gender empowerment” (Saasa 2002: 71).

In many other project reports Saasa (2002: 73) indicates that the intended objectives were not met and as a result no impact was achieved on wealth creation and poverty reduction from the aid received. For instance, no tangible impacts were recorded under the Women Finance Trust supported by the Netherlands, the Luapula Livelihood and Food Security Project supported by Finnish International Development Agency (FINNIDA), the Zambezi Teak Forest project supported by Germany and the Primary Health Care Programme supported by the Netherlands.

Another aspect of aid is that dependency on aid is contrary to long-term aspirations for self-reliance. The possibility of reducing dependence on aid can only be realised through accessing international markets within the globalised village, which would bring in international capital. This, however, was not the case for Zambia (see section on globalization). Investors see Africa as a capital-hostile continent and even Africans themselves hold vast sums of money outside the continent (Saasa 2002: 31). Thus, one would argue that aid is not a perfect substitute to private investment. Private investment has the advantage that it comes with technology, skills and other know-how, market connections and superior management, which foster faster wealth creation compared to aid.

Programme/project support has not yielded positive results and poverty levels have continued to rise. This is what is termed as a macro-micro development paradox (Saasa 2002: 32). The explanation for this may be that aid linked to fiscal sustainability from the WB and IMF programmes can have a positive impacts on macro-economic indicators, which is a necessary but insufficient condition to foster development at the lower levels. This puts too much emphasis on short-term adjustments and stabilizations and not on long-term growth; in addition, these measures do not carry realistic local political and economic situations and hand over optimism to monetary theories. On the project and programme support level, evaluations have indicated a lot of project unsustainability in the long run. There are several factors for the poor performance of aid in Zambia and some of them are as follows:

- Shortcomings in political and economic institutions. Capacities in the institutions to utilize aid and meet the stringent conditionalities lead to poor performance of projects. The aid comes with several demands for capacities, yet in most cases the aid does not support capacity building. This is compounded by multiplicity of conditionalities and procedures demanded by different donors, which overstretch the government machinery to perform.
- Shortage of physical and human resources to effectively utilise the aid. This is a result of many factors such as brain drain, poor conditions of service and social and economic impacts of HIV/AIDS.
- Counterpart funding requirements, which are difficult to finance given the tight fiscal conditions in the 1990s, compound the situation. The requirements of counterpart funding even on loans put pressure on the meagre resources for Zambia. As a result, many projects fail to take off and sometimes are cancelled altogether (Personal experience 2003).

This thesis concludes that so far aid has not shown major positive impact on growth in Africa (and Zambia) although its impact via policy change has been important.

4.10 Impact of Foreign Direct Investment

Foreign Direct Investment (FDI) is a terminology that indicates the inflow of human or financial resources into a country that lacks capital or financial resources or basically meets the

obligations of being in the global network. The flow of FDI is usually undertaken through multinational companies that produce goods and services, and in most cases own and directly control production facilities.

During the period 1964-1990, the inflow of FDI was at a minimum as the economy was state controlled. Throughout this period, international financial institutions did not have a significant role in the economic affairs of the country. The government took control of the country's economic affairs. For instance, the Industrial Development Corporation was created as an instrument of practical intervention in the economy. Companies such as Nitrogen Chemicals, Kafue Textiles, TAZAMA, and INDENI came about through this corporation. These policies further eluded private sector confidence in the economy.

Despite return to a private sector led economy during the review period, FDI did not increase as envisaged by both the Chiluba and Mwanawasa governments. The political theatre of the 1996 elections, the military coup attempt of 1997 and the failure to quickly privatize ZCCM eluded private sector confidence in President Chiluba's government. While the IMF SAPs emphasized private sector participation, the private sector usually has a cycle on how they invest and will not move in until sustainability and success of reforms are guaranteed. Anderson (2000, No. 112) specifies the cycle as follows:

- Initial contraction for 1 to 2 years;
- Long pause for 3 to 5 years; and
- Sustained recovery.

This cycle has not been applicable in Zambia. It worked in the middle-income countries such as China, Thailand, Chile, etc. The investment pause seems to be longer in Zambia and this is compounded by policy reversals such as that in 1987 by Kaunda and the slow down of privatization by President Mwanawasa in 2002.

The consequences of FDI for Zambia may normally lie in the following areas: capital and finance, technology, trade and linkages, and industrial structure and enterprise.

Zambia has gained in terms of employment and capital investment. The country has also

gained in terms of export earnings and has saved some of its import payments by having producers of products within its own economy. There is some doubt, however, whether it gains the full value of production because the home part of the multinational company will require heavy payments for technical and managerial services as well as a substantial share of profits. It is notable that though Zambia may gain a substantial share of world production of a growing number of industries, especially in the telecommunications sector, it still has a balance of payments deficit with the advanced industries.

For managerial skills and technology transfer, it has been recognized that the sources of FDI normally gain especially in most of the industries where the majority of skilled functions are kept for nationals of the home country. Zambia has suffered a lot in this area in the sense that it does not take full control of its research and development. In most cases the donors spearhead this.

It is submitted that the level of technological advancement in Zambian industries is below that of most developed countries. In most of the industries, there is use of both capital and labour intensive technology. However, with the rapid privatisation of state owned business entities and with the government's pronouncements of the free market economies, Zambia is likely to experience a shift towards a more capital oriented economy.

There is no doubt that the inflow of DFI has changed the pattern of trade for Zambia. Visible trade is no longer a matter of a flow of basic materials to the western industrialized countries and a counter flow from them of manufactured goods. Manufacturing as carried out in the textile industry, though controlled by Zambians, still relies on technology supplied by the advanced nations.

4.11 Impact of regional wars and conflicts on policy development in Zambia

Newly independent Zambia engaged in helping neighbouring countries attain their freedom from the legacy of colonial rule. As a result of this, Zambia faced the biggest challenge of looking after refugees from the neighbouring countries of Mozambique, Zimbabwe, Namibia, South Africa and Angola (see Appendix 1.4).

The huge number of refugees led to diversion of resources from investment to the defence of Zambia's borders as well as the upkeep of the refugees. According to Kapinga (interview 2004), most debt carried by Zambia was partly as a result of liberation wars and refugees the country was hosting. Siakasiya (interview 2004) concluded that due to the nature of the Zambian borders, most refugees ended up in border areas causing a strain on Zambia's resources as they were shared by foreigners. Zambia borrowed to keep the refugees and to support the liberation struggles in Mozambique, Angola, Zimbabwe, Namibia and South Africa. Further, in those border areas where wars were fought, the areas became stagnant in terms of economic development, as people could not carry on with their normal economic activities. Other examples include the diversion of trade routes. Prior to UDI in 1965, Zambia's shortest route to the seaports was through Beira in Mozambique. Through this route, Zambia's copper was exported and all other imports came through this route. Zambia's oil pipeline passed through Zimbabwe to the Port of Beira. After UDI, Zambia had to airlift its oil through the port of Dar-es-Salaam, and engaged in the construction of a new road and pipeline in the shortest possible time, which in turn meant spending huge amounts of resources. The other routes to Nacala and Lobito in Angola were also affected. To date, the line of rail to Lobito remains extensively damaged.

In the 1990s, the problem of looking after refugees continued because of the conflict in Angola, the Democratic Republic of Congo, Rwanda and Burundi. The impact of such refugees can be seen, among other things, in increased weapons and crime, HIV/AIDS as well as the demand on the Zambian budget. On the positive side, however, there were some direct and indirect benefits accruing to Zambians living near the refugee camps such as access to schools and clinics as well as technology and other income generating strategies that refugees are exposed to by international communities. For example, production of crops in both Meheba in North-Western Province and Ukwimi in Eastern Province has indirectly benefited Zambians from this interaction.

To summarise this section, one recognises the negative and positive impacts of the regional wars as indicated below (Siakasiya interview 2004, Kapinga interview 2004).

i) Negative impacts

- Due to the nature of the borders, most asylum seekers settled in border areas,

thereby putting pressure on natural and socio-economic resources, and causing degradation in those areas. They also created insecurity in border areas and attracted military attacks from across borders. As a result, the government allocated more resources to the military, which could have been used for development.

- Those who ended up in urban cities turned into criminals once they failed to enter the employment/business arena.
- The settlers inter-married with locals through marriages of convenience. Once peace returned to their countries they repatriated, leaving armies of street kids without parental care.
- There was diversion of resources to seek alternative trade routes as a result of wars in such countries as the Democratic Republic of Congo, Burundi and Rwanda.
- The hosting of refugees meant that the Zambian Government had to find resources from the budget to provide services and food. This put pressure on the budget and increased the deficit, thereby destabilizing the macroeconomic performance of the country. Apart from this, the country borrowed from the international community to feed the refugees. This increased the external debt, which became unsustainable.

ii) **Positive impacts**

Despite the many negative impacts, Zambia has had some positive impacts by keeping the refugees such as the following (Muyawanyoka interview 2004).

- The Zimbabwean crisis has brought an influx of farmers into Zambia along with their capital and technical know-how, which has developed the agricultural sector in high value crops.
- The locals in Petauke, Solwezi, Kaoma and Senanga surrounding the refugee camps have benefited from extension services provided by international organizations in agriculture and other areas. As a result production of such crops like cotton in Eastern Province, rice in Solwezi and maize in Kaoma has benefited.

- In terms of socio-economic infrastructure, the camps have benefited from international organizations putting up clinics, roads and schools. These have also benefited the people living near the camps (Siakasiya interview 2004).

Overall, however, the negative impacts override the positive impacts as huge amounts of resources that were supposed to be applied on development were diverted to liberation wars.

4.12. Influence of global and regional development agendas.

4.12.1 Introduction

This chapter builds on the argument that policy development in Zambia was influenced not only by local conditions but also by the global economy, international treaties and obligations. For this reason, this section considers the influence of global and regional development agendas on policy development and implementation in Zambia.

4.12.2 Global Agenda: The Millennium Development Goals

In September 2000, 189 world leaders at the United Nations Millennium Summit adopted the Millennium Declaration containing the Millennium Development Goals (MDGs). MDGs are 8 mutually reinforcing time-bound goals, with 18 related targets to be achieved by 2015. According to the declaration, the MDGs build on goals and targets of the 1990s global United Nations (UN) conferences. They were described as a unifying tool for the entire UN system.

The MDGs present ends, not just means and are people-centred, which is the essence of development. They are holistic and integrated, covering environment, social issues, economic issues, health and education. They are simple, measurable, time bound and can be monitored. The 8 MDGs adopted during the summit and which are expected to be achieved by 2015 are as follows:

- Eradicate extreme poverty and hunger;
- Achieve universal primary education;
- Promote gender equality and empower women;
- Reduce child mortality;

- Improve maternal health;
- Combat HIV/AIDS, malaria and other diseases;
- Ensure environmental sustainability;
- Develop a global partnership for development.

4.12.3 Policy environment to achieve the MDGs

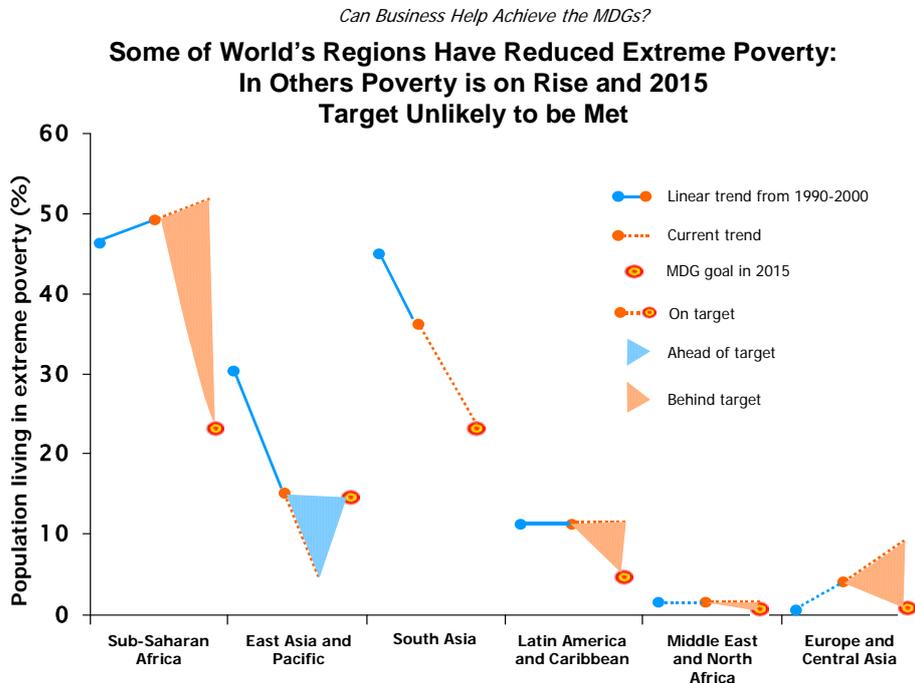
Zambia, like many other countries, started implementing the requirements to meet the MDGs by 2015 mainly through the implementation of Poverty Reduction Programmes in 2002. The PRSP set the stage for policy development and reforms to stimulate growth and reduce poverty. It was through this that the MDGs were to be met. However, it is true that throughout the 1990s all aspects of the MDGs were already contained in the official planning documents in Zambia, such as the four national plans, the Policy Framework Paper, the Public Investment Programme and Sectoral and Regional Plans. The only difference was that they were defined at a global level and contained specific targets to be met over a specified time. For example, both the second and third national development plans prioritized the improvement of infrastructure in health and education to improve access to health and education.

In the Zambian case, the policies that were put in place to achieve the goals are those contained in the PRSP and the TNDP. These documents emphasized poverty reduction through wealth creation through macroeconomic stabilization, improvement of access to social services, including water and sanitation, as well as the tackling of crosscutting issues and governance. In order to achieve the above a number of policy pronouncements were made in sectors such as in agriculture, education, health and mining in line with the aims to achieve the MDGs. In order to attain universal education, for example, the government abolished school fees and uniforms in schools with the aim of improving attendance. In the health sector, vigorous reforms were undertaken including cost sharing measures to improve service delivery. In the agricultural sector, operations were liberalized to encourage private sector participation as well as to diversify the economy. All these measures and policies were in line with the principles of attaining the MDGs in Zambia. In addition to this, Zambia tried to put up measures to mobilize the resources required to achieve the MDGs through its participation in

the HIPC initiative by implanting structural and institutional reforms to improve economic management. The question to consider is whether these policy changes were sufficient to achieve the objectives. The following section considers that aspect in relation to the performance of Zambia on the MDGs.

Considering performance on a global level, one may conclude that very few countries will achieve all the eight MDGs by 2015. The failure will be more pronounced in Africa south of the Sahara. Figure 8.1 indicates that for most countries the targets will not be met by 2015. On halving extreme poverty for example, the figure shows that for Sub-Saharan Africa, extreme poverty has increased from around 48 percent to 52 percent between 1990 and 2000 and the situation is expected to worsen in the next decade.

Figure 4.1: People living in extreme poverty (%)



Source: Paper presented by A. Chuma, UNDP Resident Representative, to civil society in Nov. 2004

As for Zambia focusing on the eradication of extreme poverty and hunger, despite numerous policies and attempts, extreme poverty has changed only slightly from 68.2 percent in 1990 to 68 percent in 2002. On universal child education, the situation has worsened from 80 percent in 1990 to 76 percent in 2002. On maternal deaths, statistics show that the situation has deteriorated from 650 to 729 deaths per 100,000 births between 1990 and 2002. According to MDG progress report for 2005, though there are signs that some MDGs may be met by 2015, only the one on universal child education shows the likelihood of being met. (MDG status report 2005). One can, therefore, conclude that Zambia like many other countries will not attain all the MDGs by 2015.

4.12.4 Regional development agendas

4.12.4.1 Historical perspectives for establishment of regional groupings on the continent of Africa

The impoverishment of the African continent was accentuated primarily by the legacy of colonialism, the Cold War, the workings of the international economic system, and the inadequacies of and shortcomings in the policies pursued by many countries in the post-independence era (New Partnership for Africa's Development, Main report Abuja, Nigeria 2001: 1).

For centuries, Africa was integrated into the world economy mainly as a supplier of cheap labour and raw materials (NEPAD 2001). Of necessity, this has meant the draining of Africa's resources rather than their use for the continent's development. The drive in the earlier historical period to use the minerals and raw materials to develop manufacturing industries and a highly skilled labour force to sustain growth and development was lost. Thus, Africa remains the poorest continent despite being one of the most richly endowed regions of the world.

In other countries and on other continents, the reverse was the case. There was an infusion of wealth in the form of investments, which created larger volumes of wealth through the export of value-added products. It is time that African resources are harnessed to create wealth for the well-being of its peoples.

Colonialism subverted hitherto traditional structures, institutions and values or made them subservient to the economic and political needs of the imperial powers. It also retarded the development of an entrepreneurial class, as well as a middle class with skills and managerial capacity. At independence, virtually all the new states were characterized by a shortage of skilled professionals and a weak capitalist class, resulting in a weakening of the accumulation process. Post-colonial Africa inherited weak states and dysfunctional economies, which were further aggravated by poor leadership, corruption and poor governance in many countries. These two factors, together with the divisions caused by the Cold War, hampered the development of accountable governments across the continent.

The structural adjustment programmes of the 1980s provided only a partial solution. They promoted reforms that tended to remove serious price distortions, but gave inadequate attention to the provision of social services. Consequently, only a few countries managed to achieve sustainable higher growth under these programmes. The net effect of these processes has been the entrenchment of a vicious cycle, in which economic decline, reduced capacity and poor governance reinforce each other, thereby confirming Africa's peripheral and diminishing role in the world economy. Thus, over the centuries, Africa has become the marginalized continent.

The above realities called for the need for Africa to rethink and to come together into regional groups to strengthen the economies. NEPAD was conceived on these principles. (New Partnership for Africa's Development, Main report Abuja, Nigeria 2001: 1, 2) NEPAD seeks to build on the achievements of the past to establish a partnership that is both credible and capable of implementation. It recognizes that there have been attempts in the past to set out continent-wide development programmes. For a variety of reasons, both internal and external, including questionable leadership and ownership by Africans themselves, these have been less than successful. However, there is today a new set of circumstances, which lends itself to integrated practical implementation. NEPAD centres on African ownership and management. The agenda is based on national and regional priorities and development plans that must be prepared through a participatory process involving the people.

To achieve these objectives, African leaders undertook to take joint responsibility for the following:

- Strengthening mechanisms for conflict prevention, management and resolution at the sub-regional and continental levels and to ensure that these mechanisms are used to restore and maintain peace;
- Promoting and protecting democracy and human rights in their respective countries and regions, by developing clear standards of accountability, transparency and participatory governance at national and sub-national levels;
- Restoring and maintaining macroeconomic stability, especially by developing appropriate standards and targets for fiscal and monetary policies, and introducing

appropriate institutional frameworks to achieve these standards;

- Instituting transparent legal and regulatory frameworks for financial markets and the auditing of private companies and the public sector;
- Revitalizing and extending the provision of education, technical training and health services, with high priority given to addressing the problem of HIV/AIDS, malaria and other communicable diseases;
- Promoting the role of women in social and economic development by reinforcing their capacity in the domains of education and training; by developing revenue generating activities through facilitating access to credit; and by assuring their participation in the political and economic life of African countries;
- Building the capacity of the states in Africa to set and enforce the legal framework, and to maintain law and order;
- Promoting the development of infrastructure, agriculture and its diversification into agro-industries and manufacturing to serve both domestic and export markets (New Partnership for Africa's Development, Main report Abuja, Nigeria 2001: 1, 2)

4.12.4.2 Policy environment to participate under NEPAD

The question to consider is what policies has Zambia put in place in order to participate and benefit fully from the aims of NEPAD? This question cannot be dealt with conclusively for the review period as the implementation of initiatives was not pronounced in the 1990s. However, the issues and targets of NEPAD are similar to those in the national development agendas in Zambia such as eradication of poverty and resource mobilization as well as regional integration and cooperation. Others are efforts to diversify the economy and add value to primary commodities exported to other parts of the world in order to gain from the global market and create employment in Zambia. As indicated in Chapter 3, Zambia did not benefit from these initiatives during the review period.

4.13 Conclusion

From the analysis in Chapter 3 and in this chapter, the thesis concludes that Zambia has not benefited much from regional and international initiatives due to weak institutions as well as

unfavourable trade relations. The MDGs' principles are similar to what Zambia was implementing under the PRSP but as the analysis has shown, Zambia is unlikely to achieve the MDGs targets by 2015.

Concerning aid effectiveness, it is clear from the above that this has not benefited Zambia as envisaged by both the cooperating partners and the Zambian Government in the period under review, as economic growth and poverty reduction have continued to be elusive. There are many reasons contributing to this failure, which include lack of planning and implementation arrangements as well as lack of sustainability of projects. Many projects that were implemented in the 1990s and beyond did not achieve the intended objectives. Large sums of resources were spent on consumption rather than in investments. Consider the World Bank loan under ASIP in the agricultural sector, which ended without any measurable outputs and outcomes (personal experience 1985-2000). Other examples are the massive grants and loans spent in Western Province by the Dutch Government with disastrous end results. Western Province has remained one of the poorest provinces in Zambia. All in all, access to services and productive resources by the poor were eroded during the review period despite huge loans and grants from the donors.

Zambia should have put up policies for aid effectiveness in the 1990s. This should have aimed at developing aid policy and instituting mechanisms to link aid to local development agendas and priorities. This could only have happened if Zambia maintained a strong planning culture rather than leaving these responsibilities to donors to define where aid should be directed. Partitioning Zambia among donors did not achieve results as some projects cut across regions. Further, the aid conditionalities differed and this created differences in messages and made it difficult for policy coherence across sectors. In the agricultural sector for instance, while some donors encouraged loans and paybacks others issued free donations.

The other aspect of ineffectiveness was the huge demand on capacities, including counterpart funding. Because of such demands, many projects such as those supported by multilaterals such as the World Bank did not start on time and implementation was delayed, such as the Environmental Support Programme and the Support to Economic Expansion and

Diversification Programme. The slow start was not only because of lack of counterpart funding but also the demand for creation of new structures and recruitment of personnel to manage resources. The insistence by donors to create structures outside the government system did not assist the situation as programmes were seen as not part of the government development agenda and were generally unsustainable beyond donor assistance. For example, the Pilot Environmental Fund and the sister Environmental Support Projects under the WB left several uncompleted community projects all over Zambia, which have not entered the normal government budget and planning processes despite the fact that communities had put in a lot of effort to contribute to the mobilization of resources. This ended up demoralizing communities.

Thus, the thesis concludes that aid can only be effective if it is broad based, involves local participation and is linked to a good policy environment as well as institutional reforms. The analysis in this chapter clearly justifies the need for Zambia to put in place a consultative planning framework, which will allow broad participation by the citizenry in policy development and implementation. Such a system will give power to communities to design their development agendas and ability to effectively negotiate with cooperating partners. This aspect is discussed in Chapter 7.

Chapter 4 discussed the impact of the external sector on policy formulation and implementation. However, policy development is not only influenced by the external sector but also by internal dynamics, such as population and the weather. Chapter 5 considers the influence of internal factors on policy development and implementation in Zambia during the review period.

CHAPTER 5

INTERNAL SOCIAL FACTORS AND POLICY DEVELOPMENT IN ZAMBIA

SECTION A: IMPACT OF SOCIAL FACTORS ON POLICY DEVELOPMENT

5.1 Introduction

Chapter 4 discussed the impact of external and internal debt on policy formulation and implementation in Zambia. The conclusion was that the external sector influenced policy decisions by both the Kaunda and the Chiluba administrations during the review period, as most policies did not take into account local situations but more the dictates of the Washington Consensus and the impact of the debt situation. These policies did not consider seriously the impact on the local populations but concentrated on improvements in the macroeconomic indicators, thereby worsening the poverty situation and vulnerability of the people to disasters such as diseases, floods and droughts. This chapter develops the link between the poverty situation outlined in Chapter 2, the policy formulation processes of Chapters 3 and 4 and their impact on social groups in Zambia. In so doing the chapter considers the impact of social factors such as population and social dynamics. In the second part, the chapter considers the impact of policy shifts during the review period on such sectors as education and health.

In order to understand fully the impact of some factors that have longer-term effects, some historical analysis for the periods before the 1990s is given. The chapter focuses on the impact of population dynamics, drought, and floods.

5.2 Impact of population and social dynamics on development in Zambia in the 1990s

5.2.1 Introduction

If the present high fertility and population growth rates continue, Zambia will have to treble her present infrastructure for good quality production, health services, water supply, sanitation, housing, electricity and other services in the next 15 to 20 years simply in order to improve the standard of living for its people. The problem goes beyond rapid growth in total numbers. The very large proportion of children in relation to adults of economically productive age (the dependency ratio) is a very serious burden to progress. It means that a large part of the adults' output is consumed so much that little is left for savings or investment. This in turn affects capital formation for improving agriculture, building modern infrastructure, creating jobs and generally advancing economic and social development or strengthening self-reliance (*National Population Policy 2005: 5*, Choolwe interview 2005).

In analyzing the importance of population issues, the National Population Policy indicates that the issue of population and development is one of strategic importance facing humankind today. The population characteristics of a nation, its size, composition, structure, distribution, growth rates, as well as the basic demographic processes of fertility, mortality and migration affect, and are in turn affected, by development. They should, therefore, be seen as central components in formulating and implementing policies and programmes aimed at accelerating socio-economic development.

According to Choolwe (interview 2005) and the National Population Policy (2005), population factors should be seen as an integral part of the country's development processes. However, the integration of population factors has not been smooth because it lacks a clear institutional framework and support (National Population Policy 2005: 1).

This section discusses social dynamics in the context of social theories and how they relate to development. It brings out population issues and relates them to change in the social spheres of human development. The section is divided into four major components, thus:

- Understanding development in the context of social and demographic perspectives;
- Discussing the positive and negative effects of privatization and liberalization;
- Outlining some of the programmes in the 1990s and beyond that were undertaken to improve livelihood and future prospects for the people.

5.2.2 Social dynamics in the context of policy development

Analysis of economic change though important should not be the only focus of development. People in society have aims, interests and ambitions such as building of temples or settlement of clan disputes — issues that may not appear to have direct and conceivable economic value, but the attention given to them is responsive in some degree to local pressures. Attention has been drawn to the role of social institutions and their cultural values seen within the general framework of understanding development.

Meaningful economic and social development cannot be predicted outside the people for whose benefit it is intended. The population's expectations and their value systems should directly benefit from any external intervention. Causes of social conflict in society include inequality in resource allocation. Social conflict is not avoidable in any society where there is economic disparity and lack of participation of communities in planning and decision-making. It is, therefore, important that all stakeholders are involved in policy development and implementation. Thus, aspects of population values and dynamics will be taken into account in the planning and implementation of policies.

Considerations of cultural and economic relativities are most relevant in dealing with the needs of the rural population. Despite the progress of modernization, traditional die-hard cultures are still in place, especially in rural areas whose beliefs may be contradictory to modern developmental programmes, such as sexual cleansing in the fight against HIV/AIDS. This is why development has to examine critically the relevance and importance of material and non-material culture and value systems as well as the interaction between the two. Socio-cultural values determine economic behaviour in ways that may appear irrational to an uninformed observer. It is necessary to identify prevailing local value systems and formulate development

strategies that are consistent with their demand on society. This can only be achieved through consultative methods in policy development.

Social development is, therefore, a multi-dimensional concept. It is linked to a society's cultural, economic, ecological, political and religious circumstances. It is the interplay of these factors, which at any given time shapes social conditions and their development. Key among the various manifestations of social development (or the lack thereof) in Zambia is the issue of poverty. Poverty, the more serious problem, is the sum total of all forms of exclusion as well as lack of access to basic needs such as food, water, health care and education and it affects the overall development process, hence the focus of Zambia's development agenda on poverty reduction.

5.2.3 Population dynamics

The biggest problem that Zambia has faced from the time of independence has been the distribution pattern in terms of its population as regards its spatial distribution and rapid population growth. Zambia's population grew at about 3.1% in the 1980s but declined to 2.9 percent thereafter. This high population growth rate has been attributed to high fertility rates and declining mortality rates during the period 1964 to 1980 due to increased investment in the social sectors by the government.

The most prominent feature of Zambia's population in the post-independence period was rapid increase in the urbanization of towns along the line of rail. For example, the population of Lusaka grew from 353,000 in 1969 to 1.1 million in 2000, an increase of over 100 percent. Correspondingly the population of the Copperbelt Province increased from 816,000 in 1990 to 1,2 million in 2000 (CSO 2000: Population Distribution, <http://www.zamstats.gov.zm>. downloaded 19/01/06).

The overall share of the urban population to rural population increased from 20% in 1963 to 40% by 1990 and 35% in 2000, making Zambia one of the most urbanized countries in Africa (CSO 2000: Population Distribution, <http://www.zamstats.gov.zm>. downloaded 19/01/06).

During the Second National Development Plan, the focus was to contain the problem of rapid

urbanization, i.e. the problem of rural-urban migration. However, the trend was not reversed and with declining opportunities in rural areas due to the worsening economic situation, more people drifted to urban areas. The consequence is that Government was forced to allocate more resources towards trying to correct the problems of sanitation, shelter, etc. in urban areas (which were deemed to be more urgent) at the expense of improving rural areas.

The problem of geographical distribution of population has been another factor that has affected planning in Zambia. Zambia's population, apart from the urban areas, is sparsely populated, making it difficult to deliver services to some of the remotest areas.

Cultural values and the age structure of Zambia's population have been other contributing factor to planning problems; for example, the dependence ratio is too high, as about 49% of the population is under the age of 15 years. This means that the majority of the population has to be looked after by a very small population, which is characterized by low savings and investments. High demand for social services, especially health and education services, and the increased population especially in urban areas, have led to pressure on limited resources as well as increased environmental degradation.

5.2.4 Causes and effects of population change

The emphasis on promoting people-centred development is fundamentally a recognition of the fact that population is a basic denominator in development planning. All through human history, population has been a vital catalyst of development and progress. The maintenance of the balance between available resources and population needs, even in primitive times, has been a vital human response to the need for survival and the continuity of civilization. When imbalances arise either from human or natural causes, society reacts to restore equilibrium.

The demographic processes of fertility, mortality and migration that determine our future population are influenced by biological, cultural, economic, geographic, political and social factors. These affect demographic processes directly or indirectly through a web of interdependent variables. Cultural traditions that encourage girls to marry at a young age for

example can contribute to high fertility rate because women will spend more years exposed to the risk of becoming pregnant. Early marriage can also lead to higher mortality because health risks to the infant are greater when child bearing starts in adolescence.

Because of high fertility levels in Zambia, a large proportion of the population is composed of young people. Children and the youth, who comprised 75.76 percent²⁷ of the 1990 population were putting enormous pressure on the education and health infrastructure, job creation and the ability of the country to cater for the needs of the population (CSO 2000: Population Distribution, <http://www.zamstats.gov.zm>. downloaded 19/01/06). As a result of the large proportion of the population falling under the youth category, the momentum for the population to grow faster in the future is high, thereby increasing economic dependence. It also entails rising demand for the limited social and economic services such as health, education, housing and employment.

Internal migration is prominent in Zambia and it has led to rapid urbanization and uneven distribution of the population. Consequently, pressure is exerted on most social amenities such as health, education, housing, water, and transport. Further, migration of skilled Zambians to work in other countries has undermined national development efforts.

The high population growth rate and high dependency ratios in the review period placed major strains on public services and household coping capacity. High dependency ratios meant that household incomes were spread thinly among the members of the household. In poor households, this often implied only being able to spend on consumption instead of investment in improving production and income earning capacity, and developing the human capital of children through expenditures on education and health care. This strained the government's capacity to deliver social services of the required quality and quantity, especially in education and health.

²⁷ Children are up to 15 years of age and the youth are defined as up to 35 years of age.

SECTION B: IMPACT OF POLICY DEVELOPMENT

5.3 Impact of policy development on social factors

5.3.1 Introduction

Zambian society has faced different challenges before and after independence. The genesis of these challenges has largely been in the economic arena with unsatisfactory social manifestations. Efforts to reverse these manifestations have been the concern of the Government since the mid-1970s. Sustained and consistent efforts in this direction are, however, a phenomenon of the 1990s. During this period, the country had begun the process of social transformation with initial action being taken under the general umbrella of economic liberalization reforms aimed at increasing the economy's resilience to unfavourable external pressure and reorienting resource allocation margins with a view to improving the targeting of development outcomes. Economic performance measured by the change in GDP (1994 constant prices) indicated that the economy declined by 2.27 percent in 1995. Per capita income also declined substantially by 6.0 percent. Further, the debt problem continued to be a major factor constraining Zambia's social development. The declining performance of the economy and the debt burden means that the amount of resources available for social development has dwindled over the years, thereby affecting the standard of living of Zambians.

Liberalization and privatization programmes in Zambia have also affected the quality of life of the population. Widespread retrenchments accompanied privatization of public enterprises, leading to significant increases in unemployment. In view of the overall disadvantages they face in obtaining employment, women and children have been particularly hard hit by privatization and retrenchments.

Privatization of parastatals has caused some companies to close down. On the other hand, some companies have improved efficiency in operations. These structural changes have been accompanied by a reduction in the number of formal sector employees (by 4.1 percent between 1995 and 1998) and rapid increase in the number of informal sector employees, mostly in

agriculture by 30.4 percent over the same period (see Appendix 1.4). It has been argued in Chapter 3, that the move to a liberalized and open economy was too fast and, therefore, reduced the ability of families and communities to cope with the adverse effects of retrenchments and privatization. Though privatization enhanced the capacity of the state to manage its affairs better in terms of macroeconomic stability, many rights were encroached upon, common among them are the right to work and the right to a decent standard of living that covers shelter, food, clothing and access to education and health. (UN Charter 1945)

The decline in real wages has significantly contributed to an increase in the participation of women and children in the urban informal sector. This has led to a marked change in the demographic profile of the urban informal sector. Whereas the 1980 Census found 45 percent of people classified as self-employed to be female, the figure rose to 60 percent in 1986 and 67 percent in 1995. The age profile within informal sector participants also dropped. From less than 0.5 percent of informal sector participants, those aged between 12 and 14 years in 1980 accounted for almost 5 percent in 1986. The growing importance of the urban informal sector has somewhat helped to protect formal sector households from falling into total destitution (CSO 2000 Population Distribution, <http://www.zamstats.gov.zm>. downloaded 19/01/06).

5.3.2 Impact of policy development on the health services delivery system

By 1990, Zambia had 82 hospitals²⁸ (42 were government-run) and 942 health centres (796 government-run); 734 of the health centres were in rural areas and 208 were in urban areas. (Ministry of Health Strategic Plan 2005-2009. 2005. Lusaka) Much of the health services network had been established before the 1980s, during times when public investment funds were more plentiful. While most people had access to health facilities in 1990 (with the exception of some living in the more remote rural areas), expenditures had fallen to less than half the levels of the early 1980s. The quality of services had also declined sharply and there had been an associated loss of public confidence. This was accompanied by a serious deterioration in health indicators. During this period, the government had removed subsidies in the health sector and introduced cost sharing measures that were as a result of implementing

²⁸ Data is from the Ministry of Health 2003 administrative records and the Ministry of Health Strategic Plan 2005.

the liberalization policy. This removal reduced access to these facilities, especially for the poor and particularly women and children in rural areas. This has worsened indicators on maternal mortality.

5.4 Impact of policy development on the education system²⁹

Education provision in Zambia is undertaken through some 3,574 primary schools, 355 basic schools and 157 secondary schools (Ministry of Education administrative records 2005). At tertiary level, there are a further 14 colleges of education and two universities. During the first decade after independence, education policies were biased toward human resource development, as the Government sought to speed up the Zambianisation process. To further this effort the expansion of secondary and tertiary education was accorded high priority. At the same time, the Government sought to improve access to education for all Zambians and to establish a common curriculum and examinations to provide all school leavers with a common educational foundation. However, by the mid-1970s the collapse of government revenue from copper mining led to a slowing down in the expansion of education and contributed towards reform and rationalization proposals not being implemented.

For many years after 1970, the education sector had suffered from insufficient overall levels of funding and inappropriate inter--sectoral allocations. The share of education within the total public budget declined over the 1980s from a peak level of around 16 percent in 1984 to nine percent in 1992 and eleven percent in 1993.

Between 1989 and 1993, expenditure on primary education in Zambia represented only 0.8 percent of GNP, as compared with the level of around two percent that was generally considered necessary if primary education is to be universal and worthwhile (GRZ Budget 1989-1993, Ministry of Finance 1993).

Secondary and tertiary education received greater priority than primary education for many years, absorbing a disproportionate share of the limited and declining public resources provided for the education sector. This skew in education spending meant that it is the children

²⁹ Data is from Ministry of Education and CSO, 2003-2005

of the better-off that tended to benefit most from public expenditure on education, since they were more likely to continue to secondary and tertiary level.

A further problem has been the inefficient distribution of education expenditure by function. The proportion of expenditure on salaries has been excessive (90 percent of recurrent spending on primary schools in 1993). Spending on transfers in the form of boarding payments and bursaries has also absorbed much too great a share of the education budget (about eleven percent of the 1994 budget for the two education ministries, which are the Ministry of Science, Technology and Vocational Training and the Ministry of Education) (Zambia Estimates of Expenditure and Revenue 1993). This has left insufficient resources for essential education inputs, including learning materials, furniture and classroom maintenance and the improvement of pedagogy, which has undermined the quality of learning provided in schools.

In spite of their high share within education spending, teachers' salaries have for many years been much too low to attract, retain and motivate teachers. As a result, there has been a steady exodus of qualified teachers to work in neighbouring countries where salaries are substantially higher (such as Botswana and South Africa) and to abandon the teaching profession altogether. Many of those who have remained in teaching suffer from low morale and poor motivation, which often leads them to engage in additional income generating activities at the expense of teaching (personal experience 1993).

In view of the fundamental importance of education, especially basic education, to the future well-being of all Zambians, the need for educational reform cannot be over-emphasized. Unless education is improved, Zambia and most Zambians are likely to be condemned to perpetual poverty. Good quality performance in education can be expected to have a major beneficial influence on health status, fertility and household hygiene, and represents a basic tool for the avoidance or alleviation of poverty.

5.5 Zambia's policy response to livelihood programmes and social safety nets

From the 1990s, the performance of social indicators in the country drastically declined because of the structural adjustment programme's removal of subsidies, introduction of user

fees in education and health and the impact of trade liberalization and privatization. Structural adjustment exposed local companies to high competition and led to closures and workers' loss of employment. These reasons largely accounted for the negative trends in basic indicators in the country.

In order to cushion Zambia from the effects of structural adjustment and liberalization, the government attempted to implement the following programmes:

- Social Action Programme, which was a mix of projects as provided for in the investment programme. SAP did not have clear priorities and its projects were not specifically targeted at the vulnerable or the poor. As a programme, it lacked an implementation structure and was discontinued after 1994.
- Labour-Intensive Public Works: in 1992, the government allocated K500 million for labour intensive public works. However, the programme also lacked a clear implementation mechanism. At the end of the year, the money was given back in the supplementary budget. There were no recorded projects with meaningful success under the programme in the central government ministries. (PRSP Progress Report 2003)
- Public Welfare Assistance Scheme (PWAS): the government allocated K1 billion in the 1992 budget for the disabled, widows and other incapacitated households using savings from the removal of maize subsidies. In 2001, a total of K18.9 billion was allocated for PWAS but only K2 billion was released thereby hampering the programme's ability to assist the majority of applicants (PWAS *Annual Report* 2003: 15). Over the years, the allocations to PWAS have been too insufficient to make any meaningful impact on the population. Local communities were given the responsibility to assess and determine the recipients who were supposed to be the non-able-bodied poor and those at the bottom of income distribution. In terms of the actual structure, District Welfare Assistance Committees were established as sub-committees of the District Development Coordinating Committees (DDCCs). These are responsible for the planning and implementation of programmes. However, as the annual report (PWAS *Annual Report* 2003: 12) put it, there are confusions at the district and sub-district levels as to which planning structures should be used. Other development agencies have committees dealing with vulnerable groups thereby duplicating the work

of PWAS. This justifies the need for a planning structure at the district level where all stakeholders will participate and coordinate their efforts, as suggested in Chapter 8.

- Social security: although social security schemes were not directly relevant to the poor, they played an important role in the political sustainability of the adjustment programme and as a safety net to catch people before they fell into poverty.
- Peri-Urban Self Help (PUSH): This was an urban poverty initiative implemented in low-income compounds. Evaluations indicate that women and children benefited from these programmes by receiving food rations but they were clearly unsustainable as they depended on donations from abroad (personal experience 2003-2005).
- Programme Against Malnutrition (PAM): PAM was an offshoot of the programme to Prevent Malnutrition, which was the main drought relief initiative. This programme has been criticized on the basis of not building transparent mechanisms to sustain it. Thus, although fertilizers and seed have been distributed since 1998, the recipients have not graduated from the programme. There have also been problems on who should qualify for these inputs. The assessment structure and implementation instruments were not developed properly. As a result, even though it is financed through local borrowing, the multiplier effect to create wealth and pay-back did not happen (Personal experience 2003-2005).

5.6 Natural disasters and policy development and implementation

The natural disaster phenomenon was not very severe before 1990. Between 1970 and 1990 there were only two periods when the country experienced severe droughts, i.e. in 1982 and in the 1986/87 season. However, after 1990 this irregular weather pattern became more frequent and two severe droughts have been recorded. The droughts were characterized by very low rainfall caused mainly by the El Nino. The consequence of this has been diversion of funds meant for development purposes to the importation of food, especially maize. This has further negatively affected the production of agricultural crops.

The opposite of the droughts are seasons when the country has received excess rainfall. In most cases, these years have followed those when serious droughts have occurred. The most

noted occurrences were the floods of the late 1970s when high rainfall adversely affected agricultural production and damaged houses in places such as Kanyama in Lusaka. In the 1990s, some floods occurred in Western and Lusaka Provinces but they were not as severe as those of the 1980s. Nevertheless, resources had to be found to bring in relief food and other supplies for the affected families.

Recent floods, which though not severe in the case of Zambia, have seriously affected agricultural production in some parts of the country especially the Lower Zambezi and Luangwa. Such weather patterns affect farmers who lose their crops, making it difficult for them to invest meaningfully in the next season. This also meant that Government was compelled to set aside resources to provide relief food to the victims of floods. Droughts are more severe in the southern part of Zambia covering Southern and Western Provinces. As a result of persistent droughts, the Southern Province that used to be the grain basket for Zambia has in the 1990s become a food deficit area with relief food being distributed by NGOs and government.

As a result of these disasters, several factors can be singled out that contributed to the poor socio-economic condition of the people. Firstly, resources had to be diverted from planned activities to feeding people in affected areas, thereby disrupting the development process. Secondly, families who were affected lost the ability to fend for themselves and became more vulnerable to shocks. This lowered their standard of living further. Thirdly, poverty levels increased in the areas exposing the people to coping strategies, which exposed them to dangers such as HIV/AIDS. Fourthly, the free distribution of food and other necessities in the affected areas became amenable to political influence. Politicians manipulated the process for their political gains disregarding the criteria set. Lastly, the free distribution of food negatively affected the production and marketing trends of major crops, such as maize and rice, thereby distorting the market.

5.7 Influence of sectoral policy shifts on society

During the first and second national development plans, means of improving the country's manufacturing and industrial base were initiated among which was the idea of import substitution industries through parastatal companies. To some extent, this strategy created jobs

and wealth for families. However, considering the background to this strategy Mwanawina and Mulungushi indicate that:

“...at independence, a major aim of African economies was to catch up with the developed world. The governments of these economies believed that they would face severe development problems if they remained dependent on primary commodity exports as their source of growth. Locked into a pattern of primary product exports and manufactured imports, African economies faced declining terms of trade and hence the prospect of perpetual poverty” (Mwanawina and Mulungushi 2003: 11).

In evaluating this strategy, Mwanawina and Mulungushi ((Mwanawina and Mulungushi 2003: 11) concluded that the strategy was effected on the basis of a perception that the markets of the industrialized world would be inaccessible to African exports. However, in the Zambian case, though the parastatal sector started on a good note, poor management of parastatal industries and the low skills of the labour force led to inefficient use of resources allocated to these industries. The results as noted earlier were declining production capacity of local industries. This problem was further exacerbated by low investment in Research and Development. Thus, there were hardly any new innovations to keep the industries competitive with imported goods.

The lack of capacity in local industries to produce products that could be competitive at international level led to more imports of goods, especially textiles, pharmaceuticals, industrial chemicals, tyres and rubber products onto the local markets. The consequence has been loss of jobs by labour employed by local industries thereby leading to a high level of unemployment. With the advent of liberalisation and privatisation of most of the parastatal industries employees have lost their jobs and there have been no new industries to absorb them.

The rapid pace at which privatisation progressed and the high rate at which employment has been lost, have meant that planning for new jobs has not been easy. It was envisaged that once companies were privatized, more investors would invest in new companies thereby absorbing the redundant labour. However, the economy has not grown as anticipated to provide opportunities for new investors and to absorb the labour force, especially among the youth.

The result has been the accelerated problem of street kids as families could no longer support their families

5.8 Impact of policies on the human resource situation beyond 1990s in Zambia

At the time of independence in 1964, there were about 100 university graduates and 1,000 holders of “O” level certificates in the country. From 1966 onwards, a university was constructed, several secondary schools were constructed and expanded and new technical colleges were built thus increasing opportunities in education (Mwanza *et al.* 1992: 121). However, the declining economic opportunities in the 1990s have led to most of the best trained human resource leaving the country to seek employment in neighbouring countries. A large number of trained doctors are now employed in Botswana, Namibia and South Africa whereas many other qualified personnel, e.g. academicians, engineers, medical staff, teachers and technicians have trekked to such other countries as USA and United Kingdom (Macwan’gi *et al.*: 46.).

This brain drain means that the huge investment that has gone into the training of human resource cannot be realized, leading to reduction in productive capacity, as the needed human resource is not available. It also means that since most of the trained human resource benefit from government resources, the huge burden of servicing the debts obtained to build the infrastructure used to train the staff is borne by government for labour out of which it cannot receive much returns. The loss of human resource through brain drain means that despite efforts to train Zambians to resource hospitals, schools, etc., service delivery has remained poor due to lack of trained staff in these institutions. There are at the moment very serious staff shortages at both Copperbelt University and University of Zambia.

The loss of human resource in learning institutions has lowered standards and has reduced access to services for the people, thereby increasing poverty levels, especially in rural areas where the staffing position is low and critically affecting service delivery adversely. It is not uncommon to find a school having seven classes of 40 to 50 pupils each having only one teacher, and a rural health centre being served by a cleaner who is not a medically trained

person, thus putting the patients at risk (Ministry of Education 2004, Ministry of Health 2004). According to the 2001 *Economic Report*, the sector had limited school places, inadequate teaching staff, inadequate and deteriorating infrastructure and insufficient teaching and learning materials (*Economic Report 2001*: 125). This situation has contributed to falling standards of education in Zambia. The situation has been compounded by the impact of the HIV/AIDS pandemic that has increased attrition rates and loss of qualified human resource. The consequence has been diversion of resources from other productive investment to health and social welfare to take care of the infected/affected and the orphans. (See discussion on the impact of HIV/AIDS in Chapter 2).

5.9 Conclusions

Several internal factors have negatively affected the rate of socio-economic development in Zambia. These factors are the population, brain drain, drought, floods, HIV/AIDS, privatization, liberalization, domestic debt and poverty. Among these factors, the greatest impact has been from poverty, domestic debt and HIV/AIDS, both negatively affecting wealth creation and poverty reduction. The most affected among the population are women and children. In order for Zambia to move forward, there is need to tackle these issues in a coherent and coordinated manner. On the other hand, efforts should continue to be placed on programmes aimed at population dynamics and availability of information to a larger section of society.

Concerning brain drain, this thesis concludes that there has been failure by Zambia to put in place policies to harness the exported resources through brain drain. Mechanisms were not put in place to benefit from the human resources that have left the country to work outside.

Though some social safety net policies were developed during the review period, such as PWAS, PUSH and later PAM, they did not achieve the intended objectives. Despite that fact that a lot resources were allocated to PAM for the vulnerable but viable poor people, vulnerability has continued to increase and only a limited number of people have graduated from this category. A report from PAM indicates that out of the farmers who accessed inputs

and support only 7% graduated over a period of 5 years. (PAM *Annual Report 2003*: 13). On the other hand, PWAS, which is the main safety net for the less privileged people in Zambia, suffered from lack of resources and management capacities.

On the impact of drought, government failed to put in place policies to mitigate against this occurrence in the long-term. Policies and programmes concentrated on coping strategies of food relief without addressing long-term preparedness such as development of irrigation capacities, especially in the prone areas of Southern, Western and Lusaka Provinces. In general terms, investment in irrigation fell during the review period. This thesis recommends that Zambia should start shifting resources to long-term strategies such as research and development of irrigation from both underground and surface water resources, which are abundant.

Concerning HIV/AIDS, it can be concluded that the policy environment in the 1990s was not clear and lacked linkages for the problem to be multi-sectoral. It was seen only as a health problem. This limited the capacity of all sectors to integrate it in their planning and implementation of programmes. Beyond the 1990s, Zambia should start to balance between mere sensitization and spending on facilities and medication and to fight stigma. Further, clear policies should be developed that carry similar messages among many actors such as the state, NGOs, traditional leaders and the church. The mis- understandings among them on how to approach the pandemic in relation to culture, religion and values have sent conflicting messages to Zambians thereby slowing down results.

This chapter has demonstrated that in order to achieve results on the social front, there is need for full participation of all stakeholders so that the social population dynamics can be incorporated into the development agenda. For this to happen, there is need for a planning framework to guide organizations and other people on how to participate in policy development and implementation. In so doing, the following issues should be addressed in accordance with the National Population Policy (*National Population Policy 2005*: 1-10):

- Establishing and strengthening institutional capabilities for integrating population and development planning and programming at national, provincial and district levels.

- Strengthening and streamlining coordination mechanisms for population programmes.
- Capacity building for strengthening coordination effectiveness of the Social and Population Unit in the Ministry of Finance and National Planning.

Chapter 7 addresses these issues and proposes the planning and policy development framework for Zambia. Chapter 5 discussed the impact of internal factors on policy development and implementation in Zambia. In order to establish the linkage of social dynamics in Zambia's development agendas, Chapter 6 examines the planning processes and how they have taken into account issues of participatory policy development instruments. The question to explore in Chapter 6 is how the development agendas were prepared as well as their strategic focus.

CHAPTER 6

PLANNING, IMPLEMENTATION AND ECONOMIC MANAGEMENT SYSTEMS IN THE 1980S, 1990S AND BEYOND

6.1 Introduction

Chapter 5 discussed the dynamics of social factors and their impact on policy development and implementation. The social factors have influenced policy and put heavy demands on policy shifts and allocation of resources. Policy development was influenced by disasters such as the Kanyama floods in 1978 that demanded ad hoc crisis management, which was in most cases contradictory to long-term development needs, thereby influencing macro and microeconomic variables. The impact of such decisions was immense in the absence of planning institutions following the abolition of planning in 1996.

This chapter discusses planning and economic management systems in Zambia in the 1980s and 1990s and their relation to policy development and implementation. This gives a chronology of planning instruments from independence to the 1990s and beyond. The chapter seeks to establish the fact that the presence or absence of consultative planning processes has had a bearing on the development of the country. For example, the abolition of central planning and coordinating structures in the 1990s had an impact on planning and directing of resources for poverty reduction as free market distortions could not allocate resources efficiently, and further the private sector could not deal with issues of expensive socio-economic infrastructure such as roads, especially in the rural areas. This chapter builds on the argument that in order for the country to foster accelerated and sustainable growth and to implement strategies for export led economy, there is need to establish a planning mechanism in Zambia involving all stakeholders, which is proposed in Chapter 7.

6.2 Development plans up to the 1980s

6.2.1 Emergency Development Plan and Transitional National Development Plan

Upon attaining independence on 24th October 1964, Zambia was faced with the daunting task of developing the country. Expectations from the people were high; nationalism and quick benefits from independence were high on the agenda. The Kaunda government was geared to correct the imbalances created by the colonial administration. At the same time the capitalist/socialist cold war was going on and since the independence struggle was supported by the pro-socialist, which supported central planning management systems and more involvement of governments, development of centralized planning structures and development plans became a priority for the Kaunda government in 1964 (Personal experience 1982-2002, Mwanza *et al.* 1992).

Although the country had one of the highest per capita incomes in Africa in 1964 and even surpassed countries in South East Asia such as South Korea, which are now entering the threshold of developed countries, Zambia had one of the lowest indicators for human resource development. There were less than one hundred university graduates in 1964 (Mwanawina *et al.* 2003). Furthermore, the country had its southern route blocked after Rhodesia's UDI in 1965. (Martin (1972, Mwanakatwe 1993) The UNIP government, which came to power in 1964, put in motion planning and management systems to reverse the imbalances created by the colonial administration in terms of equitable development throughout Zambia. The planning structures and institutions prepared a number of development plans aimed at fostering development. A brief review of the socio-economic plans is given below (Mwanza *et al.* 1992, Mwanakatwe 1993, Martin 1972).

Arising from the shortcomings of the colonial period, the UNIP government had to come up with an emergency plan (1964-1965) and the Transitional National Development Plan (1965-1966) immediately after independence. The initial plans aimed at counteracting the adverse effects of UDI and to correct the structural imbalances and lopsided development inherited from the colonial days, initiate the process of economic and social infrastructure, and diversify the agricultural and industrial base. The plans also tried to meet the urgent needs of human

resources by constructing primary schools, secondary schools, colleges, clinics and hospitals. Because of these plans, the Kaunda government constructed hospitals and secondary schools in all the districts of Zambia.

6.2.2 First National Development Plan

The First National Development Plan (1966-1970) aimed at improving social and economic infrastructure. In the transport and communication sectors, all-weather trunk roads and telephone links were constructed to link Lusaka with provincial capital centres to ease transportation and communication between the national capital and the provincial headquarters (Mwanza *et al.* 1992, Mwanakatwe 1993). Likewise, aerodromes, covering all provincial centres and some districts and the Lusaka international airport were constructed. In the health sector, a number of health institutions like the University Teaching Hospital, Kitwe Central Hospital and several General Hospitals and rural health centres were constructed. In education, the University of Zambia was constructed and so were other colleges, and secondary and primary schools (Mwanza *et al.* 1992: 121), Mwanawina *et al.* 2003: 23). This was done with the aim of maximizing Zambianisation of jobs (First National Development Plan (1965:20). However, there were some areas and sectors that did not develop as anticipated or desired under the First National Development Plan (FNDP). For example, there was a fall in copper production due to transport constraints because of declaration of independence by Rhodesia and uncertainties that delayed investments in this sector (Second National Development Plan 1971: 2). The discrepancies in the achievements of the targets in the FNDP provided the basis for better formulation of targets and strategies for the Second National Development Plan (SNDP).

6.2.3 Second National Development Plan

The Second National Development Plan (1972-1976) was designed to carry further the process of economic and social growth by placing major emphasis on rural development (through Rural Reconstruction Programmes and later Integrated Rural Development Programmes) aimed at reducing income disparities and regional imbalances. The other emphasis of the Second National Development Plan was the Village Regrouping Strategy, which never

worked. Having built basic economic and social infrastructure in the previous plans, Government embarked on the process of industrialization (Second National Development Plan 1971: 33, Mwanawina *et al.* 2003: 28, Mwanza *et al.* 1992: 121). This was done by putting up industries in rural areas depending on the local resource endowments such as Livingstone Motor Assemblers, Mwinilunga Canneries, Mansa Batteries and several others under Rucom Industries with emphasis on import substitution, i.e. those industries that would save foreign exchange by producing importables. TAZARA, TAZAMA pipeline and INDENI Oil Refinery were constructed and self-sufficiency in coal and power were attained (Martin (1972), Mwanawina *et al.* 2003: 28). The government intensified its shareholding in private companies by acquiring management control and veto rights in Nchanga Consolidated and Roan Copper Mines in 1972, having acquired 51% equity participation in 1969 (Martin 1972). However, the SNDP suffered from the energy crisis after 1973 and low copper prices and, therefore, could not be implemented as planned due to limited resources (Third National Development Plan 1978).

6.2.4 Third National Development Plan

The government continued with its rural development and diversification programmes in the Third National Development Plan, 1979-1983 particularly through the Integrated Rural Development Programmes (IRDPs). Education and training facilities were expanded and improved in quality so as to meet the growing need for human resources. The process of import substitution was pursued further so as to reduce on importables and promote exportables. Village and small-scale industries were seen as the vehicle for rural development by adopting labour intensive technology on the basis of resource endowment and the social needs of the Zambian economy. (Mwanza 1992: 129, Mwanawina *et al.* 2003: 37). However, the plan was difficult to implement because of several factors, which are discussed under section 6.4 (Third National Development Plan 1978).

6.2.5 Interim National Development Plan

The Interim National Development Plan, 1987-1988 (INDP) was prepared as a stopgap measure and as a bridging gap between the IMF and WB programme and the 4th National

Development Plan, based on the New Economic Recovery Programme (NERP). The major objectives of the plan were to halt and stabilize the worsening socio-economic situation; to compress imports and limit debt repayments in order to release resources for development; to diversify exports by promoting non-traditional exports and manufactured goods; and to restructure consumption and production patterns aimed at saving foreign exchange (Mwanawina *et al.* 2003: 43, Mwanakatwe 1993).

The plan was not successfully implemented. The idea of limiting credit repayments could not work for Zambia as many donors reacted by limiting balance of payments and project assistance, thus seriously affecting development and worsening socio-economic conditions. Consequently, the government had to swallow its pride and go back to the IMF/WB programme in 1989. One of the achievements of the INDP was increased maize production. During the plan period, 21 million bags of 90 kilograms of maize were produced. The bumper maize harvest was a result of good weather in combination with the conducive policies of the INDP.

6.2.6 Growth from Own Resources, 1987

Implementation of the Third National Development Plan was not satisfactory in that copper prices during the period were low. The debt burden had also taken its toll on the economy. Debts incurred in the first, second and third national development plans became due in this period for repayment. The country was failing to meet its obligations with the cooperating partners due to scarcity of foreign reserves. Thus, in 1987 the country decided to go it alone by curtailing links with the IMF. It embarked on its own plan of “Growth from our Own Resources”. This plan restricted repayment of loans to only 10% of foreign exchange earnings. However, this was short-lived as the country found itself going back to the IMF in 1989 for balance of payment support. To this effect, the IMF came up with stringent measures by introducing the Structural Adjustment Programme, 1 and 2 (SAP 1 and 2), which have been implemented since 1989 though now under the liberalisation programme (Mwanawina *et al.* 2003: 43).

6.2.7 Fourth National Development Plan

The long and short-term objectives of the Fourth National Development Plan, 1989-1993 were to:

- Ensure the improvement of the socio-economic condition of women;
- Improve the collection, processing, analysis, and storage of statistics;
- Improve the living conditions and general welfare of women in rural areas;
- Provide capacity building for women; and
- Improve the condition of the informal sector with particular emphasis on sanitation, day care training and credit facilities.

The other major objectives of the FNDP were as follows:

- a) increase formal sector employment from 357,000 in 1987 to 400,000 by the end of the Plan period;
- b) Accelerate the rate of Zambianisation in the economy so as to achieve greater self-reliance in meeting the growing demand for middle level technicians and highly skilled human resource;
- c) Identify and promote productive informal sector activities, which have potential for growth and employment generation;
- d) Reduce the existing socio-economic and regional disparities and improve the living standards in rural areas;
- e) Alleviate poverty among the economically disadvantaged and vulnerable groups;
- f) Accord high priority to the development of agriculture;
- g) Promote regional development on the basis of the characteristics and development potential of each region;
- h) Increase the role and participation of women in overall national socio-economic development;
- i) Increase the contribution of the private sector to economic growth to 45 percent of GDP (Fourth National Development Plan 1988).

The plan focused on the issue of integrating women in the development process, thus engendering development. This plan was not implemented due to lack of resources, as it was

prepared without reference to the resource envelope. The other reason was that the IMF and WB and western countries were pushing the Washington Agenda, which emphasized structural reforms and less government involvement in economic activities (Fourth National Development Plan 1988, Mwanawina *et al.* 2003: 50, Mwanza *et al.* (1992: 129). For this reason, they did not support the implementation of the plan but replaced it with the Policy Framework Paper and the Public Investment Programme.

Table 6.1: Development plans and strategies in the 1990s

	Plans	PIP	PRSP	TNDP	MTEF	ISP
Strategies/ Programmes	Expand agricultural production					
	Intensive development of rural areas					
	Expand and diversify industry (import substitution and export orientation)					
	Expand mining					
	Intensive tourism development					
	Expand economic infrastructure					
	Expand social infrastructure					
	Reduce regional disparities					
	Institutional development and capacity building					
	Fiscal restraint; increase and diversify revenue					
	Price control					
	Monetary control					
	Commanding role of state in economic management and ownership					
	Import restrictions and exchange rate control					

Source: Mwanawina et al. 2003: 7

Key: PIP = Public Investment Programme, PRSP = Poverty Reduction Strategy Paper, TNDP = Transitional National Development Plan, MTEF = Medium Term Expenditure Framework, ISP = Institutional Sector Plans

6.3 Institutional structures for planning and economic management in the 1980s

A National Development Committee (NDC) of Cabinet was created to spearhead the preparation and implementation of the Transitional National Development Plan after

independence. This institution was presided over by the Vice President and had six Cabinet Ministers as members. Apart from this, there was a Central Planning Office established in 1964 whose role was to integrate programmes and projects submitted by ministries and provinces and passed recommendations to the NDC and onward to Cabinet. There were two departments of national planning and regional planning under the office of the Vice President. (First National Development Plan 1965, Mwanawina *et al.* 2003: 8)

At a later stage in 1978, the National Commission for Development Planning (NCDP) was established under the leadership of the Prime Minister. This function was previously under the Ministry of Development Planning and National Guidance. In 1979, NCDP was moved to come directly under the office of the President as a way of strengthening planning. NCDP was further strengthened in 1980 by the establishment of Planning Units at sectoral, provincial (PPU) and district levels (DPU) and Economic and Technical Cooperation as a department that focused on mobilization of resources from cooperating partners. Despite the existence of regional planning and creation of PPU and DPU to improve consultations at the lower level, consultations between the provinces and NCDP remained poor (Mwanawina *et al.* 2003: 10).

The government of Zambia after independence created planning structures at the national, provincial and district levels. The structures were both at political and technical levels. Ultimately, the institution that assumed overall responsibility for planning and management of the economy was the National Commission for Development Planning that was established in 1978. The structure of planning and decision-making involved the President, NCDP, the ministries, the provinces and districts through the UNIP National Council, the Central Committee, the Cabinet, Provincial Councils and all the ruling party structures. During the 1980s, the institutional structures that were put in place were the ward committee reporting to the district through the District Governor, then to the Provincial Council through the Member of Central Committee (MCC) and then to the National Development and Economic Committee (NDEC) chaired by the President, then to the Central Committee and Cabinet. Cabinet would then send budget proposals to Parliament (Personal experience 1982-2000).

In the Second Republic, planning was the responsibility of NCDP. Thus, NCDP was responsible for the preparation of five-year national development plans as well as the annual

plans, which operationalized the implementation of the National Development Plans. Between 1964 and 1991, five national development plans were prepared, as described above. In 1991, after change of government, the economy was liberalized and central planning was abolished. In principle, this brought to an end the preparation of the five-year plans (Personal experience 1982-1991).

In general, the country's early plans were based on a well-coordinated institutional framework led by the central planning ministry. The plans had wide consultation starting at grassroots onwards up to the central level except for the Transitional and the First and Second National Development Plans, which were prepared using top-down approaches. The first two plans were prepared without consultation from major stakeholders. In terms of content, the plans were well focused though over-ambitious. The plans such as the 3rd NDP were not matched with the financial and human resources and capacity requirement to be implemented effectively. Because of this, the implementation, monitoring and evaluation was weak due to lack of effective structures (personal experience 1982-1991).

There were also at that time some institutional weaknesses, which affected smooth planning, such as inadequate Zambian qualified staff at NCDP and not all ministries and districts managed to establish planning units with qualified staff. Even those districts that had established planning units failed to retain officers due to poor conditions of service as well as unclear working arrangements that frustrated the officers. Further, NCDP was established by decree rather than by parliamentary legislation, which made it difficult for the institution to operate and command compliance from other government institutions. To some extent, compliance was achieved under duress because of the command economy and the one party participatory democracy system of government (Mwanawina *et al.* 2003).

6.4 Economic Performance during the four National Development Plans (1965-1991)

The performance of the Zambian economy was not very satisfactory during the period of the Transitional and First National Development Plans. Some targets of the early plans i.e. the Transitional Development Plan and the 1st National Development Plans were realized. This

was possible because the country had a strong financial position inherited from the colonial past. According to Harvey (1972), Zambia at independence inherited limited supply of capital but with unlimited supply of capital in monetary terms and this was because copper prices rose steadily, which increased foreign reserves and a positive current account posting (Harvey 1972: 89). During this period, major infrastructures were constructed such as the TAZARA rail line and the oil pipeline from Tanzania. Further, a number of industries such as the cement factory in Chilanga, fertilizer plant in Kafue, sugar plant in Mazabuka and other institutions such as the marketing board were established. In addition, this is the period when social services in education and health were built and expanded countrywide. The sectoral growth trends during the period were high as shown in Table 6.2.

Table 6.2: Sectoral performance, 1964-1968

Sector	1964	1968	Percent change
Mining	230	389	69
Agriculture	53	66	25
Construction	28	76	171
Administration	21	46	119
Trade	46	115	150
Other	76	177	133
GDP at factor cost	474	932	97

Source : Harvey 1972: 90

The Second National Development Plan 1972-1976, performed reasonably well and some targets were met due to good performance of the economy largely with revenue from copper and other minerals. This was aided by good copper prices on the world market. The other strength of the plan was the consultative method used in its preparation. Despite these consultations, however, there was no institutional framework at lower levels to deal with planning including the traditional leaders (Mwanawina *et al.* 2003: 36). This is the subject of discussion in Chapter 7.

The Third National Development Plan 1979 to 1983 did not achieve its objectives. This plan

was prepared on principles of socialism and humanism that discouraged private sector participation in economic matters though the private sector was recognised. The third NDP failed to meet its targets mainly due to falling revenues from copper, increasing oil prices and worsening debt burden. Besides this, implementation arrangements, monitoring, and evaluation were difficult in the absence of planning institutions at lower levels.

The Fourth National Development Plan 1987 to 1991 was not implemented as the country shifted from a planned economy to a market economy. During this period, the Zambian economy plunged deeper into depression mainly because of external factors such as copper prices, external debt and escalating oil prices. On the internal side, the parastatal sector run by government lacked capacities and resources to recapitalize the industries and were on the verge of collapsing (Harvey 1972).

One can conclude that despite the achievements in the first years of independence, the economy came under stress in the 1970s and beyond which made it difficult to achieve the targets especially for the 3rd and 4th National Development Plans. The 1986 *Economic Report* concluded that the economy suffered prolonged contraction because of reliance on a single commodity, copper, for its export earnings and on an industrial sector that was heavily dependent on imported inputs for their operations (*Economic Report* 1986: 8, World Bank: Country Economic Memorandum 2004: 1). The foreign exchange constraint led to among other things a fall in gross investment and reduction of imports needed to attain higher levels of productivity. According to the *Economic Report* (1986), Zambia suffered because of being a single primary commodity exporter and heavy deterioration in the terms of trade (*Economic Report* 1986: 1, Swedish Development Assistance Report 6, 1994: 72). The *Swedish Report* (1994) further points out that the second major reason for non-implementation of the plans was the impact of the military conflicts in the region particularly in Rhodesia, Angola and Mozambique, which increased transport costs to ship copper to markets as well as to import raw materials for industries. As a result, there was negative growth in many sectors, such as mining and financial institutions, at negative 5.5 and 1.6 percent respectively during the period 1980-1985 (Swedish Development Assistance Report 1986: 10).

6.5 Present planning and implementation framework in Zambia

6.5.1 Institutional structures for planning

Decentralized planning in Zambia started in the early 1980s under the office of the President. This was meant to consolidate the decentralization policy, which was ushered in under the repealed Local Government Administration Act of 1980. By 1983 all provinces had established Provincial Planning Units. A few District Planning Units were established in some districts, namely Kalulushi, Choma, Ndola Rural, Kafue, Mazabuka, Chingola, Kaoma, Petauke, Mkushi and Serenje. In certain provinces, the Provincial Planning Units were supported by donor agencies as was the case with North-western, Northern, Western, Luapula and Central Provinces. The units played a pivotal role in data collection, planning, monitoring and coordination of all development programmes in the districts and provinces where they served as the secretariat of the Provincial Development Committees and District Development Committees under the Chairmanship of the Permanent Secretary and District Secretary/Town clerks respectively (Personal experience 1984-1999).

With the coming of the Third Republic in 1991, the Planning Units in the districts and provinces were phased out with the abolition of the NCDP. This also affected planning at the national level. Although certain sectors retained planning structures, these were disjointed as there was no central body to coordinate the process. Planning was reduced to micro-level, as is the case in the private sector. The government maintained the budgeting process, which, however, did not derive its inputs from the medium or long-term plans, as they were non-existent. According to Chilikwela (interview 2005) and Chisanga (interview 2005), the lack of planning led to an increase in poverty levels through lack of targeting of resources and duplication of efforts which led to poor execution of programmes.

Problems of coordination started being felt at the national level due to the absence of a central coordinating body. For example, when the idea of a sugar project in Luapula was mooted, the question of who was going to spearhead and coordinate this development arose. The project required infrastructure to be laid down such as roads, electricity and water. This meant ministries responsible working in isolation or forming an ad hoc committee (personal

experience 1999-2004). Ad hoc committees have had their own shortcomings, such as failure to convene meetings due to lack of quorum. NCDP had a pool of expertise in economics, sociology, geography, civil engineering, and demography, which was able to carry out feasibility studies or project appraisals on its own or in liaison with consultants. It was also able to carry out macro analysis in human resource requirements by liaising with industry, which was later implemented through educational institutions. According to Choolwe (interview 2005), the lack of planning in the 1990s led to unguided direction for development and problems of coordination surfaced which led to delays in project design and implementation. Mwale (interview 2005), pointed out that this period brought about increased issues of corruption as resources were handled without proper plans leading to allocation of resources to unnecessary activities. This, therefore, meant that there was no accountability and transparency in the system.

In 1996, the Ministry of Local Government and Housing, with the assistance of the Irish Government, tried to revamp district planning units in district councils. Unlike in the Second Republic where district planning officers were seconded to councils, councils were now required to directly employ their own officers. Very few councils managed to do so because of financial constraints. Ironically, while this was being done, the government was on the other hand cutting down on the number of Provincial Planning Officers through redundancies or transfers to the Ministry of Local Government and Housing to fall under the Department of Physical Planning (Personal experience 1982-2005).

There has been a realization that the abolition of NCDP by government was a mistake. This is evident from public statements from government itself, the donor community, civil society, the opposition and consultants engaged in restructuring government organs. Medium and long-term planning were found to be missing links in the budgeting process. The Poverty Reduction Strategy Paper and the National Long Term Vision are both premised on the existence of a medium term-plan. According to Kamuna (interview 2005), the abolition of planning in Zambia led to poor participation by communities in development issues and as a result, the programmes that were being implemented were not meeting people's needs and aspirations. This in turn increased failures of project implementation in many sectors, which led to increasing poverty levels.

6.5.2 Participation of stakeholders in planning and economic management

6.5.2.1 Civil Society

Civil society organizations participated in the planning of the PRSP, the TNDP and the budgeting process through provincial workshops. They also participated in Provincial Development Coordinating Committees (PDCCs) and District Development Coordinating Committees (DDCCs) as members. The rationale for allowing participation in planning is to ensure that the interests of all stakeholders are catered for and to promote ownership. This is necessary for sustainability (Salimu interview 2005). The participation of civil society only became a reality in the late 1990s after NGOs applied pressure on the government to participate in national affairs. This is related to the international support NGOs received from cooperating partners and as a conditionality that under the Poverty Reduction and Growth Facility (PRGF), the preparation of the PRSP should be consultative to allow all stakeholders to participate (Personal experience 1982-2005). The remaining contentious issue is how much government can open up to civil society in terms of all government operations. For example, government does not make civil society part of the negotiating team with the IMF and WB where issues of the Structural Adjustment Programme covering privatization and liberalization are discussed. These are the issues where civil society still feel that they are left out. As Mpepo (interview 2005) put it, the civil society is informed and not consulted in most processes and policy making including privatization and liberalization policies.

6.5.2.2 Parliament

Under the current arrangement, Parliament approves the budget prepared by the Executive. Reforms are under way so that MPs participate from the start of the budgeting process and from their constituencies. The involvement of Parliament in the planning and management of the economy is inadequate and always comes too late in the process of planning and budgeting. Parliament is only involved in the approving and not the preparation of the budget. Thus, the allocation of resources and prioritization of development programmes does not involve parliamentarians, the representatives of the people (Personal experience 1982-2005).

Even though this is desirable, care should be taken to maintain some separation of powers between the executive and the legislature. Thus, the MPs should participate more at constituency and district levels in terms of policy formulation and implementation. (See Chapter 7)

6.5.2.3 Cabinet

Cabinet is involved in the approval of the Policy Framework Paper prepared by the Ministry of Finance. It also considers the final draft of the budget for comments, amendments and endorsement before it is presented to the National Assembly. The problem at this level is that Cabinet is not involved in the formulation of the budget, until only a few days before the budget is presented to the National Assembly. Thus, Cabinet does not have ownership of the process and, therefore, may not support the resource allocation in the budget. This causes problems during budget implementation as Cabinet Ministers often ask for special funding to implement programmes that they would like to be undertaken, which are often contrary to the macro-economic and fiscal frameworks of the budget. The result of this is that the targets set in the budgets are always missed and economic management becomes very difficult. As a result, politicians make demands for expenditures that burst the fiscal framework during budget implementation (Personal experience 1982-2005).

6.5.2.4 Provincial Development Coordinating Committees

Provincial and District Development Coordinating Committees came about as a result of Circular No. 1 of 1995 from Cabinet Office. The institutions established under this circular were the National Development Coordinating Committee (NDCC), the Provincial Development Coordinating Committees (PDCCs,) the District Development Coordinating Committees (DDCCs) and the district planning offices at district level. The circular also re-established the position of district planning officer in councils. These institutions were set up among other things to assist in the coordination of policy development as well as monitoring and evaluation of development programmes. These institutions were also supposed to be a link between the grassroots and Cabinet and Parliament. This was a loose administrative

arrangement for planning and management of the economy. The PDCC was supposed to be superseded by the NDCC, which unfortunately is moribund and has never met. It is only PDCCs and DDCCs that have been active, though not in all provinces.

There are a number of problems related to the operations and effectiveness of these institutions. Firstly, these institutions were established administratively and, therefore, have no legal backing to compel institutions and officers to participate fully. Secondly, the structures have no budget lines to make them operate effectively. This makes it difficult for Permanent Secretaries and Council Secretaries to call for meetings and finance follow-up actions. The costs associated with these meetings are fuel, paper and allowances. Thirdly, the apex institution, i.e. the National Development Coordinating Committee, has never met and Cabinet Office does not have the will to spearhead the functioning of this institution. Thus, there is a break in linkage between the PDCCs and the national level. The resolutions from the PDCCs have no direct linkage to any national level institution and decision-making process.

Prior to the establishment of the office of the District Administrator, the PDCCs and DDCCs were chaired by District Secretaries with the District Planning Officer as the Secretary. The two bodies included heads of government departments, civil society, churches, and NGOs at both district and provincial levels. The Permanent Secretary (PS) chairs the PDCC and the Provincial Planner serves as the Secretary. The functions of these bodies are to coordinate developmental matters at both levels. The institutions are not operating efficiently because of poor capacities and lack of institutional linkages. Placing PPU under local government in the physical planning department means that the planners cannot have efficient technical backstopping and their emphasis is on physical planning as opposed to socio-economic planning (personal experience 1982-2005, Cabinet Office Circular No. 1 of 1995).

6.6 Planning in a liberalized economy

In the non-liberalized economy, planning also encompassed the private sector as can be seen from the first objective of the Third National Development Plan, which stated that one of the main features of the plan was to achieve its objectives involving all stake-holders “covering Government, Parastatals, and the Private sector of the economy” (TNDP 1979-83: 21).

However, during this period, the level of private participation minimized although one of the objectives of the liberalized economy is to ensure that market forces dictate the operations of the economy, while Government plays the role of facilitation and coordination.

The process of economic reforms and institutional changes under the liberalized umbrella is undertaken with a view to enable the private sector occupy an increasingly greater command in the development process. However, government needs to plan how to deal with the inflow of new private investments in terms of infrastructural development (Sikabanze interview 2005, Mwale interview 2005, Salimu interview 2005). The increase in investments not only brings about externalities, some of which might be harmful and it is only through planning that such can be contained. Furthermore, there are areas where government has to take the lead in development, such as rural areas; it is only thereafter that the private sector would follow. After liberalization of the economy, Zambia stopped preparation of the 5-year plans but in their place the following planning documents outlined below were prepared (Personal experience 1991, Sikabanze interview 2005).

6.6.1 Policy Framework Paper

The Policy Framework Paper (PFP) was prepared by a group of government officials (Bank of Zambia, Ministry of Finance and major government ministries) with the aim of outlining policy changes in the years of structural adjustment period in the early 1990s. (Ministry of Finance and Economic Development 1999, Policy Framework Paper).

6.6.2 Poverty Reduction Plan

The National Poverty Reduction Plan, 1999-2004 was prepared in 1998 under the auspices of the Ministry of Community Development and Social services supported by UNDP. This document stipulated five priority areas as follows:

- Achieving broad based economic growth through agriculture and rural development;
- Providing public physical infrastructure;
- Increasing productivity of urban micro- enterprises and the informal sector;
- Developing human resources; and

- Coordinating monitoring and evaluation of poverty reduction programmes and activities (Ministry of Community Development and Social Services 1999, National Poverty Reduction Plan, 2000-2005).

Effectively, this plan was not implemented, as its preparation was not linked to the resource envelope and wide consultation among the stakeholders.

6.6.3 Public Investment Programme (PIP)

PIPs are rolling plans covering all capital programmes for ministries, provinces and other public institutions. They stipulate planned disbursements, actual disbursements, and location of projects, implementers and executing agencies. The national budget draws its capital programmes for implementation from PIP in any particular year. Production of this document started in 1992 and was completed in 1996. After the dissolution of NCDP, however, production stopped until 2001 when it was resumed. Since resumption three volumes have been produced. In the absence of five-year development plans, the PIP provided the framework for capital programmes to be implemented in three years.

The procedure used in preparing the PIP involved appointing an inter-ministerial task force that spearheaded the consultative process. The members of the task force came from Agriculture, Education, Health, Transport, Energy, Tourism, Environment, Commerce and Industry, Community Development, and Local Government. The weakness of the PIP is that it was not linked to realistically available resources and this made it difficult to implement as planned. The idea of the PIP was to prioritize programmes in the public sectors earmarked for implementation in accordance with the available resources. For this reason, the PIP showed the resource gaps and formed a basis for resource mobilization internally and from donors. However, the PIP was not taken seriously during this period as it was regarded as having a legacy of centralized planning and only meant to satisfy Paris Club members (Sikabanze interview 2005, Personal experience 1999-2005, Public Investment Programme 2002-2004: ii).

6.6.4 Poverty Reduction Strategy Paper (PRSP)

6.6.4.1 Introduction

The PRSP process for Zambia as it is for all other participating countries was a design by the World Bank and the IMF. It is a process that is not an original local initiative. The World Bank spearheaded the formulation and implementation of the PRSP and prepared the specific guidelines for the process. It should be pointed out that the PRSP was not a local initiative. This was an initiative mooted by the World Bank and IMF and is linked to the structural adjustment programmes. This document came about because of Zambia's qualification to the Highly Indebted Poor Countries (HIPC) initiative of the WB and IMF in 2000. The PRSP document was a prerequisite for accessing HIPC funds for Poverty Reduction. The document was produced in 2002 and implementation ran up to 2004. The HIPC initiative aims at reducing indebtedness of the poorest countries by cancelling debts and using the savings to finance targeted poverty reduction programmes as provided for in the PRSP. Successful implementation of the PRSP and other conditionalities like privatisation of major parastatals would lead to massive debt cancellation upon reaching completion point in 2004.

According to the World Bank Source Book, the PRSPs are creative development strategies that were and are designed to have an impact on poverty reduction in the shortest possible time and were based on the following main principles. (World Bank 2000 *PRSP Source Book*.)

- a) The Strategy Papers should be **COUNTRY DRIVEN**, in order to enhance ownership. Governments of the countries drive the process of preparing the papers. However, there should be active participation of civil society, private sector and local government, etc., i.e. a broad based constituency of stakeholders.
- b) The strategy papers should be **RESULTS ORIENTED**; that is they should provide an in depth understanding of the nature and determinants of poverty. Once poverty is understood, it forms the basis for developing short, medium and long-term objectives and strategies to overcome this poverty. Key outcomes and impact indicators have to be pre-determined so that interventions can be carefully monitored.
- c) A poverty reduction strategy must be **COMPREHENSIVE, HOLISTIC** and **WELL ENDOWED** in an economy experiencing rapid and sustainable growth,

macroeconomic stability, structural reform and social stability. The poor must share in the benefits of this growth, by increasing their capacities to participate, to improve their well being and by reducing their vulnerability to risks.

- d) The Strategy must foster **PARTNERSHIPS BETWEEN GOVERNMENT AND THE GOVERNED**, and among different actors in the economy, the private sector, civil society and NGOs, academia, think tanks, the church and all sectors of the society. PRPs are not government programmes as such. While government takes a leading role, the private sector, NGOs and civil society at large should also prepare private sector interventions, which contribute to poverty reduction.
- e) Recognising the fact that poverty reduction will require institutional changes and capacity building, including efforts to strengthen good governance and accountability, poverty reduction is a long-term process and should be fully integrated in an action learning process, to ensure diffusion and assimilation of new ideas with minimal disruption.

PRSPs were seen not as business as usual type of strategy papers but as a creative intervention based on strategies and initiatives designed to reduce poverty. The programmes were supposed to impact poverty in direct, quantifiable and calculable ways.

6.6.4.2 PRSP preparation in Zambia

In Zambia, the PRSP was prepared through a consultative process involving all the major stakeholders, such as the government, the private sector, NGOs and traditional rulers. Apart from that, Members of Parliament and the provincial and district committees were also consulted. When the draft was ready, a national workshop was organized to discuss comments from stakeholders. The comments were then incorporated into the main document. On the other hand, the NGOs organized a parallel structure and process to prepare the PRSP from their perspective. A product from this process was submitted to government for incorporation into the PRSP. The PRSP was finalized and approved by Cabinet in May 2002. The PRSP aimed at fostering economic growth and poverty reduction as a requirement for receiving debt relief under the HIPC initiative and the Poverty Reduction Growth Facility (PRGF). It is a set of strategies prepared by the country's authorities with the participation of all stakeholders and

development partners. The PRSP replaced the Policy Framework Paper, and was expected to involve greater country ownership and a heightened focus on poverty reduction and economic growth (Personal experience 2002).

6.6.4.3 Participation of Civil Society Organizations

The involvement of Civil Society for Poverty Reduction (CSPR)³⁰ in the PRSP process was at two levels: at Government PRSP Working Committee level and the CSPR Consultative Groups. Civil society had representatives on all the Government Working Groups whose main responsibility was to develop the sectoral chapters for the PRSP. The CSO representatives were party to the development of the first draft of the PRSP through sectoral chapters. In addition to its participation in the Working Groups, CSPR assisted in popularizing the work on the PRSP by hosting a number of consultative meetings and workshops meant to review and discuss the PRSP process, as well as to crystallize civil society's input into the PRSP.

However, the sectoral focus that government adopted in developing the PRSP was considered inadequate by civil society in addressing the poverty concerns of the poorest in the nation. CSPR, therefore, adopted a thematic approach and then identified themes around which its work revolved, and this included the following: Governance; Employment and Sustainable Livelihoods; Agriculture and Food security; Tourism; Macroeconomics; Mining; Education, Child and Youth; Health and HIV/AIDS; Gender; and Environment. CSPR established consultative groups facilitated by experts, primarily to develop position papers on each theme. National workshops and provincial poverty hearings in the poorest provinces of Zambia were held for getting broader views and opinions of civil society. Finally, in July 2001, CSPR produced a report presenting its own perspective of the PRSP, which was a compilation of all the ten position papers with prioritization in terms of proposed actions. The report was officially handed over to government as civil society's contribution to the PRSP process (CSPR programme evaluation 2000-2005 report July 2005).

³⁰ CSPR is an umbrella organizations for NGOs in Zambia which was formed during the preparation of the PRSP to coordinate inputs from NGOs into the PRSP formulation. The organization has continued to operate now more on the monitoring of PRSP implementation.

6.6.4.4 Were the consultations adequate?

Involvement of stakeholders: In the first round of PRSP formulation, the involvement of stakeholders was critical as it was one of the conditions for formulation of the PRSP under the PRGF/HIPC initiatives. Some of the stakeholders were consulted. In addition, civil society engaged in a separate process among their constituency through which they produced a report, which fed into the PRSP preparation. However, some stakeholders still felt that they were not represented adequately, such as Members of Parliament and organizations below the district. This could not have been possible considering the fact that these strategies had to be developed within a given period of time. Although the preparation of the PRSP in Zambia was consultative, it was not participatory and consequently missed out some key elements such as grassroots participation, implementation arrangements and monitoring and evaluation mechanisms. This came as an afterthought in mid-2002. As a result, the Zambian PRSP did not have clearly defined input, output, outcome and impact indicators and implementation mechanisms. The lack of effective participation meant that the people's aspirations and priorities were missed out. There was therefore general lack of effective stakeholder participation in planning and implementation of programmes. Broad participation is needed to ensure that the most relevant targets are selected and that the results of regular monitoring of outcome indicators feed back to refine policy and programmes to improve their effectiveness. A more thorough (and politically more binding) process may be to start right at village level. The participation of organized sector ministries and civil society at national level in the drafting of the PRSP cannot be seen as replacing participation by the poor at grassroots level. Several stakeholders felt that they did not participate such as Members of Parliament, Councillors and organizations below the district. The strict timetable given by the WB and the IMF did not give sufficient time to achieve full participation. Chapters 2 and 3 indicate that despite the efforts made under the PRSP, the poverty situation continued to deteriorate in Zambia and most programmes were not successfully implemented. The people did not feel being part of the process and hence did not take an active part in the implementation, monitoring and evaluation. This justifies the need to put in place instruments for policy preparation and implementation that are participatory right from the sub-district level involving the poor people themselves (Choolwe interview 2005, Salimu interview 2005, Kamuna interview 2005, PDCC, DDCC interview 2005).

- *Unfulfilled expectations from the PRSP:* Unfulfilled expectations included some of the submissions from stakeholders that could not be incorporated in the final PRSP. For example not all submissions from the Civil Society Organizations, the private sector and traditional leaders were included in the PRSP. Others included the fact that most of the suggested programmes would be foreign financed due to the heavy reliance on donors who did not fulfil their pledges.

6.6.4.5 PRSP implementation in Zambia

The institutional framework for implementing the TNDP/PRSP was through the Ministry of Finance and National Planning, individual line Ministries and other stakeholders. Stakeholders' participation in the implementation and monitoring of the PRSP and TNDP was achieved through formation of Sector Advisory Groups, a continuation of the Working Groups idea from the preparation of PRSP.

In terms of actual implementation, the government, NGOs and the private sector implemented most projects. In agriculture, for example, under the out-grower schemes, covering cotton, coffee, paprika, animal production and flowers the private sector is implementing the schemes. In the social development sphere, NGOs such as PAM, CARE, Plan International and other local NGOs are active

In order to examine the actual performance of the sectors under PRSP implementation one needs to consider the resource allocation and releases over the review period. Table 6.3 below shows the PRSP allocation per sector.

Table 6.3: Total PRSP resource allocation by sector 2002-2004

Sector	Cost (\$)	Share of Total Budget
Roads	229,000,000	19.1
Health	200,150,000	16.7
Agriculture	173,000,000	14.4
Education	147,500,000	12.3
Energy	114,000,000	9.5
HIV/AIDS	94,600,000	7.9
Tourism	58,700,000	4.9
Water and Sanitation	42,400,000	3.5
Macroeconomic Reforms/Institutions	38,200,000	3.2
Governance	27,000,000	2.3
Mining	26,600,000	2.2
Transport	22,000,000	1.8
Industry	12,500,000	1.0
Social Safety Net	9,000,000	0.8
Environment	3,000,000	0.25
Monitoring and Evaluation/Statistics	1,500,000	0.12
Gender	976,500	0.1
Total	1,200,126,500	100.0

Source: PRSP 2002: 130

As can be seen from the table roads, health, agriculture and education were allocated the highest amounts. The assumption was that most of these resources were to come from the cooperating partners. In terms of actual releases over the PRSP period, only about 60 percent of government resources were released for poverty reduction programmes as specified in the budgets. These resources were from government and not the donors. Table 6.4 shows the outturn for resource allocation and releases.

Table 6.4: PRSP allocation versus releases, 2002-2004

Year	Allocations (Kwacha bn)	Releases (Kwacha bn)	% Releases over allocations
2002	450	110.2	24.5%
2003	420.7	212.9	50.6%
2004	521.7	521.7	100.0%
Total	1,392.4	844.8	60.7%

Source: CSPR Evaluation of the 2002-2004 Poverty Reduction Strategy Paper 2005: 16

Thus, a total of K844.8 billion out of the allocated K1,392.4 billion was released for PRP implementation between 2002 and 2004. This represents 60.7% of the amount that was budgeted for the same period.

While only 60.7% of planned amounts were actually released for implementation of PRPs there were problems in sectoral allocations as some sectors were received less than what was allocated. In 2002, sectors such as education received far less than they should have received (33%) while others such as the Social Safety Net received more than allocated (99%). In 2003, education received 11% of budgeted amounts while the social safety net received 150%. In the worst of cases, there were no disbursements of funds to some sectors in 2002 and 2003. Thus, funding to PRPs fell short of what was budgeted where some non-poverty reducing areas received well in excess of what was budgeted. The major reasons were that in 2003, there was a partial drought in Southern Province which made government divert resources for relief food requirements; furthermore there was a budget overrun as a result of the need to finance new conditions of service for civil servants, which were not originally in the budget. This diverted resources from poverty reduction to consumption through paying of the new salaries and conditions of service (*CSPR Evaluation of the 2002-2004 Poverty Reduction Strategy Paper 2005: 16*).

The question to ask is whether this arrangement has been adequate and effective in the implementation of the PRSP. To answer the above question, this thesis argues that institutions involved were ill equipped to perform these responsibilities due to various weaknesses such as

lack of staff, monitoring instruments and logistical support. In conclusion, one may say that this institutional arrangement did not effectively deliver the services as required (Personal experience 2003-2005, MFNP, PRSP Second Implementation Progress Report July 2003-June 2004: 64). In addition, as can be seen above, the allocations and releases were insufficient to make an impact on poverty in Zambia.

Although the preparation of the PRSP in Zambia was consultative, it missed out some key elements such as the implementation arrangements and the monitoring and evaluation mechanisms. This came as an afterthought in mid-2002. As a result, the Zambian PRSP did not have clearly defined input, output, outcome and impact indicators. The identification and measurement of poverty outcome targets, and the assessment of the impact of priority interventions on the poor, are crucial mechanisms for regular assessment of policy and programme design and implementation. Broad participation is needed to ensure that the most relevant targets are selected and that the results of regular monitoring of outcome indicators feed back to refine policy and programmes to improve their effectiveness. As a result of the above weaknesses, implementation was not well organised and was largely unsuccessful.

During the preparation of the TNDP the Department of Planning re-established the committees that were involved in the preparation of the PRSP. These groups, now called Sector Advisory Groups (SAGs), became the main engine for the preparation and monitoring of the TNDP. At the lower levels, the PDCCs and the DDCCs played the same role. The current institutional framework is based on the Cabinet circular of 1995. The structure is shown in Figure 7.3 below.

6.6.4.6 Experiences from other African countries on PRSPs

According to the Organization for Social Science Research in Eastern and Southern Africa (OSSREA) report on PRSP in Africa (OSSREA 2004: 7) the PRSP process in Africa though described as consultative did not produce the desired results. The strategy in most African countries such as Kenya, Ethiopia, Uganda and Rwanda as was the case in Zambia was to stabilize the macroeconomic indicators and to create wealth to tackle poverty. However, there

were several problems in the implementation of the PRSPs. The overall economic performance, and the failure of the government and other players to invest sufficiently in agriculture and industry led to insufficient growth. Specifically, the general decline of the agricultural and industrial sectors led to an increase in incidence and seriousness of poverty. Another problem, which PRSP failed to solve, is inflation. Most of these countries experienced very high rates of inflation. A number of factors both external and internal impeded the PRSP's full implementation with the consequence that it has had a very limited impact on growth and poverty reduction. In general, the OSSREA report concludes that governments in Africa failed to achieve results because of among other things the following: (OSSREA 2004: 8-24)

- The severe weather conditions such as droughts, which adversely affected electricity and water supplies negatively affected all sectors of the economies, particularly in Southern and Eastern Africa.
- Delays in disbursement of donor funds.
- The reduction of overall resources, which forced governments to cut some expenditure on PRSPs.
- The lack of effective stakeholder participation in planning and implementation of programmes.
- Conflicts in some parts of Africa.

To conclude, one may say that as in the case of Zambia, even though the PRSPs were participatory and comprehensive they lacked mechanisms for strong policy development and implementation as well as monitoring. As a result, the intended outcomes were not achieved. Further, what is clear from the whole process is that the PRSP processes were very long and engaging, with several needs for technical capacity and financial resources. The challenge remains how to strike the right balance between the process of PRSPs and the attendant consultative process, and achieving the targets and results set out in the PRSPs.

The general conclusion on the experiences of other African countries is that just like many other previous government documents, the strategies are well articulated and could make a difference to the poor, if only sufficient detail was given to mechanisms for implementation,

monitoring and evaluation. So far, development trends show that there have been very marginal benefits to the poor since the PRSP era in Africa.

Above all, the PRSP did not meet its objectives due to insufficient resources particularly from donors as it was supposed to be financed by over 90% from the cooperating partners (personal experience 1982-2005, PRSP 2002: 12).³¹

6.6.5 Transitional National Development Plan

The Transitional National Development Plan 2002-2005 was labeled thus because it was prepared after a long lapse in planning. It was meant to fill the gap before the Fifth National Development Plan 2006-2010. As the new government came into office, they had to come up with a crash programme, analogous to the first TNDP in 1966 to address urgent needs. TNDP was a continuation of PRSP in that it included all sectors of the economy to make planning national in outlook. Whereas PRSP only dealt with a few sectors viz: Economic, Social, Population and Good Governance, the TNDP included sectors omitted in the belief that the economy was an integrated entity and should ensure that all sectors moved in tandem. Thus, sectors like Defence and Security, Central Policy and Administration were included. (TNDP 2002: 1).

6.6.6 Medium-Term Expenditure Framework

The Ministry of Finance and National Planning (MoFNP) started a process in 2002 to prepare a multi-year expenditure horizon in order to facilitate strategic planning by line ministries. The Medium-Term Expenditure Framework (MTEF) provides sector ministries with early indications of their expected funding level, which facilitates better planning of their activities including the need to restructure and reprioritize activities. The idea is that line ministries have greater certainty about what their resources will be a full year in the future, so that they are better equipped to make hard choices about future programmes and have less reason to delay the process.

³¹ For detailed discussion on the PRSP process in Zambia see appendix 3

Under the current arrangement, in a single year budget horizon, ministries have less assurance that the savings they strive to achieve in one area will not be exploited by MoFNP and given to another ministry the following year. The budget process needs to give ministries incentives to make cutbacks and to shift resources from low priority areas to high priority areas. To do so they also need to have some assurance that they will retain their savings. This is more easily done if they have some reasonable assurance of their expected funding in the future, and have a context through which to discuss and inform MoFNP of these reallocation decisions.

A medium-term budget horizon would also facilitate the government's dialogue with cooperating partners and help to assure better congruence with national development objectives. Lastly, a medium-term budget horizon will help to facilitate the dialogue between Government, Parliament, and civil society about the broad policy direction being pursued. (MTEF Ministry of Finance 2005)

6.6.7 Weaknesses of the MTEF process in Zambia during the review period

Although the process of the preparation of the MTEF started in 2002 the first MTEF was produced for the period 2004-2006. The major weaknesses of the MTEF are:

- a) The MTEF is based on the principles of the WB and IMF short-term adjustment economic management strategies. Thus, it misses the long-term growth objectives of the country. The regular changes in the macroeconomic indicators make the MTEF document irrelevant within a short period.
- b) The preparation process is too loaded and, therefore, time consuming and expensive.
- c) The consultative process through the *Green Paper*³² has not been appreciated by many Zambians and it is limited in coverage to people who access the media. Thus, rural areas are left out. In addition the *Green Paper* is a highly technical paper, which cannot be understood by non-economists.
- d) Most issues in the MTEF are top-down and are determined by the macroeconomic framework developed by the IMF.

³² The Green Paper is a government paper produced prior to the preparation of the budget and contains policy statements and MTEF over a period of three years. It is used as a consultative document through which the public is requested to submit comments for incorporation into the budget for the following year.

- e) The MTEF has failed to instil fiscal discipline among politicians who have continued to demand resources outside the MTEF and the annual budget. The politicians, including Parliament, were not involved in the preparation of the MTEF. This thesis suggests that the MPs should be involved in this process.

6.6.8 Regional and District Plans

The provincial Planning Units were established in 1983 with a mandate among other functions to coordinate the preparation of the regional and district development plans.

During the review period, Northern, Southern, North-western, Western and Luapula Provinces managed to prepare the regional plans.. The plans, however, differed in the preparation methodologies, content and levels of detail. For Southern Province, it was more a physical plan than socio-economic while for Western and Luapula they plans were more socio economic strategic plans..

The Provincial and District Planning Units coordinated the preparation of these plans. They formed part of the national planning process. The regional plans stipulated the priorities of each province as discussed in the provincial councils and later in DDCCs and PDCCs. The problems with regional plans are firstly, the lack of uniformity in the plan preparation methodologies and contents. Thus, it is difficult to institute a monitoring system that would make results comparable among provinces. Secondly, not all provinces have regional plans in place. The first province to prepare a regional plan was Western Province, followed by Luapula Province. Thirdly, all these regional plans are mere shopping lists, which are not related to the macroeconomic and fiscal frameworks and the resource envelope. Fourthly, the provinces in the 1990s lacked capacities in terms of qualified human resource to prepare quality plans because of the demise of NCDP and employment of mostly physical planners, who have no knowledge of socio-economic planning, to resource the provincial planning units.

At the district level, the story is similar. Some district councils have district plans while others do not. The districts that have plans are those in Southern, Eastern and Western Provinces. These were assisted by donors to build capacity and prepare the plans. However, the district plans suffer from the same deficiencies of being mere shopping lists that have no relation to

the macroeconomic and fiscal frameworks and the resource envelope as described for regional plans above. In addition, the district plans lack focus on poverty reduction and job creation (Personal experience 1982-2005).

6.6.9 Sectoral Plans

Sectoral plans are prepared by sector ministries and contain highlights of their priorities. The major sectoral plans in the 1990s were ASIP, BESSIP and ROADSIP in agriculture, education and roads sectors respectively. The major criticism of sectoral plans is the lack of consultation at the provincial and district levels. Even at the national level, not all stakeholders are consulted in the preparation and implementation of the plans. Secondly, these plans are donor driven with little participation from other stakeholders and the Treasury. As a result, the implementation is adversely affected in cases where counterpart funding is required to implement the programmes. This is the case because sectoral plans like the regional and district plans are prepared without taking into account the resource envelope and capacities of the institutions to implement them (Personal experience 1982-2005).

6.6.10 Annual Budget of Revenue and Expenditure

The preparation of the Annual Budget follows guidelines that are developed and issued in the Budget Call Circular. The Call Circular gives guidelines as well as the sectoral allocations based on the MTEF. Each ministry/department/institution develops their draft budgets based on the Call Circular and submits the drafts to the Budget Office for scrutiny. Budget hearings are arranged with Controlling Officers and their staff at which the submissions are discussed and finalized.

Critical budgeting issues include the use of incremental approach and/or activity based budgeting procedures and the traditional arbitrary cutting down of estimates submitted by departments and institutions by the Ministry of Finance (Personal experience 1982-2005).

6.6.11 Provincial planning and management systems

The restructuring of NCDP and the Ministry of Finance in 1994 under the Public Sector Reform Programme (PSRP), whose main thrust was to make the Public Service lean and more

efficient, recommended that some of the functions of national planning be transferred to other ministries, while others were to be retained under the restructured Ministry of Finance and Economic Development. Under this arrangement, some functions of regional planning specifically those that had to do with national planning activities, were retained under the Ministry of Finance and Economic Development while the functions of a regional nature, especially those that pertain to socio-economic planning were transferred to the Ministry of Local Government and Housing where they were placed under the Physical Planning and Housing Department. Other functions to do with foreign relations were moved to the Ministry of Foreign Affairs. However, although certain planning functions were retained, national planning under MoFED was ignored and most of the officers that managed these functions at NCDP were marginalized. Under these circumstances, national planning lost its focus as emphasis was placed on annual budgets without a medium-term focus.

In the absence of a central body to coordinate the planning process, line ministries were left to develop their own ministerial/sectoral strategic plans that often lacked impact as they were developed independently without any linkages to other programmes in other sectors and ministries. Furthermore, some ministries had very weak planning structures and lacked capacity to undertake effective implementation of the functions that were placed under them. Ultimately, this weakened planning at all levels. According to Salimu (interview 2005), the lack of effective planning institutions and instruments led to marginalization of the majority poor who are considered as passengers and not participants in development (Personal experience 1982-2005). As Choolwe (interview 2005) concluded, for any economy to prosper there is need to guide economic development and this requires strong planning institutions and instruments. This is the subject of discussion in Chapter 7.

The current status is that Provincial Planning Units that existed in all provinces no longer have the staff, resources and capacity to undertake socio-economic planning. Most of the staff have left the Provincial Planning Units (PPUs) and joined other programmes such as the Zambia Social Investment Fund (ZAMSIF) and the Micro-Projects Unit (MPU) programmes due to frustration and lack of technical backstopping from the centre. The impact of Provincial Planning Units in most provinces in coordinating and monitoring implementation of development programmes has disappeared due to non-recognition of their role by other line

departments, and planning is now almost non-existent except where donors have established themselves in districts.

The planning structures under Provincial Permanent Secretaries have suffered a setback since the commencement of the restructuring of the Ministry of Finance and the Ministry of Local Government and Housing. The Ministry of Local Government and Housing, which took over the planning function from the former NCDP, has continued to focus on town and country planning, neglecting socio-economic planning. As a result the units are not performing as expected and have no technical backstopping from the Ministry of Local Government and Housing as they lack this expertise. The Department of Physical Planning and Housing failed to attract socio-economic planners and continues to place emphasis on physical planning. The existing planning units in provinces are grossly understaffed as evidenced by a high number of vacant positions in most provinces. Linkages with District Planning Units are very weak as the department lacks resources to support district planning activities. Consequently, the services that these institutions were providing to local authorities are no longer being provided, leading to dysfunctional planning institutions such as the PDCC and the DDCC. Articulation of development strategies, project planning, monitoring and coordination including impact assessment have suffered, as a result focusing of resources to priority areas to stimulate growth is not being done thereby pushing poverty levels even higher. This is the subject of discussion in Chapter 7 (experience 1982-2005). According to Kamuna (interview 2005), the lack of planning institutions at the district and provincial level led to non-participation of lower level organs in the planning process and non-preparation of comprehensive district and provincial plans. In the same vein 37 district councils out of the 56 interviewed indicated that they recommend strong bottom-up planning processes.

6.6.12 Planning structure under ministries

Following the demise of the NCDP, ministries that are custodians of sectoral programmes have not exhibited ability to adequately implement policies. Only a few ministries have made attempts but to a large extent the failure has been due to problems with the whole restructuring programme and the lack of planning capacities. Ministries such as Agriculture, Health, and Finance, have all developed structures, which have been implemented; however, they have had

to revisit these structures to make necessary adjustments and to include strong planning departments. Planning at local level has been seriously affected by developments at national level. In the absence of a decentralization policy it was not possible to develop structures that can effectively implement planning at district or sub-district level (Personal experience 1982-2005, ZAMSIF (2004: 5).

Several ministries and institutions have since 1991 established planning units that take centre stage in planning for the ministries. The major problem in this arrangement is that these units operate in isolation of each other thereby planning uncoordinated and contradictory programmes and projects. For example several sectoral policies have been developed literally by every ministry but a quick examination of these policies reveals a lot of contradictions and unrealistic and non-cost-effective strategies. This is because there is no body or structure at the national level to coordinate planning efforts and to provide technical backstopping (Personal experience 1982-2005; see also discussion on policy formulation in Chapter 3).

6.7 Weaknesses in the planning systems and poor performance of the economy

There were a number of weaknesses in the planning and economic management systems in Zambia in the 1990s that affected the implementation of development programmes and consequently overall economic performance. Firstly, the lack of a long-term vision to guide national aspirations contributed to the failure of planning systems to be focused and to prioritize development programmes. Zambia has not yet articulated its national vision and the aspirations to look forward to or to be achieved in the long-term (25 to 30 years). This means that there is no basis for the development of the plans and as a result contradictory policies by ministries and regions are being pursued. In addition, the allocation of resources is done in a manner that does not maximize returns through spreading them too thinly on political lines (Kasanda interview 2005, ZAMSIF (2004: 5).

Secondly, loss of qualified planners and absence of planners at all levels of planning has had a lot of impact on the planning process in Zambia, especially at the provincial and district levels. The lack of capacities at these levels meant that effective consultation and policy and investment programming were weak and this led to poor performance of development

programmes and projects. This meant that there were no effective structures to implement and monitor development, which led to poor performance of both the government and donor funded programmes. Thirdly, the lack of a central coordinating body for planning led to haphazard and fragmented planning activities, especially at sectoral level. As a result, plan implementation was weak and ineffective. For example, donor funded programmes such as ASIP, the health reforms and ROADSIP performed poorly and could not achieve the intended objectives despite millions of dollars being spent over many years. The problem was that conceptualization and planning of the programmes were undertaken by very weak structures without considering national priorities and without consultation with other sectors, particularly at lower levels with the populations that were supposed to be the beneficiaries. In fact, most resources were spent on administrative and operational activities instead of the actual development programmes. Under the health reforms, most resources were spent on creating structures and planning workshops (spending huge sums on consultants and allowances) instead of implementing the plans. The plans could not be implemented because they were not related to the resource envelope and to sectoral objectives.

Plan implementation at all levels is very weak due to, among other things, lack of planning and monitoring capacities in sector ministries and provinces as well as limited resources to execute the plans. Weak monitoring and evaluation systems have led to more focus on financial inputs and less on impact assessment, consequently the budget is evaluated in terms of financial performance only without relating activities to inputs, outputs, outcomes and impacts. Connected to this is the fact that most resources benefited sector ministries at headquarters in Lusaka and not the provinces and districts where poverty levels are high. According to the ZAMSIF (2002) district planner's manual, the government over the last years has recognised decentralised district planning and coordination as critical to poverty reduction because it enhances the people's capacity to plan and prioritise programmes, implement them and also monitor their implementation. (ZAMSIF 2002: 1) Further the report indicates that the linkages between the districts and communities and those of the provincial and national levels can only be meaningful if the lower levels are able to participate actively in the policy making process. (ZAMSIF 2002: i)

The other factors that contributed to weak planning and implementation were that there was very limited input and participation from the private sector and civil society until the late 1990s, despite the declaration that the economy was to be private sector led through the liberalization and privatization policies introduced in 1992. Further, the lack of an AID policy to help guide donor interventions in development meant that donor resources were being spent because of donor-selected programmes with no relation to the country's priorities and aspirations. The donor programmes have been difficult to implement successfully as they are often linked to donor conditionalities such as provision of counterpart funds, which the government usually fails to provide due to inadequate resources as the programmes are planned without relating them to the resource envelope and capacities of the institutions to implement them.

Fourthly, there have been weak linkages between sub-district, district, provincial and national levels, leading to uncoordinated programmes in development. Thus, policies at these levels were mostly contradictory to each other and did not create synergies necessary for effective implementation of projects. For example, whereas the national strategy in agriculture concentrated on all regions while several other regions have comparative advantage in other areas of agriculture such as cashew nuts in Western Province, fish in Luapula, coffee in the Northern Province and cotton and groundnuts in Eastern Province. Since there were no or weak linkages, ideas from the lower levels could not be incorporated into the programming taking place at the national level. Related to this is that in the 1990s there was no institutionalized support to planning activities, which meant that there were no capacities to create and strengthen the linkages between lower levels and national institutions. According to Kamuna (interview 2005), the recommended structure should be that which draws its strength and existence from the sub-district level through a system of committees that feed into district plans.

In the same vein twenty-seven percent of individual respondents favoured the bottom-up method while the majority recommended a combination of bottom-up and top-down approach (50 percent) while only 8 percent still recommended the top-down approach. From this survey, one can conclude that the majority of Zambians want a combination of bottom-up and top-

down approach to policy development and planning in Zambia. The full proposal on how to go about this is given in Chapter 7.

Another related issue is the non-implementation of decentralization policy to devolve power to lower levels. The decision-making processes and associated resources are centralized in Lusaka. This has led to lack of clarity of roles between the lower levels and the superstructure. Among the district councils who responded, 80 percent prefer quick implementation of the decentralization process through devolution of powers and direct funding to district councils.

Lastly, there is no established monitoring and evaluation system at the centre for any of the above listed planning processes such as the budget, PIP, etc. It is assumed that the monitoring of plans and programmes are done by each institution responsible for such plans and programmes as part of the inbuilt and carried out system within the implementation process. Because of the absence of the monitoring and evaluation systems, it is often difficult to assess the impact of the programmes let alone the use of the resources allocated to various programmes (personal experience 1999-2005).

6.8 Strengths in the planning process

Despite the many weaknesses in the planning and management of the economy, there were also some positive developments that laid the foundation for improvements, such as the putting in place in 1995 of the institutional structures of DDCCs, PDCCs and the NDCC. (Cabinet circular no 1, 1995) Further, some districts have District Planners in place. In addition, in some districts assisted by ZAMSIF³³, capacities have been improved and guidelines prepared to assist the planners in their work. (ZAMSIF 2002: 5).

The other important strength in the planning process has been the establishment of Planning Units in some ministries, districts and in all the nine provinces. This has led to the localization of planning in sectors and regions and laying a foundation for the ‘bottom-up’ approach and

³³ ZAMSIF is the Zambia Social Investment Fund established under the Ministry of Finance dealing with community projects such as schools, clinics and water and sanitation financed from a World Bank loan.

participatory planning. Unfortunately, these units were weakened after 1991 when MMD came into office. The MMD government abolished central planning in favour of the market economy. This weakened planning structures at all levels.

There has also been appreciation of the need for planning from some of the cooperating partners. A number of cooperating partners have voiced the problem of the lack of planning capacities at various levels in Zambia. This has led the government to rethink and to start programmes that will establish and strengthen planning capacities in Zambia.

6.9 Weaknesses in the budget preparation and execution³⁴

6.9.1 Concept and timetable for budget preparations

The budget preparation process is predominantly (but erroneously) viewed as a seasonal activity, with activities starting in July and culminating six months later with the presentation of the budget to the National Assembly on the last Friday in January.

6.9.2 Ceilings

The ceilings are derived from an initial estimation of the overall resource envelope. This envelope is arrived at in liaison with the Macroeconomic Unit, which projects a GDP (current price) figure for the forthcoming budget year and a target revenue/GDP ratio is used to estimate a domestic resource target.

From the overall domestic resource envelope, 'non-supply items' (non-sector specific expenditures such as estimates for domestic debt service, contingency, compensations and awards and a reserve for the cost of the following year's salary adjustment) are deducted. The resulting 'supply' (i.e. sector specific) total is then used to set ceilings for individual spending agencies, sector ministries and provinces.

³⁴ Part of the information in this section was adapted from a paper by Martin Phillips, Advisor in planning and budgeting at Ministry of Finance and National Planning, 2001 and own knowledge 1999-2005

Spending agency ceilings are primarily based on current year 'yellow book' levels. These 'yellow book' levels are adjusted upwards by varying degrees, depending upon perceived policy priorities (e.g. social sectors and infrastructure). Thus, in setting ceilings for the 2002 budget, steps were taken to ensure the minimum 36 percent core social sector share of 'supply' expenditures was achieved and about 10 percent of the original domestic resource envelope was set aside for capital expenditure and distributed (in the PIP) across spending agencies with large capital investment requirements, such as roads.

In spite of the processes outlined above, however, Government is always seriously overstretched. This comes about because decisions are taken that have significant resource implications without undertaking assessment of the financing implications and the availability of resources. As a result, the commitments entered into are in excess of Government's resource availability, leading to ceilings being unrealistic. In effect, each year the budget is 'spent' before it is started.

The other problem in the budgeting process is that policy documents tend to make everything a priority. Thus, policy documents on housing, education, health, water, roads, agriculture, tourism, mining, industry, and training are priorities. This renders them largely ineffective as a guide to allocating resources. The re-establishment of development planning and consequent introduction of participatory planning instruments discussed in Chapter 7 will ensure that over the medium-term, sector plans are better coordinated and integrated with each other, and there is a clearer definition of inter-sectoral priorities.

Lastly, ceilings are technically generated with little or no political involvement and so the political leadership does not feel bound by them. In addition, budgets are not drawn up on a clean slate as decisions already made (by for example entering into contracts or joining international organizations) have financial implications in the forthcoming year. These 'inherited decisions' are insufficiently taken into account in the budget submissions from the spending agencies. Further, submissions especially those contracted using incrementalist procedures are often not in the prescribed formats but in the traditional line item budget format and not in the activity based budgeting (ABB) format.

The annual wage negotiations are never completed prior to the finalization of the expenditure estimates so that implementation of the Personal Emoluments budget is problematic and leads to strike actions or breaches in the economic management programme. As a result of demands from the unions, in 2003, for example, salary and wage awards were adjusted upwards after the budget was approved by Parliament. This then required two actions on policy. One was to vary funds within the budget to cater for the increased salaries and the second was to find new sources of revenue to cover the gap. Both options were difficult and eventually led to the budget overruns of 2003 (Personal experience 2003).

6.9.3 Cabinet meeting on the budget

The first (and usually only) Cabinet meeting on the Budget takes place less than two months (and sometimes less than one month) before Budget Day and often within a few days of the President's signing of the Provisional General Warrant.

The late involvement of the full political leadership in the budget preparation process means that the budget is largely technically generated. There is an absence of a clear understanding of the political choices that inevitably underlie any budget (even by default) and strong political commitment to these political choices is, therefore, lacking. As the budget is implemented, other political choices and priorities emerge and take precedence. This happens because the budgeting process does not take into account the political choices at an early stage of the process.

The format of the current 'yellow book' is not informative for stakeholders, and also probably not to those outside (e.g. parliamentarians, civil society, donors, etc.) and indeed those inside the Executive, as it is based on only two ways of classifying expenditure.

Even the two existing budget classifications used in the current 'yellow book' have become degraded. Thus, the capital budget contains much that is in fact recurrent spending, and financing operations (e.g. subsidies to the Mulobezi railway line) are treated as capital while no guidelines exist on how much to spend on capital and personal emoluments for grant aided institutions).

6.9.4 Consideration for cross-cutting issues in the budgetary process

The budgetary process described above is rooted not so much in the Ministry of Finance and National Planning but in the institutions, which are the spending agencies. The Ministry of Finance is responsible for the articulation of the macroeconomic framework and development of guidelines for the budgeting process. The spending agencies are responsible for the identification of programmes, projects and activities that go into the budget. The capacity to analyze and include all cross-cutting issues, such as gender, environment, and governance should be at executing agency level. However, it has not been possible for these institutions to achieve this in the absence of proper planning and policy development institutional arrangements. This justifies the need to develop a planning framework in Zambia with strong institutional linkages to allow them take into account cross-cutting issues in their planning processes. Chapter 7 proposes such a framework.

6.10 Planning beyond the 1990s: An overview of interview results

6.10.1 Characteristics of the samples

This section discusses the general results of the interviews for the individuals and district councils in terms of consensus, disagreements and outstanding responses. This forms the basis for the conclusions of Chapters 7 and 8 on the need for local participation in the planning process. Tables 6.5 and 6.6 show the characteristics of the respondents of the two samples.

Table 6.5: Categories of respondents (Individual interviews)

Type/Profession	Number of respondents	Percent
Government Employees	11	30
Academics	2	5
NGO workers	2	5
Donor supported project workers	8	22
Consultants	5	18
Members of Parliament (MPs)	4	11
Media	2	5
Business	2	5
Total	36	100

Source: Based on data from primary survey results conducted by the author 2004/2005

The above table shows that the sample of individual respondents was carefully selected to cover major categories of players on policy development and implementation in Zambia covering academicians, NGOs, business people, consultants and politicians. This allowed for balanced views on the answers to the questions.

Table 6.6: Categories of respondents (Councils)

Type	Number of Councils	Percent
City Councils	3	5.7
Municipal Councils	9	17.3
District Councils	40	76.9
Total	52	100

Source: Based on data from primary survey results conducted by the author 2004/2005

As can be seen from the above table all categories of councils in Zambia were sampled i.e. city, municipal and district councils which gave the survey a balanced result on issues for policy development and implementation in Zambia.

6.10.2 Characteristics of respondents among the traditional rulers

Considering the characteristics of the chiefs in Luapula, Eastern and Copperbelt Provinces one can summarise them as groups of mixed backgrounds. However most chiefs in all the provinces are quite enlightened and educated as the majority of them are former employees in government and other parastatals. Only a few are not educated. However, all of them expressed strong support to traditional authority as key partners for development at local level.

6.10.3 General survey results

The survey results from the two sets of samples showed a number of similarities and differences in dealing with the questions. The general results for the selected major questions were as follows:

Table 6.7: Results of the survey on selected questions

Question number	Question	Category of respondents	Responses	Percent of responses
1.	What kind of funding arrangements was recommended at the district level?	Individuals	Direct to councils	22
			Through ministries	78
		Councils	Direct to councils	22
			Through ministries	78
		Chiefs	Direct to councils	0
			Through ministries	100
MPs	Direct to councils	75		
	Through	25		

Question number	Question	Category of respondents	Responses	Percent of responses
			ministries Direct to councils Through ministries	
2.	What kind of decentralization was recommended?	Individuals	Devolve Deconcentrate No response	44 33 22
		Councils	Devolve Deconcentrate No response	71 29 0
		Chiefs	Devolve	100
		MPs	Devolve Deconcentrate No response	75 25 0
3.	What kind of planning should be in Zambia?	Individuals	Top-down Bottom-up Bottom-up and Top-down	8 27 50
		Councils	Top-down Bottom-up Bottom-up and Top-down	12 71 17
		Chiefs	Top-down Bottom-up	100

Question number	Question	Category of respondents	Responses	Percent of responses
		MPs	Bottom-up	100
4.	How many recommended separation of treasury from the planning process?	Individuals	Separate Don't separate	69 31
		MPs	Separate Don't separate	75 25
5.	What is the condition of policy development institutions and instruments in Zambia?	Individuals	Weak Not weak No response	78 8 14
		Councils	Weak Not weak No response	39 58 4
		MPs	Weak	100
6.	Are there policy shifts and contradictions in Zambia?	Individuals	Policy shifts and contradictions No shifts and contradictions No response	64 28 8
		Councils	Policy shifts and contradictions No shifts and contradictions No response	52 46 2

Question number	Question	Category of respondents	Responses	Percent of responses
		MPs	Policy shifts and contradictions	100

Source: Based on data from primary survey results conducted by the author 2004/2005

Summarising the striking issues coming out of the survey, which has influenced the recommendations of this thesis, one can notice the following:

- The central role that chiefs should play in policy development and implementation in Zambia. For sometime now, most development players have marginalised the role of chiefs in development issues and politics. Through this survey, the chiefs indicated that they should be put at the centre stage of planning and policy development in Zambia.
- The other issue, which is new, is the linkage between the lack of planning institutions and the increasing levels of poverty in Zambia. All the respondents linked the worsening levels of poverty and economic performance to lack of strong planning institutions and instruments in Zambia. The lack of such institutions did not allow the development of policies through a consultative manner involving all stakeholders and as a result, policies were developed which did not take into account local realities.
- The other issue was frequent policy shifts and existing contradictions among and between policies. This negatively affected implementation of programmes; consequently poverty levels rose in Zambia. This came about because of lack of systems to effectively guide policy development. For example, all the samples indicated that policies are developed without cross reference to other policies made and as result the requirements for their implementation are not related to the capacities and resource envelope of the economy.
- The question of separation of planning from the treasury was dealt with in the survey. Despite the strong belief under the Washington Consensus that planning has no role in a free market, all the respondents indicated that planning should be re-established and separated from the treasury.
- There was a strong feeling from all respondents for Zambia to establish a combination

of bottom-up and top-down approaches with clear roles for each level.

- The municipal, rural and city councils had different opinions on some issues particularly as regards decentralization, the Republican Constitution, revenue collection and utilization and procurement processes.

The issues above are discussed in detail in the following section. The focus is on the following six major questions used in the survey:

i) Kind of preferred decentralized planning

Forty-four (44) percent of the individuals interviewed recommended devolving powers to the district as the ideal situation under which the councils are given necessary powers to plan and implement their own programmes and projects. This would entail that the councils will have the ability to control resources including the personnel. On the other hand, 33 percent still felt only deconcentration would be necessary at this stage. The reason they gave was connected to lack of capacity for most councils to be able to raise and manage their own resources. The lack of capacities is also connected to lack of facilities and resources to attract well-qualified personnel to staff key areas of development. The lack of facilities such as good hospitals, schools, water and telecommunications do not attract qualified personnel to go and work in rural councils. Thus, some respondents felt that the central government should continue to handle these issues and employ the key personnel and attach them to the activities at the provincial level.

The district councils on the other hand felt that decisions should be taken to devolve power to them. Seventy-one (71) percent of the council respondents recommended immediate devolution of powers to the councils. Similar justifications were given across all councils related to the point that they are the institutions on the ground and therefore they know better what development is lacking in their areas. Further they argued that in most cases the development agendas designed by Lusaka based institutions are not sensitive to local situations and that most resources meant for their areas end up being spent in Lusaka. Despite the majority of councils indicating immediate devolution of powers twenty-nine (29) percent

felt that time was not ripe for councils to manage their affairs. Their argument was that councils have over blotted labour forces and huge outstanding bills especially on personnel, which they cannot manage on their own. They felt that the central government should continue to provide services and to assist the councils in running the affairs at local level. As for the chiefs, a hundred percent recommended devolving the powers to the district. This they said would also give them an opportunity to participate in the affairs of their areas. The overall inclination of respondents towards devolving powers to the lower levels is in line with the conclusions and proposals made in Chapters 7 and 8 of this thesis.

ii) Type of resource allocation to the councils

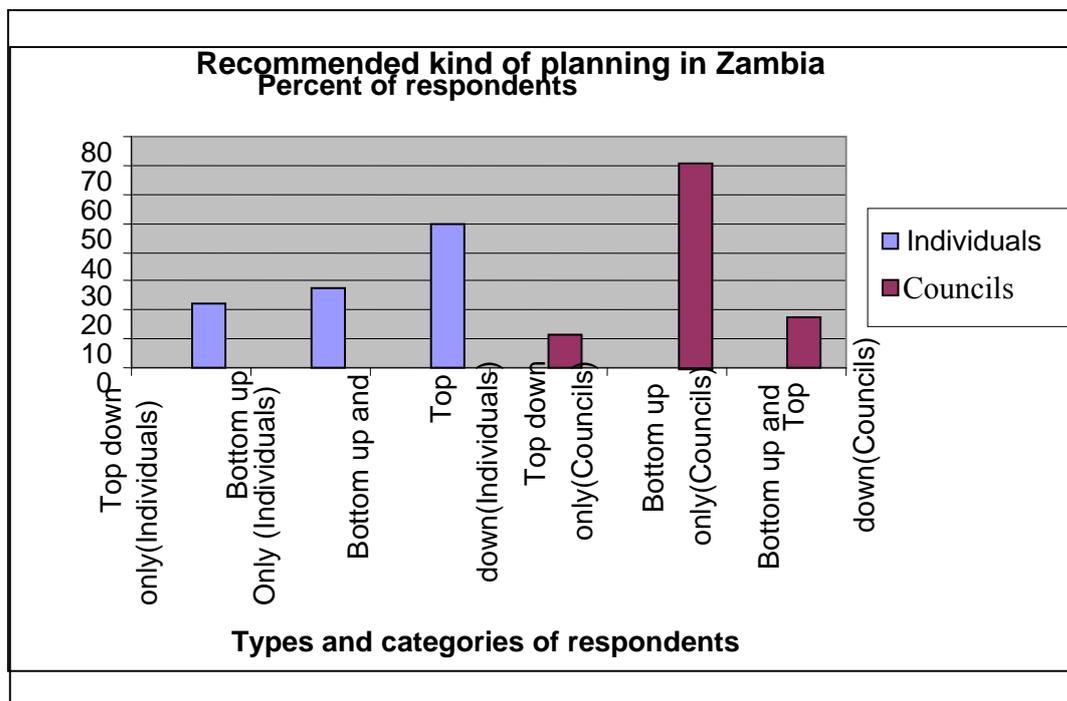
There was clear disagreement on the question of how the councils should receive resources from the central government. Seventy-eight (78) percent of the council respondents recommended that councils should receive all the resources directly so that they can decide on how to apply them. This is opposed to the current system where resources are allocated to the ministries. As indicated in the first point above, the councils feel that they are marginalised as most resources meant for districts end up being spent in Lusaka on ministerial activities, which has nothing to do with local level development. On the other hand, only twenty-two (22) percent of individual respondents were in favour of direct funding to councils. This is understandable as most individual respondents are Lusaka based who were merely protecting their interests not to lose the resources they now control to the districts. On the other hand a hundred percent (100) of the chiefs recommended that there should be direct funding by the central government to the councils and that they should be involved in the decision making process for the utilization of such resources. Overall, however, the majority of respondents recommended direct funding to the districts.

iii) What kind of planning should Zambia have?

On the question of type of planning mechanisms and instruments, there were agreements and disagreements from the samples. Overwhelmingly the councils preferred the bottom-up approach where planning and implementation of programmes start from the grassroots. Thus,

seventy-one (71) percent of the council respondents indicated that they favoured the bottom-up approach while only eleven (11) and seventeen (17) percent of the councils recommended the top- down and a combination of bottom-up and top-down approaches respectively. Most of the councils who indicated the top-down approach are small newly established councils who have no infrastructure and capacities to manage their affairs and to effectively organise local level institutions. On the other hand, fifty (50) percent of the individual respondents preferred a combination of bottom-up and top-down approaches to planning and economic management. The recommendation was that the lower level institutions should be allowed to initiate the programming which they should submit to the Lusaka based ministries and organizations to finalise and then implement on their behalf. Overall, both samples seem not to favour the top-down approach as only eight (8) and eleven (11) percent of the individual and council respondents recommended the top-down approach. Figure 6.1 shows the survey results on the recommended form of planning in Zambia.

Figure 6.1: Recommended kind of planning in Zambia



Source: Based on data from primary survey results conducted by the author 2004/2005

iv). Separation of the Treasury from planning functions of the Ministry of Finance

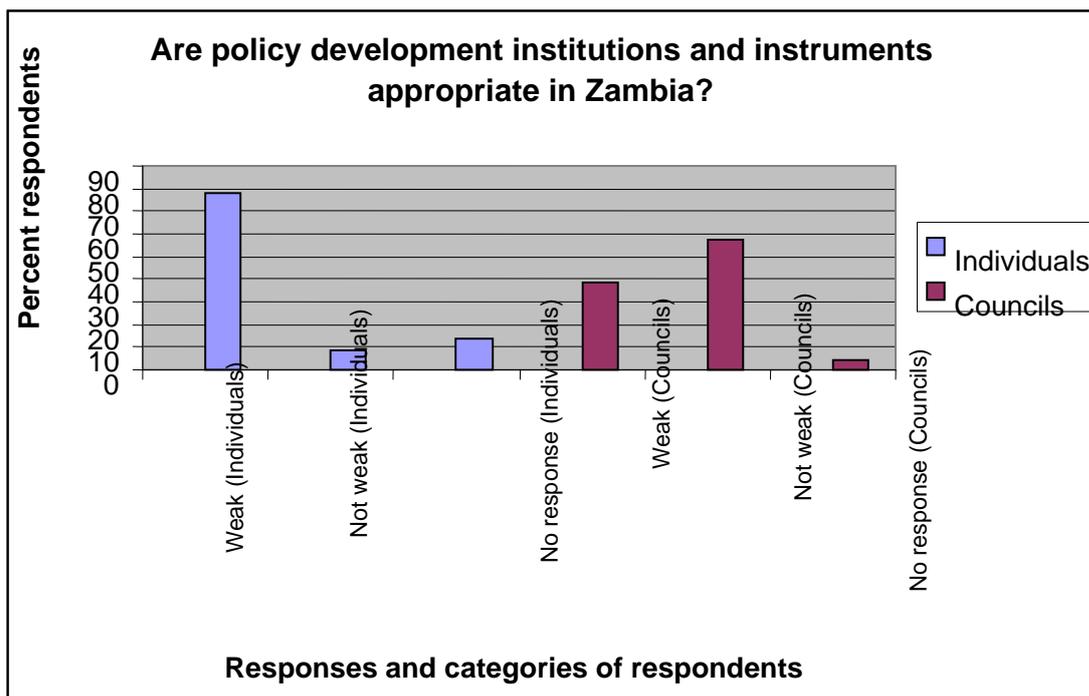
Only the individual respondents, the chiefs and the Members of Parliament dealt with this question. All the Members of Parliament except one favoured separation of the treasury from the planning functions, which represents seventy-five (75) percent. The fear by the 25 percent was the associated loss of control of the treasury on the formulation of programmes and the impact it would have on the macro economic framework. There was also a fear of mismatch between the plans and the resource envelope. On the other hand, all three groups of chiefs in Luapula, Copperbelt and Eastern Provinces recommended the separation of the treasury from planning and emphasised the need for local level planning involving traditional leaders. This was unusual as most people believe that traditional leaders do not understand the processes of economic planning and management and the conflicts between short-term and long-term development issues. Further, the traditional leaders indicated that they know their areas better and therefore they should take the lead and get involved in planning and implementation of programmes and projects. This, they said, could only happen if separate institutions specifically charged with the responsibility of planning are put in place. The chiefs' recommendation was in agreement with the individual respondents where sixty-nine (69) percent of the respondents recommended the separation of planning from the treasury. The argument was that planning is always overshadowed by the day-to-day short-term function of the treasury without focussing on long-term strategies. As discussed in Chapter 3, and is argued in this chapter, the short-term reforms under privatization and liberalization had many negative impacts on the people. These arguments are also based on the conclusions made by the individual respondents that lack of effective planning institutions in the 1990s affected the pace of development and increased poverty levels in Zambia. The conclusion was that effective planning systems could only be possible if separated from the treasury functions.

v) Weak institutions and instruments for policy development and implementation

Surprisingly, although the councils recommended devolving functions of government to the lower levels, fifty-eight (58) percent of individual respondents indicated that institutions and instruments were sufficient to develop and implement policies necessary for poverty reduction

in Zambia. What they indicated as a problem was the frequent policy shifts and lack of consultation in the process of policy development (see section 6.4 (iv)). This seemed to be a contradiction as frequent policy shifts indicate that institutions and the overall system are weak and unable to make well thought out decisions. It also indicates lack of coordination among and between policy makers. On the other hand, seventy-eight (78) percent of the individual respondents indicated that policy formulation and implementation processes were weak as against only eight (8) percent who felt that they were strong and appropriate. The eight percent of the individual respondents who indicated strength in institutions was in line with the council reasoning that the only problem was lack of implementation of policies. Figure 6.2 shows the survey results on the appropriateness and weakness of policy development institutions in Zambia.

Figure 6.2: Conditions of policy development institutions in Zambia

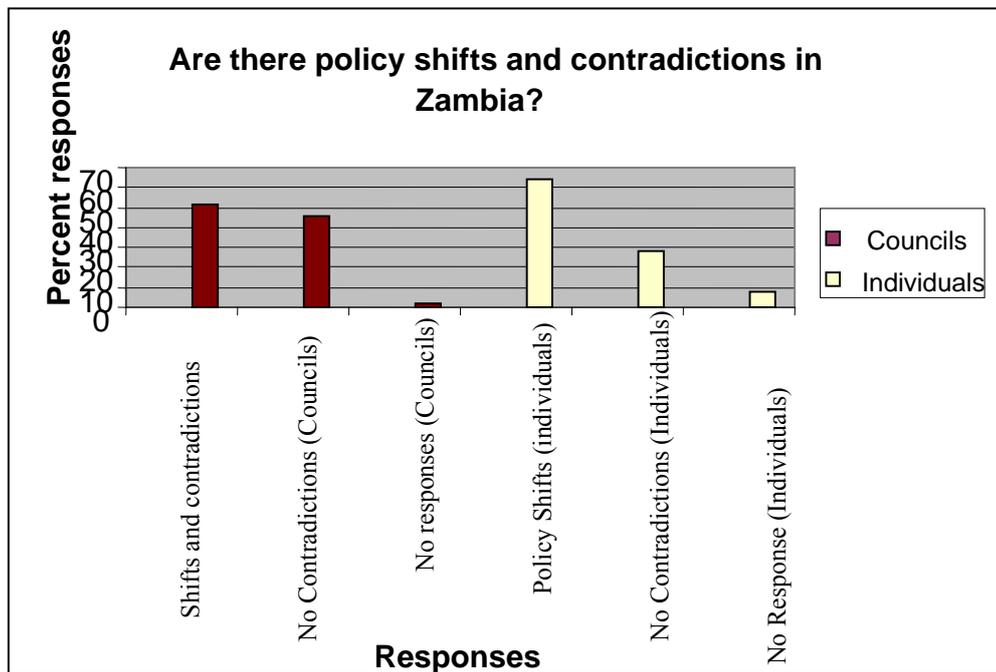


Source: Based on data from primary survey results conducted by the author 2004/2005

vi). Frequent policy shifts and policy contradictions

Related to the question of weak institutions for policy development was the issue of the impact of frequent policy shifts and contradictions on overall development in Zambia. There was general agreement that frequent policy shifts as well as policy contradictions in many sectors affected the development of such sectors. This is the case with the policies in education and health as well as agriculture where for example, on one hand government wanted to increase enrolments and yet at the same time introduced user fees. In the health sector, a policy to increase access to health facilities was defeated by another policy which introduced cost sharing schemes. Overall, fifty-two (52) and sixty-four (64) percent of the councils and individual respondents respectively indicated that development in Zambia was negatively affected by frequent policy shifts and contradictions (see Figure 6.3). The other example given by the councils was that government withdrew from marketing responsibilities in the rural areas but re-established subsidies for agricultural inputs. This made it impossible to engage in profitable agriculture without access to marketing. Figure 6.3 shows the results of the survey. On the other hand, both the MPs and the chiefs concluded that frequent policy shifts and contradictions negatively affected development in Zambia.

Figure 6.3: Policy shifts and contradictions in Zambia in the 1990s and beyond



Source: Based on data from primary survey results conducted by the author 2004/2005

vii). Responses from different categories of the councils

All the municipal and city councils (6 and 17 percent of the council respondents respectively) indicated that political will was necessary in the planning process and for this reason wanted the development planning process to be enshrined in the Republican Constitution. Although these are big councils who raise a lot of their own resources, they all recommended that resources from central government should be sent to them to carry out development work. On the other hand, the new issue that arose was that city councils wanted to be included in the procurement process for programmes and projects affecting their areas. Further the councils recommended that ninety (90) percent of the revenues collected in districts should remain in those districts such as the fuel levy, levies and licenses charges on fisheries, forestry and other resources. For the small rural councils the emphasis was on funding to districts and recruitment of qualified people to work at district level.

viii) Striking responses from the chiefs

The most striking response from chiefs was the recommendation that a clause be included in the Republican Constitution as well as national and district plans about the role of chiefs in the development process. This was on the basis that consecutive governments seem to have neglected the traditional leadership in planning and implementation of programmes. This issue forms part of the argument in Chapter 7 to establish a bottom-up planning system, which involves all stakeholders including the chiefs. The other recommendation from the chiefs was the establishment and strengthening of Area Development Committees whose membership would include all development players including the chiefs but excluding politicians. The chiefs argued that the political organs at the lower levels have not performed to expectations. In most cases they spend resources on their supporters instead of generally agreed development in the areas. This argument fits in with the conclusion in Chapter 7 to establish local level institutions, which are not principally partisan to take charge of development issues. For this reason, the Area Development Committees are part of the proposal indicated in Chapter 7 of this thesis.

6.11 Conclusions

The development plans, which were implemented immediately after independence, were to some extent successful due to the favourable economic situation and the abundant resources from copper proceeds. The situation changed after 1975 when copper prices fell, oil prices and debt increased. Thus, the subsequent plans, i.e. second to fourth could not achieve targets. The failure of the plans was largely due to the influence of the external sector.

Much ground has been lost since the dissolution of NCDP in 1996, an institution that was coordinating planning and implementation of development programmes in Zambia. After abandoning the Fourth National Development Plan in 1991, the Public Investment Programme (PIP) and the Policy Framework Paper (PFP) were introduced as planning instruments to replace national planning documents and associated management systems under the former NCDP. These new instruments were based on the Washington Consensus, which emphasized

stabilization, less government involvement in resource allocation and the free market. The analysis in this chapter shows that this brought in more disadvantages than advantages. There was no central organ of government nor a coordinated system to plan, mobilize resources and direct them to priority areas. The result was haphazard programmes being implemented. There is no doubt that the weak or lack of effective planning structures negatively affected development in Zambia after the 1990s and wiped out the long-term strategic thinking of the country, let alone the participatory principles of planning and economic management, thus distancing many Zambians and interest groups from the economic management policies of the 1990s. This thesis concludes that because policy development was a preserve of the elite who believed in the Washington Consensus, it lacked support from the majority of Zambians, as result there were a lot of policy reversals and failures, as government policies did not take into account the realities of the Zambian situation. The overall result was poor performance of the economy as demonstrated in Chapter 3.

Concerning the institutional framework, the 1990s saw the deterioration of the institutions that were supposed to coordinate development in Zambia. Despite the 1995 circular that introduced the PDCCs and DDCCS, these institutions never functioned to expectation. The coordinating committees, including the NDCC (which during the review period did not meet even once), have been moribund. An attempt was made to get the NDCC organized but because Cabinet Office did not provide the required leadership the participants shunned it. It was also clear that the institutional arrangement was not linked to any decision-making process by government and other stakeholders. For instance, decisions made by lower organizations such as the PDCCs ended up in the provinces without a channel to reach Cabinet Office and Cabinet.

In the administrative arena, the problem at the district and provincial levels was the failure by the councils and provincial administration to manage the processes such as calling for meetings, keeping databases and facilitating the system because of lack of capacities and resources. As per government regulations, and according to the conditions of service, officers travelling out of station were supposed to be paid daily subsistence allowances but the system had no ability to institute this. The weakening of the Provincial Planning Units, which acted as engines for planning and coordination, meant that there was no institution to coordinate

government organs at the provincial level. Support from the provincial administration was also weak. Provincial Permanent Secretaries concentrated on administrative issues and had no time to devote to development issues.

As a result of the above weaknesses, the planning and budgeting reforms that were introduced, such as the ABB and MTEF during the review period, did not take root and become fully encompassed at lower levels. Even though there was a clear need to extend these instruments to lower levels this did not happen. Further, when these organs were transferred to local government in 1996 and physical planning officers appointed, the emphasis on planning at that level shifted from socio-economic planning to physical planning. Apart from being thin on the ground, the officers from local government had neither training nor orientation for socio-economic planning.

This thesis concludes that Zambia should reconsider the re-establishment of a central planning body similar to the former NCDP, which should take charge of developing long-term strategies for planning and coordinating all other players so that programmes are linked to national development agendas. As an example, despite the fact that Zambia prepared and launched the PRSP and TNDP in 2002, investments and donor assistance continued to follow their own priorities without recourse to the national development agenda. Further, the development agents continued to be independent of each other and as a result programmes lacked synergies and complementarities. This should not take the socialist path of command economies but rather institute participatory approaches involving all stakeholders. This is in recognition that free market principles have demonstrated failure to carry out these responsibilities due to global market distortions and lack of capacities for strategic planning, monitoring and evaluation over the long term. However, the establishment of the proposed institution should be within a participatory planning and economic management framework. This then finally justifies the need for Zambia to develop a planning framework. This is discussed in Chapter 7 below.

CHAPTER 7

MODEL FOR SOCIO-ECONOMIC PLANNING AND MANAGEMENT IN ZAMBIA

7.1 Introduction

Chapter 2 discussed Zambia's potential. Despite this potential it is demonstrated in Chapters 2 and 3 that growth and development was illusive during the period under review due to poor strategies and poor policy environment and the argument was that if this potential is exploited, the economy can turn round and achieve higher levels of growth and development. Chapters 4 and 5 considered the impact of internal and external factors on growth and development and the country's competitiveness in exports. It is clear that the country has had severe impacts through pressures from internal factors but more so the influence of external factors such as the impact of the fall of copper prices and the rise of oil prices. Other factors were the collapse of the parastatal sector in the 1980s due to non-capitalization and the inability of the country to benefit from globalization. Chapter 4 analysed the options and strategies for Zambia to move towards an export led economy in order to benefit from the global market and to gain access to markets in the region and the international arena. The conclusion was that specific export oriented strategies in support of the manufacturing sector should be put in place through various instruments such as bonded warehousing, export zones, duty drawbacks and exemptions (see Chapter 4). This will require coherent and coordinated planning institutions and processes from the bottom-up approach (PDDC and DDCC interviews 2005). These should go with institutional reforms and commitments from both technicians and politicians. However, in order to achieve these reforms, the country needs to involve stakeholders in the process of policy development and implementation (Cabinet Office: Circular N0 1 of 1995: 2). Chapter 6 discusses the planning structures as well as the impact of the plans. It also gives the current framework for policy formulation and implementation in Zambia. This chapter pushes the argument forward and proposes a policy formulation and implementation model to improve on the current situation, which seem not to be effective.

According to Kondowe (interview 2005), the problem of policy implementation in Zambia has been characterised by secrecy and lack of consultation and as a result, plans fail to achieve intended goals and targets. Socio-economic reforms such as those proposed in Chapter 4 are implemented along with reforms in planning processes involving all stakeholders including political systems. This is the only way the reforms will get the support they require to be successful. The privatization and liberalization policies started by President Kaunda and continued by President Chiluba encountered heavy opposition particularly from trade unions and civil society because of lack of proper consultations. The survey among individuals and district councils revealed that more than 80 percent of the surveyed districts indicated that lack of consultations particularly from the lower levels contributed to failure of most policies in Zambia (District Group interview 2005). This thesis argues that Zambia should put in place planning and implementation systems and instruments that are all embracing and consultative. Chapter 6 demonstrated that despite various efforts through the implementation of development plans and foreign influenced planning instruments, such as the PRSP, the economy did not perform to expectations. This clearly indicates the need for development of new planning strategies and instruments in relation to policy development and implementation.

In order to improve the performance of the economy and reduce poverty, this chapter proposes a framework for planning through appropriate participatory policy development and implementation processes.

Further, this chapter draws on the argument that lack of a planning model in the post-liberalization era contributed to frequent policy shifts and lack of development during the review period and specifically led to the following:

- No medium-term programmes in the country to direct public investment priorities for implementation by Government;
- No framework for planning and cooperation with donor agencies;
- Weakened capacity to coordinate development planning and project implementation;
- Haphazard regional development (Choolwe interview 2005, Salimu interview 2005, Kamuna interview 2005, PDCC and DDCC interview 2005).
- Large infrastructure programmes and human resources requiring central planning were

not implemented; and

- Slow uptake by private sector to undertake some market related functions thereby calling upon Government to intervene without an articulated planning framework (Mwanawina *et al.* 2003), Cabinet Office: circular N0 1 of 1995: 2).

According to the World Bank (2004), although vigorous liberalization and privatization policies were implemented from 1991, economic growth remained sluggish and social conditions worsened (Zambia: Country Economic Memorandum: vii). Clearly, something else should be put in place along with the reforms.

The above reasons, therefore, justify the need for Zambia to have a well articulated planning and economic management model in the 21st Century to steer the development process. This chapter proposes a planning and socio-economic development model. The aim of the model is to ensure that the concerns of the grassroots become part of the planning process of the district, province and the nation (Idea International 2001: 100). Idea International (2001) further defines the grassroots as the first level of arbitration and participation of all interest groups, such as NGOs and political parties. For this reason, it ensures that violent policy shifts because of changes of political powers are avoided. According to Idea (2001), the decentralized system will allow a lower level entity design programmes and implement economic, social and cultural development programmes with full participation and ownership of all processes. This was identified as the most positive way to achieve results in terms of implementation of programmes. (Idea International 2001). In a similar manner, Salimu (interview 2005) concluded that very few people in Zambia participate and understand policy development and content and as a result, there is general failure of implementation. Thus, most policies are developed on ministerial basis without taking into account other processes in the economy and without consultations with interest groups such as Parliament, civil society and local communities. At the lower levels, the sub-district organs and community-based organizations are not consulted and yet the policies are supposed to be implemented and to benefit them. Because of this, there are contradictory policies in Zambia, for example between agriculture and the social sectors. Survey results indicated that 64 percent of the individual respondents surveyed indicated that one of the major reasons for policy failures in Zambia was the frequent policy shifts and contradictions.

7.2 Background to and justification for the proposed model

7.2.1 Theoretical considerations

The concept of strategic planning, which encompasses participation of stakeholders, is fast gaining ground in the world (Solomon 2005: 11). It is based on the Strengths, Weaknesses, Opportunities and Threats (SWOT) analysis originally developed by the military in the United States in the 1950s. Apart from analyzing the strengths, weaknesses, opportunities and threats, the process also helps in defining the vision, the mission and the strategies. This process assumes that all stakeholders in an organization participate and become part of the values of the outcomes. Cole (1997) developed a comprehensive framework for strategic management for an institution, which defines the necessary steps. In a similar manner, Thomson *et al.* (2003) developed the tasks to be undertaken in the strategic planning process, which include definition of strategic vision, setting objectives and strategies as well as implementation, monitoring and evaluation mechanisms. These approaches are however, more suited to the private sector institutions.

In principle, strategic planning looks at the organization and its external environment on the basis of which it develops clear goals and objectives and strategies on how to achieve goals over along time rather than a day to day crises management.

According to Hughes (2003), strategic managers in the civil service should be wary of the shortcomings of strategic planning approaches based on the private sector. The private sector approaches assumes well-developed goals, unlimited resources, well developed oversight through market mechanisms and signals from financial markets. These conditions do not exist in the public service.

Balaji S. Chakravarthy and Peter Lorange (1983) presented four strategic planning models with a range of participation from the top management, general workers and all stakeholders. The models presented are the Centralised strategic planning where top management assume the role of defining the strategic plan of the organization and the rest of the workers should implement it. The second model is the Decentralised Strategic Planning where adaptive generalization is given as a responsibility of the lower levels and not top management. Here each unit is challenged to identify new opportunities in it's immediate surroundings. The third model is called Decentralised decision-making guided by corporate portfolio planning. Under

this model, while responsibilities are given to the lower levels, adaptive generalization is left to top management. The fourth model is called the dual focus model. This model is a combination of processes of the previous models. According to Balaji *et al* (1983), it does not 'require the creation of tight consistent clusters of administrative arrangements that focus predominantly either on adaptive specialization or generalization' Balaji *et al* (1983:109). Adaptive generalization being the process of determining the objectives of each competitive segments of the organization while adaptive specialization is inward looking in each unit to specialise within their areas unit.

According the Foundation for Community Association Research (2001), strategic planning is more than ensuring your organization remaining financially sound, but it is projecting where you what to be in five, ten or fifteen years and how to get there. It is therefore a systematic planning process involving the identification of current status, the mission, the vision, operating values, needs, carrying out the SWOT analysis, identifying goals actions and strategies (Foundation for Community Association Research (2001:4). The conclusion on the importance of strategic planning is that it is the cornerstone of every community and that without it, a community will not know where it is going and if at all it will ever get there. (Foundation for Community Association research (2001:4). Since in principle strategic planning should involve participation of all stakeholders, it assumes that every member needs to contribute to the success of community goals and objectives. In summary according to Bernard Steiner (1986), the advantages of strategic planning as quoted from Foundation for Community Association Research (2001:6) are:

- It stimulates thinking to better use the organization's potential.
- Assigns responsibility.
- Coordinates and unifies efforts.
- Facilitates control and evaluation(accountability).
- Creates awareness of obstacles to overcome.
- Identifies opportunities.
- Avoids traps of linear thinking and;
- Facilitates progressive advancement of the organization's goals and objectives (Foundation for Community Association research (2001:6).

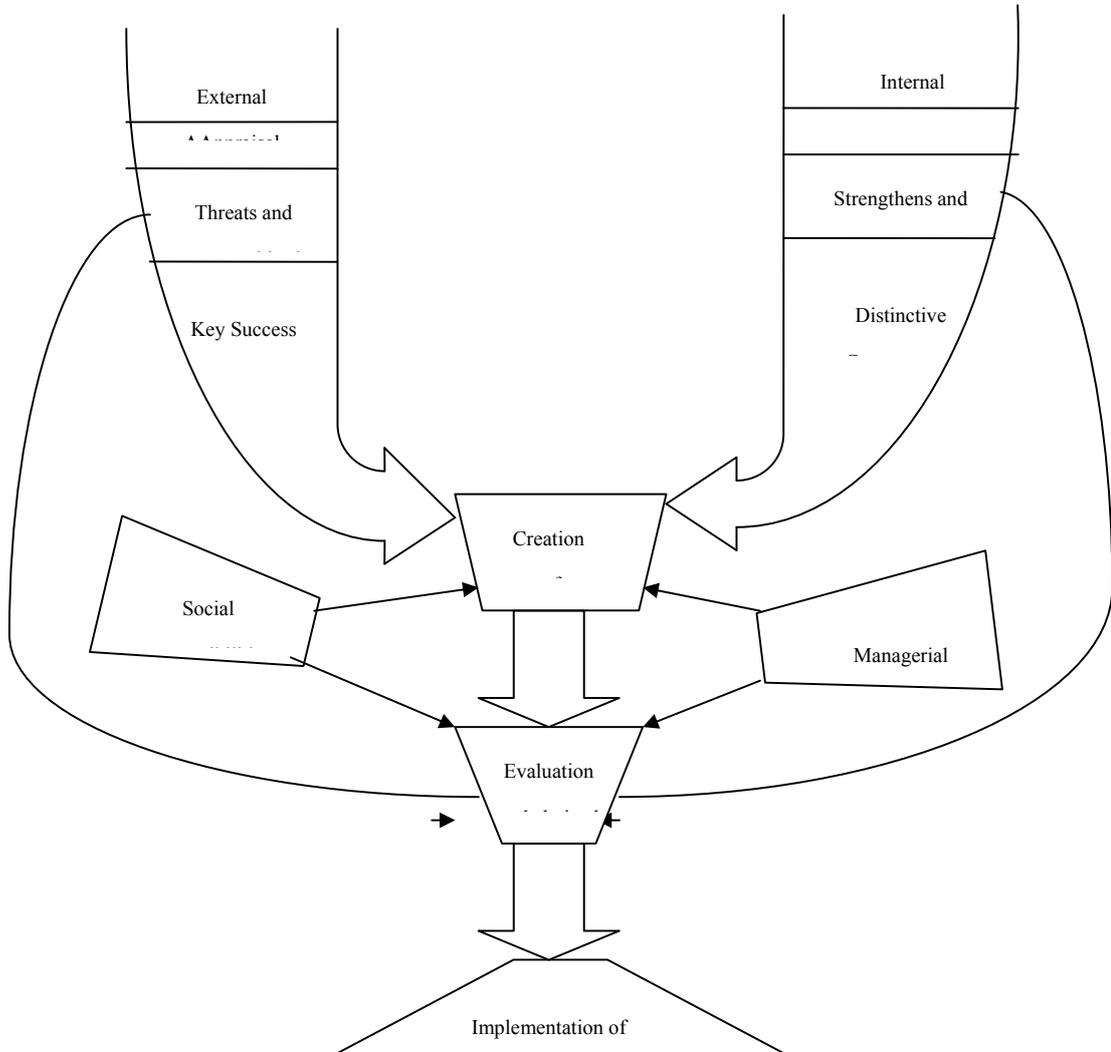
It is clear from the above advantages that the strategic planning models affords a community of an organization to be focused and to achieve goals and objectives in a specified time frame within the context of available resources.

According to literature there are two types of strategic planning models in use one that focuses on business /private sector institutions while the other on non profit community bases and local government institutions. The former is mostly market oriented, the later is empowerment, and constituency needs oriented (Foundation for Community Association Research (2001:4). The Foundation for Community Association Research (200:1:6) identifies three strategic planning models and these are the Non Profit Organization model, the Applied Strategic Planning model and the International City/County Management Association (ICMA) model. The applied Strategic Planning model is criticised because of its emphasis on top down approaches requiring established departments responsible for developing and implementing the plans. On the other hand, the ICMA model is weak in that it does not focus very much on economic development issues. (Foundation for Community Association Research (2001:6).

Mentzberg (1994) discusses in detail what is called 'core strategic planning design model' based principally on the SWOT analysis. He points out that the model is a powerful tool because it enables exploitation of 'outside opportunities by inside strengths while threats are avoided and weaknesses circumvented' (Mentzberg (1994:36). Mentzberg (1994) explains that the model allows the creation of appropriate strategies and their subsequent evaluation to choose the best, which are the values of leadership as well as the ethics of social responsibility of any society. The major tenets of the model are that there should be a well designed strategy formulation process, the responsibility for the process must rest with the strategist who should be the chief executive, that the process should be simple and understood by participants, unique, and should be implementable (Mentzberg (1994:39). Figure 7.1. Shows the 'core design school' model developed by Mentzberg (1994). Ansoff (1965) quoted by Mentzberg (1994), had a slightly different approach to strategic planning. He emphasised the role of setting formal objectives in place of implicit incorporation of managerial values as assumed by the core design school model (Mentzberg (1994:39). On the differences between the models, Mentzberg (1994: 40) quotes Learned the lead author of the core design school model as follows:

'the distinctive difference between Ansoff and the Harvard group may be found in the former's attempt to routinize so far as possible the process of strategic decision making. This he does by providing rather detailed checklist of factors that the strategy maker must consider and on establishing priorities among them plus pointers on weighing these factors that the strategy must consider'

Figure 7.1 Core 'design school' model of strategy formulation



Source: Mintzberg (1994:34)

On the other hand, the Steiner model of strategic planning as quoted by Mintzberg (1994), indicate a process of strategic planning involving three major steps which are Premises stage, Planning stage and Implementation and Review stage. Under the Premises stage, social economic values of top managers and the evaluation of the external and internal opportunities and organizational strengths and weaknesses are done. Under the Planning stage, the

missions/visions, objectives, policies and objectives resulting in medium and long-range plans are done. In the last step, which is implementation and review, review and evaluation of the plans are done.

However looking at the above models, (Mentzberg (1994, Steiner 1994 and Foundation for Community Association Research (2001), many elements are common as (Mentzberg (1994) concluded that strategic planning involves deliberate cerebral process, which produces strategies full-blown which should be articulated, implemented and evaluated over time (Mentzberg (1994:39).

7.2.2. Proposed strategic planning model

This thesis adopts a combination of principles of the Non profit Organization and Top down ICMA models from Mentzberg (1994) as well as the Dual Focus model from Balaji S. Chakravarthy and Peter Lorange (1983) and elements of the Core ‘design school’ model Mentzberg (1994). This is in line with the current administrative arrangements under the proposed decentralization policy of government, which recognises the participation in the planning process of all stakeholders and which is best suited for government institutions. In general, this thesis proposes the following strategic planning model:

- Identifying key stakeholders.

It is important to identify the key stakeholders in the planning process. This will ensure that views of different people and organizations are taken into account. Further, this will ensure that the process is owned and supported by all stakeholders right from the beginning. In this thesis, the people interviewed were among the key stakeholders at district provincial and national levels. (See chapter 6). The identification of respondents took into account the need to identify key stakeholders or policy communities. This was for purpose of getting the views of key stakeholders in the planning process in Zambia.

- Reviewing the organization’s history and current situation (Situational analysis).

Before the elaboration of development agendas, such as district development plans, provincial development plans and national development plans, planning organizations should start with a clear understanding of their current situation in terms of resources, activities, production

trends, poverty levels, the nature and causal factors. Within this context, there should be determination of the current and state of facilities such as infrastructure in health, education and water and sanitation. Ansoff as quoted by Mentzberg (1994) calls this as the preparation of 'competence profile' for the organization, which should produce a matrix of functional areas and types of organizational capabilities (Mentzberg (1994:56).

- Conducting an environmental scan

This activity will allow for an assessment of the organization in relation to the external factors and influences. As Mentzberg (1994), concluded, the major element of environmental scan is the set of forecast made about future conditions ...'because short of being able to control the environment, and inability to predict it's course amounts to inability to engage in planning' Mentzberg (1994:54). The key word is that the institution should predict its future development trends.

- Developing the mission statement.

The mission or the vision statement will state where the agency is wants to go. As Elizabeth *et al* (2004:10) states an organization which knows where it is going is more likely to get there than the one which doesn't as the definition of a vision help guide choices for the organization.

- Carrying out the SWOT analysis.

The SWOT analysis will gather, analyse and synthesize information to identify strengths, motivation, weakness, opportunities and threats to enhance functioning and promote growth and development in the organization. This will relate to internal and external factors of the organization. A group of identified policy communities covering all key stakeholders should carry out the SWOT analysis. It is important to institute ways on how political players can participate fully because policy development should cover all stakeholders. This activity should be given enough time and must be properly managed to produce required results.

- Evaluating community/organization resources.

It is a important for planning groups to identify the organization's or community's potential in terms of resources which include natural, human and other resources in their area which will affect their developmental aspiration during the period of the strategic plan. At the sector level,

the sector district officers will also conduct resource endowment surveys to determine the resource base that will be available for interventions within and outside its sector. This data may be readily available from administrative records at the district level. The data should be used as the basis for preparing the public investment programme. Within this context, issues of supporting and opposing forces or competitors should be analysed and classified.

- Formulation of policies and evaluating different strategies.

A critical stage in the model is the formulation of appropriate policies,, programmes and strategies and the selection of appropriating options to solve the problem, achieve the goals, and satisfy the mission and the vision of the organization. A problem can be solved by different strategies but each strategy will require different activities, inputs, and timings. According to Elizabeth et al (2004), evaluating strategies should focus on identifying policies and strategies that are likely to produce desired results, that make sense and acceptable politically, that can be achieved by available resources and most important which can be sustained over a time period.(Elizabeth et al (2004:31). The earlier evaluation methodologies such as the competitive strategy evaluation, risk analysis, the value curve and share-holder value as pointed out by Mentzberg (1994:59) are mostly oriented to financial analysis which is not the only factor in the success or failure of a strategy especially in a public institution such as central, local government and communities. A combination of approaches is necessary to get the best results.

At the sector level because of the high levels of poverty in Zambia, policy formulation can be assisted by conducting poverty analysis, resource endowment surveys, institutional capacity assessments that can assist policy formulation at the sector level. This approach will afford an opportunity for the sectors to analyze past and current situations in terms of failures and achievements as well as their strengths and weaknesses, including the opportunities and threats to tackle issues of poverty and wealth creation. Once done, the districts should then be able to undertake poverty assessment for key sectors. For instance, since agriculture is important for most rural Zambia, an analysis in this sector could indicate how many farmers are poor in the district, given a poverty datum line or a food basket as defined by the Central Statistical Office. On the other hand, social sectors should be concerned with poverty arising from lack of access to social services while economic sectors should be concerned with issues of economic

empowerment and vulnerability factors. This process will result in development of specific poverty profiles at the district and provincial levels. The profiles and investment programmes should then be presented to the DDCCs and the full council for discussion and endorsement. Once the profiles are done, they can be presented and discussed at the PDCC and then submitted as part of the SAG general meeting by the province. This will form part of the input by the SAGs to policy formulation, planning and the budgeting process.

- Finalise the strategic plan and disseminate it.

The final plan should have the vision/mission, goals, objectives and strategies based on comprehensive analysis of the information gathered in the previous steps. As Mentzberg (1994) pointed out the strategic plan, formulation should be open ended and divergent process in which imagination should flourish in the creation of new strategies. In addition, it is important for the plan to develop key performance indicators that can be measured over the plan period. The measuring of progress can be both quantitative and qualitative.

When the plan is finalised, there is need to distribute it to all stakeholders and disseminate it widely so that all stakeholders are aware of their responsibilities and benefits from the plan. In a multi party dispensation, it is important to involve all political players including parliament and district councils and other players.

- Developing an implementation plan.

Once the plan is in place, the institution should then develop the implementation plan. This is important because it will outline specific steps to follow to implement the plan. In this thesis the proposal is that the strategic plan should be followed by the preparation of Medium Term Expenditure Framework for a period of three years the annual plan. At this lower level, the strategies should be broken down into sub- strategies and activities for successful implementation of the plan.

- Monitoring, evaluating and reporting.

A clear monitoring system based on the indicators is essential. The system should cover issues of data collection, analysis and dissemination and should identify roles of different players. This thesis proposes the institutional framework and key players for monitoring in section 7.2.2

- Revising the plan.

The plan should not be seen as a static tool. It should provide room for revision and updating at agreed intervals. The revision should start mid-way of its implementation. (Community Association Research (2001:4-5).

This model is in line with Susan Scribner (1991) conclusion for a strategic plan to be outward focused, forward thinking and performance based (Susan Scribner (1991:1). Another scholar, Benjamin L. Crosby (1991) quoted in Susan Scribner (1991:8), identifies similar steps in strategic planning and management, which are Agreement on strategic planning process, Defining the mission/vision, objectives and strategies for the organization, Carrying out the SWOT analysis, Identification of key stakeholders, Looking at strategic and policy alternatives and Monitoring and Evaluation of the strategic plan (Susan Scribner (1991:8). Table 7.1 show the steps in strategic planning process.

Table 7.1. Steps in the strategic planning process

Preparation	Plan	Implement	Revise
Visioning: With stakeholders develop the vision and mission	Develop Plan -Review assessment	Communicate plan -Distribute	Review progress -Towards goals -Towards implementation
Assessment -Gather internal and external data	Prioritise -Consider needs, strengths and resources	Manage plan -Assign responsibilities	Reconvene planning process -Reconvene planning groups -Draft revised plan and implement
Develop and implement Planning process - Engage major actors	Answer questions - What do we want to achieve	Supervise	
	Draft Plan Circulate draft for additional inputs	Monitor and report progress	
	Finalise Plan <ul style="list-style-type: none"> - share with stakeholders - Obtain approval 		

Source: Elizabeth Frizsell e tal (2004:9)

There are several reasons why Zambian institutions need strategic planning. The reasons stems from the fact that the economy has generally performed poorly in the absence of organised planning. The case in point is from 1991 when the MMD government abolished central planning. As discussed in chapter 3 and 6, the assumption that the market would efficiently allocate resources and steer the economic development failed. It became necessary that institutions at all levels engage in strategic planning exercises. According to Elizabeth Frizsell et al (2004:7), the advantages of strategic planning for an organization are the following:

- The strategic planning process will if managed properly improve the achievement of developmental indicators at inputs, outputs, outcomes and impacts levels on the identified goals and objectives.
- The process increases accountability through data collection and analysis and putting in place monitoring and evaluation mechanisms for all stakeholders to see and make judgements.
- It helps to specify the focus and direction of the institution thereby allowing for a process of prioritization of programmes and allocation of resources,
- It allows organizations to capitalise on strengths and resolve weaknesses in order to achieve the goals and objectives.
- Strategic planning will also assist to integrate multiple societal needs and plans and establish linkages and synergies.

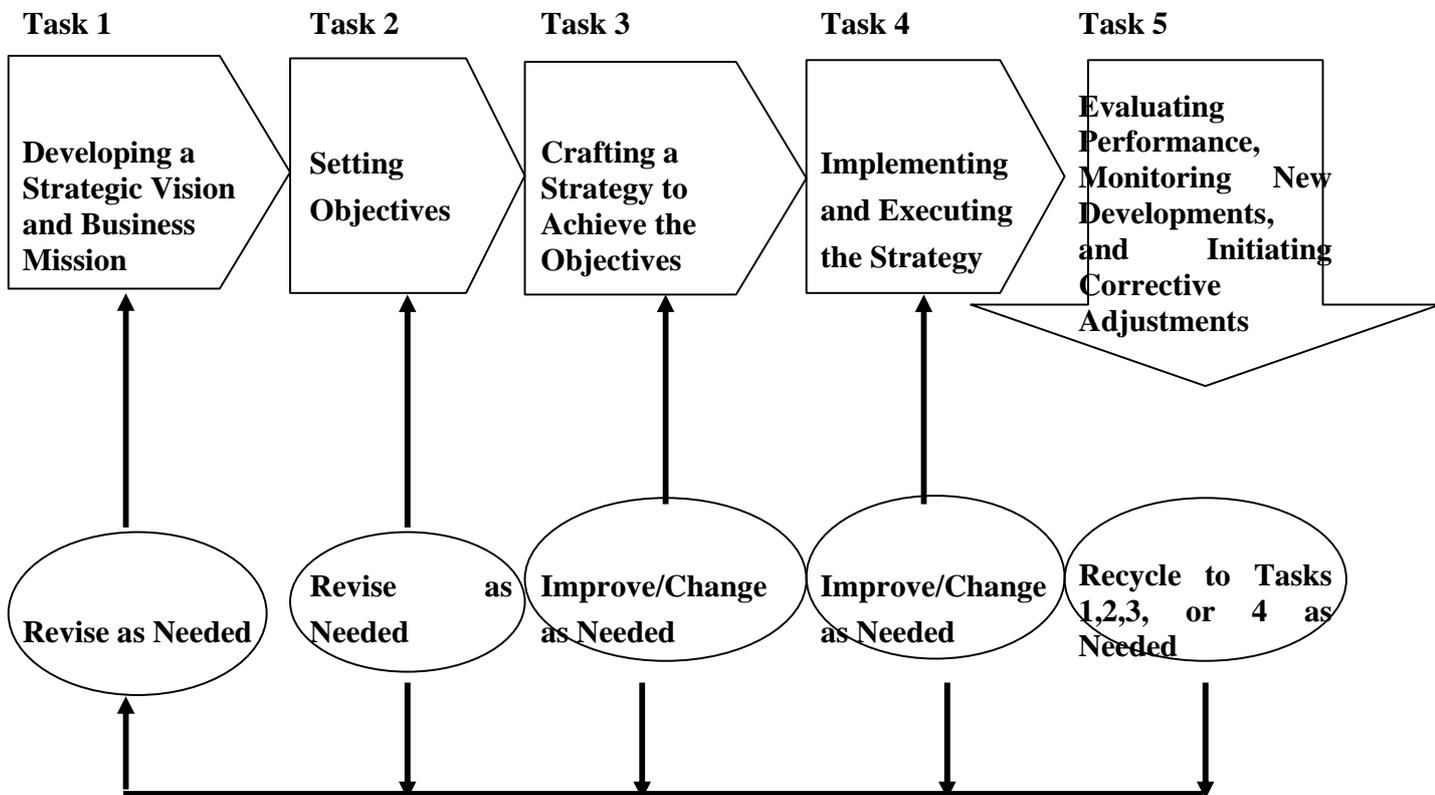
Benjamin L. Crosby (1991) quoted in Susan Scribner (1991:6) pointed out that strategic planning and management ‘constitutes a mind set looking at the changes in the internal and external environment, and it is a mental framework and a set of analytical tools available to institutions. It allows the manager to ask his/her organization wants to be after a certain period, what it will need to get there, how to develop strategies and how to manage them’. It is therefore, “a tool” that can change the way of doing things in organizations and thereby increasing their abilities and capacities to perform and achieve goals and objectives.

According to Idea International (2001: 20), the strategic planning model should aim at identification, prioritization and validation of policies, programmes and projects at the sub-district, district, provincial and national levels in a systematic manner and with agreed instruments. It should further define objectives, strategies and associated costs. This process should include all aspects of the economy such as political realities, and economic, social,

technological, legislative and environmental issues, particularly when dealing with the situational analysis of an organization. The ultimate aim as put by Idea International (2001) is to identify, prioritise and validate policies at all levels with the full participation of stakeholders. This will ensure that all considerations are made for all aspects that can go wrong or right during implementation of programmes.

Thompson *et al.* (2003) outline the processes and questions to be addressed when an organization is developing or going through the strategic planning process. The organization, such as the district and province, should ask what their vision is, in which direction should the organization head to and how they can reach their vision and goals. These questions should push the organization to consider all aspects that affect them through such techniques as the SWOT analysis and other planning instruments. This approach will produce the strategic vision and mould the organizational identity (Thompson, *et al.* (2003: 6). Thus, strategic planning should be seen as cycles of decisions where each set has a knock-on effect on subsequent decisions as well as consequences for those affected such as civil society, the poor and other interest groups. The justifications for this approach are many but, at the district level, it should cover the need for definition of vision and mission in which fundamental long-term aims are articulated and, more importantly, the definition of mechanisms and institutional and organizational frameworks for implementation, monitoring and evaluation of such strategies are made. On the other hand, Cole (2003) concludes that the planning process and the associated institutional structures are important to deal with the environmental factors, systematize planning and economic management and introduce logic to decision-making of the organization through political and technical interactions. For this reason, this process should be participatory and involve all stakeholders such as Members of Parliament and civil society. This is a clear justification for Zambia to develop and adopt a planning model that is all-inclusive. This chapter proposes such a model. Figure 7.2 shows the strategic planning cycle.

Figure 7.2: The Task of strategic management



Source: Arthur A. Thomson, Jr and A.J.Strickland 2003: 7

7.2.3. Justification for the new model

This chapter discusses the options for policy planning and management in Zambia. The aim of the chapter is to build on the argument that development in Zambia was affected by poor policy environment and implementation as well as inefficient planning and management systems at all levels. This situation exposed Zambia to pressures and prescriptions of donors without regard to local situations and realities. This builds on the argument in Chapter 6, which discussed the problems that arose because of abandoning planning in 1991 by President Chiluba's Government and Chapters 2, 3 and 4, which discussed the slow pace of development that affected the livelihood of the people.

Considering the issues discussed in Chapters 2 through 6, it is clear that Zambia has a divergence of conditions in the following areas, which justifies the development of a new model for policy development and implementation. These are discussed below.

7.2.3.1 Economic factors

Zambia's nine provinces and seventy-two districts have very different conditions and potentials, which affect their ability to deal with social and economic sectors in terms of development. For instance, Western Province is mainly an extension of the Kalahari Desert with a large Zambezi wetlands system. Both the Kalahari sands and the wetlands require different strategies for development in order to exploit resources, such as the fish and the agriculture potential of the wetlands. One cannot therefore expect that centrally developed strategies in Lusaka, which do not take into account the realities of Western Province, can succeed. For the case of Southern Province, although it has good soils, the constant occurrence of droughts means that it requires different kinds of strategies to foster development. On the other hand, the Northern provinces of Luapula, Northwestern and Northern experience very high rainfalls with leached and high acidity soils. In addition, they have thick equatorial like forests.

7.2.3.2 Socio-cultural factors

All the provinces have different cultural settings and beliefs. For instance, Western Province Lozi culture is rather reserved with strict traditional values while in the Copperbelt, Lusaka and Central Provinces the cultures are more open and have loose traditional values as they are more urbanised. Even at the cultural level, these areas require different strategies for fostering development. For instance in the fight against HIV/AIDS, uniform Lusaka-designed messages may not be the best strategy as cultural values take in messages differently. The best way to deal with this situation would be to involve locals in the development of such messages. Even in seemingly easy things as the use of safe water and latrines, the same strategies should be employed as uniform, global and Lusaka based messages and strategies, have failed as demonstrated by increasing poverty levels and poor socio-economic indicators (see Chapters 2 and 3).

7.3 Institutional framework for the proposed strategic planning model

7.3.1 Introduction

This section builds on the identified weaknesses in policy development and implementation in Zambia with the aim of making proposals to improve policy formulation and implementation. The section recognizes the important role of all stakeholders in policy definition and implementation, following a participatory process. This section presents the proposed planning and management process, which should bring about the desired policy framework, implementation strategies, monitoring, and evaluation, which is participatory and effective in poverty reduction. The framework should have the following four interrelated components: policy development; investment planning and programming; action planning and budgeting, which includes MTEF; and monitoring and evaluation.

7.3.2 Organizations and instruments for policy formulation and implementation

The proposed planning process should involve all the major stakeholders, from the community to the national level. This should be a two-tier process, one from the top and the other from the bottom. Specifically the following institutions should be involved:

- a) **Umbrella Organizations and Research Institutions:** These should participate fully in policy development and implementation in the sectors where they are active, such as the Farmers' Union, Chambers of Commerce and Industry, etc. The research institutions will add value to the process through research findings. This will allow the policy development process gain from experiences of the private sector.
- b) **Ward Development Committees:** These committees should be re-established at the ward level, as they will be an important link to the full council. Ward councillors, who are the elected members of the full council, head the wards. Their participation in policy development will improve their implementation as well as monitoring and evaluation.
- c) **Chiefdom development committees:** The traditional leaders should be given an opportunity to participate in development planning, implementation and monitoring and evaluation.
- d) **Resident Development Committees:** These should be the sub-committees of the

Ward Development Committees and should focus on implementation of programmes in specific areas of concern.

- d) **Local Communities and District Councils:** Local participation should be coordinated at ward level by the Ward Development Committee (WDC). Ward Development Committees will set development priorities and formulate plans with direct participation of local communities. These plans will be consistent and harmonized through the DDCCs. Local plans should contain lower level policies in the areas that affect them, such as agriculture, fisheries, health, education, roads, etc. These will vary from ward to ward depending on location. It is on this basis that local communities will identify and decide on ideas, activities and projects they will implement for poverty reduction. The same communities should define monitoring and evaluation indicators for each of the sectors. Once the communities have finalized their proposals, they should submit them through their councillor to the full council and the DDCC. The DDCC will then discuss and approve the ward programmes and pass them on to the PDCC for final harmonization and inclusion in the regional plans and annual budgets. These should be the engines for decision-making processes at the lower level since they contain structures such as the full council and sub-committees whose membership includes politicians (Cabinet Office Circular N0.1 of 1995: 3-4). Thus, the full councils should approve policies and implementation reviews before submission to provincial authorities.
- e) **Sector Ministries:** The sector ministries should formulate sectoral policies, programmes and projects and these will be consistent with the national and regional development plans. For now, all these plans should conform to the strategic focus of the national development agenda. In addition, the sector ministries will regularly assess the impact of their policies and programmes on poverty reduction. The sector ministries will participate actively in the identification and articulation of monitoring indicators for their sectors. Sector ministries should also liaise with the Sector Advisory Group (SAG) in their sectors to ensure wider participation from all stakeholders.
- f) **National Development Coordinating Committee (NDCC):** The NDCC, chaired by the Secretary to the Cabinet, should be responsible to receive submissions from PDCCs and to prepare recommendations to Cabinet and then to the National Assembly for

approval. The NDCC should perform the function of being a clearinghouse and outlet for information as well as being an arbitrator among sectors, districts and provinces (Cabinet Office Circular N0.1 of 1995: 4).

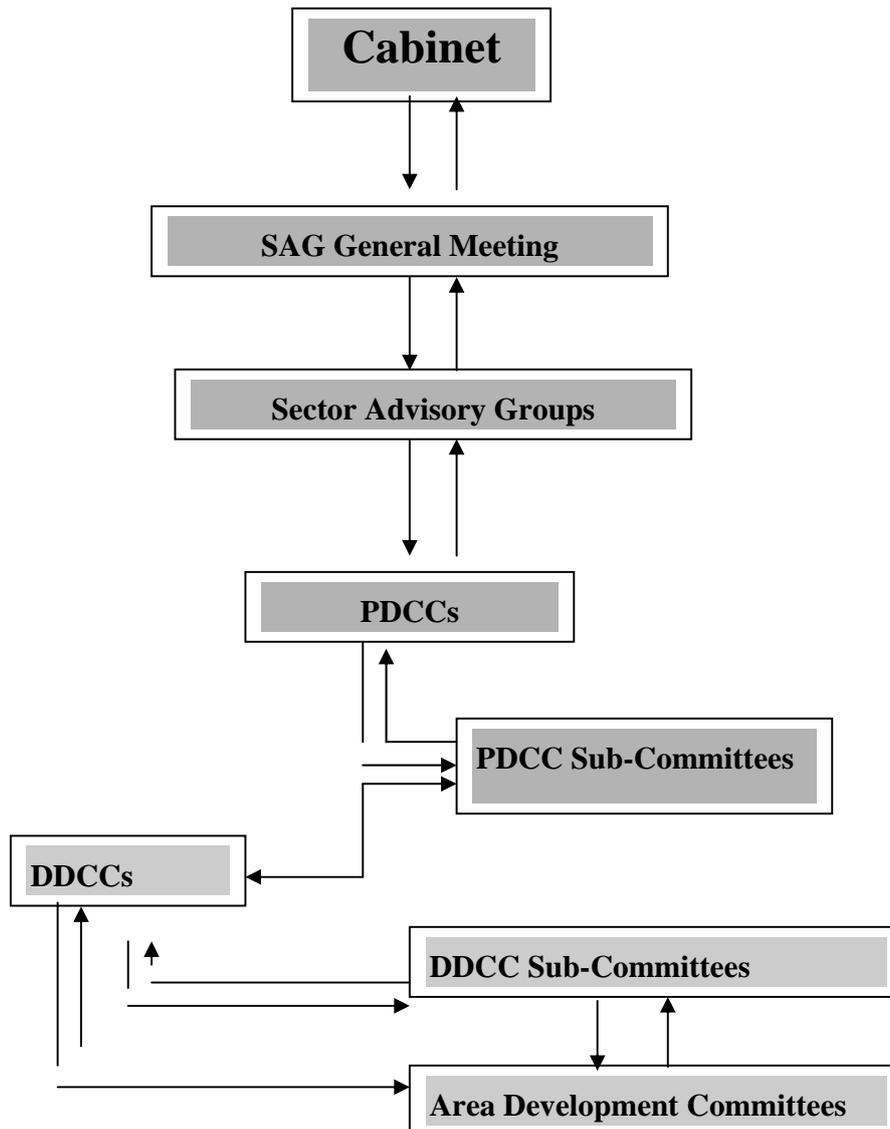
- g) Cabinet:** Cabinet will provide strategic leadership and decisions on new policy directions and priorities for poverty reduction. Under this arrangement, a CABMEMO should be prepared every quarter and submitted to Cabinet, along with a monthly implementation report from the provinces and the sectors on the major indicators and recommendations for policy guidance.
- h) Cabinet Office:** Cabinet Office will provide oversight functions in policy development and implementation. They should develop the overall implementation targets and indicators and monitor implementation. For this reason the NDCC, which should be chaired by the Secretary to the Cabinet, should be revived.
- i) The National Assembly:** The National Assembly is now involved only as far as approving the annual budget is concerned. This is clearly insufficient. Parliamentary committees should be provided on a regular basis with monitoring reports on the implementation of the national development agenda. Proper mechanisms should be put in place to allow Parliament participate fully in the monitoring of the development agenda in Zambia. For instance, the reports produced after the General SAG meeting be submitted to Parliament after Cabinet has deliberated on them as is done for the budget.

The bottom-up process should produce district strategic plans, which should contain the vision, strategies, programmes, costings and the MTEF. In addition, strategic plans should have monitoring and evaluation systems specified. Strategic plans should be prepared through a consultative method and should include participation of all members of the DDCC, such as civil society, faith based organizations, traditional leaders, Government institutions, councillors, Members of Parliament, private businesses, etc.

Further, the lack of institutional arrangements concerning the planning process leaves the lower levels not knowing the processes, instruments and procedures to propose implement and

monitor development programmes in their areas. The generic model for policy development and implementation is presented in Figure 7.3 below.

Figure 7.3: Proposed structure for policy development and implementation



Source: Ministry of Finance and National Planning 2005 with own additions

7.4 Proposed planning framework in the strategic planning model

7.4.1 Top-down process

The start of the top-down approach will be with the analysis of national development agendas such as the Vision 2030³⁵ and the National Development Plan (NDP). National objectives and strategies outlined in the National Vision as well as the NDP should be further articulated and operationalized by the SAGs in consultation with all interest groups. The process should involve review of the macroeconomic, fiscal and sector frameworks as well as an evaluation of the NDP and provide input for macroeconomic projections of the next medium-term plan. This should be followed by the preparation of the macroeconomic framework for the next Five-Year National Development Plan, including projections of the expected macroeconomic performance and total domestic resource envelope. Expected financing from donors should also be included in an annex as a supplement, to avoid disruption of the national programme due to failure by donors in honouring their commitments. The macroeconomic and financial framework is presented to the NDCC for discussion and approval. Thereafter, the macroeconomic and financial framework should be presented to Cabinet for approval. It is important that after the Executive has endorsed, the documents, they should be taken to Parliament for approval before the process moves further. The mode of adoption can be either through the committees or through the full Parliament. After Parliament has approved then the Ministry of Finance can issue guidelines and ceilings to ministries, provinces and districts to allow them start the budgeting process.

Apart from the definition of the macroeconomic framework, the top-down process should make recommendations for programmes and projects for the next MTEF and the budget. At this level, the SAGs will assist in the definition and analysis of macroeconomic performance, such as economic growth trends, inflation, employment and unemployment. They will further consider issues of balance of payments, public and quasi-deficits in the budget, external and domestic debt and financial intermediations (Idea: 46) following the framework proposed for

³⁵ The Zambia Vision 2030 is a document under preparation and will contain statements of intent and aspirations on what Zambia needs to be in 25 years time covering all sectors. It is a long-term plan.

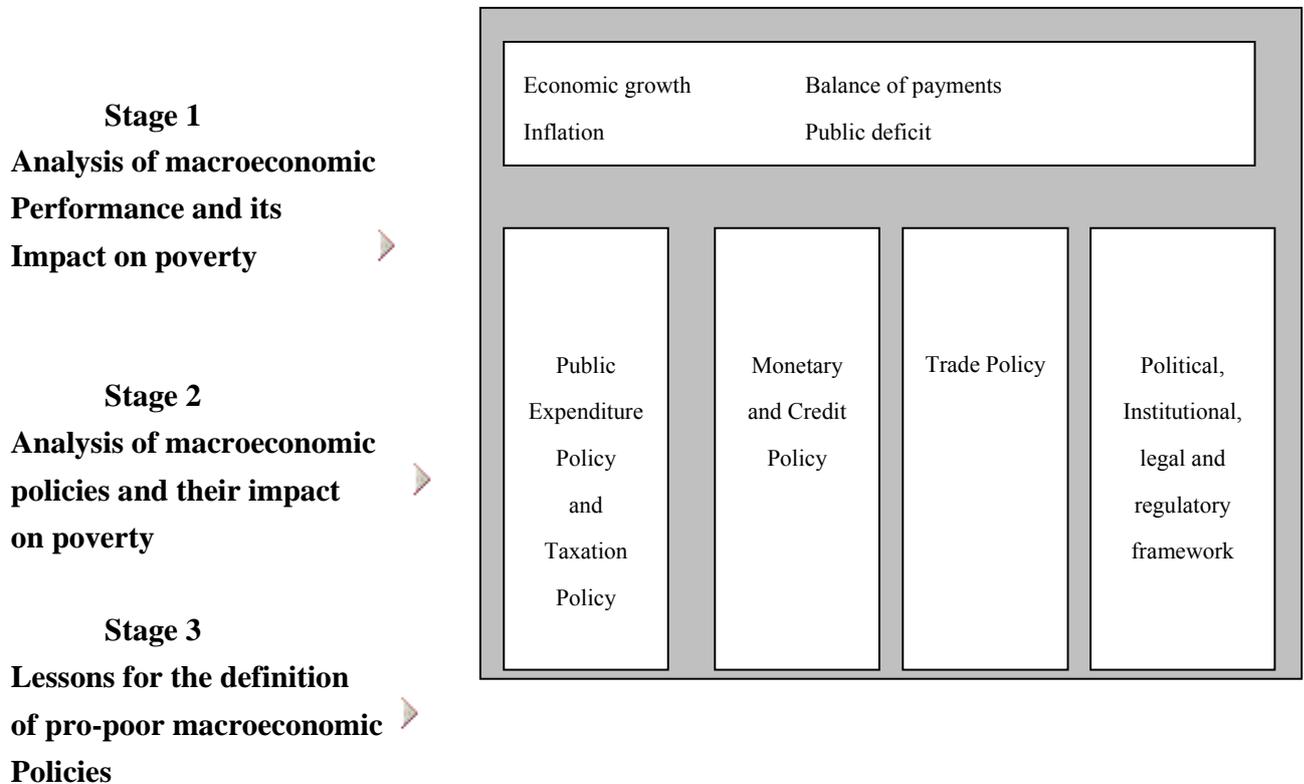
effective policy development and implementation. This analysis should also cover public expenditure, monetary, trade and political institutions' policies. Under this proposed model at the sectoral level, the planning bureau³⁶ in consultation with SAGs should help to answer the following questions (Idea International: 47).

1. What is the weight or sectoral contribution of the particular sector to GDP, region and district?
2. What is the performance of the sector in terms of quantity, quality, cost and space of coverage?
3. What are the likely growth rates in the plan period and which targets are required to make an impact on development?

Figure 7.4 illustrates the links between macroeconomic policies, sectoral policies and strategies for development.

³⁶ *The National Planning Bureau is an institution responsible for systematic coordination of the national strategic planning process and integration of the operational planning process at national, provincial and district levels.*

Figure 7.4: Procedure for Analysis of the Impact of Macroeconomic Policies



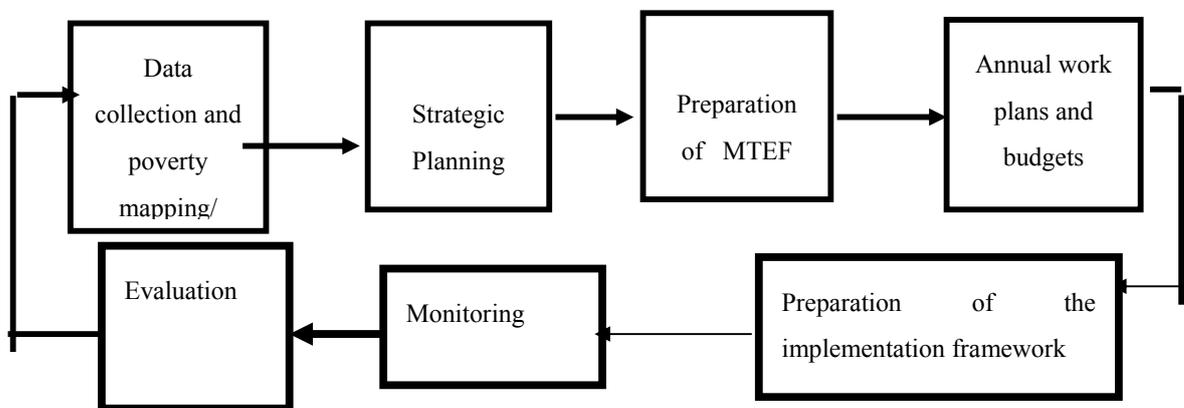
Source: Idea International 2001: 4

7.4.2 Bottom-up process

The bottom-up process will start with respective ministries, provinces and districts updating and reviewing their MTEFs and strategic plans. This is aimed at identifying weaknesses and strengths in order to further articulate and detail their institutions’ objectives, strategies, programmes, projects/activities and monitoring indicators in consultation with relevant stakeholders. Once this is done, the lower level should receive guidelines from the top indicating the general focus of the next budget and the indicative ceilings. It is at this point that they can articulate their programmes and activities and further prioritise. The product should then be subjected to the DDCCs and then the full council who should finally approve it (Cabinet Office Circular N0.1 of 1995: 3-4). The approved documents from the districts by the full councils should then be tabled in the PDCCs for endorsement and assessment of provincial

projects and onward transmission to the national level. The role of the PDCCs is to evaluate the proposals with respect to the set objectives, strategies, prioritised projects/activities and physical and financial monitoring indicators as well as national and provincial standards and requirements. It is also the responsibility of the DDCCs and PDCCs to ensure that the plans are in line with the macro guidelines. The planning process is illustrated in Figure 7.5 below. The timing should allow for the document to be presented to the General SAG meeting and later feed into the budgeting process. Once programmes and projects have been accepted by the General SAG they should be subjected to review by the Ministry of Finance and National Planning to check for relevance and adherence to the macroeconomic and fiscal frameworks. At this stage, the Ministry of Finance should communicate to spending agencies on the final positions. Sikabanze (interview 2005), Salimu (interview 2005), Kamuna (interview 2005) and Kabwiku (interview 2005) indicated that the most important partners in the planning and implementation process are communities at the district and sub-district levels, who are the people adversely affected by poverty in Zambia. This justifies the need for establishment and strengthening of structures at lower levels to effectively take up these responsibilities.

Figure 7.5: Planning and policy formulation process

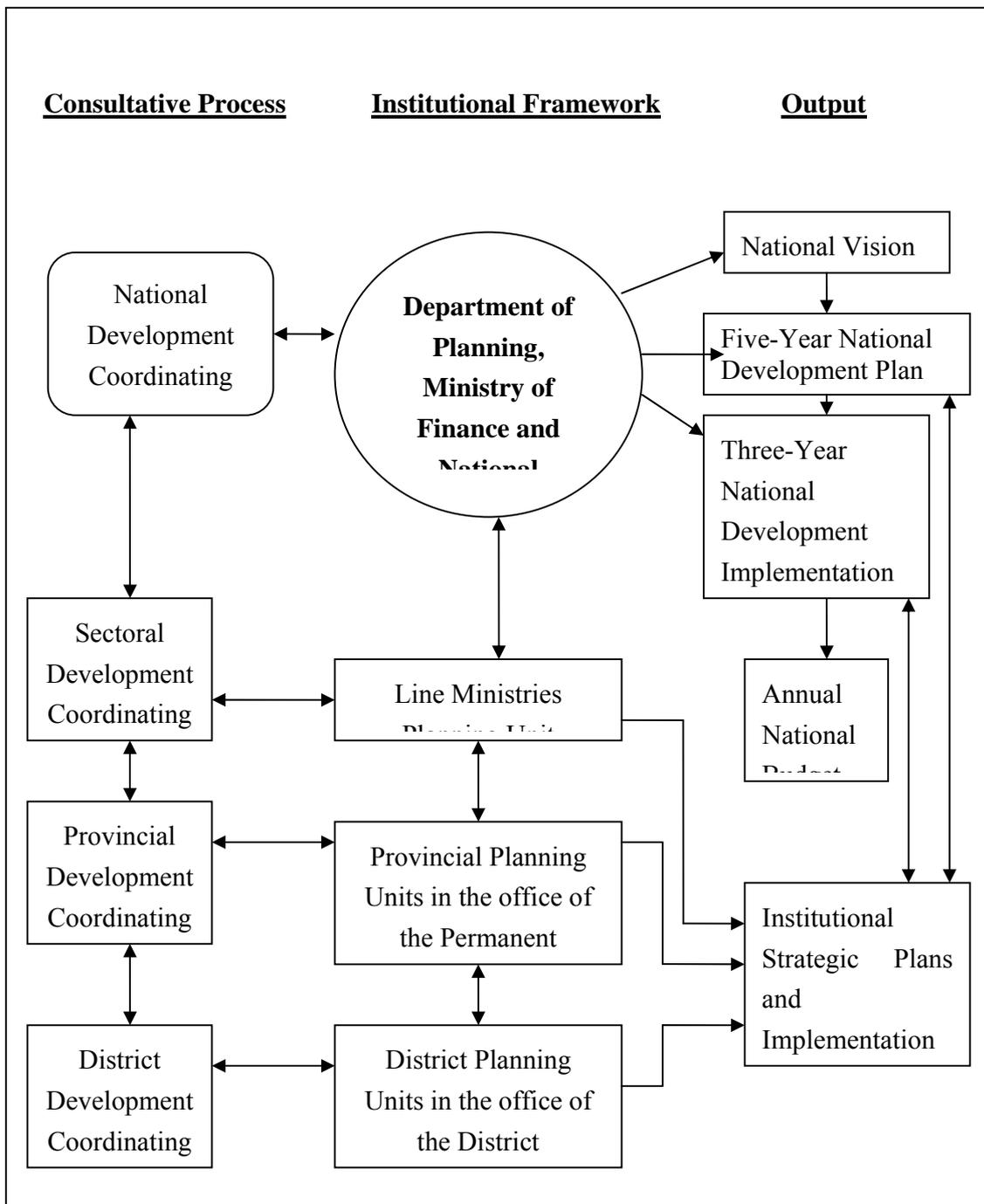


Source: Chilomo 2004: 9

The office of the District Commissioner (DC) that was recently established is an important link between the lower levels and central government. The office should be strengthened to take on a coordinating role on behalf of government at that level. The office of the DC should work hand in hand with the council, which has councillors who are the representatives of the

people. As Chilomo (2004) puts it, while it has been rightly observed in the decentralization policy that the Chief Executive of the District Council is not responsible to the Provincial Permanent Secretary, but to the Council, which employs him/her and his/her subordinate staff, it ought to be realised that the Council is an agent of the Central Government; moreover, it is the wing of Government closest to the people and, therefore, well positioned to take development to the community. For this reason, District Planning Units under the councils should work closely with the office of the DC in order to enable the community at the lowest level to have direct access to the institutional framework for planning and to strengthen the operations of the DDCCs. The institutional framework proposed is shown at Figure 7.3 below.

Figure 7.3: Institutional and Consultative Framework for Planning



Source: Ministry of Finance and National Planning, District Planning Manual 2004.

7.4.3 What value will the bottom-up process add to policy development and implementation?

Firstly, the inclusion of all the components in the planning and policy formulation process will ensure that communities' priorities are defined based on data focused on achieving agreed objectives and targets in order to improve service delivery in their areas.

This thesis argues that the proposed framework will assist in influencing policy development in Zambia because it will promote a coordinated planning and resource allocation system. More importantly, it will also institute a monitoring and evaluation system that will improve the decision-making process in government and on policy coherence and development.

Secondly, the inclusion of the MTEF in the process will ensure that the district public investment programmes and budgets are set within a three-year period and not on an annual basis. This gives an opportunity for districts to plan properly and allocate resources to identified priorities making trade-offs. This process will bring about efficient allocation as well as transparency and accountability for public resources and ownership for the programmes.

7.5 Monitoring and evaluation systems and tools in the model

7.5.1 Theoretical concept

The framework for monitoring and evaluation will focus on monitoring, on a regular basis, implementation of development agendas in general and investment plans and programmes in particular. It will also provide for periodic assessment of the impact of policies, projects and programmes on poverty reduction. The monitoring and evaluation system will involve all stakeholders at national, sectoral, provincial and local levels.

Two major components of the monitoring and evaluation framework are distinguished. Monitoring is a process of routine and/or periodic measurement of project or programme inputs, activities and outputs undertaken during implementation while evaluation is a process by which project or programme inputs, activities and results are analyzed and judged against explicitly stated norms.

Project and programme activities should be subject to monitoring to ensure that the plan is on course. Therefore, monitoring is part of the project or programme management functions. It requires a management information system (MIS). Evaluation is a periodic assessment of the relevance, performance, effectiveness and impact of the planned activity compared to its original objectives.

An effective monitoring system should enable all stakeholders to judge whether the policies, programmes and projects are proceeding according to plan. It should also facilitate the assessment of whether the objectives are likely to be achieved, and, if necessary, to modify the management and implementation of policies, programmes and projects in order to respond to either internal or external environmental problems or changes. Monitoring information should meet the demands of various management levels, through standardized reports and meetings that are regular and timely to enable remedial action to be taken (Mwale interview 2005, Muleya interview 2005, Mwanza interview 2005).

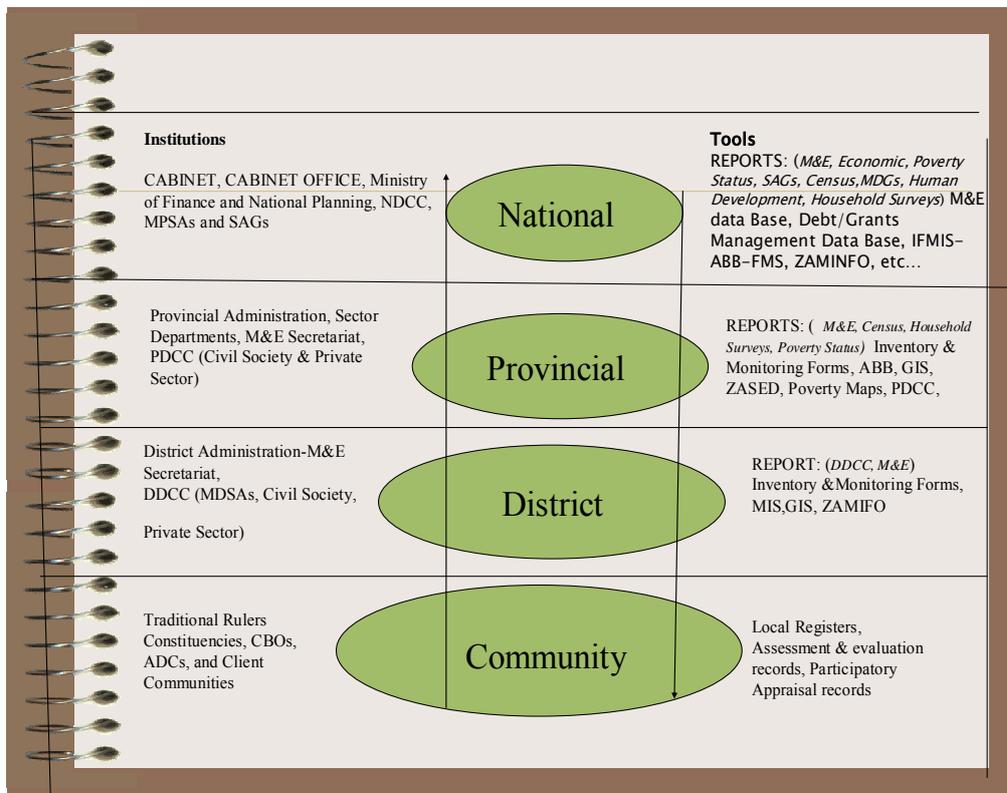
Programme and project evaluation will entail a systematic and objective analysis of a project's performance, its efficiency and impact in relation to its objectives. It will involve comparing the original objectives and costs of the project with the actual out-turn, both in terms of the costs and effects, intended and unintended.

7.5.2 Proposed monitoring and evaluation framework

The monitoring and evaluation system will work in a decentralized environment where the objective is to develop and institutionalise an appropriate system that will facilitate effective implementation of national development programmes at local levels. The approach to the implementation of the Decentralisation Policy is to devolve government functions so that national developmental objectives are achieved through an improved, expanded and sustainable governance system where central government, local authorities and communities would become mutually accountable. The issue of decision-making at local level is important. Yet if powers are devolved without ensuring that communities have the authority to bargain, the devolution is incomplete. Training and capacity building aimed at equipping lower level organs and structures to undertake effective monitoring and evaluation of programmes will be continuous.

The planning process at all levels should include monitoring and evaluation mechanisms and instruments as well as implementation arrangements. Currently monitoring and evaluation is based on the 1995 Cabinet Office circular, which established the DDCCs, PDCCs and the NDCC. As of now, only the DDCCs and the PDCCs are operational. The NDCC has never met since establishment. In its place, the government established Sector Advisory Groups (SAGs), which have been active. The SAGs use monitoring and evaluation guidelines prepared by the Planning and Economic Management Department of the Ministry of Finance, which focuses on monitoring inputs, outputs, outcomes and impacts. The proposed structure for monitoring in the model is as presented in Figure 7.4 below while Appendix 2.6 gives a proposal of the indicators to be monitored.

Figure 7.4: Proposed generic framework for monitoring and evaluation



Source: Ministry of Finance and National Planning Draft FNDP 2006-2010: 229

7.6 Proposed institutional structure for planning and economic management

7.6.1 Introduction

Prior to 1991, financial management and national planning functions were managed separately under the Ministry of Finance and the National Commission for Development Planning (NCDP) respectively. In 1991 when the Movement for Multi-Party Democracy (MMD) Government came into power a decision was made to do away with central planning in preference for market driven economic policies. This rendered central national planning irrelevant; as a result, NCDP became redundant. Consequently, in 1996, a decision was made to dissolve NCDP as part of the Public Service Reform Programme (PSRP) and some of its functions were transferred to the Ministries of Local Government and Housing, Foreign

Affairs and Finance. The latter became the Ministry of Finance and Economic Development (MoFED). As a result of these developments, issues of national development planning, which were critical to stimulating socio-economic development, were not effectively articulated as they became subservient to budget preparation and financial management, the core business of the Ministry of Finance. Furthermore, the relocation of the national planning function to the Ministry of Local Government and meant a major shift from socio-economic to physical planning.

In 2002 when President Mwanawasa came into power, he decided to re-introduce national planning. This culminated in the renaming of the then Ministry of Finance and Economic Development to the Ministry of Finance and National Planning and revisiting its Strategic Plan to incorporate national planning functions. Among the reasons for re-introducing national planning were the following:

- The need for the country to have a national development plan as opposed to relying on the annual budget and various uncoordinated sectoral plans;
- Failure by the ill prepared private sector to spearhead economic development in a liberalized economy as it could not adequately plan and undertake the difficult task of providing social and economic services;
- Lack of a central mechanism to coordinate regional development, resulting in ineffective linkages between regions and development authorities at the national level, thereby leading to haphazard regional development. Additionally, planning in Government agencies had been reduced to micro level planning as the sectoral plans of different institutions were not linked at the national level;
- Failure by the budgeting process to achieve intended results as it was being undertaken within a very limited scope and failed to achieve the intended goals. Therefore, there was need to strengthen the link between the budgeting and planning process because of the following reasons:
 - The need to establish a long-term national development framework to ensure national resources are channelled to meet agreed upon objectives; and

The need to establish a mechanism to harmonize implementation of development programme initiatives such as the TNDP, the PRSP and the MDGs.

The establishment of the Ministry of Finance and National Planning brought about the combination of the finance and national planning portfolios. However, the combination of these two portfolios in one Ministry was not appropriate, as national development and planning issues are not receiving the required attention in comparison to issues of financial management.

The Ministry of Finance is now essentially a Treasury implementing the annual budget. For example, the Budget Office is under the Permanent Secretary (Budget and Economic Affairs) and this draws the holder of this post into day-to-day crisis management as opposed to taking charge of national strategic planning. In the context of a Permanent Secretary focusing on day-to-day budget implementation crisis management, national planning and economic management face some difficulty in influencing functioning and prioritisation in the planning and allocation of resources.

Secondly, there are no checks and balances in the system now to push strongly ideas to spend resources on development issues and to oversee their implementation. These weaknesses have resulted in ineffective implementation of capital projects in Zambia, which has led to low levels of growth and high poverty levels in the country during the review period.

In order to facilitate the separation of the financial management and national planning function, this thesis proposes that the Ministry of Finance and National Planning functions be split in two, to create the Treasury and the National Planning Bureau. The National Planning Bureau would operate under the Office of the President and be headed by a chief executive whose position should be higher than the line Permanent Secretaries. This would give the necessary authority to coordinate policy development and implementation.

The Treasury will continue to perform the functions of financial management and disbursement of resources. The workload involved in undertaking such system development tasks as those related to decentralising planning and budgeting processes will require this transformation. This will immediately provide the needed checks and balances between the Treasury and the rest of Zambia in terms of resource allocation, utilization and development.

An Act of Parliament should create the Bureau. This is the only way to give it the mandate required to operate fully and to command authority. According to the survey results, 69 percent of respondents recommended the separation of treasury from planning functions (see Chapter 6).

7.6.2 Structure and functions of the National Planning Bureau

7.6.2.1 Introduction

The mission of the National Planning Bureau should be to contribute to the improvement of the standard of living of the people through systematic coordination of the national strategic planning process and integration of the operational planning process at national, provincial and district levels.

7.6.2.2 Proposed structure

The National Planning Bureau in the Office of the President will have the following directorates:

- Directorate of Human Resource;
- Directorate of Regional Planning;
- Directorate of Sectoral Planning;
- Directorate of Investment Policy;
- Directorate of Economic and Technical Cooperation;
- Directorate of Research and Information Technology;
- Central Statistical Office.

At the provincial level there should be the provincial planning unit consisting of:

- Chief Regional Planner (1)³⁷
- Principal Planner (2)

³⁷ The numbers represent the number of positions to be created in the proposed institutions in the provincial and district planning units.

- Senior Regional Planner (2)
- Planners (4)
- Support staff (Secretary, Driver, and Orderly).

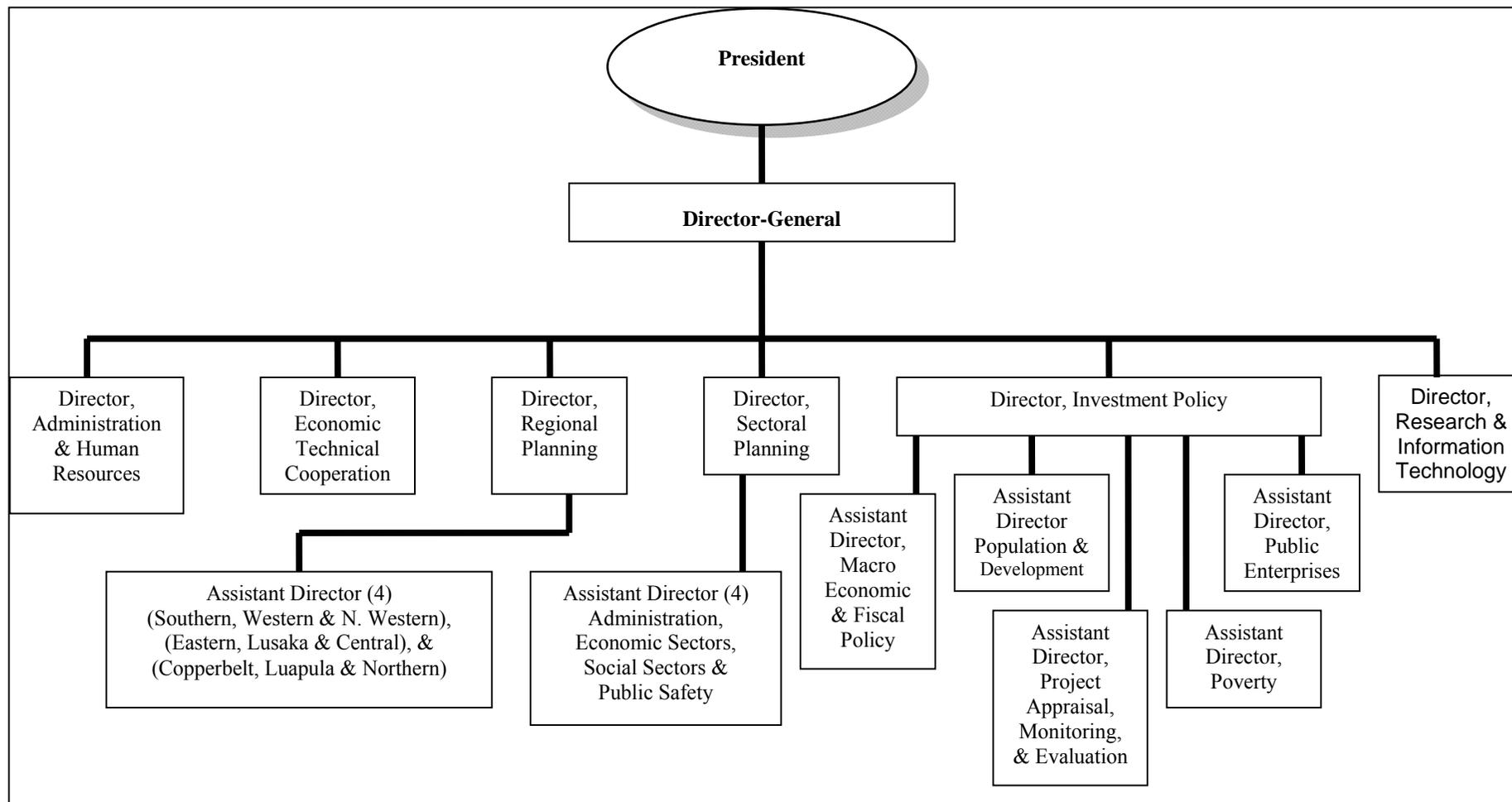
The Provincial Permanent Secretary will provide other services such as general administration.

At the district level, it is proposed that a district planning unit be established consisting of:

- Principal District Planner (1)
- Senior District Planner (2)
- Planners (4).

The organogram of the proposed structure is presented as Figure 7.5 below.

Figure 7.5: Organogram of the proposed structure



Source: Mwanawina 2005: 79

7.6.2.3 Functions of the proposed National Planning Bureau

The National Planning Bureau will be responsible for effectively developing long-term national plans including economic management. The Bureau will also be responsible for mobilizing external assistance to support the operations of Government and facilitate national development. In addition, it will undertake the function of investment and debt management on behalf of Government. Thus, the Bureau will broadly be responsible for the coordination of the development of the National Development Vision; Medium-Term Strategic Plans; integration of sector development programmes and strategies into the national development programme and linking it to the budget; macro-economic formulation as well as revenue policy analysis. In particular, the Bureau will be responsible for the following functions:

- 1) National long-term visioning;
- 2) Carrying out national planning in collaboration with other stakeholders;
- 3) Medium-term development strategies consisting of:
 - Planning, including the integration of sectoral development plans, regional and district strategic plans;
 - Operational planning and annual budgeting;
 - Spearheading and coordinating budget and planning reforms including Activity Based Budgeting (ABB) and the Integrated Financial Management Information System (IFMIS);
 - Macro-economic policy formulation and analysis;
 - Model development and data base maintenance;
 - Preparation of Public Investment Programmes;
 - Mobilizing resources, both local and foreign, and developing capacities for coordinating donor in-flows and debt management to maximize streamlining of the Zambian debt and linking it to strategic programming at all levels;
 - Programme and project monitoring and evaluation;
 - Coordination of the implementation of the National Population Policy;
 - Integration of cross-cutting issues including population factors in development plans and strategies;
 - Preparation and updating of national development agendas and overseeing implementation of its programmes and activities;

- Preparation and updating of long and medium-term National Development Plans; and
- Preparation of annual capital budgets.

(Source: Mwanawina 2005: 79).

7.7 Information system for policy development and implementation in the model³⁸

7.7.1 Planning information system

The proposed planning model requires a well-articulated framework for collection, analysis and dissemination of information for decision-making at various levels. Thus, data and information is needed to support decision-making and policy formulation to support the model.

Information, which is a derivative from data, is processed and packaged into a form that is meaningful and useful to stakeholders at various levels of society, which is one of the resources for policy development. The information should be the basis for timely and quality decision-making to facilitate the planning process and create linkages amongst all the stakeholders at all levels. The information required then forms the basis for developing an information system that meets the requirements of stakeholders at community, district, provincial and national levels (Imbwae and Masialeli 2002: 11).

7.7.2 Information requirements for policy development and implementation

7.7.2.1 Introduction

As discussed in section 7.3, the development planning process requires consultative approaches that involve various stakeholders ranging from the citizenry, community based organizations, to district, provincial and national organizations. In order for this to happen effectively, there is need for creation of an information system that allows accurate and timely information to be available at various levels for decision-making.

³⁸ This section was partly based on the paper by Imbwae and Masialeli 2002 (unpublished)

Creating an information system that will address the development and planning needs of the planning system discussed above should be based on data, which is collected, processed, stored and disseminated in a manner that meets the requirements of decision-makers as well as various stakeholders at different levels of society. Therefore, this calls for developing critical performance indicators³⁹ in each sector. The indicators thus developed will form the basis for data collection and information management and decision-making.

For example, in order to undertake investments in various sectors, quantitative and qualitative data must be available about the natural resource endowment in each district. Such data includes forest reserves, mineral deposits, land cover/land use, and surface water resources. It also includes topographic mapping of the country. This kind of data when available should be the basis for decision-making on policy formulation at the district, provincial and national level (Imbwae and Masialeli 2002: 12).

In order to promote the development and policy implementation process, there is need for planning to be based on reliable and timely socio-economic data. It is clear that the data must conform to the monitoring and evaluation of the performance of the various sectors. Therefore, the sector performance indicators should drive the need for collecting socio-economic data. Under this arrangement, SAGs should continue to play an important role.

The Central Statistical Office (CSO) is responsible, among other things, for conducting surveys and collecting data on population, and economic and social factors in the country. Other sector institutions, statutory bodies, NGOs and private sector institutions are involved in data collection at various stages. Such a diversity of data sources needs a streamlined mechanism for coordination and harmonization of information management. Therefore, the challenge for all development actors in Zambia is to develop mechanisms for collecting performance indicators covering inputs, outputs and outcomes from administrative sources while CSO concentrates on surveys for impact indicators.

³⁹ Indicators are the variables which must be measurable and independently verifiable and are tools for performance/impact monitoring and evaluation.

The performance of the information system will depend heavily on data availability and CSO and other stakeholders will make that available from administrative sources. However, there is need for the government to build capacities not only at CSO but also in sectors and provinces to enable them collect, analyse, store and share quality information. Most sector ministries have undergone restructuring under the Public Sector Reform Programme, thus an information management component exists in some of those ministries. In particular, Planning and Information or similar functional departments have been created. These departments should form the link for the MoFNP to draw information based on sector indicators. This should then be linked to the general monitoring and evaluation of implementing agencies.

In order to achieve this, the capacity of the desk officers currently in place need strengthening. In government ministries, the planning and information department or similar department shall be the focal point for this activity. For this reason, all ministries, provinces and other spending agencies should budget for information collection and analysis within their annual budgets. On the other hand, CSO and the M&E unit in the Planning Department at the Ministry of Finance should give technical backstopping to these institutions to enable them carry out their duties. In a similar arrangement, the provinces and the Ministry of Finance and National Planning shall provide a framework for the strengthening of the PDCCs and DDCCs and their subcommittees.

7.7.2.2 Institutional framework for the management information system

Under the proposed planning model, the NDCC is to be revived and will assume the role of policy coordination. This forum will provide a platform for exchange of information and data on policy development and implementation. It will be the apex through which mechanisms for information exchange/sharing between and among the sector, ministries will take place. The National Planning Bureau will be the secretariat to the NDCC and will therefore, be responsible for guiding policy development and implementation.

Based on the sector indicators, the sector ministries, provinces and districts should establish an Information Technical Forum (ITEFO), which should meet at regular intervals to consider

among other things the development framework and data collection process, especially on indicators agreed upon in each sector (Imbwae and Masialeti 2002: 14). This Forum should serve as a meeting point to undertake quality control. In order to achieve this, information desk officers shall be appointed in all sector ministries/agencies to provide the ITEFO secretariat with the required information. In government ministries, the planning and information department or similar department will provide the secretariat. In a similar arrangement, the provinces and the districts will establish the Provincial Information Technical Forum (PITEFO) and the District Information Technical Forum (DITEFO) respectively (Imbwae and Masialeti 2002: 15).

7.7.2.3 Coordination of socio-economic data

In the process of implementing the planning model, there is need for reliable and timely socio-economic data. The data should conform to the monitoring and evaluation of the performance of the various sectors. Information on agreed indicators should be generated either through direct surveys, secondary data, administrative data, key informants/experts, or a combination of these and can be economic, social, demographic or on vulnerability (Imbwae and Masialeti 2002: 16).

In order to achieve a comprehensive national planning framework as well as to measure performance/progress in each sector, five critical areas for information management must be considered. According to Imbwae and Masialeti (2002: 17), the following areas are critical in a planning model.

7.7.2.4 Environment and Natural Resources

The first level is to consider natural resources, which have a major bearing on the agricultural sector. This sector is very important for rural communities who depend on agriculture for livelihood. An inventory of land resources based on soil capability, forestry, flora and fauna, agro-climatic zones and human population and their status should be part of the information gathering processes.

7.7.2.5 Human resources

Population surveys should provide a basis for compilation of population distribution in terms of sex, age, total population, labour force, working age, and population growth rates at various levels including the ward level.

7.7.2.6 Man made resources

This section should cover collection and analysis of all public and private infrastructure, such as agricultural camps, dip tanks, storage facilities, roads and telecommunications facilities at all levels, and assessing their status.

7.7.2.7 Financial resources

A critical level of financial management information needs will provide a framework for provision of financial indicators at district, provincial and national levels. This framework should also provide a similar approach for capturing financial data from sector ministries and agencies.

7.7.2.8 Information dissemination to all stakeholders

A strategy for information dissemination is as important as the data collection. The use of information by stakeholders should drive the need to collect data because data collection has an inherent cost, that cannot be ignored. There is need therefore, to identify major and potential information users at district, provincial and national levels. A clear identification of users will give indications of the type of information to be collected, analyzed and disseminated. On the basis of the proposed model, NDCC, PDCCs, and DDCCs are important consumers of information. Others are Members of Parliament, cooperating partners, civil society, interest groups and the public. Information can be disseminated in various ways. Examples are given in Table 7.2 below.

Table 7.2: Potential and limitations of communication tools

Main focus of "endogenous" media	Characteristics of Various Types of Media (for Purposes of Development)								
	Cost	Credibility	Assimilation	Audience (Range)	Reliability	Interactivity	Flexibility	Speed	Adaptability
1. Theatre	-	XX	X	X	XXXX	XX	XX	-	XX
2. Stories, proverbs, riddles	-	X	XX	X	XX	X	XX	-	XX
3. Puppets	+	XX	X	X	XX	XX	XX	-	XX
4. Songs	-	XX	XX	X		-	XX	-	XX
Main "modern" media									
1. Radio	+	XX	XX	XX	XX	X	XX	XX	XX
2. Television	+	XX	X	XX	XX	X	X	X	X
3. Video cassettes	+	XX	X	X	X	X	XX	X	X
4. Audio cassettes	-	X	XX	X	XX	X	XX	X	X
5. Slides	-	X	X	X	X	X	XX	X	X
6. Print media (newspapers, posters, signs, T-shirts)	-	X	X	-	-	-	XX	-	-
7. Cinema	++	X	XX	X	XX	-	X	-	-
8. Flip charts	+	XX	X	XX	XX	XX	XX	XX	XX
9. Internet	+	X	-	-	X	XX	X	XX	XX

Source: Idea International 2001: 192

7.8 Conclusions

This chapter discussed the proposed model for policy development and implementation in Zambia based on identified weaknesses in planning and management during the review period. Chapter 3 indicated that weak institutions and the abandonment of planning in Zambia negatively affected policy development and implementation, which led to uncoordinated efforts and poor economic performance. In order to correct this situation, this

thesis proposed planning and a management system, which would involve all stakeholders from the lower levels. These processes would be linked to decision-making processes of government up to Cabinet. Thus, planning systems would relate to each other and would be set up in a participatory, transparent and accountable manner. In so doing stakeholders would be involved in the definition of policies, programmes, strategies and projects and would, therefore, also fully participate and own the process. This would ensure not only ownership but also successful implementation of programmes. There would also be a clear need to build capacities at all levels for planning and economic management. This would create the necessary environment for policy development and implementation in line with the principles of poverty reduction and decentralization.

The proposed framework would ensure full participation of all stakeholders and consequently improve the aspect of consultation and participation in policy development and implementation. This would accelerate the poverty eradication drive as the people would own the planned programmes and the people themselves would monitor their implementation. Further, these systems would be linked to decision-making processes. The implementation of the structures recommended should be linked to the proposed Bureau proposed in section 7.4 above to be based on an Act of Parliament to make it effective. This interactive process would bring the desired linkage of policy development to the annual budget and performance through the development of indicators and targets by stakeholders. This would be achieved through clearly defined roles of all stakeholders such as Parliament, Cabinet, Central Ministries, Districts, NGOs, etc. in policy development and implementation.

There are other benefits from the proposed bottom-up process. Firstly, the process would create willingness to make difficult decisions on reallocation of resources on the part of politicians and donors since this would be the process through which scarce resources would be allocated to priorities areas. This, however, could only work if there would be willingness for fiscal discipline on the part of politicians so that they adhere to the decisions made through the proposed process. Secondly, the process would bring about participation and, therefore, transparency for all stakeholders such as government, NGOs donors and communities. Transparency in planning, policy development and implementation would provide an opportunity to stakeholders and the public, since they have information and data,

ask informed questions about the allocation and effectiveness of public funds utilization. Through these processes local levels would be held accountable for keeping within their agreed budget allocations and for producing, the agreed output targets (e.g. numbers of school places to be created) leading to the agreed outcomes (improvements in the level of attendance). Effective incentives and sanctions would be in place within the monitoring framework to ensure accountability. This would in turn bring about improvements in implementation of development programmes, which has been lacking in the review period. Thirdly, the preparation of the MTEF would enable districts prepare forward estimates of expenditure so that they can plan for the most effective and efficient use of all resources over the medium-term instead of the annual cycles.

Lastly, these processes would ensure that policy reforms and implementation, especially those suggested in Chapter 4 on the export based economy, are fully discussed and appreciated by stakeholders.

This thesis concludes that the consultative process for national planning in Zambia should be done through the NDCC at national level, PDCC, and DDCC as per Cabinet circular number 1 of 1995. The Decentralization Policy advocates for popular participation and empowerment of people to fully and effectively participate in the management of their enterprises by transferring authority, functions and responsibilities with matching resources to lower levels of government.

The thesis further concludes that a careful balance be established between the top-down and bottom-up approaches to planning. The bottom-up approach needs to be strengthened to allow the lower level structures participate fully in policy development and implementation. This should be the major source of information for identification and prioritization of policies in the sectors that affect them.

On the other hand, one cannot ignore the fact that at a higher level, the system should have a top-down approach, which should concentrate on macro and cross-sectoral issues. Thus, the definition of standards and the preparation of macro and fiscal frameworks should be done top-down with consultation and linkages with lower levels. This will ensure coherence to

resource availability and other international and national priorities and obligations. Overall, the top-down approach should emphasise the role of coordination and providing technical backstopping to lower level structures.

In order to place the necessary emphasis on national and regional planning it is recommended that a separation be made between the functions of the Treasury and Planning in Zambia. Since 1996, the marriage between these two functions has not yielded the desired or intended results. Treasury functions always override planning functions and little support has come through for carrying out planning activities. Further, planning and coordination functions are better placed at a higher level than a line ministry, as was the case during the 1980s. For this reason, it is recommended that the planning functions be placed under the Office of the President and be headed by a chief executive whose position should be higher than the line Permanent Secretaries. This would give the necessary authority to coordinate policy development and implementation, thereby removing the weaknesses discussed in Chapter 3.

CHAPTER 8

GENERAL CONCLUSIONS

8.1 Conclusions

8.1.1 Introduction

This study set out to investigate the processes of planning, policy development and implementation in Zambia, ways of improving the decision-making process and the linkages between policy development and implementation to poverty reduction. In the investigation of these issues, the study focused on answering macro and micro questions related to why Zambia's development strategies did not achieve their objectives in the 1990s and beyond. Further, it investigated the fact that despite the implementation of the acclaimed economic liberalization policies, Zambia was getting deeper into economic crisis. This is contrary to academic theories that assume beneficial effects of liberalization policies by the global institutions. Lastly, it investigated whether the poor performance was due to technical flaws underlying planning and policy development and the implementation process or the inappropriateness of the Structural Adjustment Programmes (SAPs) and PRGF.

Chapters 2 to 6 demonstrate that the objectives were met by showing, through primary and secondary data analysis, that the development strategies did not achieve intended outcomes. In the review period the economy continued to deteriorate and poverty levels to rise. The overall average GDP growth of one percent (1) between 1991 and 2000 was insufficient to positively impact on the livelihood of the people (see Chapters 2 and 3). Chapter 4 indicates the general influence of external factors in fostering development in Zambia. On the other hand, Chapter 6 indicates the lack of linkages between policy development and implementation and the realities on the ground. The non-existence of participatory policy development mechanisms and instruments negatively affected the success of the development programmes.

It is clear from the analysis in this thesis that the Zambian economy has gone through turbulences since independence. The growth pattern has not been strong enough to positively

impact on poverty. The major reasons are both internal and external and also dependent on how Zambia reacted in terms of policy formulation and implementation.

The thesis analysed the policy development strategies, the strengths, and the weaknesses as they relate to economic growth and poverty reduction. It set out to investigate the reasons for the poor performance of the Zambian economy during the review period. The general problem was that poor policy environment and absence of a planning structure contributed to the poor performance of the economy and to high poverty levels. Specifically the following questions were investigated:

- Was it a problem of technical specifications in policies?
- Was it resource availability?
- Was it party philosophies and ideologies (UNIP, MMD)?
- Was it prioritization and policy sequencing problems and their linkage to national and international agendas?
- Was it the implementation arrangements and weak administrative machinery? or finally
- Was it the lack of a planning and consultative model involving all the stakeholders?

In answering the above questions, the thesis argues that all the above factors contributed to the poor performance of the Zambian economy. Firstly, the economy did not perform due to poor policy environment and weak planning and administrative structures, which did not involve the lower levels in policy development and implementation.

Secondly, policy development institutions were not coordinated and were weak, which resulted in poor sequencing of policies and poor implementation. This also created a situation for conflicts and contradictions in policies. The policy formulation process was not linked to the availability of resources. Thirdly, the policies under President Kaunda, which emphasised nationalization, crowded out investors and brought in inefficiencies in government run institutions and businesses. On the other hand, the hastily implemented reforms under President Chiluba ignored Zambia's realities and negated the participation of the citizenry in planning and implementation of programmes as well as the realities of the global market and the weak private sector. Thus, in the review period Zambia did not gain from globalization,

privatization and liberalization as was envisaged. Scott (2002: 2) indicates that the Washington Consensus or SAP failed in Zambia because of lack of political will to carry out reforms in the face of obstruction from interest groups and that donors themselves are guilty of promulgating beliefs and ideas that are not appropriate to the local context. Scott concludes that every indicator that should have risen fell and indicators that should have fallen have risen since the mid-1990s.

Fourthly, even though Zambia has been politically stable, it has suffered policy shifts among and within sectors, such as in agriculture, from complete removal of subsidies to subsidising fertilizer and seed, which adversely affected the performance of the economy. When these policy shifts were being affected, no consultations were made, especially with the local people in districts who were the major players. In the health sector, the policy of increasing access to health facilities was contrasted with the policy of cost sharing measures that cut off the majority of poor Zambians from health facilities.

8.1.2 New perspectives arising from the thesis

New issues brought out through this study are that:

- Globally designed strategies such as the PRSPs fall short of achieving their objectives not only because they have flaws but more importantly because their design does not involve the local people and local realities. The hasty way in which they are designed and implemented leaves little room for effective participation of the communities. Further, most policies are contradictory and are not effectively linked to resource availability. The emphasis on macro economic indicators and economic stability negatively affects employments, incomes and livelihood of the people.
- Local level institutions and structures are better attuned to the realities of their situations and are able to design strategies on how to improve their situations. Further, structures at the district and sub-district levels are capable of effectively participating in policy formulation and implementation. This can be improved upon through capacity building initiatives.
- Most people and institutions interviewed regard the existence of strong planning systems and structures as prerequisites to development in Zambia. This is contrary to the position of neo-classical models propagated by such global institutions as the WB

and the IMF that market forces are sufficient to allocate resources efficiently and to direct and steer development for the benefit of the poor.

- Strong participation of traditional leaders in the decision making process adds value to Zambia's development efforts. All interviewees indicated that traditional leaders should be given an opportunity to participate in the country's development process as they are custodians of cultural norms which influence development.
- Zambia has diverse socio-economic conditions, which require that policy development and implementation be localised. These include cultural differences as well as differences in resource endowments and other conditions.
- The current institutional framework for policy development and implementation is weak to effectively foster development.

8.2 Failure of the policy process in Zambia

Experience since the mid-1960s reveals that although development policies have been instituted, the outcome in terms of economic growth and development has been low. Even though a lot of well-intended plans and policies were put in place, implementation was difficult and unsuccessful, resulting in negligible economic growth and rising poverty. In relation to this, there was lack of proper sequencing and prioritization of policies, programmes and projects both at the macro and micro levels.

Considering policy development and implementation in Zambia, one finds serious weaknesses in the public sector that affect efficiency in the development of policies. First, there has been lack of a clear definition of the public sector's role in relation to the private sector and civil society, particularly in respect of the definition of public policies and regulation of relations within society and also the resolution of conflicts arising from its own functioning. Second, the incomplete institutionalisation of responsibilities and mechanisms for participation by stakeholders in the management of issues of public interest including policy development has negatively affected quality implementation and has had implications on the quality of policies and their effectiveness in addressing the development agenda in Zambia.

The definition of public policies was not carried out or coordinated according to goals and principles conducive to their effective management (feasibly, coordination, monitoring and

assessment of objectives and results/impact assessment). Further, public policies were clearly not linked to the national development agenda, such as the TNDP and the PRSP.

Third, as a rule public policies and their strategies have not always been made compatible with the resources required to make them viable of objectives, particularly in the case of state plans and budgets.

Fourth, there is no defined system or process for formulating public policies and as a result formulation processes are desperate highly influenced by politicians in power with little regard to the development agenda.

Fifth, there is no organized flow of information to support the taking, monitoring and assessment of Cabinet decisions for consistency and relevance.

Sixth, analysis of public policies is not yet an institutionalized specific technical activity and is not incorporated in the work programmes of officers such as Cabinet Liaison Officers (they are by-the-way functions).

Seventh, the process of defining policies on a sector-by-sector basis does not define synergies across and among policies and their impacts, such as the relationships among ASIP, ROADSIP and BESSIP. Further, there is insufficient coordination and guidance of the international community's involvement in the process of defining policy as it relates to the international development agenda, such as the Millennium Development Goals and official development assistance, such as the HIPC initiative. Lastly, in the case of Zambia, consultation is not yet compulsory with entities that are or may become affected by public policies.

Other specific conclusions regarding policy development in Zambia are as follows:

- Zambia has many policies in place but these policies are mostly repetitive and duplicate each other showing the serious problem of lack of coordination and collaboration as well as weak institutional framework for policy development and implementation. For example, the labour, child labour and national child labour

policies all focus on children and youth. These were prepared by three different institutions but passed through the same control mechanisms at Cabinet Office which failed to guide the institutions properly to avoid duplication of efforts. This duplication among policies indicates lack of coordination among and between ministries.

- Objectives in policies are too general and leave nobody responsible for action. Such objectives as improving the standard of living and quality of life of the child and making the child an integral part of national development are not measurable; this means that they are generally less likely to be implemented. Further, nobody is made accountable over a period of time. Thus, accountability in policy formulation and implementation is lacking. Related to this, none of the policies analyzed has clear performance indicators.
- The most serious shortcoming of the policies is the lack of linkage to the resource envelope of the treasury where such policies were supposed to be implemented using public resources. It has become fashionable for ministries to produce policies as an end in themselves and not as a means to an end. They tend to measure their achievements through the production of a policy and not in its effective implementation. A mechanism for policy implementation is lacking. Most policies lack implementation plans and institutional responsibilities. No policies spell out clearly the monitoring and evaluation mechanisms as well as reporting instruments.

8.3 Benefits from globalization

The ascent of informational, global capitalism is characterized by simultaneous economic developments and under-developments, including social inclusion and exclusion. In Zambia, information seems to be intertwined with rising inequality and social exclusion if one considers the increasing number of street kids, orphans, the under-privileged and the unemployed. In conclusion, one may say that for Zambia to benefit fully from regional integration and globalization she needs to focus on export growth. With a small population, most of which is impoverished and, therefore, cannot absorb all expanded domestic output, there is need to find external markets for most products.

In this light, this thesis concludes that sector ministries and trade promotion institutions need capacity, both financial and technical, to facilitate their functioning. As export expansion is a fundamental assumption behind the planned economic growth under the PRSP it is required that this happens without fail. Trade promotion institutions include bodies such as the Zambia National Tourist Board (ZNTB), the Export Board of Zambia (EBZ), the Zambia Investment Centre (ZIC), the Zambia Bureau of Standards (ZABS), the Zambia Competition Commission (ZCC), and trade associations. Consistency of policy and overall coordination of the process should also have received attention. Further, Zambia needs to put in place industrial policies that will support the development of the outward focused export economy. This can be done through support to export oriented industries in manufacturing, agriculture, tourism and mining sectors. The instruments to be used can be among other things, bonded warehousing, export zones, exemptions and tax rebates. The other strategy should be that which develops economic infrastructure such as roads and telecommunications.

8.4 Political economy

Zambia's political economy in the 1990s was affected by political party philosophies and the general democratization and liberalization principles of the 1990s after the collapse of the Soviet Block. On the local scene, the poor performance of the economy in the 1980s associated to Kaunda's one-party rule, which was basically sympathetic to socialism, fuelled the demand by Zambians to move more towards capitalist principles of economic management. Even though the principles of privatization and liberalization were on the UNIP agenda, the Kaunda government lacked commitment to them because of their socialist inclination. On the other hand the Chiluba government, which came into power in 1991 and was largely composed of business persons, went full scale to implement the structural adjustment dossier of the IMF and World Bank at great speed without proper understanding of market forces and the immediate impact on the economy and the people. In addition to the fact that pro-capitalist business persons dominated the Chiluba government, the hurry was also associated with their desire to benefit from the hurried process of privatization disregarding transparency and accountability principles enshrined in the Privatization Act.

Privatization and liberalization opened up the Zambian economy and had mixed effects. In the interpretation of the majority of Zambians, trade unions and the civil society, the process has not helped the people despite showing positive macroeconomic indicators in the recent past. In general terms, after recovering from the post-privatization shocks, the economy started growing at an average rate of 2 percent from 1996 to 2000. It is difficult to associate this growth entirely with the effects of privatization as data indicate that the major sectors that contribute to GDP and employment, such as agriculture and mining, actually suffered heavily during the same period and fell by more than 40 percent. In general, therefore, the principles of globalization as enshrined in liberalization and privatization did not affect Zambia positively in terms of poverty reduction.

Macroeconomic stabilisation proved difficult since the beginning of economic liberalisation in 1991. As a result, the SAP targets were often missed and the domestic inflation rate increased markedly, reaching an annual rate of 300% before stabilizing to the average 40% and remained above 20% in the 1990s and early 2000s. (*PRSP* 2002: 24)

Despite some companies doing well and surviving the post-privatization shocks, available data indicate a general decline in formal employment in the 1990s. Formal sector employment fell overall by 14 percent for the whole economy. On the sector level, agriculture fell by 33 percent, mining by 85 percent, and construction by 142 percent. As for specific years for example, formal sector employment reduced from 477,508 jobs in 1999 to 476,347 jobs in 2000 representing a decline of 0.2 percent. Much of this decline is attributed to the mining and quarrying sector, which contracted from 38,521 jobs in 1999 to 35,042 jobs in 2000. This represented a fall of 9 percent. Other significant reductions in formal sector employment in 1999 and 2000 were in the electricity, gas and water and the agriculture, food and fishing sectors, which declined by 4.7 and 1 percent respectively.

It is difficult to conclude that there was any political will to dismantle domestic debt in the 1990s. Debt was on the increase despite efforts to reverse the trend. The Chiluba government did not institute any meaningful measures to check the increase in domestic debt or any recourse for controlling officers incurring huge over-expenditures and arrears. On the other hand, politicians continued not to be focused on a few priorities but tended to spread

resources thinly, thereby going beyond the resource envelope. This forced the government to borrow resources for deficit financing. Further, the government did not have any plan or long-term strategy for dealing with domestic debt.

The high population growth rate and high dependency ratios in the review period placed major strains on public services and household coping capacity. High dependency ratios meant that household incomes were spread thinly among members of the household. In poor households, this often implied only being able to spend on consumption instead of investment in improving production and income earning capacity, and developing the human capital of children through expenditures on education and health care. This strained the government's capacity to deliver social services of the required quality and quantity, especially in education and health.

8.5 Regional integration

From the analysis in the thesis, it can be concluded that Zambia has not benefited much from regional and international initiatives due to weak institutions as well as unfavourable trade relations. The MDGs principles are similar to what Zambia was implementing under the PRSP but as the analysis has shown, Zambia is unlikely to achieve the MDGs targets by 2015.

8.6 Proposed structures: planning and economic management

In order to correct this situation, a planning and management system is proposed, which will involve all stakeholders from the lower levels. These processes will also be linked to the decision-making processes of government up to Cabinet. Thus, the planning systems will relate to each other and will be set up in a participatory, transparent and accountable manner. In so doing stakeholders will be involved in the definition of programmes and projects and will, therefore, also fully participate and own the programmes. This will ensure not only ownership but also successful implementation of programmes. There is also a clear need to build capacities at all levels for planning and economic management. This will create the necessary environment for policy development and implementation in line with the principles of poverty reduction.

In order to facilitate the separation of the financial management and national planning function, it is recommended that the Ministry of Finance and National Planning be split into two, i.e. the Treasury, dealing financial management matters and the National Planning Bureau to deal with planning. The Bureau should be placed in the Office of the President, having the directorates of Macroeconomics, Regional Planning, Sectoral Planning, Population and Development, Economic and Technical Cooperation, Investment and Debt, the Central Statistical Office, monitoring and evaluation, and project appraisal. This proposed structure should be replicated at the provincial and district levels.

The National Planning Bureau will be responsible for effectively developing long-term national plans, including economic management. The Bureau will also be responsible for mobilizing external assistance to support the operations of government and facilitate national development. In addition, it will undertake the function of investment and debt management on behalf of Government. Thus, the Bureau will broadly be responsible for the coordination of the development of the National Development Vision; Medium-Term Strategic Plans; integration of sector development programmes and strategies into the national development programme and linking it to the budget; macro-economic formulation as well as revenue policy analysis and formulation.

8.7 Recommendations for further analysis and research

Due to limitations in time and resources, this study did not conclusively investigate all issues necessary in the policy research field in Zambia. Further research should be undertaken on how local structures such as local authorities can fully participate in the affairs of the country without causing undue conflicts among them and the central government. This will require research on how best a decentralised system can work in Zambia. Thus, research should be undertaken on the current structures, their strengths and weaknesses, the extent to which stakeholders can participate at reasonable cost in the proposed planning model and the appropriateness of the model for fiscal decentralization and the legal framework necessary to implement the model.

Specifically, the thesis recommends further research in the following areas:

- Investigate the effectiveness of decentralised systems in policy development and

implementation including issues of fiscal decentralisation and the legal framework.

- Investigate the dynamics of local level structures and cultural values and norms in relation to policy development and implementation.
- Investigate appropriate ways of harmonization of policy development systems in Zambia involving key stakeholders such as chiefs, NGOs, the international community and the government.
- Investigate how Zambia can effectively benefit from the global market.

APPENDICES

Appendix 1.1: Social economic and political reforms, 1964-1998

Period	Social/Economic/ Political Policies and Conditions	Major Policy/ Condition Elements	Economic Impact	External Conditions
1964	Multiparty democracy, private sector driven economy and UDI in Zimbabwe, Rhodesian trade routes closed	Local and foreign private investments, high cost of transportation and new trade routes	Economic boom, middle-income country (\$1,400 per capita); closure of the borders put pressure on the budget for alternative routes	High copper prices, low oil prices, liberation wars in South Africa, Zimbabwe, Mozambique and Angola, and civil war in Congo DR
1965	Lenshina uprising	Political instability	Reduction in agricultural production in Chinsali and Lundazi Districts	Zambian refugees in Congo DR
1966	Education and health reforms	Introduction of free education and health facilities	Increased access to education and health facilities	
1968	Policy reversal, Mulungushi Reforms	Nationalization of industries, greater government participation,	Under-capitalization of the mines and parastatals	Liberation wars in South Africa, Mozambique and Angola

Period	Social/Economic/ Political Policies and Conditions	Major Policy/ Condition Elements	Economic Impact	External Conditions
		Zambianisation and creation of parastatals		
1969	Matero Declaration	Greater government participation, nationalization of industries, creation of parastatals and Zambianisation	Economic diversification, pressure on the budget, deficit financing and expansion of formal sector employment	Same as above
	Maize culture agricultural policy	Emphasis on maize production at the expense of other crops (monoculture)	Food security improved and ecological pressure created as maize not suitable in all areas	Same as above
	Tourism policy	Zambianisation of lodges	Low capitalization, decline in standards and sectoral contribution to GDP	
	Droughts	Insufficient and irregular rainfall in Southern and	Drop in agricultural contribution to GDP,	

Period	Social/Economic/ Political Policies and Conditions	Major Policy/ Condition Elements	Economic Impact	External Conditions
		Western Provinces	pressure on the budget, famine and relief programmes	
	Import substitution policy	Creation of inefficient industries	Drop in industrial production and GDP	
	Free Education policy	Expansion of the education sector	Construction of many institutions and budget pressure	
	Free Health policy	Expansion of the health sector	Many institutions constructed; pressure on resources (water, latrines, forests, schools, etc.)	
	CBPP outbreaks in Western Province	Drop in livestock production in Zambia	Increase in poverty levels in Western Province, beef prices go up, movements of cattle suspended, local cattle market collapsed	
	Foot and mouth	Drop in livestock	Poverty levels increasing in	

Period	Social/Economic/ Political Policies and Conditions	Major Policy/ Condition Elements	Economic Impact	External Conditions
	outbreaks in Southern Province	production in Zambia	Southern Province, beef prices go up and crop production affected by lack of draught power	
1972	Construction of new trade routes		Drain on the budget, low investments in social sectors (health, education, water and sanitation)	Same as above; guerrilla war begins in Zimbabwe; 1975 independence for Angola and Mozambique
	Cotton production	Drop in livestock production in Mumbwa	Crop production affected by lack of draught power	
1973	Transformation from multi-party to one-party	Consolidation of nationalization, participation/decision making at the provincial and district levels, committees at places of work and ruling party (UNIP) supremacy	Misallocation of resources, job creation, productivity decline and low GDP growth	Same as above and Zambia/Zimbabwe border closed

Period	Social/Economic/ Political Policies and Conditions	Major Policy/ Condition Elements	Economic Impact	External Conditions
	Energy crisis	Increase in government spending and money supply	Fuel and food shortages, inflation increase and low GDP growth	
	Government spending increased	Money supply increased	Inflation increases	
	Price control policy	Shortages and smuggling started	Inflation increased	Increasing debt stock
1978	Kanyama floods disaster	Families in Kanyama and Chibolya compounds affected	Outbreak of diseases such as cholera; Government had to deficit finance to cater for the victims	Same as above and 1979 removal of Zimbabwe sanctions
	Humanism and its implementation	Ethnic balancing, equitable income distribution		
1980	1980 Local Government Act (Decentralization Act)	Harmonization of administrative, political and civic structures (merging the civic,	Politicizing economic management, bloated parastatal sector, local and central government;	Independence for Zimbabwe and removal of sanctions a year earlier

Period	Social/Economic/ Political Policies and Conditions	Major Policy/ Condition Elements	Economic Impact	External Conditions
		administrative and political functions into one structure)	inefficiencies in service delivery	
	Food subsidies			
1981	Drought relief programme	Food distribution to drought affected areas	Affected food production due to falling prices of cereals such as maize	New trade routes through Congo DR, Mozambique and Angola
1982	Committee of three Ministers appointed to manually allocate foreign exchange	Foreign exchange control measure		
	Mining policy	Creation of mining conglomerate ZCCM	Inefficiency in mining sector, low capitalization, contribution to GDP dropped and budget deficits started	
1985	Policy reversal; economic stabilization	Foreign exchange auctioning using two	Shortages of foreign exchange; imports and	

Period	Social/Economic/ Political Policies and Conditions	Major Policy/ Condition Elements	Economic Impact	External Conditions
	policy	windows, freeing of interest rates, reduction of subsidies and removal of price controls for most commodities; movement towards trade reforms and parastatal sector reform	exports dropped	
1987	Policy reversal; National Economic Recovery Programme and suspension of World Bank/IMF SAP programme	Auction system abolished, break with IMF and World Bank, suspension of economic restructuring programme, debt service restricted to 10% of net export earnings, exchange rate re-valued from K21 to K8 to US\$1	GDP growth improved, accumulation of payment arrears	

Period	Social/Economic/ Political Policies and Conditions	Major Policy/ Condition Elements	Economic Impact	External Conditions
		and “Growth from Own Resources”		
	Foreign exchange rationing	Foreign Exchange Management Committee (FEMAC) created	Shortages of foreign exchange, imports and exports dropped	
	Coupons system policy	Shortages of essential commodities and price controls intensified	Inflation increased	Smuggling to Congo
1990	Policy reversal; relaxation of exchange controls	FEMAC abolished, open general license introduced based on two windows on directions from IMF		
1991	Liberalization and privatisation of the economy	Two foreign exchange windows unified, multi-party democracy, sale of all public companies started, public service	Closure of industries, retrenchments, high levels of formal sector unemployment, increased informal sector	Low copper prices

Period	Social/Economic/ Political Policies and Conditions	Major Policy/ Condition Elements	Economic Impact	External Conditions
		restructuring	employment, development and increase of civil society organizations, drop in per capita income, increase in poverty, pressure on the budget due to retrenchments and paying off ZCCM debt (K430 billion annually), and market flooded with imports from South Africa and Zimbabwe	
1992	Economic liberation and restructuring continued	Bureaux de Change introduced, most current account transactions freed	Rapid depreciation of the Kwacha, prices of commodities sky rocket (hyper inflation)	
	Liberalisation of interest rates	Interest rates market determined	Nominal interest rates sky rocket, investment and real growth decline	

Period	Social/Economic/ Political Policies and Conditions	Major Policy/ Condition Elements	Economic Impact	External Conditions
1993	Consolidation of exchange rate system	Introduction of inter-bank dealing in foreign exchange	Excessive pressure on the exchange rate dampens	
	Control of inflation	Active trading in treasury bills	Nominal interest rates put under increased pressure	
1994	All exchange control measures abolished	All current and capital accounts transactions freed	Exchange rate depreciates faster and nominal interest rates increase, investments decline, capital flight, dumping of imported commodities on market	
1994	Industry, Commerce and Trade Policy approved 29th July	To open competitive industrial sector	Industries still uncompetitive and high production costs compared to other countries	
1996	Housing Policy approved 10th April	Provide adequate housing for all income groups	Government and council houses sold, housing stock not increasing at 80,000	

Period	Social/Economic/ Political Policies and Conditions	Major Policy/ Condition Elements	Economic Impact	External Conditions
			annually as planned	
1997	Road Sector Investment Programme approved 2nd February	Appropriate investment in the sector to stimulate growth	Few urban roads improved and rural roads remained undeveloped	
	National Policy on NGOs considered by Cabinet 7th April	NGO coordination		
1998	National Environmental Policy approved 8th August	Sustainable management and utilization of resources	Deterioration of resources continued	
	Agricultural Sector Investment Policy	Make the agricultural sector competitive	No impact as project was top heavy and drop in agricultural contribution to GDP	
	National Forestry Policy approved 2nd September	Enhance the contribution of the sector to GDP	Increase in investment has occurred	

Period	Social/Economic/ Political Policies and Conditions	Major Policy/ Condition Elements	Economic Impact	External Conditions
	Tourism Policy approved	Sustainable development of tourism sector		
	National Drug Policy approved 24th November	Equity distribution of safe drugs to all Zambians		

Source: Data from Ministry of Finance and National Planning and personal experience 1982-2006

Appendix 1.2: Refugees hosted in Zambia, 1967-2004

Year	Namibia	Angola	Congo DR	Mozambique	S/Africa	Zimbabwe	Burundi	Rwanda	Somalia	Uganda	Others	Total
1967		11,000										11,000
1968		12,800										12,800
1970	850	9,000		4750							1,400	16,000
1971	900	11200		4,600	300							17,000
1972		17,200		6,400							1,400	25,000
1973	3,000	22,000		10,000	500						1,500	37,000
1974	3300	25000		10,000	600						1100	40,000
1975	3,400	30,000		450	500						1650	36,000
1976	3350	28000		360							1890	33000
1977	2700	28,000		360		30000					1890	64,000
1978	5500	26,000				45,300					3500	80,000
1979											57,000	57000
1980	5500	22000	5000		3500							36000
1981	4300	29100	4700		2200						200	40500
1982											58,000	58000
1995											31347	31347
1996											31685	31685
1997											32549	32549

1998											34983	34983
1999											177,498	177490
2000											233,006	233006
2001											259,588	259588
2002	209050		49071				1828	5506	937	227	401	267020
2003	193053		57354				2070	5779	1006	232	324	259822
2004	120492		72535				2239	6250	1711	736	8768	212731

Source: Ministry of Home Affairs 2000

Appendix 1.3: Sector contribution to GDP, 1990-2002, constant 1994 prices

Source: Economic Report, 2002

KIND OF ECONOMIC ACTIVITY	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
Agriculture, Forestry and Fishing	12.7	13.6	9.7	15.3	13.5	18.4	17.2	15.8	16.3	17.5	17.2	16.0	14.9
Agriculture					4.9	9.4	8.7	7.9	8.0	8.7	8.5	7.6	6.5
Forestry					4.8	5.1	4.9	5.0	5.3	5.4	5.4	5.4	5.4
Fishing					3.9	4.0	3.5	2.9	3.0	3.5	3.3	3.0	2.9
Mining and Quarrying	19.4	17.8	21.4	18.4	16.7	12.4	12.0	11.8	9.0	6.6	6.4	7.0	7.9
Metal Mining					16.5	12.2	11.8	11.6	8.8	6.5	6.2	6.8	7.7
Other mining and quarrying					0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.1
PRIMARY SECTOR	32.1	31.4	31.0	33.7	30.2	30.8	29.2	27.6	25.3	24.2	23.6	22.9	22.7
Manufacturing	9.3	9.5	11.2	9.9	9.8	10.0	9.9	10.1	10.5	10.5	10.5	10.5	10.7
Food, Beverages and Tobacco	4.4	4.7	6.2	5.7	6.0	6.4	6.2	5.8	6.2	6.4	6.2	6.3	6.4
Textile, and leather industries	1.8	1.6	1.6	1.1	1.1	1.0	1.2	1.6	1.8	1.9	1.8	1.8	1.9
Wood and wood products	0.9	1.0	1.0	1.0	0.9	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8
Paper and Paper products	0.2	0.2	0.3	0.2	0.3	0.2	0.2	0.3	0.3	0.3	0.3	0.3	0.3
Chemicals, rubber and plastic prod	1.0	1.0	1.0	1.0	0.8	0.7	0.9	0.9	0.8	0.6	0.9	0.9	0.9
Non-metallic mineral products	0.4	0.3	0.3	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Basic metal products	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.0	0.0
Fabricated metal products	0.6	0.6	0.7	0.5	0.4	0.5	0.3	0.3	0.3	0.2	0.3	0.2	0.2
Other manufacturing n.e.c.	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Electricity, Gas and Water	2.7	2.9	2.9	2.9	3.2	3.3	2.9	2.9	3.0	3.0	2.9	3.1	2.9
Construction	7.5	7.5	7.6	5.8	5.0	4.9	4.1	5.1	4.8	4.8	4.9	5.3	6.0

<i>SECONDARY SECTOR</i>	19.4	19.9	21.7	18.5	18.0	18.2	16.9	18.1	18.2	18.3	18.4	18.8	19.7
Wholesale and Retail trade	15.5	15.4	15.3	15.9	14.8	13.6	17.0	17.2	18.1	18.5	18.3	18.4	18.5
Restaurants, Bars and Hotels	1.2	1.1	1.9	1.7	1.6	1.7	1.8	1.8	1.9	1.8	1.9	2.3	2.3
Transport, Storage and Communication	5.6	5.5	5.9	5.7	6.0	5.7	5.8	5.6	6.2	6.4	6.3	6.2	6.3
Rail Transport	0.9	0.8	1.0	0.7	0.6	0.6	0.6	0.4	0.5	0.4	0.4	0.4	0.5
Road Transport	1.8	2.0	1.8	2.1	2.3	2.3	2.5	2.5	2.9	3.1	3.1	2.9	2.9
Other Transport and Allied Services	1.3	1.2	0.9	0.9	0.9	0.9	0.9	1.0	1.0	1.1	1.1	1.2	1.2
Communications	1.6	1.5	2.3	2.1	2.1	2.0	1.8	1.7	1.8	1.8	1.7	1.6	1.7
Financial Institutions and Insurance	7.2	7.4	7.5	7.3	8.2	10.0	8.6	8.3	8.5	8.6	8.2	7.8	7.9
Real Estate and Business services	4.2	4.2	4.6	4.5	5.0	5.6	6.1	6.6	7.6	8.4	9.5	9.4	9.5
Community, Social and Personal Se	6.8	7.0	7.4	7.1	8.0	8.1	7.8	7.6	7.6	8.0	7.7	7.8	7.7
Public Administration & Defence	3.9	4.0	4.2	4.1	4.6	4.7	4.5	4.3	4.3	4.6	4.4	4.2	4.0
Education	1.8	1.9	2.0	1.9	2.1	2.1	2.1	2.0	2.0	2.1	2.0	2.2	2.3
Health	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.6	0.5
Recreation, Religious, Culture	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3
Personal Services	0.4	0.4	0.4	0.4	0.4	0.4	0.5	0.5	0.5	0.5	0.5	0.5	0.5
<i>TERTIARY SECTOR</i>	40.5	40.6	42.6	42.2	43.6	44.7	47.0	47.1	49.9	51.7	52.0	51.9	52.3
Less: FISIM	(2.7)	(2.8)	(6.2)	(4.2)	(4.7)	(5.7)	(4.9)	(4.8)	(4.9)	(4.9)	(4.9)	(4.8)	(4.7)
TOTAL GROSS VALUE ADDED	89.4	89.1	89.0	90.3	87.1	88.0	88.1	88.1	88.5	89.3	89.1	88.9	89.9
Taxes on Products	10.6	10.9	11.0	9.7	12.9	12.0	11.9	11.9	11.5	10.7	10.9	11.1	10.1
TOTAL GDP AT MARKET PRICES	100.0												

Appendix 1.4: Formal employment trends in Zambia, 1990-2000

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000*	% Change 2000/1990
Formal Employment by Industry	542,300	544,200	546,000	520,000	496,000	484,967	479,400	475,161	467,193	477,508	476,347	-14
Agriculture, Food and Fishing	78,800	77,800	82,000	82,800	78,300	69,079	68,300	58,898	58,898	60,000	59,377	-33
Mining and Quarrying	64,700	64,800	62,100	58,200	51,200	52,215	47,700	42,498	39,160	38,521	35,042	-85
Manufacturing	77,100	75,400	73,600	67,600	57,100	55,654	47,400	47,118	46,685	46,000	47,782	-61
Electricity, Gas and Water	7,100	7,600	8,400	5,700	5,100	5067	4,400	5,009	5,237	5,300	5,049	-41
Construction	33,400	33,100	27,800	22,100	17,500	10518	13,100	17,106	13,459	12,895	13,828	-142
Trade and Distribution	55,100	53,200	51,300	49,300	49,900	41398	46,800	48,893	48,964	51,097	52,336	-5
Transport and Communication	33,800	34,300	31,100	29,000	29,000	36542	38,300	45,963	45,840	45,000	46,719	28
Fin. Real Estate and Bus. Services	32,900	35,800	39,000	37,000	34,100	41,890	37,600	37,862	35,276	34,682	31,483	-5
Comm., Social and Personal Services	159,400	162,200	170,700	168,300	173,800	172604	175,800	169,814	173,674	184,013	184,731	14
Formal Employment by Sector	542,300	544,200	546,000	520,000	496,000	484,967	479,400	475,100	467,193	477,508	476,347	-14
Central Government (civilian)			141,000	130,700	131,600			129,200	117,250	112,345	101,300	100
Local Authorities			24,100	23,700	18,900	18,600		15,100	13,048	12,900	12,500	100
Parastatal Companies			169,700	166,900	157,200	147,700		73,900	68,046	65,300	65,700	100
Private Sector Companies			212,400	204,200	201,800	205,700		256,900	268,849	286,963	296,847	100

Source: Economic Reports, 1990-2000

Appendix 1.5: Sector distribution of transactions, 2002

Ownership	No of Units	Percent	Transaction Values (million) ⁴⁰		
			ZMK	US\$	SAR
Agriculture	73	28.7	10,465	46	3
Manufacturing	22	8.7	810	17	0
Mining and Energy	25	9.9	326	327	0
Tourism	60	23.6	3,903	18	0
Trading	40	15.7	3,022	0	25
Construction and Engineering	17	6.7	4,658	11	0
Other	17	6.7	1,219	6	0
Total	254	100	24,403	425	28

Source: World Bank 2002, with own additions

⁴⁰ The values are preliminary and indicate only the agreement figures and not the actual effected by the buyers.

Appendix 1.6: Total debt stock by creditor type, 1999-2003 (in US\$ Millions)

Creditor	1999	2000	2001	2002	2003	% Of Total
Bilateral:	2676.5	2438.6	2660.3	2634.7	2755.1	40.4
Of which;						
Paris Club	2405.1	2179.3	2282.4	2363	2371.3	34.8
Austria	8.4	9.2	9.8	10.7	12.1	0.2
Brazil	73.5	68.7	70.5	71.6	83.5	1.2
Canada	51.4	49.3	49.5	58.4	47.8	0.7
France	119.9	105.2	110.3	122.6	162.5	2.4
Germany	591.3	410.1	483.2	578.5	573.4	8.4
Italy	80.1	92.7	104.9	71.7	123.6	1.8
Japan	742	698.7	545.7	638.6	499.2	7.3
Russia	138.5	138.5	274.3	165.7	146.7	2.2
United Kingdom	352	344.2	359.9	356.7	501.3	7.4
United States	248	262.7	274.3	288.5	221.2	3.2
Non-Paris Club	271.4	259.3	377.9	271.7	383.8	5.6
China	126.5	127.4	132.4	144.5	177.3	2.6
India	12.3	14.7	14.9	14.9	9.4	0.1
Iraq	69.1	69.1	62.8	62.8	65.9	1
Romania	16.4	16.4	16.4	16.4	14.3	0.2
Others	41.5	31.7	151.4	33.1	116.9	1.7
Multilateral:	3375.1	3404.3	3346.4	3855.1	3422.8	50.2
Of which;						
IMF	1219.2	1128.5	992	965.9	858.7	12.6
IDA	1653.8	1788.7	1826.1	2481.2	2124.6	31.2
ADF	320.7	328.4	318.7	296.2	258.6	3.8
IBRD	14.5	11.4	10.9	9.8	3.3	0
Other	166.9	147.3	198.7	102	177.6	2.6
Commercial / Personal	158.6	158.6	158.7	158.6	158.6	2.3

Pipeline						
Private	42.3	251.7	673.6	511.8	478.9	7
TOTAL	6,252.50	6,253.20	6,839.00	7,160.20	6,815.40	100

Appendix 1.7: Stock of domestic arrears

Expenditure Type	2002	2003	% Change	% Share
Personal Emoluments (PE's)	94.40	91.13	-3.59	15.74
Recurrent Departmental Charges (RDCs)	199.71	194.18	-2.85	33.54
Capital (CAPEX)	140.52	293.59	52.14	50.72
Total	433.63	578.90	25.09	

Source: Ministry of Finance and national Planning 2005

Appendix 2.1: Forces, issues and trends in the competitive environment

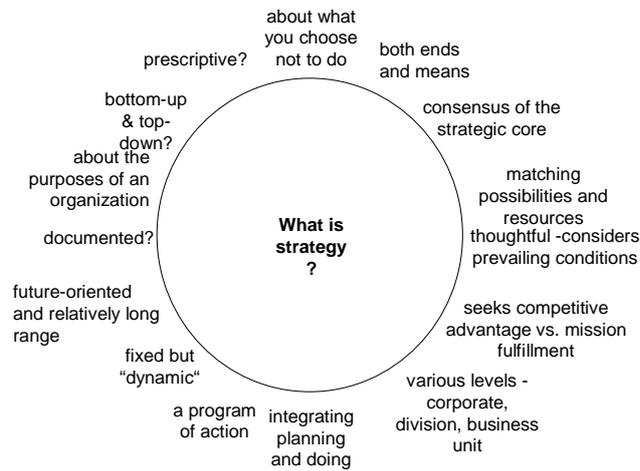
Forces, issues and trends in the competitive environment can be identified by considering its five components: customers, competitors, suppliers, partners and the industry.



Customers	Competitors	Partners	Suppliers	Industry
Who they are. What they do. What they need. What we offer. What others offer them.	What are competitors (existing and emerging) doing that could effect our competitive advantage?	What are the aspirations of our partners and how does this add to or detract from our value proposition.	How are our suppliers changing and what effect will this have on our organization?	What groups make up the industry? What opportunities and threats do they pose?

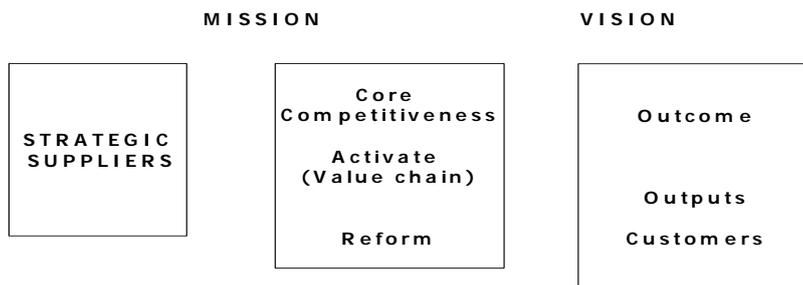
Appendix 2.2: Strategic planning cycle

THE CYCLE OF STRATEGY



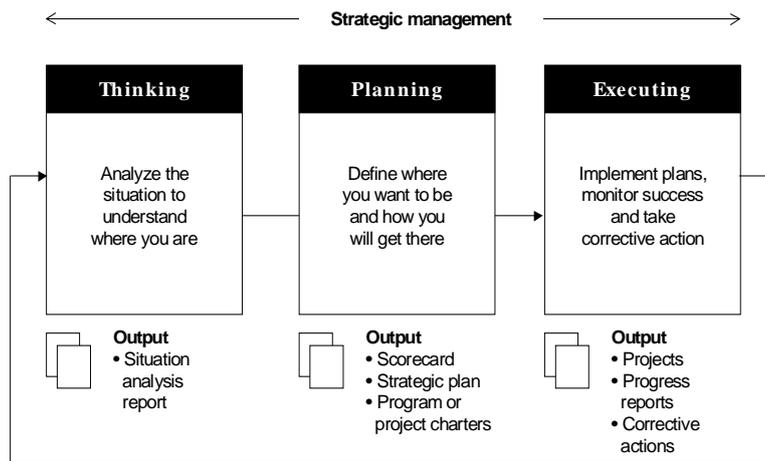
Source: Michael Solomon Practical Strategic Planning 2002

Appendix 2.3: Core elements of the mission and vision in the strategic planning process



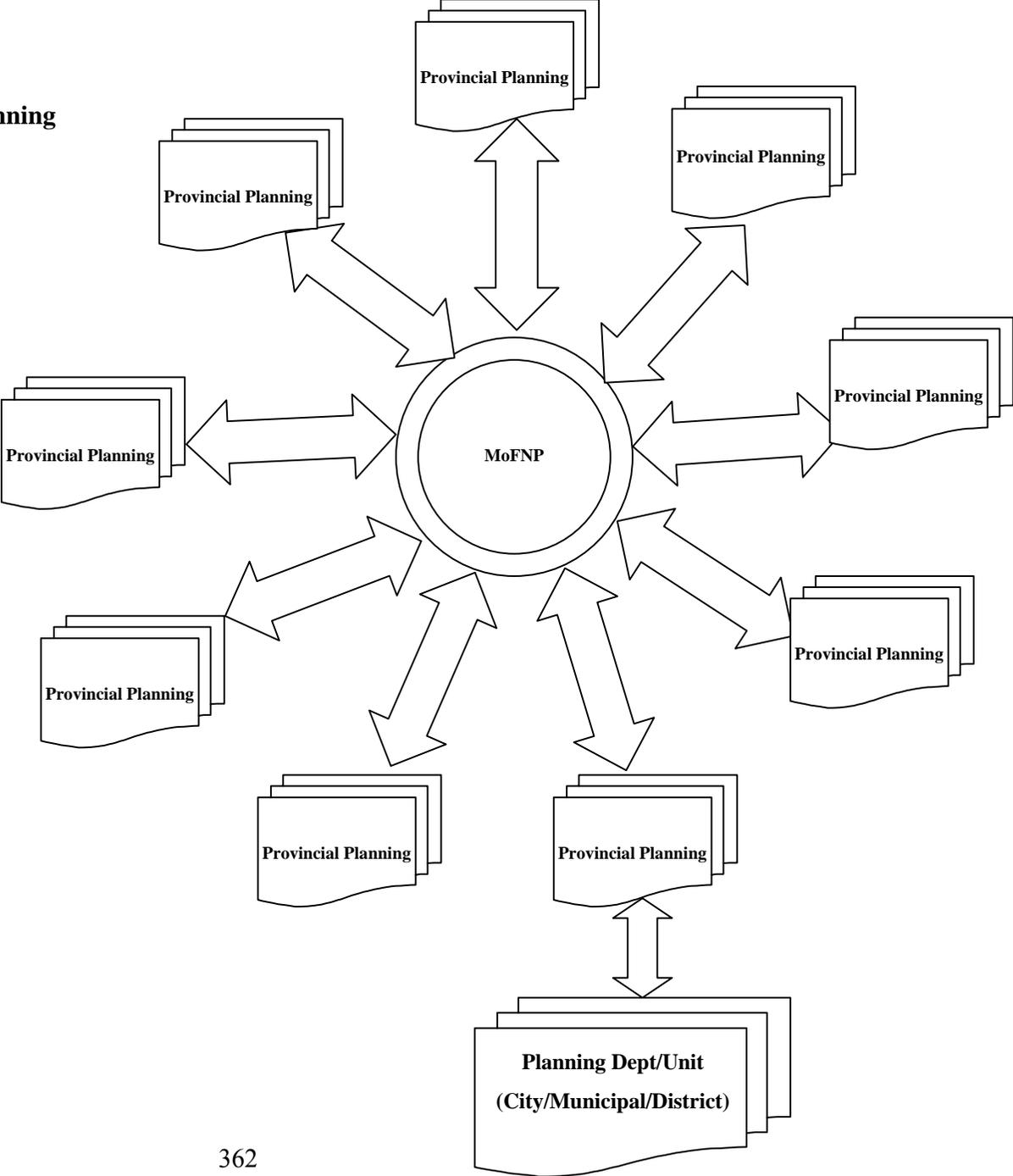
Source: Michael Solomon Practical Strategic Planning 2002

Appendix 2.4: Strategic management components



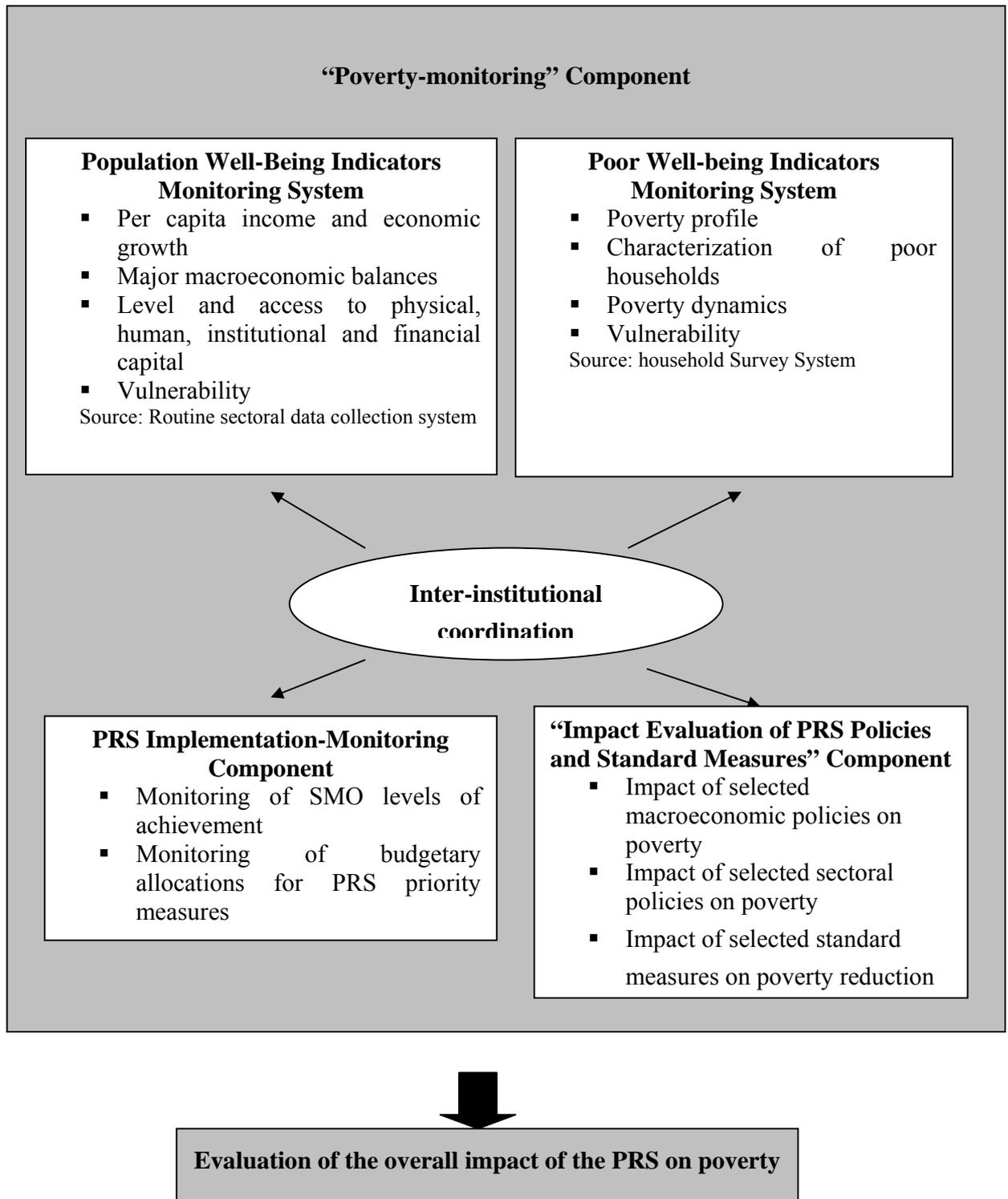
Source: Michael Solomon *Practical Strategic Planning 2002*

Appendix 2.5: Linkages of the National Planning Information System



Source: Imbwae and Masialeti 2002

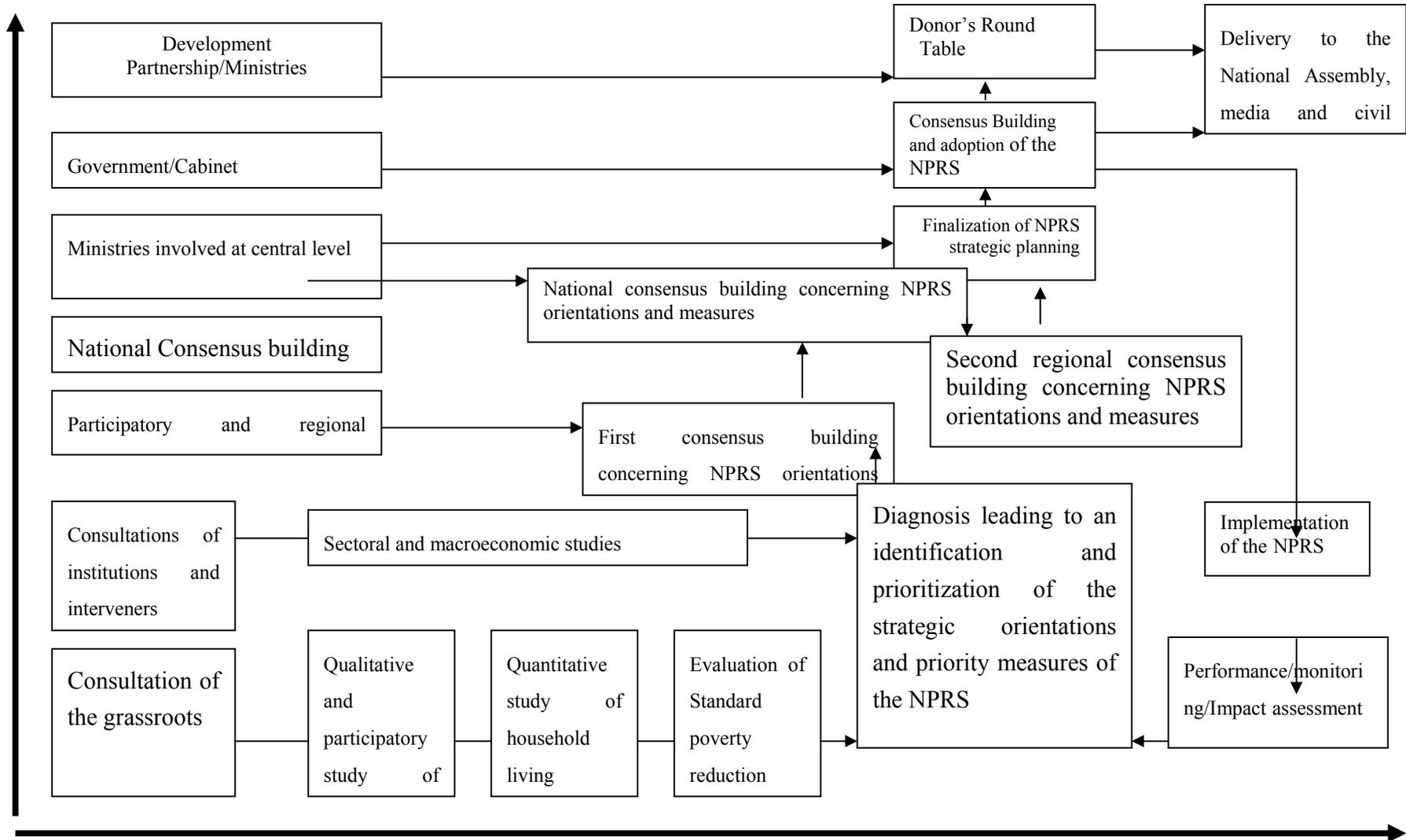
Appendix 2.6: Components of the PRS Monitoring and Evaluation System



Source *Idea international 2001: 104*

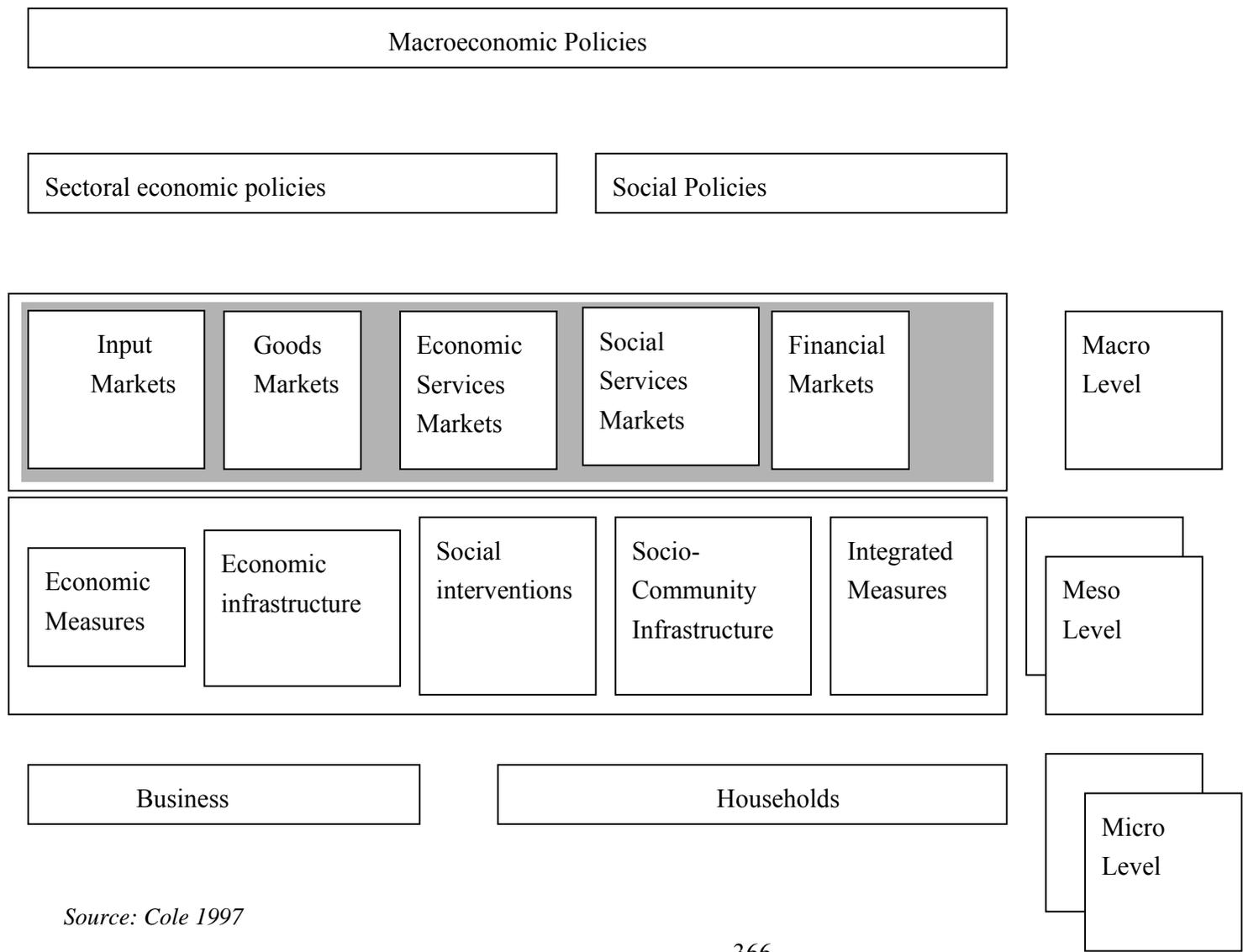
Appendix 2.7: Consensus-Building Framework for Mali's NPRS Development Process

LEVELS OF PARTICIPATION AND CONSENSUS BUILDING



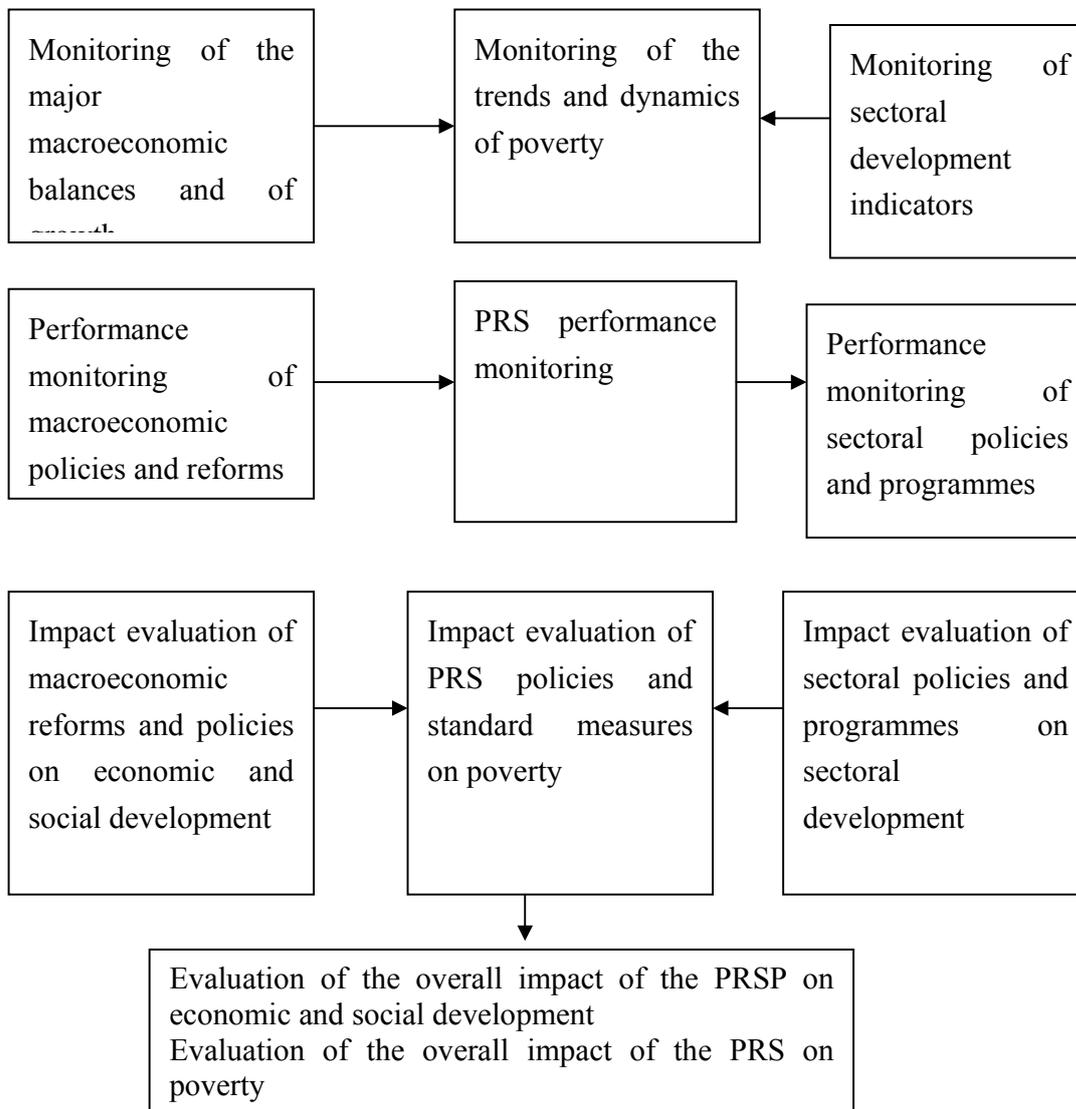
Appendix 2.8: Links between Macroeconomic and Sectoral Policies and Direct Poverty Reduction Measures

Source: Cole 1997



Source: Cole 1997

Appendix 2.9: Suggested PRSP Monitoring and Evaluation System



Source: Idea International 2001: 215

Table 2.9: Summary of irrigation potential in Zambia

Catchments/basin area	Existing Scheme (ha)	Additional irrigation Potential	Total Potential (ha)	Percent of Total Potential
Upper Zambezi basin	2,000	110,000	112,000	26
Kafue basin	13,000	152,000	165,000	39
Luangwa Basin	-	14,000	14,000	-
Luapula and Tanganyika Basin	2,000	62,000	64,000	15
Commercial farms in different basins	8,000	-	8,000	-
Ground water irrigation	N/a	60,000	60,000	14
Total	25,000	398,000	423,000	100

Source: World Bank, Agricultural Sector Strategy: Issues and Options (Quoted by Zambia Investment Centre, undated).

Appendix 3. Discussion on poverty profiles in Zambia

1. Introduction

Chapter 2 of this thesis discussed the concept of poverty and then gave a brief analysis of the situation of in Zambia. This appendix gives more details of the poverty situation in Zambia based on data and statistics during the review period focussing on both income and non-income poverty.

2. Non-income poverty

Considering non-income poverty trends, i.e. in terms of nutrition levels, accessibility to education, health and water and sanitation, the situation has worsened since 1991. Tables 1 and 2 show the trends between 1991 and 2000.

Table 1: Poverty and nutritional status in Zambia, 1991-2000

Nutritional status	% Extremely poor	% Moderately poor	% Non-poor
Stunted	56	52	47
Underweight	27	20	19
Wasted	6	5	4

Source: CSO, Living Conditions Monitoring Survey, 1998:122

Trends in poverty and hunger worsened during the review period.. Poverty among males worsened from 68% in 1991 to 72 % in 1998 and for females it worsened from 73% 1991 to 78% in 1998. (CSO, *Living Conditions Monitoring Survey, 1998: 122*) The manifestation of poverty is in food insecurity, lack of access to socio-economic facilities, such as schools and health centres, and increase in stunted and underweight children. Table 2 shows the food insecurity situation in Zambia in 2001.

Table 2: Food insecurity in Zambia, 2001: population % per province

Province	%
All	67
Western	79
North-western	79
Eastern	75
Northern	71
Luapula	70
Southern	69
Central	69
Lusaka	57
Copperbelt	56

Source: Zambia Human Development Report, 2003: 45

Concerning underweight children, the situation shows worsening levels between 1991 and 1998, as indicated in Table 3.

Table 3: Underweight among children in Zambia, 1991-1998

Province	1991	1993	1996	1998	% Change
Central	22	26	21	23	5
Copperbelt	23	22	22	21	-9
Eastern	28	28	19	22	-21
Lusaka	21	17	19	21	0
Northern	34	31	33	28	-18
North-western	19	16	32	25	32
Southern	18	22	25	25	39
Western	22	33	27	28	27
Luapula	30	31	36	26	-13
National	23	25	25	25	9

Source: Zambia Human Development Report 2003: 48

Table 3 indicates that there was a worsening situation in Western, North-western and Southern Provinces, which deteriorated by 27 percent, 32 percent and 39 percent respectively between 1991 and 1998. On the other hand, there were improvements in Northern, Eastern and the Copperbelt Provinces. Similarly, Figures 3.1 to 3.4 indicate the condition of the quality of life of Zambians in relation to the MDGs targets during the review period. Data available indicate that apart from infant mortalities, all other indicators worsened between 1990 and 2000. For instance, maternal mortality worsened from 649 to 749 per 100,000 in 1996 and 2002 respectively (*Zambia Human Development Report: 2003* 45-49).

In terms of access to basic education too, the situation deteriorated. National Enrolment Rate (NER) in primary schools dropped from 80% in 1990 to 69% in 2000. On the other hand the percentage of pupils reaching Grade 5 also dropped from an average of 80% in 1990 to 65% in 2000 (*Zambia Human Development Report 2003: 49*).

According to the *Zambia Human Development Report (2003)*, the reasons for deteriorating access to education are among other factors are "...deterioration in quality of education, the HIV/AIDS pandemic, cost sharing measures in education resulting in poor parents not being able to afford to send children to school, poor school infrastructure in rural areas, and decline in the number of teachers (*Zambia Human Development Report: 2003: 9*). This is a manifestation of deteriorating socio-economic conditions in Zambia in the 1990s.

On the positive side, child mortality rate improved during the same period. The Infant Mortality Rate dropped from around 107 deaths per 1,000 in 1990 to around 95 deaths per 1,000 in 2002. Further, under-5 mortality also improved from 191 to 168 deaths per 1,000 in 1990 and 2000 respectively (*Zambia Human Development Report 2003: 48*).

According to the Zambia MDGs report the reasons for positive development in infant mortality rates are associated with improved childhood immunization rates (coverage for measles increased from 77% in 1992 to 84% in 2001/2002) and provision of micronutrients such as vitamin A through supplementation and fortification of foods (*Zambia Millennium Development Goals Report 2003: 10*).

Access to safe drinking water in Zambia has increased slightly. In 1992, 48 percent of the households had access to safe drinking water and by the year 2001/2, the proportion of these households increased to 51 percent. However, access to safe drinking water in rural areas is lower than in urban areas as only 37 percent of the rural people have access to safe drinking water whereas it is 89 percent in urban areas (*Zambia Human Development Report:2003: 11*).

In planned urban settlements, local authorities are responsible for the provision of water and sanitation. In rural areas, safe water supply is provided mainly through the drilling of communal boreholes and wells. Due to increased urbanization, many unplanned settlements have developed in Zambia's major cities. However, since these settlements are not recognised and are not part of the planning process, they are deprived of a number of facilities such as infrastructure, good quality water and sanitation and social services by the local authorities. This leads to problems of lack of access to safe drinking water and poor solid waste management. Access to proper sanitation in Zambia is poor. In 1990, only 17% of households had access to improved sanitation and by the year 2000, the proportion of these households dwindled to 15% due to deteriorating infrastructure and lack of investments⁴¹.

As a result of poor sanitation and lack of access to safe drinking water, outbreaks of water borne diseases such as cholera are very common in peri-urban areas along the line of rail.

3. Current status of statistical poverty indicators (income poverty)

The *1998 Living Conditions Monitoring Survey* (LCMS) report provided most of the baseline outcome and impact indicators of well being for the PRSP/TNDP. The current national planning and development agenda was based on the 1998 living conditions survey. CSO later carried a Living Conditions Survey using a different methodology. For this reason, the 2002/2003 survey estimates are not directly comparable to the 1998 estimates mainly due to differences in the methodologies used to collect the data. It is, however, necessary to refer to these data sets on poverty in Zambia based on *Living Conditions Monitoring Survey III*.

⁴¹ For details see Ministry of Health administrative records, 2003.

The current poverty profile is based on the poverty lines constructed from the 2002/2003 LCMS III survey consumption expenditure data. The food basket approach was employed in deriving the extreme (lower) and moderate (upper) poverty lines. The monthly food basket was valued at K336, 847.00 for a family of six at Lusaka prices. The extreme and moderate poverty lines were valued at K64, 530.00 and K92,185.00 in per adult equivalent monthly terms, respectively (LCMS 111: xix). Given these thresholds, households with per adult equivalent monthly expenditures falling below the value of the lower line were classified as extremely poor. On the other hand, households with per adult equivalent expenditure equal to or greater than the cost of the lower line but falling below the cost of the upper line were classified as moderately poor. In this case, non-poor households consisted of those with per adult equivalent expenditure in excess of the cost of the upper line. Therefore, the extremely and moderately poor households constitute the total poor.

According to the 1998 LCMS II report, 73 percent of the populations fell below the poverty line. Conversely, the 2002/2003 (LCMS 2004 III: xix) survey results reveal that 67 percent of the population fell below the poverty line⁴². Although it is not possible to compare the poverty results from the two surveys, levels of absolute poverty have still remained very high in the country. The majority of the population in Zambia continues to live in extreme poverty.

The extremely poor constituted 46 percent of the overall headcount poverty ratio of 67 percent. (LCMS III (2004: xix). Extreme poverty was more of a rural than urban phenomenon, at 52 and 32 percent, respectively. The high levels of poverty particularly extreme poverty in rural areas can be attributed to the poor food production levels prevailing in these areas. The majority of rural households in Zambia depend on consumption of own produce. The LCMS III 2004 (LCMS III 2004: xix) results show that about 75 percent of the rural income is spent on food compared to only 52 percent in urban areas. Of this, consumption of own produce accounted for 55 percent of total household food expenditure in rural areas as opposed to a paltry 4 percent in urban areas. Therefore, the emerging levels of

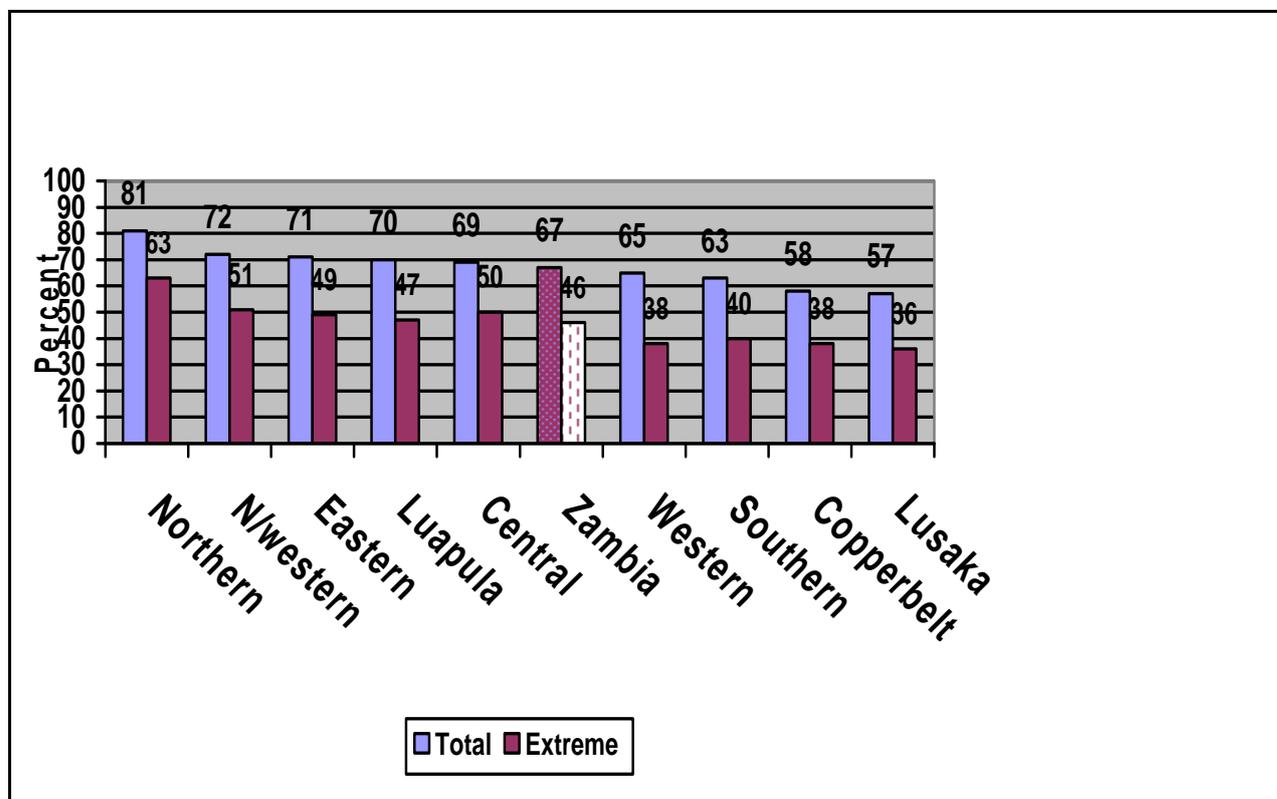
⁴² There should be no direct comparison between the 73% of LCMS 1998 and the 67% of LCMS 2002/2003 since methodologies differed. In 1998, the survey was a spot one for a period of two weeks in one season. In 2002/2003, the survey covered one year.

extreme poverty could be because of not having adequate food for the majority of households in rural areas.

According to Figure 1, high levels of poverty were also identified in remote provinces in Zambia such as Northern Province, at 81 percent, followed by North-western (72 percent), Eastern (71 percent) and Luapula Province (70 percent). The incidence of poverty was lowest in highly urbanized regions such as Lusaka and Copperbelt Provinces, at 57 and 58 percent, respectively (LCMS III 2004: xix).

While the proportion of the population living in moderate poverty did not vary much among the provinces, there were quite significant variations in terms of the proportion of the population living in extreme poverty across the provinces. The rate of extreme poverty varied from 36 percent in Lusaka Province to 63 percent in Northern Province. The observed high levels of extreme poverty in Northern, North-western, Central and Eastern Provinces have a telling effect on the food security situation in these regions. The extremely poor are more likely to be food insecure especially that they are unable to access a simple food basket that meets their minimum nutritional requirements.

Figure 1: Zambia: Incidence of poverty by province, 2002/2003



Source: *Living Conditions Survey Report 2002/3, CSO: 115*

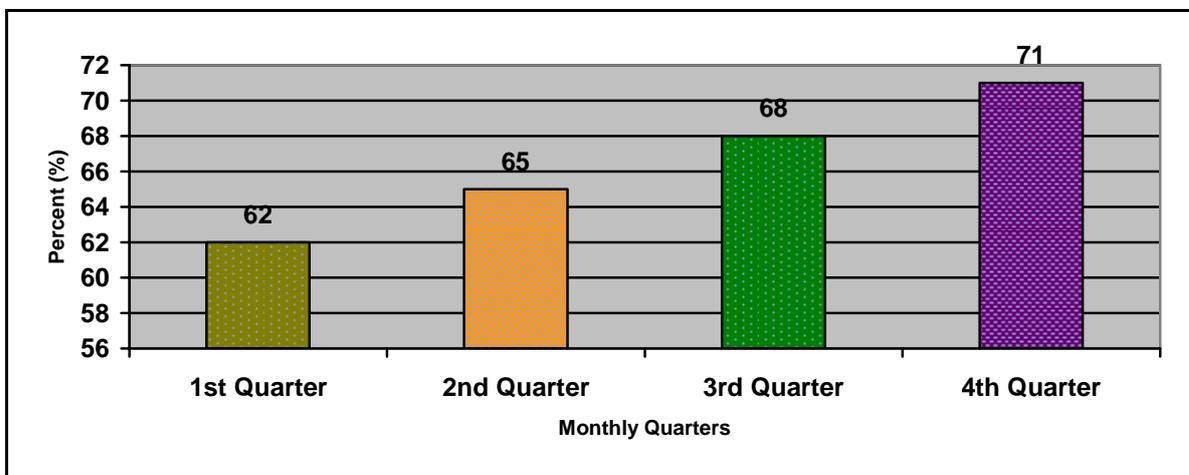
4 Incidence of poverty by quarters

The LCMS III survey collected household consumption expenditure data over a period of twelve months. Therefore, it has been possible to observe how living standards vary with seasonal changes. For the purposes of this analysis, various households covered during the survey were grouped into quarters of three months each. The first quarter covers the first three months of the year namely January, February and March. The second quarter covers April, May and June. The months of July, August and September constitute the third quarter. Finally, the fourth quarter consists of October, November and December.

Figure 2 shows the incidence of poverty by survey quarter. Results in this table reveal high levels of poverty during the fourth quarter of the year, at 71 percent, followed by the third

quarter, at 68 percent. These results clearly exhibit seasonal variations in poverty levels over a year, with the majority of the population living in extreme poverty particularly during the last quarters. Indeed, lower levels of poverty were observed during the first and second quarters of the year, at 62 and 65 percent respectively. The quarterly increase in the proportion of households failing to meet the cost of the food basket has a telling effect on the vulnerability of households to food insecurity, particularly during the fourth quarter.

Figure 2: Zambia: Incidence of poverty by quarters, 2002/2003



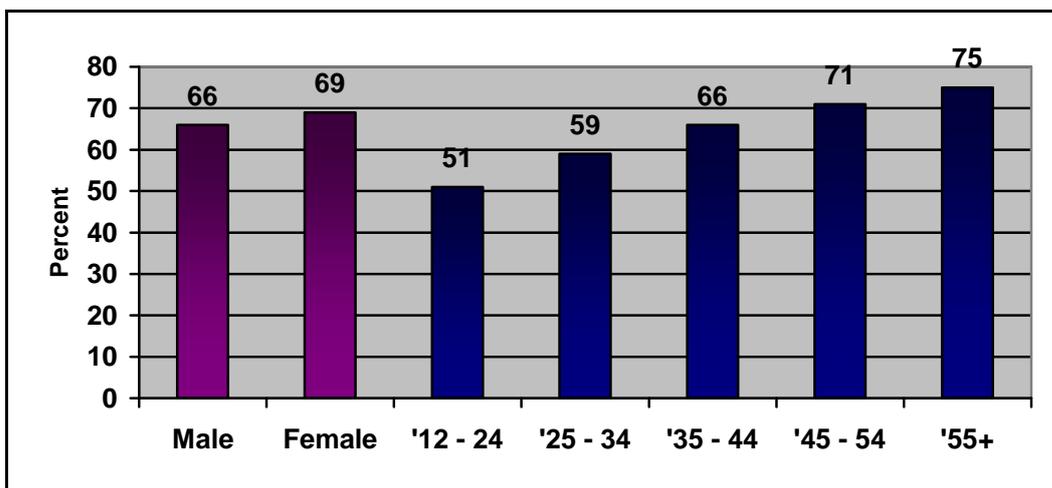
Source: CSO, Living Conditions Monitoring Survey Report (2002/2003): 117

5 Poverty by sex and age of household head

Figure 3 shows the proportion of the population living in moderate and extreme poverty by sex and age of the household head. The incidence of poverty was highest among female (69 percent) than male-headed households (66 percent). The LCMS surveys have shown that the majority of female household heads attained household headship by way of loss of their spouses who in most cases were the breadwinners. These results clearly indicate how difficult it is for female-headed households to acquire adequate food that meets their minimum nutrition requirements. The issue of property grabbing may contribute to the high levels of poverty among female-headed households. There is need to redress this problem by strengthening the laws and intensifying awareness campaigns particularly in rural areas where very few are familiar with various statutes.

Analysis of poverty by age of household head reveals high levels of poverty among households headed by elders. Persons living in households headed by elders are more likely to be poor than those living in households headed by young persons. For instance, poverty rates ranged from 51 percent in the age group 12 to 24 to 75 percent in the age group 55 years and above. Head count poverty was equally high among persons headed by those aged 45 to 54 years. The high level of poverty among persons who are supposed to be living off their benefits is a clear indication of the poor social security system prevailing in the country. The unnecessary delays in paying off benefits to the aged and widows only help to compound the poverty situation in the country (LCMS III 2004: xix).

Figure 3: Poverty by sex and age of household head, 2002/2003



Source: CSO, Living Conditions Monitoring Survey 2002/2003:18

Appendix 4:1 Data collection interview schedules on planning, policy development and implementation in Zambia in the 1990s for individuals and organizations

- a) Name of respondent.....
- b) Organization (government, private, NGO, academia, etc.)
- c) Position.....
- d) Date of interview...../...../2005

1. How is policy developed in your institution/area of concern and how does this relate to the overall policy development in Zambia?

.....
.....
.....
.....
.....
.....

2. Are there contradictions in policy development and content? Elaborate.

.....
.....
.....
.....
.....
.....

3. What is the thrust (focus) of each of the policies developed?

.....
.....

4. What are the institutional arrangements for policy development in your area/institution and how are these related to national policy mechanisms and institutions and development?

.....
.....
.....

5. What are the instruments available to guide policy development and implementation in your area/institution and Zambia as a whole and what are the consultative processes? Are these instruments sufficient? What can be done to improve the instruments and the process?

.....
.....
.....

6. What are the strengths and weaknesses in policy development and implementation in Zambia?

.....
.....
.....
.....
.....

7. In the 1990s, how have you and other interest groups influenced policy development in Zambia? Can you say you have added quality to policy development and if so how and what has been the impact of such policies?

.....
.....
.....
.....

8. Has lack of strong planning institutions and structures contributed to growing poverty levels and poor performance of the economy? How?

.....
.....
.....
.....

9. Kindly reflect on policy development and planning in Zambia:

- What kind of process and structures would you recommend for planning, policy development and implementation?

.....

- What do you think are the problems of completely abandoning planning in Zambia by the MMD government in 1991?

.....

- Do you think planning should be reintroduced **If yes** which people and organizations should be involved at the national, provincial, district and sub-district levels in the planning process and why?

.....

Category	Interest groups	Why they should be involved	Your comment		

10. At what level should planning be carried out?

Level	Tick required level(s)	What kind of structure is required at that level?	What consultative process do you recommend?	Any other comment
Ministerial				
Provincial				
District				
Sub-district				
National				
Other (Specify)				

4.2 Data collection schedules on planning, policy development and implementation for focused groups in relation to the district planning process in Zambia in the 1990s

1. Basic data:

- Name of the district.....
- Province.....
- Date DDCC meeting held.....

2. Analyze the district submissions and record the following:

- Who attended the meeting (categories e.g. NGOs, churches, etc.)
- List the major policy recommendation

3. What did the district say or recommend on the following subjects:

- What are the strengths and weaknesses in policy development and implementation in the district?

.....

.....

.....

.....

.....

.....
.....
.....
.....

- Has lack of strong planning institutions and structures contributed to growing poverty levels and poor performance of the economy? How? What did the district say?

.....
.....
.....
.....

4. Kindly reflect on policy development and planning in Zambia and in that particular district:

- What kind of process and structures did the district recommend for planning, policy development and implementation?

.....
.....
.....

- What did they think are the problems if any of completely abandoning planning in Zambia by the MMD government in 1991?

.....
.....
.....
.....

- What did they recommend in terms of planning structure and which people and organizations should be involved at the national, provincial, district and sub-district levels in the planning process and why?

.....
.....
.....
.....

5. What did the district say about the level at which planning should be and what kind of structure and institutions would be required?

Level	Tick required level(s)	What kind of structure is required at that level?	What consultative process did they recommend?	Any other comment
Ministerial				
Provincial				
District				
Sub-district				
National				
Other (Specify)				

6. Look at the recommendations and submissions of the district.

- Did they face any problems in organizing the planning process in the district and what were the problems?

.....

- What were the achievements in planning area for the district?

.....

- What have been the major challenges?

.....

.....
.....
.....

- What did they recommend for the future of planning in that district?

.....
.....

Appendix 5.1: Persons and Organizations Interviewed

N0.	Name of Respondent	Organization	Position of Respondent	Date of Interview
1	Mwanza, Misheck	Private	Consultant	4 th August 2005
2	Kabwiko, W.A.	Private	Consultant	4 th August 2005
3	Dr. Kasanda, S.M.	Education for All Secretariat	Executive Secretary	4 th August 2005
4	Sikabanze, M.A.	Private	Consultant	4 th August 2005
5	Kayamba, M.A.	Ministry of Labour	Consultant	4 th August 2005
6	Chilomo, P.	Private	Consultant	4 th August 2005
7	Kamuna, Christine	ZAMSIF	Regional Facilitator	19 th August 2005
8	Yamba, F.K.	Ministry of Trade, Commence and Industry	Director of Planning	25 th July 2004
9	Ndumingu, N.	Private	Business Analyst	3 rd September 2004
10	Katundu, C.	Education	Chief Planning Officer	3 rd September 2004
11	Mpepo, B.	CSPR	Coordinator	16 th August 2004
12	Zulu, J.J.	JCTR	Policy Analysis Coordinator	8 th August 2004
13	Kapinga, A.M.	Ministry of Works and Supply	Assistant Director	25 th August 2004
14	Siakasiya, S.	National Registration Department	Registration Officer	8 th September 2004

N0.	Name of Respondent	Organization	Position of Respondent	Date of Interview
15	Muyawanyoka, D.	Ministry of Agriculture	Director HRA	30 th August 2004
16	Chitula, F.	PAZA	Executive Secretary	9 th August 2004
17	Chisanga, S.	ZAMSIF	Programme Officer	19 th July 2005
18	Kamuna, C.	ZAMSIF	Regional Facilitator	19 th July 2005
19	Choolwe, P.	MoFNP	Assistant Director	19 th July 2005
20	Chilikwela, R.	ZAMSIF	Programme Officer	19 th July 2005
21	Serpell, R	UNZA	Vice-Chancellor	22 nd July 2005
22	Salimu, P.	.ZAMSIF	Regional Facilitator	20 th July 2005
23	Mwale, E	ZAMSIF	Operations Coordinator	21 st July 2005
24	Chikwanda. E.	Agriculture	Planning Officer	30 th August 2004
25	Khondowe, M.	Cabinet Office	Director, PSCAP	24 th August 2004
26	Ndumingu, N.	ZPA	Business Analyst	10 th August 2004
27.	Hantuba, S.	Agriculture	Acting Director	8 th August 2004
28.	Sifwafula Collins	Zambia Investment Centre	Manager Research and Planning	14 th August 2004
29	Simwinga, A.	MoFNP (IDM)	Director	14 th August 2004
32	Hon. E. Hachipuka	National Assembly	Chairperson Estimates Committee	15 th July 2005
33	Hon. Mwale M.	National Assembly	Member, Estimates Committee	15 th July 2005
34	Hon. Nyirenda T. K.	National Assembly	Member Estimates Committee	15 th July 2005
35	Hon. Muleya .J.	National Assembly	Member Estimates Committee	15 th July 2005
36	Hon. P.	National	Minister of Finance	15 th July 2005

N0.	Name of Respondent	Organization	Position of Respondent	Date of Interview
	Magande	Assembly		

5.2 District Councils, Chiefs and Provinces Interviewed

N0.	Name of the Council	Province	How interview was carried out	Date of Interview
1	Chadidza	Eastern	DDCC meeting	22 nd April to 14 th May 2005
2	Nakonde	Northern	DDCC meeting	22 nd May to 18 th June 2005
3	Luwingu	Northern	DDCC meeting	22 nd May to 18 th June 2005
4	Isoka	Northern	DDCC meeting	22 nd May to 18 th June 2005
5	Chinsali	Northern	DDCC meeting	22 nd May to 18 th June 2005
6	Mpika	Northern	DDCC meeting	22 nd May to 18 th June 2005
7	Kalomo	Southern	DDCC meeting	22 nd May to 18 th June 2005
8	Itezhi Tezhi	Southern	DDCC meeting	22 nd May to 18 th June 2005
9	Mungwi	Northern	DDCC meeting	22 nd May to 18 th June 2005
10	Chingola	Copperbelt	DDCC meeting	22 nd May to 18 th June 2005

N0.	Name of the Council	Province	How interview was carried out	Date of Interview
11	Mpongwe	Copperbelt	DDCC meeting	22 nd May to 18 th June 2005
12	Mufulira	Copperbelt	DDCC meeting	22 nd May to 18 th June 2005
13	Kitwe	Copperbelt	DDCC meeting	22 nd May to 18 th June 2005
14	Lufwanyama	Copperbelt	DDCC meeting	22 nd May to 18 th June 2005
15	Ndola	Copperbelt	DDCC meeting	22 nd May to 18 th June 2005
16	Chililabombwe	Copperbelt	DDCC meeting	22 nd May to 18 th June 2005
17	Luanshya	Copperbelt	DDCC meeting	22 nd May to 18 th June 2005
18	Masaiti	Copperbelt	DDCC meeting	22 nd May to 18 th June 2005
19	Copperbelt Chiefs	Copperbelt	Special meeting with chiefs	22 nd May to 18 th June 2005
20	Eastern Province Royal Foundation	Eastern	Special meeting with Eastern Province Royal Foundation	22 nd April to 14 th May 2005
21	Kabwe	Central	DDCC meeting	22 nd April to 14 th May 2005
22	Chibombo	Central	DDCC meeting	22 nd April to 14 th May 2005
23	Serenje	Central	DDCC meeting	22 nd April to 14 th May 2005

N0.	Name of the Council	Province	How interview was carried out	Date of Interview
24	Mkushi	Central	DDCC meeting	22 nd April to 14 th May 2005
25	Mumbwa	Copperbelt	DDCC meeting	22 nd April to 14 th May 2005
26	Kapiri Mposhi	Copperbelt	DDCC meeting	22 nd April to 14 th May 2005
27	Chipata	Eastern	DDCC meeting	22 nd April to 14 th May 2005
28	Nyimba	Eastern	DDCC meeting	22 nd April to 14 th May 2005
29	Petauke	Eastern	DDCC meeting	22 nd April to 14 th May 2005
30	Chadiza	Eastern	DDCC meeting	22 nd April to 14 th May 2005
31	Chama	Eastern	DDCC meeting	22 nd April to 14 th May 2005
32	Lusaka	Lusaka	DDCC meeting	20 th to 25 th June 2005
33	Kafue	Lusaka	DDCC meeting	20 th to 25 th June 2005
34	Luangwa	Lusaka	DDCC meeting	20 th to 25 th June 2005
35	Chongwe	Lusaka	DDCC meeting	20 th to 25 th June 2005
36	Mansa	Luapula	DDCC meeting	28 th May 19 th June 2005
37	Samfya	Luapula	DDCC meeting	28 th May 19 th June 2005
38	Kawambwa	Luapula	DDCC meeting	28 th May 19 th June 2005
39	Nchelenje	Luapula	DDCC meeting	28 th May 19 th June 2005
40	Mwense	Luapula	DDCC meeting	28 th May 19 th June 2005
41	Chienge	Luapula	DDCC meeting	28 th May 19 th June 2005
42	Milenge	Luapula	DDCC meeting	28 th May 19 th June 2005
43	Meeting with chiefs of	Luapula	Special meeting with chiefs	28 th May 19 th June 2005

N0.	Name of the Council	Province	How interview was carried out	Date of Interview
	Luapula Province			
44.	Solwezi	North-western	DDCC meeting	14 th April 2005
45	Kasempa	North-western	DDCC meeting	22 nd April to 14 th May 2005
46	Mwinulunga	North-western	DDCC meeting	22 nd April to 14 th May 2005
47	Chavuma	North-western	DDCC meeting	22 nd April to 14 th May 2005
48	Mumfumbwe	North-western	DDCC meeting	22 nd April to 14 th May 2005
49	Zambezi	North-western	DDCC meeting	22 nd April to 14 th May 2005
50	Kasama	Northern	DDCC meeting	22 nd May to 18 th June 2005
51	Isoka	Northern	DDCC meeting	22 nd May to 18 th June 2005
52	Mbala	Northern	DDCC meeting	22 nd May to 18 th June 2005
52	Luwingu	Northern	DDCC meeting	22 nd May to 18 th June 2005

BIBLIOGRAPHY

Acemoglu, Dron, Simon Jhonson and James A. Robinson. 2003. "An African Success Story: Botwana", Chapter 4 in *Search of Prosperity: Analytical Narratives on Economic Growth*, edited by Dan Rodrk, :Princeton University Press, pp. 80-119.

Afrodad. 2002. *Comparative analysis of five African countries with completed PRSP*. Harare: Kwik Print.

Afrodad. 2003. *2003/4 reality of aid*. Harare: High Gloss Printers.

Aurther, AT, AJ. Strickland and JE. Gamble. 2005. *Crafting and executing strategy: The quest for competitive advantage, concepts and cases*. London: McGraw-Hill.

Aurther, AT., AJ. Thompson and AJ. Strickland. 2005. *Strategic management, concepts and cases*. London: McGraw-Hill.

Baylies, CM. S. 1996. "Presidential and parliamentary elections which replaced Kaunda." *Review of African Political Economy* 24 (28).

Beryl Harman.1997. The Government Performance and Results Act: Strategic Planning of the Future: Acquisition Review Quarterly, Summer, Washington DC

Bamidele Olowu .2001. African Decentralization and Practices from 1980s and beyond working paper 334: ISS, The Hague Holland

Balaji S. Chakravarthy and Peter Lorancge .1993. Strategic Planning and Control: 238 Main Street Suit 501 Cambridge Massachusetts USA

Cabinet Office. 1995. Cabinet Office Circular N0 1 of 1995, Lusaka.

CSPR. 2005. Evaluation of the 2002-2004 Poverty Reduction Strategy Paper, Lusaka.

Chikwanda E.2004. Planning Officer, MACO. Personal interview 30th August 2004, Lusaka.

Carnony, M. and M. Castells. *Globalisation: The knowledge society and the network state. Global Networks* 2001 1 January 2001: 1-18.

Castells, M. 1996a. *The information age, economy, society and culture*. Volume 1. Massachusetts, USA: Blackwell Publishers.

Castells, M. 1996b. *The rise of network society*. Oxford: Blackwell Publishers.

Castells, M. 1999. *End of the Millennium*. Maiden, USA: Blackwell Publishers.

Central Statistical Office (Zambia), Central Board of Health (Zambia), and ORC Macro. 2003. *Demographic and Health Survey 2001-2002, Lusaka*.

Centre for Southern African Studies. 1991. *Southern African Perspective*. Cape Town: University of the Western Cape.

Chilikwela, R. 2005. Programme Officer, ZAMSIF. Personal interview. 19 July, Lusaka.

Chisanga, S. 2005. Programme Officer ZAMSIF. Personal interview. 19 July Lusaka.

Chitala, M. 2004. Personal interview. 24 April, Lusaka.

Chitula, F, 2004. PAZA Executive Secretary. Personal Interview. 8 and 9 August, Lusaka.

Choolwe, P. 2005. Assistant Director Ministry of Finance and National Planning. 2005. Personal interview. 19 July, Lusaka.

Cliffe, L. and Saul, JS. 1973. *Socialism in Tanzania*. Dar es Salaam: East African Publishing House.

Cole, GA. 1997. *Strategic management, theory and practice*. 2nd edition: London: Thomson Learning.

Commission for Africa. 1989. *The Economic cost of front-line resistance to Apartheid*. Harare: Heinemann Press.

Copestake, M. 2000. "Pitfalls of debt reduction: A counterfactual case study of Zambia

during the early 1990s”. *Journal of International Development* 12: 585-600.

Craig J. 2000. “Evaluating privatization in Zambia: A tale of two processes”. *Review of African Political Economy*. 27 (85): 357-366.

Central Statistical Office. 1992, 1994. *External Trade Bulletin*. Lusaka : Government Printers.

Cabinet Office . 1993. *Public Service Reform Programme*. Lusaka :Government Printers.

Cabinet Office. 1996. *Guide to writing Cabinet Memoranda*. Lusaka : Cabinet Office.

Cabinet Office. 2000. *Public Service Capacity Building Project*. Lusaka.

Cabinet Office.. 2002. *The Cabinet Handbook*. Lusaka.

Cabinet Office . 2002. *Guide to writing National Policy Documents and Cabinet Memoranda*. Lusaka.

Central Statistics Office. 2004. *Living Conditions Monitoring Survey, 2002/2003*: Lusaka

Cabinet Office. 2004. *Zambia’s progress report on the implementation of the Beijing Platform of Action*. Lusaka.

Central Statistics Office. 1999. *Living conditions in Zambia: 1998 Preliminary report*. Lusaka. Living Conditions Monitoring Branch, Lusaka.

David, R. 1996. Ed. *Structural Adjustment, the environment, and sustainable development*. London: Earthscan Publications.

Demery, L. 1994. “Structural Adjustments: Its origin, rationale and achievements”, in *From Adjustment to poverty reduction in Africa*. Edited by Giovanni Andrea Cornia and Gerald K. Helleiner. London: Macmillan Press.

Development Economist Intelligence Unit. Country Report for Zambia. 1986(1, 4), 1988(1), 1992 (1,3,4), 1993 (1).

Derick W. Brinkerhoff and Nicolas. P. Kulibaba.1994. Perspectives on Participation in Economic Policy Reform, Working Paper no. 8 USAID policy Change Project, Global

Bureau, Centre for Democracy and Governance, Washington DC.

Elliot C. (1971) ed. *Constraints on the economic development of Zambia*, Lusaka: Oxford University Press.

Equinox Minerals Ltd, TD Securities. 2005. *TD securities* (Unpublished).

Edella Schlager.1999. A comparison of frameworks, theories and Models of policy process in Theories of the Policy process Theoretical lessons on Public Policy edited by Sabatier Paul: Westview Press Colarado.

Edward J. Blakelly and Ted K. Brandshaw.2002. Planning local Economic Development: Sage Publication Inc, London UK.

Elibeth Frizsell, Mary O Brien and Lynda Arnold .2004. Strategic Planning for Child Welfare Agencies :National Child Care Resource Centre for Organizational Improvement, Portland Maine.

FAO. 1991. *Comprehensive agricultural development and food security programme*. Rome.

François, F. and Talbolt. LM. 1993. *Crisis and opportunity environment and development in Africa*: London: Earthscan Publications.

Foundation for Community Association Research. 2001.: 225 reeineker Lane, Alexandria.

Francis Sokes Berry and William D. Berry.1993. Innovation and diffusion Models in Policy Research in Theories of the Policy process Theoretical lessons on Public Policy edited by Sabatier Paul: Westview Press Colarado.

GFA Consulting Group. 2005. "The achievement of SADC macro convergence targets in Zambia: Performance and policy issues". Paper prepared for SADC Secretariat, Gaborone Botwana.

Gilbert, A., L. Sylvain, and M. Fredric. 1998. *Poverty analysis manual with applications in Benin*. Laval: University of Laval and UNDP.

Giovanni, AC. and GK. Helleiner. 1993. *Adjustment to development in Africa*. London: St. Martin's Press.

Greenaway D & Milner C. 1993. *Trade and industrial policy in developing countries*, London: Macmillan Press.

Griffin, K. 1996. *Studies in globalisation and economic transition*. New York: Macmillan Press.

GRZ: 2003. Report of the proceedings of the sixth national convention (INDABA) held at Mulungushi Conference Centre 17th-20th October 2003.

Hailu, D. 2005. *Adjustment policies in Africa: Lessons for poverty reduction*. London: Centre for Development Policy and Research and African Studies.

Halfani M, Patricia Carmey and Alfredo Rodriguez. 1993..Towards an understanding of Governance: The emergence of an idea and it's implications from urban research in Developing countries. Centre for Urban and Contemporary Studies University of Toronto Final meetings Social Research Centre, American University in Cairo 14-18 February.

Hanson, M. and JJ. Heitz. 1999. "Neo-colonialism and neo-liberalism in South Africa and Zambia. *Political Science Quarterly* 144 (3).

Hantuba, S. 2004. Director of Planning, Ministry of Agriculture and Cooperatives. Personal interview. 23 August, Lusaka.

Harvey, Charles. 1972. "Growth and structure of the economy", in *Economic Independence and Copper: A case study of foreign investments*, edited by Harvey, C. 7 New York: Praeger Publishers.

Heij, H van der. 2000. *The Effectiveness of economic policy reform, foreign aid and external debt relief in Zambia: Executive summary* (Unpublished).

Henriot, P. Fr. 2003. "Globalisation: views and concerns". *Partner Zambia* N0. 18.

Idea International. 2001. *Poverty reduction strategy: the Malian experience*. Idea Quebec.

Imbwae I. and Masialeli I .2002. *Information system for the Transitional National Development Plan 2002-2005*, Ministry of Finance and national Planning. Lusaka (Unpublished).

IMF. 2004. *World Economic Outlook*, Washington DC.

IMF Decision Point Document for Enhanced Heavily Indebted Poor Countries (HIPC) Initiative November 2000.

Jubilee, Zambia. 2000. "Will debt relief mean poverty relief?". National Conference Paper. Mulungushi conference Centre, Lusaka Zambia.

Kalumiana O.S. 1996. *Study of the demand and supply of firewood and charcoal Luapula Province*, MENR, Lusaka Zambia.

Kamocha, S., C. Lwamba, C. Cheelo, and T. Munalula. 2005. *The impact of HIV/AIDS on the Zambian labour force*. Lusaka. ZAMSIF. Ministry of Finance and National Planning, Lusaka.

Kamuna, C. 2005. Regional Facilitator, ZAMSIF. Personal interview, Lusaka.

Kandeke, KT. 1977. *Fundamentals of Zambian Humanism*. Lusaka: NECZAM.

Kapinga, AM. 2004. Assistant Director. Personal interview. 25 August, Lusaka.

Katundu, C. 2004. Chief Planning Officer, Ministry of Education. Personal interview. 3 September.

Kaunda, K. 1979. *Humanism in Zambia and a guide to its implementation. Part II*. Lusaka: NECZAM.

Kees van Donge. 1995. *Zambia: Kaunda and Chiluba, Enduring patterns of political culture, democracy and political change in Sub Saharan Africa*, edited by John A. Wiseman. New York: Praeger Publishers.

Khondowe, M. 2004. Director, PSCAP, Cabinet Office. Personal interview. 24 August, Lusaka.

Lindauer D. L. and Roemer M. *Legecies and Opportunities, in Asia and Africa, in legecies and Opportunities in Development*, edited by Lindauer D. L. and Roemer M, Institute for Contemporary Studies California.

Lukumba, R. 2004. Resolve policy issues Africa told. *Sunday Times of Zambia* 1 August.

Macwan'gi, Mubiana, Mary S. Ngoma, Jolly Kamwanga, Philemon Ndubani. 2004. *Capacity Issues in the Public sector: What we know and what can be done in the context of HIV/AIDS: Health Sector*. Public Service Management Division, Cabinet Office, Lusaka.

Milimo, JT., T. Shilito, and K. Brock. 2002. *The poor of Zambia speak*. Lusaka: Venus Stationery.

Milimo, SP. 1995. *Local level planning in the context of decentralisation and donor aid in least developed countries: The case for Zambia*. The Hague: ISS.

Ministry of Agriculture and Cooperatives . 2004. *National Agricultural Policy 2004-2015*, Ministry of Agriculture, Lusaka.

Ministry of Environment and Natural Resources, 1997. *Zambia Forestry Action Programme*, MENR, Lusaka Zambia.

Ministry of Tourism, Environment and Natural Resources, 2004. *Investment opportunities in Zambia's Tourism Sector*, MTENR, Lusaka.

Ministry of Energy and Water Development, 2004. *The Energy Bulletin 2000-2003*, Department of Energy, Lusaka Zambia.

Ministry of Finance and National Commission for Development Planning. 1982, 1988. *Budget Address*. Lusaka: Government Printers.

Ministry of Finance and Economic Development. 1985, 1992, 1997, 1999, 2000, 2001. *Economic Reports*. Lusaka: Government Printers.

Ministry of Finance. 1979, 1983. *Budget Address*. Lusaka: Government Printers.

Ministry of Development Planning and National Guidance, 1965. *First National Development Plan, 1966-1970*. Lusaka: Government Printers.

Ministry of Development Planning and National Guidance .1971. *Second National Development Plan, 1972-1976*. Lusaka : Government Printers.

Ministry of Finance and Economic Development. 1997, 1998, 1999, 2000, 2001. *Budget Address*. Lusaka, Government Printers.

Ministry of Finance and Economic Development. 1998, 1999, 2000. *Macro-economic indicators*. Lusaka

Ministry of Community Development and Social Services .2000.*National Poverty Reduction Plan, 2000-2005*. Lusaka.

Ministry of Finance and Economic Development. 1999. *Policy Framework Paper*. Lusaka.

Ministry of Finance and Economic Development. 2000. *Public Investment Programme, 2000-2002*. Lusaka.

Ministry of Finance and National Planning. 2002. *Poverty Reduction Strategy Paper, 2002-2004*. Lusaka.

Ministry of Finance and National Planning. 2002. *Transitional National Development Plan, 2002-2005*. Lusaka.

Ministry of Finance and National Planning. 2002. *Poverty Reduction Strategy Paper 2002-2004*. Lusaka

Ministry of Finance and National Planning . 2002. *Budget Address*. Lusaka.

Ministry of Finance and National Planning .2001, 2002, 2003. *Economic Reports*. Lusaka.

Ministry of Finance and National Planning . 2003. *Budget Address*. Lusaka.

Ministry of Finance and National Planning. 2003. *Mid-year Economic Review*. Lusaka.

Ministry of Finance and National Planning, .2002 .ZAMSIF. Lusaka

Ministry of Finance and National Planning. 2003. *Public Investment Programme 2002-2004* Lusaka.

Ministry of Community Development and Social Services . 2003. *Public Welfare Assistance Scheme*. Lusaka.

Ministry of Finance and National Planning. 2004. *Second PRSP Implementation Progress Report July 2003-June 2004*. Lusaka.

Ministry of Finance and National Planning. 2005. *National Population Policy*. Lusaka.

Mlambo S.A. and Pangeti E.S. 2001. *Globalization, structural adjustment and social dimension dilemma in Zimbabwe*. Edited by A. Taye, S. Rugumamu and A.G. Almed. Addis Ababa: Organization for Social Research in Eastern and Southern Africa.

Mpepo, B. 2004. Coordinator, CSPR. Personal interview. 16 August , Lusaka.

Mulungushi, JS. 1986. *Agricultural Land Use in Mongu South*. Masters Thesis, ITC Enschede Holland.

Mumba, N. 2004. Vice President of Zambia at the launch of the *Human Development Report, 2004* Lusaka.

Muyawanyoka, D. 2004. Director, Human Resource and Administration, Ministry of Agriculture and Cooperatives. Personal interview. 30 August, Lusaka.

Mwale, E. 2005. Operations Coordinator ZAMSIF Lusaka, Personal interview. 21 July, Lusaka.

Mwale. M. 2005. Member of Parliament, National Assembly, Lusaka. Personal interview 15th July 2005.

Muleya. J. 2005. Member of Parliament, National Assembly, Lusaka. Personal interview 15th July 2005.

Mwanakatwe, JM. 1994. *End of Kaunda era*. Lusaka: Multimedia.

Mwanakatwe, JM. 2003. *John Mwanakatwe, Teacher, Politician, Lawyer: My Autobiography*. Lusaka: Book World Publishers.

Mwanawina, I. 1998. *Global trade analysis for Southern Africa: The Impact of capital flows into South Africa*. Johannesburg: Paper presented at EAGER workshop.

Mwanawina I., Cathy C. and Mccathy J.M. 1999. *Impact of economic liberalization under*

the cross border initiative: A case study of the experience in Zambia and Malawi, Lusaka Zambia (Unpublished).

Mwanawina, I. and J. Mulungushi. 2003. *Explaining African economic growth performance: A case for Zambia*. African Economic Research Consortium, Nairobi.

Mwanawina, I, Kayamba, A, and JJ Zulu. 2004. *Harmonization of planning documents* Volume i and ii Review of Planning Documents Ministry of Finance and National Planning, Lusaka.

Mwanza, AM. Ed. 1992. *Structural Adjustment Programmes in SADC: Experiences and lessons from Malawi, Tanzania, Zambia and Zimbabwe*. Harare: SAPES Books.

Ministry of Finance. 1979, 1983. *Budget Address*. Lusaka: Government Printers.

Mintzberg H. 1994a. The Fall and Rise of Strategic Planning :Business Review January-February pp 107-114

Mintzberg H .1994b. The Rise and Fall of Strategic Planning: Printice Hall international UK Hertfordshire

Ndumingu, N. 2004. Business Analyst. Personal interview. 10 August Lusaka

Nikolai, S. 1983. *Political Economy*. Moscow: Progress Publishers.

Nyerenda. C. 2005. Member of Parliament, National Assembly, Lusaka personal interview 15th July 2005.

New Partnership for Africa's Development, Main report Abuja, Nigeria 2001.

Ng'andwe, C. 1980. *Inflation in Zambia*. Ph.D. Thesis University of London Press.

OSSREA. 2004. *Report on OSSREA's Planning workshop on Assessment of Poverty reduction strategies in Sub-Saharan Africa*. Addis Ababa: OSSREA .

Office of the President. 1978. *Third National Development Plan, 1979-1983*. Lusaka: Government Printers.

Office of the President.. 1988. *New Economic Recovery Programme*., Lusaka: Government Printers

Office of the President. 1988. *Fourth National Development Plan, 1989-1993*. Lusaka: Government Printers.

Saul J.R. 2005. *The collapse of globalism*. Viking Canada: Penguin Group.

Palmer, R. and Parsons, N. 1977. *The roots of rural poverty in Central and Southern Africa*. London: Buddles Guildford.

Pere Ike Underson. 2000. *Foreign aid, debt and growth in Zambia. Nordiska Africinstituent research report NO.112*. Uppsala Motala.

Phiri Brighton. 2004. "Globalization is unfair to poor countries". *Zambia Daily Mail* 16th July.

Phiri, P. "Guard against globalization effects, Levy urges SADC. *Zambia Daily Mail* 18th August.

Price Water House Coopers. 2001. *How Zambia Can Achieve Export-Led Economic Growth*. Prepared by Price Water House Coopers, Lusaka.

Peter Lorange (1993) *strategic Planning and Control: Main street Cambridge Massachusetts USA*.

Radelet S. 1999. "Manufactured exports, export platforms and economic reforms", in *Development Assistance in the 21st Century: Changing the conventional wisdom on assistance and development*, Harvard Institute for International Development, London.

Renata, LD., SG. Alssabatou, D. Bakely, L. and M. Frederic. 2001. *Poverty Reduction Strategy: The Malian experience*. Laval: IDEA International and University of Laval.

ROADSIP II. Bankable Document Final report. www.nrfa.org.zm. Down loaded 10/01/06.

Roy, R. 2004. *Pro-poor finance: Analytical framework and overview of instruments*. New York: UNDP.

Rustasiara, L. and HH. Mwinyimvua. 2004. *Economic policies in support of MDGs and poverty reduction: A case of Tanzania*. Dar es Salaam: University of Tanzania Press.

Saasa, O.S. 1985. "Public policy making in developing countries: The Utility of contemporary decision-making models". *Public Administration and Development* Volume 5 (4).

Sifwafula.C. 2004. Manager Research and Planning Investment Centre. Personal interview. 14th August 2004.

Saasa, O.S. 1994. *Governance capacity and successful adjustment in Zambia, 1983-199*. Report commissioned by the Private Sector Development Department. Washington, DC: World Bank.

Saasa, O.S. 2001. *Background Report: Zambia Country Assistance Evaluation: Post-Privatization Study*. Lusaka: World Bank.

Saasa, O.S. 2002. *Aid and poverty reduction in Zambia: Mission unaccomplished*. Uppsala: Nordic African Institute.

Saasa, O.S 2005. *Zambia: Aid policy and strategy*. Lusaka: Ministry of Finance and National Planning. Lusaka.

Saasa .1994. *Governance Capacity and Successful Adjustment in Zambia: 1983-1993*, report commissioned by the Private Sector Development Department, The World Bank, Washington D.C.

Salih, MA. 2001. "Globalization and human insecurity in Africa", in *Globalization, Democracy, and Development*, edited by T. Assefa, SM. Rugumamu and A. Ghaffar. Addis Ababa: OSSREA.

Salimu, P. Regional Facilitator Northern Province. 2005. Personal interview. 20 August, Lusaka.

Sardanis, A. 2003. *Africa: Another side of the coin – Northern Rhodesia's final years and Zambia's nationhood*. London: IB Tauris and Co.

Scott, G. 2002. "Zambia: Structural adjustment, rural livelihood and sustainable development". *Development Southern Africa* 2 (3).

Siakasiya S. National Registration Officer. 2004. Personal interview. 8 September, Lusaka.

Sibo Development Consultants. 2004. *Report on the review of existing process, procedures and guidelines for formulating, writing, updating and evaluating policy documents of the Government of Zambia*. Lusaka: Cabinet Office.

Sichone, O. and Chikulo, B. 1996. *Democracy in Zambia: challenges for the third republic*, Edited by O. Sichone and B. Chikulo. Harare: Sapes Books.

Sitwala, M. 2004. Personal interview. 24 March, Lusaka.

Solomon, MW. 2005. *Practical strategic planning*. Unpublished paper presented at a workshop on strategic planning. RSA July 2005.

Subramanian, Arvin, and Devesh Ror. 2003. "Who can explain the Mauritian miracle: Meade, Romer, Sacks or rodrik? Chapter 8 in *Search of prosperity: Analytical narrative on economic growth*, edited by Dani Rodrik, Priceton University Press, pp. 205-243.

Swedish. .1994. *Evaluation of Swedish Development Cooperation with Zambia*. Report 6. Stockholm: Ministry of Foreign Affairs.

Susan Scribner .1991. Introduction to Strategic Management, Section 5:USAID, Global Bureau, Centre for Democracy and Governance, Washington DC.

Sabatier P .1991. Towards Better Theories of the Policy Process: PS Political Science and Politics Volume 24 n0. 2 pp147-156.

Sabatier P .1999. Editor Theories of policy process: theoretical lessons on public Policy: Westview Press 5500 Central avenue Colarado.

Thomson, WL. and JD. Hunger. 2003. *Strategic management and business policy*. New York: Prentice Hall.

Turok, B. Ed. 1979. *Development in Zambia*. London: ZED Press.

Uma, L. and I. Nabi. 1991. *Transitions in development: The role of aid and commercial flows*. Harare: International Centre for Economic Growth.

UNDP. 1999. *Zambia Human Development Report, 1999/2000*. Ndola: Mission Press.

UNDP. 2003. *Human Development Report, 2003*. Lusaka.

United Nations. 2002. *Economic development in Africa: From Adjustment to poverty reduction – what is new?* New York and Geneva.

UNCTAD/ITE/IPC.2005. *Investment Policy Review for Zambia*. New York and Geneva.

USAIDS. 2005. *AIDS in Africa: three scenarios to 2025*. Geneva: Visual Media Services.

Weeks. J. 2004. *Macroeconomic policies in Africa: Economic policies in support of MDGs and poverty reduction*. London: Centre for Development Policy and Research and African Studies.

Weiss J. 2005. *Export Growth and Industrial Policy: Lessons from East Asian Miracle experience*. Asian Development Bank, ADB Discussion Paper no. 26.

World Bank. 1985. *Policy options and strategies for agricultural growth*. Lusaka.

World Bank. 1999. *Project Appraisal Document on a proposed credit to the Republic of Zambia*. Washington, DC.

World Bank. 2000. *PRSP Source Book*. Washington DC.

World Bank. 2001. *Zambia Public Expenditure Review: Public expenditure, growth and poverty – A Synthesis*. Washington, DC.

World Bank. 2002. *Zambia: Privatization Review*. Washington DC.

World Bank. 2004. *Zambia: Country Economic Memorandum*. Volumes 1 and 2. Washington DC.

World Bank. 2000. *HIPC decision point document* Washington DC

Yamba, FK. 2004. Director of Planning, Ministry of Commerce, Trade and Industry. Personal interview. 25 August, Lusaka.

Zambia. 1999. *Economic growth with equity: Policies of the Government of the Republic of Zambia*. Lusaka: Government Printers.

National Commission for Development Planning .1986 , *Economic review and Annual Plan* , Lusaka.

Zambia Privatization Agency. 2001. *Progress Report. NO. 18*. Lusaka.

Zambia Revenue Authority. 2003. *Annual Report*. Lusaka.

Zambia and UNDP. 2003. *Zambia Millennium Development Goals Report, 2003*. Lusaka.

Zulu, J.J. 2004. Policy Analyst, JCTR. Personal interview. 8 August, Lusaka.